

Tortoise QuickTake Podcast

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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, a senior member of Tortoise provides a timely update on trending topics in the market.

I am Matt Sallee, Managing Director and Portfolio Manager at Tortoise Capital Advisors.

After first dipping our toes into earnings season, this last week we went right off the high dive and got fully immersed. Thankfully we are light on the tricks and heavy on the treats. Along with earnings season we had some deal activity and positive crude data points, but this wasn't enough to offset growing concerns about the ability of OPEC to follow through on its planned production cap scheduled for November which drove oil to post a decline of 4% for the week. In sympathy energy equities lost ground too with:

The S&P Energy Index down just over 1%

And E&Ps and MLPs each losing about 4% and 3%, respectively

While equity prices lost ground, the fundamental results were generally positive.

With that I'll give a rapid fire update on earnings announced this last week. Get your pen and notepads ready.

Starting with the beats:

Buckeye Partners, L.P. (BPL) put up a strong quarter on volumes and margins and also announced an acquisition of a 50% interest in VTTI Energy Partner's GP, significantly expanding their global footprint.

MPLX LP posted a quarterly beat but the big news was the clarity given on 2017 & 2018 distribution growth projection which were higher than the market expected.

Antero Resources and Antero Midstream both beat, with a production surprise driven by larger well completions at the parent which increased Antero Midstream's gas and water volumes over expectations resulting in 2x distribution coverage for the quarter.

Also in the Northeast, Range beat on EBITDA driven by production over plan; further they plan to grow production 30% in 2017 and 20% in 2018. Keep in mind the 2017 growth is boosted by their acquisition of Memorial Resource.

Also, EQT Corp. had a double beat on both volumes and realizations which also flowed through to EQM Midstream Partners, LP which had a strong quarter as expected, posting a 1.4x distribution coverage.

Shifting to downstream, Valero had a strong beat on propylene margins and better utilization than expected, while Phillips 66 (PSX) beat recently lowered estimates as refining margins held up better than expected. Meanwhile Phillips 66 Partners LP (PSXP) was in line with estimates for yet another strong quarter with 1.3x coverage of its distribution which they continue to grow at an industry leading mid- 20s percent year over year.

And even though Whiting Petroleum Corp. (WLL) put up an in-line quarter, the market certainly liked their projection of double-digit production growth in 2017 while spending roughly in line with cash flow. Shares were up 6% after the release.

Believe it or not there were a couple companies that didn't beat for the quarter.

First, Enterprise Products Partners L.P. (EPD) was steady as usual but came in slightly under estimates with volumes hurt by lower Eagle Ford activity, reduced ethane recoveries and the nonrecurring impact of a fire at their processing plant in Pascagoula. Hey, they can't beat numbers every quarter!

For Cabot, operating results were in line with slightly lower production offset by lower Lease Operating Expenses (LOEs) but the bigger story continues to be takeaway constraints which were further highlighted by Williams announcing the Atlantic Sunrise project has had its in service date pushed back to mid-2018.

Also, Marathon Petroleum missed for the quarter but this was partially offset by the announcement of plans to take strategic steps to highlight the value of the GP of MPLX, LP, possibly through an IPO.

Meanwhile, Patterson was a little light due to increased operating and maintenance expense which they expect to normalize in Q4.

Wrapping up the week's activity, in capital markets, Buckeye and Carrizo issued equity and Smart Sand Partners launched an IPO which is scheduled to price November 3rd. And on the M&A front, American Midstream announced its intent to acquire JP Energy Partners and Energy Transfer Partners, LP (ETP) is adding yet another entity to its portfolio with the proposed acquisition of the general partner of PennTex Midstream. Additionally, both Carrizo and EQT Corp. acquired additional acreage near their existing footprints.

Well, I'll leave it at that for now. Happy Halloween!

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com

The S&P Energy Select Sector[®] Index

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