

# Eagle MLP Strategy Quick Note – August 2018

From the EGA Portfolio Management Team

## ***Energy Transfer Simplifies Structure***

### ***What Happened?***

- After Wednesday close, parent Energy Transfer Equity (ETE) announced that it will acquire Energy Transfer Partners (ETP), effectively eliminating the general partner and potential misalignment of economic interests.
- ETE will be the surviving MLP. Each ETP unit will receive 1.28 ETE units, an 11% premium based on Wednesday's close.
- Deal expected to close 4Q18, with no tax implications for ETP shareholders (i.e., unit for unit exchange).

### ***Eagle's View – Positive For ETP And ETE***

- ETE going forward is a simpler, stronger, more attractive story to investors.
- ETP unitholders receive an 11% premium, and ETE units gain 45% accretion in dcf/share.
- This transaction removes the IDR/simplification overhang for the Energy Transfer complex, aligning economic interests and improving corporate governance.
- ETE proforma distribution coverage improves above 1.5x, allowing use of retained cash to improve balance sheet leverage and reduce (potentially eliminate) dependence on external equity capital markets.
- Combined entity is expected to receive an investment grade from all three ratings agencies. This previously gating event has occurred sooner than forecast of 2H19.

### ***Eagle's View – Positive For MLP Sector***

- Energy Transfer reiterated its support for MLP structure with the simplification, and indicated on its conference call it was not considering converting to a structure that could have a future tax liability.
- In terms of ongoing GP/IDR eliminations, ETP/ETE was the last large cap complex remaining.
- This transaction removes a giant overhang and makes the space more investable to both dedicated midstream investors as well as generalists.

## Energy Transfer Equity

Ticker: ETE

Current Price: \$18.40

52 Week High: \$19.34

52 Week Low: \$12.80

Yield: 6.92%

## Energy Transfer Partners

Ticker: ETP

Current Price: \$23.43

52 Week High: \$24.00

52 Week Low: \$15.06

Yield: 11.80%

Curt Pabst  
713-952-3550  
cpabst@eagleglobal.com

David Chiaro  
713-952-3550  
dchiaro@eagleglobal.com