

Transcript of  
NGL Energy Partners  
Fourth Quarter 2026 Financial Results Update  
May 28, 2026

**Participants**

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

**Analysts**

Derrick Whitfield - Texas Capital

**Presentation**

**Operator**

Greetings. Welcome to the NGL Energy Partners 4Q26 Earnings Call. At this time, all participants are in 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. You may begin.

**Brad Cooper - Chief Financial Officer, NGL Energy Partners**

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 U.S. 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 are pleased to report a strong finish to fiscal 2026, highlighted by record performance in our Water Solutions segment and meaningful progress on our capital structure priorities. For the year, adjusted EBITDA from continuing operations was approximately \$660 million, which came in at the high end of our guidance range and represents meaningful growth year-over-year, driven by our Water Solutions segment. In the fourth quarter, we generated adjusted EBITDA of approximately \$176 million. Excluding the goodwill impairment charge, income from continuing operations is approximately \$70 million.

As we step back and look at the partnership's accomplishments this year, we believe fiscal 2026 encapsulates execution across every tenet of our multi-year strategy.

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First, in April, we closed on the sale of our wholesale propane and rack marketing businesses. As we are positioning the partnership to be a pure-play water company, the Liquids segment will continue to be right-sized, as we work to monetize the non-core assets in this division. The disposition of the wholesale propane and rack marketing businesses significantly reduced the volatility in our quarterly reported EBITDA, as well as eliminated swings in our working capital.

Second, we continue to attack and simplify the capital structure. We completed a \$950 million refinancing transaction, extending maturities and providing cash to reduce the Class D preferred units outstanding. Over the course of the fiscal year, we redeemed approximately 285,000 Class D preferred units, significantly reducing our highest cost of capital. The redemption of the Class Ds represents approximately 47% of the original amount. Our strategy over the last few years has remained consistent since the refinancing in early 2024. We will continue to chip away at the Class Ds with free cash flow and non-core asset sales. And when leverage is at an appropriate level, we can access the capital markets to further reduce the Class Ds. We've remained opportunistic with respect to the term loan B market and our ability to re-price this debt instrument. This component of our capital structure has allowed us to further reduce interest expense as our operational and financial performance continues to excel.

Third, the partnership bought 8.7 million common units under our buyback program at an attractive price of \$5.72. At the time when the Board approved the \$50 million buyback program, we believed the common units to be the best return on our portfolio, and I think the recent performance in the unit price validates our investment and belief in our multi-year strategy to allocate this capital to the common units.

Lastly, we continue to deploy capital to our Water Solutions segment that drove growth in our EBITDA year-over-year by 11%. Our disposal volumes committed under volume commitments grew from 45% to 53% during the fiscal year as well. Recall, over 90% of our volumes are contractual volume commitments or are acreage dedicated.

We will get into the guide and outlook for fiscal 2027 later, but I would expect us to utilize the same playbook for fiscal 2027 that we utilized in fiscal 2026. By executing on accretive growth projects in our Water Solutions segment and continuing to simplify our capital structure.

Fiscal 2027 is off to a great start. The momentum we exited with in fiscal 2026 is carrying through to 2027, as evidenced by the press release issued earlier this month. On May 7th, we announced a further expansion of our LEX II system, increasing capacity by 165,000 barrels per day with the capability to transport approximately 560,000 barrels of water per day on the LEX II system. The LEX II expansion is underwritten by a long-term volume commitment contract that includes increased volume commitments and an additional four-township

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committed area in Eddy County. Additionally, the LEX II expansion is expandable up to 650,000 barrels of water per day.

Now let's hit the highlights for the fourth quarter of fiscal 2026. Starting with Water Solutions, which continues to be the cornerstone of our business. This segment delivered another record year with adjusted EBITDA of approximately \$153 million in the fourth quarter and approximately \$603 million for the full year. From a volume standpoint, we achieved produced water volumes of approximately 3 million barrels per day in the fourth quarter, a 10% increase in physical volumes disposed compared to the previous year's fourth quarter. Total volumes we were paid on for the fourth quarter were approximately 3.1 million barrels per day, compared to approximately 3 million barrels per day in the previous year's fourth quarter. For the full year, disposal volumes averaged approximately 2.9 million barrels per day, up 11% from the prior year.

From a margin and cost perspective, operating costs remained well managed. Our operating expenses per barrel was \$0.22 in the quarter, improving when compared to the same quarter from the prior year, reflecting continued efficiency gains and system optimization. As we think about the drivers behind this performance, there are a few key factors. First, the scope and size of our integrated system in the Delaware Basin, which allows us to bolt on additional pipelines and volumes. Second, strong customer activity levels, particularly from large investment-grade producers. Third, our long-term fee-based contracts with minimum volume commitments and acreage dedications. Additionally, our infrastructure footprint continues to expand in the Delaware Basin, with incremental disposal capacity in Andrews County, where we have millions of barrels of pore space. We believe our Water Solutions segment remains one of the most durable and visible earning streams in the midstream sector and provides our most attractive returns from internal growth opportunities. It continues to be the primary growth engine of the partnership.

Turning to Crude Oil Logistics, adjusted EBITDA for the quarter was approximately \$17 million. Grand Mesa Pipeline volumes averaged approximately 78,000 barrels per day during the quarter and, for the full year, averaged 72,000 barrels per day. We continue to work with producers and gatherers in the DJ Basin to contract more barrels to ship on the pipeline. In Liquids Logistics, we generated approximately \$17 million of adjusted EBITDA in the quarter. As a reminder, this segment has been significantly streamlined following the divestiture of non-core assets, including the wholesale propane business. As a result, the segment is now a smaller, less volatile business. Performance continues to be stable and in line with expectations, with reduced seasonality and lower capital requirements than in previous years.

As I mentioned at the beginning of my prepared remarks, fiscal 2026 was an important year in terms of strengthening our balance sheet and positioning the partnership for long-term success. Combined with our growth and adjusted EBITDA, the actions mentioned earlier collectively represent meaningful progress toward our key financial priorities of reducing leverage, lowering our cost of capital, and

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improving overall financial flexibility. We ended the year with solid liquidity, no near-term debt maturities, and we remain focused on further balance sheet improvement.

With that, I'll turn the call over to Mike.

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

Thanks Brad. Fiscal 2026 represents another important step forward in our transformation into a more focused, less volatile, higher growth, improved quality business. There are three key takeaways I'd highlight. First, Water Solutions continues to deliver strong growth with attractive returns. Second, our business mix transformation is improving adjusted EBITDA stability, reducing volatility and seasonality. And third, we have built a strong pipeline of contracted projects that supports continued growth in fiscal 2027 and into fiscal 2028.

Strategically, we remain focused on three priorities; accelerating our transition to a pure play water company by expanding our water infrastructure and monetizing unrelated assets, continuing to strengthen the balance sheet, and opportunistically repurchasing both preferred and common equity when it creates value.

Our 2027 outlook. We are guiding consolidated adjusted EBITDA to a range of \$715 million to \$725 million. This represents approximately 10% growth year-over-year at the high end of our adjusted EBITDA guidance in 2027. We expect this growth to be driven primarily by continued expansion in Water Solutions, supported by projects already contracted, the larger of which we have previously announced. Our adjusted EBITDA guidance does not include any new contracts, which may be entered into from this point forward, nor the benefits from the current crude oil price levels. From a capital standpoint, we're guiding to approximately \$200 million of growth capital and about \$45 million of maintenance capital. This capital includes the increased cost of the pipeline portion of the new projects, which we are absorbing and not passing on to our customers.

With that, operator, we are ready to open the line for questions.

### **Operator**

Thank you. [Operator Instructions] The first question comes from Derrick Whitfield with Texas Capital. Please proceed.

**Q:** Good afternoon, guys, and congrats on the strength of your Water business and the progress you've made just recently in improving the capital structure. Been quite an overhaul for you guys. Wanted to start first with your growth capital. With regard to the growth CapEx of \$200 million for 2027, does that include growth projects beyond the LEX II expansion?

### **Brad Cooper - Chief Financial Officer, NGL Energy Partners**

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A bulk of that \$200 million is the LEX II. There are some incremental projects embedded in that \$200 million.

**Q:** Great. Just with respect to the LEX II expansion, how would you characterize the split between new and existing clients for underwriting that capacity? And can you leave the need for further expansion up to 650,000 barrels based on those discussions?

**Brad Cooper - Chief Financial Officer, NGL Energy Partners**

Yeah, it's current customers. Doug, I don't know if you want to take the latter part of the expansion up to 650,000.

**Doug White - Executive Vice President, Water Solutions, NGL Energy Partners**

Yeah, this is Doug. We really amended and extended an existing agreement which included longer term, additional barrel count, volume commitments, and then the large four township dedication on this expansion. And then the question, can you clarify the question on the further expansion, Derrick?

**Q:** Yeah, just the need to further expand to 650,000 based on what your client discussions that you're having today.

**Doug White - Executive Vice President, Water Solutions, NGL Energy Partners**

There is an incredible amount of demand for additional capacity in the basin. That should answer that question. It's continuing to increase and continuing to have a line out the door of demand for additional capacity.

**Q:** Great. Just on the activity outlook side, I know that you guys stated in your prepared remarks that you didn't place any increased activity into your plans. Having said that, with you guys reporting nearly a month after most of the sector, what are you guys hearing around plans of acceleration beyond just the pull forward in activity that most of the independents announced during Q1 earnings?

**Doug White - Executive Vice President, Water Solutions, NGL Energy Partners**

The pull forward has really been what we've been seeing. Probably more important is what I just mentioned, the dearth of available capacity with at least 10% growth of what the water volumes have really driven a lot of interest in new underwriting -- new projects to be underwritten, and just more of the deal flow that we're seeing. It's not so much driven by the commodity price, as it has just been driven by the acceleration of development over the last couple of years, and the efficiencies are really driving a lot more demand for the service.

**Q:** Great. Maybe shifting over to beneficial reuse and other next-gen opportunities. Based on your announcements over the last couple of quarters with Natura on the progress you guys have talked about on the water desalination side, how would you characterize where those opportunities sit today and again, the opportunities you see ahead of you for that next-gen type business?

**Doug White - Executive Vice President, Water Solutions, NGL Energy Partners**

We're continuing to make progress on those previously announced projects. We expect our draft permit from TCEQ any day now, certainly within the next few weeks, which has taken a lot of effort, making a lot of progress. Lots of progress on the energy campus project, which would include the nuclear power and we're looking at the data center addition to that campus as well as the large-scale desal, but we are making a lot of progress on those projects.

**Q:** Great. And finally, if I could, maybe shifting over to Crude Oil Logistics segment. While water is clearly the driver here, how are you thinking about EBITDA and production outlook for 2027?

**Brad Cooper - Chief Financial Officer, NGL Energy Partners**

Doug, you want to maybe talk about what you're seeing in the DJ from producers?

**Doug White - Executive Vice President, Water Solutions, NGL Energy Partners**

Sure. This is Doug again. We are really seeing very good activity in the DJ this year. We're also seeing some of, quote, the smaller players, private equity-backed players, really have consolidated acreage and have a more cohesive development plan moving forward. So, we are seeing certainly an uptick in activity and we see that carrying into this fiscal year and the next couple of fiscal years versus what it has been in the past.

**Q:** Perfect. And then just maybe to clarify one thing, I had an inbound come from a client. Just on the build multiple for the LEX II expansion, is all of that capital accounted for within 2027, or would there be capital that would extend beyond 2027? It looks quite capital efficient at this point.

**Brad Cooper - Chief Financial Officer, NGL Energy Partners**

It'll all be in this fiscal year, and the bulk of it's in the first couple quarters here, two, three quarters of the fiscal year.

**Q:** Perfect. Great update, guys.

**Brad Cooper - Chief Financial Officer, NGL Energy Partners**

Thanks, Derrick.

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**Operator**

Thank you. We have reached the end of the question-and-answer session and I will now turn the call over to Brad Cooper for closing remarks.

**Brad Cooper - Chief Financial Officer, NGL Energy Partners**

Thanks, everyone. We'll talk to you here in a few months. Take care.

**Operator**

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.

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