



The Williams Cos., Inc. (WMB)

# EDITED TRANSCRIPT

Barclays CEO Energy-Power Conference

September 4, 2024

## Forward-looking statements

- > The reports, filings, and other public announcements of The Williams Companies, Inc. (Williams) may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). These forward-looking statements relate to anticipated financial performance, management’s plans and objectives for future operations, business prospects, outcomes of regulatory proceedings, market conditions, and other matters. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.
- > All statements, other than statements of historical facts, included in this report that address activities, events, or developments that we expect, believe, or anticipate will exist or may occur in the future, are forward-looking statements. Forward-looking statements can be identified by various forms of words such as “anticipates,” “believes,” “seeks,” “could,” “may,” “should,” “continues,” “estimates,” “expects,” “forecasts,” “intends,” “might,” “goals,” “objectives,” “targets,” “planned,” “potential,” “projects,” “scheduled,” “will,” “assumes,” “guidance,” “outlook,” “in-service date,” or other similar expressions. These forward-looking statements are based on management’s beliefs and assumptions and on information currently available to management and include, among others, statements regarding:
  - Levels of dividends to Williams stockholders;
  - Future credit ratings of Williams and its affiliates;
  - Amounts and nature of future capital expenditures;
  - Expansion and growth of our business and operations;
  - Expected in-service dates for capital projects;
  - Financial condition and liquidity;
  - Business strategy;
  - Cash flow from operations or results of operations;
  - Seasonality of certain business components;
  - Natural gas, natural gas liquids, and crude oil prices, supply, and demand;
  - Demand for our services.
- > Forward-looking statements are based on numerous assumptions, uncertainties, and risks that could cause future events or results to be materially different from those stated or implied in this report. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from results contemplated by the forward-looking statements include, among others, the following:
  - Availability of supplies, market demand, and volatility of prices;
  - Development and rate of adoption of alternative energy sources;
  - The impact of existing and future laws and regulations, the regulatory environment, environmental matters, and litigation, as well as our ability and the ability of other energy companies with whom we conduct or seek to conduct business, to obtain necessary permits and approvals, and our ability to achieve favorable rate proceeding outcomes;
  - Our exposure to the credit risk of our customers and counterparties;
  - Our ability to acquire new businesses and assets and successfully integrate those operations and assets into existing businesses as well as successfully expand our facilities, and consummate asset sales on acceptable terms;
  - Whether we are able to successfully identify, evaluate, and timely execute our capital projects and investment opportunities;
  - The strength and financial resources of our competitors and the effects of competition;
  - The amount of cash distributions from and capital requirements of our investments and joint ventures in which we participate;
  - Whether we will be able to effectively execute our financing plan;
  - Increasing scrutiny and changing expectations from stakeholders with respect to our environmental, social, and governance practices;
  - The physical and financial risks associated with climate change;
  - The impacts of operational and developmental hazards and unforeseen interruptions;
  - The risks resulting from outbreaks or other public health crises;
  - Risks associated with weather and natural phenomena, including climate conditions and physical damage to our facilities;
  - Acts of terrorism, cybersecurity incidents, and related disruptions;
  - Our costs and funding obligations for defined benefit pension plans and other postretirement benefit plans;
  - Changes in maintenance and construction costs, as well as our ability to obtain sufficient construction-related inputs, including skilled labor;
  - Inflation, interest rates, and general economic conditions (including future disruptions and volatility in the global credit markets and the impact of these events on customers and suppliers);
  - Risks related to financing, including restrictions stemming from debt agreements, future changes in credit ratings as determined by nationally recognized credit rating agencies, and the availability and cost of capital;
  - The ability of the members of the Organization of Petroleum Exporting Countries and other oil exporting nations to agree to and maintain oil price and production controls and the impact on domestic production;
  - Changes in the current geopolitical situation, including the Russian invasion of Ukraine and conflicts in the Middle East, including between Israel and Hamas and conflicts involving Iran and its proxy forces;
  - Changes in U.S. governmental administration and policies;
  - Whether we are able to pay current and expected levels of dividends;
  - Additional risks described in our filings with the Securities and Exchange Commission (SEC).
- > Given the uncertainties and risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement, we caution investors not to unduly rely on our forward-looking statements. We disclaim any obligations to, and do not intend to, update the above list or announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.
- > In addition to causing our actual results to differ, the factors listed above and referred to below may cause our intentions to change from those statements of intention set forth in this report. Such changes in our intentions may also cause our results to differ. We may change our intentions, at any time and without notice, based upon changes in such factors, our assumptions, or otherwise.
- > Because forward-looking statements involve risks and uncertainties, we caution that there are important factors, in addition to those listed above, that may cause actual results to differ materially from those contained in the forward-looking statements. For a detailed discussion of those factors, see (a) Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 21, 2024, and (b) Part II, Item 1A. Risk Factors in subsequent Quarterly Reports on Form 10-Q.

## **Alan Armstrong**

*President, Chief Executive Officer & Inside Director, The Williams Cos., Inc.*

Well, thank you, and appreciate everybody being here today. We've got a great story to tell, and I'm going to tell it today kind of in terms of where we've been, where we are right now, what's going on with the business right now and how bright the future is right now in terms of the fundamentals supporting our business.

But as we start off just a little bit from a generalist's perspective here in terms of what Williams does – we are a very natural gas-focused company. We handle about 1/3 of the nation's natural gas, and we particularly have been focusing on being in places where we've got growing markets on the one hand and where we've got supply basins that can support growth for the long term. So we very much run our business for the long term. And we really have stayed with this natural gas-focused strategy now for about – coming on 10 years now and where we really have divested of anything that doesn't fit tightly with our focus around natural gas. And one of the reasons we've done that, obviously, is because natural gas is so much of a lower-cost fuel, 6x lower than crude oil products, more than half the emissions of refined products that would counter that. And we are definitely starting to see that pull through in terms of industrial loads and continued growth here in the U.S. And so we'll talk about the strong fundamentals that continue to support our business.

And as we look at our performance here, you're going to see that we really have stood up and continued to grow through a variety of commodity cycles during this period as well as even through things like the pandemic. And so if we look at the three periods I'm going to cover today, first of all, the '18 through '23. So looking back, that's the last 6 years, and really after we had combined and brought in our master limited partnership, and so the period looking forward there and the kind of growth that we've been able to generate both on an absolute basis and a per share basis. We'll talk about that. We'll talk about the very clear line of sight that we've got right now. A lot of people are talking about speculative growth. We have contracted and really all the drivers of growth for our guidance next year and for our 5% to 7% growth rate that we continue to talk about is fully contracted through this next period. And then as we look into longer-term growth, very strong fundamentals supporting our growth in a very large pipeline that's expanding very rapidly right now in terms of even faster growth than we've seen during these first 2 periods that I'll walk you through.

So first of all, in terms of the performance, you can see here on an adjusted EBITDA basis an 8% CAGR over this period as well as we continue to improve our balance sheet during this period, obviously. And on an EPS basis we've grown a 19% CAGR, and of course that's driven our dividend growth at 6% CAGR and an 8% CAGR on our available funds from operations per share. So tremendous free cash flow growth continuing to be generated by the business. And another thing that I think sometimes people miss is how incredibly predictable this business has been. We are now 34 quarters, so 8.5 years now of us continuing to generate numbers that are at or above Wall Street consensus for the quarter. We also, during this period from '18 forward, we have exceeded our midpoint of our guidance in every one of those years. And in two of those years, we've exceeded the top

range of our guidance. So not only have we seen this kind of growth, we've been predicting this kind of growth, and it's been very predictable. And this is for guidance periods that were well in advance of the period. So for instance, in 2020, our guidance was even ahead of the pandemic, and yet we were still able to come in above the midpoint of our guidance even in a period like that. So tremendous growth during this period. And that is without issuing equity, and that is with improving our balance sheet at the same time. So very positive growth on the one hand and at the same time, improving our financial strength.

If we look at the same three periods bracketed in terms of the transmission expansion, it's a pretty interesting picture here. You can see here '18 through '23, 5 Bcf a day in this period of now fully contracted business. 4.2 Bcf a day of new contracted business over this period. And then as we get out beyond what's already contracted, we have 11.5 Bcf a day of 30 projects. And so if you do the math on that quickly on a yearly basis, it's a little over 0.8 Bcf a day for the first period there over, a little over 1 Bcf a day in this near-term period here, and then if you look at the back, over 2 Bcf a day of stuff that's in the pipeline right now. And that last part is pretty impressive because normally we wouldn't have the line of sight yet to that kind of growth. And if you rolled this clock back you would see that we've actually continued to do a little better than what our pipeline has said in terms of this forecast because we really only include things that we've got a pretty clear line of sight in that forecast. So a very strong period now as we're looking forward, and we'll talk about the drivers of that.

This is that near-term period I was talking about. And these are the projects that you can see there that are driving that. So very identified growth across the business. I think a really important thing to note as you look at the 2025 uplift, there are some big projects coming on. And most of this capital is already spent. All of those Deepwater projects – all of the projects that we're responsible for to bring that production online, which will be a doubling of our deepwater Gulf of Mexico EBITDA – all of that capital has now already been spent, and we've derisked the offshore work for our projects on that. So a very clear path to the strong '25 growth. And then you can see the other contracts that are in execution and fully contracted. So nothing on this page is speculative in terms of us thinking the growth is going to come. This business is fully contracted, driving this growth through 2027. And the one project down there by itself at the bottom of the transmission, the Southeast Supply Enhancement project, is one of the really strong drivers of growth even at the end of this period.

And so a little more about this – we are going to be filing here in the very near future for what we call our SSE project. This is the single largest ever earnings addition from a transmission project, including when we built Kern River. So this will be a little under \$1.5 billion, and a sub-4 multiple on this. And I'll tell you that's not a unique situation for us right now. That is the kind of pricing that we're able to drive in these markets and some extremely strong returns that we're able to generate. And these are projects, I'll remind you, these projects are contracted for 20 years. So this isn't us speculating what the revenue is going to be on these projects. These are fully contracted; all of that capacity is contracted. And one of the things that I found really interesting is the variety of customers that have

been driving this business for us.

And so for instance, one of the projects in Southern Virginia that came on late in the project actually came at the Governor's request. There's a big 3,500-acre industrial development park in the southern part of Virginia that needed gas supplies in the area to be able to continue to attract manufacturing business there. And so of course, we need all the political support we can get these days building pipeline projects, and we were very happy to oblige that. But I think it's important, even though this is only about a 5 million cubic feet a day project on the one hand, so not very much in terms of capacity, but if you add up all of these projects to get to that 1.6 Bcf a day, pretty impressive variety of projects like this and the credit that's standing behind this. So the vast majority of the contracts on this are A-rated contracts. So go find me another piece of business in any other industry that is bringing forward projects with these kind of returns without speculation, but with fully contracted business and this kind of growth, it's actually very hard to find these kind of returns on big capital with the kind of credit support that we have behind these projects. So really excited about this project, but SSE is a great example of the kind of projects that we've got coming forward right now. And I can tell you that the pipeline is full of some very high-return projects like that.

And so looking forward to our fundamentals – moving forward right now and the things that are supporting that. First of all, S&P is forecasting that we're going to have 10x faster electricity growth this decade versus the prior decade. I'll show you some math here in a minute about why that's so important to the gas business and particularly to the pipeline transportation business because what you see is a lot of annual average numbers for gas demand. What you don't see is what the peaking demand at those generation facilities are, backing up renewables. And that's what we have to sell is that full capacity. And so a pretty important picture for us. And we certainly are seeing a lot of renewable support, but we're going to see what that actually has meant to our business. Actually, the more and more renewable support, the more and more capacity we are selling because people know they're going to have to back up those intermittent resources.

On the LNG front, very easy to predict here with a 2x growth against the existing LNG. This is not too hard to forecast because the permitting is so difficult, and it takes so long to get these projects on. But again, a very positive picture looking forward on this. And because we believe so much in the growth of this business we've been really going after the storage business. You saw earlier in that page, we're up to 405 Bcf a day of storage now. Most of our storage is in these areas where LNG exports are going to be because we think storage is going to be absolutely critical to both backing up renewables as well as being there as the utilization – as we start to build out the fleet of LNG exports here in the U.S. – we believe the utilization is not going to be sitting at 100%. It will be coming off of that. And when you have that, you're going to put a lot of demands on both fast injection storage and storage that's close to where it can serve those facilities.

We also are very fortunate on our assets to have about 1/3 of the operating coal plants

within our footprint today, and that equates to about 9.8 Bcf a day of growth. So really across the board, both in terms of industrialization coming home here to the U.S. – I mean we're seeing things like, for instance, in the Trona mines in Wyoming right now, the loads there right now that we have, that we're working on projects, and most of that would be in that 30 projects for 11 Bcf. 200 million a day of new projects right now that are being developed to serve the Trona mines where they're coming off of coal and they're expanding because Trona is a primary component for bicarbonate glass, of course, bicarbonate glass is a primary component for solar panels. So tremendous demand going on in loads like that, and we are the sole provider. But I think one of the things people are missing is the fact that because gas is so low cost, a lot of the manufacturing is being driven home here and a lot of that is coming on to the gas transportation business that Williams is so lucky to serve.

If you look at the picture now on renewables, this is an interesting slide that shows what we've seen in terms of renewables. So on the dark bar at the bottom there, you can see the actual generation versus the installed capacity. So these are actual numbers. These aren't predicted numbers. These are actual numbers for both solar and wind. And you can see what natural gas is left to back up when that capacity is not there. But I think a really interesting thing here is if you look at natural gas generation for power. And again, this is not installed capacity, this is actually generated power onto the grid. And you can see that natural gas has actually been growing at a little faster clip right there over the last 3 years, than the actual generation for solar and wind. And so we are going to have to have gas back up. The faster the power demand grows, the more and more we're going to see this peak. But if you broke this down into region because again, this is across the whole country. If you broke this down into region and you look at the peaking demands per region, this gets even more exaggerated if you think about the lack of transmission capacity that we have to connect these demand markets today in the U.S., this amount of peaking that goes on, on the natural gas side is even more extraordinary than this. And that is what is driving a lot of the pipeline for us right now in terms of sales of transmission capacity.

This is another way of looking at that same issue, but this is more of a forward-looking picture now. And you can see here the natural gas generation. And this is from an S&P Global forecast. And look at the gap that is growing right there – if you assume that that utilization for renewables continues to be what it is today – look at the gap that is growing as we continue to have to back up that amount of renewables. And that really is where there's going to be a big opportunity, again, not on an annual average basis for natural gas but on a peaking level for natural gas. The bigger that gray bar gets, the more peaking there's got to be, and that means more pipeline capacity sales. Because it really doesn't do any good to put in a generation facility that has a capacity and not have the pipeline capacity bought with it, and that is exactly what we're seeing today.

So as well, I would tell you in terms of other power loads, obviously, everybody likes to talk about data centers and AI. I can tell you we have our hands very full right now, trying to keep up with the number of opportunities that are coming at us right now. We have three major projects that we're developing right now in Virginia, Texas, and Wyoming. But we also have other developers that we're working with that are in some cases – like in Utah – are



already permitted for a 300-megawatt facility that would be driving demand on our MountainWest system. And another thing we're very fortunate with at Williams is that back when we owned a telecommunications company, we laid some of the largest fiber optic bundles alongside our pipeline and in conjunction with our right of way because we were in that business. And so though we don't own that business today, our facilities and our pipelines happen to be co-located with some of the bigger fiber optic networks here in the U.S. So we really are in a prime position right now.

One of the projects that I'm actually most excited about is what the State of Wyoming has to offer where we have abundant gas resources, we have carbon capture available right there in places like Wamsutter, and we also have very significant wind resources that to date really haven't been tapped all that well because there's not enough local demand and there's not enough transmission capacity out of the area. And so when you start talking about the very large facilities that people are talking about, 2 gigawatts, that's exactly the kind of resources that you need in an area like that to be able to initially get things started up, but over time, reduce the emissions of those facilities with both carbon capture technology as well as wind resources that will reduce the burn. It doesn't reduce the need for the facilities being installed in terms of generation, but it certainly reduces the amount of long-term emissions associated with those facilities.

So we're really excited about how we're positioned around this, the land positions we have, the co-location with fiber, the gas resources and as well as the carbon capture that we have in some of those areas. So a lot going on. Our teams have been working this really hard, and we keep kind of being more and more impressed with the opportunity. But I do want to say this. These are going to be big opportunities. They're not tomorrow. These aren't going to show up next year. Most of it is not going to show up the year after that, other than what we're continuing to provide for companies like Duke and Dominion and Southern where they have cloud-based data centers that continue to grow. These aren't large language model AI centers; they are just the same basic data center growth that we've been seeing from cloud-based software systems. And we're seeing a tremendous amount of growth effectively at the utility level, so it's not us capturing that market directly. But frankly, we are more than happy to have the utilities capture that load and for us to serve the utilities. And so that's a lot of what is driving some of the growth that we're seeing from our utility customers right now.

So in the end, I would just tell you, if you like the natural gas story and you like the story of long-term performance that's been proven through a number of commodity cycles and the kind of growth that we have, the 5% to 7% - we laid out a 5% to 7% growth rate back in 2018, and we actually exceeded that at an 8% CAGR that we've produced through 2023 now. And we think that we are going to be on the high-end of that 5% to 7% range moving forward. And yes, we understand the law of big numbers and the fact that that gets harder and harder to achieve, but the fact is our business is getting stronger and the pricing power that we have into these markets is getting stronger, as you can see from projects like SSE. And we really didn't enjoy this set up back when we first started on this strategy.

So very excited about the way Williams is positioned today, excited about our employee base and their ability to continue to execute on these projects and the excitement that they have about doing things right, about running our business in a low emissions way and being the leader in that space. And as well as that attracting more and more talent to our organization because people feel good about what they're accomplishing, and we're continuing to win financially and with our customers as well. So really excited about what we've produced to date, excited about the next 3 years that are right in front of us right now. And even beyond that, the fundamentals are even stronger as we get beyond that. So thank you for your attention today. I'll be happy to take a few questions.

## Question & Answer Section

### Unidentified Participant

Alan, how do you think the outcome of the upcoming election may impact Williams?

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### Alan Armstrong

*President, Chief Executive Officer & Inside Director, The Williams Cos., Inc.*

Yes. Thank you. Well, first of all, I'd like to remind people that the two big projects that we've had stopped over the years was during the Trump administration. So this is not something that the federal government necessarily – the permitting issues – is not something that the federal government necessarily solves in short order. And I would just tell you, I think while we certainly hope that either administration takes seriously the goal to improve our permitting reform – and that's really what we think will happen – I personally am paying more attention to the legislative elections in that regard because if we're actually going to get NEPA reform, if we're actually going to put our country in a position where we can keep up with all this energy demand that's coming at us right now, we are going to have to have some pretty serious permitting reform.

And so from a Williams standpoint, I would tell you, it feels pretty good either way, frankly. I don't think we have much in the way of options at this point in terms of keeping up with the power demand. Natural gas is going to have to get that call. So I'm not too concerned. But for the sake of our country, I would like to make sure that we have a legislature in both the House and the Senate that are serious about getting permitting reform. Very encouraged to see the Supreme Court taking up the NEPA review process, which I think is really important. And certainly, long term, I think the Chevron deference will be positive in terms of straightening out some of the permitting lows that we've had. So again, I think from a corporate perspective, I feel pretty good in either direction. But from a national perspective, we definitely need to get our permitting reform resolved. Thank you.

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### Unidentified Participant

Could you talk about – you've got a pretty big project backlog – I'm just sort of curious as to how you see things from a cost perspective, whether there's any items out there that are starting to get more costly – labor, key items or if things are pretty similar as they have



been. I'm just sort of curious as to how the market is changing, if at all?

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**Alan Armstrong**

*President, Chief Executive Officer & Inside Director, The Williams Cos., Inc.*

Yes, great question. I would say I think the biggest challenge that we're going to have is going to be on the electric side. So transformers to the degree that we're having to put in electric drive units. I think the supply chain on transformers is going to be difficult in some of these facilities. And frankly, we're already running into that situation if we're forced to have to put electric drives in, which, by the way, is a really bad idea to put in electric drives to send gas to a power generating station to bring the power back to you. Because if you lose that do loop, that's not good for anybody. And so we've been fighting hard about the importance of reliability of running our facilities on natural gas rather than bringing in electric power. But when we are having to bring in electric power, that's probably the one area that we see. We haven't seen a labor shortage on pipeline laying. Our contractors continue to keep up with us very well. And we haven't seen a problem on gas-fired equipment as a challenge, but the electrical side, I'd say, is where what concerned about at this point. Thank you for the question.

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**Unidentified Participant**

Alan, do you think battery technology might diminish the need for natural gas in terms of solving the intermittency problem?

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**Alan Armstrong**

*President, Chief Executive Officer & Inside Director, The Williams Cos., Inc.*

I think batteries will help expand the use of renewables. And so for instance, helping move that peak production period over a longer period for solar, I think, is really important. And we certainly stay very close to that technology. But so far, we haven't seen anybody willing to say, we'll count on the sun being there the next day if it wasn't there the day before. So it doesn't really work for seasonal storage. It doesn't even work for month-long storage. It's very good at extending the day for solar power and for capturing excess wind power to put it into the market the next day. But it's not really a very good solution for long-term backup. But we certainly keep our eye on that, and I would think that over time, that technology will improve. So far, we're not seeing utilities willing to bet the farm on anything like that.

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**Unidentified Participant**

I'm just wondering about your thoughts on balance sheet deployment and M&A in particular.

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**Alan Armstrong**

*President, Chief Executive Officer & Inside Director, The Williams Cos., Inc.*

Yes. Good question. I would say we certainly have been enjoying an environment that we've been able to continue to do a lot of bolt-on transactions. And those have been really powerful for us. Probably the areas we focus on the most have been both storage and

transmission. Even the MountainWest transaction has had a lot of storage associated with it and a lot of that is expandable with market-based rates. And so a lot of our acquisition has been around the strategy of more and more gas storage. So I would say that's an area we continue to focus on. So far, we haven't seen anything that's attractive to us as bolt-on transactions where we have a lot of synergies that we can apply directly to those investments and that's the way we look at it. We look at transactions and they have to compete with our capital, whether it's a bolt-on or a project. And so a big challenge for us has been because our assets are fully contracted, and we have the ability to invest quite a bit in modernizing our rate base like we did – and by the way, I failed to mention during the presentation that we did file on Friday for our Transco rate base and that cost of service. So the annual cost of service filing increased by about \$400 million per year, and that's on the basis of a lot of the emission reduction projects that we've been investing in. But my point is, as long as we have that fairly low risk, low return investment capability in our rate base, anything has to compete with that. And that's a pretty tough investment to compete with on a risk-adjusted return basis, but that really is what kind of keeps us pretty sober in the M&A market, frankly.

## Closing Remarks

### **Alan Armstrong**

*President, Chief Executive Officer & Inside Director, The Williams Cos., Inc.*

Okay. Well, thank you all very much. Appreciate you all being here today and have a good conference.