



Corporate Finance & Capital Markets

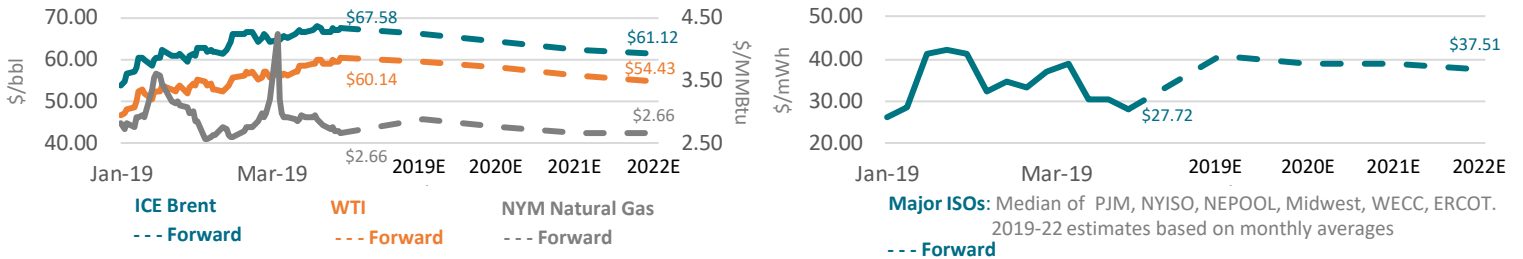
Energy Quarterly Newsletter

1Q 2019

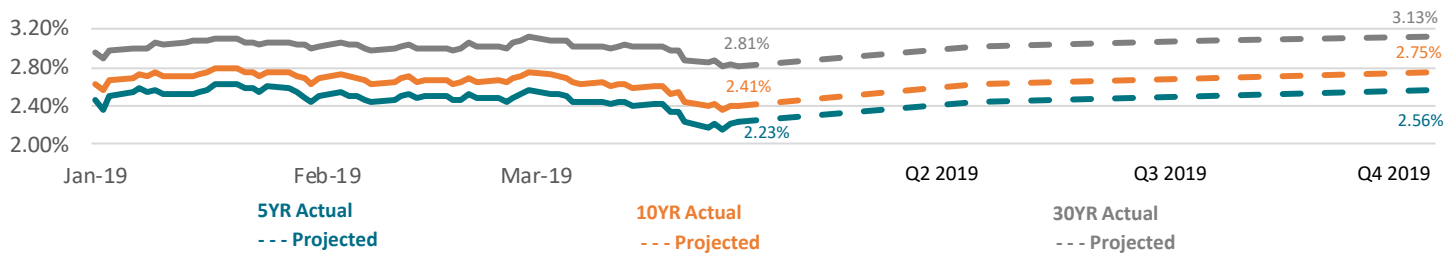
Energy Market Review

2019 started with major volatility in the markets. Upon the heels of Apple’s announcement that it was lowering revenue projections, coupled with on-going concern of a global economic slowdown, the Dow Jones and S&P500 dropped 660 and 62 points, respectively, on January 3rd. Volatility continued in late January, as the Fed took a dovish turn by signaling that it would pause on rate hikes for the foreseeable future. However, despite the somber start in January, 1Q 2019 ended with the S&P 500 up 12.9% YTD, which was its best performance since 2009.

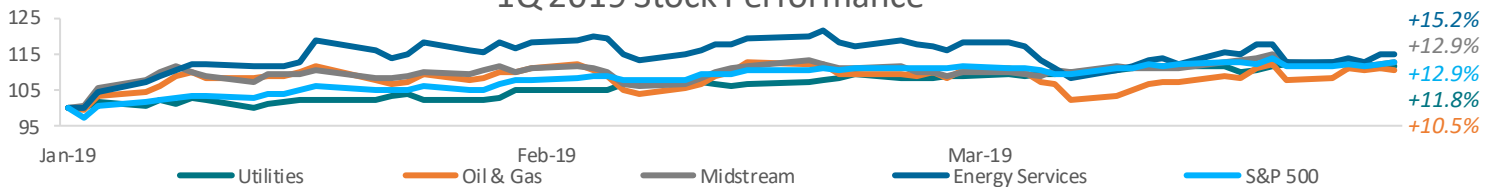
1Q 2019 Commodity Prices



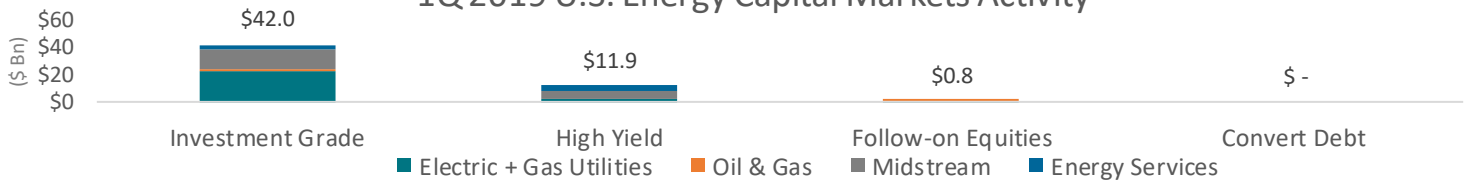
1Q 2019 U.S. Treasury Yield



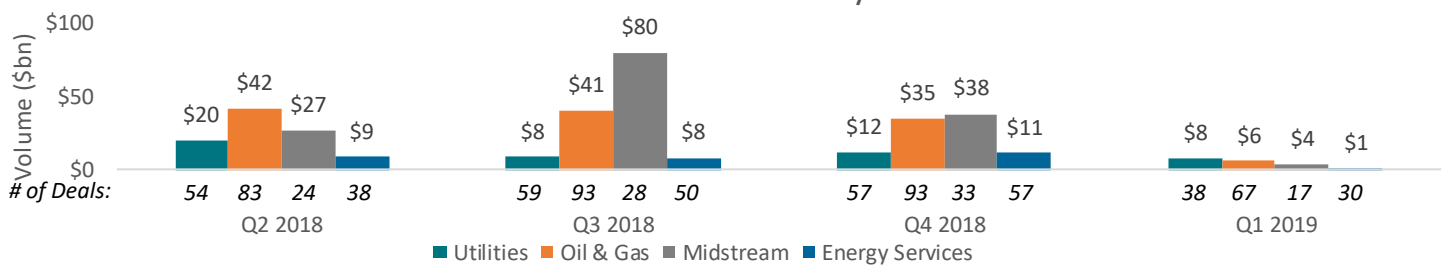
1Q 2019 Stock Performance



1Q 2019 U.S. Energy Capital Markets Activity



U.S. M&A Activity⁽¹⁾



Sources: Bloomberg, EIA, Baker Hughes, Siebert Cisneros Shank. Data as of 3/31/2019.

Note: Stock prices are indexed to 1/2/2019. **Utilities index** includes: AEE, AEP, AES, AWK, CMS, CNP, D, DTE, DUK, ED, EIX, ES, ETR, EVRG, EXC, FE, LNT, NEE, NI, NRG, PCG, PEG, PNW, PPL, SCG, SO, SRE, WEC & XEL. **Oil & Gas index** includes: APA, APC, COG, COP, CXO, DVN, EOG, EQT, HES, MRO, NBL, NFX, PXD & XEC. **Midstream index** includes: AM, ANDX, APU, ARLP, BPL, BPMP, CEQP, CQP, CVRR, DCP, DM, EEP, ENBL, ENLK, EPD, EQM, ETP, GEL, GLOP, GMLP, HCLP, HEP, MMP, MPLX, NBLX, NGL, NS, PAA, PSXP, SEP, SHLX, SMLP, SPH, SUN, TCP, TGE, TGP, USAC, VLP, VNOM, WES, WPZ. **Energy Services index** includes: BHGE, FTI, HAL, HP, NOV, SLB.

(1) Represents transactions with U.S. target, acquirer, or seller that falls within the respective industries, including those with undisclosed values.

U.S. Energy M&A Activity

In 1Q 2019, US M&A across the Energy sectors softened significantly from the previous three quarters. For Energy transactions, the Utility sector lead the way, with quarterly deal flow of \$7.9 billion, followed by Oil and Gas at \$5.9 billion, Midstream at \$3.9 billion and Energy Services at \$1.1 billion. Factors such as oil price uncertainty and concerns over economic growth contributed to the decline in the first quarter. Despite the weak 1Q 2019 volume, we believe the balance of the year will result in improved M&A activity, driven by inter-company consolidations in the midstream sector, growing interest in renewable assets in the utility sector, and strategic acquisitions in the oil & gas sector to remain competitive in a less favorable commodity environment.

1Q 2019 Selected Transactions⁽¹⁾

Sector	Ann. Date	Buyer	Target	Deal Type	Transaction Value (\$mil)
Power and Utilities					
	2/12/19	American Electric Power Co	Sempra Renewables LLC	Corp	\$894
	3/4/19	NextEra Energy Partners LP	NextEra Energy Resources (six solar and wind projects)	Asset	\$1,020
	3/25/19	ENMAX Corp	Emera Maine	Corp	\$1,300
Oil & Gas					
	1/30/19	Chevron Corp	Pasadena Refining System Inc	Corp	\$562
	3/21/19	PTT E&P	Murphy Sabah Oil Co Ltd, Murphy Sarawak Oil Co Ltd	Corp	\$2,127
Midstream					
	2/19/19	Blackstone	Targa Badlands	Asset	\$1,600
	3/14/19	EQM Midstream Partners LP	Eureka Midstream Holdings, Hornet Midstream Holdings	Corp	\$1,030

Deal Spotlight

NextEra Energy Partners acquires 6 solar and wind projects

- NextEra Energy Partners to acquire an unlevered portfolio of six solar and wind projects from NextEra Energy Resources for total consideration of ~\$1.02bn
- With the acquisition, NextEra entered into a \$900mm convertible equity financing with KKR
- The 611-MW portfolio of wind and solar assets has a cash available for distribution (CAFD) weighted remaining contract life of ~15 years and average credit rating of A/A2
- The acquisition is expected to contribute adj. EBITDA of approximately \$100 - 115 million and CAFD of approximately \$97 - 107 million, each year, beginning Dec. 31, 2019
- Transaction completes NextEra's 2019 growth objectives and bridges cash restrictions resulting from PG&E's ongoing bankruptcy

EQM Midstream Partners acquires Eureka Midstream and Hornet Midstream

- EQM entered into a definitive agreement with Morgan Stanley Infrastructure Partners to acquire a 60% interest in Eureka Midstream and 100% interest in Hornet Midstream for \$1.03bn
- The transaction will be financed through the issuance of \$1.1bn Series A Convertible Preferred Units
- The acquisition is the first step of EQM's strategy to become a top-tier midstream company
- Combined, the gathering system assets and complementary water services are expected to generate ~\$100mm of EQM EBITDA during the first 12 months and have over 20% annual EBITDA growth over the next several years
- The transaction is expected to be neutral to cash flow in the first 12 months and accretive thereafter

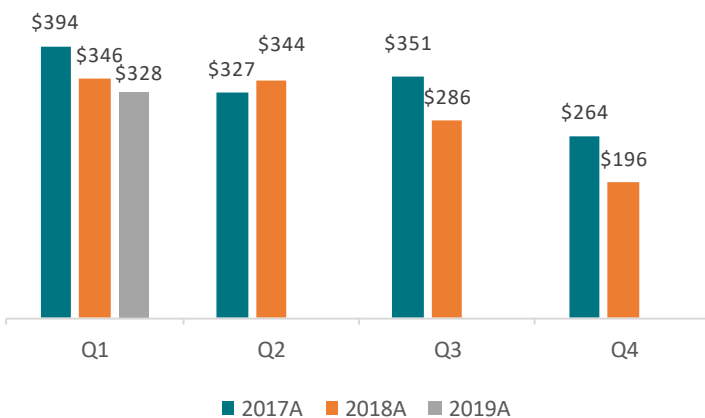
(1) Announced M&A includes pending and completed transactions greater than \$500mm in value in which the acquirer, target, or seller is incorporated in the U.S. Source: Bloomberg.

U.S. Capital Markets

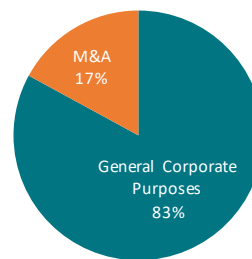
1Q 2019 investment grade debt issuances, ex-SSA, included 230 deals and 384 tranches totaling \$327.9 Billion, up 66% from 4Q 2018. Energy, Services, Utilities, and Midstream issuances represented 13% of those issuances. Investor appetite increased during 1Q 2019, as the average New Issue Concession (NIC) for the quarter was 3.22bps, relative to the 2018 average NIC of 5.12bps⁽¹⁾.

The US corporate green bond market continues to grow significantly as evidenced by the quarter's total deal value of \$6.5B, which is already 86% of 2018 total volumes.

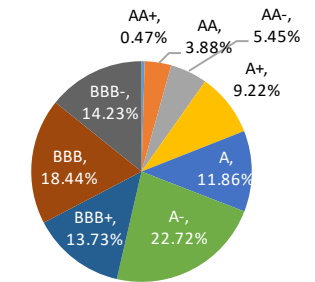
Investment Grade Debt New Issue Activity (\$BN)



Use of Proceeds



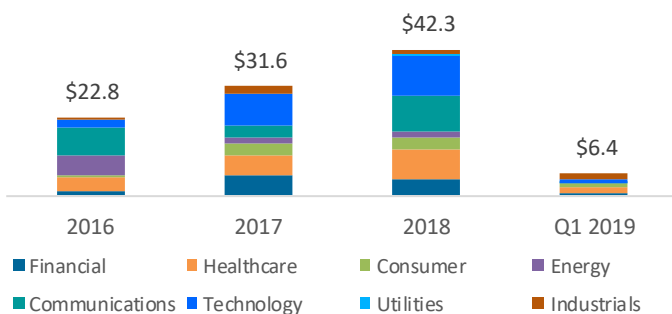
Rating¹



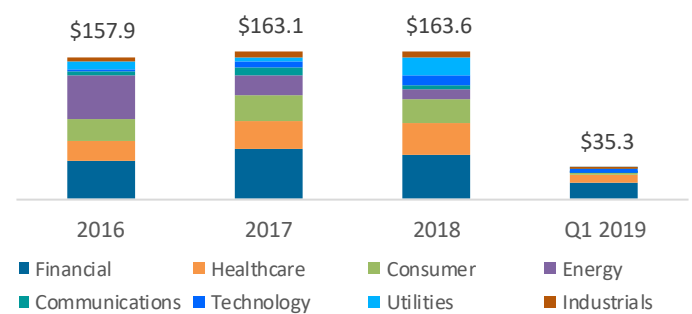
Q1 2019 Activity

¹Volumes exclude covered bonds and cumulative preferred

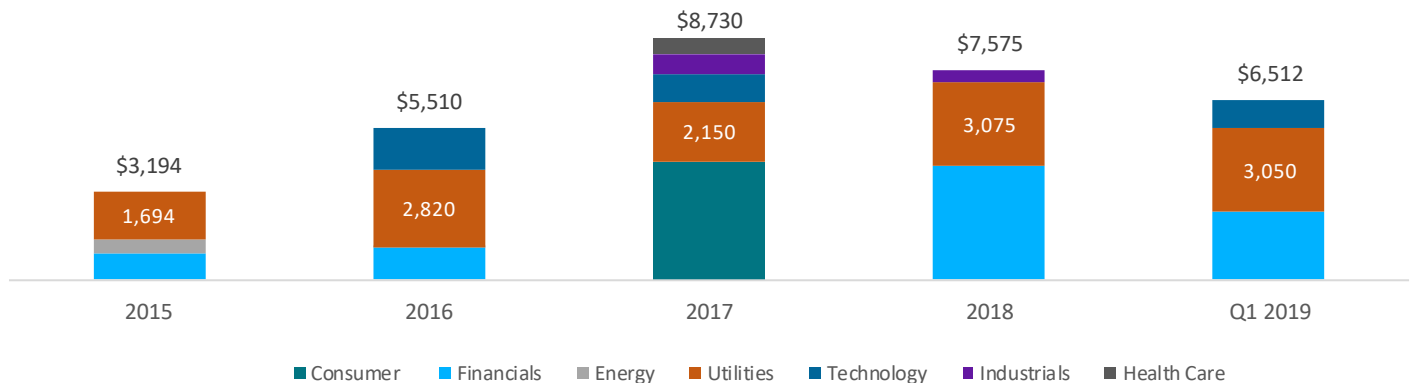
Convertible Bond Activity (\$BN)



Common Equity Follow-On Activity (\$BN)



Corporate Green Bond Activity (\$MM)



Common equity issuances include only priced transactions. Data as of 3/31/2019.

Sources: Bloomberg, Informa Global Markets

(1) 2018 average NIC as of November 15, 2018.

1Q 2019 Corporate Transactions

\$2.3 billion



32.50 million shares
Initial Public Offering

Co-Manager
March 2019

\$2.7 billion



2.90% Notes due 2022
3.15% Notes due 2024
3.25% Notes due 2026
3.50% Notes due 2029

Co-Manager
March 2019

\$1.0 billion



5.75% Series A
Cumulative Redeemable
Perpetual Preferred
Stock

Co-Manager
March 2019

\$293 million



16.50 million shares
Follow On

Co-Manager
March 2019

\$600 million



4.25% Notes due 2019

Co-Manager
March 2019

\$1.0 billion



2-year SOFR-indexed
FRNs

Co-Manager
March 2019

\$500 million



Class AA and Class A
Pass-Through
Certificates

Co-Manager
March 2019

\$4.5 billion



4.00% Notes due 2024
4.90% Notes due 2026
5.30% Notes due 2029

Co-Manager
March 2019

\$5.0 billion



5-Part Debt Offering
3-year to 30-year notes

Co-Manager
March 2019

\$1.0 billion



Connecticut Avenue
Securities (CAS)
2019-R02

Selling Group
March 2019

\$1.0 billion



4.35% Notes due 2050

Co-Manager
February 2019

\$510 million



5.00% Formosa Notes
due 2051

Jr. Structuring Agent
February 2019

\$5.5 billion



4.35% Notes due 2029
4.85% Notes due 2039

Co-Manager
February 2019

\$650 million



Series A G&R Mortgage
Green Bonds due 2049

Co-Manager
February 2019

\$960 million



Connecticut Avenue
Securities (CAS)
2019-R01

Selling Group
February 2019

\$2.0 billion

JPMORGAN CHASE & CO.

Fixed-to-Floating Rate
Due 2027

Co-Manager
January 2019

\$5.5 billion



3.75% Notes due 2024
4.15% Notes due 2029

Co-manager
January 2019

\$1.8 billion

JPMORGAN CHASE & CO.

6.00% Series EE
Preferred Stock

Underwriter
January 2019

\$700 million



Entergy Texas, INC.

4.00% Notes due 2029
4.50% Notes due 2039

Co-Manager
January 2019

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*The Capital Markets team joined SCS in 2014.

Important Notice

Please note, all statistical references or rankings information was obtained from Securities Data Corporation (“SDC”)

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