

MPLX LP

2Q23 results beat estimates as G&P drives outperformance

Reiterate Rating: UNDERPERFORM | PO: 34.00 USD | Price: 35.51 USD

2Q23 beats on higher G&P EBITDA despite lower NGL px

MPLX reported 2Q23 adjusted EBITDA of \$1,531 which exceeded cons/BofA estimates of \$1,487mm/\$1,466mm (3%/4%). G&P helped drive the results, coming in higher by 8%/6% vs. cons/BofA estimates. And G&P EBITDA was up 3% sequentially in 2Q, despite gathering volumes falling 3% q/q and NGL prices down 20% q/q. Annually, every 5c/gal move in NGL prices moves EBITDA \$20mm. We look for color on the driver of outperformance for the segment.

...And 1H23 MPLX EBITDA is up 7% y/y from 2 beats

YTD MPLX's EBITDA is up 7% y/y consistent with its messaging that, longer term, EBITDA should increase mid-single digits annually. In 1Q the L&S segment beat expectations and in 2Q the G&P segment beat expectations. And 1H23 was a heavy turnaround season with overall refining utilization at ~90%. So presumably, the L&S segment should see 2H strength from higher refined product pipe throughput. But this quarter product pipe rates decreased 5% sequentially and crude pipe volumes were up 6% above expectations. Therefore, the lack of transparency on rates and volumes in both segments makes it hard to predict how earnings will ultimately play out for the year, as MPLX seemingly has internal hedges and MVCs from MPC to stabilize segment earnings.

Project updates in the Permian and Marcellus

In its G&P segment, in addition to Preakness II due in 1H24, MPLX is also planning to build Secretariat, its 7th processing plant in the Delaware (expected online in 2H25), bringing total processing capacity in the basin to 1.4 Bcf/d. In the Marcellus, the Harmon Creek II processing facility is expected to be placed in-service in 1H24. In its L&S segment, MPLX confirmed again that the 500 MMcf/d expansion (2.0 Bcf/d to 2.5 Bcf/d) of the Whistler pipeline is on schedule for an in-service date in September. Recall, MPLX has a 38% interest in the 450-mile 2 Bcf/d pipe that moves gas between Waha and Agua Dulce. With Whistler coming in '23 and Matterhorn adding 2-2.5 Bcf/d late in 2Q24, we do not see any takeaway issues developing before 2026. By then, another greenfield 2 Bcf/d Permian pipe will be needed to avoid a potential bottleneck.

Liquidity improves, leverage holding at 3.5x vs. 4.0x target

Distributions during the quarter were unchanged vs. 1Q23 at \$0.775, for a total of \$799mm paid to unitholders. Cash grew by ~\$360mm to \$755mm with leverage holding at 3.5x vs. MPLX's stated target of 4.0x. We expect a distribution increase in 3Q and no material unit repurchases.

Reiterate our Underperform on lack of structural growth

While MPLX continues to beat expectations, we see a lack of structural, organic growth. 1H23 has been impressive but growth in both segments is driven by rates rather than volume growth. And while MPLX continues to expand its Permian NGL footprint with an additional processing plant and equity interests in downstream assets, it lacks the scale organically to compete with larger names.

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Stock Data

Price	35.51 USD
Price Objective	34.00 USD
Date Established	4-May-2023
Investment Opinion	B-3-7
52-Week Range	28.56 USD - 35.85 USD
Mrkt Val (mn) / Shares Out (mn)	35,546 USD / 1,001.0
Average Daily Value (mn)	60.47 USD
BofA Ticker / Exchange	MPLX / NYS
Bloomberg / Reuters	MPLX US / MPLX N
ROE (2023E)	26.8%
Net Dbt to Eqty (Dec-2022A)	144.7%
ESGMeter™	High

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G&P: Gathering and Processing

NGL: Natural gas liquids

MVC: Minimum Volume Comittments

Exhibit 1: MPLX 2Q23 variance table

G&P solid beat on highervolumes and fees, offsetting lower NGL prices

Earnings Variance (\$mm)	2023			% Beat (Miss)		% Change vs. Actual	
	Actual	Consensus	BofA	Consensus	BofA	Q/Q	Y/Y
Gathering & Processing (G&P) Segment EBITDA	509	471	479	8%	6%	3%	4%
Logistics & Storage (L&S) Segment EBITDA	1,022	1,009	986	1%	4%	0%	6%
Other	0	7	0				
Adjusted EBITDA	1,531	1,487	1,466	3%	4%	1%	5%
Net interest and other financial costs	(233)	(232)	(224)	NM	NM	NM	NM
Maintenance capex	(20)	(37)	(35)	NM	NM	NM	NM
Preferred unit distribution	(23)	(27)	(33)	NM	NM	NM	NM
Others	37	40	76				
Distributable cash flow (DCF)	1,292	1,195	1,249	8%	3%	2%	4%
Net Debt	19,337	20,512	19,331	-6%	0.0%	-3.3%	-0.7%
Free Cash Flow	1,162	1,025	1,209	13%	-3.9%	27.6%	-5.5%
SEGMENT DETAILS							
Gathering and Processing - MPLX							
Total gathering + equity gathering throughput (MMcf/d)	6,159	6,195	6,397	-1%	-4%	-3%	9%
Total natural gas processed (MMcf/d)	8,934	8,984	8,647	-1%	3%	4%	5%
Total fractionated throughput (Mbpd)	583	589	599	-1%	-3%	-2%	9%
Logistics and Storage - MPLX							
Crude oil pipelines (Mbpd)	3,834	3,632	3,642	6%	5%	5%	4%
Product pipelines (Mbpd)	2,118	2,112	2,147	0%	-1%	7%	-6%
Pipeline throughput total (Mbpd)	5,952	5,743	5,789	4%	3%	6%	1%
Average tariff rates (\$/bbl)							
Crude oil pipelines (\$/bbl)	\$0.93	\$0.92	\$0.93	1%	0%	0%	8%
Product pipelines (\$/bbl)	\$0.81	\$0.84	\$0.88	-4%	-7%	-5%	5%
Total pipelines average tariff rates (\$/bbl)	\$0.89	\$0.89	\$0.91	0%	-2%	-1%	9%

Source: BofA Global Research, Visible Alpha, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk**MPLX LP (MPLX)**

Our PO of \$34 is derived from our discounted cash flow valuation, which implies a 8.9x 2024E EV/EBITDA multiple. We forecast a ten-year outlook, which we believe is the limit of market recognition, and then forecast a terminal decline of 2% while using a 6.3% weighted-average cost of capital (WACC).

Downside risks to our price objective are (1) US economic weakness, (2) slower oil and gas demand growth/lower oil/gas prices, (3) lower utilization at MPC's refineries, (4) slowdown/decline in crude oil/refined products demand and (5) changes to its dividend/payout policy.

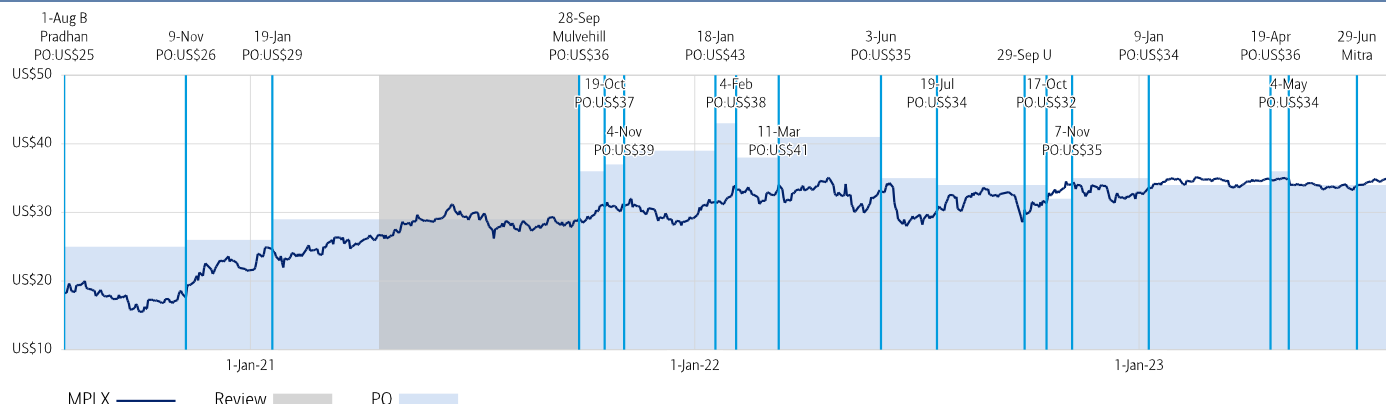
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MPLX LP (MPLX) Price Chart



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

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Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	84	61.76%	Buy	65	77.38%
Hold	28	20.59%	Hold	20	71.43%
Sell	24	17.65%	Sell	15	62.50%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
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Sell	831	23.59%	Sell	385	46.33%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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