SUNOCO INC
Form 425
June 06, 2012

Filed by Energy Transfer Partners, L.P.
pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12 under the
Securities Exchange Act of 1934
Subject Company: Sunoco, Inc.

Commission File No.: 1-06841
Energy Transfer Partners, L.P.
Presentation to Fixed Income Investors
June 5, 2012
Michael Doss
Vice President -
Finance

2

Legal Disclaimer

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

Statements in this document regarding the proposed transaction between Energy Transfer Partners, L.P. (ETP) and Sunoco, Inc. (Sunoco), the expected timetable for completing the proposed transaction, future financial and operating results, benefits and synergies of the proposed transaction, future opportunities for the combined company, and any other statements about ETP, Energy Transfer Equity, L.P. (ETE), Sunoco Logistics Partners, L.P. (SXL) or Sunoco managements future expectations, beliefs, goals, plans or prospects constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words believes, plans, anticipates, expects, estimates and similar expressions) should also be considered to be forward looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward looking statements, including: the ability to consummate the proposed transaction; the ability to obtain the requisite regulatory approvals, Sunoco shareholder approval and the satisfaction of other conditions to consummation of the transaction; the ability of ETP to successfully integrate Sunoco s operations and employees; the ability to realize anticipated synergies and cost savings; the potential impact of announcement of the transaction or consummation of the transaction on relationships, including with employee suppliers, customers and competitors; the ability to achieve revenue growth; national, international, regional and local economic, competitive and regulatory conditions and developments; technological developments; capital and credit markets conditions; inflation rates; interest rates; the political and economic stability of oil producing nations; energy markets, including changes in the price of certain commodities; weather conditions; environmental conditions; business and regulatory or legal decisions; the pace of deregulation of retail natural gas and electricity and certain agricultural products; the timing and success of business development efforts; terrorism; and the other factors described in the Annual Reports on Form 10-K for the year ended December 31, 2011 filed with the SEC by ETP, ETE, SXL and Sunoco. ETP, ETE, SXL and Sunoco disclaim any intention or obligation to update any forward looking statements as a result of developments occurring after the date of this document.

3
ETP Overview

Energy Transfer Partners, L.P. (ETP) is one of the largest publicly traded MLPs

Adjusted EBITDA of $1.74 billion in 2011 and $536 million in Q1 2012

Equity
market
capitalization

of approximately $9.8 billion [1] and an enterprise value of $18.5 billion [1,2]

More than $17.4 billion of total assets

ETP has a diversified portfolio of strategically positions natural gas and NGL assets

Approximately 23,500 miles of intrastate and interstate natural gas pipelines, including JVs

74 Bcf of working natural gas storage capacity

More than 1,500 miles of NGL pipeline

NGL storage and fractionation facilities

ETP has transformed itself over the last eighteen months as we:

Entered the NGL business through our Lone Star joint venture and its acquisition of LDH Energy

Announced more than $3.0 billion

of
organic
growth
opportunities
with
a
focus
on
liquids-rich
opportunities

Contributed our Propane business to AmeriGas

Closed the acquisition of Southern Union s 50% interest in Citrus (which owns FGT)

Announced the proposed acquisition of Sunoco, Inc. (SUN)

Throughout
this
transformation,
we
have
continued
to
demonstrate
our
commitment
to
investment
grade
ratings
by:

Focusing on long-term, fee-based contracts

Significantly improving our business profile

Managing commodity exposure through the use of hedges

Applying cash proceeds from the Propane Contribution to reduce indebtedness

Issuing more than $3.5 billion in equity over the past three years to fund growth
1
As of June 1, 2012. Excludes the value of incentive distribution rights (IDRs) held by ETE.
2
Includes net debt as of March 31, 2012

4

Proposed Acquisition of SUN

ETP has announced the acquisition of 100% of SUN s outstanding common stock for $5.3 billion

Creates a best in class
natural gas, crude oil, NGLs and refined product logistics platform

Provides customers with a full suite of capabilities in key geographic locations

Diversifies ETP s existing assets into crude oil and refined products transportation, terminalling and logistics

Provides a growth engine for ETP through ownership of interests in Sunoco Logistics Partners L.P. (SXL)

Dramatically
expands
scale,
operational
diversity
and
geographic
footprint
of
SUN
and
SXL,
enabling
businesses
to fully deliver on potential

Accretive to ETP cash flow while providing SUN shareholders increased value now and into the future

Key SUN and SXL management will remain and continue to run businesses

5
Pro Forma Organizational Structure
70%
30%
Energy Transfer Equity, L.P.
(NYSE: ETE)
Ownership
in
RGP

100%
RGP
IDRs
1.6%
General
Partner
Interest
26.3mm
LP
units
(15.4%
of
total)
Ownership
in
ETP
100%
ETP
IDRs
1.5%
General
Partner
Interest
52.5mm
LP
units
(22.9%
of
total)
Ownership in SUG
100% SUG Shares
Regency
Energy
Partners
LP
(NYSE: RGP)
Energy Transfer Partners, L.P.
(NYSE: ETP)
Southern Union Co.
Gathering & Processing
Joint Ventures
Contract Treating
Contract Compression
Lone Star NGL
Midstream
NGL
Intrastate Transportation & Storage
Interstate Transportation
SUGS
Panhandle

Companies
LDCs
Ownership in SXL
100% SXL IDRs
2% GP Interest
32.4% LP Interest

6
ETP Pro Forma Asset Overview
Pipelines
ETP
SXL
Processing
Treating
Pipelines
Terminals
Storage

Note: Excludes SUN s retail marketing locations

7
Adjusted EBITDA in $ millions.
Since Q4 2010, ETP has
announced more than
$3.0 billion of organic
growth projects and $8.6
billion of strategic
acquisitions
Adjusted EBITDA Expected to Grow

52%
47%
38%
26%
14%
21%
22%
15%
16%
14%

21%
25%
18%
18%
13%
5%
4%
10%
20%
2009
2010
2011
2011
pro forma
Intrastate
Midstream
Interstate
Propane
NGL
Retail
Crude & Refined Products
Increasingly
Diversified
Sources
of
Cash
Flow
(1)
2011 ETP pro forma for contribution of propane to AmeriGas Partners, L.P. and Citrus acquisition.
Excludes distributions from AmeriGas Partners, L.P.
Consolidation of SXL assumed.

SUN acquisition will increase ETP s fee-based services provided to producers while balancing its sources of cash flows

Inventory of attractive NGL and crude oil projects at SXL augments ETP s growth projects and provides visibility to meaningful EBITDA growth

Pro forma combined 2012 growth capex of ~$2.2 billion with the vast majority allocated to NGLs, midstream and crude oil projects

Retail business provides an additional stable segment to ETP's overall business mix
(1)
8
ETP
Adjusted

EBITDA

9
Robust Portfolio of Growth Projects
Project
Description
Capacity
Expected
Completion
Estimated Cost
($ mm)
Midstream

Dos Hermanas
Pipeline
50-mile, 24-inch pipeline originating in northwest Webb County and extending to ETP's existing Houston Pipeline rich gas gathering system in eastern Webb County
400 MMcf/d
In-service
Q4 2010
$43
Chisholm Pipeline
83 mile, 20-inch pipeline extending from DeWitt County to ETP's La Grange Processing Plant in Fayette County
100 MMcf/d, expandable
to 300 MMcf/d
In-service
Q2 2011
$68
REM Phase I
160-mile, 30-inch pipeline originating in Dimmitt County and extending to the Chisholm Pipeline for ultimate delivery to ETP s processing plants
400 MMcf/d, expandable to
800 MMcf/d
In-service
Q4 2011
$230
Chisholm Plant
Natural gas processing plant located adjacent to ETP's existing La Grange Plant in Fayette County
120 MMcf/d
Q1 2012
$70
REM Phase II
70 mile, 42-inch pipeline expansion, which will extend from the Chisholm Pipeline in DeWitt County east into Jackson County
800 MMcf/d
Q4 2012
$170
400 MMcf/d, Phase I
Q1 2013
$400
200 MMcf/d, Phase II
Q1 2014
200 MMcf/d, Phase III
Q1 2014
Red River Gathering
Pipeline & Godley
117-mile, 24- and 30-inch pipeline from Carter County, Oklahoma to ETP's Godley Plant in Johnson County, Texas
450 MMcf/d, expandable to
550 MMcf/d
Q4 2012
$360

Godley Plant
Expansion
Cryogenic processing plant to be constructed at the Godley processing facility in Johnson County,
Texas
200 MMcf/d
Q3 2013
Karnes County
Processing Plant
Natural gas processing plant located in Karnes County
200 MMcf/d
Q4 2012
$210
REM Expansion
37 miles, 30-inch pipeline expansion
-
Q4 2013
Sub-total
$1,551
NGL (ETP)
Freedom Pipeline
43-mile, 8-inch NGL pipeline connecting the Liberty pipeline to ETP's La Grange & Chisholm plants
40 Mbpd
In-service
Q3 2011
$30
Liberty Pipeline
93-mile, 12-inch NGL pipeline owned through a 50/50 JV with Copano. Connects the Freedom pipeline
to the Formosa plant
90 Mbpd
In-service
Q3 2011
$26
Justice Pipeline
130-mile, 20-inch NGL pipeline from the Jackson Plant to Mont Belvieu
340 Mpbd
Q3 2012
$300
Sub-total
$356
NGL (70% interest in Lone Star)
West Texas Gateway
570-mile NGL pipeline originating in Winkler County and terminating in Jackson County
200 Mbpd
Q1 2013
$642
Frac I
Mont Belvieu NGL fractionator
100 Mbpd
Q1 2013
$273

Frac II
Mont Belvieu NGL fractionator
100 Mbpd
Q1 2014
$245
Sub-total
$1,160
Total announced ETP growth projects since Q4 2010 (including 70% of Lone Star)
$3,067
Jackson Plant
Natural gas processing plant located in Jackson County

Eagle Ford Shale Projects
10

11
West Texas Gateway Project
(NGL) Pipeline
Lone Star Projects (70% ETP)

Approximately 570 miles of 16-inch pipe
with an initial capacity of 200,000 Bbl/d

Originating in Winkler County and
terminating in Jackson County, Texas

Lone Star has secured capacity through
ETP s Justice NGL pipeline from
Jackson County to Mont Belvieu

Expected in-service Q1 2013
Mont Belvieu Fractionator I & II

Two 100,000 Bbl/d NGL fractionators to
be constructed at Mont Belvieu
A substantial amount of the fractionation
capacity will be utilized for NGLs from
ETP s Justice Pipeline

Expected in-service:
Frac I -
Q1 2013
Frac II -
Q1 2014

Freedom Pipeline
NGL Pipeline Projects (100% ETP)
12

43 mile 8-inch NGL pipeline

40,000 Bbl/d design capacity

In-service September 2011
Liberty Pipeline

93 mile 12-inch NGL pipeline

90,000 Bbl/d design capacity

50/50 JV with Copano

In-service September 2011
Justice Pipeline

130 mile 20-inch NGL pipeline

340,000 Bbl/d design capacity

Expected in-service Q3 2012

Citrus Overview (50% ETP)
13
Florida Gas Transmission System Map

Florida Gas Transmission (FGT) is 100% owned by Citrus Corp. (Citrus),

Owned 50% by ETP and 50% by El Paso Corp., which was recently acquired by Kinder Morgan, Inc.

Approximately 5,400 miles of pipe and mainline system capacity of 3.1 Bcf/d

Delivered ~63% of the natural gas consumed in Florida in 2010

Largely demand driven with 30,000+ MW of gas-fired generation connected to FGT

Over 240 delivery points and 50 interconnects with interstate and intrastate pipelines

Gulfstream is currently the only competitor for gas supply into Florida, with 1.26 Bcf/d capacity

2011 revenue and EBITDA were $694 million and $531 million, respectively

FGT Phase VIII Expansion

Phase VIII, an 820,000 MMBtu/d expansion from Mississippi to South / Central Florida, was placed in service on April 1, 2011 with a total project cost of $2.5 billion

Expansion capacity is currently 78% contracted on a firm basis for a tenure of up to 25 years

Overview

14

Managed Commodity Exposure

Intrastate Segment

We manage our open transportation capacity (approximately 1.0 Bcf/d) between points across Texas through the use of buy/sale transactions and commodity derivatives

100% of net retained fuel volumes (approximately 60 MMcf/d) hedged at an average price of $3.78/MMBtu in 2012 and $3.72/MMBtu in 2013

As of March 31st, we had 54 Bcf in the ground managed for our own account that we now expect to withdraw in late 2012 / early 2013 at average spreads of $0.95/MMBtu.

Midstream Segment

Approximately 16,700 Bbl/d of equity NGL volumes

Interstate Segment

Nearly all revenues are demand charges

Minimal direct exposure to natural gas prices

NGL Segment

Nearly all gross margin is fee-based

Lone Star (of which we own 70%) has approximately 3,500 Bbl/d equity NGL volumes

15
Balanced Approach To Funding Growth
49%
24%
63%
34%
60%
76%
63%
53%

54%
51%
76%
37%
66%
40%
24%
37%
47%
46%
FY 2005
FY 2006
16 Mo.
Ended
12/31/07
2008
2009
2010
2011
2012E
Cumulative
Equity + Excess Cash Flow
Debt
Total Capital
Deployed
1
($
mm):
$1,292
$1,204
$3,062
$1,896
$1,328
$834
$3,428
$18,511
2
3
$5,468
1
2
3
ETP
changed
from
a
fiscal
year
end
of

August
31
to
a
calendar
year
end
at
the
end
of
2007.
st
Excludes capital contributions to joint ventures other than Lone Star. Includes cash paid for acquisitions and proceeds from the
Equity includes net proceeds from issuance of common units plus capital contributions from general partner, capital contributi
common units issued in connection with acquisitions. Excess Cash Flow includes net cash provided by operating activities les
distributions paid plus proceeds from sale of assets and discontinued operations.

16
Debt Capitalization
($ million)
3/31/2012
12/31/2011
Revolving Credit Facility ($2,500)
190
$
314
$

Senior Notes:
5.65%
due 2012
108

400

6.00%
due 2013
350

350

8.50%
due 2014
292

350

5.95%
due 2015
750

750

6.13%
due 2017
400

400

6.70%
due 2018
600

600

9.70%
due 2019
400

600

9.00%
due 2019
450

650

4.65%

due 2021
800

800

5.20%
due 2022
1,000

-

6.63%
due 2036
400

400

7.50%
due 2038
550

550

6.05%
due 2041
700

700

6.50%
due 2042
1,000

-

Total Senior Notes
7,800

6,550

Other Long-Term Debt:
Transwestern Senior Notes
870

870

Other
1

82

Total Other Long-Term Debt
871

952

Total Debt
8,861
$
7,816
$

17
Ratings Summary
Moody's
S&P
Fitch
Rating
Outlook
Rating
Outlook
Rating

Outlook
ETP
Senior Unsecured
Baa3
Negative
BBB-
Stable
BBB-
Negative
SUN
Senior Unsecured
Ba2
Developing
BB+
CW Positive
BB+
Stable
SXL
Senior Unsecured
Baa2
Review Down
BBB
Negative
BBB
Stable

18

ETP is one of the largest publicly traded MLPs with an equity market capitalization of approximately $9.8 billion[1] and an enterprise value of $18.5 billion [1,2]

Owns and operates more than 23,500 miles of intrastate and interstate pipelines and 1,500 miles of NGL pipeline

Connects prolific natural gas producing areas with multiple end markets
Key Considerations
Large
Diversified
Asset Base
Strong
Balance Sheet
Stable Asset
Base & Cash
Flow Profile
Well
Managed
Growth
Profile

Committed to maintaining a strong balance sheet and investment credit grade metrics

Track record of maintaining a strong liquidity position

Proven ability to raise equity including more than $3.5 billion in net proceeds from equity offerings over the past three years

Significant fee-based operating income and long-lived assets

High-quality customer base with strong credit profile

Hedge positions provide for further cash flow stability in commodity price sensitive areas

Low-risk, high-return projects supported by long-term customer contracts

Demonstrated ability to construct and place into service pipelines on-time / on-budget

Balanced approach to funding
1
As of June 1, 2012. Excludes the value of incentive distribution rights (IDRs) held by ETE.
2
Includes net debt as of March 31, 2012

19
Adjusted EBITDA Reconciliation (ETP)
Years Ended December 31,
($ millions)
2008
2009
2010
2011
Net income
866.0

$
791.5
$
617.2
$
697.2
$
Interest expense, net of interest capitalized
265.7

394.3

412.6

474.1

Income tax expense
6.7

12.8

15.5

18.8

Depreciation and amortization
262.2

312.8

343.0

430.9

Non-cash compensation expense
23.5

24.0

27.2

37.5

(Gains) losses on disposals of assets
1.3

1.6

5.0

3.2

Gains on non-hedged interest rate derivatives
51.0

(39.2)

(4.6)

77.4

Unrealized (gains) losses on commodity risk management activities
(35.5)

(30.0)

78.3

11.4

Goodwill impairment loss
11.4

-

-

-

Impairment of investment in affiliate
-

-

52.6

5.4

Proportionate share of unconsolidated affiliates' interest, depreciation
and allowance for equity funds used during construction
-

22.3

22.5

30.0

Adjusted EBITDA attributable to non-controlling interest
-

-

-

(37.8)

Other, net (includes allowance for equity funds used during construction)
(73.3)

(12.7)

(28.5)

(5.4)

Adjusted EBITDA
1,378.9
$
1,477.4
$
1,540.9
$
1,742.6
$

Adjusted EBITDA is a non-GAAP financial measure. Management believes Adjusted EBITDA provides useful information to companies, including companies that may have different financing and capital structures. The presentation of Adjusted EBITD manner similar to the methods used by management and provides additional insight to our operating results.

There are material limitations to using measures such as Adjusted EBITDA, including the difficulty associated with using it as company to another, and the inability to analyze certain significant items that directly affect a company s net income or loss o EBITDA may not be consistent with similarly titled measures of other companies and should be viewed in conjunction with m GAAP, such as gross margin, operating income, net income, and cash flow from operating activities.

Definition of Adjusted EBITDA

ETP defines Adjusted EBITDA as total partnership earnings before interest, taxes, depreciation, amortization, and other non-ca gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on impairment charges, and other non-operating income or expense items. Unrealized gains and losses on commodity risk manag on commodity derivatives and inventory fair value adjustments (excluding lower of cost or market adjustments).