Energy Private Equity

**FIRM**
- Houston based, energy private equity firm
- Investments from $50 - $150 million

**PEOPLE**
- Unique mix of industry and financial veterans
- Collectively over 125+ years of experience

**PARTNERSHIP**
- Balanced approach to terms & structure
- Created in collaboration with anchor LP
Focused Approach

GEOGRAPHY
- North America only
- Currently prefer southern U.S.

SPECIAL SITUATIONS
- Complexity for value
- Need a catalyst

CONCENTRATED
- Actively manage investments
- 6-8 investments
Small Market Rules!

2010 - 2016 Upstream Transactions: 1,108
$468 Billion Total Volume

Source: Evercore per IHS Herolds as of December 31, 2016
Here’s What Hasn’t Happened?

- Kinder Morgan cancels its “Northeast Direct Energy Pipeline”
- New York regulators deny permit for “Constitution Pipeline”
- FERC rejects proposal to build an LNG facility on Oregon coast
- Shell indefinitely delays LNG project in Western Canada
- Canada commences a review of the Energy East Pipeline
- First LNG Cargo from Gulf Coast heads to Asia via Panama Canal
- Canada Federal Court overturns approval of $7.9 billion Enbridge pipeline
- Dakota Access in jeopardy
How is this Different?

Source: EIA
Note: Data through 12/31/2016
Spot Price are Misleading

- Spot WTI up over 95%
- Discounted cash flow of 10 year forward curve up only 26%

Source: FactSet, EIA
Primary Causes of the Housing Bubble 2007-2009

• Low mortgage rates
• Low short-term interest rates
• Relaxed standards for mortgage loans
• Irrational exuberance

Primary Causes of the Energy Bubble 2012-?

• Low rates – global QE
• Covenant lite or no covenant loans
• Irrational exuberance – Super Cycle, Peak Oil

Have we seen this Before?
Capital Structure Matters

Historical E&P Debt/EBITDA Multiples

Debt figures through 9/30/2016
Source: CIBC, FactSet