

# MLP and Energy Infrastructure Monthly



## September 2019



### Midstream Outperforms Rest of Energy, Lags Broader Market

During a busy month of macro headlines, WTI crude fell by 5.9% in August. The [Alerian MLP Index](#) (AMZ) was down 6.7% on a price-return basis and down 5.5% on a total-return basis in August. The [Alerian Midstream Energy Index](#) (AMNA) was down 3.2% on a price-return basis and 2.4% on a total-return basis for the month. Midstream underperformed the S&P 500 in August, which declined by 1.8%, but significantly outperformed both Oilfield Services (OSX Index) and Exploration and Production companies (SPSIOP Index), which fell by 20.8% and 14.2%, respectively.



### Pembina Pipeline to Acquire Kinder Morgan Canada and US Portion of Cochin Pipeline

[Pembina Pipeline](#) (PPL CN) has [agreed](#) to acquire [Kinder Morgan Canada](#) (KML CN) and the US portion of [Kinder Morgan's](#) (KMI) Cochin condensate pipeline. The share-for-share transaction values KML at \$15.12 per share, a 37.7% premium to its previous closing price. In addition to receiving PPL CN shares for its 70% ownership stake in KML, KMI will also receive \$1.5 billion for the US portion of the Cochin Pipeline, which implies a 13x asset-level EBITDA multiple based on 2019 EBITDA.



### Tallgrass Energy Receives Take-Private Bid From Sponsor Blackstone Infrastructure Partners

[Tallgrass Energy](#) (TGE) [reported](#) receipt of a take-private bid from its private equity sponsor, Blackstone Infrastructure Partners, which held a 44.2% interest in TGE as of August 27. Blackstone would acquire for cash the remaining shares of TGE it does not currently own at \$19.50 per share, which represents a 35.9% premium to the prior day closing price. Per Bloomberg estimates, the transaction represents a 10.0x multiple based on consensus 2020 EBITDA of \$930 million. [Read More](#)



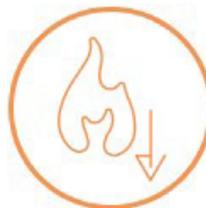
### MLP Distributions Continue to Trend Positively

There were no distribution cuts for the AMZI in 2Q19, while there was one cut by a small constituent of the AMZ, [Sanchez Midstream Partners](#) (SNMP). The majority of constituents in both indices grew their distributions sequentially and on a year-over-year basis. The outlook for MLP distributions continues to improve as growth resumes, consolidation transactions subside, and distribution coverage improves. [Read More](#)



### Shipments Begin on Two Permian Pipelines, Boosting Regional Oil Prices

Crude shipments on both [Plains All American's](#) (PAA) [Cactus II](#) pipeline and the privately operated [EPIC Y-Grade Pipeline](#) (which was temporarily converted to crude service) began this month, adding over 1 million barrels per day in combined crude takeaway capacity from the Permian Basin to the Gulf Coast. The pipelines have helped ease takeaway constraints out of the Permian and have boosted regional oil prices. As of August 30, crude prices at Midland are at a \$0.40 per barrel (bbl) premium to WTI prices, compared to a nearly \$18/bbl discount in August of last year.



### Low Natural Gas Prices Create Short-Term Headwinds for Midstream

In response to natural gas prices reaching their lowest levels since 2016 in recent weeks, some producers have had to adjust their growth plans by lowering production guidance and deferring activity. As a result of these changes, several gas gathering and processing-focused midstream names have lowered full-year 2019 EBITDA guidance and shifted their focus to capital discipline and cost efficiency. Despite short-term headwinds, the long-term outlook for natural gas production remains intact. [Read More](#)