BofA SECURITIES

Kinder Morgan Inc

KMI: The key themes for '24 Investor Day, a deep dive

Maintain Rating: NEUTRAL | PO: 19.00 USD | Price: 17.16 USD

KMI Analyst Day: What's most important thematically?

As KMI reported 4Q23 results/'24 guidance, the focus turns to what KMI may address at its analyst day to attract capital. KMI has u/p peer WMB 16%/19% over the last 12/24 months, even as KMI has turned the corner, with the absence of material pipeline contract roll-offs and '24 hitting the $8bn mark. In our view, key to KMI closing the gap is providing an integrated natural gas narrative w/ the Permian, EF and intrastate system and combining those and the Haynesville gathering system (Kinderhawk) to continue to be a top nitrogen spec supplier to LNG facilities. We expect KMI to explain its rationale for a higher leverage target than peers, providing any examples of "internal hedges" that stabilize EBITDA. Lastly, we look for updates on emerging businesses, like RNG.

Eagle Ford a key focus post STX acquisition

As more LNG projects are built along the TX Gulf Coast, KMI will source those facilities with its leading TX intra-state system. The latest push has been to redouble on EF and AD, as new projects like the 2.5 Bcf/d Rio Grande LNG are built in the area. KMI's gathering system & several pipes connect the basin's 4 Bcf/d gas to the TX intrastate system. We expect KMI to show the premium value of low nitrogen EF gas, and address concerns like high sulfur.

GCX expansion necessary to commercial growth

We noted that the GCX expansion faces real competition from developers planning bi-directional bullet lines from Katy to AD. And KMI noted the urgency to provide more gas to the STX area. We believe expanding GCX is critical for building its nitrogen blending system, post the EF STX acquisition and providing downstream support to the TX intrastate system. So we look to see how KMI plans to fast-track this FID, if possible.

Target leverage of 4.5x high among peers; topic of debate

Prior to the print, we believe KMI was seeing long only inflows, with KMI noting it planned to exit '24 with 3.8x leverage and it could be targeting lower leverage. But on its 4Q call, KMI kept 4.5x as a cushion for opportunistic M&A. We think KMI could go with a lower leverage ratio, as it has the highest target ratio among peers, energy leverage is trending lower, and KMI lacks internal hedges like integrated large-cap peers. Our Neutral rating reflects KMI's stabilized natural gas business, as contract roll-offs are mostly behind us, but we see lower quality, commodity exposed ancillary businesses challenging growth.

Estimates (Dec) (US$)	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
EPS	1.33	1.17	1.10	1.24	1.29
GAAP EPS	0.79	1.13	1.11	1.24	1.29
EPS Change (YoY)	49.4%	-12.0%	-6.0%	12.7%	4.0%
Consensus EPS (Bloomberg)			1.10	1.22	1.26
DPS	1.08	1.11	1.13	1.15	1.16
Valuation (Dec)					
P/E	12.9x	14.7x	15.6x	13.8x	13.3x
GAAP P/E	21.7x	15.2x	15.5x	13.8x	13.3x
Dividend Yield	6.3%	6.5%	6.6%	6.7%	6.8%
EV / EBITDA*	9.5x	10.0x	9.8x	9.3x	9.2x
Free Cash Flow Yield*	11.4%	8.6%	7.9%	8.5%	8.5%

* For full definitions of *iQmethod*℠ measures, see page 17.

Refer to important disclosures on page 18 to 20. Analyst Certification on page 16. Price Objective Basis/Risk on page 16. **12649237**

Timestamp: 23 January 2024 06:00AM EST

23 January 2024

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Stock Data

Price	17.16 USD
Price Objective	19.00 USD
Date Established	17-Oct-2022
Investment Opinion	B-2-7
52-Week Range	15.89 USD - 18.90 USD
Mrkt Val (mn) / Shares Out (mn)	38,845 USD / 2,263.7
Free Float	87.2%
Average Daily Value (mn)	246.84 USD
BofA Ticker / Exchange	KMI / NYS
Bloomberg / Reuters	KMI US / KMI.N
ROE (2023E)	8.1%
Net Dbt to Eqty (Dec-2022A)	96.3%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

KMI: Kinder Morgan Corp.
WMB: Williams Companies Inc.
U/p: Underperform
AD: Agua Dulce
EF: Eagle Ford
LNG: Liquefied natural gas
TX: Texas
STX: South Texas
GCX: Gulf Coast Express Pipeline
FID: Final investment decision
M&A: Mergers & acquisitions
RNG: Renewable natural gas

*iQprofile*SM Kinder Morgan Inc

iQ**method* SM – **Bus Performance

(US$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	6.2%	5.8%	6.0%	6.5%	6.6%
Return on Equity	9.7%	8.6%	8.1%	9.1%	9.3%
Operating Margin	32.8%	26.0%	32.9%	35.1%	35.9%
Free Cash Flow	4,427	3,346	3,074	3,284	3,301

iQ**method* SM – **Quality of Earnings

(US$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.9x	1.9x	2.2x	2.0x	1.9x
Asset Replacement Ratio	0.6x	0.7x	1.1x	1.0x	1.0x
Tax Rate	21.9%	21.6%	21.6%	21.6%	21.6%
Net Debt-to-Equity Ratio	98.0%	96.3%	97.8%	94.6%	91.4%
Interest Cover	3.6x	3.3x	2.8x	3.0x	3.0x

Income Statement Data (Dec)

(US$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	16,610	19,200	15,447	15,591	15,639
% Change	42.0%	15.6%	-19.5%	0.9%	0.3%
Gross Profit	8,284	7,832	8,096	8,456	8,593
% Change	16.1%	-5.5%	3.4%	4.4%	1.6%
EBITDA	7,927	7,516	7,654	8,067	8,203
% Change	13.9%	-5.2%	1.8%	5.4%	1.7%
Net Interest & Other Income	(1,518)	(1,524)	(1,822)	(1,821)	(1,841)
Net Income (Adjusted)	**3,004**	**2,636**	**2,459**	**2,767**	**2,864**
% Change	**49.4%**	**-12.3%**	**-6.7%**	**12.5%**	**3.5%**

Free Cash Flow Data (Dec)

(US$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	3,004	2,636	2,459	2,767	2,864
Depreciation & Amortization	2,135	2,261	2,244	2,244	2,238
Change in Working Capital	(257)	(451)	168	(154)	(10)
Deferred Taxation Charge	355	692	639	738	563
Other Adjustments, Net	471	(171)	(45)	(170)	(170)
Capital Expenditure	(1,281)	(1,621)	(2,391)	(2,141)	(2,183)
Free Cash Flow	**4,427**	**3,346**	**3,074**	**3,284**	**3,301**
% Change	**55.7%**	**-24.4%**	**-8.1%**	**6.8%**	**0.5%**
Share / Issue Repurchase	0	(368)	(390)	0	0
Cost of Dividends Paid	(2,443)	(2,504)	(2,528)	(2,555)	(2,593)
Change in Debt	(872)	(677)	(428)	350	400

Balance Sheet Data (Dec)

(US$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,140	745	336	1,547	2,788
Trade Receivables	1,611	1,840	1,594	1,417	1,399
Other Current Assets	1,078	1,218	882	901	896
Property, Plant & Equipment	35,653	35,599	36,085	35,982	35,928
Other Non-Current Assets	30,934	30,676	30,327	29,559	28,966
Total Assets	**70,416**	**70,078**	**69,224**	**69,407**	**69,977**
Short-Term Debt	2,646	3,385	3,130	5,230	6,980
Other Current Liabilities	3,175	3,545	3,199	2,887	2,855
Long-Term Debt	29,772	28,288	28,113	26,363	25,013
Other Non-Current Liabilities	2,902	2,746	3,167	3,167	3,167
Total Liabilities	**38,495**	**37,964**	**37,609**	**37,647**	**38,015**
Total Equity	**31,921**	**32,114**	**31,615**	**31,760**	**31,962**
Total Equity & Liabilities	**70,416**	**70,078**	**69,224**	**69,407**	**69,977**

* For full definitions of *iQmethod*SM measures, see page 17.

Company Sector

Natural Gas-Pipelines

Company Description

KMI is one of the largest energy midstream companies with diverse operations across the midstream energy value chain. Businesses include natural gas pipelines, liquids terminalling, CO2 production, as well as products pipelines.

Investment Rationale

Our Neutral rating reflects the stable outlook on KMI's base natural gas business and strong potential to capture energy transition opportunities. These positives are somewhat offset by the long-term headwinds for the crude oil and refined products businesses.

Stock Data

Average Daily Volume	14,384,792

Quarterly Earnings Estimates

	2022	2023
Q1	0.32A	0.30A
Q2	0.27A	0.24A
Q3	0.26A	0.25A
Q4	0.31A	0.31E

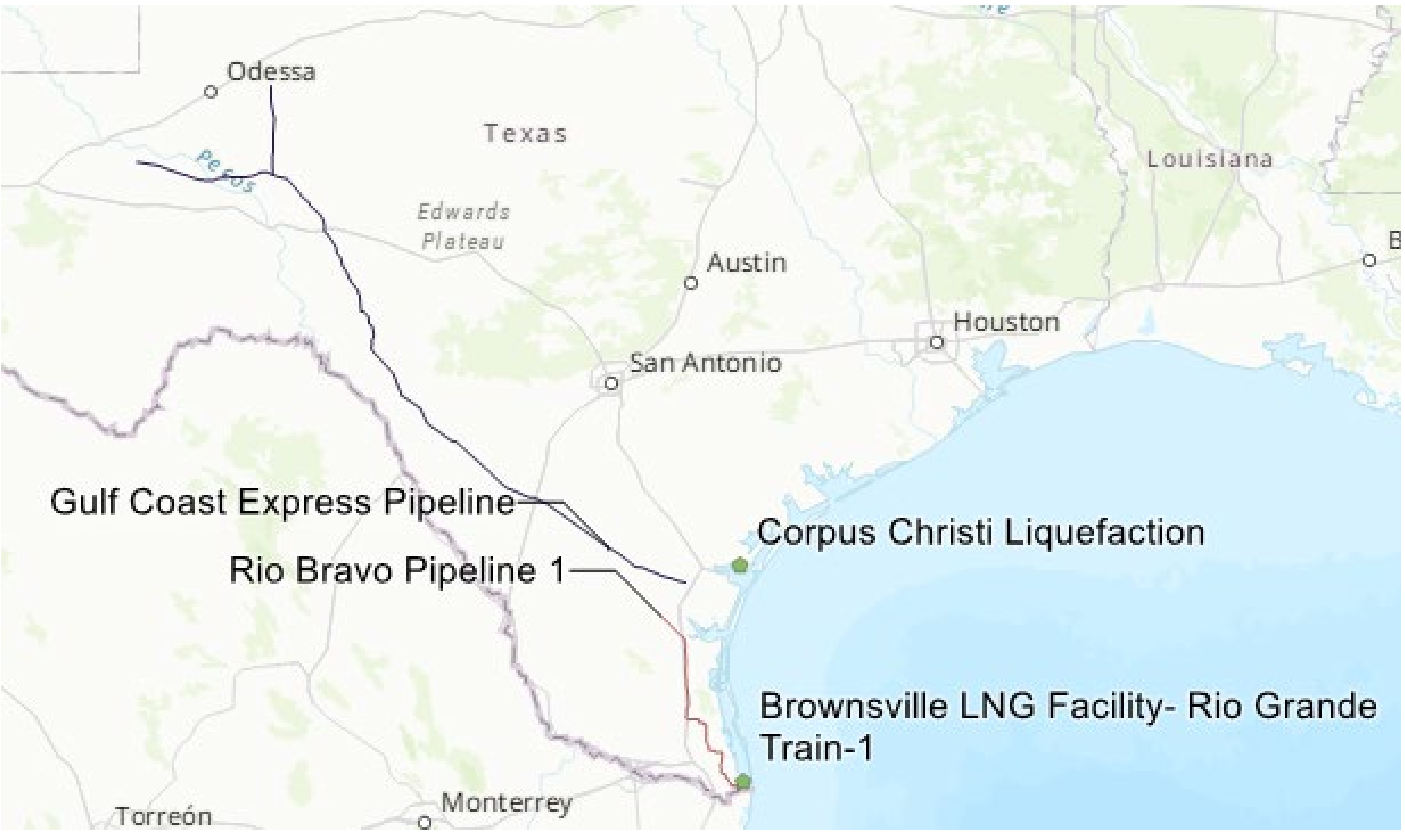
Contents

Topics for Debate

Is the GCX expansion FID a near term catalyst?

Following the Matterhorn Express (2-2.5 Bcf/d) and PHP/Whistler expansion FIDs (~1 Bcf/d), the 0.5 Bcf/d Gulf Coast Express expansion seemed unlikely. But then the Rio Grande LNG facility (1st LNG in '27) was sanctioned in Sept. '23, requiring more gas to flow to Agua Dulce. Owners KMI and KNTK noted renewed interest in an expansion to supply the new '27+ demand in South TX. And with a 18-24 month lead time to add compression to expand GCX 500 MMcf/d, we believe an expansion would need to be sanctioned by mid '25 in time for first LNG from Rio Grande.

Exhibit 1: Rio Grande LNG feeder pipelines
A GCX expansion will be needed by '25 to supply first LNG from Rio Grand LNG



Source: S&P Capital Markets

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KNTK delay in selling 16% stake highlights bid-ask spread for expansion value
KNTK has been trying to monetize its 16% stake in GCX since ~May '23. We believed KNTK could receive the precedent value of 10.75x EBITDA that TRGP received, when it sold its 25% stake in early '22. All else equal, we would expect KNTK to receive a lower multiple for its sale as interest rates have increased. But the expansion optionality could offset the interest rate impact. We felt KNTK was close to executing a sale in 3Q near TRGP's sales multiple, but an announcement didn't materialize. And the sales process is still ongoing.

…which makes us wonder if alternative opportunities to source CC are emerging
Our recent call with BofA gas trading (Midstream/MLP Energy: Gulf Coast basin bottleneck deep dive with BofA gas trading 17 January 2024) indicates competing, lower cost options are emerging. Specifically, bi-directional pipelines are being proposed between Katy and Agua Dulce, with capacity of 1.5 Bcf/d. Due to the shorter distance, we estimate the rate on these pipes to be 20-30c/Mcf vs. GCX rates of >50/Mcf. And

with Eagle Ford gas production stabilized at 4 Bcf/d, the GCX expansion may be a more longer dated project than we initially expected.

Exhibit 2: Bi-directional pipelines between Katy and CC proposed
Katy oversupply creates opportunities to push gas south to Corpus

Source: S&P Capital Markets

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Will KMI move GCX more aggressively to market?

KMI was the odd pipe out for compression expansion in the last cycle with PHP and the similarly-routed Whistler pipeline moving forward. KMI noted on its conference call that competition is heating up to supply the Gulf Coast, and we believe that to mean being first to market is important. So, we wonder if KMI would accept an initial lower return threshold, especially since a GCX expansion would create substantial downstream expansion opportunities. We think this issue is more black and white than investors believe, where KMI considers opportunity costs. The 4Q call suggested:

- A takeaway solution to Agua Dulce is needed and a project needs to be sanctioned in the next few quarters. The market is competitive.

- KMI is unique in its ability to offer downstream services beyond the pipeline.

Is nitrogen blending a material opportunity or KMI?

KMI sees commercial synergies from blending high nitrogen Permian gas, coming down the GCX and Whistler pipelines with lower nitrogen Eagle Ford gas to meet LNG specifications. This is the main longer dated synergy for KMI's STX acquisition, where it paid 8.6x NTM EBITDA, but sees commercial synergies lowering the acquisition multiple to 7x-7.5x EBITDA.

The issue is that the nitrogen content in gas needs to be at a certain spec for pipelines (<5%) and even lower for LNG (<3%). This is an issue in the Permian, especially in the Midland basin where, in the extreme, we believe a private midstream company is building a Nitrogen Rejection Unit (NRU) to meet pipeline specifications. But the larger issue is that Permian gas will be increasingly feeding LNG facilities and the nitrogen content is out of spec. *So, the question is whether blending is needed to sell premium LNG spec gas or NRU unit installations make more sense at facilities.*

Is blending gas necessary and what is the premium it commands?

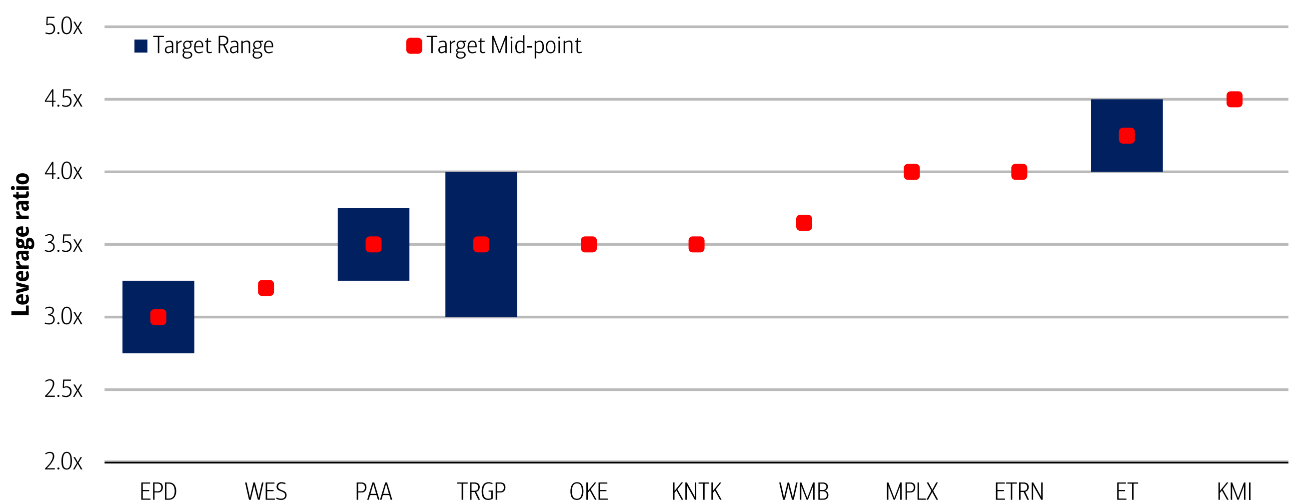
KMI sees commercial synergies from blending high nitrogen Permian gas, coming down the GCX and Whistler pipelines with lower nitrogen off Eagle Ford gas (with the STX system) to meet LNG specifications. We look for Kinder to clarify what the opportunity is to lower the acquisition multiple 1 turn over time. For this to be a substantial commercial synergy, we need to see 1) whether NRUs are prohibitive along the Gulf Coast due to lack of land and 2) the capital and operating costs of NRUs, if possible, that cause "spec LNG" gas to trade at a premium, such that a blending operation could be supported.

Should KMI run w/ a lower leverage target?

We believe part of KMI's outperformance from the 4Q pre-release (December 4) to the 4Q print (January 18th) was due to KMI noting that leverage levels would end '24 at 3.8x, without a major acquisition. We believe this brought some long only interest into the name, viewing the <4x '24 leverage level, as, perhaps, a commitment to de-levering. Midstream has the highest leverage (3-4x) of the energy sectors (E&P 1-2x, OFS <1x) and KMI has the highest leverage target (4.5x) in midstream.

Exhibit 3: Target leverage ratios

KMI has highest midstream target leverage in our coverage universe



Source: BofA Global Research, Company filings

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The case for lower leverage – Internal hedges lacking

ET is the only large midstream player that runs with a similar leverage level as KMI, with a range of 4.0-4.5x, though it trends towards the lower end. ET notes a company of its size can support such a leverage level. But more importantly, we view ET as having "internal hedges," meaning that when one part of the business underperforms, another outperforms, stabilizing under different commodity scenarios. For example, when NGL prices trend down hurting ET's midstream business, it can increase margins on the export side as the arb widens to Asia and Europe.

The internal hedge is not clear on KMI's side. There is commodity sensitivity, with all 3 commodities. Crude oil prices for the products and CO2 businesses, NGL prices or NGL/WTI ratio assumptions for the natural gas and CO2 segments and D3 RIN prices for the RNG/ETV segment. And volumetric exposure with the gathering segments. So, while some investors view KMI as a bond proxy, the businesses beyond natural gas are diversified, with commodity exposure and financial performance, among these segments, are generally independent of each other or positively correlated.

Exhibit 4: 2023 KMI budget sensitivities at '23 Analyst Day
Commodity sensitivity to gas, crude, NGLs and D3 RIN prices

2023B assumptions	Change	Potential Impact to Adjusted EBITDA & DCF (full year)				
		Natural Gas	Products	Terminals	CO_2	Total
Natural gas G&P volumes 3,668 bbtud	+/- 5%	$40 million				$40 million
Refined products volumes (gasoline, diesel & jet fuel) 1,663 mbbld for Products segment	+/- 5%		$37 million	$12 million		$49 million
Crude oil & condensate volumes (includes Bakken oil G&P) 510 mbbld net	+/- 5%		$15 million			$15 million
Crude oil & NGL production volumes 38 mbbld net	+/- 5% in net volumes				$25 million	$25 million
$85.00/bbl WTI crude oil price	+/- $1/bbl WTI	$1.0 million	$1.2 million		$3.6 million	$5.8 million
$5.50/Dth natural gas price	+/- $0.10/Dth	$1.0 million[a]				$1.0 million[a]
NGL / crude oil price ratio 54% in Natural Gas segment & 45% in CO_2 segment	+/- 1% price ratio	$1.4 million			$3.5 million	$4.9 million
$2.71/RIN D3 RIN price	+/- $0.10/RIN				$3.8 million	$3.8 million
		Potential Impact to DCF (balance of year)				
SOFR rate: 4.72%	+/-10-bp change in SOFR					$6.3 million[b]

Source: Company filings

4Q23 Conference Call Highlights & Basin Activity Updates

Growing RNG w/ focus on operational consistency

KMI is ramping up their RNG presence after having taken over operations from Waste Management. KMI missed its implied '23 EBDA of $100mm, but we expect the company to budget ~$150mm in EBDA for '24. It has three plants in service now, but they are not running as consistently as KMI would like for them to, so it is focused on improving operations. It expects to be at 6.4 Bcf annual production capacity by mid-'24 (6.9 Bcf gross). 6.9 Bcf is equivalent to 9.1mm barrels of oil consumed or 439mm gallons of gasoline consumed. Note that this segment has D3 RIN commodity sensitivity. While D3 prices have improved, the 3rd facility needs to be in service ~6 months, before receiving RIN payments.

Interstate connectivity provides marketing opportunities

A key topic on the conference call was the benefit of cold weather in 1Q24. The absence of colder weather in 4Q negatively impacted EBITDA. And KMI gave a refresher of how it can make money with interruptible flows and storage on its interstate and Texas intrastate systems. While KMI benefits, it is more contracted than peers like ET and EPD, which are more opportunistic, in terms of capturing outsized price and spreads, during extreme weather. But KMI has some flexibility to market gas supply to industrial/LDC customers at premium rates. KMI can leverage its interstate and storage network assets across its system to deliver gas into downstream markets at favorable spot rates: EPNG, TGP, SNG, NGPL and connected storage systems:

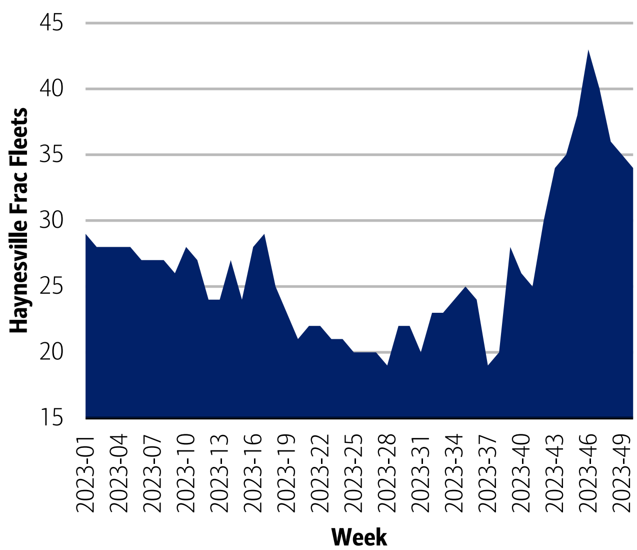
- **EPNG** – differentiated storage options include park and loan, line pack – linear storage systems (elastic supply)
- **NGPL** – largest storage network on system with 288 Bcf of capacity
- **Stagecoach** – 40 Bcf in NY, FERC-regulated, at market rates
- **TX Other** – most contracted, some proprietary spread positions

Key Basin, G&P and intrastate growth update

Kinderhawk (Haynesville system) had strong volumes in 4Q23

KMI expanded its Greenholly (Kinderhawk) gathering pipeline in northern Louisiana earlier this year. The expansion added more downstream connectivity on its SNG and TGP pipes. Despite the pullback in Haynesville activity, KMI saw a 30% q/q increase in Haynesville volumes. We think this is attributable to a surge in 4Q frac fleets. But overall, Haynesville activity seems to have plateaued for the year.

Exhibit 5: Haynesville frac fleets by week
Producers expecting stronger pricing in '24



Source: Rystad

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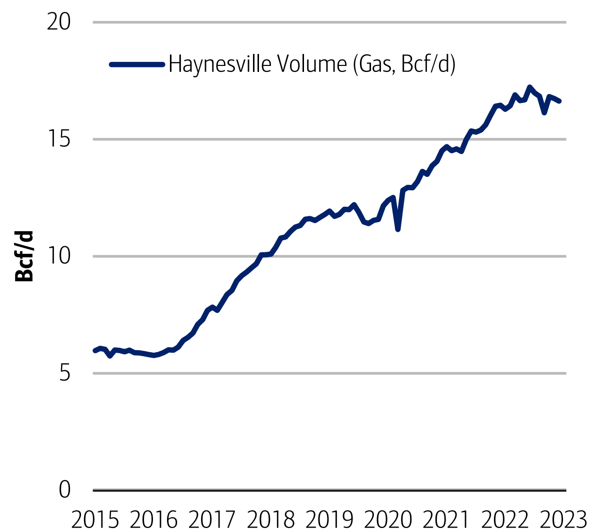
Exhibit 6: Haynesville gas volumes
Growth has plateaued



Source: S&P Global

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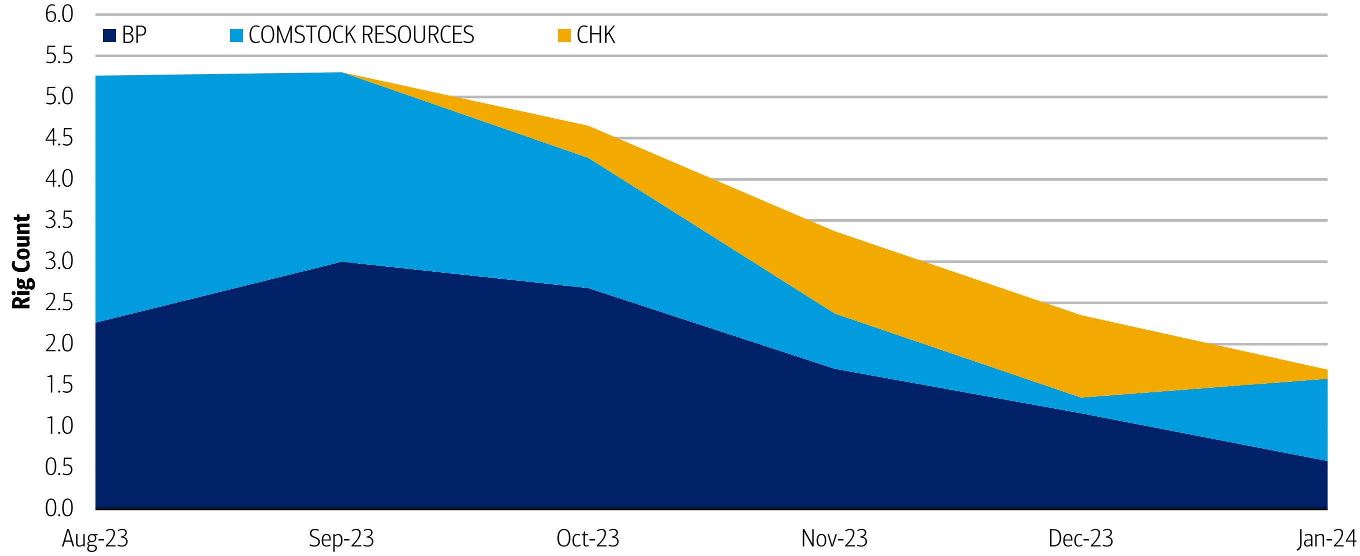
But '24 expected to see a slow-down with rest of Haynesville

Kinderhawk's anchor customer in the Haynesville is BP, so it sees more steady volumes than some other gathering systems with smaller anchor customers. But KMI is not immune to the fall in forward pricing. '24 Henry Hub prices fell ~$1/Mcf in 4Q, causing producers to pull back rigs in their budget. So, the largest producers on Kinderhawk, including BP (Desoto County), CHK (Caddo), and Comstock have pulled back rigs in 4Q. The lag from the lower rig count to production typically takes ~6 months.

Exhibit 7: Haynesville Key Customers' Rig Count
Haynesville rig count has been trending downwards since September



Source: BofA Global Research, East Daley

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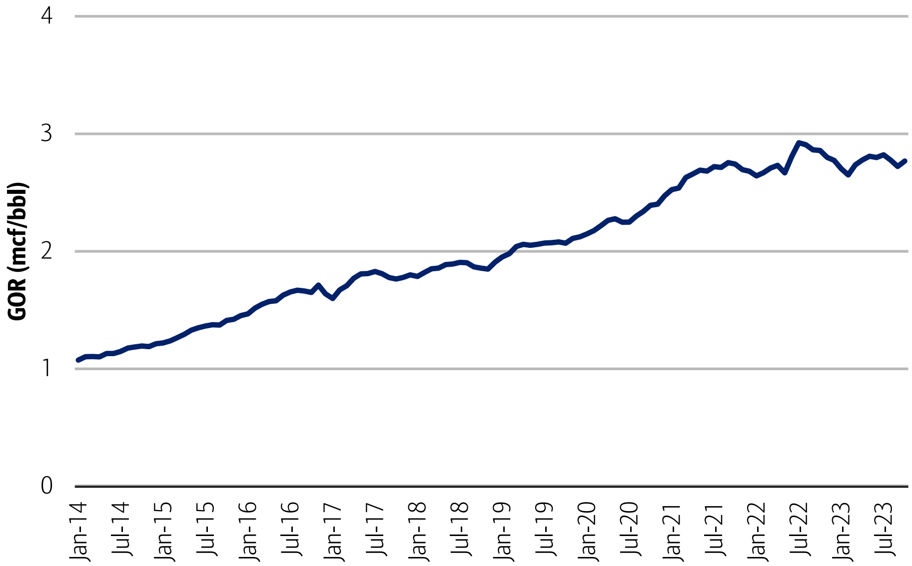
KMI building to access rising Bakken production

KMI's Bakken natural gas gathering volumes were up 14% y/y in 4Q. Dry gas production in the Bakken has risen from 1.9 Bcf/d at the end of '22 to 2.5 Bcf/d at YE23. The Bakken gas-oil-ratio (GOR) rose steadily through '21, and has held flat more recently, ensuring the future of gas production in the basin even as operators target oilier windows. KMI is working on two Wyoming Interstate Company egress projects to access the growing production. The "Bakken Express" is the first project that is bringing incremental gas out of the Bakken. It was put into service in November moving 92 MMcf/d from leases on Big Horn Gas Gathering and Fort Union Gas Gathering into the Cheyenne hub. The second project will add 300 MMcf/d of export capacity from leases on FUGG, Northern Border Pipeline Company and Bison Pipeline, and is scheduled to be in service in the first quarter of 2026.

Exhibit 8: Bakken GOR '14-Current

Bakken GOR rose steadily through '21, but has plateaued more recently



Source: BofA Global Research, Rystad

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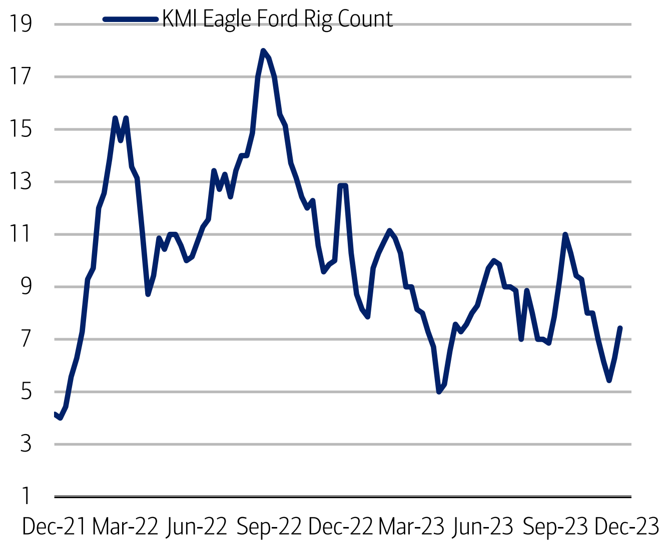
Eagle Ford–KMI moves gas w/ intrastate pipe & gathering

In the Eagle Ford, we have seen rigs slowly trend down. The rig count fell to 58, down sharply from over 96 in 1Q23. KMI has lost 5 rigs on its Eagle Ford system since 1Q23. Overall productivity seems to have degraded widely, but operators have exploited new resources like the Dorado gas play in Webb County and the San Miguel shale in western Dimmit County. Dorado is estimated to have 21 Tcf of net resource potential in the Eagle Ford and Austin Chalk formations according to EOG. Producers Chesapeake, SM Energy, Silver Hill, Killam Oil, and Kimmeridge drive production in Webb County, TX. According to sources, Silver Hill and Kimmeridge are potential operators linked to the projects. Thus, we believe the South Texas/Eagle Ford region could be a key feedstock gas contributor to the growth of LNG capacity along the Gulf Coast. KMI is a key link between the Eagle Ford and the intrastate system, especially with the addition of STX (detailed below).

The KMI Eagle Ford gathering system has exposure to Dewitt, Karnes, La Salle, and Webb Counties. Exhibit 10 shows gas production by County.

Exhibit 9: KMI system rig count
Rigs have fallen with lower commodity prices



Source: East Daley

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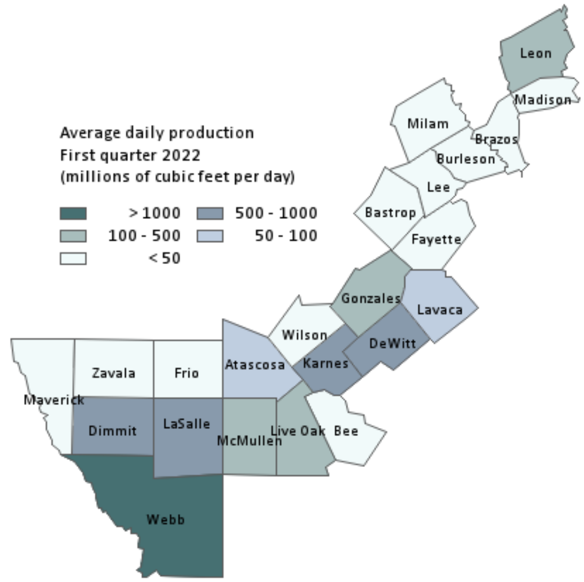
Exhibit 10: Eagle Ford gas contribution by county
Gas production by County



Source: Dallas Fed

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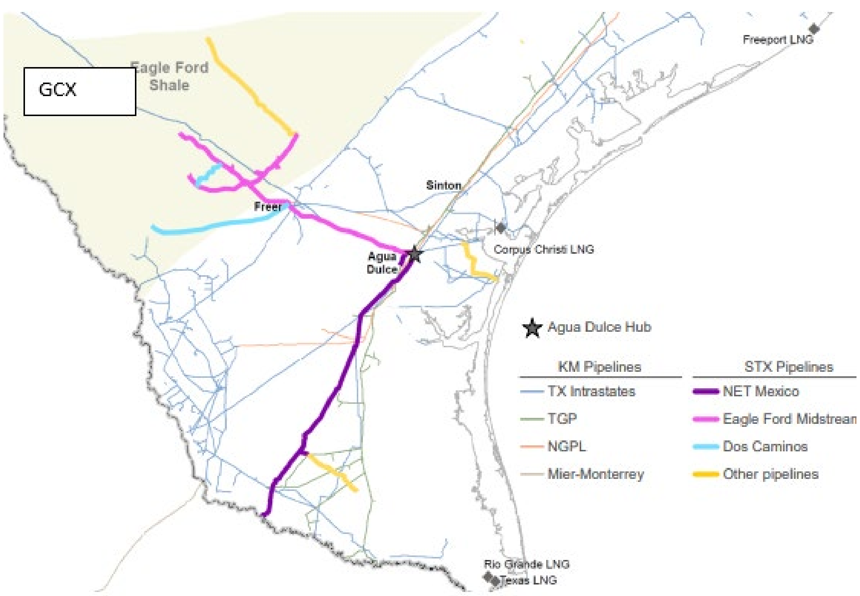
STX acquisition doubles down on Eagle Ford

KMI acquired NEP's STX assets (South Texas Natural Gas Pipelines) for $1.815bn. NEP bought this asset package for $2.1bn in '15 and made expansions to the system. Along with the recent Freer to Sinton pipeline, KMI is doubling down on its Eagle Ford position to supply Agua Dulce and the LNG corridor through its intrastate system.

Description of STX assets

The STX assets are 75% take-or-pay and have an average ~8 years contract term.

Exhibit 1: STX asset map
Gateway for EF gas to move to power, industrial, LNG and Mexican markets



Source: Company filings BofA Global Research

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- Eagle Ford Midstream – Moves Eagle Ford gas to the central Agua Dulce Hub. Provides another route out of the Eagle Ford in addition to Freer-Sinton extension to the KMI intrastate system.

- Dos Caminos – JV with Howard. Intra-basin Eagle Ford pipe that moves gas to EF Midstream and Freer-Sinton.

- NET Mexico – Strategically placed pipe moving gas from Agua Dulce to Mexico. PEMEX is an off-taker. Recall that KMI was losing market share for volumes to Mexico because of NET. So, this pipe is an internal hedge against the existing portfolio.

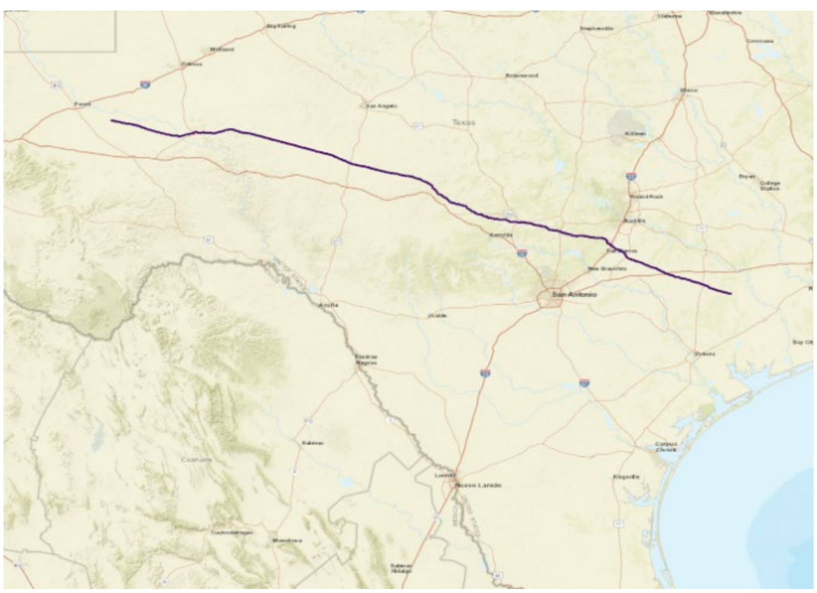
Key Projects placed into service 4Q23

In 4Q23, 27% of KMI's $3.8bn project backlog was placed in-service including the PHP expansion, TGP East 300 upgrade/expansion, and two additional RNG facilities -Liberty and Prairie View.

Permian Highway Pipeline (PHP) expansion project –

The ~$550mm (KMI's share: $149mm) expansion adds 550 MMcf/d of capacity via compression with minimal new pipeline build and extends from the Waha area in West Texas to Wharton County, TX. PHP provides feedgas supply to LNG export infrastructure on the Gulf Coast. PHP is a 2.1 Bcf/d gas, 430-mile pipeline which began commercial operations in '20. The expansion was placed in-service in Dec. '23 following a delay in starting up in November. The project is a joint venture among subsidiaries of KMI (26.7%), KNTK (53.3%), and XOM (20%). KNTK's interest in PHP increased to 55.5% with the in-service of PHP in December. KMI is the operator of PHP. The pipeline is fully contracted under 10-year take-or-pay TSAs. The project was sanctioned in Jun. '22.

Exhibit 13: Permian Highway Pipeline (PHP)
PHP extends from Waha to an area near Katy, TX



Source: Company filings

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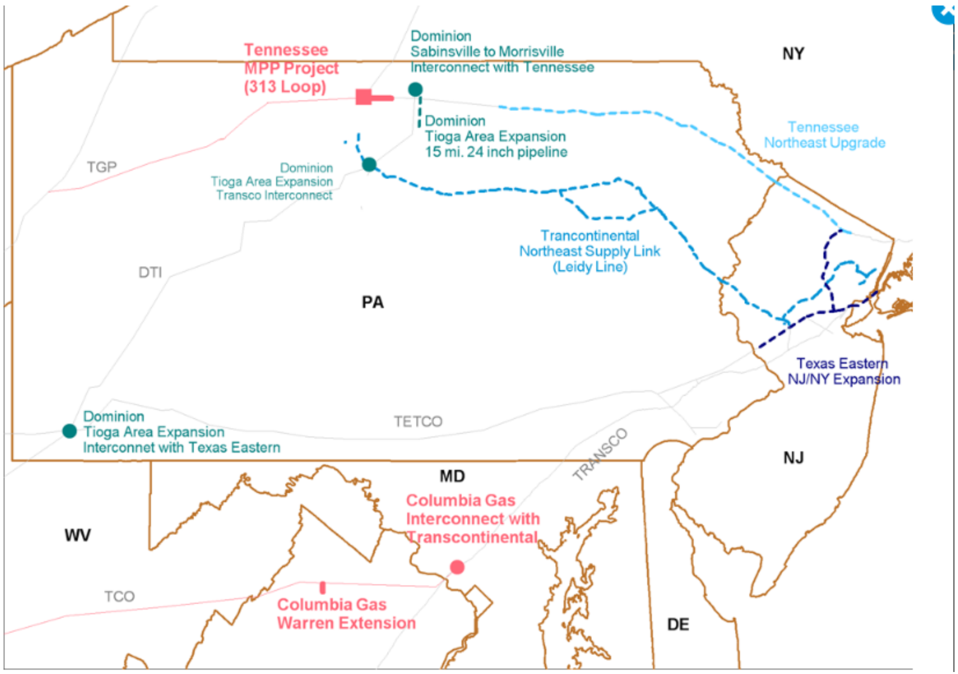
TGP East 300 Upgrade project –

The $263mm expansion upgrades compression facilities on TGP, under a long-term agreement with Consolidated Edison Inc. to provide 115 MMcf/d of capacity to its distribution system in Westchester County, New York. TGP is a ~11,760-mile natural gas pipeline that delivers gas from the Northeast to markets in the Northeast, Louisiana, Texas, the Gulf Coast, and Mexico. The project also increases access to natural gas markets and helps relieve existing capacity constraints in the region. The project was placed in-service in November. FERC issued permits in April '22 that authorized TGP to upgrade two existing compressor stations in Sussex and Susquehanna counties, PA and to build a new $108mm electric-driven compressor station in West Milford in Passaic County, NJ at a former industrial site.

Exhibit 14: TGP East 300 Upgrade Project

TGP upgrades 3 compressor stations in northern PA to allow for bidirectional flow of natural gas



Source: EIA

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Landfill RNG facilities (2) –

The Liberty landfill RNG facility commenced operations on Oct. 3 last year, followed by the Prairie View landfill RNG facility. Liberty is the 2nd of 3 RNG plants operating in Indiana. The Twin Bridges landfill RNG facility (1.5 Bcf) was the first of the RNG landfill plants that came online. It began operating in Jun. '22. Together, these projects contribute a total of ~3.9 Bcf to KMI's annual capacity. The landfills were acquired as part of its acquisition of Kinetrex, a leading supplier of LNG in the Midwest and producer of RNG in Aug. '12 for $310mm. Subsequently, it invested $146mm to construct the facilities, which will process gas purchased from Waste Management. Together, the projects are expected to contribute to a full-year project EBITDA multiple of ~6x. Autumn Hills, KMI's next RNG landfill facility (0.8 Bcf) is expected to be placed in-service by 2Q24.

Exhibit 15: Liberty landfill RNG facility
Liberty was placed in-service in Oct.

Source: Company filings

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Exhibit 16: Prairie View landfill RNG facility
Prairie View followed Liberty in 4Q

Source: Company filings

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Despite these projects coming online in 4Q, it is likely that we will not start generating associated cash flow until the mid-part of this year as it takes several months to get EPA approval and D3 RIN pricing.

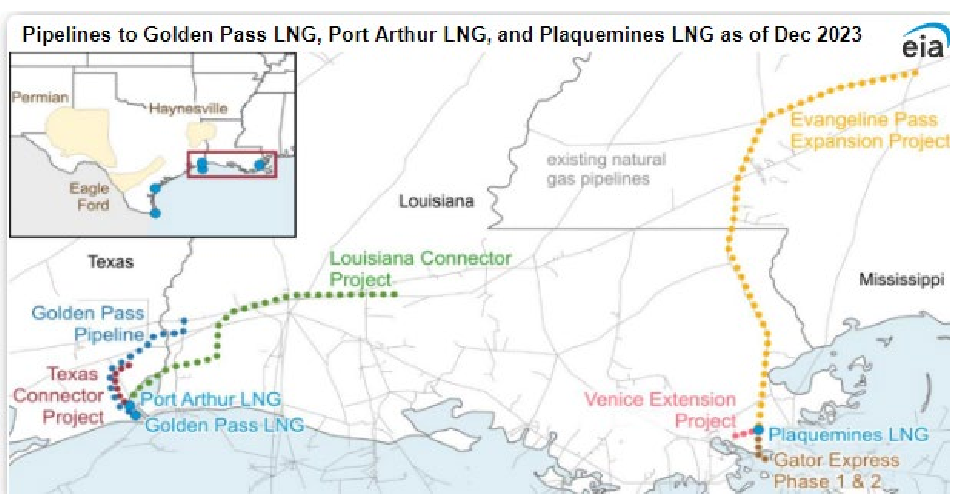
’24 growth projects

Looking ahead to ’24, KMI budgets $2.3bn in growth capex. 39% of its project backlog is scheduled to come online in ’24. Some ’24 natural gas projects include:

Evangeline Pass expansion project –

The project will source 2.0 Bcf/d of feedgas for Venture Global’s Plaquemines LNG facility. Construction on the $672mm project is to be completed in 2 phases, with upgrades made to both TGP and SNG systems in Mississippi and Louisiana and is underpinned by 20-year contracts. The project involves building 9.1 miles of 36-inch diameter pipeline in St. Bernard Parish, LA, 4 miles of 36-inch pipe in Plaquemines Parish, LA, a new compressor station in Clarke County, MS and a compressor station in St. Benard Parish, LA, in addition to the upgrades to the existing facilities. Phase 2 of the project coincides with the second phase of Plaquemines LNG in ‘25.

Exhibit 17: SNG Evangeline Pass Expansion Project
SNG additions include a compressor station in Clarke County and multiple meter stations



Source: EIA

Exhibit 17: SNG Evangeline Pass Expansion Project
SNG additions include a compressor station in Clarke County and multiple meter stations

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Markham storage expansion –

The storage expansion will add more than 6 Bcf of incremental working gas storage at its facility on the Texas Gulf Coast with an anticipated in-service date of January '24. The project adds another cavern at Markham. Anchor shippers have subscribed to about half of the available capacity under long-term agreements. Markham's original system had 21.8 Bcf of working gas storage capacity with peak delivery of 1.1 Bcf/d of natural gas on KMI's Texas intrastate system. KMI has noted that the spreads are much wider than they have been in a long time, supporting brownfield gas storage projects, but not quite there to support greenfield developments. It also noted a strong willingness for companies to sign up for firm commitment storage contracts, particularly utilities and industrial companies, as demand increases on the Gulf Coast.

TGP Port Sulfur Dispatch –

The project, which supports New Fortress Energy, is expected to cost $70mm in capital with an in-service date of 3Q24, backed by a 20-year contract.

Red Cedar CCS Project –

Kinder Morgan and the Southern Ute Indian Tribe Growth Fund created a natural gas joint venture based in Colorado that will install carbon capture equipment at two natural gas treating facilities. The facilities will capture up to 400k metric tons per year of CO2 and deliver it to KMI's Cortez Pipeline where it will be moved to a KMI Class II well in the Permian to be permanently sequestered. The net capital investment is less than $50mm and KMI has an interest of 49%, so gross should be around $100mm for project capital. The target in-service date is 4Q24. Through the JV ownership and its existing pipeline network and downhole experience, KMI can touch every part of the CCS value chain.

Exhibit 18: Red Cedar Carbon Capture and Sequestration Project
Red Cedar Gathering is based in southern Colorado and will move CO2 to the Permian

Source: Company presentation

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Price objective basis & risk

Kinder Morgan Inc (KMI)

Our PO of $19 is derived from our discounted cash flow valuation, which implies a 9.9x 2024E EV/EBITDA multiple. We forecast a ten year outlook, which we believe is the limit of market recognition, and then forecast terminal growth of 1.0% while using a 7.5% WACC.

Upside risks to our estimates are (1) higher commodity prices, (2) better long-term macro environment in the crude oil and refined products businesses, (3) stronger pipeline recontracting prospects and (4) tailwinds associated with energy transition opportunities.

Downside risks to our estimates are (1) US economic weakness, (2) slower oil and gas demand growth, (3) lower oil/gas prices, (4) higher than expected cash tax incidence at KMI and (5) weaker pricing at KMI's CO2 segment.

Analyst Certification

I, Neel Mitra, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Pipelines and MLPs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Energy Transfer LP	ET	ET US	Neel Mitra, CFA
	Enterprise Products Partners, L.P.	EPD	EPD US	Neel Mitra, CFA
	Kinetik Holdings Inc.	KNTK	KNTK US	Neel Mitra, CFA
	Kodiak Gas Services, Inc.	KGS	KGS US	Neel Mitra, CFA
	ONEOK Inc	OKE	OKE US	Neel Mitra, CFA
	Targa Resources Corp.	TRGP	TRGP US	Neel Mitra, CFA
	The Williams Companies, Inc.	WMB	WMB US	Neel Mitra, CFA
NEUTRAL				
	Kinder Morgan Inc	KMI	KMI US	Neel Mitra, CFA
	Plains All American Pipeline, L.P.	PAA	PAA US	Neel Mitra, CFA
	Plains GP Holdings, L.P.	PAGP	PAGP US	Neel Mitra, CFA
UNDERPERFORM				
	Equitrans Midstream Corporation	ETRN	ETRN US	Neel Mitra, CFA
	MPLX LP	MPLX	MPLX US	Neel Mitra, CFA
	Western Midstream Partners, LP	WES	WES US	Neel Mitra, CFA
RVW				
	Golar LNG Limited	GLNG	GLNG US	Neel Mitra, CFA

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Business Performance	**Numerator**	**Denominator**
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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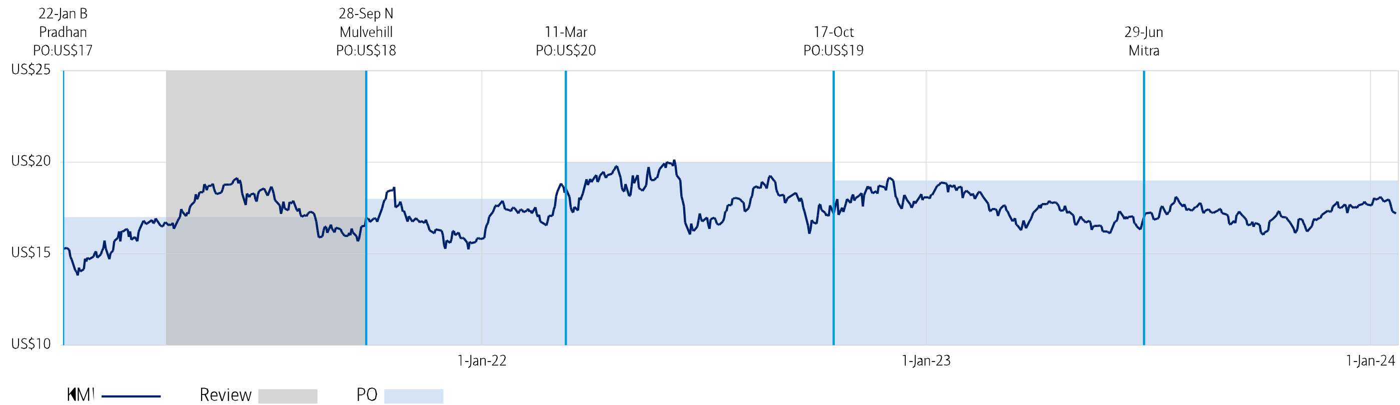
Kinder Morgan (KMI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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