



MACQUARIE



# Macquarie Group

## Private Capital Conference

Independent Petroleum  
Association of America

January 21, 2014

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# Macquarie Group at a glance



A global, diversified financial services provider

## Macquarie Group

**\$15.5bn+**  
Market Capitalization<sup>(1)</sup>

**\$359bn+**  
in total AUM<sup>(2)</sup>

**13,900+**  
staff across 70+ offices  
in 28+ countries<sup>(3)</sup>

## Macquarie “invested capital”

**\$1.1bn+**  
of principal capital invested  
in U.S. since 2011

**\$4.5bn+**  
in oil & gas invested  
capital in past 12 years

**\$96bn+**  
of infrastructure assets  
under management<sup>(4)</sup>

## Macquarie Capital<sup>(5)</sup>

**\$262bn+**  
advising on 500+M&A  
deals since 2009

**\$61bn+**  
in debt financing  
raised since 2011

**\$133bn+**  
of equity raised as  
bookrunner since 2009

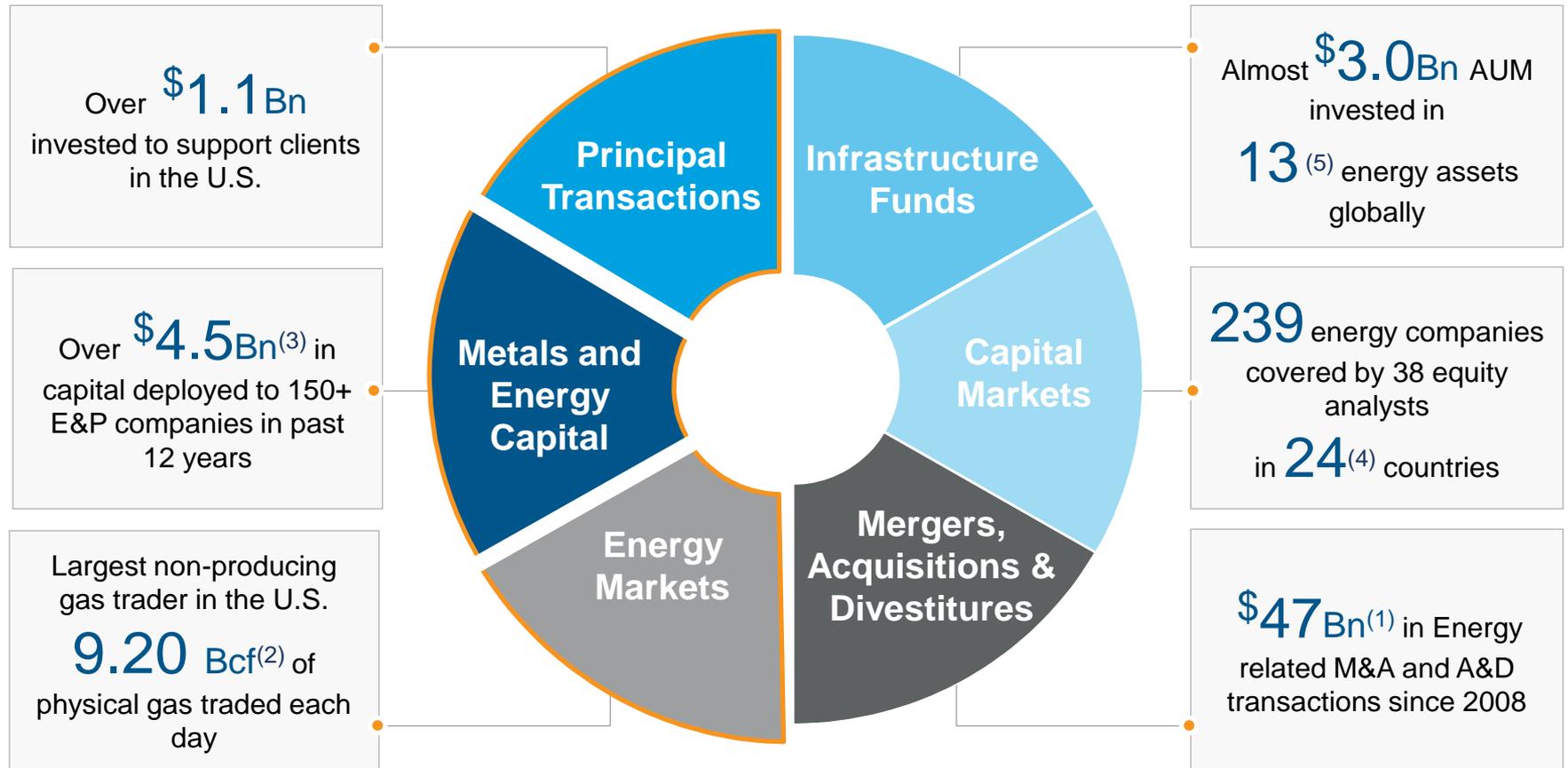
Some numbers exclude some JVs

Notes: (1) Market cap as of January 15, 2014; (2) AUM as of September 30, 2013; AUD exchange rate of 0.89 as of January 15, 2014; (3) Staff numbers as of September 30, 2013; (4) AUM as of September 30, 2013; AUD exchange rate of 0.89 as of January 15, 2014; includes all infrastructure assets; (5) All figures reflect global activity, and include acquisitions

# Committed to the Energy sector



## 300+ people in Houston focused on the Energy sector



"Metals and Energy Capital" and "Energy Markets" are part of Fixed Income, Currencies and Commodities (FICC) which is part of Macquarie Bank Limited. Principal Transactions, Mergers, Acquisitions & Divestitures, and Capital Markets are all part of "Macquarie Capital"

Notes:

(1) Mergermarket as of November 12, 2013; universe includes transactions with target E&P assets located in North America, South America and Asia Pacific; includes transactions of Tristone Capital acquired by Macquarie in 2009; (2) Natural Gas Intelligence Press Inc for 3Q 2013; (3) Macquarie Energy Capital Document, as of July 2013; (4) As of July 2013; (5) As of September 30, 2013

# Energy Markets Division



Global presence across key energy centers with financial and physical commodity capabilities

## Top North American gas marketers: 3Q 2013

By wholesale physical volumes sold, third quarter (in Bcf/d)

Company	Bcf/d
BP	21.50
Shell Energy	11.60
ConocoPhillips	11.25
<b>Macquarie Energy</b>	<b>9.20</b>
EDF Trading	7.62
Tenaska	6.40
Chevron	5.84
JP Morgan	5.58
Sequent	5.40
J. Aron & Co.	4.18

**9+ year track record of serving North America at all major points in the U.S. and Western Canada**

- Includes structured supply solutions, asset management, and physical pipeline and index options



### Oil

Physical crude and product marketing and trading

- Crude oils, jet fuel, gasoline, fuel oil, diesel, NGLs

Financial options and derivatives

- WTI, Brent, Dubai, Crude oil basis hedging
- Crude differentials (WTS, MARS, WCC, WCS, Midland/Cushing)

Commodity linked finance

- VPPs / prepays
- Structured term loans
- Hedge monetizations

Hedging & risk management

Strategic asset management

Storage and logistics



### Natural gas

Natural gas trading

- NYMEX Henry Hub
- Basis locations

Physical marketing, origination & structuring

Liquefied natural gas

Optimization of natural gas storage

# Macquarie Energy Capital



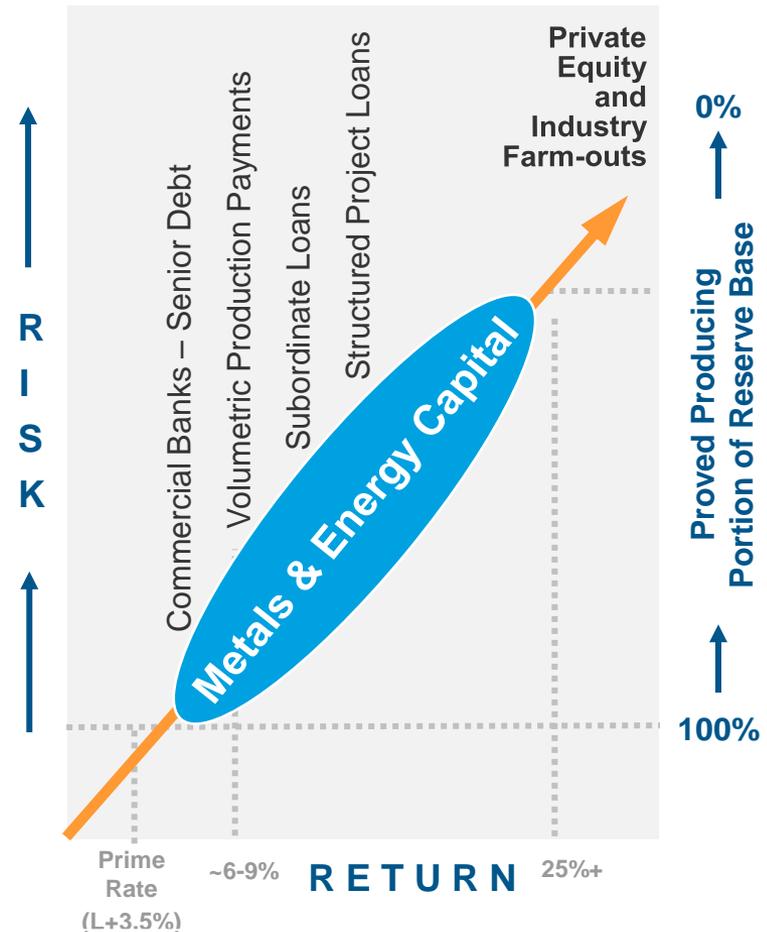
World leader in natural resource investments:  
150+ deals and \$4.5bn+ funded in last 12 years

Energy Capital provides a wide array of debt and equity capital for the upstream oil and gas industry

- Structured and project finance (“Mezzanine”)
- Subordinated debt
- Convertible debt
- Conforming senior debt
- Volumetric production payments (“VPPs”)
- Alternative JV development capital
  - Financial Working and Net Profits Interest Farm-ins
  - Limited Term ORRIs or NPIs
- Public and private equity capital
- International lending and equity investment capability

**Debt deal size:**  
\$20-\$150m

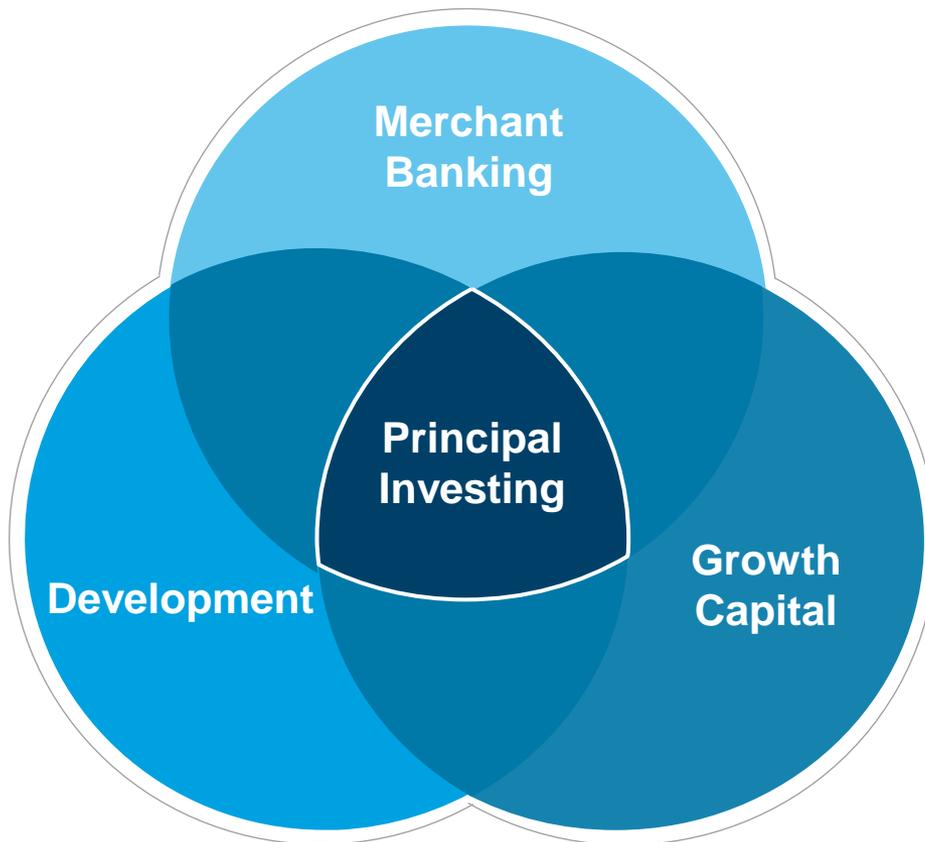
**Equity Hold:**  
\$5-\$25m



# Macquarie Capital – Principal Capital



Macquarie invests off its own balance sheet which provides for flexible investment opportunities



**\$9.9bn+**

**CAPITAL COMMITTED  
WORLDWIDE SINCE 2001**

**\$1.1bn**

**INVESTED IN THE US  
SINCE JANUARY 2011**

**95+**

**TRANSACTIONS EXECUTED  
SINCE 2001 GLOBALLY**

**26**

**PORTFOLIO OF CURRENT  
INVESTMENTS<sup>1</sup> IN THE US**

"Macquarie Capital" refers to Macquarie Capital Group Limited, its worldwide subsidiaries and the funds or other investment vehicles that they manage. Macquarie Capital Group Limited is an indirect, wholly-owned subsidiary of Macquarie Group Limited  
Notes:(1) Excluding infrastructure and fund investments

# New E&P principal capital strategy – Growth capital



## Flexibility

Small to midcap strategy with focus on development upside

- Merchant banking like bridge capital with medium term investment outlook
- Comfortable investing in non-operated positions in core development areas

## Companies, Sponsors and Entrepreneurs

Complementary to private and public companies, private equity and entrepreneurs

- Constructive outlook for both oil and gas assets and commodity outlook
- Value-added partnership with extensive, firm-wide sector expertise
  - Commodity structuring, offtake, asset and infrastructure experience
- Prefer to partner, non-control oriented investments

## Unique Capital Solutions

Custom-tailored structured investment solutions

- Asset finance, preferred equity, common equity
- Varying degree of investment type with flexibility towards range of risk-adjusted opportunities

# Principal capital – Investment types



Macquarie seeks to invest principal across a spectrum of opportunities

## Reserve Development Funding

- Capital for well development and proving up reserves
- Via drilling partnership, farm-in or drilling carry
- Resource plays, oil fields, tight oil

## Entrepreneur / Growth Equity Investment

- Direct investment, including minority interest
- Capital used to purchase leases and fund drilling

## Acquisition Funding / Co-Investment

- Short to medium term equity capital to facilitate or bridge acquisition size
- Acquire production, exploit development upside, manage risk, utilize hedging

## E&P Team Asset Funding

- Participate with management teams, private equity or institutional investors to fund lease acquisition and well development
- Operated and non-operated interest

## Oil & Gas Infrastructure Capex Funding

- Development of midstream or infra type assets
  - Pipelines, gathering systems, storage facilities

## Bridge Capital for Capex Program

- Capital to meet short term financing needs
- Flexible structuring arrangements

# Principal capital – Investment criteria



## Expertise, Capital, Partnership, Flexibility

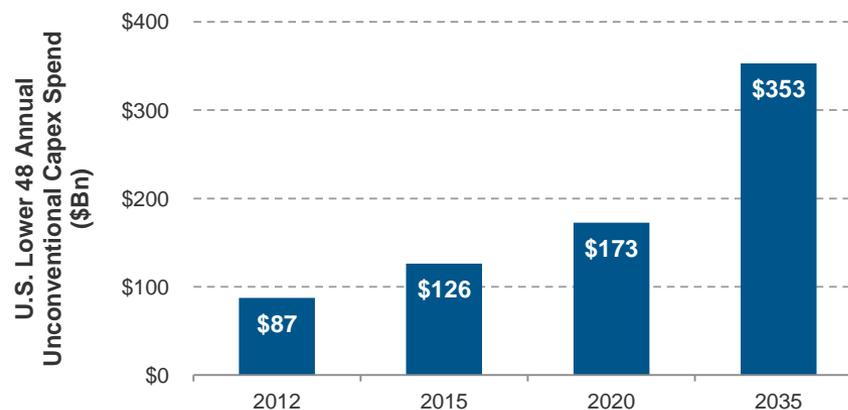
Typical Investment Criteria	
<b>Equity Check Size</b>	\$25 - \$150mm
<b>Industry</b>	E&P, midstream, oilfield services, infrastructure
<b>Type</b>	<ul style="list-style-type: none"><li>● Project / asset and JV financing</li><li>● Preferred equity</li><li>● Common equity</li></ul>
<b>Return Requirements</b>	<ul style="list-style-type: none"><li>● Attractive asset-level fundamentals</li><li>● Commensurate with risk</li></ul>
<b>Business Profile</b>	Profitable with asset upside
<b>Investment Hold Period</b>	1 – 4 years
<b>Position</b>	Ideally, non-control

# U.S. E&P funding gap & capital rationing

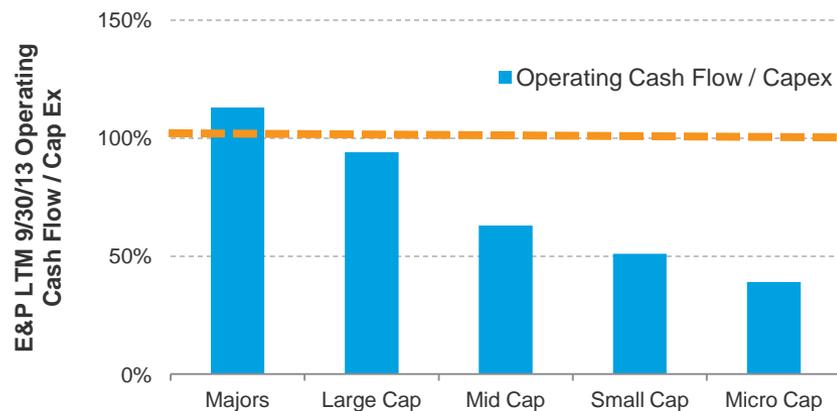


- Demand for capital continues to increase as companies fund unconventional development - global annual unconventional spending expected to increase by 50% by 2016
- Majority of E&P operators outspending operational cash flow: Unable to fund longer term capital requirements
- Large number of development opportunities relative to constrained capital - capital shortage causing rationing and portfolio prioritization
- Stringent allocation to higher returning projects - many conventional assets lack funding

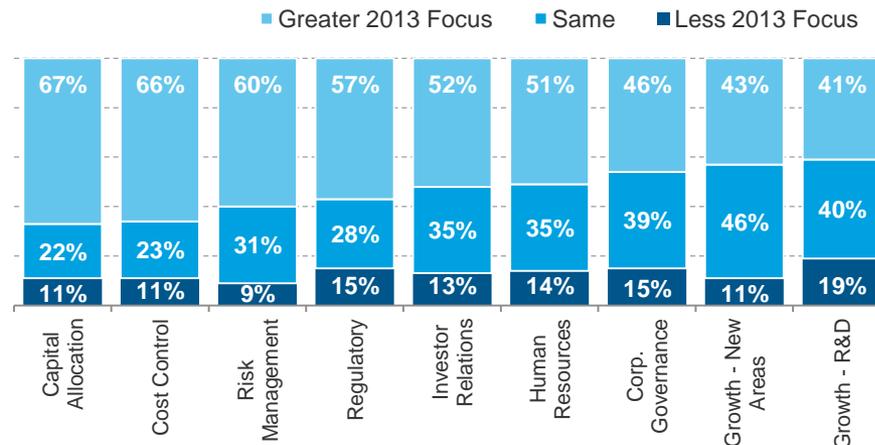
## Increasing unconventional capex (\$Bn)<sup>(1)</sup>



## Operators outspending cash flow <sup>(2)</sup>



## Increasing focus on capital allocation <sup>(3)</sup>

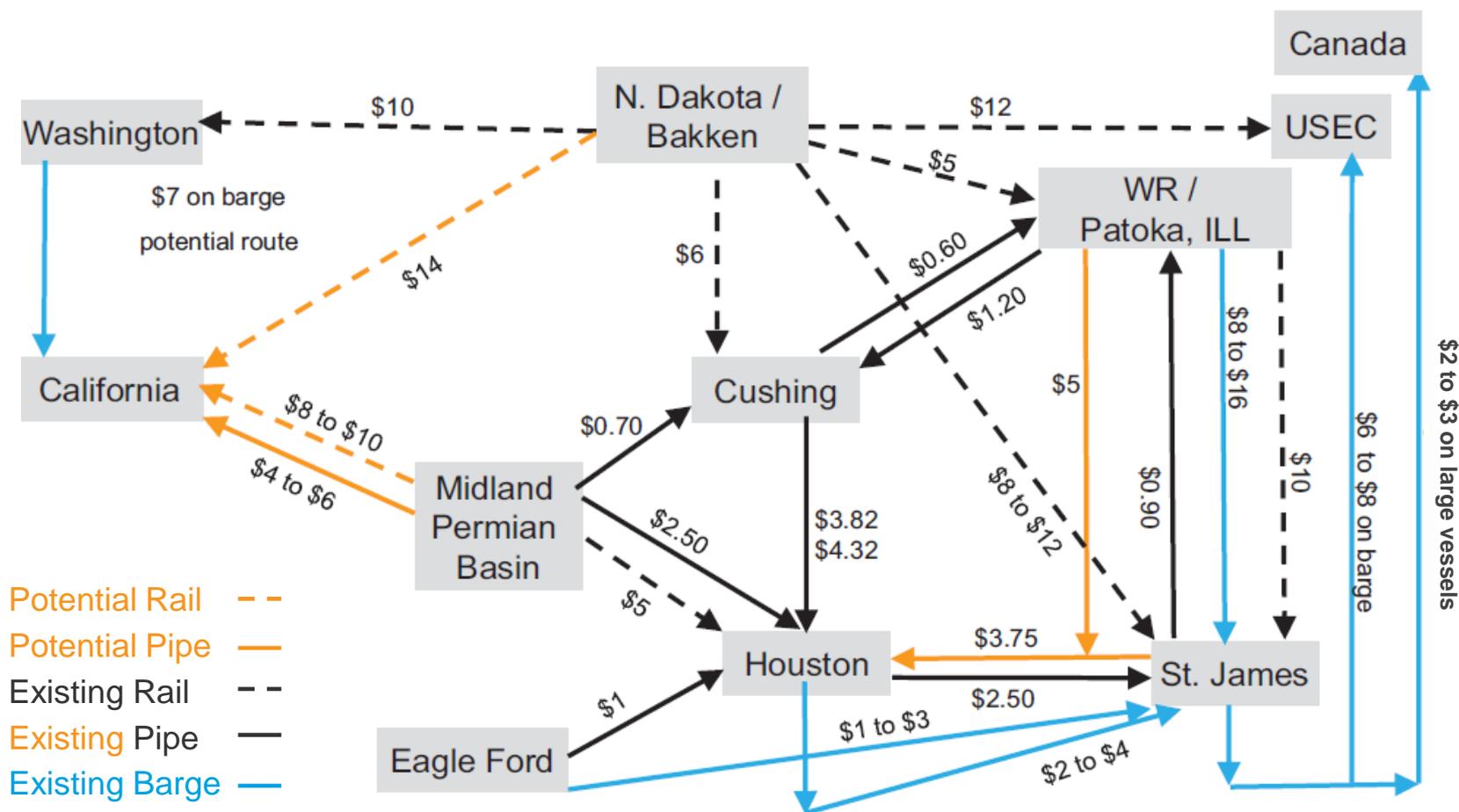


Notes: (1) America's New Energy Future: The Unconventional Oil and Gas Revolution and the U.S. Economy, Report by IHS, October 2012; (2) Factset; (3) E&Y Global Confidence Barometer, May 2013

# U.S. oil & gas infrastructure development



Investments in U.S. oil & gas takeaway capacity should impact flow constraints and production over time



# Selected investment themes



## Infill Drilling Programs

- Economic boundaries being determined in more developed plays such as Permian and Bakken
- Shift is to focus on down-spacing via infill drilling and utilizing pad drilling
- Further development of tight oil through technology advancements

## Smaller, Developing Plays

- Revival of exploration in Mid-Continent region, with new smaller plays sparking renewed interest in liquids-rich Anadarko Basin

## Permian Reserve Development

- Highest drilling activity of any U.S. basin since 2012
- Continued opportunities to explore, develop and de-risk Wolfcamp, Bone Spring and Cline

## Depressed Gas Prices, Offtake LNG Agreements

- Resolution for bountiful dry gas supply and NGL processing constraints key in supporting overall economics
- Depressed U.S. prices opening up market for LNG export market

## Infrastructure Support

- Improved OFS technology accelerates timing for capital spending
- Onshore growth promoting infrastructure build-outs helping to alleviate existing bottlenecks in new or less accessible plays

## Offshore GOM Exploration

- Potential to offer high returns
- Highly technical non-operated players have been successful putting deals together, sharing views