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Confidential | Q4 2018

U.S. ENERGY CAPITAL MARKETS REVIEW

HIGHLIGHTS:

- \$20 billion raised in bond & equity during 4Q18 in 32 industry wide issuances compared with \$30 billion raised in 74 deals in 4Q17
- \$3.9 billion in equity (industry wide) raised in 11 offerings compared to \$9.0 billion in 34 equity offerings in 4Q17
- Bankers generated ~\$77 million in fees from 4Q18 equity sales
- \$16 billion of bonds across 21 deals compared with \$21 billion in 40 deals in 4Q17
- Upstream issued \$1.5 billion in bonds during the quarter compared to \$7.0 billion in 4Q17. Midstream firms issued \$7.3 billion
- Capitalize tracked 125 (new) private equity backed companies in 2018 and identified \$82 billion in energy related fund closures.

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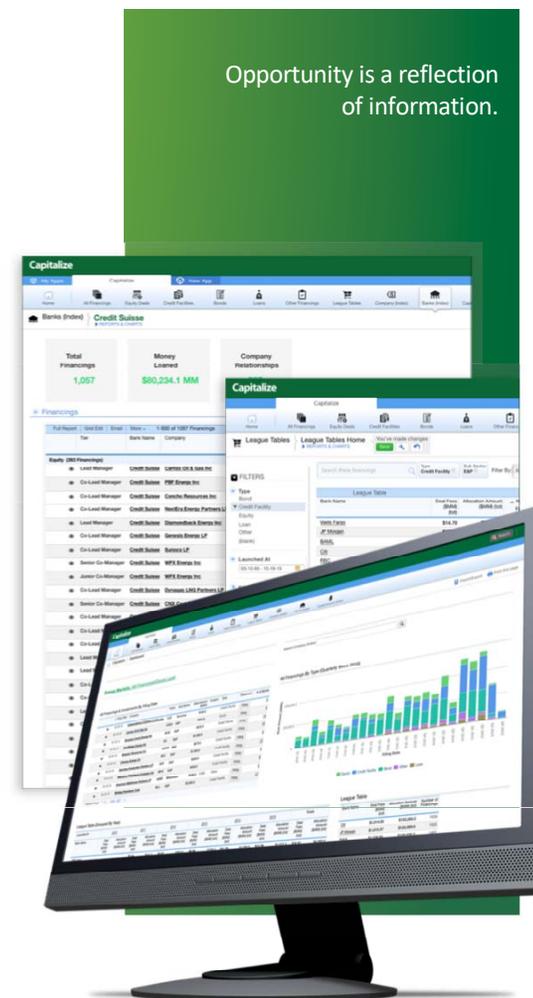
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2018 U.S. Energy Capital Markets (Equity, IPOs, Bonds, Credit Facilities & PE) Annual Takeaways & Observations

- In 2018 bond and equity deals raised \$106 billion across 201 issuances compared with \$133 billion raised across 271 bond and equity deals in 2017 and \$178 billion from 326 deals in 2016
- 2018 Equity financing activity in the Upstream sector fell off 55% from 2017 with \$16.5 billion raised. Midstream sector fell 67% to \$5.7 billion. OFS tracked 31% higher to \$7.2 billion
- 2018 IPOs tailed off with 9 deals raising > \$3 billion compared with 23 deals in 2017 that raised \$8.7 billion
- 3 Upstream IPOs (3 SPACs) raised over \$1 billion and 6 OFS IPOs raised \$2.0 billion
- 3 SPAC IPOs slowed the momentum from 2017, raising \$1.0 billion. OFS IPOs dominated the 2018 market with all happening in the first quarter of 2018
- Integrated companies remained steady issuing \$10.75 billion in bonds in 2018 as compared to \$11.15 billion in 2017
- BP had two two-tranche events in September (\$2 billion) and November (\$2 billion), Shell's three-tranche event in November raised \$3 billion. There were no integrated equity raises in 2018
- Bankruptcies dropped 29% YOY. In 2018 there were 29 bankruptcies (26 Chapter 11, 2 Ch. 7 & 1 Ch. 15) involving \$13.7 billion in total secured and unsecured debt versus 41 bankruptcies (38 Chapter 11, 2 Ch. 15 & 1 Ch. 7) involving total debt of \$17.3 billion in 2017. \$3.3 billion Fieldwood Energy was biggest in 2018
- Banks earned \$467 million in fees for equity secondary offerings and IPOs off of \$16.5 billion of issuances and \$968 million in fees for \$90 billion in bond offerings

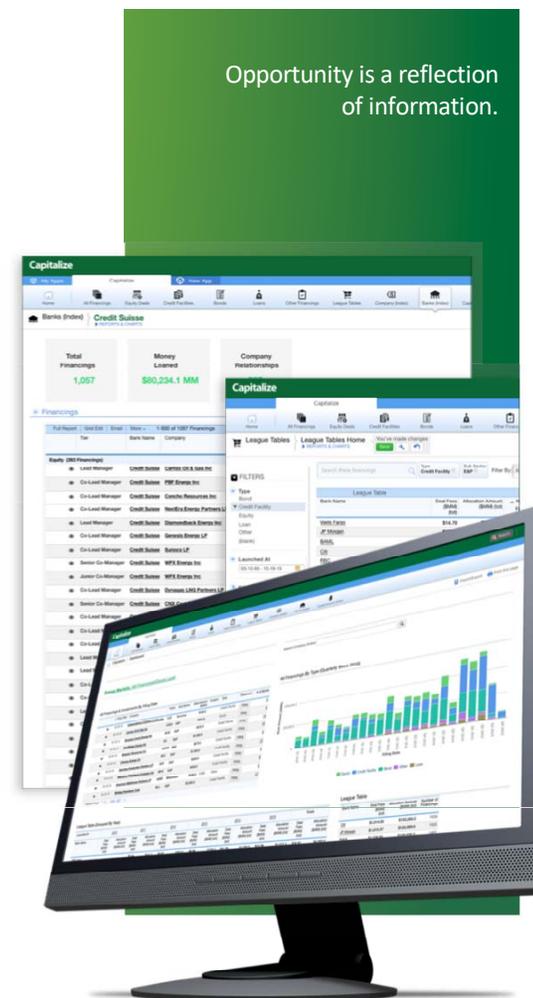
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2018 U.S. Energy Capital Markets (Equity, IPOs, Bonds, Credit Facilities & PE) Annual Takeaways & Observations

- 2018 Equity markets showed total deal value of \$17 billion, a 55% drop from 2017's \$36 billion and 69% lower than 2016's \$53 billion
- Upstream accounted for \$3.1 billion (71% lower YOY), Midstream \$5.7 billion (67% lower YOY) and OFS \$7.2 billion (31% higher YOY)
- 2018 Bond market showed \$90 billion total deal value, down 7% from 2017's \$97 billion and 28% decrease from 2016. Upstream issuers sold \$22.8 billion (35% lower YOY), Midstream \$39.8 billion (5% higher YOY) and OFS \$12 billion (41% higher YOY). Integrated issuers sold \$10.8 billion (4% lower YOY)
- Wells Fargo the most active bank in 2018 participated in more oil and gas-related financing deals in 2018 than any other energy focused bank (243)
- JP Morgan and Bank of America were the most active banks involved debt/equity offerings 94 (47% of the total 201) and 89 (44% of the total 201), respectively
- Citi most active equity underwriter either as lead or participant with 21 deals (33%)
- JP Morgan is most active debt underwriter either as lead or participant with 74 deals (54%)
- Wells Fargo most active lender in 2018, participating in 141 credit facilities and 15 loans, or 49% of all credit facilities and loans tracked on Capitalize
- DI identified 125 private equity commitments across all sectors during the year including 54 in the upstream space
- DI identified ~ \$82 billion of North American energy related fund closures during the year but only 10% of those funds are dedicated specifically to Upstream investment.

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4Q18 U.S. Energy Capital Markets (Equity, IPOs, Bonds, Credit Facilities & PE) Quarterly Takeaways & Observations

Public and Private Equity Slow; Investment Grade Issuers Take the Hint from the Fed

- The optics of public equity in Q4 would suggest a relative comeback in 2018. However, if you remove the \$2.1 billion issued by Baker Hughes, the reality is one of the worst quarters this decade. Upstream led the descent with \$68 million from only two issues
 - Private Equity Sponsors tapped the breaks on backing new teams as the IPO option disappeared and Q4 Upstream M&A activity ground to a halt
- The Federal Reserve increased the Fed Funds Rate to 2.25 – 2.50% in 4Q18. Economists expect two more rate hikes in 2019. Investment grade issuers took action by selling 71% of the bonds floated in Q4 compared to 33% sold in 4Q17

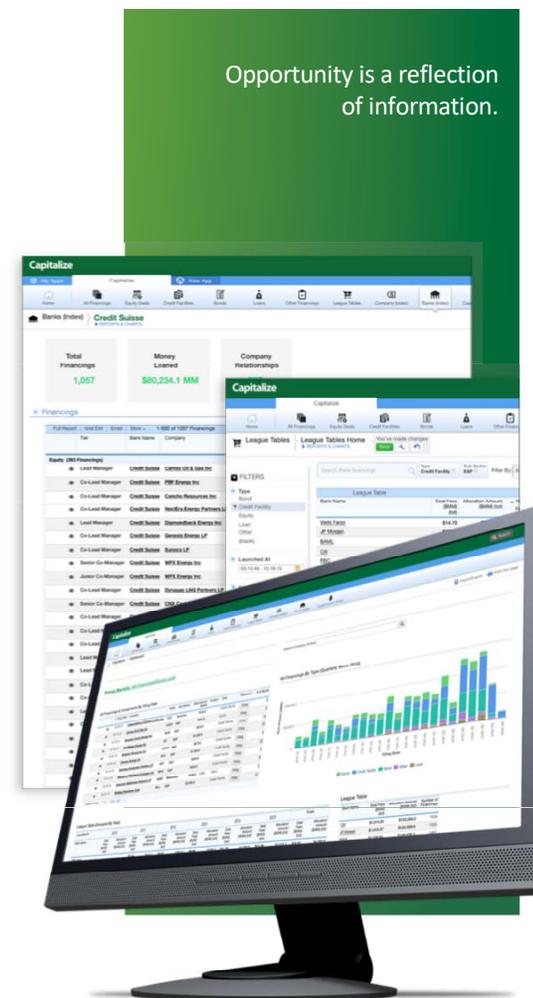
Facts & Figures

- \$20.1 billion aggregate equity and debt raised in 4Q18, down 4% sequentially and down 34% YOY
- \$3.9 billion in equity in 4Q18, up 67% from 3Q18 and down 56% YOY
- \$16.2 billion in debt offerings in 4Q18, down 13% from 3Q18 and 24% YOY

Bankers & Market Share

- Most active participants – JP Morgan/Wells Fargo both participated in 42% of all offerings in 4Q18
- JP Morgan was active in 71% of all 4Q18 bond offerings
- \$65.5 billion in borrowing, launched or amended in 4Q18 across 78 credit facility agreements, up 57% from 3Q18 and 129% YOY
- Wells Fargo was the most active lenders participating in 59% of all 4Q18 credit facilities and had the largest aggregated share w/~ \$4.2 billion

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Upstream Markets (Capital Markets)

Quarterly Takeaways & Observations



- 4Q18 saw upstream debt and equity markets combine for less than \$5 billion for the first time since 3Q15, totaling a meager \$1.54 billion in the quarter
- \$67.5 million raised in two upstream equity deals during 4Q18 down 94% from 3Q18 and down 97% from the \$2.2 billion raised (16 deals) in 4Q17. The worst quarter for Upstream issues since 2010
- Citi led all banks with \$20 million on its 4Q18 books for upstream equity issuances
- \$1.47 billion raised in 3 upstream bond issuances, down 79% from the \$ 7.01 billion in debt raised in 16 deals in 4Q17
- \$32.7 billion in upstream credit facilities launched or amended in 4Q18 compared to \$5.9 billion 4Q17
- DI counts 32 private equity commitments across all sectors during the quarter including 10 in the upstream space
- Sponsors have decelerated backing new upstream portfolio companies as exit strategies have been challenged throughout the year
- See [page 28](#) for more information on private equity markets; [page 9](#) for public equity; [page 17](#) for bonds; [page 26](#) for credit facilities within the full report
- For the full [2018 Capital Markets report](#), contact marketresearch@Drillinginfo.com.

Midstream and Downstream Markets (Capital Markets)

Quarterly Takeaways & Observations



- In 4Q18, the Midstream and Downstream sectors issued \$1.2 billion of equity, up 50% from 3Q18's \$785.7 million but down 79% YOY from 4Q17's \$5.6 billion
- For the second straight quarter Downstream saw just one equity deal, while Midstream led all sectors with five
- The two sectors raised \$7.3 billion of debt across 8 deals, 17% lower than \$8.8 billion in debt raised via 18 deals in 4Q17
- MPLX LP issued Q4's largest bond at \$1.5 billion, Enterprise Products Partners LP was the most prolific issuing \$3 billion in notes during the quarter (3 separate tranches)
- Midstream companies issued \$7.3 billion in 4Q18, beating the Q3 total by 99%
- Integrated companies issued \$6 billion in debt in 4Q18, up 82% from 3Q18's \$3.3 billion
- Nearly \$25 billion in credit facilities were either launched or amended in 4Q18 compared with \$15 billion in 4Q17 for these sectors
- DI accounted for five new Midstream focused portfolio companies during the quarter

Oilfield Services (Capital Markets)

Quarterly Takeaways & Observations



- In 4Q18, the Oilfield Service Sector (OFS) raised ~ \$2.7 billion from three equity deals, up 653% from last quarter (\$357 million) and 125% from 4Q17 (\$1.2 billion)
- OFS accounted for 68% of all energy equity raises in 4Q18, driven largely by a Baker Hughes follow-on for \$2.1 billion
- The OFS sector raised \$1.5 billion in debt across 4 deals. This debt raise was ~ 70% lower than the total \$4.8 billion raised in the OFS sector through five deals in 4Q17
- \$7 billion in new Credit Facilities or Credit Facilities amended in 4Q18 in OFS vs. \$4 billion in 3Q18
- Private Equity Sponsors backed 13 management teams with new commitments during the quarter, representing 41% of activity

2018 Private Equity Markets

- **Capitalize tracked 125 new management teams in 2018.**

- In 2018, there were ~ 95 unique PE sponsors that participated in at least one commitment, up from the 70 we observed last year
- DI identified ~ \$82 billion of North American energy related fund closures during the year but only 10% of those funds are dedicated specifically to Upstream investment. Nearly 50% of the closed funds have a multi faceted approach allowing for more latitude
- OFS and Midstream dedicated funds soared with fund closures of ~ \$16 billion and \$14 billion, respectively
- Private Equity Sponsors tapped the breaks on backing new teams as the IPO option vanished and Q4 Upstream M&A activity ground to a halt

- **Private Equity Sponsors made:**

- 54 new commitments to the Upstream sector which accounted for 43% of the 2018 total but the pace was more active in 1H18
- ~ 30% of new commitments were directed to the OFS sector with sponsors focus on the Information Technology and Drilling & Completion segments

- **Private Equity Sponsors First Reserve Corp, Riverstone Holdings, Quantum Energy Partners and Energy & Minerals Group were the most active participants in the A&D Market during the year.**

- **Select private equity backed companies with new mandates in 4Q18 listed below:**

AETHON 


CAVALCADE
MIDSTREAM

SANDPOINT
RESOURCES LLC


FLAT CREEK
RESOURCES

MASSIF
OIL & GAS

8minutenergy
RENEWABLES

TRACE
MIDSTREAM


BAYOU
MIDSTREAM


LONGPOINT
MINERALS