

ONEOK Announces Higher Second Quarter 2021 Earnings

Aug. 3, 2021

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Thousands of dollars, except per share amounts)				
Revenues				
Commodity sales	\$ 3,074,773	\$ 1,343,557	\$ 5,910,882	\$ 3,152,177
Services	314,191	317,172	672,761	645,224
Total revenues	3,388,964	1,660,729	6,583,643	3,797,401
Cost of sales and fuel (exclusive of items shown separately below)	2,366,979	940,458	4,488,489	2,217,386
Operations and maintenance	212,319	190,138	419,477	365,234
Depreciation and amortization	156,921	140,416	314,041	272,769
Impairment charges	—	—	—	604,024
General taxes	41,940	34,326	86,379	66,270
Gain on sale of assets	(707)	(339)	(976)	(543)
Operating income	611,512	355,730	1,276,233	272,261
Equity in net earnings from investments	25,720	25,328	59,040	69,955
Impairment of equity investments	—	—	—	(37,730)
Allowance for equity funds used during construction	426	3,854	1,238	19,263
Other income	7,005	17,693	7,220	34,168
Other expense	(7,498)	(6,176)	(12,735)	(18,124)
Interest expense (net of capitalized interest of \$5,443, \$16,473, \$10,538, and \$47,618, respectively)	(184,957)	(218,968)	(370,480)	(359,584)
Income (loss) before income taxes	452,208	177,461	960,516	(19,791)
Income tax (expense) benefit	(110,069)	(43,140)	(232,201)	12,255
Net income (loss)	342,139	134,321	728,315	(7,536)
Less: Preferred stock dividends	275	275	550	550
Net income (loss) available to common shareholders	\$ 341,864	\$ 134,046	\$ 727,765	\$ (8,086)
Basic earnings (loss) per common share	\$ 0.77	\$ 0.32	\$ 1.63	\$ (0.02)
Diluted earnings (loss) per common share	\$ 0.77	\$ 0.32	\$ 1.63	\$ (0.02)
Average shares (thousands)				
Basic	446,337	419,722	446,116	417,002
Diluted	446,903	420,116	446,894	417,002

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ONEOK, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i>	June 30, 2021	December 31, 2020
Assets	<i>(Thousands of dollars)</i>	
Current assets		
Cash and cash equivalents	\$ 374,377	\$ 524,496
Accounts receivable, net	1,091,982	829,796
Materials and supplies	144,824	143,178
NGLs and natural gas in storage	454,760	227,810
Commodity imbalances	14,873	11,959
Other current assets	154,807	132,536
Total current assets	2,235,623	1,869,775
Property, plant and equipment		
Property, plant and equipment	23,393,034	23,072,935
Accumulated depreciation and amortization	4,211,515	3,918,007
Net property, plant and equipment	19,181,519	19,154,928
Investments and other assets		
Investments in unconsolidated affiliates	800,351	805,032
Goodwill and net intangible assets	768,509	773,723
Other assets	451,246	475,296
Total investments and other assets	2,020,106	2,054,051
Total assets	\$ 23,437,248	\$ 23,078,754

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ONEOK, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS (Continued)

<i>(Unaudited)</i>	June 30, 2021	December 31, 2020
Liabilities and equity	<i>(Thousands of dollars)</i>	
Current liabilities		
Current maturities of long-term debt	\$ 536,107	\$ 7,650
Accounts payable	1,052,561	719,302
Commodity imbalances	244,582	186,372
Accrued taxes	94,048	89,428
Accrued interest	244,669	245,153
Operating lease liability	14,570	13,610
Other current liabilities	208,064	83,032
Total current liabilities	2,394,601	1,344,547
Long-term debt, excluding current maturities	13,637,581	14,228,421
Deferred credits and other liabilities		
Deferred income taxes	881,711	669,697
Operating lease liability	81,707	87,610
Other deferred credits	531,262	706,081
Total deferred credits and other liabilities	1,494,680	1,463,388
Commitments and contingencies		
Equity		
ONEOK shareholders' equity:		
Preferred stock, \$0.01 par value: authorized and issued 20,000 shares at June 30, 2021, and at December 31, 2020	—	—
Common stock, \$0.01 par value: authorized 1,200,000,000 shares; issued 474,916,234 shares and outstanding 445,817,509 shares at June 30, 2021; issued 474,916,234 shares and outstanding 444,872,383 shares at December 31, 2020	4,749	4,749
Paid-in capital	7,247,334	7,353,396
Accumulated other comprehensive loss	(601,443)	(551,449)
Retained earnings	—	—
Treasury stock, at cost: 29,098,725 shares at June 30, 2021, and 30,043,851 shares at December 31, 2020	(740,254)	(764,298)
Total equity	5,910,386	6,042,398
Total liabilities and equity	\$ 23,437,248	\$ 23,078,754

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2021	2020
<i>(Unaudited)</i>	<i>(Thousands of dollars)</i>	
Operating activities		
Net income (loss)	\$ 728,315	\$ (7,536)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	314,041	272,769
Impairment charges	—	641,754
Equity in net earnings from investments	(59,040)	(69,955)
Distributions received from unconsolidated affiliates	58,486	71,656
Deferred income tax expense (benefit)	226,963	(13,541)
Other, net	39,837	(25,944)
Changes in assets and liabilities:		
Accounts receivable	(268,541)	220,558
NGLs and natural gas in storage	(226,950)	103,043
Accounts payable	363,694	(240,841)
Risk-management assets and liabilities	(158,927)	(139,724)
Other assets and liabilities	60,105	(75,821)
Cash provided by operating activities	1,077,983	736,418
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(324,122)	(1,543,961)
Distributions received from unconsolidated affiliates in excess of cumulative earnings	11,695	18,081
Other, net	(12,138)	(29,006)
Cash used in investing activities	(324,565)	(1,554,886)
Financing activities		
Dividends paid	(833,083)	(773,961)
Repayment of short-term borrowings, net	—	(220,000)
Issuance of long-term debt, net of discounts	—	3,244,777
Repayment of long-term debt	(68,787)	(1,406,119)
Issuance of common stock	16,327	954,423
Other	(17,994)	(55,878)
Cash provided by (used in) financing activities	(903,537)	1,743,242
Change in cash and cash equivalents	(150,119)	924,774
Cash and cash equivalents at beginning of period	524,496	20,958
Cash and cash equivalents at end of period	\$ 374,377	\$ 945,732

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ONEOK, Inc. and Subsidiaries INFORMATION AT A GLANCE

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Millions of dollars, except as noted)				
<u>Natural Gas Liquids</u>				
Operating costs, excluding noncash compensation adjustments	\$ 121.1	\$ 99.2	\$ 237.1	\$ 193.6
Depreciation and amortization	\$ 74.2	\$ 69.1	\$ 148.7	\$ 126.9
Equity in net earnings from investments	\$ 5.1	\$ 7.8	\$ 8.7	\$ 23.1
Adjusted EBITDA	\$ 480.3	\$ 337.6	\$ 915.9	\$ 748.6
Raw feed throughput (MBbl/d) (a)	1,209	1,010	1,123	1,050
Average Conway-to-Mont Belvieu OPIS price differential - ethane in ethane/propane mix (\$/gallon)	\$ —	\$ —	\$ (0.01)	\$ 0.01
Capital expenditures	\$ 60.0	\$ 459.8	\$ 172.0	\$ 1,206.0
(a) - Represents physical raw feed volumes on which ONEOK charges a fee for transportation and/or fractionation services.				
<u>Natural Gas Gathering and Processing</u>				
Operating costs, excluding noncash compensation adjustments	\$ 82.0	\$ 74.7	\$ 162.7	\$ 162.4
Depreciation and amortization	\$ 67.3	\$ 55.4	\$ 134.3	\$ 114.2
Equity in net earnings from investments	\$ 0.4	\$ (2.1)	\$ 2.2	\$ (1.3)
Adjusted EBITDA	\$ 229.3	\$ 88.7	\$ 434.0	\$ 248.4
Natural gas gathered (BBtu/d) (a)	2,732	2,225	2,661	2,497
Natural gas processed (BBtu/d) (a) (b)	2,481	2,067	2,431	2,317
Average fee rate (\$/MMBtu) (a)	\$ 1.06	\$ 0.71	\$ 1.05	\$ 0.78
Capital expenditures	\$ 56.9	\$ 118.2	\$ 96.5	\$ 299.8
(a) - Includes volumes for consolidated entities only.				
(b) - Includes volumes ONEOK processed at company-owned and third-party facilities.				
<u>Natural Gas Pipelines</u>				
Operating costs, excluding noncash compensation adjustments	\$ 36.2	\$ 30.9	\$ 76.2	\$ 65.6
Depreciation and amortization	\$ 14.5	\$ 14.9	\$ 29.0	\$ 29.7
Equity in net earnings from investments	\$ 20.2	\$ 19.7	\$ 48.2	\$ 48.2
Adjusted EBITDA	\$ 94.7	\$ 109.8	\$ 320.9	\$ 222.4
Natural gas transportation capacity contracted (MDth/d) (a)	7,280	7,314	7,362	7,553
Transportation capacity contracted (a)	93 %	94 %	94 %	97 %
Capital expenditures	\$ 27.8	\$ 10.9	\$ 49.0	\$ 27.5
(a) - Includes volumes for consolidated entities only.				

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ONEOK, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Thousands of dollars, except per share amounts and coverage ratios)				
Reconciliation of net income (loss) to adjusted EBITDA, distributable cash flow and dividend coverage				
Net income (loss)	\$ 342,139	\$ 134,321	\$ 728,315	\$ (7,536)
Interest expense, net of capitalized interest	184,957	218,968	370,480	359,584
Depreciation and amortization	156,921	140,416	314,041	272,769
Income tax expense (benefit)	110,069	43,140	232,201	(12,255)
Impairment charges	—	—	—	641,754
Noncash compensation expense (benefit) (a)	7,825	957	24,108	(345)
Equity AFUDC and other noncash items	(426)	(3,853)	(1,239)	(19,262)
Adjusted EBITDA (b)	801,485	533,949	1,667,906	1,234,709
Interest expense, net of capitalized interest	(184,957)	(218,968)	(370,480)	(359,584)
Maintenance capital	(47,566)	(26,208)	(71,256)	(51,397)
Equity in net earnings from investments	(25,720)	(25,328)	(59,040)	(69,955)
Distributions received from unconsolidated affiliates	29,128	41,211	70,181	89,737
Other, net (b)	(2,418)	(4,125)	(5,498)	(20,649)
Distributable cash flow	569,952	300,531	1,231,813	822,861
Dividends paid to preferred shareholders	(275)	(275)	(550)	(550)
Distributable cash flow to shareholders	569,677	300,256	1,231,263	822,311
Dividends paid	(416,579)	(387,019)	(832,533)	(773,411)
Distributable cash flow in excess of (less than) dividends paid	\$ 153,098	\$ (86,763)	\$ 398,730	\$ 48,900
Dividends paid per share	\$ 0.935	\$ 0.935	\$ 1.870	\$ 1.870
Dividend coverage ratio	1.37	0.78	1.48	1.06
Number of shares used in computation (thousands)	445,539	413,924	445,205	413,589

(a) Amounts for the six months ended June 30, 2021 and 2020, include a loss of \$5.8 million and a benefit of \$14.4 million, respectively, related to the mark-to-market of ONEOK's share-based deferred compensation plan.

(b) Amounts for the three and six months ended June 30, 2020, include benefits of \$4.3 million and \$20.0 million, respectively, related to gains on open market repurchases of debt.

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	2021		
	Guidance Range		
(Unaudited)			
	(Millions of dollars)		
Reconciliation of net income to adjusted EBITDA and distributable cash flow			
Net income	\$ 1,200	-	\$ 1,500
Interest expense, net of capitalized interest	755	-	715
Depreciation and amortization	650	-	630
Income tax expense	380	-	480
Noncash compensation expense	55	-	35
Equity AFUDC and other noncash items	10	-	(10)
Adjusted EBITDA	\$ 3,050	-	\$ 3,350
Interest expense, net of capitalized interest	(755)	-	(715)
Maintenance capital	(210)	-	(190)
Equity in net earnings from investments	(80)	-	(140)
Distributions received from unconsolidated affiliates	130	-	150
Other	5	-	(15)
Distributable cash flow	\$ 2,140	-	\$ 2,440

	2021 Guidance Range		
(Unaudited)			
(Millions of dollars)			
Reconciliation of segment adjusted EBITDA to adjusted EBITDA			
Segment Adjusted EBITDA:			
Natural Gas Liquids	\$ 1,825	-	\$ 1,995
Natural Gas Gathering and Processing	735	-	835
Natural Gas Pipelines	495	-	515
Other	(5)	-	5
Adjusted EBITDA	\$ 3,050	-	\$ 3,350