

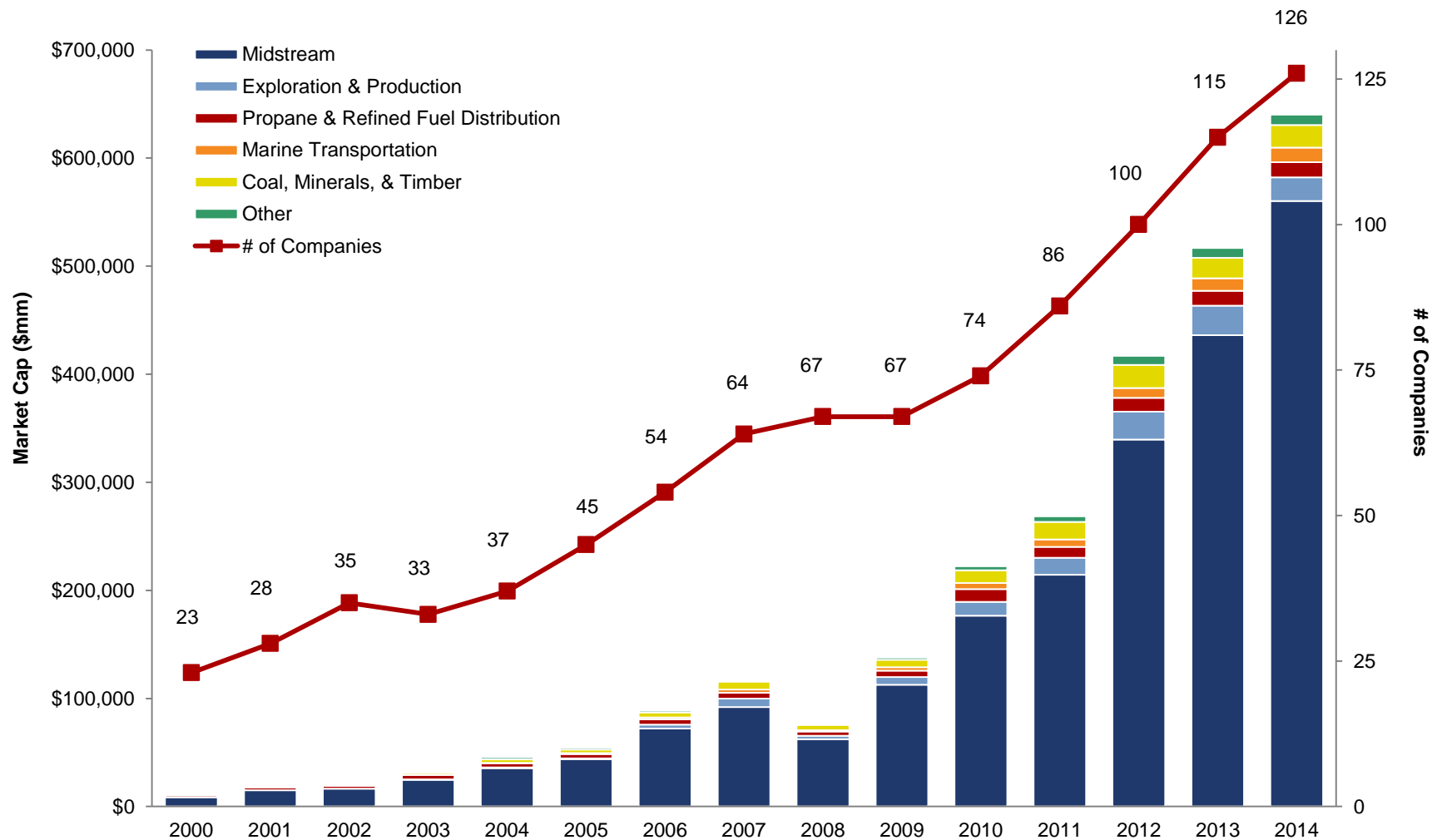
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# Pipe to Pipe: A look at the Transformation of the Midstream Sector

**Goldman, Sachs & Co.**

November 18, 2014

# Massive Expansion and Transformation of MLP Landscape



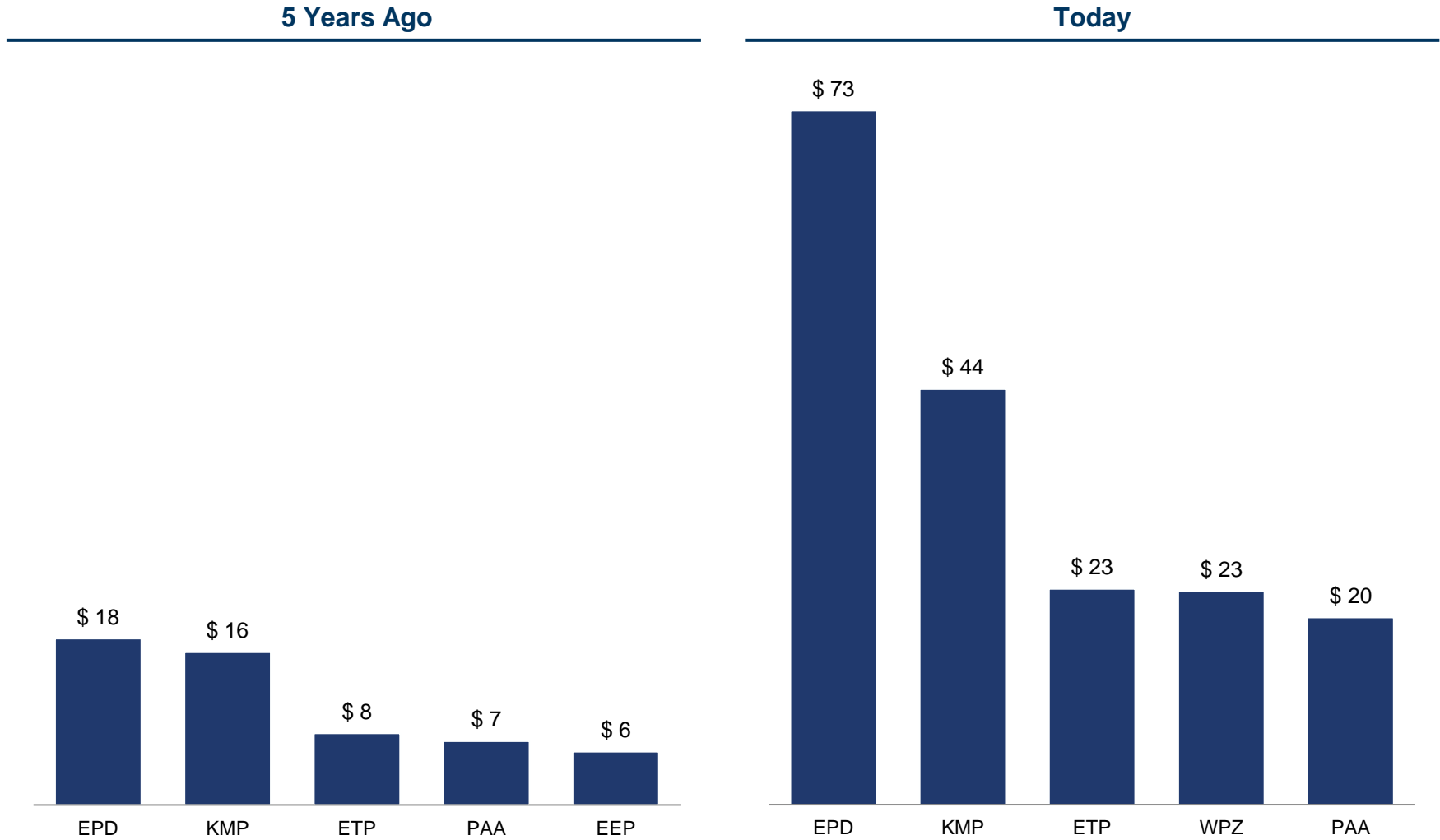
Source: Dealogic

<sup>1</sup> Reflective of merger, reverse merger, bankruptcy, and IPO activity since 2000.

# Largest MLPs Have Grown Exponentially

## Market Capitalization

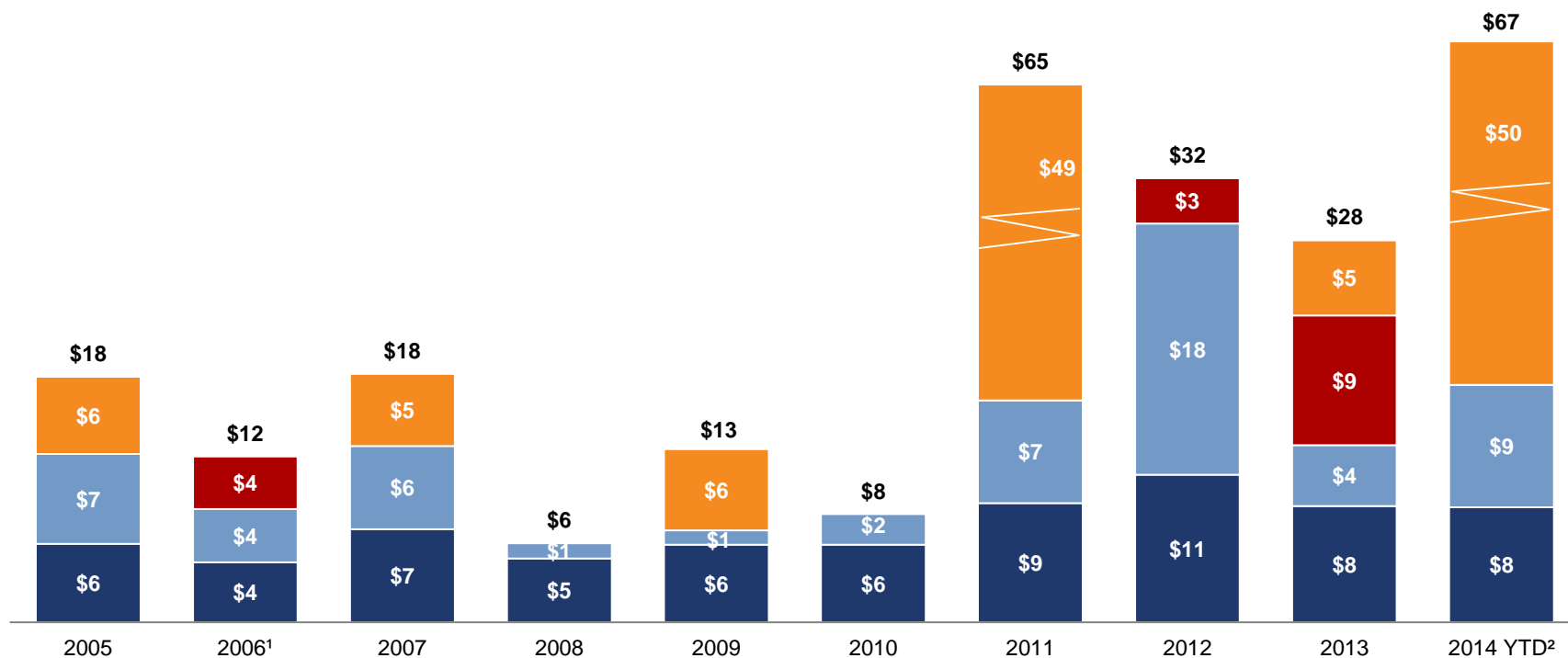
(\$ in billions)



Source: Bloomberg

# Midstream M&A Activity Has Accelerated In Both Size and Number of Transactions

2005 – 2014YTD (US\$ in billions)



| # of Transactions Per Period |        |         |         |        |      |                   |      |      |      |      |      |      |      |
|------------------------------|--------|---------|---------|--------|------|-------------------|------|------|------|------|------|------|------|
|                              | <\$1bn | \$1-3bn | \$3-5bn | >\$5bn | 2005 | 2006 <sup>1</sup> | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| <\$1bn                       | 19     | 16      | 17      | 13     | 17   | 20                | 26   | 35   | 20   | 24   |      |      |      |
| \$1-3bn                      | 4      | 2       | 4       | 1      | 1    | 2                 | 5    | 9    | 3    | 5    |      |      |      |
| \$3-5bn                      | 0      | 1       | 0       | 0      | 0    | 0                 | 0    | 1    | 2    | 0    |      |      |      |
| >\$5bn                       | 1      | 0       | 1       | 0      | 1    | 0                 | 2    | 0    | 1    | 3    |      |      |      |

Source: Wall Street research, IHS Herold

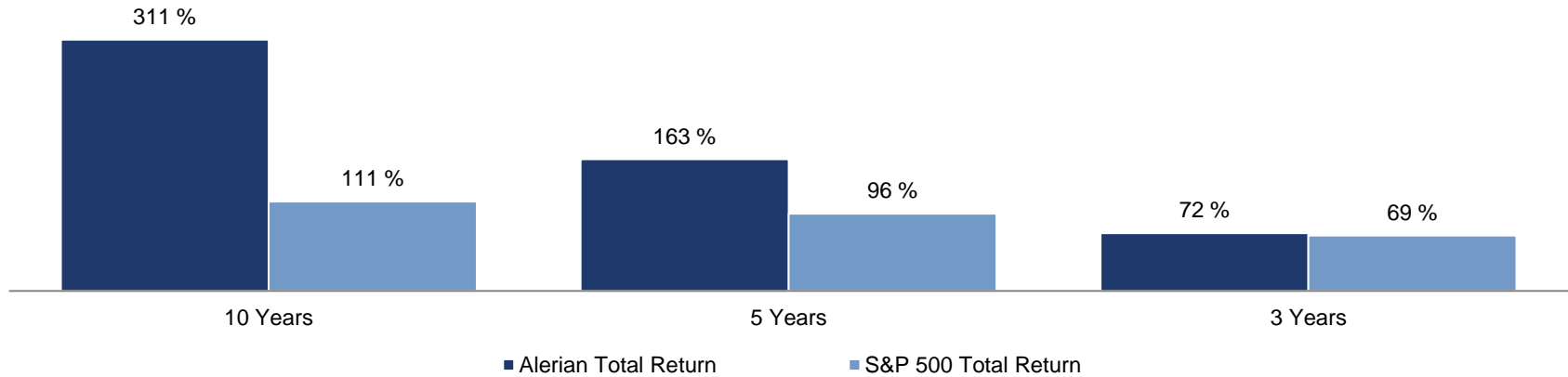
Note: Transaction size greater than \$100mm. Excludes all drop-down and affiliate transactions. Multiples represent Enterprise Value / FY1 EBITDA multiple.

<sup>1</sup> Excludes acquisition of Kinder Morgan in management take-private transaction along with consortium of financial acquirers announced 19-Apr-2006.

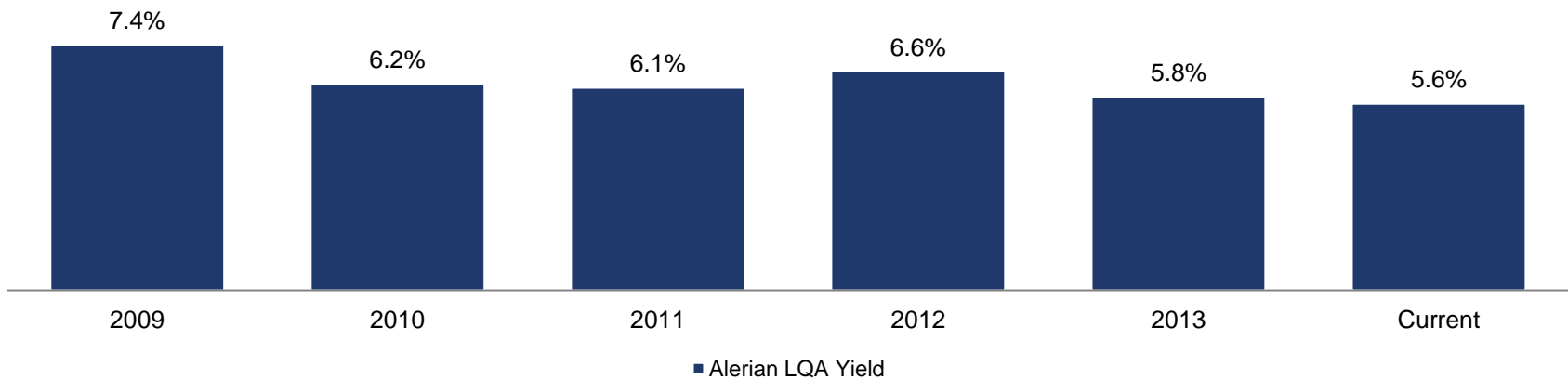
<sup>2</sup> Excludes consolidation of Kinder Morgan controlled entities announced 11-Aug-2014.

# Midstream Sector Outperformance Is Widely Noted

## Alerian Has Outpaced the Broader Market...



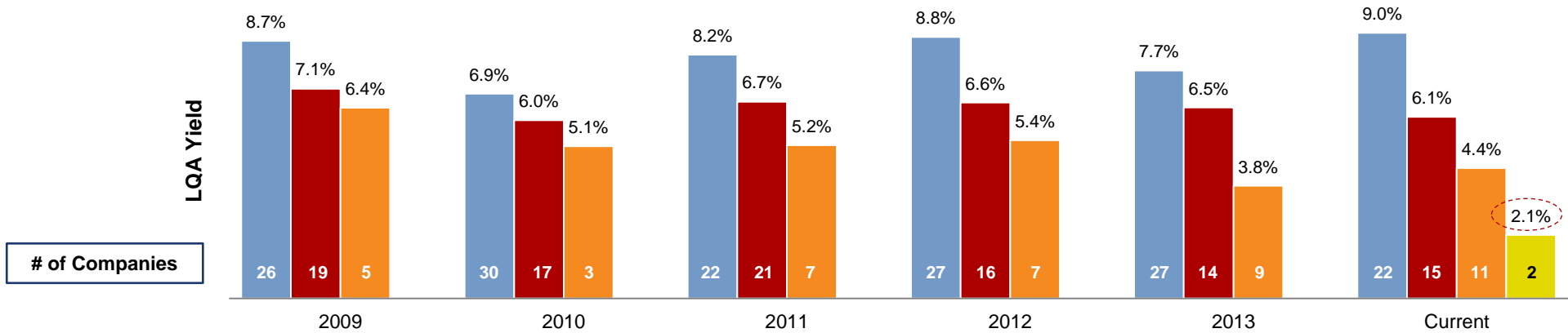
## ...And Seen Its Yield Compress



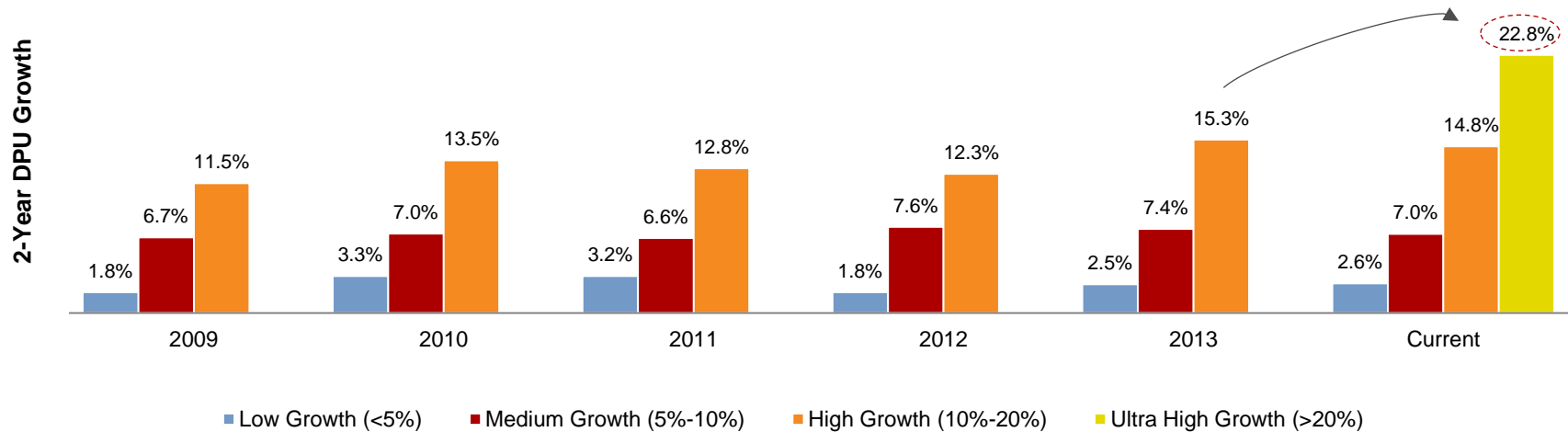
Source: Bloomberg

# But Alerian Yield Compression Has Simply Followed Constituents' Growth Profiles

## The Alerian Now Contains More High Growth and Ultra High Growth Constituents...



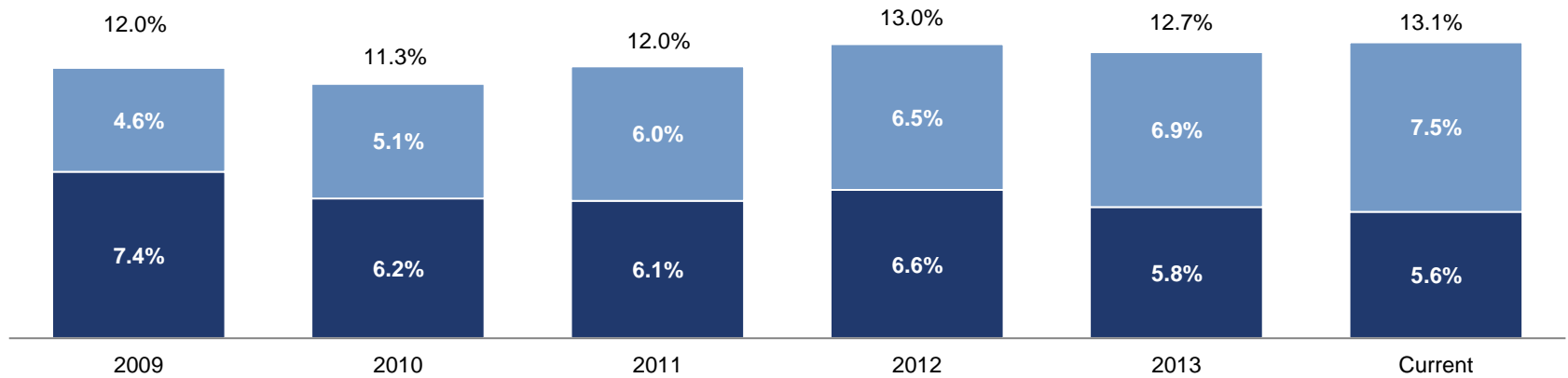
## ...Who Are Growing at Record Rates



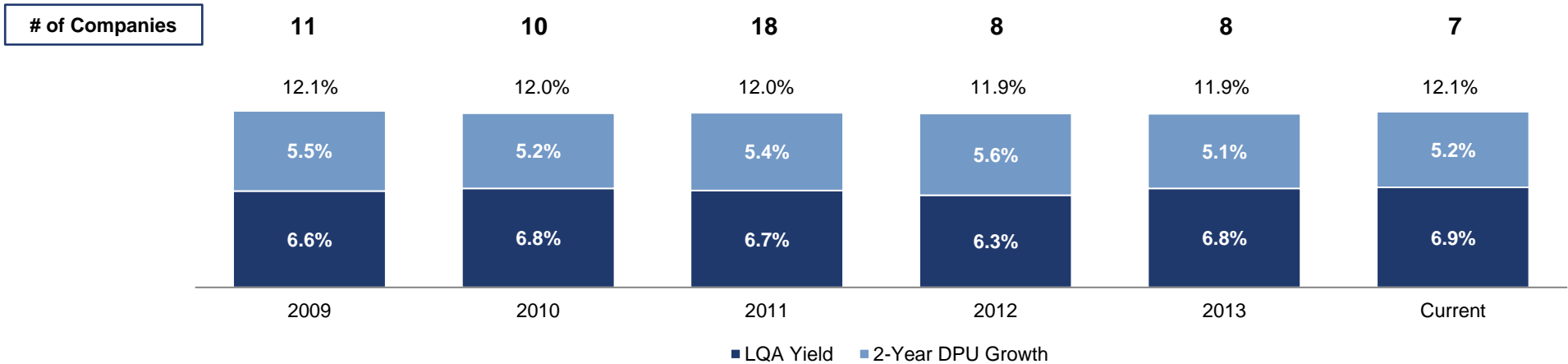
Source: Company filings, Alerian MLP Index, IBES, Bloomberg  
 Note: Based on Alerian constituents at year end.

# Yield Has Not Meaningfully Compressed For Stable Growth

Alerian Expected Total Return



5% to 6% Growth MLPs Expected Total Return<sup>1</sup>



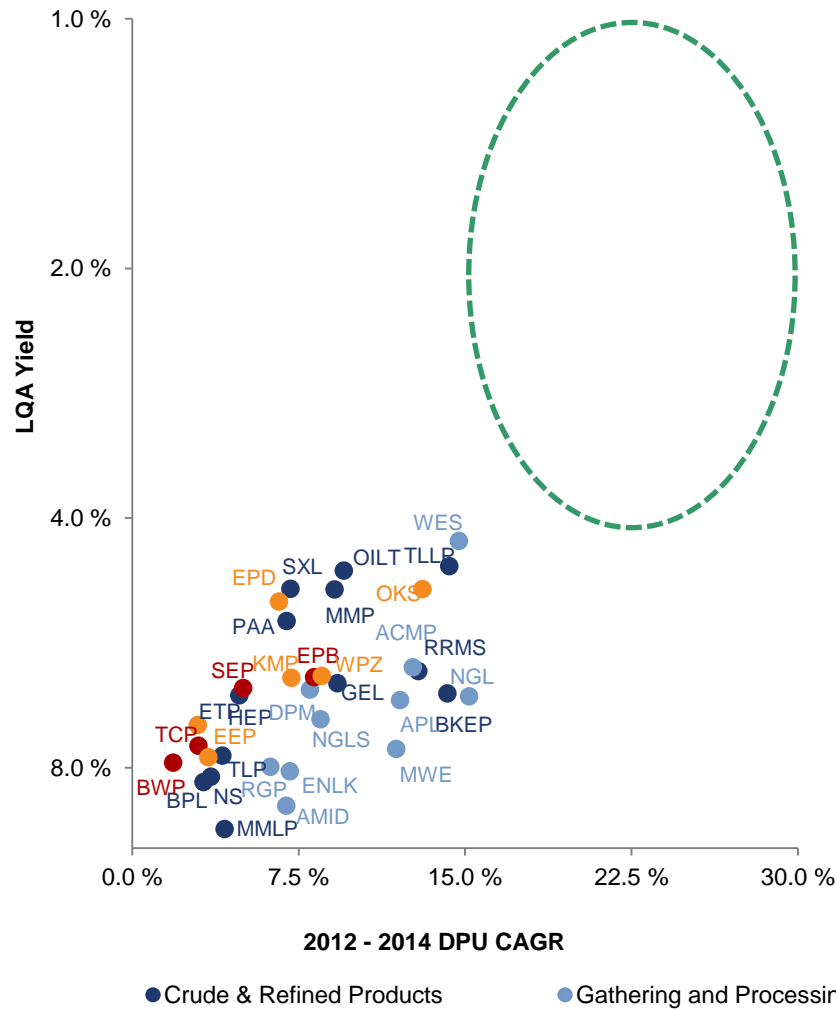
Source: Alerian MLP Index, IBES, Bloomberg

Note: Alerian constituents at year end.

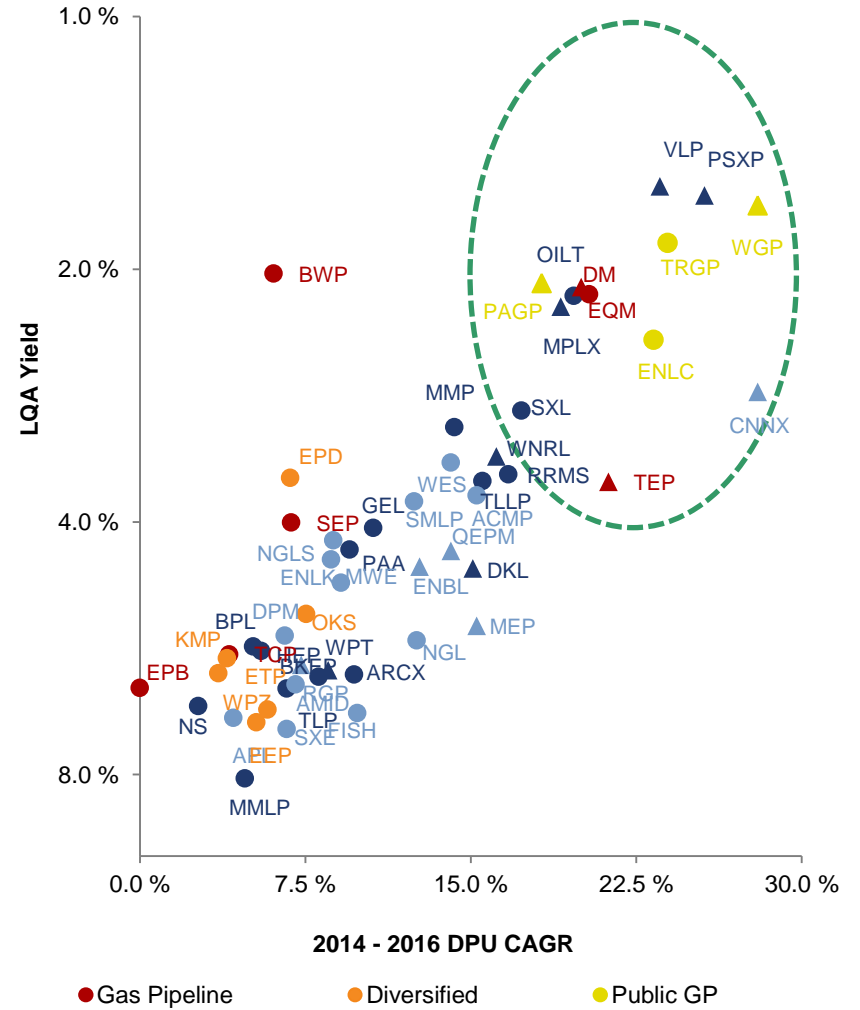
<sup>1</sup> Includes Alerian constituents with 2-year DPU CAGR within 50bps of 5% and 6%.

# Investors Are Increasingly Focused on Growth

MLP Universe 2 Years Ago



MLP Universe Today Focused On Growth<sup>1</sup>

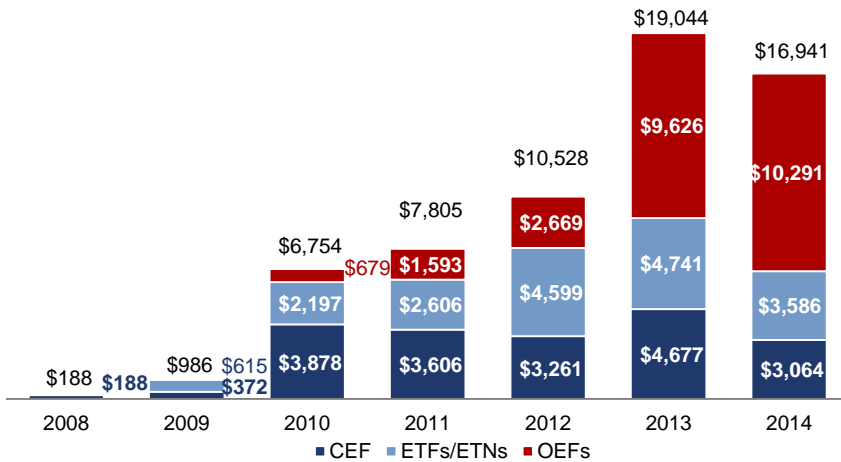


Source: Company filings, IBES, Wall Street research, Bloomberg  
<sup>1</sup> Triangles denote recent IPOs.



# Institutional Capital Has Become a Leading Influence on the MLP Market

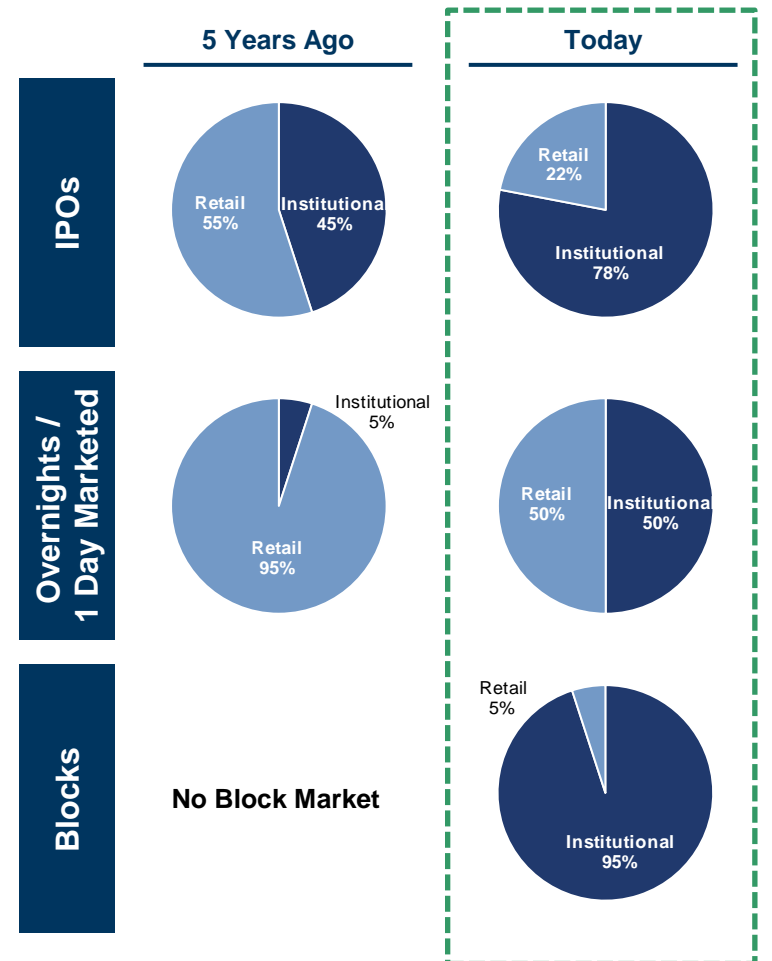
## MLP Markets Becoming Institutional Driven by Uptick in MLP-Dedicated Funds...



## ...And Increasing Sector Participation from Blue Chip Institutions and Hedge Funds



## Allocations in MLP Offerings Have Evolved



Source: U.S. Capital Advisors, LLC, Factset, GS Internal Data, Dealogic

- 
- Why do you think institutional interest in the MLP market has grown?
  - How do institutional investors approach MLP valuation?
  - What do you generally hear senior executives say are their biggest fears? What keeps them up at night?
  - How do you think the recent significant downward moves in commodity prices will affect the energy industry in general and midstream in particular?
  - Do you foresee the rapid pace of midstream consolidation continuing, and what M&A themes do you think will continue or emerge?
  - How do you expect rising interest rates to impact MLPs? Will there be winners and losers?
  - What lies ahead for general partners of drop down MLPs? Will diversified energy companies and utilities continue to retain the general partners of their affiliated MLPs? Are these general partners and IDR cash flow streams being properly valued when held within larger corporations?