



# ENERGY TRANSFER

Moving America's Energy

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## Q2 2023 Earnings

August 2, 2023



Management of Energy Transfer LP (ET) will provide this presentation in conjunction with ET's 2<sup>nd</sup> quarter 2023 earnings conference call. On the call, members of management may make statements about future events, outlook and expectations related to Sunoco LP (SUN), USA Compression Partners, LP (USAC), and ET (collectively, the Partnerships), and their subsidiaries and this presentation may contain statements about future events, outlook and expectations related to the Partnerships and their subsidiaries all of which statements are forward-looking statements. Any statement made by a member of management of the Partnerships at these meetings and any statement in this presentation that is not a historical fact will be deemed to be a forward-looking statement. These forward-looking statements rely on a number of assumptions concerning future events that members of management of the Partnerships believe to be reasonable, but these statements are subject to a number of risks, uncertainties and other factors, many of which are outside the control of the Partnerships. While the Partnerships believe that the assumptions concerning these future events are reasonable, we caution that there are inherent risks and uncertainties in predicting these future events that could cause the actual results, performance or achievements of the Partnerships and their subsidiaries to be materially different. These risks and uncertainties are discussed in more detail in the filings made by the Partnerships with the Securities and Exchange Commission, copies of which are available to the public. The Partnerships expressly disclaim any intention or obligation to revise or publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

This presentation includes certain forward looking non-GAAP financial measures as defined under SEC Regulation G, including estimated Adjusted EBITDA and Distributable Cash Flow. Due to the forward-looking nature of the aforementioned non-GAAP financial measures, management cannot reliably or reasonably predict certain of the necessary components of the most directly comparable forward-looking GAAP measures without unreasonable effort. Accordingly, we are unable to present a quantitative reconciliation of such forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures. All references in this presentation to capacity of a pipeline, processing plant or storage facility relate to maximum capacity under normal operating conditions and with respect to pipeline transportation capacity, is subject to multiple factors (including natural gas injections and withdrawals at various delivery points along the pipeline and the utilization of compression) which may reduce the throughput capacity from specified capacity levels.

## Operational

- Midstream gathered volumes reached a new record in Q2'23
- NGL transportation and fractionation volumes both reached new records in Q2'23
- Total NGL exports out of both the Nederland and Marcus Hook Terminals reached new records in Q2'23
- In June 2023, placed Bear cryogenic processing plant in the Delaware Basin into service
- In discussions to add ~1 Bcf of capacity to Gulf Run Zone 2 via compression, which would require minimal capital investment

## Financials

- Narrowed 2023 Adjusted EBITDA guidance:
  - Expected Adj. EBITDA: \$13.1 – \$13.4B
- 2023 growth capital<sup>1</sup> guidance (unchanged): ~\$2.0B
- Adjusted EBITDA:
  - Q2'23: \$3.12B
- Distributable Cash Flow (DCF):
  - Q2'23: \$1.55B
- Excess cash flow after distributions:
  - Q2'23: ~\$579 million
- Q2'23 Capital Expenditures:
  - Growth: \$387 million
  - Maintenance: \$216 million
- Announced increase to quarterly cash distribution to \$0.31 per unit

## Strategic

- On May 2, 2023, Energy Transfer completed the acquisition of Lotus Midstream Operations, LLC
- In July 2023, Lake Charles LNG entered into three non-binding Heads of Agreements (“HOAs”) related to long-term LNG offtake, for an aggregate of 3.6 mtpa
- Targeting annual distribution growth rate of 3% to 5%
- Expect to be at the lower end of 4-4.5x target leverage ratio range<sup>2</sup> going forward
- Expect long-term annual growth capital run rate to be between \$2 billion and \$3 billion

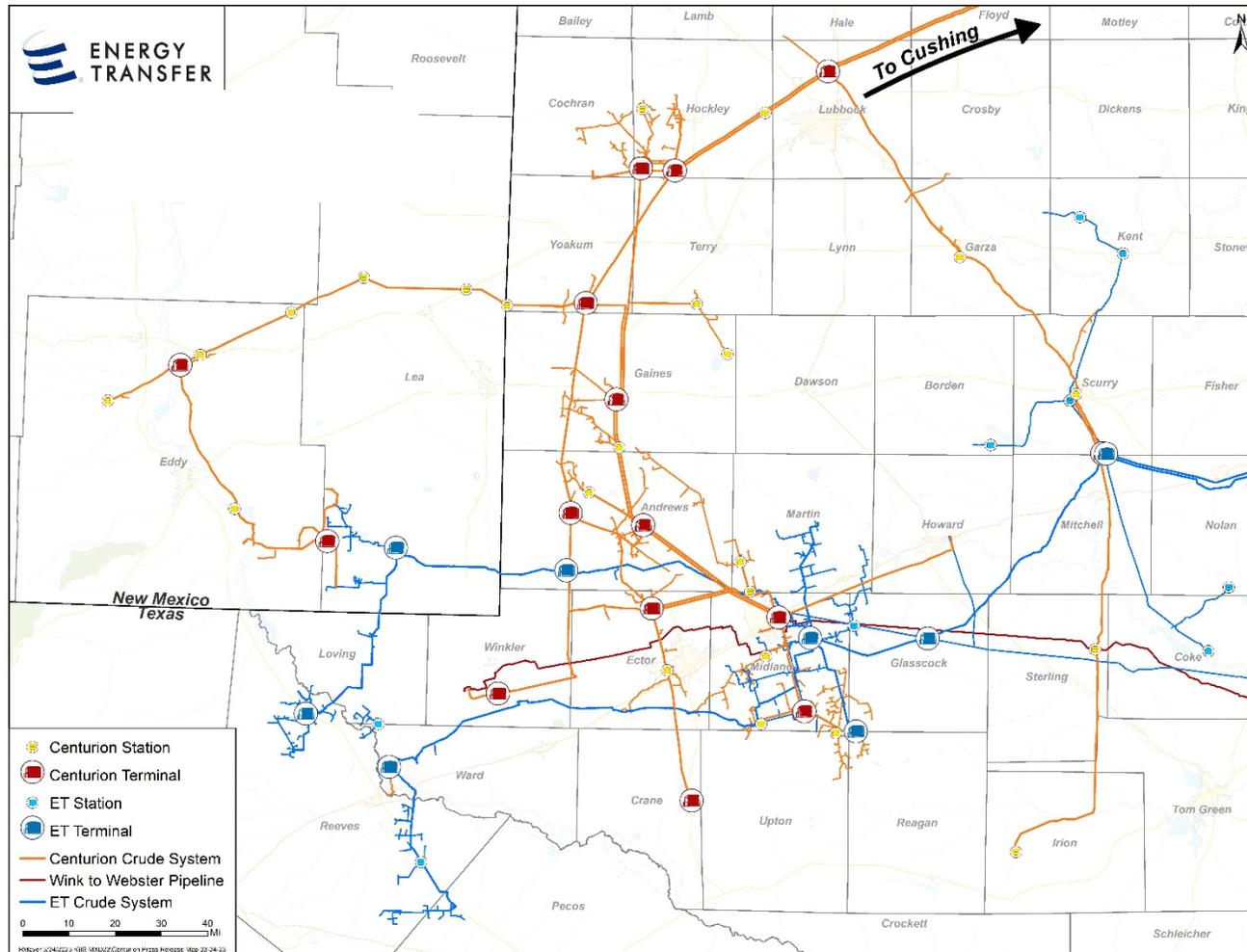
***Base business continues to deliver outstanding operating performance with record volumes reported across several of ET's segments***

1. Energy Transfer excluding SUN and USA Compression capital expenditures.

2. Based on ET's calculation of the Rating Agency leverage ratios

# Lotus Midstream

## Opportunistic Addition to Permian Pipeline Network



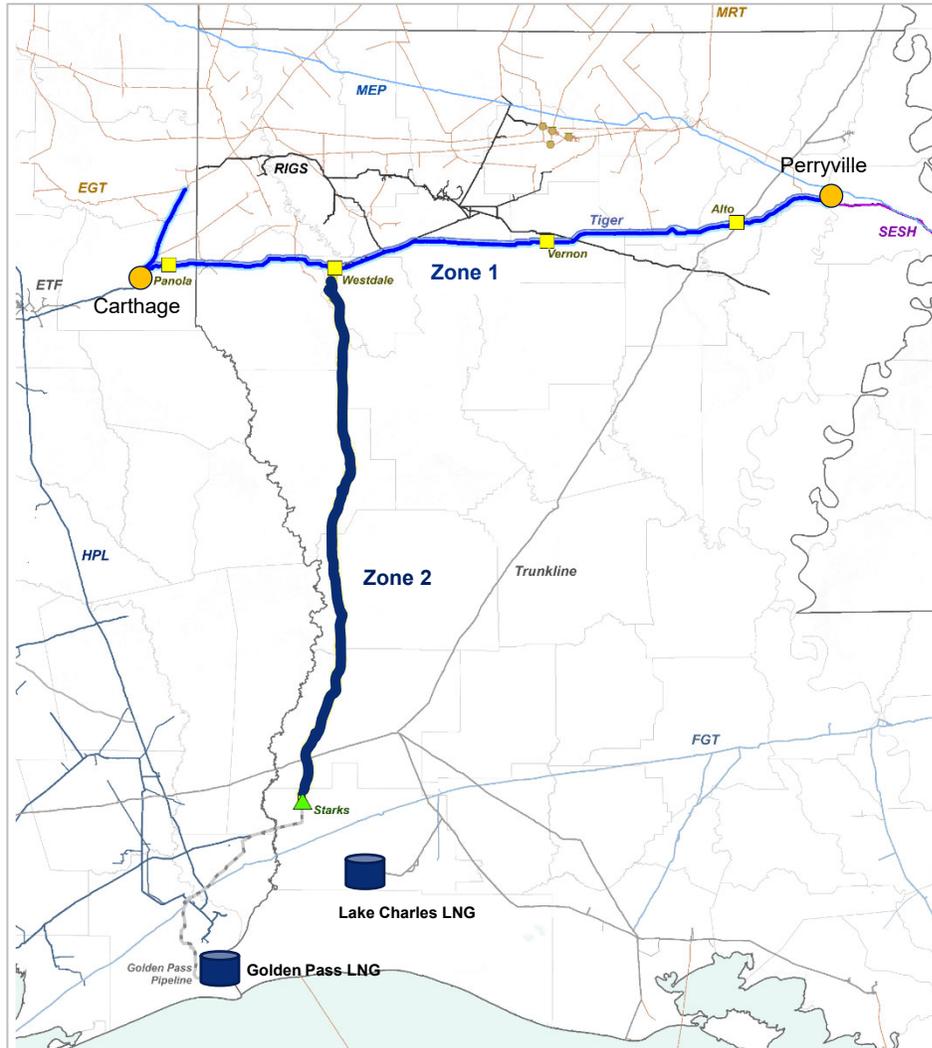
### Overview

- On May 2, 2023, Energy Transfer completed the acquisition of Lotus Midstream Operations, LLC for total consideration of \$930 million in cash and approximately 44.5 million newly issued common units
- Integration is going well and continue to discover additional commercial benefits that are in excess of originally anticipated synergies
- 3,000 miles of active gathering lines which extends to Energy Transfer's network and provide additional connections to major hubs including Cushing (new to ET), Midland, Colorado City, Wink and Crane (new to ET)
- Provided strategic bi-directional pipeline with direct connection between the Permian Basin and the strategic Cushing, OK hub
- Added 2 million barrels of crude oil storage capacity in Midland, TX
- Included a 5% equity interest in the Wink to Webster Pipeline
- System supported by long-term, predominantly fixed-fee contracts with significant acreage dedications from active, proven producers
- Immediately accretive to Free Cash Flow and Distributable Cash Flow per unit
- Structured to continue Energy Transfer's positive financial momentum and improving leverage ratios

Strategic bolt-on which enhanced ET's Permian crude oil network

# Gulf Run Pipeline

## Providing An Efficient Gulf Coast Connection



### Gulf Run Pipeline

- Unparalleled access to prolific natural gas producing regions in the U.S. with ability to deliver Haynesville-area gas to Gulf Coast Region
- Zone 1 (Formerly Line CP): ~200-mile, interstate pipeline with a capacity of ~1.4 Bcf/d<sup>1</sup>
- Zone 2 (New Build): 135-mile, 42" interstate pipeline with a capacity of 1.65 Bcf/d
- Backed by a 20-year commitment for 1.1 Bcf/d with cornerstone shipper Golden Pass LNG (Qatar Petroleum & Exxon Mobil)
- Zone 2 has very limited available capacity in the near term, and is fully subscribed beginning in January 2025
- In discussions to add ~1 Bcf of capacity via compression, which would require minimal capital investment
- Also have the ability to loop Zone 2 to add another ~2 Bcf of capacity, depending on demand

**Placed in service YE'22, on time and on budget**

1. Excludes ~0.4 Bcf/d of capacity leased by EGT<sup>1</sup> on Zone 1

# Strong Investment Returns With Shorter Cash Cycle

2023E Growth Capital: ~\$2 billion		
		% of 2023E
<b>Midstream</b>	<ul style="list-style-type: none"> <li>• Bear high-recovery cryogenic processing plant</li> <li>• New treating capacity in the Haynesville</li> <li>• Efficiency improvements and emissions reduction projects</li> <li>• Multiple gathering &amp; processing and compression projects (primarily WTX, STX, Northeast)</li> </ul>	<b>~40%</b>
<b>NGL &amp; Refined Products</b>	<ul style="list-style-type: none"> <li>• Mont Belvieu Frac VIII</li> <li>• Mont Belvieu Frac and storage facilities optimization</li> <li>• Nederland LPG facilities optimization</li> <li>• Nederland NGL expansion</li> <li>• Multiple smaller projects</li> </ul>	<b>~30%</b>
<b>Interstate</b>	<ul style="list-style-type: none"> <li>• Compression and optimization projects on existing pipelines</li> <li>• New Gulf Run customer connections</li> <li>• Multiple smaller projects</li> </ul>	<b>~15%</b>
<b>Crude</b>	<ul style="list-style-type: none"> <li>• Projects associated with Lotus acquisition</li> <li>• New customer pipeline connections</li> </ul>	<b>~10%</b>
<b>Other<sup>1</sup></b>	<ul style="list-style-type: none"> <li>• New customer pipeline connections</li> <li>• Compression and optimization projects on existing pipelines</li> </ul>	<b>~5%</b>

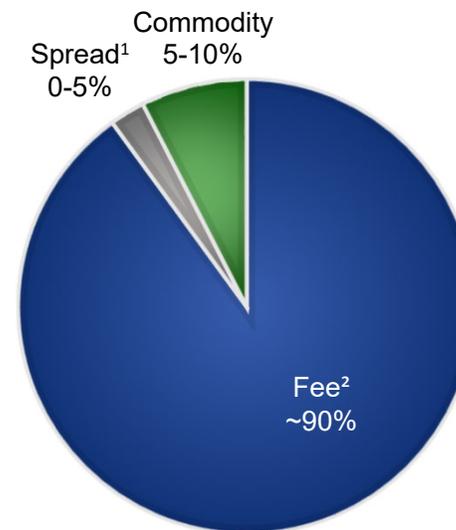
1. Other includes the Intrastate and All Other segments

## ET 2023E Adjusted EBITDA \$13.1 - \$13.4 billion

### 2022 to 2023 Adjusted EBITDA Drivers

- + Volume growth on existing assets
- + NGL pipeline, frac and export activities
- + Lotus acquisition
- Lower commodity prices
- 2022 one-time items
- + Organic Projects
  - + Gulf Run Pipeline
  - + Grey Wolf Processing Plant
  - + Bear Processing Plant

### 2023E Adjusted EBITDA Breakout



Pricing/spread assumptions based on current futures markets

1. Spread margin is pipeline basis, cross commodity and time spreads  
2. Fee margins include transport and storage fees from affiliate customers at market rates

# Alternative Energy Group – Leveraging asset base and expertise to develop projects to reduce environmental footprint



## Dual Drive Compressors - Established in 2012

- Patented technology that allows for switching between electric motors and natural gas engines to drive compressors, and offers the industry a more efficient compression system, helping reduce greenhouse gas emissions
- In 2021, this technology allowed ET to reduce Scope 1 CO2 emissions by more than 765,000 tons, a 53% improvement over 2019
- In June 2021, our patented Dual Drive Technologies natural gas compression system was awarded a GPA Midstream Environmental Excellence award for its impact on reducing CO2 emissions



## Carbon Capture Utilization and Sequestration

- Currently pursuing projects related to G&P facilities, and evaluating opportunities to capture carbon from ET and third-party facilities in the Northeast and transport CO2 through existing underutilized ET pipelines near CO2 sources
- Provide cash flows to Energy Transfer with minimal capital requirements due to structures that allow monetization of federal tax credits
- Continue to make progress on CCS project with CapturePoint related to ET's north Louisiana processing plants, which would provide a compelling solution for Haynesville area carbon capture, and is expected to generate attractive financial returns



## Renewable Energy Use

- Approximately 20% of the electrical energy ET purchases originates from a renewable energy source – enough energy to power ~40,000 homes



## Renewable Fuels

- Utilizing our extensive gas system, ET is able to safely and reliably transport renewable natural gas (RNG).
- In 2021, ET had 6 RNG interconnects transporting up to 17,650 million cubic feet per day



## Solar

- Since 2019, ET has entered into dedicated solar contracts to purchase 108 megawatts of solar power to support the operations of our assets
- Operate approximately 21,000 solar panel-powered metering stations across the country



## Repurpose Existing Assets

- Evaluating repurposing extensive acreage in WV, VA, KY and ND to develop solar and wind projects
- Pursuing opportunities to utilize ET's significant asset footprint for the transportation of renewable fuels, CO2 and other products

- ET and Oxy are working together to obtain long-term commitments of CO2 from industrial customers in the Lake Charles, LA area.
- If the project reaches FID, ET would construct a CO2 pipeline to connect the customers to Oxy's sequestration site in Allen Parish, LA.

- Continue to have discussions with third parties related to the development of ammonia facilities at sites on the Gulf Coast where ET has docks with deep water access

# Appendix / Non-GAAP Reconciliations

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# Non-GAAP Reconciliation

## Energy Transfer LP Reconciliation of Non-GAAP Measures\*

	2020	2021	2022					2023		Year
	Full Year	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	To Date
Net income	\$ 140	\$ 6,687	\$ 1,487	\$ 1,622	\$ 1,322	\$ 1,437	\$ 5,868	\$ 1,447	\$ 1,233	\$ 2,680
Interest expense, net	2,327	2,267	559	578	577	592	2,306	619	641	1,260
Impairment losses and other	2,880	21	300	-	86	-	386	1	10	11
Income tax expense (benefit) from continuing operations	237	184	(9)	86	82	45	204	71	108	179
Depreciation, depletion and amortization	3,678	3,817	1,028	1,046	1,030	1,060	4,164	1,059	1,061	2,120
Non-cash compensation expense	121	111	36	25	27	27	115	37	27	64
(Gains) losses on interest rate derivatives	203	(61)	(114)	(129)	(60)	10	(293)	20	(35)	(15)
Unrealized (gains) losses on commodity risk management activities	71	(162)	45	(99)	(76)	88	(42)	130	(55)	75
Losses on extinguishments of debt	75	38	-	-	-	-	-	-	-	-
Inventory valuation adjustments (Sunoco LP)	82	(190)	(120)	(1)	40	76	(5)	(29)	57	28
Impairment of investment in unconsolidated affiliates	129	-	-	-	-	-	-	-	-	-
Equity in (earnings) losses of unconsolidated affiliates	(119)	(246)	(56)	(62)	(68)	(71)	(257)	(88)	(95)	(183)
Adjusted EBITDA related to unconsolidated affiliates	628	523	125	137	147	156	565	161	171	332
Other, net (including amounts related to discontinued operations in 2018)	79	57	59	25	(19)	17	82	5	(1)	4
Adjusted EBITDA (consolidated)	10,531	13,046	3,340	3,228	3,088	3,437	13,093	3,433	3,122	6,555
Adjusted EBITDA related to unconsolidated affiliates	(628)	(523)	(125)	(137)	(147)	(156)	(565)	(161)	(171)	(332)
Distributable Cash Flow from unconsolidated affiliates	452	346	86	82	102	89	359	118	115	233
Interest expense, net	(2,327)	(2,267)	(559)	(578)	(577)	(592)	(2,306)	(619)	(641)	(1,260)
Preferred unitholders' distributions	(378)	(418)	(118)	(117)	(118)	(118)	(471)	(120)	(127)	(247)
Current income tax (expense) benefit	(27)	(44)	41	(11)	(31)	(17)	(18)	(18)	(26)	(44)
Transaction-related income taxes	-	-	(42)	-	-	-	(42)	-	-	-
Maintenance capital expenditures	(520)	(581)	(118)	(162)	(247)	(294)	(821)	(162)	(237)	(399)
Other, net	74	68	5	7	5	3	20	5	5	10
Distributable Cash Flow (consolidated)	7,177	9,627	2,510	2,312	2,075	2,352	9,249	2,476	2,040	4,516
Distributable Cash Flow attributable to Sunoco LP (100%)	(516)	(542)	(142)	(159)	(195)	(152)	(648)	(160)	(173)	(333)
Distributions from Sunoco LP	165	165	41	42	41	42	166	43	44	87
Distributable Cash Flow attributable to USAC (100%)	(221)	(209)	(50)	(56)	(55)	(60)	(221)	(63)	(67)	(130)
Distributions from USAC	97	97	24	24	25	24	97	24	24	48
Distributable Cash Flow attributable to noncontrolling interests in other non-wholly-owned subsidiaries	(1,015)	(1,113)	(317)	(294)	(315)	(314)	(1,240)	(314)	(324)	(638)
Distributable Cash Flow attributable to the partners of Energy Transfer	5,687	8,025	2,066	1,869	1,576	1,892	7,403	2,006	1,544	3,550
Transaction-related adjustments	55	194	12	9	5	18	44	2	10	12
Distributable Cash Flow attributable to the partners of Energy Transfer, as adjusted	\$ 5,742	\$ 8,219	\$ 2,078	\$ 1,878	\$ 1,581	\$ 1,910	\$ 7,447	\$ 2,008	\$ 1,554	\$ 3,562

\* See definitions of non-GAAP measures on next slide

## Definitions

Adjusted EBITDA and Distributable Cash Flow are non-GAAP financial measures used by industry analysts, investors, lenders and rating agencies to assess the financial performance and the operating results of Energy Transfer's fundamental business activities and should not be considered in isolation or as a substitute for net income, income from operations, cash flows from operating activities, or other GAAP measures. There are material limitations to using measures such as Adjusted EBITDA and Distributable Cash Flow, including the difficulty associated with using either as the sole measure to compare the results of one company to another, and the inability to analyze certain significant items that directly affect a company's net income or loss or cash flows. In addition, our calculations of Adjusted EBITDA and Distributable Cash Flow may not be consistent with similarly titled measures of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP, such as segment margin, operating income, net income and cash flow from operating activities.

We define Adjusted EBITDA as total partnership earnings before interest, taxes, depreciation, depletion, amortization and other non-cash items, such as non-cash compensation expense, gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, inventory valuation adjustments, non-cash impairment charges, losses on extinguishments of debt and other non-operating income or expense items. Inventory adjustments that are excluded from the calculation of Adjusted EBITDA represent only the changes in lower of cost or market reserves on inventory that is carried at last-in, first-out ("LIFO"). These amounts are unrealized valuation adjustments applied to Sunoco LP's fuel volumes remaining in inventory at the end of the period.

Adjusted EBITDA reflects amounts for less than wholly-owned subsidiaries based on 100% of the subsidiaries' results of operations. Adjusted EBITDA reflects amounts for unconsolidated affiliates based on the same recognition and measurement methods used to record equity in earnings of unconsolidated affiliates. Adjusted EBITDA related to unconsolidated affiliates excludes the same items with respect to the unconsolidated affiliate as those excluded from the calculation of Adjusted EBITDA, such as interest, taxes, depreciation, depletion, amortization and other non-cash items. Although these amounts are excluded from Adjusted EBITDA related to unconsolidated affiliates, such exclusion should not be understood to imply that we have control over the operations and resulting revenues and expenses of such affiliates. We do not control our unconsolidated affiliates; therefore, we do not control the earnings or cash flows of such affiliates.

Distributable Cash Flow is used by management to evaluate our overall performance. Our partnership agreement requires us to distribute all available cash, and Distributable Cash Flow is calculated to evaluate our ability to fund distributions through cash generated by our operations. We define Distributable Cash Flow as net income, adjusted for certain non-cash items, less distributions to preferred unitholders and maintenance capital expenditures. Non-cash items include depreciation, depletion and amortization, non-cash compensation expense, amortization included in interest expense, gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, inventory valuation adjustments, non-cash impairment charges, losses on extinguishments of debt and deferred income taxes. For unconsolidated affiliates, Distributable Cash Flow reflects the Partnership's proportionate share of the investee's distributable cash flow.

On a consolidated basis, Distributable Cash Flow includes 100% of the Distributable Cash Flow of Energy Transfer's consolidated subsidiaries. However, to the extent that noncontrolling interests exist among the Partnership's subsidiaries, the Distributable Cash Flow generated by our subsidiaries may not be available to be distributed to our partners. In order to reflect the cash flows available for distributions to the partners of Energy Transfer, the Partnership has reported Distributable Cash Flow attributable to the partners of Energy Transfer, which is calculated by adjusting Distributable Cash Flow (consolidated), as follows:

- For subsidiaries with publicly traded equity interests, Distributable Cash Flow (consolidated) includes 100% of Distributable Cash Flow attributable to such subsidiary, and Distributable Cash Flow attributable to the our partners includes distributions to be received by the parent company with respect to the periods presented.
- For consolidated joint ventures or similar entities, where the noncontrolling interest is not publicly traded, Distributable Cash Flow (consolidated) includes 100% of Distributable Cash Flow attributable to such subsidiaries, but Distributable Cash Flow attributable to the partners reflects only the amount of Distributable Cash Flow of such subsidiaries that is attributable to our ownership interest.

For Distributable Cash Flow attributable to partners, as adjusted, certain transaction-related and non-recurring expenses that are included in net income are excluded.