Targa Resources Corp.

Fourth Quarter 2020 Earnings & 2021 Guidance Supplement
February 18, 2021


Forward Looking Statements

Certain statements in this release are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, are forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties, factors and risks, many of which are outside the Company’s control, which could cause results to differ materially from those expected by management of the Company. Such risks and uncertainties include, but are not limited to, weather, political, economic and market conditions, including a decline in the price and market demand for natural gas, natural gas liquids and crude oil, the impact of pandemics such as COVID-19, actions by the Organization of the Petroleum Exporting Countries (“OPEC”) and non-OPEC oil producing countries, the timing and success of business development efforts, and other uncertainties. These and other applicable uncertainties, factors and risks are described more fully in the Company’s filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K, and any subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The Company does not undertake an obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Increasingly Well Positioned for 2021 and Beyond

2020 Strategic Actions and Overall Business Performance Strengthen Targa's Long-Term Outlook

2020 Highlights

Strategic Actions

- Reduced capital spending by 52% vs. initial estimate
- Achieved significant operating and G&A expense reductions, most of which are permanent
- Reduced common dividend 89%, preserving ~$755MM of annual cash flow
- Continued to increase fee-based margin across G&P segment through re-contracting and through new projects placed in-service

Operational Performance

- Completed major projects on-time and on-budget
- Permian G&P natural gas inlet volumes increased significantly over 2019
- Grand Prix, fractionation and LPG export volumes all increased significantly over 2019

Financial Execution

- Record FY Adjusted EBITDA of $1.64 billion, ~14% increase over 2019
- Generated $575MM of free cash flow
- Improved consolidated leverage ratio to ~4.7x from ~5.5x in 2019
- Repurchased $300MM senior notes at a significant discount
- Repurchased ~5.5MM common shares for ~$92MM
- Redeemed $125MM of 9.0% preferred units at TRP at par
- Repurchased ~$46MM of TRC preferred at a discount

Looking Ahead to 2021

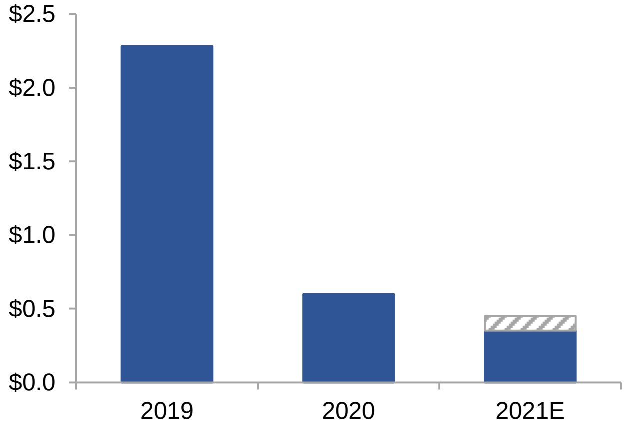
- ***Estimate higher EBITDA, fee-based margin and free cash flow, and lower leverage***
- Lower capital spending with continued focus on integrated opportunities
- Significant operating leverage across the asset footprint
- Continued focus on managing costs across the organization

Growth Transformation Complete – Improving FCF Profile

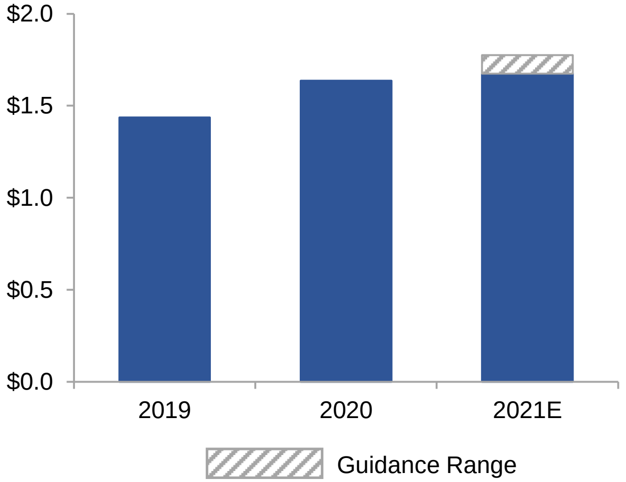
Increasing FCF Positions Targa To Continue To Execute Long-Term Strategy Of Reducing Leverage Over Time

- Transformation of asset footprint from growth capital investments is complete; placed ~$6.4B of assets in-service since early 2018 and these expansions position Targa to benefit from increasing operating leverage moving forward
  - ✓ Added ~2 Bcf/d of incremental capacity in the Permian Basin
  - ✓ Added ~320 MBbl/d of incremental frac capacity in Mont Belvieu
  - ✓ Grand Prix NGL Pipeline began full service in 3Q19
  - ✓ Doubled LPG export capabilities with low-cost expansions
- Increasing free cash flow profile creates significant financial flexibility

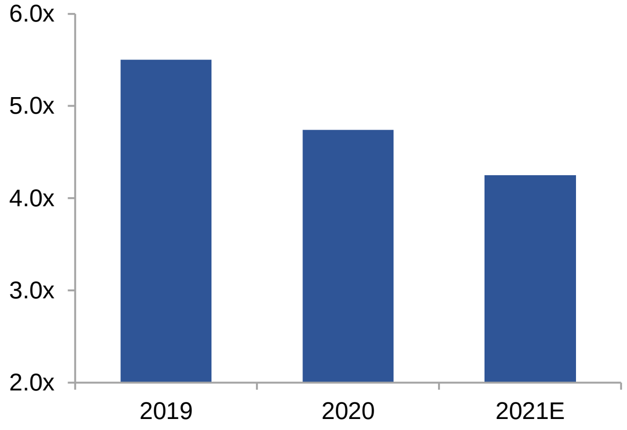
Net Growth Capex ($B)



Adjusted EBITDA ($B)



Consolidated Leverage



Operational Performance – Gathering & Processing Segment

4Q20 Highlights:

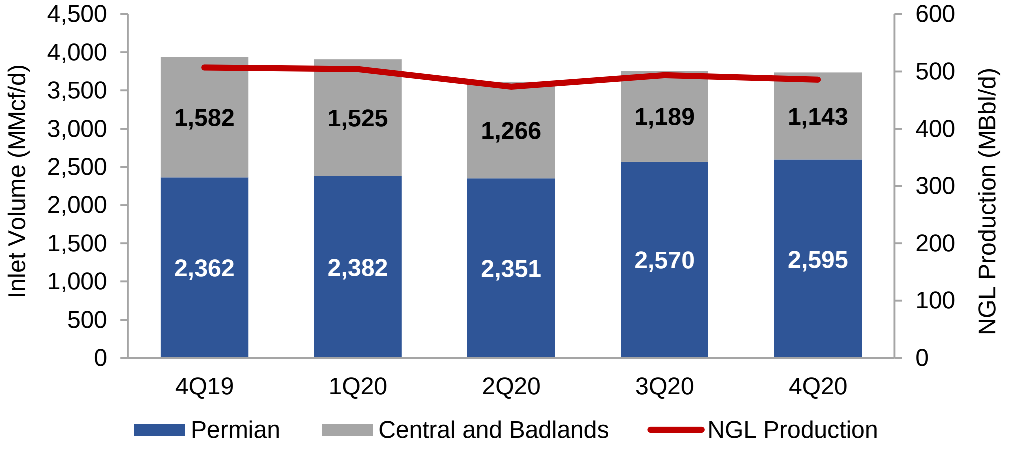
Field G&P Natural Gas Inlet Volumes

- Permian volumes +1% sequentially due to increased producer activity and a full-quarter contribution of the new Gateway Plant in Permian Midland, partially offset by planned plant maintenance in Permian Midland during the quarter
- Badlands volumes +4% sequentially due to increased producer activity
- Central volumes -5% sequentially due to lower producer activity

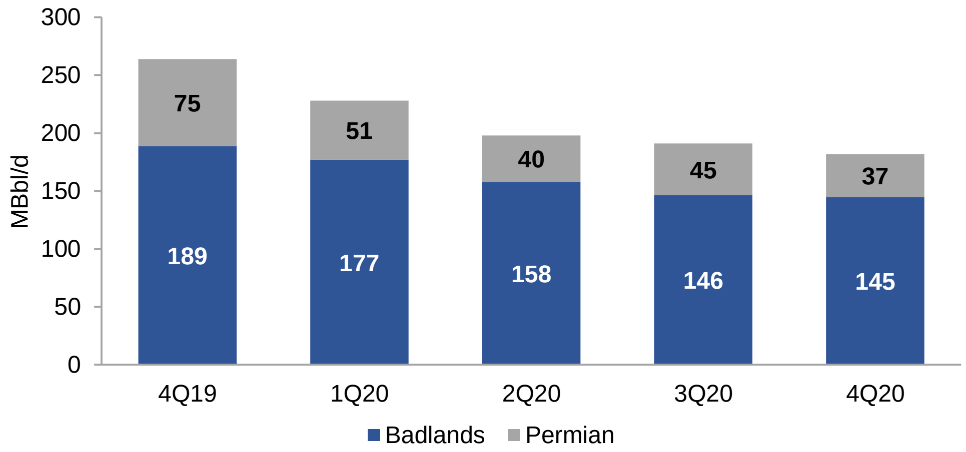
Crude Oil Volumes

- Badlands volumes were relatively flat to 3Q
- Permian volumes declined sequentially due to lower producer activity and timing of completions

Field G&P Natural Gas Inlet Volumes and NGL Production



Crude Oil Volumes[1]



(1) Permian crude oil volumes reflect the sale of the Delaware crude system, which was effective December 1, 2019

Operational Performance – Logistics & Transportation Segment

4Q20 Highlights:

NGL Transportation

- Grand Prix Pipeline throughput deliveries into Mont Belvieu +18% sequentially driven by incremental NGL volumes from Targa's Permian plants, including the new Gateway Plant which began operations during 3Q

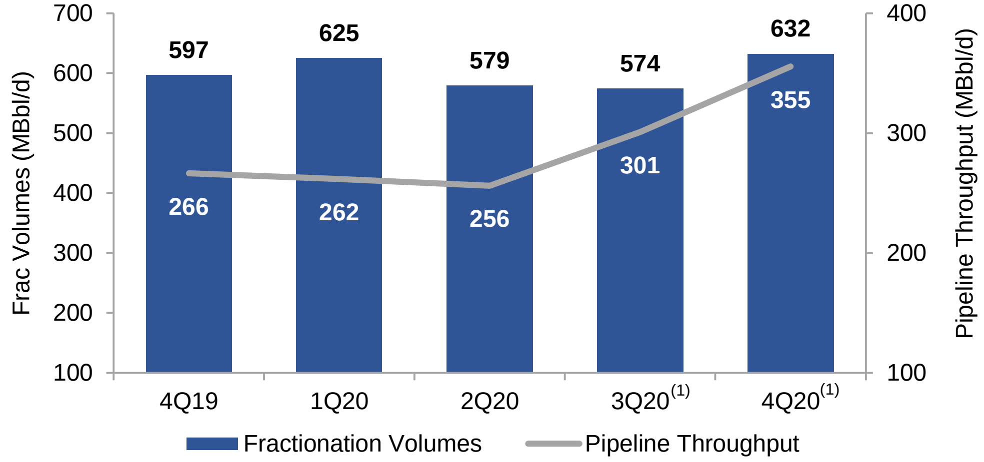
Fractionation

- Fractionation volumes +10% sequentially as inventory built from scheduled frac maintenance performed in 3Q was processed and higher Permian volumes

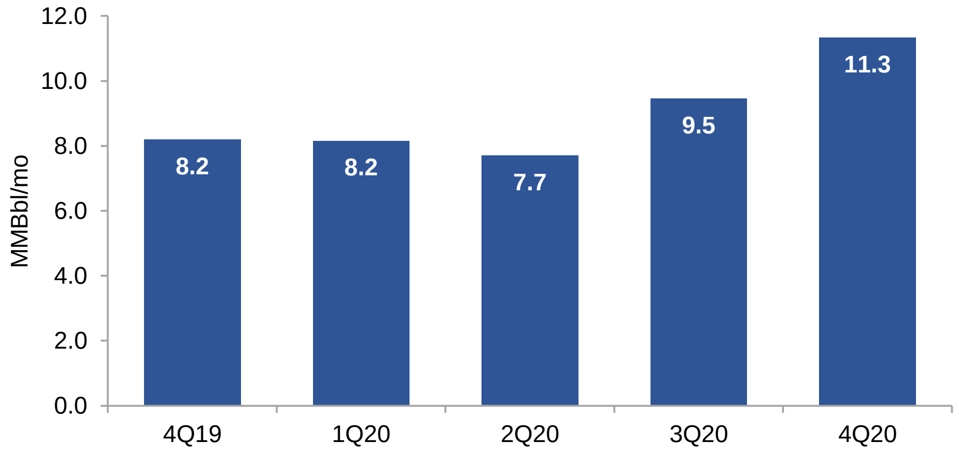
LPG Export Services

- LPG export volumes +20% sequentially benefiting from a full-quarter contribution of the recently completed phased expansion completed in 3Q at Galena Park and some spot volumes during 4Q

Targa Pipeline Transportation and Fractionation Volumes



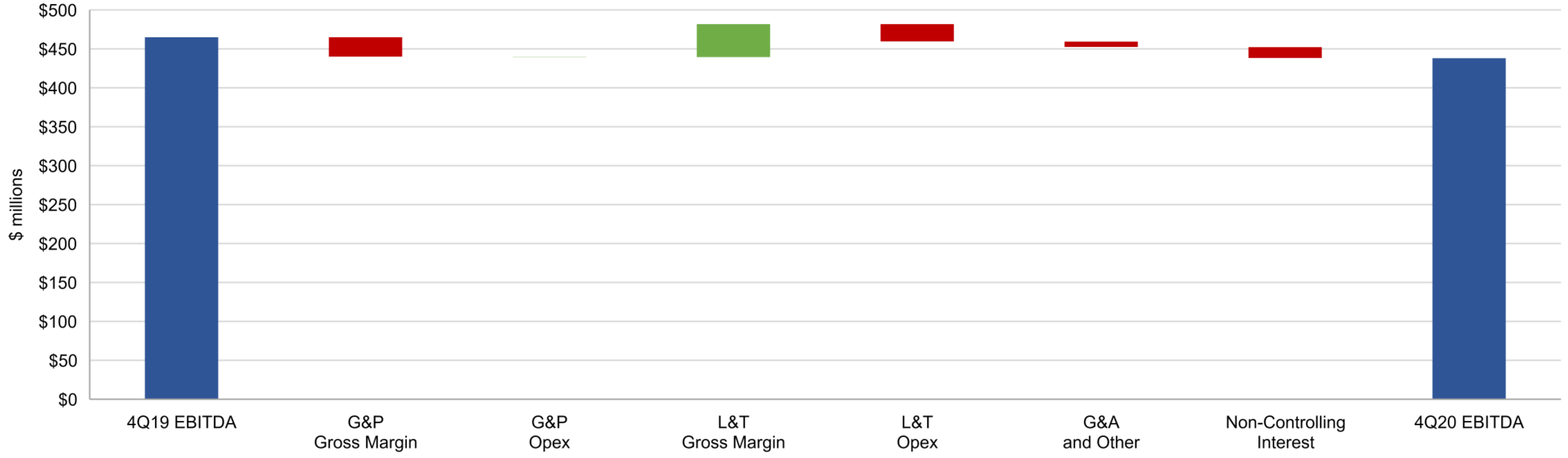
Galena Park LPG Export Volumes



(1) 3Q20 fractionation volumes were impacted by scheduled turnaround and maintenance with some volumes shifting to 4Q20; 3Q20 volumes restated from previous presentation

Financial Performance – 4Q 2020 vs. 4Q 2019

Adjusted EBITDA Bridge



Segment Operating Margin

Gathering & Processing segment operating margin decreased $25.8[(1)] million

- − Lower Central and Badlands volumes
- − Lower realized hedge gains
- \+ Higher Permian gas volumes and fee-based margin
- \+ Lower operating expenses from cost reduction measures despite several new assets in service over the past year

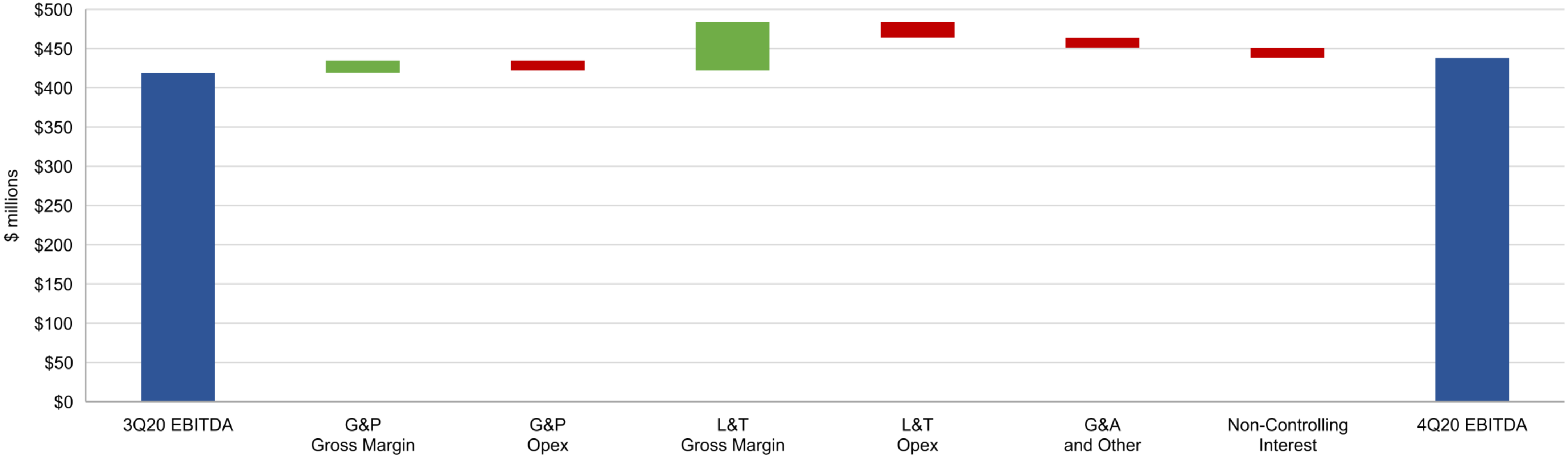
Logistics & Transportation segment operating margin increased $20.0 million

- \+ Higher NGL transportation and fractionation volumes
- \+ Higher LPG export volumes
- − Lower Marketing and Other due to less optimization margin realized in marketing businesses
- − Higher operating expenses primarily due to system expansions, including Grand Prix, fractionation capacity and expansion of LPG export capabilities, and one-time hurricane related repairs and integrity expenses

(1) *Inclusive of realized hedge gain/(loss)*

Financial Performance – 4Q 2020 vs. 3Q 2020

Adjusted EBITDA Bridge



Segment Operating Margin

Gathering & Processing segment operating margin increased $2.9[1] million

\+ Higher Permian gas volumes and fee-based margin

− Lower Central volumes and lower realized hedge gains

− Higher operating expenses due to the addition of the Gateway Plant in the Permian in 3Q and one-time hurricane related repairs

G&A expenses increased due to higher compensation and legal expenses

Logistics & Transportation segment operating margin increased $41.6 million

\+ Higher NGL transportation and fractionation volumes

\+ Higher LPG export volumes

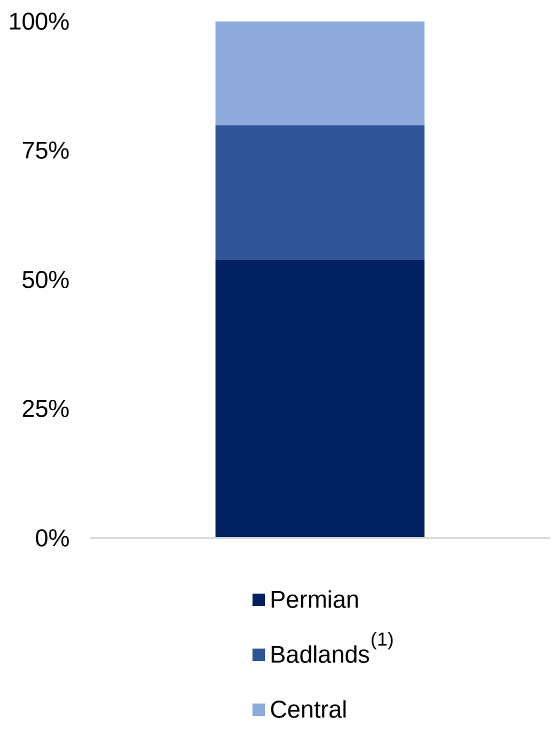
\+ Higher Marketing and Other due to increased optimization margin realized in marketing businesses

− Higher operating expenses attributable to system expansions, and one-time hurricane related repairs and integrity expenses

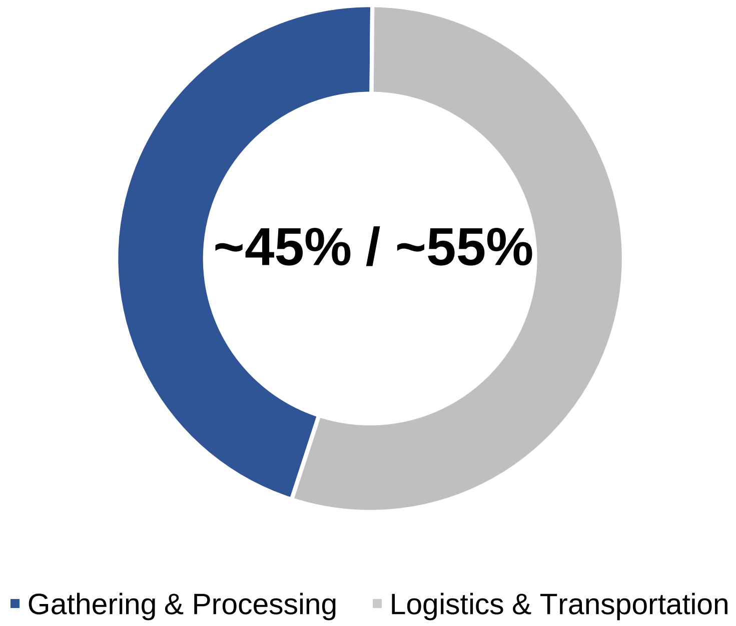
(1) Inclusive of realized hedge gain/(loss)

Business Mix – 4Q 2020

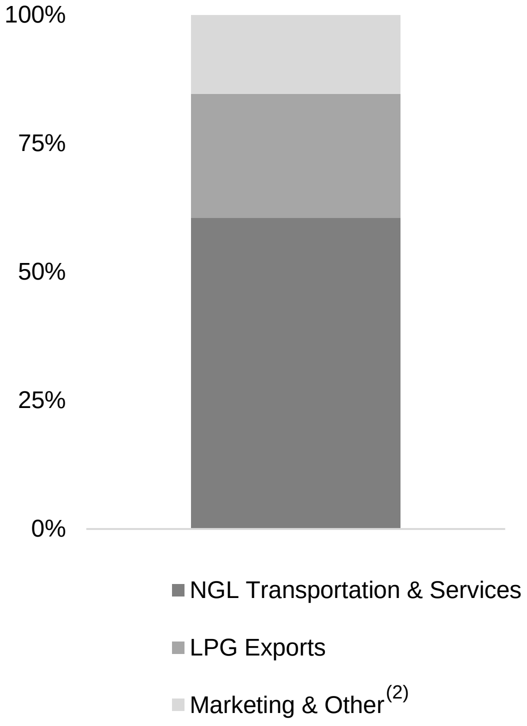
Field Gathering & Processing Operating Margin 4Q 2020



Business Mix – Segment Operating Margin



Logistics & Transportation Operating Margin 4Q 2020



Business mix has shifted more towards the Logistics & Transportation segment due to Grand Prix and to recently completed growth projects, which are backed predominantly by fee-based contracts

(1) *Fully consolidated operating margin*
(2) *Marketing & Other includes Domestic NGL Marketing (Wholesale Propane, Refinery Services, Commercial Transportation), Gas Marketing & Petroleum Logistics*

2021 Financial and Operational Outlook

2021 Financial & Operational Estimates

Significant Free Cash Flow After Dividends Available To Reduce Debt

Financial Metrics	2021 Estimates
Adjusted EBITDA	$1,675 - $1,775 million
Net Growth Capex	$350 - $450 million
Net Maintenance Capex	$130 million
Year-End Consolidated Leverage	~4.25x
Fee-Based Margin	~85%
Segment Operating Margin Mix (G&P/L&T)	~45% / ~55%

Operational Metrics	2021 Estimates
Permian G&P Inlet Volume Growth	5% to 10% increase y/y
Total Field G&P Inlet Volume Growth	flat y/y
Grand Prix NGL Pipeline	25%+ increase y/y

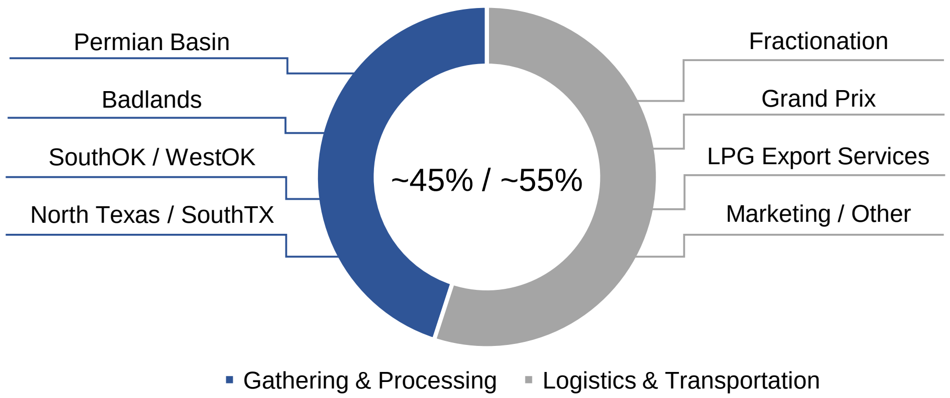
Commodity Price Assumptions	
Wtd Avg NGL ($/Gal)	$0.55
HH Nat Gas ($/MMBtu)	$3.00
Waha Nat Gas ($/MMBtu)	$2.65
WTI Crude Oil ($/Bbl)	$50.00

Note: The impacts of severe winter weather currently being experienced across Targa's operations are being evaluated and have not been reflected in the 2021 Financial & Operational estimates

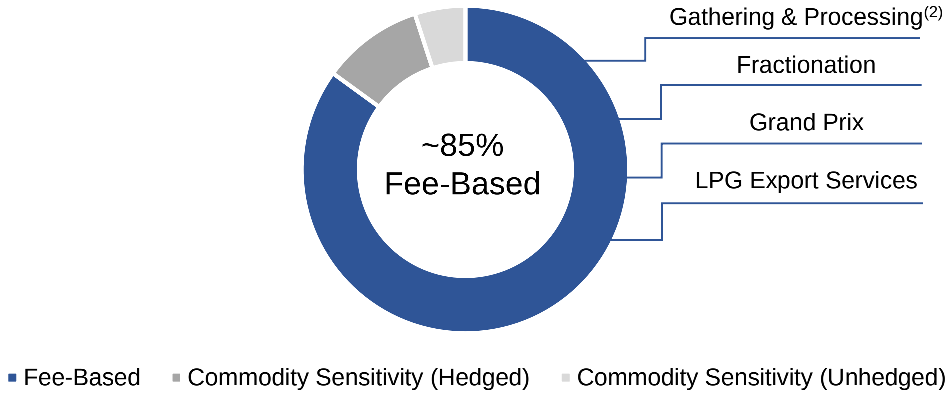
2021 Business Mix & Risk Management

Durable Earnings Power From Significant Fee-Based Margin Across Targa Businesses

Business Mix 2021E(1)



Fee-Based Profile 2021E(1)



Hedging Program Further Strengthens Cash Flow Stability

2021 Hedges

Commodity	Volumes Hedged(3)	Exposure Hedged (%)(4)	Wtd. Avg. Hedge Price(5)
Natural Gas (MMBtu/d)	167,169	~90%	$1.77
NGLs(4) (Bbl/d)	29,020	~70%	$0.45
Condensate (Bbl/d)	5,483	~90%	$52.57

2022 Hedges

Commodity	Volumes Hedged(3)	Exposure Hedged (%)(4)	Wtd. Avg. Hedge Price(5)
Natural Gas (MMBtu/d)	100,872	~55%	$1.72
NGLs(4) (Bbl/d)	21,439	~50%	$0.39
Condensate (Bbl/d)	3,108	~50%	$48.09

Commodity Price Sensitivity

Commodity	Price Sensitivity	2021E Adj EBITDA Impact
Natural Gas ($/MMBtu)	+/- $0.25	+/- ~$1 million
NGLs ($/Gal)	+/- $0.05	+/- ~$26 million
Condensate ($/Bbl)	+/- $5.00	+/- ~$2 million

(1) Business mix and fee-based profile based on 2021E operating margin and gross margin, respectively
(2) Fee-based margin in Gathering & Processing segment includes Badlands (fully consolidated operating margin), SouthOK, SouthTX and significant portions of Permian Delaware, Permian Midland, and WestOK
(3) Includes hedges executed through January 27, 2021
(4) Based on estimated average daily equity volumes for 2021
(5) Weighted average hedge prices assume put prices for collars

Reconciliations

Non-GAAP Financial Measures

This presentation includes the Company's non-GAAP financial measures: Adjusted EBITDA, distributable cash flow, free cash flow, gross margin and operating margin. The following tables provide reconciliations of these non-GAAP financial measures to their most directly comparable GAAP measures. These non-GAAP financial measures should not be considered as alternatives to GAAP measures such as net income, operating income, net cash flows provided by operating activities or any other GAAP measure of liquidity or financial performance.

The Company utilizes non-GAAP measures to analyze the Company's performance. Gross margin, operating margin, Adjusted EBITDA, distributable cash flow, and free cash flow are non-GAAP measures. The GAAP measure most directly comparable to these non-GAAP measures is net income (loss) attributable to TRC. These non-GAAP measures should not be considered as an alternative to GAAP net income attributable to TRC and have important limitations as analytical tools. Investors should not consider these measures in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Additionally, because the Company's non-GAAP measures exclude some, but not all, items that affect net income, and are defined differently by different companies within the Company's industry, the Company's definitions may not be comparable with similarly titled measures of other companies, thereby diminishing their utility. Management compensates for the limitations of the Company's non-GAAP measures as analytical tools by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into the Company's decision-making processes.

Adjusted EBITDA

Adjusted EBITDA is defined as net income (loss) attributable to TRC before interest, income taxes, depreciation and amortization, and other items that the Company believes should be adjusted consistent with the Company's core operating performance. The adjusting items are detailed in the Adjusted EBITDA reconciliation table and its footnotes. Adjusted EBITDA is used as a supplemental financial measure by the Company and by external users of the Company's financial statements such as investors, commercial banks and others to measure the ability of the Company's assets to generate cash sufficient to pay interest costs, support the Company's indebtedness and pay dividends to the Company's investors.

Distributable Cash Flow and Free Cash Flow

Distributable cash flow is defined as Adjusted EBITDA less distributions to TRP preferred limited partners, cash interest expense on debt obligations, cash tax (expense) benefit and maintenance capital expenditures (net of any reimbursements of project costs). The Preferred Units issued by the Partnership in October 2015 were redeemed in December 2020 and are no longer outstanding as of the end of the year. Free cash flow is defined as distributable cash flow less growth capital expenditures, net of contributions from noncontrolling interest and net contributions to investments in unconsolidated affiliates. Distributable cash flow and free cash flow are performance measures used by the Company and by external users of the Company's financial statements, such as investors, commercial banks and research analysts, to assess the Company's ability to generate cash earnings (after servicing the Company's debt and funding capital expenditures) to be used for corporate purposes, such as payment of dividends, retirement of debt or redemption of other financing arrangements.

Non-GAAP Measures Reconciliation

Reconciliation of estimated net income attributable to TRC to estimated Adjusted EBITDA	Full Year 2021E	
	(In millions)	
Net income attributable to TRC	$	300.0
Interest expense, net		375.0
Income tax expense		100.0
Depreciation and amortization expense		895.0
Equity earnings		(65.0)
Distributions from unconsolidated affiliates and preferred partner interests, net		110.0
Compensation on equity grants		60.0
Noncontrolling interests adjustments[(1)]		(50.0)
TRC Estimated Adjusted EBITDA	**$**	**1,725.0**

(1) Noncontrolling interest portion of depreciation and amortization expense

Non-GAAP Measures Reconciliation

	Year Ended December 31,	
	2020	2019
	(In millions)	
Reconciliation of Net Income (Loss) attributable to TRC to Adjusted EBITDA, Distributable Cash Flow and Free Cash Flow		
Net income (loss) attributable to TRC	$ (1,553.9)	$ (209.2)
Income attributable to TRP preferred limited partners	15.1	11.3
Interest (income) expense, net	391.3	337.8
Income tax expense (benefit)	(248.1)	(87.9)
Depreciation and amortization expense	865.1	971.6
Impairment of long-lived assets	2,442.8	225.3
(Gain) loss on sale or disposition of business and assets	58.4	71.1
Write-down of assets	55.6	17.9
(Gain) loss from sale of equity-method investment	—	(69.3)
(Gain) loss from financing activities (1)	(45.6)	1.4
Equity (earnings) loss	(72.6)	(39.0)
Distributions from unconsolidated affiliates and preferred partner interests, net	108.6	61.2
Change in contingent considerations	(0.3)	8.7
Compensation on equity grants	66.2	60.3
Risk management activities	(228.2)	112.8
Severance and related benefits (2)	6.5	—
Noncontrolling interests adjustments (3)	(224.3)	(38.5)
TRC Adjusted EBITDA	**$ 1,636.6**	**$ 1,435.5**
Distributions to TRP preferred limited partners	(15.1)	(11.3)
Interest expense on debt obligations (4)	(388.9)	(342.1)
Cash tax refund	44.4	—
Maintenance capital expenditures	(109.5)	(141.7)
Noncontrolling interests adjustments of maintenance capital expenditures	5.3	6.8
Distributable Cash Flow	**$ 1,172.8**	**$ 947.2**
Growth capital expenditures, net (5)	(597.9)	(2,281.7)
Free Cash Flow	**$ 574.9**	**$ (1,334.5)**

(1) *Gains or losses on debt repurchases or early debt extinguishments.*
(2) *Represents one-time severance and related benefit expense related to the Company's cost reduction measures.*
(3) *Noncontrolling interest portion of depreciation and amortization expense (including the effects of the impairment of long-lived assets on non-controlling interests).*
(4) *Excludes amortization of interest expense.*
(5) *Represents growth capital expenditures, net of contributions from noncontrolling interests and net contributions to investments in unconsolidated affiliates.*

TARGA

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