

Targa Resources Corp.
Form 10-Q
May 07, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-34991

TARGA RESOURCES CORP.
(Exact name of registrant as specified in its charter)

Delaware 20-3701075
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1000 Louisiana St, Suite 4300, Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

(713) 584-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes R No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No £.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer R Accelerated filer £ Non-accelerated filer £ Smaller reporting company £

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(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No R.

As of May 1, 2015, there were 56,022,051 shares of the registrant's common stock, \$0.001 par value, outstanding.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Targa Resources Corp.'s (together with its subsidiaries, other than Targa Resources Partners LP ("the Partnership"), "we," "us," "Targa," "TRC," or the "Company") reports, filings and other public announcements may from time to time contain statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements." You can typically identify 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, by the use of forward-looking statements, such as "may," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan" and other similar words.

All statements that are not statements of historical facts, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the risks set forth in "Part II – Other Information, Item 1A. Risk Factors." in this Quarterly Report on Form 10-Q ("Quarterly Report") as well as the following risks and uncertainties:

- the Partnership's and our ability to access the debt and equity markets, which will depend on general market conditions and the credit ratings for our debt obligations;
- the amount of collateral required to be posted from time to time in the Partnership's transactions;
- the Partnership's success in risk management activities, including the use of derivative instruments to hedge commodity risks;
- the level of creditworthiness of counterparties to various transactions with the Partnership;
- changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment;
- the timing and extent of changes in natural gas, natural gas liquids ("NGL"), crude oil and other commodity prices, interest rates and demand for the Partnership's services;
- weather and other natural phenomena;
- industry changes, including the impact of consolidations and changes in competition;
- the Partnership's ability to obtain necessary licenses, permits and other approvals;
- the level and success of crude oil and natural gas drilling around the Partnership's assets, its success in connecting natural gas supplies to its gathering and processing systems, oil supplies to its gathering systems and NGL supplies to its logistics and marketing facilities and the Partnership's success in connecting its facilities to transportation and markets;
- the Partnership's and our ability to grow through acquisitions or internal growth projects and the successful integration and future performance of such assets; including with respect to the Atlas mergers (as defined below) which were completed February 27, 2015 between Targa Resources Corp. and Atlas Energy, L.P., a Delaware limited

partnership (“ATLS”) and between Atlas Pipeline Partners L.P., a Delaware limited partnership (“APL”) and the Partnership;

· general economic, market and business conditions; and

the risks described elsewhere in “Part II – Other Information, Item 1A. Risk Factors.” in this Quarterly Report, our Annual Report on Form 10-K for the year ended December 31, 2014 (“Annual Report”) and our reports and registration statements filed from time to time with the United States Securities and Exchange Commission (“SEC”).

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Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, and, therefore, we cannot assure you that the forward-looking statements included in this Quarterly Report will prove to be accurate. Some of these and other risks and uncertainties that could cause actual results to differ materially from such forward-looking statements are more fully described in “Part II – Other Information, Item 1A. Risk Factors.” in this Quarterly Report and in our Annual Report. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events or otherwise.

As generally used in the energy industry and in this Quarterly Report, the identified terms have the following meanings:

Bbl	Barrels (equal to 42 U.S. gallons)
Bcf	Billion cubic feet
Btu	British thermal units, a measure of heating value
BBtu	Billion British thermal units
/d	Per day
/hr	Per hour
gal	U.S. gallons
GPM	Liquid volume equivalent expressed as gallons per 1000 cu. ft. of natural gas
LPG	Liquefied petroleum gas
MBbl	Thousand barrels
MMBbl	Million barrels
MMBtu	Million British thermal units
MMcf	Million cubic feet
NGL(s)	Natural gas liquid(s)
NYMEX	New York Mercantile Exchange
GAAP	Accounting principles generally accepted in the United States of America
LIBOR	London Interbank Offer Rate
NYSE	New York Stock Exchange

Price Index Definitions

IF-NGPL MC	Inside FERC Gas Market Report, Natural Gas Pipeline, Mid-Continent
IF-PB	Inside FERC Gas Market Report, Permian Basin
IF-WAHA	Inside FERC Gas Market Report, West Texas WAHA
NY-WTI	NYMEX, West Texas Intermediate Crude Oil
OPIS-MB	Oil Price Information Service, Mont Belvieu, Texas
NG-NYMEX	NYMEX, Natural Gas

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

TARGA RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (Unaudited) (In millions)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 170.7	\$ 81.0
Trade receivables, net of allowances of \$0.0 million	675.6	567.3
Inventories	78.2	168.9
Deferred income taxes	-	0.1
Assets from risk management activities	126.0	44.4
Other current assets	17.1	20.9
Total current assets	1,067.6	882.6
Property, plant and equipment	11,624.6	6,521.1
Accumulated depreciation	(1,791.6)	(1,696.5)
Property, plant and equipment, net	9,833.0	4,824.6
Goodwill	628.5	-
Intangible assets, net	1,602.4	591.9
Long-term assets from risk management activities	51.2	15.8
Investments in unconsolidated affiliates	322.9	50.2
Other long-term assets	119.7	88.4
Total assets	\$ 13,625.3	\$ 6,453.5
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 736.8	\$ 638.5
Accounts receivable securitization facility	197.9	182.8
Deferred income taxes	47.6	0.6
Liabilities from risk management activities	0.6	5.2
Total current liabilities	982.9	827.1
Long-term debt	5,838.2	2,885.4
Long-term liabilities from risk management activities	1.8	-
Deferred income taxes	127.8	138.2
Other long-term liabilities	80.2	63.3
Contingencies (see Note 16)		
Owners' equity:		
Targa Resources Corp. stockholders' equity:	0.1	-

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Common stock (\$0.001 par value, 300,000,000 shares authorized)

	Issued	Outstanding		
March 31, 2015	56,427,480	56,021,222		
December 31, 2014	42,529,068	42,162,178		
Preferred stock (\$0.001 par value, 100,000,000 shares authorized, no shares issued and outstanding)			-	-
Additional paid-in capital			1,532.6	164.9
Retained earnings			3.1	25.5
Accumulated other comprehensive income (loss)			5.3	4.8
Treasury stock, at cost (406,258 shares as of March 31, 2015 and 388,890 as of December 31, 2014)			(27.0)	(25.4)
Total Targa Resources Corp. stockholders' equity			1,514.1	169.8
Noncontrolling interests in subsidiaries			5,080.3	2,369.7
Total owners' equity			6,594.4	2,539.5
Total liabilities and owners' equity			\$13,625.3	\$6,453.5

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months
 Ended March 31,
 2015 2014
 (Unaudited)
 (In millions, except
 per share amounts)

Revenues	\$1,679.7	\$2,294.7
Costs and expenses:		
Product purchases	1,268.3	1,915.1
Operating expenses	111.4	104.3
Depreciation and amortization expenses	119.6	79.6
General and administrative expenses	42.6	38.0
Other operating (income) expense	0.5	(0.7)
Income from operations	137.3	158.4
Other income (expense):		
Interest expense, net	(55.0)	(33.9)
Equity earnings	1.7	4.9
Loss on debt redemptions and amendments	(9.0)	-
Other	(25.2)	-
Income before income taxes	49.8	129.4
Income tax (expense) benefit:		
Current	(9.1)	(23.9)
Deferred	(6.1)	1.4
	(15.2)	(22.5)
Net income	34.6	106.9
Less: Net income attributable to noncontrolling interests	31.4	87.3
Net income (loss) available to Targa Resources Corp.	\$3.2	\$19.6
Net income (loss) available per common share - basic	\$0.07	\$0.47
Net income (loss) available per common share - diluted	\$0.07	\$0.47
Weighted average shares outstanding - basic	45.8	42.0
Weighted average shares outstanding - diluted	45.9	42.1

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended March 31,					
	2015			2014		
	Pre-Tax	Related Income Tax	After Tax	Pre- Tax	Related Income Tax	After Tax
	(Unaudited)					
	(In millions)					
Net income attributable to Targa Resources Corp.			\$3.2			\$19.6
Other comprehensive income (loss) attributable to Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	\$1.8	\$ (0.7)	1.1	\$ (1.5)	\$ 0.6	(0.9)
Settlements reclassified to revenues	(0.9)	0.3	(0.6)	0.8	(0.3)	0.5
Interest rate swaps:						
Settlements reclassified to interest expense, net	-	-	-	0.2	(0.1)	0.1
Other comprehensive income (loss) attributable to Targa Resources Corp.	\$0.9	\$ (0.4)	0.5	\$ (0.5)	\$ 0.2	(0.3)
Comprehensive income attributable to Targa Resources Corp.			\$3.7			\$19.3
Net income attributable to noncontrolling interests			\$31.4			\$87.3
Other comprehensive loss attributable to noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	\$23.4	\$ -	23.4	\$ (10.3)	\$ -	(10.3)
Settlements reclassified to revenues	(7.2)	-	(7.2)	5.5	-	5.5
Interest rate swaps:						
Settlements reclassified to interest expense, net	-	-	-	1.1	-	1.1
Other comprehensive loss attributable to noncontrolling interests	\$16.2	\$ -	16.2	\$ (3.7)	\$ -	(3.7)
Comprehensive income attributable to noncontrolling interests			\$47.6			\$83.6
Total						
Net income			\$34.6			\$106.9
Other comprehensive income (loss)						
Commodity hedging contracts:						
Change in fair value	\$25.2	\$ (0.7)	24.5	\$ (11.8)	\$ 0.6	(11.2)
Settlements reclassified to revenues	(8.1)	0.3	(7.8)	6.3	(0.3)	6.0
Settlements reclassified to interest expense, net	-	-	-	1.3	(0.1)	1.2
Other comprehensive income (loss) attributable to Targa Resources Corp.	\$17.1	\$ (0.4)	16.7	\$ (4.2)	\$ 0.2	(4.0)
Total comprehensive income			\$51.3			\$102.9

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

	Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Shares		Noncontrolling Interests		Total
	Shares (Unaudited)	Amount		(Accumulated Deficit)	(Loss)	Shares	Amount	Interests		
(In millions, except shares in thousands)										
Balance, December 31, 2014	42,143	\$ -	\$ 164.9	\$ 25.5	\$ 4.8	389	\$(25.4)	\$ 2,369.7		\$2,539.5
Compensation on equity grants	-	-	2.1	-	-	-	-	3.8		5.9
Accrual of distribution equivalent rights	-	-	(0.2)	-	-	-	-	-		(0.2)
Shares issued under compensation program	31	-	-	-	-	-	-	-		-
Common stock and Partnership units tendered for tax withholding obligations	(17)	-	-	-	-	17	(1.6)	(0.6)		(2.2)
Sale of Partnership limited partner interests	-	-	-	-	-	-	-	53.0		53.0
Receivables from Partnership unit offerings	-	-	(24.8)	-	-	-	-	-		(24.8)
Proceeds from equity issuances	3,738	-	336.2	-	-	-	-	-		336.2
Impact of Partnership equity transactions	-	-	47.6	-	-	-	-	(47.6)		-
Dividends	-	-	-	(25.6)	-	-	-	-		(25.6)
Dividends in excess of retained earnings	-	-	(6.8)	-	-	-	-	3.4		(3.4)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(88.6)		(88.6)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-		-