

Transcript of  
NGL Energy Partners LP  
Third Quarter 2026 Earnings Conference Call  
February 03, 2026

Participants

Brad Cooper - Executive Vice President & Chief Financial Officer, NGL Energy Partners LP  
Douglas White - Executive Vice President - Water Solutions, NGL Energy Partners LP  
H. Michael Krimbill - Chief Executive Officer, NGL Energy Partners LP

Analysts

Derrick Whitfield - Texas Capital  
Nevin Mathew - JPMorgan

Presentation

Operator

Greetings. Welcome to NGL Energy Partners' 3Q 2026 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to your host, Brad Cooper, CFO at NGL Partners. You may begin.

Brad Cooper - Executive Vice President & Chief Financial Officer, NGL Energy Partners LP

Good afternoon and thank you to everyone for joining us on the call today. Our comments today will include plans, forecasts and estimates that are forward-looking statements under the US securities law. These comments are subject to assumptions, risks and uncertainties that could cause actual results to differ from the forward-looking statements. Please take note of the cautionary language and risk factors provided in our presentation materials and our other public disclosure materials.

We delivered another strong quarter, highlighted by record water disposal volumes in Water Solutions and continued execution on our financial strategy. For the quarter, adjusted EBITDA from continuing operations was \$172.5 million, up from \$158 million a year ago, a 9.2% increase. On the financial strategy front, we executed on two of our priorities, reducing higher cost preferred equity and repurchasing common units. During the quarter, we redeemed an additional 18,506 Class D preferred units, bringing total redemptions to 88,506, about 15% of the original Class D outstanding. On the common units, we repurchased 1.6 million units during the quarter and have now repurchased approximately 8.7 million units since program inception, which is almost 7% of the outstanding units at an average price of \$5.70 per unit. We have almost fully exhausted the Board-approved common unit repurchase plan. At current unit price levels, we are primarily focused on eliminating the Class D preferred units. With the water growth projects we have line of sight into and the Class D preferreds, we will be targeting these two over the next fiscal year.

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Doug will provide some prepared remarks shortly, but in early January, we eclipsed 3.5 million barrels per day of disposal volumes, which is a record for the partnership. We have experienced a few days in mid-January where volumes were under 3 million barrels a day due to the extreme cold weather most of the Midwest and Southeast experienced. We do not expect this to have a material impact on our full year guide for fiscal 2026 due to the nature of how we contract. Recall that over 1.5 million barrels per day of our water disposal volume is under MVC or CVC, which allows us to get paid on volumes even if they are not disposed of. The new contracted volumes that Mike mentioned on the previous earnings call are coming online, and we anticipate a strong close to fiscal 2026. We are still guiding our full year EBITDA to a range of \$650 to \$660 million. These new contracted volumes that have recently come online set us up for a strong start to fiscal 2027, where we are still projecting to exceed \$700 million of EBITDA for the first time in the history of the partnership.

In the third quarter of fiscal 2026, Water Solutions segment generated adjusted EBITDA of \$154.5 million versus \$132.7 million in the prior year third quarter, an increase of 16.5%. We again set a physical disposal volume record processing roughly 3.07 million barrels per day of physical produced water versus 2.6 million barrels per day in the prior year third quarter, an increase of 17.1%. Total volumes we were paid to dispose, that includes deficiency volumes, were 3.13 million barrels per day in the third quarter versus 2.91 million barrels per day in the prior year third quarter. So total volumes we were paid to dispose were up approximately 7%, third quarter of fiscal 2026 over third quarter of fiscal 2025.

Operating expenses for the quarter were \$0.18 per barrel due to non-recurring expense reductions. Crude Oil Logistics adjusted EBITDA was \$15.4 million in the third quarter of fiscal 2026 versus \$17.3 million in the prior year's third quarter. Physical volumes on the Grand Mesa Pipeline averaged approximately 85,000 barrels per day, up significantly from 61,000 barrels per day in the prior year quarter. Margins for barrels on Grand Mesa were lower in the third quarter of fiscal 2026 when compared to the prior year's third quarter due to lower oil prices as well as a reduction in volumes from committed producers with higher contracted tariffs. Liquids Logistics adjusted EBITDA was \$15.2 million in the third quarter of fiscal 2026 versus \$18.6 million in the prior year's third quarter. Strategically, we executed a significant repositioning in April 2025 with this segment. We sold our wholesale propane business and 17 NGL terminals, exited the refined products business and wound down our biodiesel marketing business. Today's liquid platform is more focused and anchored by our Centennial butane blending business. The streamline footprint is performing as expected for the full year.

Now I will turn the call over to Doug White. Doug?

Douglas White - Executive Vice President, Water Solutions, NGL Energy Partners LP

Thank you, Brad. As Brad mentioned earlier, we entered into several volume commitment contracts in the Delaware Basin that included a large amount of asset development. Our development team executed these projects ahead of schedule and under budget. We are happy to report the water volumes associated with these projects is flowing and has been at or above our expectations. The capital investment included the Western Express pipeline expansion of 27 miles of 24-inch pipeline, further expanding our reach into our customer footprint and providing flexibility to transport water to areas of underutilized capacity and away from areas burdened by seismicity and poor pressure constraints. I want to thank the operations team for their successful execution of these projects.

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In the quarter, we achieved an all-time daily record of approximately 3.3 million barrels of water and, on January 16, we received over 3.5 million barrels of water in a single day. This reflects the capacity increase from the capital investment I just mentioned. Our ability to execute large growth projects at attractive multiples over the last several years, combined with our operational capabilities, is allowing us to deliver consistent economic results. We continue to engage our producer customers with opportunities, and we are working to secure additional disposal contracts in fiscal year 2027.

We continue to improve the business and, as an example, we are in our second year of development of our AI machine-based learning project, which will begin to contribute to operational efficiencies in this calendar year. We are utilizing the millions of data points collected through our SCADA system, automated electric power consumption meters and system flow models, which are fed into our proprietary AI model, and it is identifying opportunities to increase revenues and decrease expense. We are excited to continue to grow this project over time and increase the AI impact on our business.

As an update to our large-scale produced water treatment strategy in the Delaware Basin, we recently entered into an MoU with Natura Resources, a leading advanced modular nuclear reactor developer. We are pursuing a combination of nuclear power applied to thermal desalination technology in Reeves County, Texas, where our outfall for the TPDES discharge permit is located. We are progressing toward a final draft of that permit this month and expect to receive an issued permit early this year. These steps lead us closer to realizing our medium- to long-term goals of large-scale disposition of produced water.

I'll now turn the call over to our CEO, Mike Krimbill.

H. Michael Krimbill - Chief Executive Officer, NGL Energy Partners LP

Thanks, Doug, and good afternoon, everyone. I have some just brief comments. With respect to current operations, you have heard that we achieved another great quarter exhibiting continued growth. There are several takeaways worth mentioning: one, we continue to move towards a predominantly water solutions company, as we grow our water footprint and shed non-water assets; two, this effectively eliminates the seasonality of our cash flows and improves the consistency and predictability of those cash flows; and three, we already have significant growth contracted for fiscal 2027 beginning April 1 of this year.

So now let's look at our capital allocation priorities. First, our capital must finance internal growth projects for our producer customers. As we discussed on the previous quarter's earnings call, our growth capital increased by over \$100 million in the second and third quarters of this fiscal year as new opportunities presented themselves and, as Doug said, these projects are currently in service. Next, we focused on redeeming the Class D. As Brad said, we have redeemed about 15% of the outstanding preferreds, but importantly, our leverage has declined to the low 4.0 times area, so we will be looking to take out a significant portion of the remaining Class Ds in the very near future, so stay tuned for that. Finally, we look at our common units opportunistically to purchase and retire them at attractive prices. The Board and management team have acted proactively to eliminate dilution and actually reduce the common units outstanding. So going back to November of 2024, you may remember, we purchased 23.3 million long-term common unit warrants that had strike prices from \$13.50 to about \$17.50, and we paid \$6.9 million. These purchases eliminated approximately 18% of future dilution. Currently, we've reduced the outstanding, as Brad said, by nearly 7% through

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our Board-approved unit repurchase plan. So combined, we shouldn't lose sight, we have eliminated dilution of our common equity by approximately 25%. We will continue taking advantage of attractive common unit prices while balancing liquidity and leverage requirements.

In closing, we believe the future of our business 5 to 20-plus years from now is not dependent upon drilling more and more SWDs. That is our situation presently and in the near future, but, ultimately, we must treat the produced water to a quality that can be released on the surface for irrigation, industrial and municipal use. We are closer to that goal. Natura agreement and the anticipated discharge permit are two of the steps in that direction. Not all of our initiatives on this journey will work, but time and technology is on our side.

I think with that, we open it up for questions.

#### Operator

Thank you. At this time, we will be conducting a question and answer session. [Operator Instructions] And the first question today is coming from Eric Whitfield from Texas Capital. Eric, your line is live.

Q: Good afternoon guys. Derrick Whitfield with Texas Capital. So congrats on your quarter and also on the strong operating performance of your water business. Maybe just starting there on the macro environment, given the volatility in crude prices, can you speak to the firmness of the growth projects you highlighted in 2Q and really speak to the appetite of producers to further address and commit to future water disposal needs, given the volatility we're currently seeing in crude prices?

#### Brad Cooper - Executive Vice President & Chief Financial Officer, NGL Energy Partners LP

Yes, Derrick, I mean, I think Mike hit on it. I mean the projects and the capital spend that we outlined on the last call, those projects are online here at the beginning of this calendar year. Doug, do you want to kind of take what you're seeing maybe into this current year and maybe through the end of next fiscal year for us?

#### Douglas White - Executive Vice President, Water Solutions, NGL Energy Partners LP

Yes, Eric, when we look at the projects that we have completed, those came with volume commitments and those were for long term. So those are very financially firm. As we see the oil price fluctuate, even when it dipped down to \$55 range, we really didn't see a big change from our customers. As the consolidations happen, certainly in the Delaware Basin, and we saw some more of that announced today, that consolidation has created more of a level activity level versus what it may have been a few years ago when there was a lot more private equity type of producers in the basin. But as it has matured, we're seeing our customers and our large customers just on a continuous drilling forward and frac spreads, et cetera. The other real big driver for us is, you're asking about what does it look like prospectively, the other big driver is there is such a large wedge of foundational volumes of produced water in the Delaware Basin that when we saw, for an example, we hit that record on Friday, the 16th in January, that was right before the storm, we saw some people drop some frac crews or pause some frac crews. The uptick of water that happens when there is even a small slowdown is reflective positive for our business. We're not active recyclers like some others are. When that recycling may slow down because it doesn't have frac crew to send water to,

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all of that produced water has to go somewhere, and that comes to us. So we're continuing to see large opportunities for large-scale projects prospectively and expect to nail down some of those firmly in the coming months.

Q: Terrific. And specific to Natura's release this morning, it seems the market was concerned about the near-term capital obligations for a project that might not be material for several quarters, if not years. I guess, a, how would you characterize this water treatment opportunity in volume and values; and then b, how material is the current CapEx obligation?

Douglas White - Executive Vice President, Water Solutions, NGL Energy Partners LP

Yes. Good question. So we continue to explore the alternatives to injection based on seismicity, poor pressure increasing, just being prudent operators, we've continued for several years to be looking for other alternatives to injection. You might remember our very successful desalination project in Pinedale, Wyoming. We have a history and experience in the side of the desal part of the business. We know it takes several factors to come together for those projects to coalesce. What's happened in the past year, the Texas has passed the water bill, right, \$1 billion a year of support for new water in Texas. The federal government support of production of domestically sourced critical minerals, requests from our customers. Our customers are paying attention, the producers and saying, hey, NGL, where are you going to take my water? What opportunities are there for something different rather than Loving or Reeves County. We've addressed a lot of that in the short to medium term and some percentages of the very long term with our Andrews County out-of-basin assets but then we have to look at and say, what does it take to create large-scale desalination, which we very, very firmly believe is part of the future and the portfolio going forward.

Basic requirements for that; first, you have to have produced water volumes that support an economic scaled plant. We checked that box, right? Our large system is a reason we applied for our outfalls on our TPDES permit in the particular location in Reeves County that's because we can deliver 800,000 barrels a day of water to that location that you need those economies of scale to have an economic project. Second is available energy source. You have to have an energy source for the treatment plant or, as it goes with Natura, it becomes a means of treatment itself and very interestingly, nuclear power generation produces about 60% waste heat of its energy. We would use that waste heat to be able to do thermal desalination of our water. It's not really even about the electricity, the 40% electricity that's produced; it's really about the waste heat. So we will be taking waste heat and produce and treating wastewater to create new water for the state of Texas, use the waste off of that process, which is [indiscernible] brine or concentrated brine, which has concentrated up the minerals within that brine and then we are working on recovery of critical minerals through that. So you put all those pieces together, that's what it takes to get there. And our MoU with Natura, we're very excited about, while it will have no CapEx demand to NGL on the nuclear side, our plan has not changed and our CapEx forecast and demand has not changed. We are looking forward to developing the scaled treatment, and that will come over time, and we won't go straight to a giant scale treatment. Our TPDES discharge permit even has caps and ceilings on the amount of water you can discharge over a certain period of years. So for us to start, maybe we start with a 50,000 barrel a day plant that's able to be scaled, most likely, we'll be using natural gas to power that plant, not heavy CapEx demand. And then as we move forward, we sign contracts with our customers, we sign contracts with downstream users of our new water, then we can create the economics around a larger CapEx spend to scale the project. Should that come to fruition, Natura

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has their own economics of their own capital spend around their project but we would put the two projects together to really create a really unique and exciting project.

Q: Tremendously helpful. If I could just ask one more only because you pique my interest on the AI and machine learning side. Maybe speak to the amount of value you've recovered to date and really the amount of potential value you could recover as you see this starting to take root within the organization?

Douglas White - Executive Vice President, Water Solutions, NGL Energy Partners LP

Well, I think you can see in our OpEx numbers, how would they continue to improve. It's very hard to simply quantify that large move that we achieved this last quarter just down to the AI project. But certainly, the AI project is having an influence on expenses. What most don't really focus on is the impact on revenues. The more water we can move more efficiently, utilizing and increasing our utilization of our existing assets, saves us capital. We don't have to drill new wells, we don't have to build new facilities, it goes straight to the bottom line. Obviously, with helping out and reduce the capital spend, we reduced capital spend, we increase our low multiple returns, which is great to payback returns. So if you're looking for just a dollar amount or a percentage, right now, I don't feel comfortable saying what that is. We are seeing increases in just efficiencies to start. As you know, these machines-based products, they learn from themselves and start to continue to create more and more value. So as time goes on, Derrick, I think as we see true, I guess, discernible returns on that or dollars, we'll be able to share that down the road.

Q: Fantastic. Great update.

Douglas White - Executive Vice President, Water Solutions, NGL Energy Partners LP

Thank you.

Operator

Thank you. [Operator Instructions] The next question is coming from Tarek Hamid from JPMorgan. Tarek, your line is live.

Q: Hi, good afternoon. This is Nevin on for Tarek. You had mentioned consolidation a little earlier. So we were just wondering if you had any conversations with Devon following the deal announcement earlier this week. And if so, were there any takeaways on potential changes to activities or volume?

Douglas White - Executive Vice President, Water Solutions, NGL Energy Partners LP

We've been so busy with preparing for this call and run the business, Nevin, we have not had the opportunity to have those conversations with Devon.

Q: That's understandable. Thank you.

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Thank you and there were no other questions in queue at this time. I would now like to hand the call back to Brad Cooper for closing remarks.

Brad Cooper - Executive Vice President & Chief Financial Officer, NGL Energy Partners LP

Thanks, everyone, for joining today. We'll catch up with you in June on our year-end call.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.

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