

Corporate Credit > U.S. High Yield



Energy Transfer Equity

Updated: November 6, 2015

Trade Idea:

- ▶ Buy 5.875% 2024 Bonds

Investment Rationale:

- ▶ Energy Transfer Equity reached an agreement to merge with Williams Cos., an investment grade entity. It will create, according to the company, the largest energy infrastructure company in the US. The benefit of the merger is to make the assets across the companies more efficient and synergistic, so we expect ETE to move assets within its listed units and undertake projects that are related to this.
- ▶ ETE indicated that the transaction will accelerate it to towards investment grade ratings.
- ▶ Pro-forma for the merger on E2015 EBITDA (calculated as distributions from subsidiaries and EBITDA from any operating assets held), we calculate leverage as 4.3X.
- ▶ In the near term, bonds appear to be priced about in-line with the HY BB index. Long term, however, prospects are better, as in 2 or 3 years there is a good chance of an upgrade to IG. I would rate the 2024 bonds +1, given the balanced risk reward for the outlook.

View	Trade Horizon	Ticker	Cpn	Maturity	Ratings		Ccy	Issue		Cash			ISIN	
					S&P	Moody's		Size	YTW	OAS	Price	Target		Loss
+1	12 months	ETE	5.875%	1/15/2024	Ba2	BB	USD	1,148	6.27%	415	97.5	100.0	94.0	US29273VAD29