

Edgar Filing: Targa Resources Partners LP - Form 425

Targa Resources Partners LP  
Form 425  
December 03, 2015

Filed by Targa Resources Corp.

Pursuant to Rule 425 of the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: Targa Resources Partners LP

Commission File No.: 001-33303

This filing relates to a proposed business combination involving Targa Resources Corp. and Targa Resources Partners LP.

Targa Resources  
All Employee Meeting  
Year End Review  
December 3, 2015

Today's Discussion

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Accomplishments for 2015

Current Environment and Outlook for 2016

Implications for Targa

Q & A

2015  
Accomplishments

A  
Good  
Year  
in  
a

Tough  
Environment  
3

A Brief Summary . . .

Excellent execution across our businesses, substantially offsetting impacts

of commodity prices well below beginning of year expectations

Field G&P and export volumes exceeding initial 2015 expectations

Significant operating cost and G&A savings relative to budgets

Hitting early 2015 public guidance for 2015 distribution and dividend growth

Disciplined and proactive management of our financial position balance sheet, liquidity, capital formation

Successful closing of the Atlas Mergers early in the year, and excellent coordination and execution with talented employees joining the Targa team

Investing in our business growth

Capital efficiency with over \$700 million of 2015 growth capex CBF Train 5 in progress; Little Missouri

plant

start-up;

interconnection

of

Sand

Hills,

WestTX

and

SAOU;

Raptor

(SouthTX)

and

Buffalo Plant (WestTX) in progress

Development project backlog of over \$4 billion across our businesses

Continued strong record and industry leadership on safety and in environmental and regulatory compliance

2015  
Accomplishments

Transactions  
Supporting  
Targa  
Progress  
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A Brief Summary . . .

January

Issued \$1.1 billion of 5% Senior Notes due 2018

February

Completed a tender for over \$1.1 billion of Atlas Pipeline Partners, L.P. notes

Completed acquisitions of Atlas Pipeline Partners, L.P. and Atlas Energy, L.P.

March

Raised \$336 million at TRC via an equity offering

May

Completed exchange of \$342 million of Atlas Pipeline Partners, L.P.

6 5/8% Notes, issuing TRP Notes

September

Issued \$600 million of 6.75% Senior Notes due 2024

October

Announced joint venture with Sanchez Energy to build 200 MMcf/d plant and high pressure gathering lines (\$125 million of Targa capex expected)

Raised \$124 million at TRP through issuance of 9% Series A Preferred Units

November

Announced TRC is acquiring TRP in a transaction expected to close in Q1 2016

Early Holiday Bonus\*  
5  
Early Holiday Bonus  
Cash award paid or deposited  
to your account about  
December 4  
th  
Generally lower levels than



recent years  
\$1000 before tax for almost  
all employees  
Lesser amounts if not employed for  
full year  
Excludes all officers  
If a bonus is paid, this  
amount will be a portion of  
your total awarded bonus  
Related Messages  
We have done well against the 2015  
business  
priorities

Thank

You

As you are aware, the current industry  
environment presents challenges to our  
customers, to Targa and to our  
investors

The outlook for 2016 continues to be  
one of low prices and weak industry  
fundamentals

In this difficult environment, we are  
reviewing with the Board whether we  
will pay bonuses if so, they will be at  
levels lower than recent years

Nonetheless, management, with Board  
support, has approved a cash award to  
be paid before the holidays

\* Letter should arrive at your home address  
about December 4, describing bonus and  
related messages

Today's Discussion

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Q & A

Energy Markets  
Performance (2006 to Present)  
7  
Source: Bloomberg, Citigroup

Commodity Price Performance

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Crude Oil, \$/Bbl

Natural Gas, \$/MMBtu

Average Targa Field G&P NGL Bbl, \$/gal

Note: Targa's composite NGL barrel above comprised of 37% ethane, 35% propane, 6% iso-butane, 12% normal butane, and

Activity Levels  
Oil Drilling and Productivity by Well  
9  
Permian  
Bakken  
Eagle Ford  
(1)  
Source: EIA and Morgan Stanley

Today's Discussion  
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Accomplishments for 2015  
Current Environment and Outlook for 2016  
Implications for Targa  
Q & A



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Capital

Investment

Efficiency

Capital spending focused on efficiently meeting customer needs

Spending may be delayed/deferred to reflect lower activity levels, especially in Field G&P

Projects with greater cash flow certainty likely to proceed

Increased



Cost

Management

Apply lessons learned in prior commodity price cycles to reduce costs

Capture identified and not yet identified savings opportunities associated with recent mergers

Use additional workforce supply to hire selected permanent positions, improve skills and reduce overtime/contractor costs

Strong positioning in leading G&P basins and Downstream markets creates opportunities

U.S. position as a long-term low cost producer of hydrocarbons creates continued export services opportunities

Larger asset base post merger will create additional opportunities

Fee-based margin provides cash flow stability

4.0x Debt/EBITDA at end of Q3 2015

Continue to fund growth capital with mix of debt and equity

Continue to

Identify and

Capture

Opportunities

Preserve and

Improve

Balance Sheet

Strategic Focus

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Illustrative Price Scenarios

(1)

Note: Targa's composite NGL barrel comprises 37% ethane, 35% propane, 6% iso-butane, 12% normal butane, and 10% natural gas.

Crude Oil, \$/Bbl

Natural Gas, \$/MMBtu

Average Targa Field G&P NGL Bbl, \$/gal

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Transaction Overview

Targa Resources Corp. (NYSE: TRGP; TRC or the Company ) has executed a definitive agreement to acquire all of the outstanding common units of Targa Resources Partners LP (NYSE: NGLS; TRP or the Partnership ) not already owned by TRC

TRP common unitholders will receive 0.62 of a TRC share for each TRP common unit

All existing debt remains at TRP and Series A preferred units at TRP remain outstanding

Transaction is expected to close in Q1 2016, subject to customary closing conditions

HSR early termination already received

(1)

Taxes paid will vary depending on individual common unitholder attributes

Transaction expected to provide both immediate and long-term benefits to Targa's investors

(1)

Based on Consensus Pricing case, consistent with scenario shown to Targa's respective Boards to be provided in proxy materials

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Positioning Targa for Continued Long-Term Success

Stronger

Long-Term Growth

Outlook

Immediately accretive to TRC shareholders

Transaction allows Targa to continue to invest in high-return growth projects

Better positioned for lower for longer environment in downside cases

Enhanced upside potential in price recovery cases

Expected cumulative incremental coverage of over \$400 million through 2018

(1)

Increased coverage supports dividend growth outlook, while reducing external financing needs

Expected dividend coverage greater than 1.05x through 2018

(1)

Reduces leverage and expected to improve metrics over time

C-Corp structure with \$9 billion pro forma market capitalization should attract broader universe of investors

Deeper pool of capital available to finance growth

One public entity structure with simplified governance

Improved Coverage

and Credit Profile

Simplified

Structure

Improved Cost of

Capital

Elimination of IDRs provides immediate cost of capital improvement

Lower cost of equity improves competitive position for expansion and acquisition opportunities

Tax attributes of combination lowers TRC's cash taxes

\$3.56  
\$4.10  
\$4.39  
\$4.81  
\$3.00  
\$3.50  
\$4.00  
\$4.50

\$5.00  
\$5.50  
2015  
2016  
2017  
2018  
0.91x  
0.90x  
0.92x  
1.13x  
1.10x  
1.05x

0.20x  
0.40x  
0.60x  
0.80x  
1.00x  
1.20x  
1.40x  
2016  
2017  
2018

Coverage

Consensus Pricing

(1)

Pro Forma:

Strong pro forma  
dividend growth  
compared to current flat  
TRP distribution outlook  
15% expected dividend  
growth in 2016

Over 10% estimated  
dividend CAGR from  
2015 to 2018

~0.2x average  
improvement in pro  
forma coverage

Stronger coverage  
improves capital access  
and supports dividend  
growth outlook

TRP Standalone:

EBITDA growth offset by  
lower hedge settlements,  
IDR giveback roll-off and  
growing interest expense  
from coverage shortfall

Results in relatively flat



coverage at \$3.30  
distribution per unit

Standalone  
Incremental  
Coverage  
Pro Forma

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TRC Pro Forma Dividends per Share

Consensus Pricing

(1)  
Over \$400 million of cumulative incremental coverage  
2016 to 2018

(1)  
Consistent with scenarios shown to Targa's respective Boards to be provided in proxy materials  
Note: In this scenario, Targa expects \$554.5 million of growth capex in 2016, \$600 million in 2017 and \$600 million in 2018

2016  
2017  
2018

Consensus Pricing

Targa BBL Wtd. Avg. (\$/Gal)

\$0.51  
\$0.66  
\$0.71

Henry Hub Natural Gas (\$/MMBtu)

\$3.25  
\$3.53  
\$3.67

WTI Crude Oil (\$/Bbl)

\$54.99  
\$63.32  
\$70.29

Improved Dividend Growth and Coverage

4.4x  
4.5x  
4.5x  
4.3x  
4.3x  
4.3x  
3.0x  
3.5x

4.0x  
4.5x  
5.0x  
5.5x  
2016  
2017  
2018

TRP Compliance Leverage  
Consensus Pricing

(1)  
TRP's existing debt  
remains outstanding  
TRP will continue as a  
reporting entity  
TRP will continue to have  
flexibility under its  
leverage compliance  
covenant (remains 5.5x)

TRP leverage profile  
improves over time  
through increased  
retained cash flow

Consolidated Leverage  
Consensus Pricing

(1)  
Standalone  
Pro Forma

17  
Targa is not subject to a  
compliance covenant for  
consolidated leverage  
Targa enterprise leverage  
improves as well

Standalone  
Pro Forma  
TRP Compliance  
Covenant

(1)  
Consistent with scenarios shown to Targa's respective Boards to be provided in proxy materials  
Improved Credit Profile

5.1x  
5.1x  
5.1x  
5.0x  
4.9x  
4.8x  
3.0x  
3.5x  
4.0x  
4.5x

5.0x  
5.5x  
2016  
2017  
2018

0.86x  
0.80x  
0.76x  
1.11x  
1.05x  
1.00x  
  
0.20x

0.40x

0.60x

0.80x

1.00x

1.20x

1.40x

2016

2017

2018

\$3.56

\$3.92

\$3.99

\$4.05

\$3.00

\$3.50

\$4.00

\$4.50

2015

2016

2017

2018

Better Positioned in Lower Commodity Price Environments

Coverage

Price Sensitivity

(1)

Pro Forma:

Dividend growth with  
positive coverage even in  
lower price scenario

~10% expected

dividend growth in

2016

Modest growth

thereafter

Pro forma coverage

improves ~0.2x on

average

Increased retained cash

flow improves leverage

TRP Standalone:

Flat EBITDA profile offset

by IDR giveback roll-off

and growing interest

expense from coverage

shortfall

Results in declining

coverage at \$3.30

distribution per unit

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TRC Pro Forma Dividends per Share

Price Sensitivity

(1)

2016

2017

2018

Price Sensitivity

Targa BBL Wtd. Avg. (\$/Gal)

\$0.45

\$0.51

\$0.53

Henry Hub Natural Gas (\$/MMBtu)

\$3.00

\$3.00

\$3.05

WTI Crude Oil (\$/Bbl)

\$47.00

\$53.00

\$55.00

Standalone

Incremental

Coverage

Pro Forma

Over \$600 million of cumulative incremental coverage

2016 to 2018

(1)

Consistent with scenarios shown to Targa's respective Boards to be provided in proxy materials

Note: In this scenario, Targa expects \$554.5 million of growth capex in 2016, \$399.6 million in 2017 and \$224.5 million in 2018

5.3x  
5.4x  
5.8x  
5.2x  
5.2x  
5.3x  
3.0x  
3.5x



4.0x  
4.5x  
5.0x  
5.5x  
6.0x  
2016  
2017  
2018  
4.6x  
4.8x  
5.2x  
4.5x  
4.5x  
4.7x  
3.0x  
3.5x  
4.0x  
4.5x  
5.0x  
5.5x  
2016  
2017  
2018

Better Positioned in Lower Commodity Price Environments

TRP Compliance Leverage

Price Sensitivity

(1)

Consolidated Leverage

Price Sensitivity

(1)

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Targa is not subject to a  
compliance covenant for  
consolidated leverage

Targa enterprise leverage

improves as well

TRP Compliance

Covenant

Standalone

Pro Forma

Standalone

Pro Forma

(1)

Consistent with scenarios shown to Targa's respective Boards to be provided in proxy materials

TRP's existing debt

remains outstanding

TRP will continue as a

reporting entity

TRP will continue to have

flexibility under its

leverage compliance  
covenant (remains 5.5x)  
TRP leverage profile  
improves over time  
through increased  
retained cash flow

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Future Growth

Projects in Progress and Under Development

Pro Forma Targa Well Positioned to Capitalize on Opportunity-Rich Environment

2016 growth capex of  
approximately \$600 million,

including the following:

CBF Train 5

200 MMcf/d Buffalo Plant in  
WestTX

200 MMcf/d La Salle County Plant  
in SouthTX

Additional G&P expansions in  
Versado and Badlands

Targa has over \$4 billion of  
projects under development

Demand for additional  
infrastructure across all areas of  
operations continues, with current  
environment resulting in  
acceleration of need for some  
projects and delay for others

Representative projects include  
natural gas processing plants,  
natural gas and crude gathering  
lines and associated  
infrastructure, fractionation, NGL  
storage and export projects

What can you do?

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Flexibility

Cost control

Capital expenditure efficiency

Teamwork

What are your other ideas?

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Q & A