

Epic Midstream Bluewater Fund I Case Study

August 2017



Macquarie Infrastructure Corporation (NYSE:MIC)
acquired Epic Midstream for a value of \$171.5 million.

Business Outline:

Founded in 2011 by Bluewater to acquire, enhance and unify hydrocarbon storage assets in North America. Epic owns and operates seven refined products storage terminal assets in Georgia, Alabama, and New Mexico (USA) that provide storage capacity, blending and other ancillary services for products such as ultra-low sulphur diesel, gasoline, distillates, lube oils and jet fuel.

Sourcing Strategy:

Epic Midstream was an investment platform created by Bluewater in 2011 utilising a repeat model and repeat team from a previously successful investment in Borco. (Borco was a deal led by Tom Sikorski whilst at First Reserve). Epic Midstream was the first investment platform in Bluewater's Fund I Mid / Downstream Equipment & Services sector.

Investment Case:

The refining and product demand landscape within the U.S. continued to favour strategically located storage assets to increasingly supply hydrocarbons to key demand centres (which were increasingly far from major U.S. refining centres).

Increasing pressure on midstream / downstream players to rationalise their capital spend to "core" business areas created a strong and growing deal pipeline. U.S. shale oil supply implies shift change in logistical network, with new centres needing storage solutions and ports need expanded storage capacity.

Summary of Sale:

Epic Midstream LLC:

HQ – Houston USA

Sector:

Mid / Downstream Equipment & Services

BWE Deal Team:

Sikorski, Johansson, Potter

Ownership: 50%¹

Fund I Investment: \$48.5m

Initial Investment: May 2012

Exit Date: August 2017

MOIC Exit Value: 1.8x²

Deal IRR: 19%²

¹ Bluewater managed funds co-owned Epic Midstream with White Deer Energy managed funds.

² Assumed base case outcomes achieved on retained assets and earnouts post MIC sale.

How Bluewater created value at Epic Midstream:

Organic Growth

- Repeat model with repeat management team
- Recruited CEO through industrial network, bringing extensive experience in the midstream space
- Management incentive plan implemented, with all key managers investing alongside BWE
- Asset EBITDA increased by over 2.5x since initial acquisition of the NuStar terminals
- Successful execution of growth projects across all seven terminals which generated over \$5 million of additional organic growth within the existing sides originally acquired from NuStar
- Identified strategic gasoline customer (Glencore) and executed a long term take or pay contract for 500,000 barrels of storage
- Designed, built, contracted, and ultimately developed an ethanol unit train at the Montgomery facility on the back of a long term contract with a strategic customer
- Significantly increased tank utilisation across all existing facilities with the addition of new strategic customers (at exit tank utilisation across all facilities was near 100%)

M&A

- Acquired the 1.1 million barrel Savannah North asset from Axeon in 2015 on a bilateral, proprietary basis
- Achieved full utilisation of the facility within 12 months of ownership (original investment case was two to three years)
- Savannah North contributed greater than \$5 million of Asset EBITDA to Epic at exit
- Acquired 120,000 barrel Alamogordo facility from NuStar on a proprietary basis and achieved full utilisation on time and on budget
- Acquired 300,000 barrel Ingleside facility in Corpus Christi, TX from Plains All American on a proprietary basis

Three successful, proprietary add-on M&A transactions completed including the acquisition of the 1.1m barrel Savannah North facility in Epic's key marine market.

150%

Asset EBITDA growth during Bluewater's investment.

