# Targa Resources Corp.

## First Quarter 2020
## Earnings Supplement
## May 7, 2020

TARGA

# Forward Looking Statements

Certain statements in this release are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, are forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties, factors and risks, many of which are outside the Company’s control, which could cause results to differ materially from those expected by management of the Company. Such risks and uncertainties include, but are not limited to, weather, political, economic and market conditions, including a decline in the price and market demand for natural gas, natural gas liquids and crude oil, the impact of pandemics such as COVID-19, actions by the Organization of the Petroleum Exporting Countries (“OPEC”) and non-OPEC oil producing countries, the timing and success of business development efforts, and other uncertainties. These and other applicable uncertainties, factors and risks are described more fully in the Company’s filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2019, and any subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The Company does not undertake an obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# Strategic Update

- **Remain focused on safeguarding employee health and safety and ensuring safe and reliable operations in response to COVID-19**
  - Taking several proactive measures to protect our employees and ensure safe continuity of operations
  - Following guidelines and prevention recommendations set forth by CDC and local authorities
- **Continue to identify actions to protect Targa's balance sheet and maintain financial flexibility**
  - Reduced common dividend by ~90%; provides ~$755 million of additional annual direct cash flow
  - Reduced estimated 2020 net growth capital spending by ~40%; estimated 2021 net growth capital spending ~73% lower than 2020 estimate; reduced estimated 2020 maintenance capex by ~13%
  - Reduced 2020 operating and general and administrative expenses in aggregate by at least $100 million
- **Well-positioned to withstand current industry challenges**
  - Significant fee-based margin across Targa's businesses and increasing use of fee-based floors in Targa's G&P business provide cash flow stability
  - Strong liquidity position with no significant debt maturities until 2023
  - Remain focused on continued capital and operating cost discipline

***As a leading integrated midstream infrastructure company with premier assets, Targa is in good position to withstand the current global challenges and benefit quickly as demand for commodities returns***

# Operational Performance – G&P Segment

## 1Q20 Highlights:

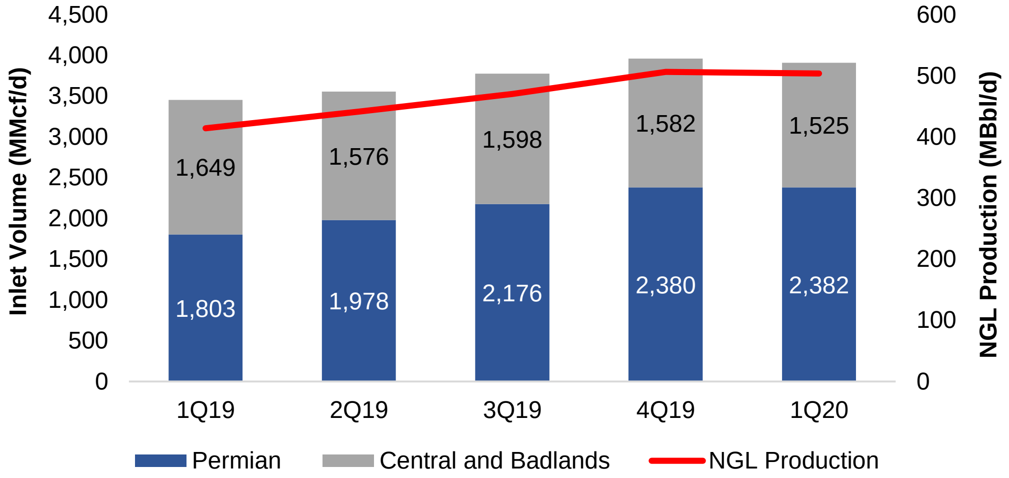
*Field G&P Natural Gas Inlet*

- Permian volumes +32% year over year; volumes flat sequentially
- Badlands volumes +65% year over year; +2% sequentially
- Central volumes -12% year over year; -4% sequentially

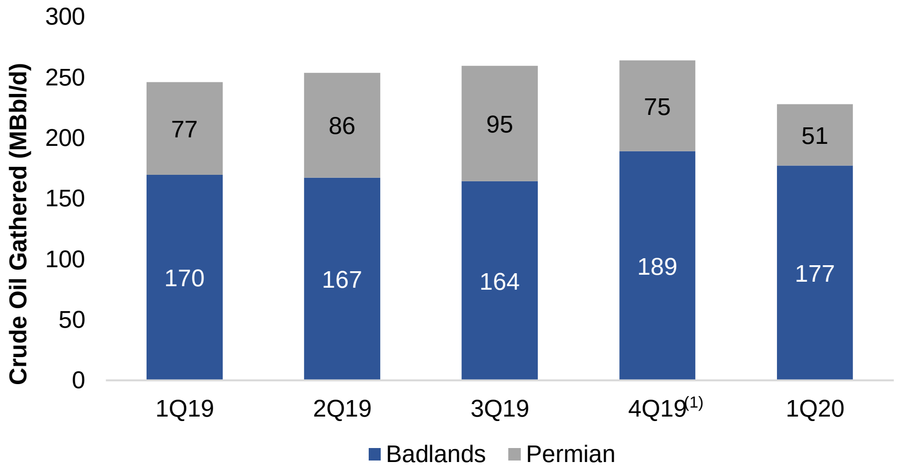
*Crude Oil Gathered*

- Badlands volumes +4% year over year; -6% sequentially
- Permian volumes down year over year and sequentially due to sale of Permian Delaware crude gathering system

**Field G&P Natural Gas Inlet Volumes and NGL Production**




**Crude Oil Gathered Volumes**




(1) *Permian crude oil gathered volumes reflect the sale of the Delaware crude gathering system, which was effective December 1, 2019*

# Operational Performance – Downstream Segment

## 1Q20 Highlights:

*NGL Transportation*

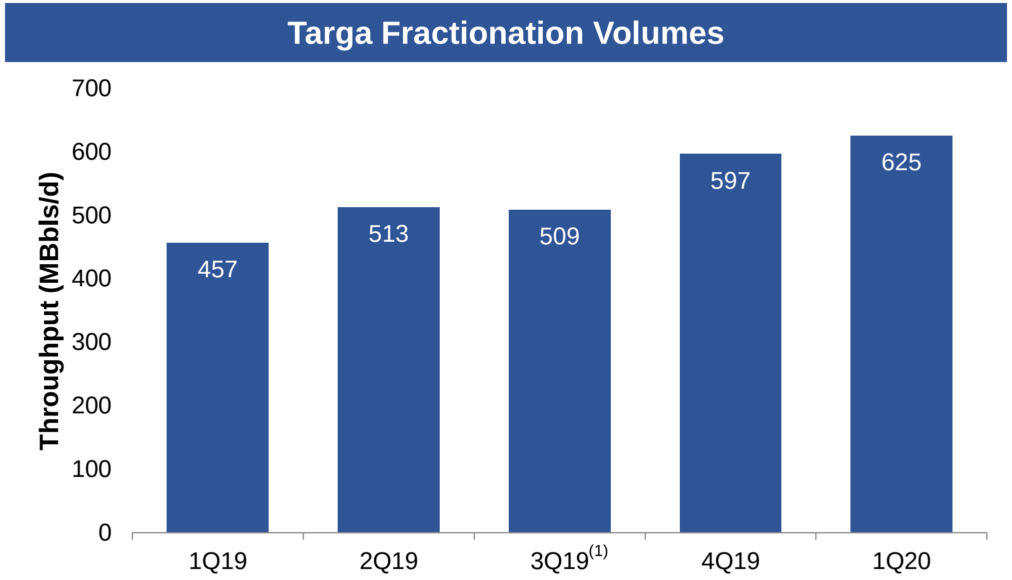
- Targa's Grand Prix NGL Pipeline throughput deliveries into Mont Belvieu averaged 262 MBbl/d

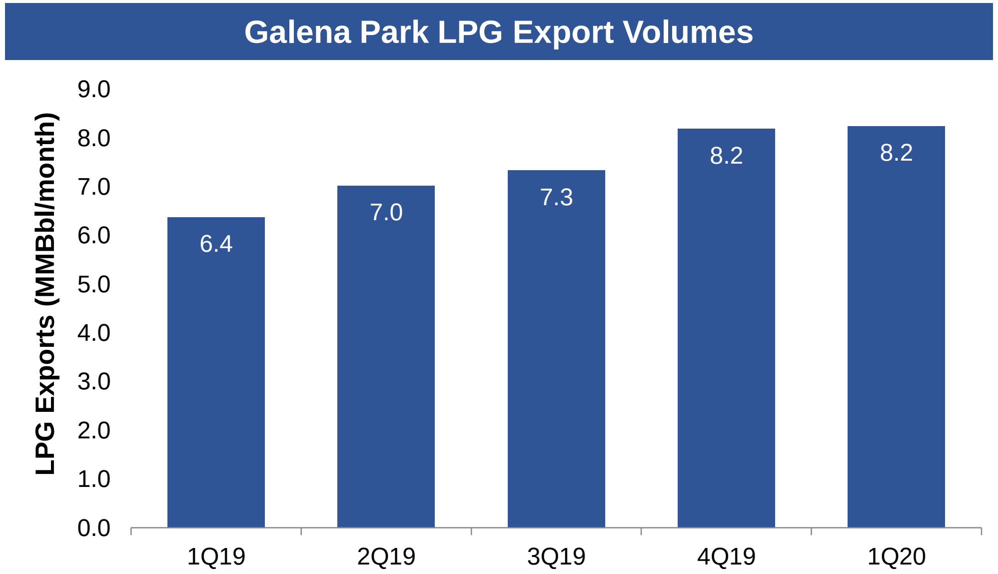
*Fractionation*

- Fractionation volumes +37% year over year; +5% sequentially
- New Frac Train 7 began operations in March

*LPG Export Services*

- LPG export volumes +26% year over year; modestly higher sequentially

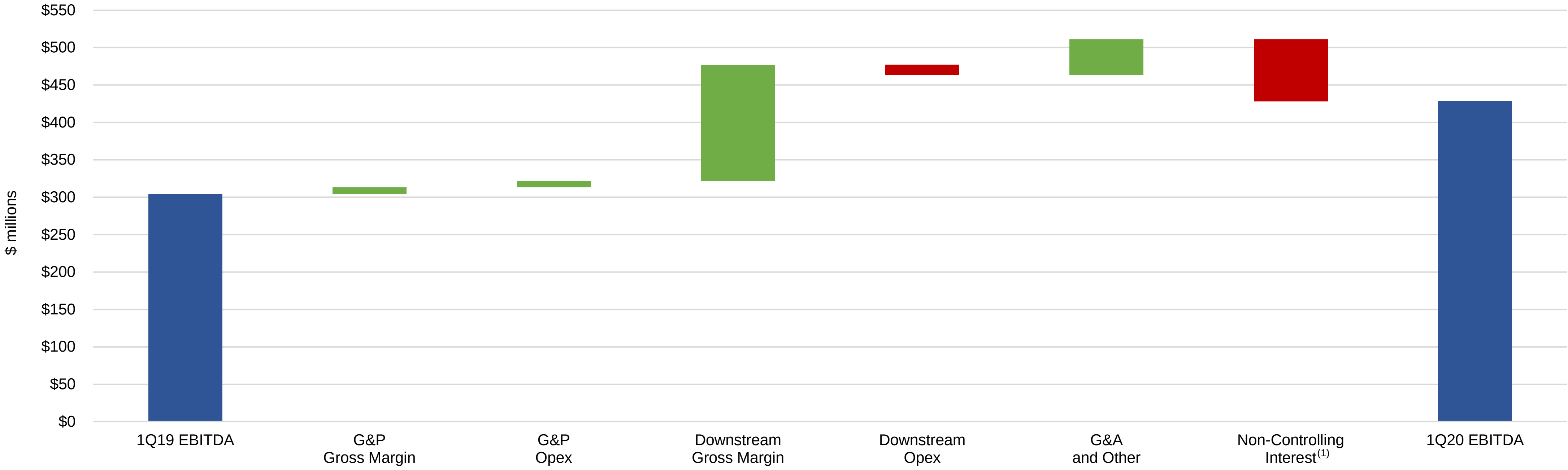



*(1) 3Q19 fractionation volumes were impacted by ~50 MBbl/d due to scheduled turnaround and maintenance*

# Financial Performance – 1Q 2020 vs. 1Q 2019

## Adjusted EBITDA Bridge




## Segment Operating Margin

**Gathering & Processing segment operating margin increased $17.4(2) million**

- \+ Higher Permian volumes
- \+ Higher Badlands volumes
- \+ Lower operating expenses attributable to contract labor, taxes, and supplies
- − Lower Central volumes
- − Lower realized NGL and natural gas prices(2)

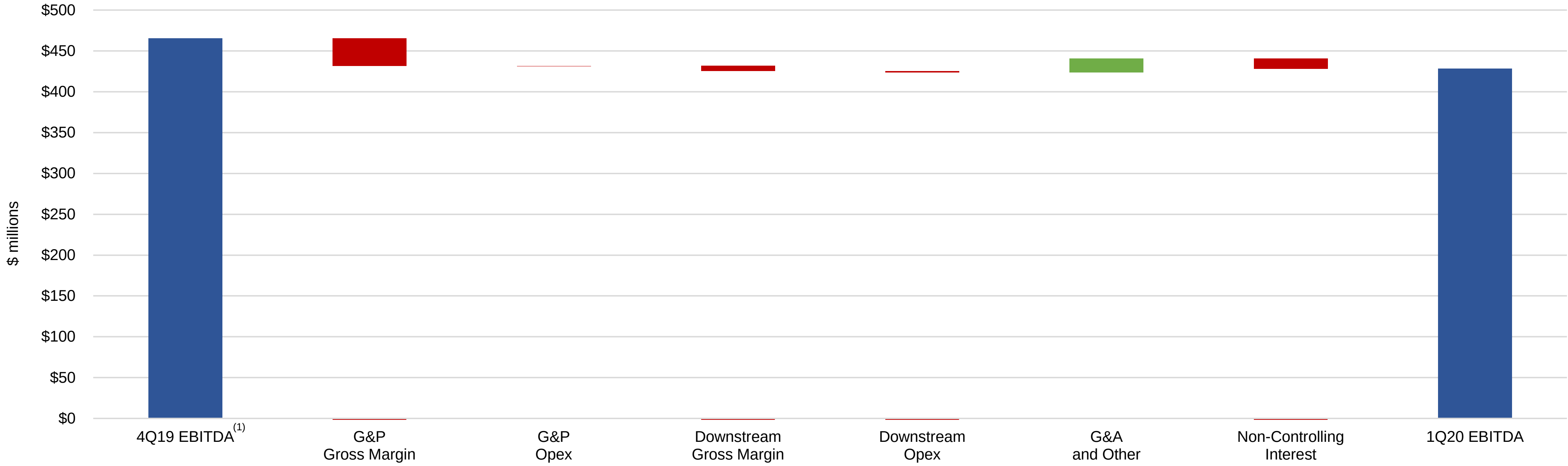
**Downstream segment operating margin increased $141.9 million**

- \+ Higher NGL transportation and fractionation volumes
- \+ Higher LPG export volumes
- \+ Higher Marketing and Other due to greater optimization opportunities
- − Higher operating expenses primarily associated with Grand Prix and fractionation expansions

*(1) Primarily attributable to the sale of the 45% interest in Badlands, which closed April 2019*
*(2) Inclusive of realized hedge gain/(loss)*

# Financial Performance – 1Q 2020 vs. 4Q 2019

## Adjusted EBITDA Bridge




## Segment Operating Margin

**Gathering & Processing segment operating margin decreased $34.0[2] million**

- − Lower realized NGL, natural gas and condensate prices[2]
- − Lower Field G&P volumes
- − Lower crude gathering volumes primarily attributable to the sale of the Permian-Delaware crude gathering system in Q4 2019
- + Higher Coastal volumes due to producer disruptions in previous quarter

**Downstream segment operating margin decreased $8.0 million**

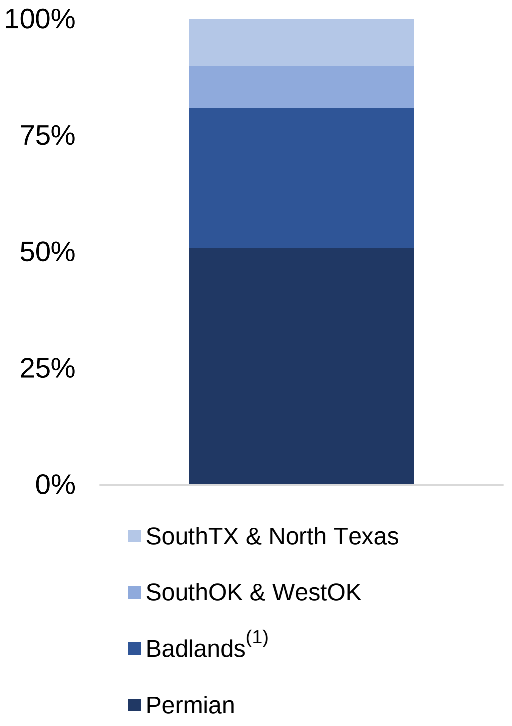
- − Lower Marketing and Other
- − Lower NGL transportation volumes
- + Higher fractionation volumes
- + Higher LPG export volumes



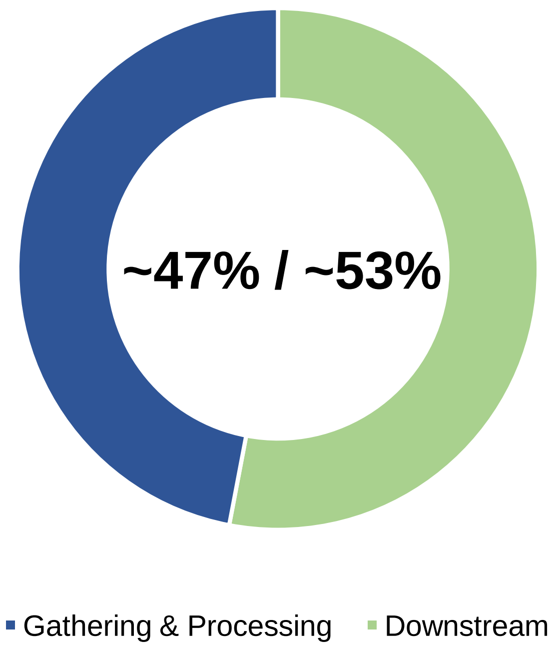
*(1) Included ~35 million benefit in one-time items, which included adjustments to certain operating and general and administrative expense estimates and partner related reimbursements*
*(2) Inclusive of realized hedge gain/(loss)*

# Business Mix – 1Q 2020

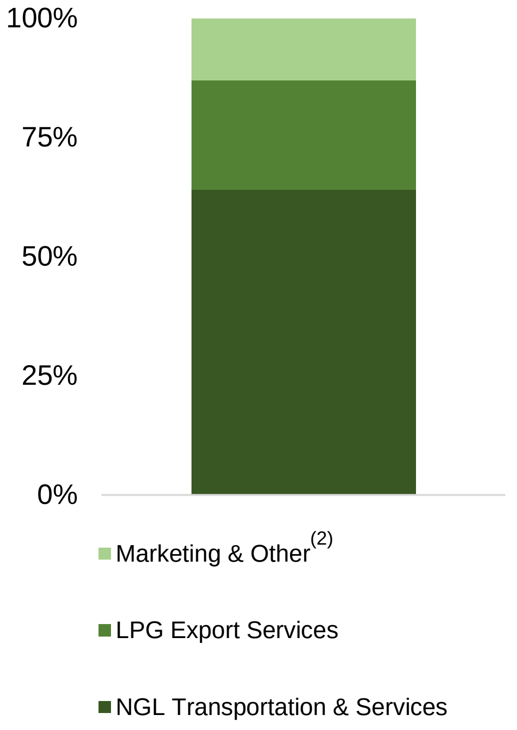
## Field Gathering & Processing Operating Margin 1Q 2020




## Business Mix – Segment Operating Margin




## Downstream Operating Margin 1Q 2020




**Business mix has shifted more towards the Downstream segment due to recently completed growth projects, which are backed predominantly by fee-based contracts**

*(1) Fully consolidated operating margin*

*(2) Marketing & Other includes Domestic NGL Marketing (Wholesale Propane, Refinery Services, Commercial Transportation), Gas Marketing & Petroleum Logistics*

# 2020 Financial Estimates

| Adjusted EBITDA Estimate<br>FY 2020E<br>*($ in millions)* |
|---|
| **$1,400 - $1,625** |

- Updated range takes into consideration a wide range of volume assumptions related to producer customer activity and completions levels given uncertainty in current market
- Low-end of range includes an assumption of significant prolonged producer shut-ins, which Management believes is conservative based on current producer feedback

| Capital Expenditure Estimates<br>FY 2020E<br>*($ in millions)* | |
|---|---|
| **Net Growth Capital Expenditures** | **$700 - $800** |
| *Gathering & Processing [(1)]* | *~$325* |
| *Logistics & Transportation ("Downstream")* | *~$425* |
| **Net Maintenance Capital Expenditures** | **$130** |

| | 2020E | | | | |
|---|---|---|---|---|---|
| ***Major Project Expected In-Service Timeline*** | **Q1** | **Q2** | **Q3** | **Q4** | **2021E** |
| ***Gathering & Processing*** | | | | | |
| **Permian Delaware** | | | | | |
| Peregrine Plant - 250 MMcf/d | | ✓ | | | |
| **Permian Midland** | | | | | |
| Gateway Plant - 250 MMcf/d | | | ✓ | | |
| ***Logistics & Transportation*** | | | | | |
| **Fractionaction Train 7 - 110 MBbl/d** | ✓ | | | | |
| **Fractionaction Train 8 - 110 MBbl/d** | | | ✓ | | |
| **LPG Export Facilities Capacity Expansion** | | | ✓ | | |
| **Grand Prix Extension to Central Oklahoma [(2)]** | | | | | ✓ |

*(1) Greater than 80% of total G&P net growth capex for 2020E focused on Permian Basin*
*(2) Expected to be complete by Q1 2021*

# Risk Management

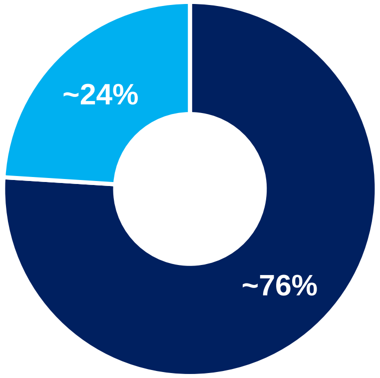
## Hedging Program Further Strengthens Cash Flow Stability

| Field G&P Hedging Update | | | | | | | | Commodity Price Sensitivity[1] | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | | | | 2021 | | | | | | |
| Commodity | Volumes Hedged | Exposure Hedged (%)[1] | Wtd. Avg. Hedge Price[2] | Commodity | Volumes Hedged | Exposure Hedged (%)[1] | Wtd. Avg. Hedge Price[2] | | | 2020E Adj. EBITDA Impact |
| Natural Gas (MMBtu/d) | 167,230 | ~85% to ~100% | $1.70 | Natural Gas (MMBtu/d) | 163,751 | ~80% to ~95% | $1.75 | Natural Gas | +/- $0.25/MMBtu | +/- ~$1 to $3 million |
| NGLs (Bbl/d)[3] | 26,012 | ~65% to ~80% | $0.57 | NGLs (Bbl/d) | 14,151 | ~35% to ~40% | $0.55 | NGLs | +/- $0.05/gallon | +/- ~$11 to $13 million |
| Condensate (Bbl/d) | 5,207 | ~75% to ~100% | $57.76 | Condensate (Bbl/d) | 4,204 | ~60% to ~75% | $54.91 | Condensate | +/- $5.00/Bbl | +/- ~$1 to $2 million |

## Counterparty Profile

### Revenue from Top 25 Customers[4]

■ Non-IG or Non-LC Backed ■ IG or LC Backed




- ~76% of revenue from top 25 customers is investment grade or LC backed
- Top 25 customers represents ~60% of total revenue[4]

- **Gathering & Processing Segment**
  - Targa is predominantly in a net payable position to its G&P customers
  - Diverse group, with many investment-grade and large well capitalized producers
- **Downstream Segment**
  - Targa is predominantly in a net payable position to customers in its NGL transportation and fractionation businesses
  - Diverse group, primarily investment-grade and large well capitalized firms
  - LPG export customers are either investment grade or required to post letters of credit to cover exposure

*(1) Based on an estimated range of average daily equity volumes for the balance of 2020*
*(2) Weighted average hedge prices assumes put prices for collars*
*(3) Targa's composite NGL barrel comprises 38% ethane, 34% propane, 5% isobutane, 12% normal butane, and 11% natural gasoline*
*(4) Based on consolidated revenue for the three months ended 3/31/2020*

# Reconciliations

# Non-GAAP Measures Reconciliation

This presentation includes the non-GAAP financial measures of Adjusted EBITDA. The presentation provides a reconciliation of this non-GAAP financial measures to its most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Our non-GAAP financial measures should not be considered as alternatives to GAAP measures such as net income, operating income, net cash flows provided by operating activities or any other GAAP measure of liquidity or financial performance.

Adjusted EBITDA – The Company defines Adjusted EBITDA as net income (loss) available to TRC before interest, income taxes, depreciation and amortization, and other items that we believe should be adjusted consistent with our core operating performance. The adjusting items are detailed in the Adjusted EBITDA reconciliation table and its footnotes. Adjusted EBITDA is used as a supplemental financial measure by us and by external users of our financial statements such as investors, commercial banks and others. The economic substance behind our use of Adjusted EBITDA is to measure the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and pay dividends to our investors.

Adjusted EBITDA is a non-GAAP financial measure. The GAAP measure most directly comparable to Adjusted EBITDA is net income (loss) attributable to TRC. Adjusted EBITDA should not be considered as an alternative to GAAP net income. Adjusted EBITDA has important limitations as an analytical tool. Investors should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into its decision-making processes.

# Non-GAAP Reconciliations - Estimated 2020 Adjusted EBITDA

| **Reconciliation of estimated net income attributable to TRC to estimated Adjusted EBITDA** | **Full Year 2020E** | |
|---|---|---|
| | **(In millions)** | |
| Net loss attributable to TRC [1] | $ | (1,706.0) |
| Impairment of long-lived assets [1] | | 2,443.0 |
| Income attributable to TRP preferred limited partners | | 11.0 |
| Interest expense, net | | 380.0 |
| Income tax expense (benefit) | | (275.0) |
| Depreciation and amortization expense | | 880.0 |
| Equity (earnings) loss | | (70.0) |
| Distributions from unconsolidated affiliates and preferred partner interests, net | | 100.0 |
| Compensation on equity grants | | 70.0 |
| Risk management activities and other[2] | | (120.0) |
| Noncontrolling interest adjustment[3] | | (200.0) |
| **TRC Estimated Adjusted EBITDA** | **$** | **1,513.0** |

(1) *The first quarter of 2020 included a pre-tax non-cash loss of $2,442.8 million from the impairment of long-lived assets that include a $2,234.2 million non-cash pre-tax impairment of property, plant and equipment and a $208.6 million non-cash pre-tax impairment of intangible assets. The non-cash pre-tax impairment is primarily associated with the partial impairment of gas processing facilities and gathering systems associated with its Mid-Continent operations and full impairment of its Coastal operations - all of which are in its Gathering and Processing ("G&P") segment. Based on current market conditions, the first quarter impairment assessment forecasts further declines in natural gas production across the Mid-Continent and Gulf of Mexico*

(2) *Unrealized change in mark-to-market (gain)/loss associated with hedging activities*

(3) *Noncontrolling interest portion of depreciation and amortization expense (including the effects of the impairment of long-lived assets on non-controlling interests)*

▶ Visit us at targaresources.com

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