

Transcript of
NGL Energy Partners LP
2Q 2026 Earnings Call
November 4, 2025

Participants

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

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

Michael Krimbill - Chief Executive Officer, NGL Energy Partners LP

Analysts

Derrick Whitfield - Texas Capital Securities

Presentation

Operator

Welcome to the NGL Energy Partners 2Q 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. You may begin.

Brad Cooper - Executive Vice President and 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 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.

NGL had another solid quarter with record water volumes and 30% growth in Grand Mesa volumes. Consolidated adjusted EBITDA from continuing operations came in at \$167.3 million in the second quarter versus \$149.4 million in the prior year second quarter, or approximately 12% higher. The increase was primarily driven by the performance of our Water Solutions business segment.

On the heels of this strong performance in Water Solutions and additional growth opportunities in Water Solutions that Mike will speak to later, we are increasing our full year adjusted EBITDA guidance range from \$615 million to \$625 million to \$650 million to \$660 million. With this increased guidance and operating cash flow

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associated with this increase, we projected zero ABL balance at the end of the fiscal year and approximately 4 times leverage.

Also, in the month of October, our Water Solutions segment has averaged over 3 million barrels per day of physical disposal volume. Doug White, EVP of our Water Solutions segment, will be providing a Water Solutions update following my comments.

We continue to be focused on our capital structure and remain opportunistic with how we are addressing it. Since April, we have purchased 88,506 units of the Class D preferred, which represents approximately 15% of the outstanding units. Based on the last Class D distribution, the Class Ds purchased represent \$10.4 million in annual distribution savings going forward. We have opportunistically taken advantage of the ability to reprice our term loan B as permitted in the documents.

In September, we launched a repricing and reduced the SOFR margin from 375 basis points to 350 basis points. This was the second repricing of the Term Loan B since February, 2024. When you consider the two repricings and Fed rate cuts, we have achieved annual interest savings of \$15 million on the Term Loan B.

Under the Board authorized unit repurchase plan, we have purchased an additional 4.4 million units in the quarter for a total of approximately 6.8 million units, which equates to about 5% of the outstanding units. The average price for the units repurchased since the inception of the plan is \$4.57. With the additional water growth capital projects and the Class D preferred and common unit repurchases, we are demonstrating the optionality we have with our capital allocation. All three of these provide attractive returns to the partnership and our investors.

Water Solutions adjusted EBITDA was \$151.9 million in the second quarter versus \$128.9 million in the prior second quarter, an 18% increase. Physical water disposal volumes were 2.8 million barrels per day in the second quarter versus 2.68 million barrels per day in the prior year second quarter, a 4% increase. Total volumes we were paid to dispose that includes deficiency volumes were 3.15 million barrels per day in the second quarter versus 2.77 million barrels per day in the prior year second quarter. So, total volumes we were paid to dispose were up approximately 14% second quarter of fiscal 2026 over second quarter of fiscal 2025.

The increase in EBITDA was primarily driven by higher disposal revenues due to increase in produced water volumes processed from contracted customers as well as higher water pipeline revenue due to the LEX II pipeline commencing operations during the quarter ending December 31, 2024, as well as higher revenues for skim oil. The increase in skim oil revenue was due to an increase in skim oil barrels sold due to more skim oil recovered from receiving more produced water.

Operating expenses for the quarter were \$0.22 per barrel in line with previous quarters. Crude oil logistics adjusted EBITDA was \$16.6 million in the second quarter of fiscal 2026. During the quarter, physical volumes on the Grand Mesa Pipeline

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averaged approximately 72,000 barrels per day compared to approximately 63,000 barrels per day for the quarter ended September 30, 2024.

When compared to our previous fiscal quarter, Grand Mesa volumes are up 17,000 barrels or approximately 30% higher fiscal Q2 over fiscal Q1. Volumes for the fiscal third quarter were strong with October over 80,000 barrels per day for the month. It's early in the fiscal year for the butane blending business, a bulk of their EBITDA generated for the fiscal year is occurring right now. We will have a better read on the fiscal year for this group at our next earnings call.

With that, I would like to turn the call over to our EVP of our Water Solutions segment, Doug White.

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

Thank you, Brad. This has been a year of excellent growth, both volumetrically and on an adjusted EBITDA basis. With respect to water disposal volumes during this year, we have recently surpassed 3 million barrels per day of physical volumes for an entire month and over 3 million barrels per day, including deficiency barrels related to volume commitments. We have underwritten new growth capital projects for approximately 750,000 barrels per day of newly contracted volume commitments. These projects are scheduled to be placed into service by the end of this calendar year. As a result of these contracts, we now have 1.5 million barrels per day of total volume commitments going into fiscal 2027. These commitments have an average remaining term of almost 9 years.

Regarding our Delaware Basin asset position, we now have over 5 million barrels per day of permitted injection capacity at 131 injection wells and 57 water processing facilities. We have the largest capacity pipeline system in the Delaware Basin with more than 800 miles of pipe, including approximately 700 miles of 12- to 30-inch diameter pipelines. This is a key metric as it determines the volume of water that is able to be transported directly affecting physical volumes and reliable takeaway.

With respect to permits and pore space, we have maintained a large inventory of legacy injection well permits in Texas. And this year, we have increased our inventory by almost 1 million barrels per day in Andrews County, Texas. Where over a year ago, we secured approximately 4 million barrels per day of pore space that is unburdened by legacy injection, legacy vertical production, or seismicity. This sets us apart from our competitors, creating a moat for future growth to more than double our current Delaware Basin volumes.

In addition to strategically increasing our pore space portfolio, NGL has been pioneering the effort to bring the Delaware Basin its first large-scale produced water treatment plant through the Texas Commission on Environmental Quality, TPDES, permitting process. We began this effort for a treated produced water discharge permit in 2023, and as of last month received the first draft permit issued in the state of Texas.

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Our permit application is for influent volumes of approximately 800,000 barrels per day, which is a material amount of produced water that can be diverted to treatment for beneficial reuse and recharging the Pecos River Basin. This shows our commitment to sustaining our pore space inventory and adding an alternative disposal option for our producer customers.

Michael Krimbill - Chief Executive Officer, NGL Energy Partners LP

Thank you, Doug. This is Mike. As you've heard from Brad and Doug, NGL is firing on all cylinders, both operationally and financially. Some of this may be repeat, but I think it's important. So first, let's discuss the operations. Last 60 to 90 days, we've contracted the 500,000 barrels per day of volume commitments that require in-service dates no later than December 31.

Our Water Solutions employees have also exceeded our adjusted EBITDA guidance on the base business in addition to the new business. These two business developments have allowed us to increase our fiscal year 2025 adjusted EBITDA to a range of \$650 million to \$660 million with potential further increases in subsequent quarters.

We began the fiscal year with modest growth expectations as reflected in our initial growth CapEx guidance of about \$60 million. The increase in contract volume requires an additional \$100 million of growth CapEx, which we are pleased to spend. The majority of adjusted EBITDA will be generated in fiscal 2027 from these new projects. So, we are providing initial fiscal 2027 adjusted EBITDA guidance of at least \$700 million. So, there'll be more to come to that as we progress through this year.

I would like to congratulate the entire Water Solutions team, led by Doug White and Christian Holcomb, on their strong operational performance and positioning the business to capture new incremental business driven by the confidence producers have in NGL Water Solutions as the most reliable operator with the largest integrated water disposal network in the Delaware Basin. Next, I believe there's been some misinformation and literature published recently.

So, I would like our unit holders to know that your NGL generates the most adjusted EBITDA annually of any water company, transports the greatest volume of water for disposal of any water company, has the largest volume of water under volume commitments of any water company, operates its water business with the lowest cost per barrel of any water company, provides the most capacity to move water predominantly through the pipes 12 to 30 inches that Doug mentioned of any water company, and has millions of barrels of pore space as Doug stated. We are not waiting until calendar 2026, 2027 or later to grow our growth is here today, approximately 10% in fiscal 2026 and another 10% estimated next year.

So, let's jump to our long-term corporate strategy, and where we came from and where we sit today. So several years ago, we were saddled with leverage above 4.75 times and a dividend arrearage obligation that we needed to repay. So, our first initiative was to remedy the situation. So, we began identifying excess and idle

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assets that we sold. Next, we sold our crude oil trucking marine divisions at very attractive multiples. These were not businesses that provide a real competitive advantage or we could grow. Then, we sold the majority of our Liquids Logistics business that was the most volatile business in terms of adjusted EBITDA that fluctuated quite a bit from year to year. Not a great asset for an MLP.

Finally, we sold our New Mexico ranches. All of this cash allowed us to eliminate the dividend arrearage and reduce leverage. So, our next target were the Class D preferred units. As you've heard, we've redeemed 88,000 shares of them at this time with more anticipated in the coming quarters. Under the terms of the PREF, we must redeem them in \$50 million tranches unless offered to us in small PREFs. Each redemption or purchase should be accretive to our common unit holders.

With the increase in adjusted EBITDA, we are deleveraging, which provides greater flexibility to finance our growth capital, to attack the capital structure, and purchase common units simultaneously. We believe our common unit purchases thus far have been an excellent investment by the partnership.

In terms of valuation, we are seeing the market reward pure play water companies. We have been simplifying our business and focusing on the water business and providing substantial growth capital to this division. We anticipate becoming more and more a pure play water company as our adjusted EBITDA from water operations continues to grow.

Our finance group led by Brad Cooper has done an outstanding job of financing NGL and managing these equity purchases, while reducing interest expense when the opportunity presents itself. They are also reducing corporate overhead, not taking their eye off the ball even in the good times.

So finally, barring a negative macro event, I believe we're in the final leg of our journey to finish strengthening balance sheet by limiting Class Ds and decreasing leverage to less than 4 times. After that, anything is possible. Thank you. Questions?

Operator

Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions] First question comes from Derrick Whitfield with Texas Capitol. Please proceed.

Q: Well, good afternoon, and congrats on a solid quarter and update, guys.

Michael Krimbill - Chief Executive Officer, NGL Energy Partners LP

Thank you.

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

Thanks, Derrick.

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Q: Starting with the growth opportunities you're highlighting, as you guys know [Technical Difficulty] we are both in the Delaware water kind of backdrop, if you will. Having said that, I would love if you could maybe just offer some color to the macro, micro events that's leading to this increase in activity from a customer acquisition perspective since your last update. Is it fair to assume that you guys are picking up some opportunities now that Aris has been acquired by WES?

Michael Krimbill - Chief Executive Officer, NGL Energy Partners LP
Doug?

Doug White - Executive Vice President, Water Solutions, NGL Energy Partners LP
I'll take that. Yes, this is Doug. Thanks, Derrick. Where we see a lot of our growth is in our base customer mix. As many of you know, the larger producers have really been segmented mostly between the few different larger water midstream groups. Some of us have split some of the business between the super majors, but we also have very large customers that are mostly dedicated to our system. We're really seeing, from a macro perspective, the immense growth and commitment to growth from our larger customers. I think that speaks a lot to the maturation of the overall infrastructure, including pipeline takeaway, gas takeaway, but also infield processing, power availability, et cetera.

The efficiencies that have been created within the basin have really shown to make them more economic, and we're just seeing a greater dependence on focus on economics that's creating lower econs on the cost side that really lends to more development.

Q: Perfect. And then maybe shifting over to pore space. To your point, 4 million barrels of pore space in Andrews County is a tremendous amount of growth opportunity for you guys. And not suggesting you're going to spend all the capital at once, but if you were to think about the amount of capital required to access that pore space, can you help frame that?

Doug White - Executive Vice President, Water Solutions, NGL Energy Partners LP
Sure. Much like the LEX system, we see continued growth on the pipeline side out of New Mexico to our pore space in Andrews County. Those projects range in the \$50 million to \$150 million project. Much of that includes infrastructure development on the power side. Also anything around just the general development of disposal facilities and the injection wells themselves. So, as we access that, we expect to pace that over several years' time, of course.

I think the important item to note on that topic is we have secured the pore space and is excellent pore space, as I mentioned, unburdened by seismicity, existing injection, legacy vertical production. That's really important, and then as we continue to grow along with our customers, we'll layer in the capital side of things in order to respond to new deals.

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Q: Perfect. And one last, if I could, just with the increase in growth capital this year, is that largely just for drilling SWD wells?

Doug White - Executive Vice President, Water Solutions, NGL Energy Partners LP
Brad, do you want to answer that?

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

Go ahead, Doug.

Doug White - Executive Vice President, Water Solutions, NGL Energy Partners LP
Okay. So, with our growth projects that we mentioned, you'll notice that we increased the capital spend from \$50 million to \$150 million or \$160 million. Not sure the exact number there. But that addition of the \$100 million of capital is all growth related to the water side of the business.

Michael Krimbill - Chief Executive Officer, NGL Energy Partners LP
Hey, Doug, how many SWDs? Just give us, because you have saved these permits for many years, which is why competitors don't necessarily see us applying for permits, because we had so many. But is it 10, 15?

Doug White - Executive Vice President, Water Solutions, NGL Energy Partners LP
We have 35 to 45 legacy permits. We're in the process of drilling 15 to 20 new drills this fiscal year.

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

Q: All right. Well, terrific color, guys. Congrats on the release and update.

Brad Cooper - Executive Vice President and Chief Financial Officer, NGL Energy Partners LP
Thanks, Derrick.

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

Operator

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 - Executive Vice President and Chief Financial Officer, NGL Energy Partners LP
Yeah. Thank you, everyone, for joining us today. Have a safe end of the year, and we'll talk to you guys early next year.

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Operator

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

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