



## 1Q21 MLP/Midstream Dividend Recap: Stability Intact

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Author: Mauricio Samaniego

### Summary

- For the [Alerian Midstream Energy Index](#) (AMNA) a broad midstream composite index containing both MLPs and C-Corps, 36 of 37 dividend-paying constituents raised or maintained their payouts sequentially.
- There were no dividend cuts among constituents of the [Alerian MLP Index](#) (AMZ) or [Alerian MLP Infrastructure Index](#) (AMZI).
- A single cut, multiple examples of sequential dividend growth, and an improving macro outlook add confidence to midstream income even as yields remain well above other income-oriented investment options.

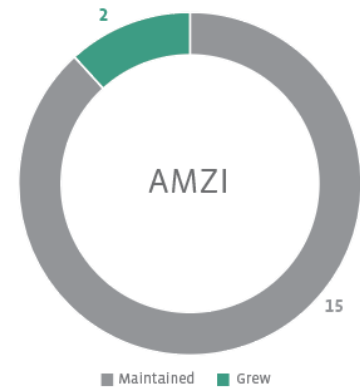
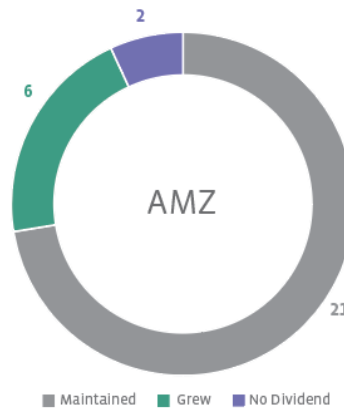
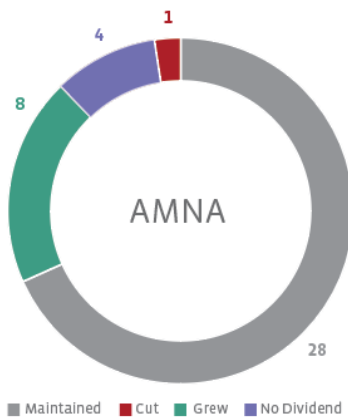
### 1Q21 Dividends/Distributions: A handful of growers and one cut as most maintain.

As has been largely the case following the dividend cuts for [1Q20](#), midstream companies broadly held their payouts steady in 1Q21, with a handful of names increasing their dividends sequentially. The pie charts on the following page show the quarter-over-quarter (Q/Q) changes to distributions/dividends for the constituents of the [Alerian Midstream Energy Index](#) (AMNA), [Alerian MLP Index](#) (AMZ), and [Alerian MLP Infrastructure Index](#) (AMZI) by comparing 1Q21 with 4Q20. To be clear, 1Q21 dividends refer to the dividends that will be paid in 2Q21 as a result of operational performance in 1Q21. For the constituents of the AMNA Index that pay monthly dividends – [Inter Pipeline](#) (IPL CN), [Keyera](#) (KEY CN), and [Pembina Pipeline](#) (PPL CN) – the dividend for April 2021 was compared with the declaration for January. For AMNA, constituents [Cheniere Energy](#) (LNG), [Tellurian](#) (TELL), [Macquarie Infrastructure](#) (MIC), and [NGL Energy Partners](#) (NGL) do not pay a dividend, and within the AMZ, constituents NGL and [Summit Midstream Partners](#) (SMLP) do not pay a distribution.<sup>1</sup>

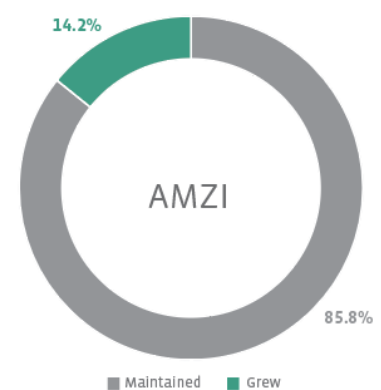
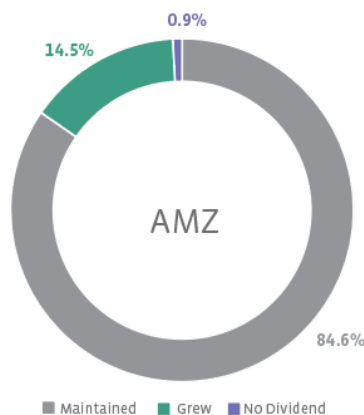
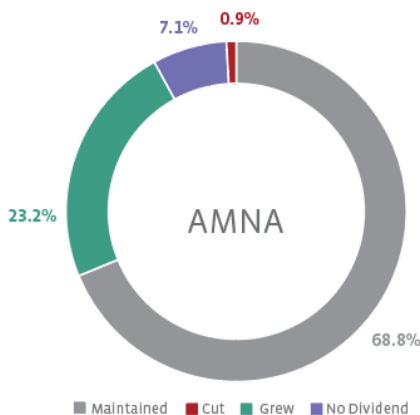
1. NGL previously suspended its quarterly common unit distribution and last paid a distribution in November 2020. SMLP previously suspended its quarterly common unit distribution and last paid a distribution in February 2020.

### AMNA, AMZ, AMZI Q/Q Dividends: Most Maintain, Several Growers, One Cut

Absolute Numbers



By Weighting



Weightings as of April 30, 2021.

IPL CN, KEY CN, and PPL CN pay monthly dividends. For these names, dividends for April 2021 were compared with December 2020.

In the charts above, NBLX was included in the "maintained" grouping. NBLX is being acquired by Chevron (CVX). NBLX unitholders are not expected to receive a quarterly distribution from the Partnership for 1Q21 but are instead expected to receive a quarterly dividend from CVX, payable June 10, 2021, assuming continued ownership of CVX shares on the record date.

Source: Alerian, Company Reports as of May 6, 2021.

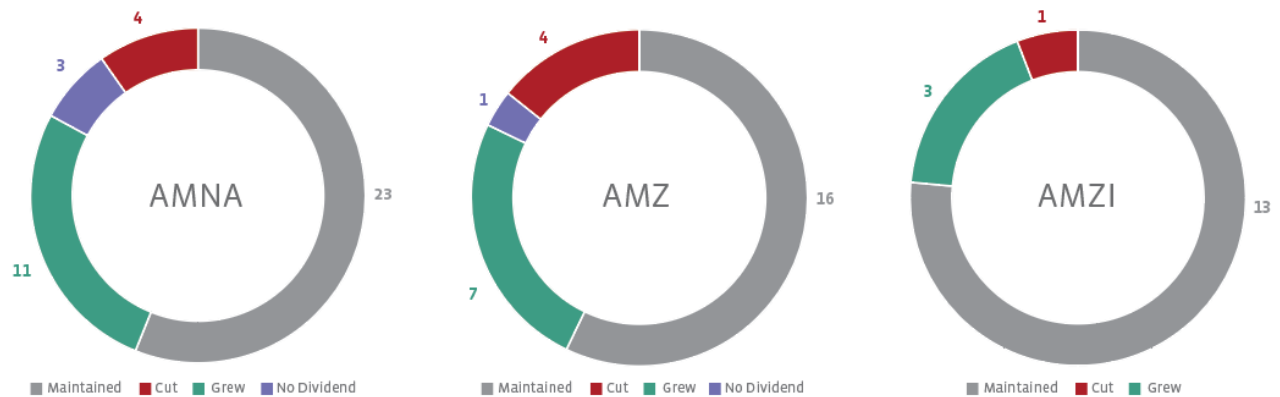
While most names maintained their payouts, there was an uptick in the number of companies who raised their dividends sequentially compared to increases made for 4Q20. Specifically, eight constituents of AMNA announced sequential increases for 1Q21 compared to five constituents announcing sequential increases for 4Q20. Overall, for AMNA, 36 of 37 dividend-paying names raised or maintained their dividends sequentially for the quarter, representing 92.0% of the index by weighting (companies not paying dividends represent 7.1% of the index). In total, nine midstream companies increased their payouts quarter-over-quarter: [TC Energy Corp](#) (TRP CN) by 7.4%, [Kinder Morgan](#) (KMI) by 3.0%, [Gibson Energy](#) (GEI CN) by 2.9%, [USD Partners](#) (USDP) by 2.3%, [Oasis Midstream Partners](#) (OMP) by 1.9%, [Western Midstream Partners](#) (WES) by 1.3%, [Hess Midstream LP](#) (HESM) by 1.2%, [Delek Logistics Partners](#) (DKL) by 1.1%, and [Cheniere Energy Partners](#) (CQP) by 0.8%. The lone cut in midstream came from C-Corp [Antero Midstream](#) (AM), which reduced its dividend by 26.8% consistent with the company's plans announced back in [February](#) to internally fund organic growth projects and maintain a strong balance sheet.

## Year-over-year comparison reflects roll-off of 1Q20 cuts.

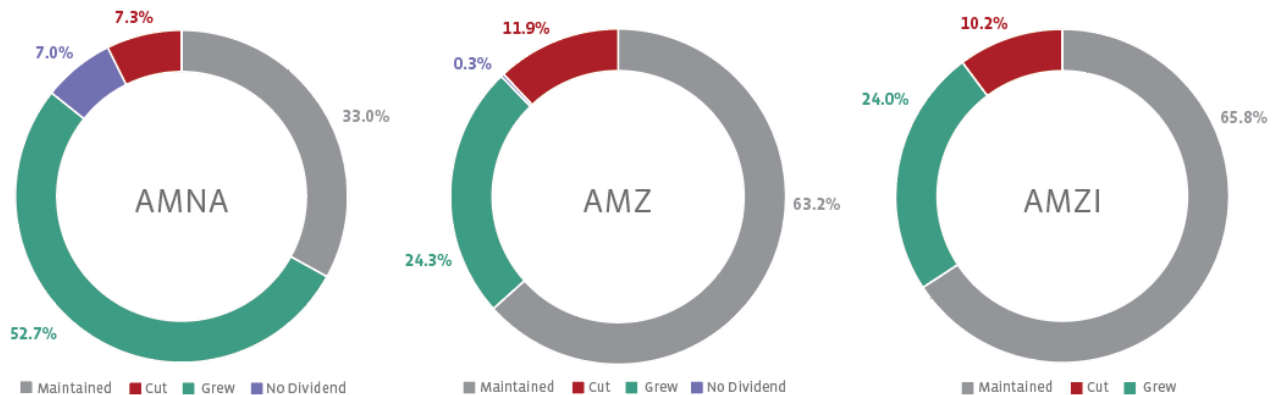
While many of the large, diversified midstream companies maintained their payouts in the wake of the pandemic, several companies cut their [1Q20 dividends](#), which were announced in April 2020 when macro uncertainty was particularly acute. Those 1Q20 cuts have now rolled off the year-over-year comparison, resulting in a higher portion of the indexes falling into the “maintain” category than in Alerian’s [last quarterly dividend recap](#). Additionally, those companies that tend to increase their payouts once a year typically do so with the 4Q or 1Q payout, benefitting the growth numbers shown. For the balance of the year, the examples of sequential growth may become more muted, but the year-over-year comparison will continue to reflect those companies providing annual growth through once-a-year increases. To be clear, the charts below compare 1Q21 dividends with the 1Q20 dividends for the constituents of AMNA, AMZ<sup>2</sup>, and AMZI. Overall, 85.7% of AMNA by weighting grew or maintained dividends year-over-year, while 7.3% cut.

### AMNZ, AMZ, AMZI Y/Y Dividends: Stability Improves as 1Q20 Cuts Roll Off

Absolute Numbers



By Weighting



Weightings as of April 30, 2021.

IPL CN, KEY CN, and PPL CN pay monthly dividends. For these names, dividends for April 2021 were compared with December 2020.

In the charts above, NBLX was included in the 'maintained' grouping. NBLX is being acquired by Chevron (CVX). NBLX unitholders are not expected to receive a quarterly distribution from the Partnership for 1Q21 but are instead expected to receive a quarterly dividend from CVX, payable June 10, 2021, assuming continued ownership of CVX shares on the record date.

Constituents that were not in the index the prior year were excluded.

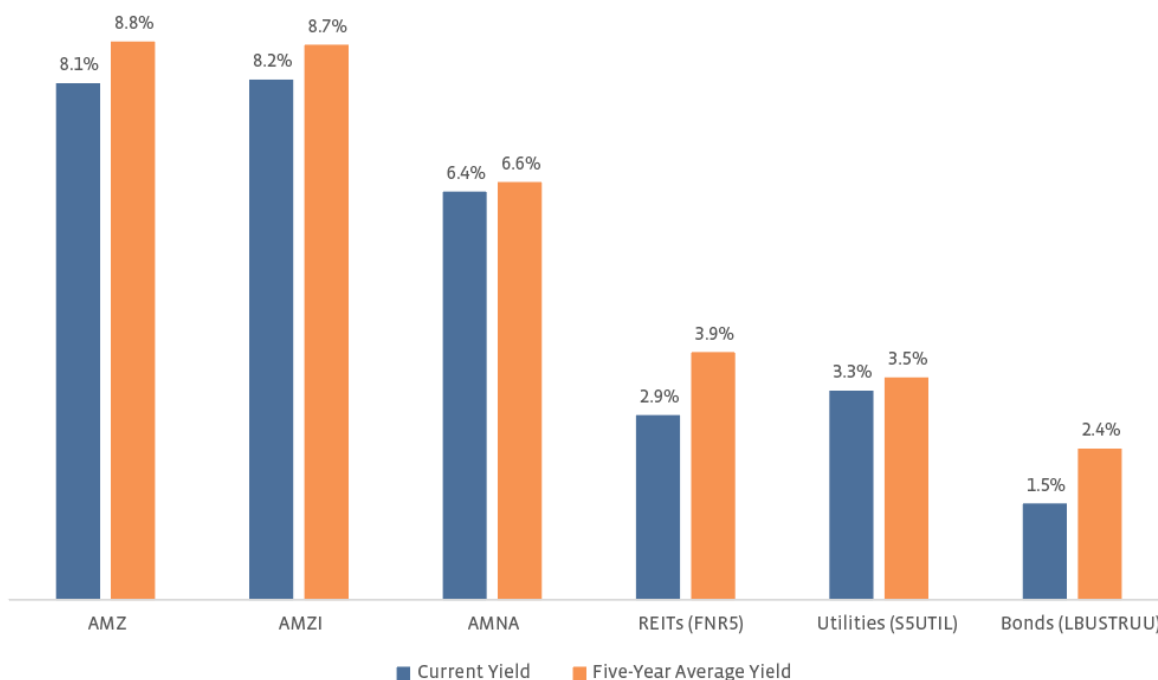
Source: Alerian, Company Reports as of May 6, 2021.

2. Blueknight Energy Partners (BKEP) was excluded from the year-over-year comparison for the AMZ since it was not in the index in the prior year.

## Outlook adds confidence to midstream income.

With midstream earnings season largely in the books, strong results from many companies and some eye-popping quarterly beats complement an improving macro outlook to provide added comfort around the reliability of midstream income. Several management teams discussed expectations for the macro energy environment to continue to strengthen into 2H21 and 2022. Midstream yields have fallen below their five-year averages as a solid earnings season, steady dividends, and an improving outlook have all supported the outperformance of the space relative to broader energy in recent months. Since the end of February through April 30, AMNA and AMZI are up 14.5% and 15.0% on a total-return basis, respectively, compared to a 3.5% total return for the Energy Select Sector Index (IXE) over the same period. As of April 30, AMNA was yielding 6.4% or 20 basis points below its five-year average, while the AMZI was yielding 8.2% or 50 basis points below its five-year average. While yields have moderated with improved performance, they remain well above other income-oriented sectors such as Utilities at 3.3% and REITs at 2.9%, as shown in the chart below. For investors, midstream remains an attractive income opportunity while also providing torque to an economic recovery and continued improvements in the energy landscape.

Midstream Yields Remain Attractive Relative to Other Sectors



Utilities are represented by the S&P 500 Utilities Index (S5UTIL). REITs are represented by the FTSE NAREIT Real Estate 50 Index (FNRS). Bonds are represented by the Bloomberg Barclays US Aggregate Bond Index (LBSTRUU).  
 Source: Alerian, Bloomberg as of April 30, 2021

*AMNA is the underlying index for the ETRACS Alerian Midstream Energy Index ETN (AMNA). AMZI is the underlying index for the Alerian MLP ETF (AMLPE) and the ETRACS Alerian MLP Infrastructure Index ETN Series B (MLPB). AMZ is the underlying index for the JP Morgan Alerian MLP Index ETN (AMJ) and the ETRACS Quarterly Pay 1.5x Leveraged Alerian MLP Index ETN (MLPR).*

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### Alerian

alerman.com  
info@alerman.com // 972.957.7700  
3625 N. Hall St., Suite 1200, Dallas, TX 75219

### S-Network Global Indexes

snetworkglobalindexes.com  
info@snetworkinc.com // 646.467.7928  
267 Fifth Avenue, Suite 508, New York, NY, 10016