

Edgar Filing: ATLAS PIPELINE PARTNERS LP - Form 425

ATLAS PIPELINE PARTNERS LP

Form 425

November 12, 2014

Filed by Targa Resources Partners LP

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: Atlas Pipeline Partners, L.P.

Commission File No.: 001-14998

This filing relates to a proposed business combination involving Targa Resources Partners LP and Atlas Pipeline Partners, L.P.









Targa Resources  
Jefferies 2014  
Global Energy Conference  
November 11, 2014

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Forward Looking Statements  
Certain statements in this presentation 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 presentation that address activities, events or developments that Targa Resources Partners LP ( TRP or the Partnership ) or Targa Resources Corp. ( TRC or the Company ) expect, believe or anticipate 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 Partnership's and the Company's control, which could cause results to differ materially from those expected by management of Targa Resources Partners LP and Targa Resources Corp. Such risks and uncertainties include, but are not limited to, weather, political, economic and market conditions, including declines in the production of natural gas or in the price and market demand for natural gas and natural gas liquids, the timing and success of business development efforts, the credit risk of customers and other uncertainties. These and other applicable uncertainties, factors and risks are described more fully in the Partnership's and the Company's Annual Reports on Form 10-K for the year ended December 31, 2013 and other reports filed with the Securities and Exchange Commission. The Partnership and the Company undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.



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**Additional Information**

**Additional Information and Where to Find It**

In connection with the proposed transaction, Targa Resources Corp. ( TRC ) will file with the U.S. Securities and Exchange Commission a registration statement on Form S-4 that will include a joint proxy statement of Atlas Energy, L.P. ( ATLS ) and TRC and a prospectus of Atlas Energy, L.P. ( ATLS ) ( ATLS statement/prospectus ). In connection with the proposed transaction, TRC plans to mail the definitive TRC joint proxy statement/prospectus to its unitholders, and ATLS plans to mail the definitive TRC joint proxy statement/prospectus to its unitholders.

Also in connection with the proposed transaction, Targa Resources Partners LP ( TRP ) will file with the SEC a registration statement on Form S-1 that will include a prospectus of TRP ( TRP prospectus ).

a proxy statement of Atlas Pipeline Partners, L.P. ( APL ) and a prospectus of TRP (the TRP proxy statement/prospectus ). transaction, APL plans to mail the definitive TRP proxy statement/prospectus to its unitholders.

**INVESTORS, SHAREHOLDERS AND UNITHOLDERS ARE URGED TO READ THE TRC JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC CAREFULLY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT TRC'S PROPOSED TRANSACTION AND RELATED MATTERS.**

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of an offer to buy any securities. A free copy of the TRC Joint Proxy Statement/Prospectus, the TRP Proxy Statement/Prospectus and other filings containing information regarding the proposed transaction and APL may be obtained at the SEC's Internet site at [www.sec.gov](http://www.sec.gov). In addition, the documents filed with the SEC by TRC and APL may be obtained free of charge by directing such request to: Targa Resources, Attention: Investor Relations, 1000 Louisiana, Suite 4300, Houston, Texas 77002 or by email to [InvestorRelations@targaresources.com](mailto:InvestorRelations@targaresources.com) or calling (713) 584-1133. These documents may also be obtained for free from TRC's investor relations website at [www.targaresources.com](http://www.targaresources.com). The documents filed with the SEC by ATLS may be obtained free of charge by directing such request to: Attn: Investor Relations, 1845 Walnut Street, Philadelphia, Pennsylvania 19103 or emailing [InvestorRelations@atlasenergy.com](mailto:InvestorRelations@atlasenergy.com). These documents may also be obtained for free from ATLS's investor relations website at [www.atlasenergy.com](http://www.atlasenergy.com). The documents filed with the SEC by APL may be obtained for free from APL's investor relations website at [www.atlaspipeline.com](http://www.atlaspipeline.com). These documents may also be obtained for free from APL's investor relations website at [www.atlaspipeline.com](http://www.atlaspipeline.com).

#### Participants in Solicitation Relating to the Merger

TRC, TRP, ATLS and APL and their respective directors, executive officers and other persons may be deemed to be participants in the proposed transaction. TRC, ATLS or APL shareholders or unitholders, as applicable, in respect of the proposed transaction that will be described in the TRC Joint Proxy Statement/Prospectus and TRP proxy statement/prospectus. Information regarding TRC's directors and executive officers is contained in TRC's proxy statement dated April 7, 2014, which has been filed with the SEC. Information regarding directors and executive officers of TRP is contained in TRP's Annual Report on Form 10-K for the year ended December 31, 2013, which has been filed with the SEC. Information regarding directors and executive officers of ATLS's general partner is contained in ATLS's definitive proxy statement dated March 21, 2014, which has been filed with the SEC. Information regarding directors and executive officers of APL's general partner is contained in APL's Annual Report on Form 10-K for the year ended December 31, 2013, which has been filed with the SEC.

A more complete description will be available in the registration statement and the joint proxy statement/prospectus.

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Targa Resources  
Two Public Companies  
IPO February 2007  
MLP  
Owner/Operator of all assets  
IPO December 2010  
C-Corp

General Partner of NGLS  
Targa Resources Partners LP  
(NYSE: NGLS; TRP  
or the Partnership )

Targa Resources Corp.  
(NYSE: TRGP; TRC  
or the Company )

Market Cap:

\$6.8 billion

Enterprise Value:

\$10.0 billion

Unit Price:

\$58.93

Yield:

5.4%

Current

Annualized

Distribution:

\$3.19

Sequential / YoY Growth:

2% / 9%

Market Cap:

\$5.1 billion

Enterprise Value:

\$5.2 billion

Share Price:

\$120.16

Yield:

2.4%

Current

Annualized

Dividend:

\$2.93

Sequential / YoY Growth:

6% / 29%

-40%

-20%

0%

20%

40%

60%

80%

100%

120%

140%

160%

180%

NGLS

TRGP

Alerian Index

S&P 500  
UTY Index  
-40%  
40%  
120%  
200%  
280%  
360%  
440%  
520%  
600%

Note: Market Cap, Unit/Share Price and Yield as of November 7, 2014. Enterprise Value calculated using current Market Cap balance sheet data as of September 30, 2014. Unit and Stock Price Performance graphs through November 7, 2014

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TRP and TRC Performance

(1)

2010 covers time period from IPO (December 6, 2010) through December 31, 2010

(2)

2014 YTD as November 7, 2014

Source: Bloomberg

TRP

Total  
Return  
Since  
2010  
(1)  
TRC  
Total Return Since IPO  
TRC  
Dividends  
TRP  
Distributions  
16%  
3%  
2%  
21%  
3%  
TRGP Out/(Under)  
Performance vs. AMZ  
20%  
42%  
30%  
44%  
25%  
-10%  
0%  
10%  
20%  
30%  
40%  
50%  
60%  
70%  
80%  
2010  
(1)  
2011  
2012  
2013  
2014 YTD  
(2)  
TRGP  
AMZ  
S&P 500  
UTY Index  
-10%  
0%  
10%  
20%  
30%

40%  
50%  
60%  
NGLS  
AMZ  
S&P 500  
UTY Index  
2.19  
2.23  
2.28  
2.33  
2.41  
2.49  
2.57  
2.65  
2.72  
2.79  
2.86  
2.93  
2.99  
3.05  
3.12  
3.19  
\$1.00  
\$1.25  
\$1.50  
\$1.75  
\$2.00  
\$2.25  
\$2.50  
\$2.75  
\$3.00  
\$3.25  
\$3.50  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3



2011  
2012  
2013  
2014  
1.03  
1.09  
1.16  
1.23  
1.35  
1.46  
1.58  
1.69  
1.83  
1.98  
2.13  
2.28  
2.43  
2.59  
2.76  
2.93  
\$1.00  
\$1.25  
\$1.50  
\$1.75  
\$2.00  
\$2.25  
\$2.50  
\$2.75  
\$3.00  
\$3.25  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
2010  
2011  
2012  
2013

2014  
NGLS Out/(Under)  
Performance vs. AMZ  
2010  
2011  
2012  
2013  
2014 YTD  
(2)

Targa's Diversified Midstream Platform

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Operating Margin

(1)

(1)

Operating margin percentages based on LTM as of September 30, 2014

7  
A Strong Footprint in  
Active Basins  
And a Leading Position  
at Mont Belvieu  
Drive Targa s  
Long-Term Growth  
Leadership position in oil

and liquids rich Permian  
Basin  
Bakken position  
capitalizes on strong  
crude oil fundamentals  
and active drilling activity  
Leadership position in the  
active portion of Barnett  
Shale combo  
play  
GOM and onshore  
Louisiana provide longer  
term upside potential for  
well positioned assets  
Mont Belvieu is the  
NGL hub of North  
America  
Increased domestic  
NGL production is  
driving capacity  
expansions into and at  
Mont Belvieu  
Second largest  
fractionation  
ownership position at  
Mont Belvieu  
One of only two  
operating commercial  
NGL export facilities on  
the Gulf Coast linked to  
Mont Belvieu  
Position not easily  
replicated  
Approximately \$2.6 billion  
in announced organic  
capex projects completed  
or underway  
Increased capacity to  
support multiple U.S.  
shale / resource plays  
Additional fractionation  
expansion to support  
increased NGL supply  
Increased connectivity to  
U.S. end users of NGLs  
Expansion of export  
services capacity for  
global LPG markets at  
Galena Park marine  
terminal

Investment Highlights

Increasing scale and  
diversity

Increasing fee-based  
margin

Expected

7

-

9%

NGLS

distribution growth in 2014,  
on track for the high end of  
the range

Expected TRGP dividend  
growth in excess

of 25% in

2014

2014 adjusted EBITDA  
guidance of \$925 to \$975

million

Well Positioned for 2014 and Beyond

Major Announced Capital Projects

8

Approximately \$2.6 billion of announced projects completed or ongoing

Over \$1 billion of projects completed in 2013 and approximately \$1 billion to be completed in 2014

Additional high quality growth projects under development for 2014 and beyond

Commenced construction of CBF Train 5 Expansion (100 MBbl/d)

(1)

Includes additional spending in both North Texas and Permian Basin

(2)  
Additional  
gas  
processing  
plant  
estimated  
completion  
YE  
2014  
and  
in-service  
early  
2015

(3)

35 Mbbl/d condensate splitter located at the Channelview Terminal expected to be in-service end of 2016 or early 2017, dependant on completion

(4)

~\$2.0 billion of fee-based capital, 77% of listed projects

(4)

G&P Growth Projects

Actual / Expected

Completion

Primarily

Fee-Based

Gathering

&

Processing

Expansion

Program

-

2013

/

2014

(1)

2013 / 2014

North Texas Longhorn Project (200 MMcf/d)

May 2014

SAOU High Plains Plant (200 MMcf/d)

June 2014

Badlands

Expansion

Program

-

2013

/

2014

2013 / 2014

(2)

Other

Total G&P Projects

\$465



Downstream Growth Projects

Actual / Expected

Completion

Primarily

Fee-Based

Petroleum

Logistics

Projects

-

2013

/

2014

(3)

2013 / 2014+

CBF Train 4 Expansion (100 MBbl/d)

Mid 2013

CBF Train 5 Expansion (100 MBbl/d)

Mid 2016

International Export Project

Q3 2013 / Q3 2014

Other

Total Downstream Projects

\$1,520

Total Projects

\$1,985

50

385

0

Total CAP EX

(\$ millions)

2013 CAP EX

(\$ millions)

2014 CAP EX

(\$ millions)

\$185

\$75

\$110

150

40

20

225

125

85

465

250

215

40

25

15

\$1,065

\$515

\$445

Total CAP EX

(\$ millions)

2013 CAP EX

(\$ millions)

2014 CAP EX

(\$ millions)

\$190

\$40

\$50

385

120

20

480

250

165

80

30

50

\$1,520

\$440

\$335

\$2,585

\$955

\$780

Major Capital Projects Under Development

9

Over \$2.0 billion of additional opportunities are in various stages of development

Opportunities include additional infrastructure in both G&P and Downstream

Increasing NGL supplies across the country will continue to drive the need for more processing, fractionation and connectivity

(1)

Recently approved new 200 MMcf/d plant in the Williston Basin

(2)

Recently approved new 300 MMcf/d plant in the Delaware Basin

(1)

(2)

Additional Growth Opportunities

CAP EX

(\$ millions)

Estimated

Timing

Primarily

Fee-Based

Badlands Expansion Program

Permian Expansion Program

Train 6 Expansion

Train 7 Expansion

Additional Condensate Splitter

Ethane Export Project

Other Projects

primarily

Total

\$2,000+

2015 and beyond

Diversity and Scale Mitigate Commodity Price Changes

Growth has been driven by investing in the business, not by changes in commodity prices

TRP benefits from multiple factors that help mitigate commodity price volatility, including:

Scale

Business and geographic diversity

Increasing fee-based margin

Hedging

Given the current price environment, TRP is less hedged than in previous years, primarily on ethane and propane

TRP currently has hedged approximately 80% of 2014 natural gas and approximately 30% of 2014 combined NGL and condensate

TRP has hedged approximately 50% to 60% of natural gas equity volumes for 2015 and 20% to 30% for 2016

(1)

TRP has hedged approximately 45% to 55% of condensate equity volumes for 2015 and 25% to 35% for 2016

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Adjusted EBITDA vs. Commodity Prices

(1)

Will be towards bottom-end of range if there is significant ethane rejection in these years

(1)

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Targa Leverage and Liquidity

(1)

Includes TRP's total availability under the revolver plus cash, less outstanding borrowings and letters of credit under the TRP

(2)

Adjusts EBITDA to provide credit for material capital projects that are in process, but have not started commercial operation, a

Compliance Leverage Ratio

Liquidity

(1)  
0.0x  
1.0x  
2.0x  
3.0x  
4.0x  
5.0x  
6.0x  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
2007  
2008  
2009  
2010  
2011  
2012  
2013  
2014  
0  
200  
400



600  
800  
1,000  
1,200

Q1  
Q2  
Q3  
Q4

Q1  
Q2  
Q3  
Q4

Q1  
Q2  
Q3

2012  
2013  
2014

Target  
compliance  
leverage  
ratio

3x

-

4x

Debt/EBITDA

YTD through September 2014, raised net  
proceeds of \$257 million from equity  
issuances under at-the-market ( ATM )  
program

Completed \$800 million 4.125% unsecured  
notes offering in October 2014. Pro forma for  
offerings, liquidity as of Sept 30 is \$1.45  
billion including capacity under accounts  
receivable securitization

Have historically been on low end of range  
Leverage increased at end of 2012 due to  
Badlands acquisition

Q3 2014 compliance leverage ratio was 2.7x

Compliance Leverage Ratio

(2)

Targa + Atlas: Transaction Overview  
Targa Resources Partners LP (NYSE: NGLS; TRP  
or the Partnership ) has executed a definitive agreement to  
acquire Atlas Pipeline Partners, L.P. (NYSE: APL) for \$5.8 billion  
(1)  
0.5846  
NGLS  
common

units  
plus  
a  
one-time  
cash  
payment  
of  
\$1.26  
for  
each  
APL  
LP  
unit  
(implied  
premium  
(1)  
of  
15%)

\$1.8 billion of debt at September 30, 2014

Targa Resources Corp. (NYSE: TRGP; TRC

or the Company ) has executed a definitive agreement to acquire

Atlas Energy, L.P. (NYSE: ATLS), after its spin-off of non APL-related assets, for \$1.9 billion

(1)

Prior to TRGP's acquisition, all assets held by ATLS not associated with APL will be spun out to existing ATLS unitholders

10.35 million TRGP shares issued to ATLS unitholders

\$610 million of cash to ATLS

Each

existing

ATLS

(after

giving

effect

to

ATLS

spin

out)

unit

will

receive

0.1809

TRGP

shares

and

\$9.12

in

cash

Accretive to NGLS and TRGP cash flow per unit and share, respectively, immediately and over the longer-term, while providing APL and ATLS unitholders increased value now and into the future

Post

closing

(2)

,  
NGLS

plans

to

increase

its

quarterly

distribution

by

\$0.04

per

LP

unit

(\$0.16

per

LP

unit

annualized

rate)

NGLS expects 11-13% distribution growth in 2015 compared to 7-9% in 2014

Post

closing

(2)

,  
TRGP

plans

to

increase

its

quarterly

dividend

by

\$0.10

per

share

(\$0.40

per

share

annualized

rate)

TRGP

expects

approximately

35%

dividend

growth

(3)

in

2015  
compared  
to  
25%+  
in  
2014

Transactions are cross-conditional and expected to close Q1 2015, subject to shareholder and regulatory approvals  
HSR verbal notice of clearance received 11/4/2014

(1) Based on market data as of October 10, 2014, excluding transaction fees and expenses

(2) Management intends to recommend this increase at the first regularly scheduled quarterly distribution declaration Board meeting

(3) Assumes NGLS distribution growth of 11-13%

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Targa + Atlas: Attractive Positions in Active Basins

Barnett

Eagle Ford

Delaware

Bakken

Mississippi

Lime

Woodford

Legend

U.S. Land Rig Count by Basin

(1)

(1) Source: Baker Hughes Incorporated, as of October 20, 2014

SCOOP

Midland

Pro Forma Asset Highlights

Atlas

Natural Gas Processing Plant

Natural Gas Pipeline

Targa

Natural Gas Processing Plant

Terminal

Fractionator

Natural Gas Pipeline

Crude Oil Pipeline

NGL Pipeline

39 natural gas processing plants (~6.9 Bcf/d gross processing capacity)

Over 22,500 miles of natural gas and crude oil gathering pipeline

Gross NGL production of 278.9 MBbls/d in 2Q 2014

3 crude oil and refined products terminals with 2.5 MMBbls of storage

17 gas treating facilities

573 MBbl/d gross fractionation capacity

~6.5 MMBbl/month effective capacity LPG export terminal

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Producer Activity Drives NGL Flows to Mont Belvieu

Growing field NGL production

increases NGL flows to Mont

Belvieu

Increased NGL production

could support Targa's existing



and expanding Mont Belvieu  
and Galena Park presence  
Petrochemical investments,  
fractionation and export  
services will continue to clear  
additional supply  
Targa's Mont Belvieu and  
Galena Park businesses very  
well positioned  
Barnett  
Eagle Ford  
Midland  
Mississippi Lime  
Woodford  
Delaware  
Marcellus &  
Others  
Rockies  
Galena Park Marine  
Import / Export  
Terminal  
Atlas  
Natural Gas Processing Plant  
Natural Gas Pipeline  
Targa  
Natural Gas Processing Plant  
Terminal  
Fractionator  
Natural Gas Pipeline  
Crude Oil Pipeline  
NGL Pipeline  
Legend  
Combined NGL Production (MBbl/d)  
SCOOP  
Mont  
Belvieu  
Terminal  
121  
124  
129  
137  
149  
48  
54  
77  
115  
118  
169  
178  
206

251  
268  
0  
50  
100  
150  
200  
250  
300  
2010  
2011  
2012  
2013  
YTD 2014  
Targa  
Atlas  
Third Party  
Ethylene Cracker  
Illustrative Y-Grade Flows  
Import / Export



Market Cap

~ \$12 Billion

(1)

~ \$5 Billion

(2)

~ \$17 Billion

(1)

Enterprise Value

~ \$15 Billion

(1)

~ \$8 Billion

(2)

~ \$23 Billion

(1)

2014E EBITDA (\$MM)

\$925 - \$975 Million

\$400 - \$425 Million

\$1,325 - \$1,400 Million

2014E Growth

CAPEX (\$MM)

\$780 Million

\$400 - \$450 Million

\$1,180 - \$1,230 Million

2014E Operating

Margin by Segment

YE 2014E % Fee-

Based

68%

32%

Fixed Fee

Percent of Proceeds

35%

7%

38%

20%

Field G&P

Coastal G&P

Logistics

Marketing and Dist.

40%

60%

Texas

Oklahoma

25%

5%

27%

15%

11%

17%

Field G&P - Targa

Coastal G&P - Targa

Logistics - Targa

Marketing and Dist. - Targa

Texas - Atlas

Oklahoma - Atlas

40%

60%

Fixed Fee

Percent of Proceeds

60%

40%

Fixed Fee

Percent of Proceeds

15

Targa + Atlas: Increased Size and Scale Enhance Credit Profile

Targa

Atlas

Pro Forma Targa

(1)

Represents

combined

market

cap

and

enterprise

value

for

NGLS

and

TRGP

as  
of  
October  
10,  
2014,  
less  
the  
value  
of  
NGLS  
units  
or  
PF  
NGLS  
units  
owned  
by  
TRGP

(2) Represents combined market cap and enterprise value for APL and ATLS as of October 10, 2014 based on transaction cons

(3) Includes keep-whole at 1% of total margin

(3)

16  
Targa + Atlas: Strategic Highlights  
Attractive  
Positions in Active  
Basins  
Creates World-  
Class Permian  
Footprint

Complementary  
Assets with  
Significant Growth  
Opportunities  
Enhances  
Credit Profile  
Significant Long-  
Term Value  
Creation

Already strong positions in Permian and Bakken enhanced with entry into Mississippi Lime and Eagle Ford  
4 of the top

5  
basins  
by  
active  
rig  
count  
and  
unconventional  
well  
spuds

(1)  
Top 3 basins by oil production

(1)  
Also exposed  
to  
emerging  
SCOOP  
play  
and  
continued  
development  
of  
NGL-rich  
Barnett  
Shale

Adds diversity and leadership position in all basins/plays

Combines strong Permian Basin positions to create a premier franchise

Provides new customer relationships with the most active operators in each basin

Current combined processing capacity of 1,439 MMcf/d plus 500 MMcf/d of announced expansions

Significant organic growth project opportunities

2014 growth capex of ~\$1.2 billion

2015 growth capex expected to exceed \$1.2 billion

Additional projects under development of over \$3 billion

NGL production to support Targa's leading NGL position in Mont Belvieu and Galena Park

Estimated  
pro  
forma  
leverage  
ratio



of  
3.3x  
Total  
Debt  
/  
2014E  
EBITDA

(4)  
at  
NGLS

Increased size and scale move NGLS credit metrics closer to investment grade over time

Immediately accretive to distributable cash flow at both NGLS and TRGP

Increases FY 2015 vs FY 2014 distribution growth at NGLS to 11-13% and at TRGP to approximately 35%

Provides larger asset base with additional long-term growth opportunities

Higher long-term distribution/dividend growth profile than Targa standalone

(1) Source: Oil & Gas Investor

(2) Based on market data as of October 10, 2014, less the value of 16.3 MM PF NGLS units owned by TRGP

(3) Based on NGLS and APL guidance ranges

(4) Based on estimated compliance ratio

Increased Size and

Scale

Combined partnership will be one of the largest diversified MLPs

Pro forma

enterprise

value

(2)

of \$23 billion

Pro

forma

2014E

EBITDA

of

approximately

\$1.3-\$1.4

billion

(3)

Appendix

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**Non-GAAP Measures Reconciliation**

This presentation includes the non-GAAP financial measure of Adjusted EBITDA. The presentation provides a reconciliation of this non-GAAP financial measures to its most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Our 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.

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**Non-GAAP Measures Reconciliation**

**Adjusted EBITDA** The Partnership and Targa define Adjusted EBITDA as net income attributable to Targa Resources Partners LP before: interest; income taxes; depreciation and amortization; gains or losses on debt repurchases and redemptions; early debt extinguishment and asset disposals; non-cash risk management activities related to derivative instruments; changes in the fair value of the Badlands acquisition contingent consideration and the non-controlling interest portion of depreciation and amortization expenses. Adjusted EBITDA is used as a supplemental financial measure by our management and by external users of our

financial statements such as investors, commercial banks and others. The economic substance behind management's use of Adjusted EBITDA is to measure the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make distributions to our investors.

Adjusted EBITDA is a non-GAAP financial measure. The GAAP measures most directly comparable to Adjusted EBITDA are net cash provided by operating activities and net income (loss) attributable to Targa Resources Partners LP. Adjusted EBITDA should not be considered as an alternative to GAAP net cash provided by operating activities or GAAP net income. Adjusted EBITDA has important limitations as an analytical tool. Investors should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income and net cash provided by operating activities and is defined differently by different companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into management's decision-making processes.

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The following table presents a reconciliation of 2014 projected Adjusted EBITDA to net income for NGLS:

Low Range

High Range

(\$ in millions)

Reconciliation of net income attributable to Targa

Resources Partners LP to Adjusted EBITDA:

Net income attributable to Targa Resources Partners LP

444.5

\$

494.5

\$

Add:

Interest expense, net

150.0

150.0

Income tax expense

4.0

4.0

Depreciation and amortization expenses

340.0

340.0

Noncontrolling interests adjustment

(13.5)

(13.5)

Adjusted EBITDA

925.0

\$

975.0

\$

Twelve Months Ended 12/31/2014

Non-GAAP Reconciliation 2014 EBITDA

21  
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