

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$4.53 billion	\$4.39 billion	+3.2%
Adjusted EBITDA	\$2.18 billion	\$2.11 billion	+3.3%
Diluted EPS (adjusted)	\$0.35	\$0.33	+6.1%

2 GUIDANCE AND OUTLOOK	
Management raised expected 2026 adjusted EBITDA outperformance to more than 6% above its \$8.6 billion budget, from more than 5%, and adjusted EPS to more than 13% above its \$1.36 budget, from more than 12%. Year-end leverage of 3.6 times and the \$1.19 annual dividend were reaffirmed. Capital spending is expected around \$4 billion annually for the next few years, versus more than \$3 billion previously. Management warned favorable 2026 items are unlikely to recur in 2027 and declined to preview that budget.	

3 | EARNINGS ANALYSIS

SOLID BEAT, MIXED DURABILITY. Adjusted EPS beat consensus by 6.1%, while adjusted EBITDA beat by 3.3%. All segments grew adjusted earnings, but natural gas supplied approximately 43% of the aggregate increase; commodity-sensitive and logistics businesses supplied approximately 57%. Lower interest expense helped EPS outgrow EBITDA, not material repurchases. The quarterly surprise was substantially smaller than the strategic significance of project announcements. Growth moderated from earlier in 2026, and the record backlog should not be confused with accelerating current-period earnings.

ADJUSTED IS NOT NORMALIZED. Approximately \$225 million of favorable 2026 EBITDA reflected potentially nonrecurring weather, contract, regulatory and basis-spread benefits; another approximately \$175 million reflected commodity prices above budget. These remain inside adjusted EBITDA. Separately, \$138 million of legal, environmental and other accruals helped drive Products Pipelines reported EBDA down to \$172 million from \$288 million, despite adjusted EBDA rising to \$313 million. The small reported-to-adjusted EPS difference conceals offsetting adjustments, not an absence of economically relevant obligations.

INVESTMENT ABSORBS CASH GROWTH. Operating cash flow rose to \$1.590 billion, but capital expenditures reached \$1.045 billion. Free cash flow before dividends fell to \$545 million from \$621 million; after dividends it was negative \$120 million. Year-to-date free cash flow after dividends remained positive \$226 million, but the company measure excludes some joint-venture contributions. Net debt rose to \$32.229 billion while leverage fell to 3.5 times, primarily because EBITDA increased rather than debt declined.

FUNDING FLEXIBILITY HAS LIMITS. Joint ventures expect to use retained cash flow, project debt and owner equity while preserving ratings. Economic leverage can differ from reported parent leverage, while retained cash and interest expense affect distributions. The call does not support rapid dividend acceleration or substantial repurchases alongside enlarged investment.

RETURN DENOMINATORS MATTER. The 5.7-times project EBITDA multiple applies to \$13.7 billion of backlog, not the entire total. Excluded enhanced oil recovery and gathering-and-processing projects have less even early earnings. The multiple is not an after-tax equity return: construction timing, sustaining capital, cash taxes and financing costs still matter.

CONTRACTED GROWTH, UNEVEN TIMING. Long-term transportation agreements materially strengthen growth visibility, but the major new projects contribute from 2030, with Southeast Connector phased through 2032. Take-or-pay contracts reduce utilization risk, not construction, permitting, financing or customer-concentration risk. The formal 2027 budget must establish the normalization adjustment and project contribution bridge. The quarter improved confidence in long-term business value without demonstrating that higher capital spending will immediately produce higher free cash flow after dividends or a correspondingly stronger near-term earnings trajectory.

4 | KEY READ-THROUGHS

SOUTHERN COMPANY HAS DIRECT ECONOMIC EXPOSURE TO SOUTHEAST CONNECTOR

Southern Company (SO) | Positive, with a negative construction-period funding requirement | Substantial for its pipeline-investment business; moderate at the consolidated-company level
Southern owns the other 50% of Southern Natural Gas, making it a direct participant in Southeast Connector. At least 20-year utility contracts reduce commercial uncertainty and support eventual pipeline earnings and distributions. Construction consumes capital before the 2030–2032 operating benefit arrives. The project is not ordinary electric rate base, and ownership does not establish Southern’s parent equity funding requirement.

CALIFORNIA REFINING SCARCITY VALUE FACES A LONG-DURATION COMPETITIVE THREAT

PBF Energy (PBF) | Negative | Potentially significant for Torrance; moderate for consolidated earnings
Western Gateway’s targeted 2029 opening and SFPP West Line reversal could introduce competing barrels into Southern California, reducing supply isolation and compressing incumbent refining premiums. Torrance is directly exposed; Martinez is less directly exposed through wider product balances. This is not a demonstrated near-term earnings reduction, particularly while current product markets remain tight. Permitting and construction milestones determine when the competitive threat becomes credible. Initial system capacity is approximately 230,000 barrels per day, not entirely incremental California supply; Arizona allocations and delivered economics matter.

EXPORT STRENGTH SUPPORTS REFINING MARGINS DESPITE WEAKER DOMESTIC PIPELINE VOLUMES

Phillips 66 (PSX), PBF Energy (PBF), HF Sinclair (DINO) | Positive near term | Potentially material to quarterly refining profitability
Record exports of 427,000 barrels per day, up 39%, support product netbacks and refinery utilization even as domestic pipeline volumes weaken. Export outlets can absorb production without an acceleration in US gasoline demand. This independently corroborates favorable conditions already described by the refiners. Location, outages and export access determine capture; dock volumes cannot establish company-specific earnings beats or permanently elevated margins.

APPALACHIAN MARKET ACCESS IMPROVES

EQT Corporation (EQT) | Positive long duration | Potentially material to regional sales and realized pricing over time
Southeast Connector’s initial approximately 2.6 Bcf-per-day scope improves potential access to demand outside Appalachia, supporting realized pricing and long-term supply agreements rather than an immediate Henry Hub call. Kinder Morgan did not identify EQT as a shipper or supplier. Multiple supply connections create competition as well as opportunity. The 2030–2032 phasing limits direct near-term earnings impact from the sanctioned project. TGP 219 South remains unsanctioned; nonbinding interest cannot be counted as secured consumption.