



Enable Midstream Partners

Attractive Position in SCOOP/STACK Offset by Weak Position in Fayetteville/Haynesville



- Enable Midstream Partners' earnings are forecasted to reach \$826 million in 2016, but gradually decline to about \$799 million in 2020 because growth in its Anadarko Basin gathering and processing (G&P) system earnings will not offset declines in its other G&P systems and its interstate and intrastate pipelines.
 - Enable's well positioned assets in the Anadarko Basin, especially in the SCOOP play, should drive annual earnings from \$249 million in 2016 to about \$340 million in 2020.
 - That growth will be more than offset by near 20% declines in earnings from its other gathering and processing assets and its pipeline and storage segment.
 - The company's single significant growth project, the 200 MMcf/d Wildhorse Processing Plant in the SCOOP play, is currently delayed until late 2017.
- Enable is also facing a potential change in its ownership structure. CenterPoint Energy is seeking to sell its 55% stake, and has received an offer from partner OGE Energy and an unnamed third party. Founding investor ArcLight Capital is also selling down its stake.
 - A logical buyer for the majority stake in Enable is another master limited partnership seeking to expand in or enter the burgeoning SCOOP and STACK plays. Synergies with another midstream company could improve Enable's volume and growth outlooks.

1. Introduction

Enable Midstream Partners, L.P. is a moderate-size (\$6.2 billion market capitalization) master limited partnership established in May 2013 and publicly traded since April 2014. It has natural gas gathering and processing assets in the Anadarko, Arkoma, and Ark-La-Tex basins, a crude oil gathering system in the Williston Basin, and interstate and intrastate gas pipelines that ship natural gas from its gathering regions to the Texas Panhandle and Illinois.

The company stands at a crossroads. It is facing important decisions about future investments to protect its distributions to unit holders and a likely change in its ownership structure. We anticipate that the natural gas volumes that it gathers, processes, and transports will increase gradually over the long term, limiting its ability to raise its distribution. The reason is that growth in its premier assets, gathering systems and processing plants in the prolific SCOOP and STACK plays in Oklahoma, will be offset by reduced production in its other basins.

Enable is also facing major potential changes in its ownership structure. As of January 1, 2016, 93% of its limited partnership units were owned by founders CenterPoint Energy (55.4%), OGE Energy (26.3%), and ArcLight Capital (11.3%). However, CenterPoint said in February 2016 that it is seeking to sell its interest and in August 2016 gave OGE a right of first refusal to purchase

that stake. On August 19, OGE and an unnamed third party offered to exercise that right, but the details were not disclosed. Also, private equity firm ArcLight has recently been steadily selling limited partnership units, reducing its stake in the company. In this case, the reason may be normal portfolio management—private equity firms regularly harvest cash from existing investments to fund new ones—or because of concerns about Enable’s future growth.

As with all our Spotlight reports, we take a bottom’s-up approach to evaluating the company’s assets, analyzing what volumes are flowing, assessing production trends, producer contracts, and commodity price risk for each, and detailing competitive advantages and disadvantages. We combine this analysis into a comprehensive assessment of future volumes and earnings for each asset.

This Spotlight Report from RBN Energy and East Daley Capital is available for individual purchase or as part of RBN’s Backstage Pass premium content service at rbnenergy.com.

For more information on group subscriptions, send an email to info@rbnenergy.com or call 888-613-8874.

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2. Spotlight Reports from RBN Energy and East Daley Capital

2.1 What is Spotlight?

Spotlight reports provide a deep dive into the fundamentals that shape the outlook for midstream energy companies. In each report we “Spotlight” a midstream energy firm, usually one operating within an MLP structure. Our goal is to provide a comprehensive, fundamental based view of our Spotlight companies based on a bottoms-up analysis of their assets and operations. We tear apart their asset structure to reveal what volumes are flowing, what rates are (and can be) charged, how they are exposed to commodity price risk, how their assets fit together, and what aspects of their operations provide competitive advantages in today’s extremely volatile energy marketplace. This report, covering Enable Midstream Partners, is the fifth edition of the Spotlight report series. The first edition covering ONEOK was published in December 2015. The second, published in February 2016, covered DCP Midstream Partners. A two-part analysis of Energy Transfer Partners, editions three and four, were published in May and July 2016.

Spotlight is a joint venture of RBN Energy, LLC and East Daley Capital Advisors, Inc. We have joined together with the support of Oil & Gas Financial Analytics, LLC to provide a comprehensive, detailed insight into the companies we select for our analysis. We use publicly available data, combined with the deep experience of our combined teams to get to the answers that can be overlooked in the more high-level assessments that are in the marketplace today. Instead of such a high-level approach, we get into the micro-level detail, integrating fundamentals data, market data and company data in a comprehensive model that provides a clear picture of the company and its prospects.

As with all energy fundamental analysis, Spotlight reports rely on estimates and approximations of volumes, throughputs and fees. No non-public data from the subject company or any other source has been used in the preparation of this report.

2.2 How can I get Spotlight?

Spotlight is available to RBN Backstage Pass subscribers. Non-subscribers may purchase individual company Spotlight reports separately. For more information about Spotlight, go to rbnenergy.com/spotlight.