

The Texas Lawbook

Free Speech, Due Process and Trial by Jury

Q&A: Ryan Maierson's Big Month and What It Says About the M&A Market

April 11, 2019 | Claire Poole



Latham & Watkins partner Ryan Maierson in Houston has been one busy corporate lawyer.

In the last month, he's led three billion-dollar-plus deals: UGI on its \$2.4 billion purchase of the stock it didn't own of AmeriGas; TMK's Ipsco Tubulars on its \$1.209 billion sale to Argentina's Tenaris; and Equitrans Midstream Corp./EQM Midstream Partners on acquiring 60% of Eureka Midstream Holdings and all of Hornet Midstream Holdings from Morgan Stanley Infrastructure Partners for \$1.03 billion.

"It has me pretty exhausted at the moment," he said when The Texas Lawbook caught up with him recently. "I'm trying to figure out which way is up." He talked about the three deals ("they all involve companies with three letters," he joked), the general state of energy dealmaking right now (which has been a bit lackluster due to investor sentiment) and what's to come.

Q: Tell us about these three deals and what they say about energy dealmaking right now.

A: They're fairly distinct from each other: A midstream joint venture in the Appalachian basin; a retail propane consolidation; and a sale of a tubular goods company by a Russian oligarch.

Q: Let's start with UGI.

A: That's part of a fairly consistent trend over the last several years in which sponsors, private equity or other companies, are realizing the cost of capital challenges with mature master limited partnerships so they're simplifying or eliminating the incentive distribution rights [IDRs] or they're buying them and making them private subsidiaries of public companies. This one is more of a buy-in; that's the transaction structure UGI chose. They're still bullish on the retail propane industry, so rather than just take cash or units to eliminate the IDRs, it wanted to own the whole business.

AmeriGas went public in 1995, so it's one of the longest running MLPs. And like most MLPs that come out of public companies, it was a good capital raising vehicle with a different investor base that wanted propane but not natural gas exposure. But over time, as it's matured, it's faced cost of capital constraints with the IDRs and it became apparent that putting these businesses back together made a lot of sense.

The interesting thing about this one versus the others is the cash and stock component. Rollups or consolidations have been typically stock deals, going back to Kinder Morgan. This is one of the few with cash. You will have a vote at AmeriGas, but by keeping the stock below 20%, you can avoid

The Texas Lawbook

a vote at UGI. And they can fund the cash component from their existing revolver.

Q: How did you land the deal?

A: It was through a referral by another general counsel, who I had worked with on another simplification: Steve Moore at PennTex [who is now general counsel at Equitrans Midstream].

Q: How about the one with the Russian oligarch?

A: That one was pretty different. It's a maker of pipe used in oil and gas drilling. Ipsco had filed for an IPO, launched a road show and then decided not to go public last year. A year later, they sold for a price they were happy with.

Q: What made this one special?

A: The transaction is indicative of the troubles of the equity markets and energy companies. There were five or six energy IPOs last year and this year just one. Companies are looking at options, including financing and exit opportunities, but there's no indication that investors are going to suddenly get more interested in the sector.

Q: Why did the Russians want to sell?

A: It's hard to read between the lines. But TMK has far-flung assets and the theory is that they have the opportunity to deploy that capital into other parts of the business. It was a good fit for Tenaris, which is involved in OCTG [oil country tubular goods].

Q: How did you get the business from Ipsco?

A: We pitched and were engaged at the time of the IPO. We worked on the IPO, but it didn't go for 18 months, so they pivoted to M&A.

Q: So how about Equitrans?

A: Equitrans is indicative of a trend we've seen for a while now: Oil and gas companies separating upstream from midstream. Equitrans is a midstream spinoff of EQT that was completed at the end of last year. We didn't work on the spin. They had a public GP [general partner] and LP [limited partner] and we advised the financial advisors on that deal. They did the simplification, took out incentive distribution rights and are

now buying Eureka. The seller is monetizing their interest and EQM is expanding their footprint in Appalachia.

Q: How did you get that business?

A: We have a few connections to them. EQT Midstream's CEO Tom Karam was CEO of PennTex Midstream, which we represented through their whole life cycle, from the IPO through the sale to Energy Transfer. Interestingly, Kirk Oliver, the CFO of Equitrans, was previously CFO at UGI.

Q: So what's your outlook for energy M&A going forward?

A: There are some individual strands of things. MLP rollups and simplifications will continue and midstream looks to respond to the amount of drilling activity going on. Businesses change hands in the absence of a robust capital markets environment.

A lot of dealmaking is about mindset and I think there's a mentality that there are deals to be had if they can come to an agreement on price. Macro factors are favorable for energy dealmaking, especially in smaller cap upstream companies.

There are about 30 with a market cap of less than \$1 billion, and 20 of them are less than \$500 million. Does it make sense to have all the expenses and pain of being a public company when you're only running one rig or no rig and have a limited borrowing base?