



Casey Smith: Will shareholders put the WMB-ETE saga out of its misery?

By CASEY SMITH World Business Writer | Posted: Monday, March 28, 2016 12:01 am

Up until Wednesday, I had assumed the Energy Transfer-Williams deal would go through.

I didn't — I don't — have any inside information. And I'm not embarrassed to admit that I'm at a loss trying to understand a good portion of the outside information available via pages and pages of disclosure documents.

But my gut told me ETE would buy Williams. Not because I want that to happen or because I think the combined Williams-Energy Transfer model is something that makes sense. (To the latter point, does the deal make sense? I don't know. I know Energy Transfer would love to operate the Transco pipeline, but then so would I.)

No, I had the feeling that the deal would likely go through because Kelcy Warren seems to me like the type of person who — and this is a superficial judgment on my part — ultimately gets exactly what he wants.

But I feel Wednesday's change in some major elements of the deal raises the question: Is this merger something that Warren even wants anymore?

Or is the disclosure that "Whoops, initial projections were dramatically wrong about the value of expected synergies" and "Oh, by the way, the vast majority of Williams operations would leave Oklahoma for good" a new strategy?

Is it a tactic to get shareholders to vote against a bad but ironclad contract that, rumor has it, Energy Transfer has been trying to kill for months now?

Rumors flying

Mike Neal, president and CEO of the Tulsa Regional Chamber, said there are rumors that ETE does, in fact, want out.

“We’ve been hearing rumors — and rumors are rumors, you have no idea in any instance as to the validity of them — but we’ve been hearing for some time that Mr. Warren and the ETE leadership wants this deal to go away,” Neal said. “We’ve had no direct dialogue with him, and we have no idea about the accuracy or validity of those comments. But we keep hearing it over and over and over, and it seems to be escalating.”

After Wednesday’s filing, the chamber issued a statement urging the Williams board of directors to revisit the terms of the merger, as it may represent a material change in content the board originally agreed to.

A vote by Williams shareholders, who must approve the deal, has yet to be set. And if this week’s developments are a tactic to sway votes toward no, it might be working.

“There’s no good reason for Williams shareholders to vote for this merger,” Tulsa-based money manager Fred Russell said after the filing.

“They may have voted for the merger when it was first proposed in June, when the premium over Williams stock offered by Energy Transfer was 32 percent, but that premium shrank to roughly 4.5 percent in the second deal. Why would someone going to a wedding be told they’re less valuable and still go to the wedding?”

Local shareholders a minority

The announcement that Williams’ headquarters would move and presumably many employees would be out of a job is reason enough for many local shareholders to vote against the deal. But individuals aren’t really the ones who will be making the decisions here.

As of figures from Dec. 31, institutional investment management companies owned nearly 75 percent of outstanding Williams shares, while brokerage firms owned just more than 9 percent, according to Ying Qi and Qian Zhang, who are also with Fredric E. Russell Investment Management Co.

Individual investors, which includes many Tulsa shareholders, account for less than 0.2 percent of the Williams stock, they said.

“The big holders are not in Tulsa — they’re in New York, Boston, Chicago, Dallas,” Russell said.

Russell said the announcement that expected commercial synergies had dropped from \$2 billion to \$170 million annually would be enough for a hedge fund manager to vote “no.”

The bold change in projections indicates that management either didn’t understand the deal it was making or deliberately exaggerated, Russell said.

“I would really doubt that any smart hedge fund manager would vote for this deal, 1. because the premium has declined and 2. because it appears that management is confused about this deal, or not straightforward, or both,” Russell said.



WILLIAMS

Will the Energy Transfer-Williams Cos. merger go through? MIKE SIMONS/Tulsa World file