

Williams Cos. sold in \$37.7 billion deal; ETE says it will keep a 'meaningful presence' of jobs in Tulsa

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With more than 1,000 employees in Tulsa, the fate of Williams Cos. has been the source of much speculation since Dallas-based Energy Transfer Equity began pursuing it this summer.

On Monday morning, ETE announced that it would buy Williams in a \$37.7 billion deal.

Energy Transfer Equity LP will pay \$43.50 per share, a 4.6 percent premium to Williams' Friday closing price of \$41.60. Williams shares plummeted more than 12 percent Monday.

Williams' stockholders can choose shares of Energy Transfer Equity-affiliate Energy Transfer Corp., cash or a combination of both. Williams' stockholders will also receive a one-time special dividend of 10 cents per share that will be paid immediately before the acquisition closes.

Jamie Welch, ETE group chief financial officer and head of business development, said in a conference call Monday that they "expect the transaction to close in the first half of 2016."

It will be subject to approval by Williams stockholders, he said.

Tom Seng, an assistant professor of energy business at the University of Tulsa who spent a career in the oil and gas industry, called the deal a "megamerger" because the two companies have such complementary businesses and their pipeline footprint will be nationwide if the deal is approved by the Federal Trade Commission.

Concerns about the Tulsa workforce were at the forefront of many people's minds.

Williams spokesman Tom Droege stressed that the deal initially will have no impact on employees. After it closes, ETE has promised to keep "a meaningful presence" in Tulsa, he said.

Seng said he expects the two sides to look at redundancies between the businesses, but it could be months before any job announcements are made.

He said worries of Williams Cos. leaving Tulsa are natural. However, he pointed to ETE's acquisition of Southern Union, based in Houston, a few years ago. He said the company has remained in Houston, which could be a template for events in Tulsa.

In a brief news conference Monday, Tulsa Regional Chamber President Mike Neal stressed the company's roots in Tulsa and said Williams Cos. and the city were practically "synonymous."

Neal said a best-case scenario would mean Williams would keep "90 to 95 percent" of its highly paid workforce in Tulsa and be positioned for future growth.

Neal said he's hopeful that Williams will retain a significant presence in Tulsa based on the company's native assets, such as its building downtown and the "phenomenal workforce" based in the city.

"We feel highly optimistic based upon all the assets the company possesses ... and the phenomenal workforce this company has that the combined entity will choose to retain its headquarters and choose to retain the lion's share if not all the employees here."

Calling Tulsa "the most important American hub for the midstream oil and gas sector," Mayor Dewey Bartlett issued a statement late Monday.

"Williams is as much a part of this successful heritage as it is a product of it in Tulsa. There is every reason for Williams to remain strong and whole in Tulsa," he said.

Market reacts

Williams stock was at \$36.57, down more than 12 percent at the end of trading Monday. Williams Partners was down about 6 percent Monday, closing at \$33.53.

Seng said such weakness in the stock prices were natural because investors are probably hesitant about investing since it isn't clear how the deal will be financed by ETE, and investors may be selling high on Williams.

He added the deal will have no impact on energy prices because the two companies are energy infrastructure companies, not suppliers.

Fred Russell, a Tulsa investment adviser with Fredric E. Russell Investment Management Co., said Williams is a steal at the diminished price.

Russell called the merger a shrewd and logical acquisition for both sides because of Williams' near-monopoly position with some of its pipelines.

Williams stock price fell more than \$5 during Monday's trading, which Russell said was due to investors not looking at the long term.

Russell said it's hard for oil and gas investors to have a long-term outlook, despite the stability of the pipeline industry.

"Pipelines are for investors that want to sleep at night," he said.

Williams Cos., a large-scale natural gas infrastructure company also has nearly 7,000 workers in 24 states as well as Canada, with major offices in Oklahoma City, Houston, Pittsburgh, Salt Lake City and Calgary.

The deal terminates the merger previously agreed upon between Williams and Williams Partners L.P. Williams Partners will retain its current name and remain a publicly traded partnership headquartered in Tulsa.

Large energy presence

Energy Transfer Equity, which has a complicated corporate structure, is paying approximately \$32.61 billion for Williams. The total value of the deal is \$37.7 billion, including debt and other liabilities.

The company will be the third-largest energy franchise in North America and one of the five largest global energy companies, according to a news release.

ETE Chairman Kelcy Warren said in a statement: "I am excited that we have now agreed to the terms of this merger with Williams. I believe that the combination of Williams and ETE will create substantial value for both companies' stakeholders that would not be realized otherwise."

Williams leaders touted the deal for shareholders and customers.

Frank T. MacInnis, chairman of the Williams board of directors, said, "After a comprehensive evaluation of strategic alternatives, including extensive discussions

with numerous parties, the Williams Board of Directors concluded that a merger with Energy Transfer Equity is in the best interests of Williams' stockholders and all of our other stakeholders.

"The merger provides Williams stockholders with compelling value today as well as the opportunity to benefit from enhanced growth projects," he said in the release.

Alan Armstrong, president and CEO of Williams, said, "Williams' intense focus on connecting the best natural gas supplies to the best natural gas markets will be a significant complement to the ETE family of diverse energy infrastructure. As a combined company, we will have enhanced prospects for growth, be better able to connect our customers to more diverse markets, and have more stability in an environment of low commodity prices. Importantly, Williams Partners will retain its current name and remain a publicly traded partnership headquartered in Tulsa, Oklahoma."

Neal said the chamber will "be as aggressive as we possibly can," without becoming a pest to encourage the retention of the workforce in Tulsa.

He noted that Armstrong, Williams CEO, is chairman of chamber's board of directors and that they have a strong working relationship.

Months of speculation

Williams' announcement comes after months of speculation surrounding if and when Energy Transfer Equity would succeed in its attempt to merge with Williams Cos.

ETE confirmed on June 22 that it had made an unsolicited proposal to merge with the Williams Cos. in an all-equity transaction valued at \$53.1 billion, which worked out to a price of \$64 per share. Williams' board of directors rejected the bid, stating that it undervalued the company.

Although Williams' leaders rejected the 100 percent stock bid, the company announced June 21 that its board had authorized an exploration of "strategic alternatives" that could include Williams' selling, merging or remaining independent.

Williams (NYSE: WMB) owns approximately 60 percent of Williams Partners L.P. (NYSE: WPZ), a master limited partnership, with operations across the natural gas value chain.

Williams Partners' functions consist of gathering, processing and interstate transportation of natural gas and natural gas liquids to petchem production of ethylene, propylene and other olefins. The company owns and operates more than 33,000 miles of pipelines system wide.

On May 13, Williams Cos. and Williams Partners announced an agreement under which Williams Cos. would acquire the 40 percent of Williams Partners L.P. it doesn't already own for \$13.8 billion. Williams officials said at the time that the deal simplifies its corporate structure and should help the parent reduce taxes, increase payouts and accumulate cash for expansion.



Kelcy Warren, chairman and chief executive officer of Energy Transfer Partners, photographed Thursday, January 16, 2014 at his office in Dallas. (G.J. McCarthy/The Dallas Morning News) / mug - mugshot - headshot - portrait / 01202014xNEWS