

# [***USA Compression Partners to Acquire Compression Business from Energy Transfer Partners***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RFG-P3Y1-J9XT-P1GX-00000-00&context=1516831)

Plus Company Updates(PCU)

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**Body**

Austin: USA Compression Partners, LP has issued the following press release:

USA Compression Partners, LP (NYSE: USAC) (“USA Compression” or “USAC”), Energy Transfer Partners, L.P. (NYSE: ETP) (“ETP”) and Energy Transfer Equity, L.P. (NYSE: ETE) (“ETE”) today announced a transaction valued at approximately $1.8 billion, providing for (i) the contribution of ETP’s subsidiaries, CDM Resource Management LLC and CDM Environmental & Technical Services LLC (collectively, “CDM”), to USAC (the “Contribution”) and (ii) the cancellation of the incentive distribution rights (“IDRs”) in USAC and conversion of the general partner interest in USAC into a non-economic general partner interest (the “IDR/GP Restructuring”). As part of the transaction, ETE will acquire the ownership interests in the general partner of USAC (the “GP Acquisition”) and approximately 12.5 million USAC common units from USA Compression Holdings.

This press release features multimedia. View the full release here: [*http://www.businesswire.com*](http://www.businesswire.com) /news/home/20180116005771/en/

Transaction Impact

The transaction is expected to be accretive to USAC’s distributable cash flow in 2018. In addition, as discussed in more detail below, ETP’s receipt of a special class of common equity that will not pay distributions for the first year will provide for increased USAC LP coverage, which is expected to be in excess of 1.0x in 2018 and increase over time. In addition, USAC’s leverage is expected to decrease to mid-4x by the end of 2018.

The transaction is also expected to strengthen ETP’s balance sheet by allowing ETP to use the approximately $1.225 billion in cash proceeds that it will receive in connection with the transactions to reduce leverage.

CDM currently owns and operates approximately 1.6 million horsepower of natural gas compression and is focused primarily on large horsepower applications. The acquisition of CDM is expected to provide significant benefits for USAC unitholders as the combined business will have increased geographic coverage and will be one of the leading domestic compression providers. The acquisition will further expand USAC’s geographic presence into regions where USAC is currently underrepresented and will result in USAC having broad coverage across U.S. regions. As part of its overall service offerings, CDM also provides a full range of gas treating and ***emissions*** testing services. CDM’s treating activities will also complement USAC’s growing station services offerings, in which USAC provides turnkey gas handling solutions for customers. With over 70% of horsepower greater than 1,000 horsepower and an average unit size of approximately 700 horsepower, the CDM fleet has an average age of approximately 7 years and a current operating utilization rate of 87%. On a pro forma combined basis, USAC will own and operate a compression fleet of approximately 3.4 million HP.

For 2018, CDM’s EBITDA is estimated to be in the range of $160 - $170 million, not including the benefit of synergies, which are expected to be at least $20 million on a run-rate basis. Consistent with past practice, USAC expects to provide full-year 2018 guidance at the time of its fourth-quarter earnings call.

Management Commentary

Eric Long, President & CEO of USAC, commented, “This is an exciting day for USA Compression to be able to announce this strategic transaction with Energy Transfer. USAC’s acquisition of CDM is a logical combination of two leading compression service providers – each with nearly two decades of delivering exemplary levels of customer service. Operating in different areas of geographic focus with nominal overlap, CDM brings to USAC a complementary and standardized fleet of large horsepower, infrastructure-oriented equipment, a customer-focused operating philosophy and a strong employee base consistent with those of USAC’s. CDM has been very successful building its compression and treating business; we are excited about the possibilities that the combined partnership will continue to grow and deliver on the exceptional customer service on which our customers depend.

"In addition to bringing on the compression and treating assets, we look forward to welcoming talented and skilled CDM employees, who have built the company into a strong market participant, into the USAC organization. This transaction gives USAC the geographic reach to compete in all the active producing regions.”

Transaction Details

The terms of the Contribution are governed by a contribution agreement, pursuant to which ETP will contribute the CDM business to USAC in exchange for (i) $1.225 billion in cash, (ii) approximately 19.2 million USAC common units and (iii) approximately 6.4 million USAC Class B units. The Class B units will not pay quarterly cash distributions for the first four quarters following closing and will convert into USAC common units on a one-for-one basis after such time.

The terms of the GP Acquisition are governed by a purchase agreement, pursuant to which ETE will acquire (i) all of the equity interests in USAC’s general partner, USA Compression Partners GP, LLC (“USAC GP”) and (ii) approximately 12.5 million USAC common units from USA Compression Holdings in exchange for $250 million in cash. Following the closing, USA Compression Holdings will continue to own approximately 12.5 million USAC common units.

The terms of the IDR/GP Restructuring are governed by an equity restructuring agreement, pursuant to which ETE will cause USAC GP to cancel the IDRs and convert USAC GP’s general partner interest in USAC into a non-economic general partner interest (the “General Partner Interest”) . In exchange for the IDR cancellation and the conversion of the General Partner Interest, USAC will issue 8.0 million USAC common units to USAC GP.

USAC has obtained, subject to customary closing conditions, committed financing for the $1.225 billion cash consideration payable to ETP through a $500 million perpetual preferred units offering to investment funds managed or sub-advised by EIG Global Energy Partners (“EIG”) and other investment vehicles unaffiliated with EIG, as well as $725 million in committed debt financing from JPMorgan and Barclays. The preferred units will pay a 9.75% dividend and are redeemable after 10 years.

The Contribution, the GP Acquisition and the IDR/GP Restructuring are expected to close during the first half of 2018, subject to customary closing conditions, including approval pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Advisors

Evercore acted as financial advisor to USA Compression Holdings, LLC. Jefferies LLC acted as financial advisor to USAC’s conflicts committee. Locke Lord LLP acted as legal counsel to USA Compression Holdings, LLC. Vinson & Elkins L.L.P. acted as legal counsel to USAC. Richards Layton & Finger acted as legal counsel to USAC’s conflicts committee. Barclays acted as financial advisor to ETE and ETP. Tudor, Pickering, Holt & Co. acted as financial advisor to ETP’s conflicts committee. Latham & Watkins LLP acted as legal counsel to ETE and ETP. Potter Anderson & Corroon LLP acted as legal counsel to ETP’s conflicts committee.

Conference Call Information

USAC management will discuss the transaction during an investor conference call starting at 11 a.m. EST (10 a.m. CST). The call will be broadcast live over the internet. Investors may participate either by phone or audio webcast.

By Phone: Dial (800) 239-9838 inside the U.S. and Canada at least 10 minutes before the call and ask for the USA Compression Partners Conference Call. Investors outside the U.S. and Canada should dial (323) 794-2551. The passcode for both is 1388911.

A replay of the call will be available through January 23, 2018. Callers inside the U.S. and Canada may access the replay by dialing (888) 203-1112. Investors outside the U.S. and Canada should dial (719) 457-0820. The passcode for both is 1388911.

By Webcast:

Connect to the webcast via the “Events” page of USA Compression’s Investor Relations website at   [*http://investors.usacpartners.com*](http://investors.usacpartners.com) . Please log in at least 10 minutes in advance to register and download any necessary software. A replay will be available shortly after the call.

**Load-Date:** March 15, 2018

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