MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Upgrades EMG Utica, LLC to B1

Global Credit Research - 24 Apr 2017

Approximately $210 million of rated debt affected

New York, April 24, 2017 -- Moody's Investors Service, ("Moody's") upgraded EMG Utica, LLC's (EMG Utica) Corporate Family Rating (CFR) to B1 from B2, Probability of Default Rating (PDR) to B1-PD from B2-PD and the senior secured term loan rating to B1 from B2. The rating outlook is stable.

"EMG Utica's rating upgrade is driven by the company's substantial reduction in its debt burden and our expectation of steady distributions from MarkWest Utica EMG, LLC (JV) to EMG Utica. Continued growth in the natural gas volumes produced in the Utica region contribute to the stable outlook" commented Sreedhar Kona, Moody's Senior Analyst. "EMG Utica's reliance on the JV's performance and distributions constrain the ratings."

Upgrades:

Issuer: EMG Utica, LLC

..Corporate Family Rating: Upgraded to B1 from B2

...Probability of Default Rating: Upgraded to B1-PD from B2-PD

Senior Secured Bank Loan: Upgraded to B1 (LGD4) from B2 (LGD4)

Outlook Actions:

Issuer: EMG Utica, LLC

Outlook: Stable

RATINGS RATIONALE:

EMG Utica's B1 CFR reflects its very low leverage, the JV's 100% fee based contracts with acreage dedication, steady growth in volumes through 2016 and good visibility on the 2017 production profiles of the JV's customers in the Utica region. Additionally, the Utica region in general has been significantly de-risked through 2015 and 2016. The rating is tempered by structural complexity arising from the holdco structure, as the borrower's ability to service the debt is dependent on the performance and distributions from the JV, which the borrower does not own 100%. The ratings also take into account EMG Utica's concentration in the Utica region and the relatively low average customer credit quality. We expect the volumes from Gulfport Energy Corporation's (Gulfport, B1 positive) and Antero Resources Corporation's (Antero, Ba2 stable) respective Utica acreage positions to grow through 2017 or, at a minimum, remain flat at December 2016 levels. This will allow the JV to maintain its distributions to EMG Utica. The rating is also supported by the significant equity contributions by both The Energy & Minerals Group (EMG) and MarkWest Energy Partners, L.P. (MarkWest), a subsidiary of MPLX, LP (Baa3 stable) to the JV.

Moody's expects that EMG Utica will maintain adequate liquidity through mid-2018. EMG Utica is a holding company with no operations of its own and does not have a revolving credit facility to provide additional liquidity. The company currently utilizes the JV distributions to service its debt and has additional equity commitment from EMG for future debt reduction or capital needs. The term loan amortizes at a rate of 1% per annum of the outstanding loan payable. As of December 31, 2016, the company had an outstanding term loan balance of $210 million and $12.7 million in cash and restricted cash. Based on Moody's expectation of the JV's distributions to EMG Utica, the company will generate positive free cash flow after covering debt service and any capital expenditure spend. The term loan requires the company to comply with several financial covenants under its credit agreement -- a maximum total debt to JV capitalization ratio below 35%, an interest coverage ratio of above 3.0x and a leverage ratio below 4.50x. Moody's expects the company to be in compliance with its covenants through mid-2018. The term loan also has a leverage-based cash flow sweep provision, but given the company's current leverage of below 2.5x threshold, there is no obligation for the company to comply with the sweep provision. Moody's expects a significant portion of the excess cash flow to be distributed to EMG Utica's parent. EMG Utica has the right but not the obligation to contribute up to 10% of additional capital requirements of the JV.

The term loan was issued by EMG Utica which is a holding company that owns EMG's equity interests in the JV. Consequently, any debt issued at the JV level including trade payables will be structurally senior to EMG Utica's debt. The JV agreement allows for relatively minimal debt at the JV thereby limiting the amount of debt it can incur. EMG Utica's senior secured term loan is the only class of debt in its capital structure and therefore it is rated B1, the same as its CFR.

The stable outlook is based on Moody's expectation that the JV will maintain its volumes, and distribute the expected cash flows to EMG Utica required to service its debt and maintain compliance with its covenants with a reasonable covenant cushion.

EMG Utica's reliance on the performance and distributions from the JV, the structural complexity arising from the holdco structure, relatively small size and scale, and the concentration in Utica, make the consideration for a further upgrade unlikely.

A ratings downgrade could be warranted if production volumes from the JV's core customers in Utica drop significantly (whether due to deterioration in producer return economics or for other reasons) or if their credit profile weakens meaningfully. Given MarkWest's status as a major partner to the JV, a change in MPLX LP's credit ratings or outlook could also lead to a negative rating action. Material changes at the JV level leading to adverse credit implications for EMG Utica could also result in a ratings downgrade.

The principal methodology used in these ratings was Global Midstream Energy published in December 2010. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

EMG Utica, LLC (EMG Utica) is a holding company formed by energy private equity firm The Energy & Minerals Group (EMG) to hold its equity interest in the JV - a joint venture with MarkWest Energy Partners, L.P. a subsidiary of MPLX, LP. EMG Utica currently holds approximately 44% equity interest in the joint venture.

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Sreedhar Kona
Vice President - Senior Analyst

Corporate Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Steven Wood
MD - Corporate Finance
Corporate Finance Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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