

Western Gas Partners LP
Form 8-K
February 14, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 14, 2019

WESTERN GAS PARTNERS, LP
(Exact name of registrant as specified in its charter)

| | | |
|---|---------------------------------------|--|
| Delaware (State or Other Jurisdiction of Incorporation) | 001-34046 (Commission File Number) | 26-1075808 (IRS Employer Identification No.) |
|---|---------------------------------------|--|

1201 Lake Robbins Drive
The Woodlands, Texas 77380-1046
(Address of principal executive office) (Zip Code)

(832) 636-6000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. "

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Item 8.01 Other Events.

On January 28, 2019, we filed with the Securities and Exchange Commission (the "SEC") a definitive proxy statement/prospectus (the "Proxy Statement") with respect to the special meeting of unitholders of Western Gas Partners, LP ("WES") to be held on February 27, 2019 at 8:00 a.m., local time, at which our unitholders will be asked to, among other things, vote on a proposal (i) to approve the Contribution Agreement and Agreement and Plan of Merger, dated as of November 7, 2018 (as it may be amended from time to time, the "Merger Agreement"), by and among Anadarko Petroleum Corporation, Anadarko E&P Onshore LLC, Western Gas Equity Partners, LP ("WGP"), Western Gas Equity Holdings, LLC, the general partner of WGP, WES, Western Gas Holdings LLC, our general partner, Clarity Merger Sub, LLC ("Merger Sub"), WGR Asset Holding Company LLC ("WGRAH"), WGR Operating, LP, Kerr-McGee Gathering LLC, Kerr-McGee Worldwide Corporation, APC Midstream Holdings, LLC, and Delaware Basin Midstream, LLC, a copy of which is included as Annex A to the Proxy Statement, and the transactions contemplated thereby, including the merger of Merger Sub with and into WES, with WES continuing as the surviving entity and a subsidiary of WGP (the "Merger"), and (ii) to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the Merger Agreement and the transactions contemplated thereby, including the Merger, at the time of the special meeting.

On January 28, 2019, a lawsuit captioned *Lennes v. Western Gas Partners, LP, et al.*, Case No. 1:19-cv-00832 was commenced in the United States District Court for the Southern District of New York (the "Lennes Lawsuit"). On February 7, 2019, a putative class action lawsuit captioned *Sabatini v. Western Gas Partners, LP, et al.*, Case No. 1:19-cv-00263 was commenced in the United States District Court for the District of Delaware (together with the Lennes Lawsuit, the "Lawsuits"). The Lawsuits claim that the Proxy Statement fails to disclose certain material information related to the Merger, and seek to enjoin the unitholder vote until such time as additional disclosures are made.

We believe that all allegations in the Lawsuits are without merit. However, we wish to make certain supplemental disclosures relating to the Merger solely for the purpose of mooted the allegations contained in the Lawsuits and avoiding the expense and burden of litigation. Nothing in the supplemental disclosures set forth in this current report shall be deemed an admission of materiality under applicable law of any of the supplemental disclosures.

Important information concerning the Merger and the transactions contemplated by the Merger Agreement is set forth in the Proxy Statement. The Proxy Statement is amended and supplemented by, and should be read as part of, and in conjunction with, the information set forth in this Current Report on Form 8-K.

SUPPLEMENT TO PROXY STATEMENT

We have agreed to make the following amended and supplemental disclosures to the Proxy Statement, which should be read in conjunction with the Proxy Statement. Capitalized terms used but not defined herein have the meanings set forth in the Proxy Statement. Without admitting in any way that the disclosures below are material, we make the following amended and supplemental disclosures:

1. The following supplemental disclosure restates in its entirety the last paragraph on page 42 of the Proxy Statement: On October 24, 2018, an updated Project Clarity Forecast Model was made available to the Special Committees and their respective advisors through the virtual data room. This forecast updated the forecasts provided on October 16, 2018 by correcting an immaterial error in calculation of the pro forma number of units outstanding post-merger. There was no change to the forecasted Adjusted EBITDA, Distributable Cash Flow or cash available for distribution (as applicable). Select unaudited forecasted financial information from the Project Clarity Forecast Model is provided on pages 66-67.

2. The following supplemental disclosure restates in its entirety the second paragraph under the subheading “Dividend Discount Model Analysis—WES” on page 54:

Lazard based its dividend discount model analysis for WES on an assumed equity discount rate ranging from 9.0% to 11.0%. Lazard chose this range for this analysis based on its professional judgment and experience taking into account certain metrics including yields for U.S. treasury bonds, levered and unlevered betas for the WES comparable companies (as set forth below), and the market risk premium. Lazard also calculated estimated terminal values for WES by applying terminal multiples ranging from 8.25x to 10.25x to WES’s estimated terminal DCF, which was projected using a growth rate derived from the WES Projections. Lazard chose this range for this analysis based on its analysis of the relevant metrics for the WES comparable companies (as set forth below), as well as its professional judgment and experience.

3. The disclosure in the list of comparable companies under the subheading “Selected Comparable Company Multiples Analysis—WES” on page 55 is hereby amended and supplemented by adding the trading multiples utilized by Lazard for each of the companies listed:

| | Price/DCF/Unit | | Enterprise Value / EBITDA | |
|--|----------------|-------|---------------------------|-------|
| | 2019E | 2020E | 2019E | 2020E |
| “E&P-Sponsored WES Comparable Companies” | | | | |
| EnLink Midstream Partners, LP | 8.7x | 8.4x | 10.9x | 10.1x |
| EQT Midstream Partners, LP | 8.7x | 6.9x | 8.0x | 6.1x |
| Antero Midstream Partners LP | 11.5x | 9.6x | 10.3x | 8.2x |
| Noble Midstream Partners LP | 9.3x | 8.3x | 12.0x | 9.7x |
| CNX Midstream Partners LP | 8.5x | 7.5x | 10.1x | 8.2x |
| Hess Midstream Partners LP | 11.4x | 9.8x | 10.7x | 8.3x |
| Oasis Midstream Partners LP | 8.2x | 7.3x | 10.0x | 8.5x |
| “Other WES Comparable Companies” | | | | |
| DCP Midstream Partners LP | 9.2x | 9.1x | 11.4x | 10.8x |
| Enable Midstream Partners, LP | 8.8x | 8.5x | 10.0x | 9.6x |
| Crestwood Equity Partners LP | 8.5x | 7.2x | 9.6x | 8.6x |

The disclosure in the list of precedent transactions under the subheading “Selected Precedent Transactions 4. Analysis—WES” on page 56 is hereby amended and supplemented by adding the trading multiples utilized by Lazard for each of the transactions listed:

Selected Precedent Transactions Analysis—WES

| Acquiror | Target | Current Year P/DCF |
|---------------------------------|---|--------------------|
| EnLink Midstream LLC | EnLink Midstream Partners, L.P. | 10.1x |
| Valero Energy Corporation | Valero Energy Partners LP | 11.9x |
| Antero Midstream GP LP | Antero Midstream Partners LP | 13.5x |
| Dominion Energy Inc. | Dominion Energy Midstream Partners LP | 10.8x |
| Energy Transfer Equity, L.P. | Energy Transfer Partners LP | 8.6x |
| Cheniere Energy, Inc. | Cheniere Energy Partners LP Holdings, LLC | 13.6x |
| Enbridge Inc. | Enbridge Energy Partners, L.P. Class A | 7.5x |
| Enbridge Inc. | Spectra Energy Partners, LP | 10.5x |
| The Williams Companies, Inc. | Williams Partners L.P. | 12.7x |
| Sunoco Logistics Partners L.P. | Energy Transfer Partners, L.P. | 8.2x |
| EQT Midstream Partners LP | Rice Midstream Partners LP | 10.3x |
| Tallgrass Energy LP Class A | Tallgrass Energy Partners, LP | 9.0x |
| Archrock, Inc. | Archrock Partners, L.P. | 5.9x |
| Zenith Energy L.P. | Arc Logistics Partners LP | 7.9x |
| Andeavor Logistics LP | Western Refining Logistics, LP | 13.3x |
| Energy Transfer Partners, L.P. | PennTex Midstream Partners, LP | 7.9x |
| VTTI B.V. | VTTI Energy Partners LP | 13.8x |
| World Point Terminals, Inc. | World Point Terminals, LP | 10.7x |
| ONEOK, Inc. | ONEOK Partners, L.P. | 15.0x |
| Enbridge, Inc. | Midcoast Energy Partners LP Class A | 15.1x |
| American Midstream Partners, LP | JP Energy Partners LP | 6.6x |
| TransCanada Corporation | Columbia Pipeline Partners LP | 17.3x |
| SemGroup Corporation | Rose Rock Midstream, L.P. | 9.5x |

The following supplemental disclosure restates in its entirety the second paragraph under the subheading “Dividend 5. Discount Model Analysis—WGP” on page 57:

Lazard based its dividend discount model analysis for WGP on an assumed equity discount rate ranging from 9.0% to 11.0%. Lazard chose this range for this analysis based on its professional judgment and experience taking into account certain metrics including yields for U.S. treasury bonds, levered and unlevered betas for the WGP Comparable Companies (as defined below), and the market risk premium. Lazard also calculated estimated terminal values for WGP by applying terminal multiples ranging from 10.00x to 12.00x to WGP’s estimated terminal DCF, which was projected using a growth rate derived from the WGP Projections. Lazard chose this range for this analysis based on its analysis of the relevant metrics for the WGP Comparable Companies (as defined below), as well as its professional judgment and experience.

The disclosure in the list of comparable companies under the subheading “Selected Comparable Company Multiples 6. Analysis—WGP” on page 57 is hereby amended and supplemented by adding the trading multiples utilized by Lazard for each of the companies listed:

| | Price/DCF/Unit | |
|------------------------------|----------------|-------|
| “WGP Comparable Companies” | 2019E | 2020E |
| Energy Transfer Equity, L.P. | 11.0x | 10.1x |
| EQT GP Holdings, LP | 10.6x | 9.0x |
| EnLink Midstream, LLC | 9.5x | 9.2x |
| Antero Midstream GP LP | 17.6x | 11.8x |

The disclosure in the list of comparable companies under the subheading “Selected Comparable Company Multiples 7. Analysis—Dropdown Assets” on page 59 is hereby amended and supplemented by adding the trading multiples utilized by Lazard for each of the companies listed:

| | Enterprise Value / EBITDA | |
|--|---------------------------|-------|
| “G&P Asset Dropdown Comparable Companies” | 2019E | 2020E |
| EnLink Midstream Partners, LP | 10.9x | 10.1x |
| EQT Midstream Partners, LP | 8.0x | 6.1x |
| Antero Midstream Partners LP | 10.3x | 8.2x |
| Noble Midstream Partners LP | 12.0x | 9.7x |
| CNX Midstream Partners LP | 10.1x | 8.2x |
| Hess Midstream Partners LP | 10.7x | 8.3x |
| Oasis Midstream Partners LP | 10.0x | 8.5x |
| DCP Midstream Partners LP | 11.4x | 10.8x |
| Enable Midstream Partners, LP | 10.0x | 9.6x |
| Crestwood Equity Partners LP | 9.6x | 8.6x |
| “Pipeline Joint Venture Asset Dropdown Comparable Companies” | | |
| Enterprise Products Partners LP | 12.1x | 11.7x |
| Kinder Morgan, Inc. | 9.8x | 9.3x |
| MPLX LP | 11.0x | 10.4x |
| Plains All American Pipeline | 10.6x | 10.1x |
| Magellan Midstream Partners | 12.6x | 11.3x |
| Tallgrass Energy, LP | 9.8x | 10.3x |

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The disclosure in the table under the subheading “Selected Precedent Transaction Analysis—Dropdown Assets” on 8. pages 60-61 is hereby amended and supplemented by adding the trading multiples utilized by Lazard for each of the transactions listed:
“G&P Transactions”

| Acquiror | Target | EBITDA Multiple |
|--|--|-----------------|
| Enable Midstream Partners, LP | Velocity Holdings Inc | 13.0x |
| EagleClaw Midstream Ventures, LLC | Caprock Midstream Holdings | 9.6x |
| Silver Creek Midstream, LLC | Powder River Basin midstream assets from Genesis Energy, L.P. | 15.0x |
| The Williams Companies, Inc. and KKR & Co. | Discovery DJ Services | 14.2x |
| Harvest Midstream Company | Four Corners Area Assets from The Williams Companies, Inc. | 13.7x |
| Global Infrastructure Partners LP | EnLink Midstream Partners, LP and EnLink Midstream LLC | 11.2x |
| Arclight Capital Partners, LLC | Midcoast Operating, L.P. | 8.0x |
| EQT Midstream Partners, LP | Olympus gathering system and Strike Force gathering system from EQT Corporation and Gulfport Energy Corporation respectively | 10.0x |
| Morgan Stanley Infrastructure Partners LP | Brazos Midstream Holdings, LLC | 15.0x |
| OPTrust & Partners Group AG | Superior Pipeline Company LLC | 12.0x |
| CNX Midstream Partners LP | Marcellus gathering and production system from CNX Resources Corp | 11.5x |
| Riverstone Holdings LLC and Goldman Sachs Group Inc. | Lucid Energy Group II, LLC | 10.5x |
| Noble Energy, Inc. and Greenfield Midstream | Saddle Butte Rockies Midstream | 13.0x |
| I Squared Capital | Pinnacle Midstream, LLC | NA |
| Global Infrastructure Partners LP | Medallion Gathering & Processing LLC | 15.9x |
| Enable Midstream Partners, LP | Align Midstream Partners II LP | 10.0x |
| Blackstone Energy Partners | EagleClaw Midstream Ventures, LLC | 17.9x |
| NuStar Energy L.P. | Navigator Energy Services, LLC | 20.4x |
| Plains All American, L.P. | Alpha Crude Connector from Concho Resources Inc. and Frontier Midstream Solutions, LLC | 17.5x |
| Targa Resources Partners LP | Outrigger Delaware Operating, LLC; Outrigger Southern Delaware Operating, LLC; and Outrigger Midland Operating, LLC | 9.0x |
| Rice Midstream Partners LP | Marcellus gathering and compression assets from Rice Energy Inc. | 13.5x |
| DTE Energy Co. | Gas gathering systems from M3 Midstream LLC and Vega Energy Partners Ltd. | 10 |