

Energy sector trends

OPEC and Russia reach a compromise on oil production¹

At the beginning of December, OPEC Plus decided that global oil production would be allowed to increase by half a million barrels a day in January and could potentially be allowed to increase by a similar amount in the following months. OPEC Plus refers to OPEC, Russia, and several other oil-producing countries that agreed to cut production by 10 million barrels a day in early April. The group plans to meet monthly to discuss adjustments.



Electricity consumption decreases YoY³

The US Energy Information Administration (EIA) estimates that US electricity consumption in the commercial sector and residential sector declined by 6.0 percent and increased by 1.3 percent, respectively, in 2020 compared to the previous year. The EIA believes residential sales growth will drop in the first half of 2021, but will experience an increase of 2.4 percent YoY. The group expects commercial sales to increase a modest 0.9 percent in 2021.

Congress extends renewable energy incentives²

In late December, Congress passed a sizable spending bill which included renewable energy incentive extensions and \$35 billion in energy research and development programs. The Investment Tax Credit (ITC) for solar power, the Production Tax Credit for wind power, and the ITC for offshore wind power were given 1-, 2-, and 5-year extensions, respectively. Carbon emissions and nuclear R&D were allocated large portions of the spending.

Coal industry continues decline⁴

In December, two additional coal companies filed for bankruptcy, making it five such filings for 2020. All were relatively small, privately-held companies with mines in rural towns in the Midwest, the South, and Western states. The remaining coal companies that did not file for bankruptcy have experienced multiple waves of layoffs in 2020. Over the last 12 months, the coal mining industry has lost eight thousand jobs, about 15 percent of the workforce.

In this update

- Energy trends
- Economic outlook
- Industry analysis
- Select M&A transactions
- Appendix

This update will focus on news and trends in the following areas:

- Oil production
- Renewable energy
- Power and utilities
- Coal

Who we are

Deloitte Corporate Finance LLC is a leading global middle market M&A adviser. Our professionals have extensive knowledge within various sectors of the Energy space.

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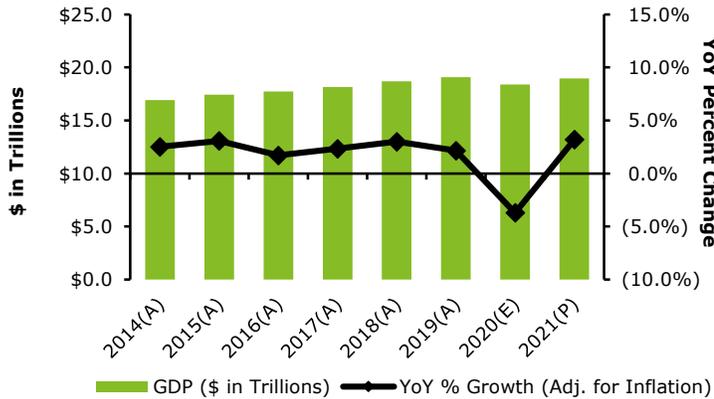
In the news

December 3, 2020⁵ – OPEC Plus met to discuss increasing oil production. Several countries argued for an increase of 2.0 million barrels a day while others, led by Saudi Arabia, preferred to keep the current production cuts, an estimated 7.7 million barrels less per day. With oil prices recently reaching their peak since the crash in April 2020, some oil producers saw less need to keep production severely depressed. Among this group was the United Arab Emirates, a country that is normally Saudi Arabia's ally during OPEC meetings. After a 2-day delay due to fierce negotiations, the result of the meeting was a consensus to increase production by half a million barrels a day.

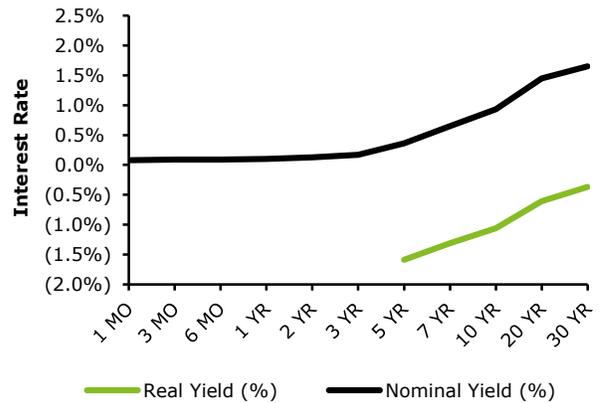
December 21, 2020⁶ – Congress passed a \$35 billion energy research, development, and demonstration (RD&D) funding package, coupled with the broader spending package passed the week before. \$6.6 billion was allocated to developing advanced nuclear reactor designs and modernizing nuclear power plants. \$6.2 billion was allocated to reducing emissions at power plants. \$4.7 billion was allocated to research into nuclear fusion. \$2.9 billion was allocated to the Department of Energy's ARPA-E program to speed research and commercialization across energy technology sectors. \$2.4 billion was allocated to a range of grid modernization efforts including integration of renewables, batteries, and electric vehicles.

Macroeconomic outlook

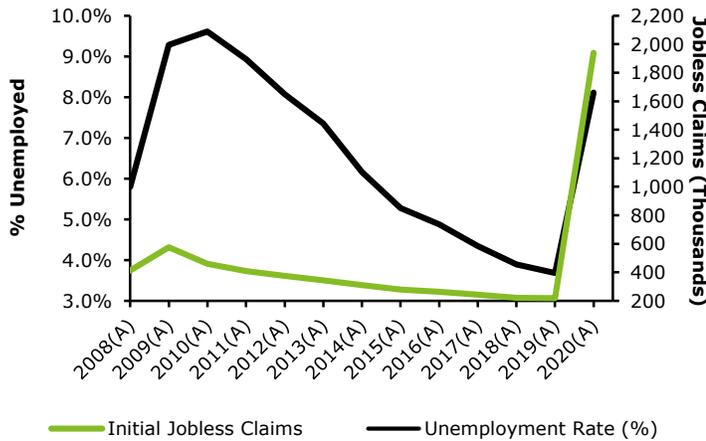
US gross domestic product (\$ in trillions)¹



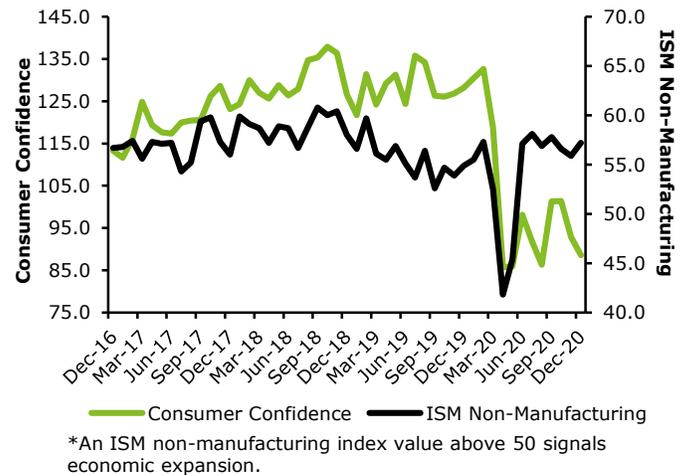
US treasury yield curve (nominal vs. real)²



US unemployment rate (% unemployed)³

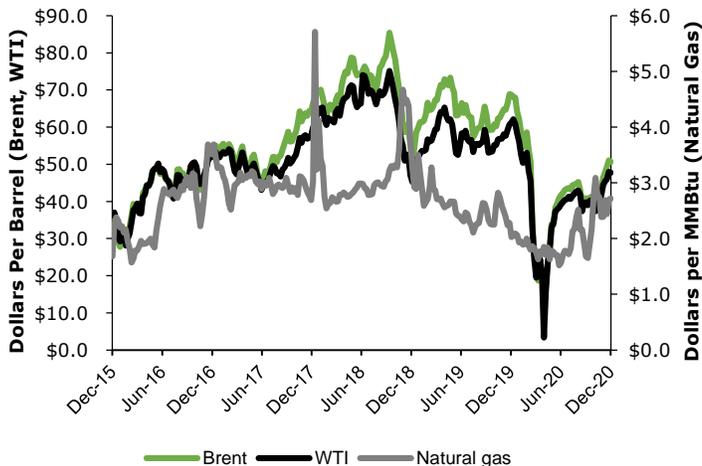


ISM non-manufacturing index and consumer confidence index⁴

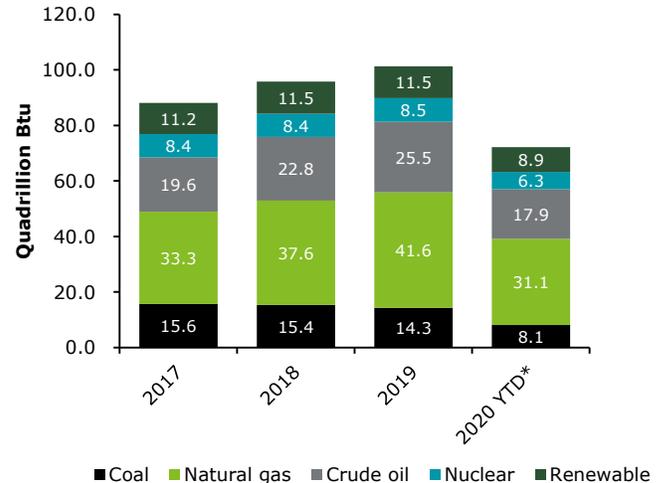


Energy sector outlook

Brent, WTI, and natural gas prices (2016 - 2020)⁵



US energy production by source⁶

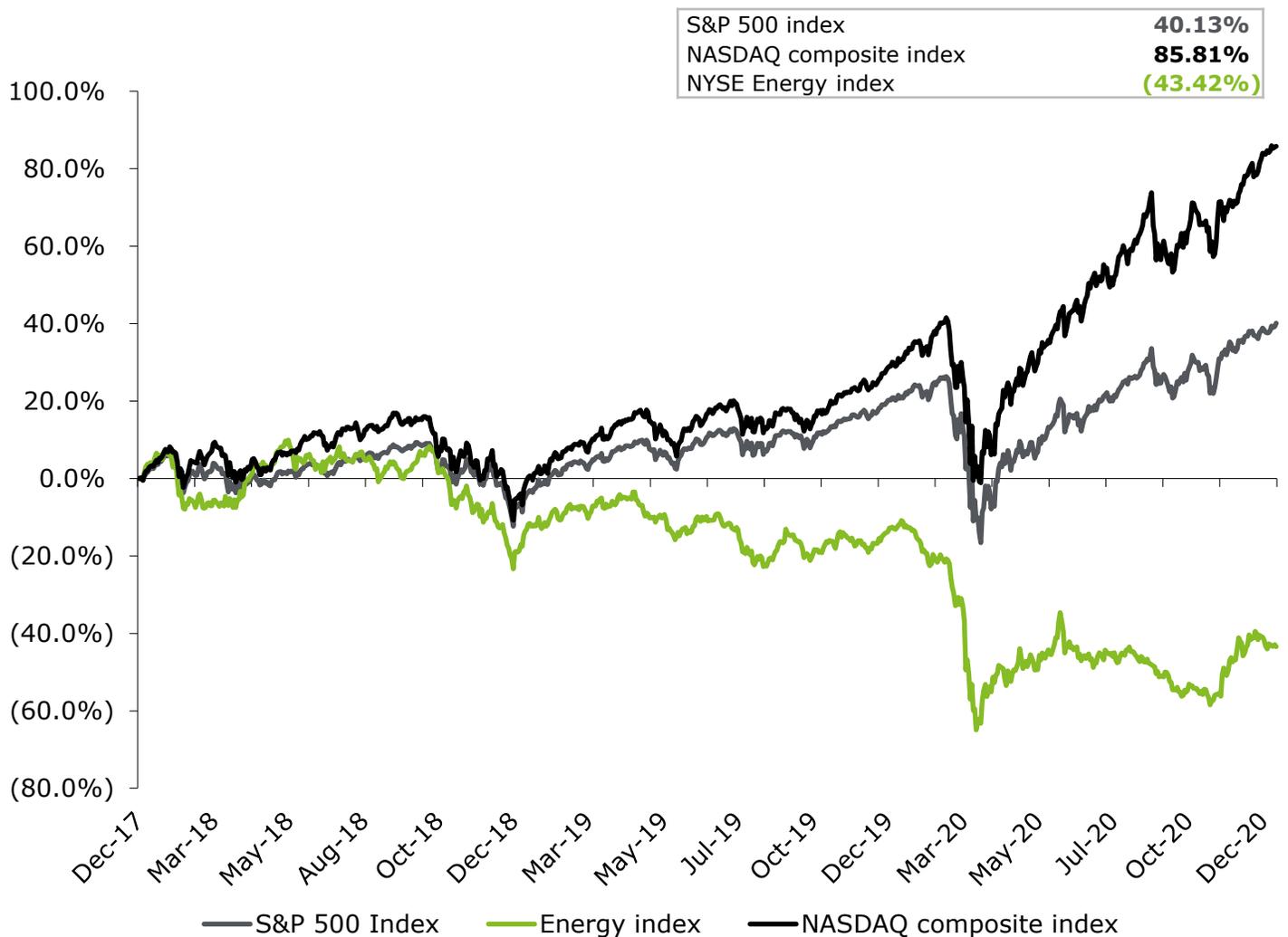


*2020 YTD through September 2020.

Energy sector breakdown and trading statistics¹

Sector	Number of companies	% of 52-week high	Median revenue CAGR (3 Yr)	Median LTM EBITDA	Median EBITDA Margin	Median enterprise value	Last twelve months		NTM
							EV/Revenue	EV/EBITDA	EV/EBITDA
<i>(\$ in Millions)</i>									
Oil and gas, general (13)	13	74.8 %	(5.0)%	\$1,635.0	11.3 %	\$27,146.4	2.0 x	14.5 x	9.3 x
Power & utilities (18)	18	79.5	0.2	3,884.8	36.0	46,727.1	4.8	13.1	11.7
Renewable energy (12)	12	96.4	3.4	407.7	26.1	8,879.1	7.2	13.3	18.3
Nuclear (3)	3	77.1	7.0	476.3	20.0	6,411.2	2.3	11.7	10.4
Energy index	46	80.6 %	0.2 %	\$1,730.0	28.8 %	\$26,531.0	3.7 x	13.1 x	12.0 x

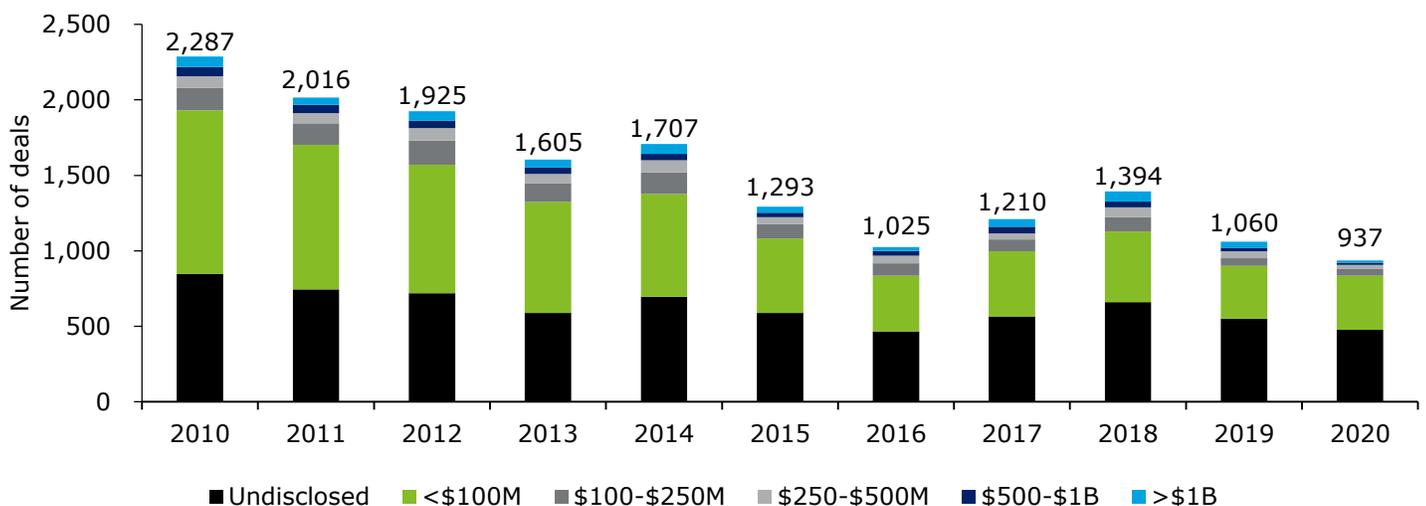
Public comparable three-year stock market performance²



Recent energy M&A transactions¹

Close Date	Target/Acquiror	Target Business Description	Enterprise Value (EV) (\$ in Millions)	EV/EBITDA
Pending	Compañía General de Electricidad S.A. State Grid International Development Co., Ltd.	Engaged in the distribution of electricity in Chile.	\$4,944.3	14.2 x
Pending	PNM Resources, Inc. Avangrid, Inc.	Primarily involved in the generation, transmission, and distribution of electricity.	7,666.7	11.6
Pending	SN Power AS Scatec Solar ASA (nka:Scatec ASA)	Acquires, develops, builds, owns, and operates hydropower projects in emerging markets on commercial terms.	1,264.2	9.5
Pending	TORC Oil & Gas Ltd. Whitecap Resources Inc.	Engaged in the exploration and production of petroleum and natural gas in the Western Canadian Sedimentary Basin.	706.1	5.4
1/15/2021	Concho Resources Inc. ConocoPhillips	Engaged in hydrocarbon exploration in the Permian Basin.	13,132.7	4.8
12/30/2020	CONSOL Coal Resources LP CONSOL Energy Inc.	Produces and sells high- British thermal unit (Btu) coal in the Northern Appalachian Basin and the eastern United States.	300.3	4.9
12/18/2020	Navigator Holdings Ltd. BW Group Limited	Owns and operates a fleet of liquefied gas carriers worldwide.	1,294.8	11.7

Annual energy M&A transaction volume²



Appendix

Public comparable analysis¹

Market data as of 01/21/21

Company (Ticker)	% of 52 week high	LTM Revenue	Revenue CAGR (3 Yr)	LTM EBITDA	EBITDA Margin	Enterprise Value ("EV")	Last twelve months	
							EV/Revenue	EV/EBITDA
Oil and gas, general (13)								
Chevron Corporation (NYSE:CVX)	81.1 %	\$104,202.0	(5.0) %	\$15,761.0	15.1 %	\$205,329.0	2.0 x	13.0 x
ConocoPhillips (NYSE:COP)	68.2	21,475.0	(9.1)	6,327.0	29.5	66,446.2	3.1	10.5
Devon Energy Corporation (NYSE:DVN)	74.8	4,335.0	(21.9)	1,376.0	31.7	15,331.4	3.5	11.1
Diamond Offshore Drilling, Inc. (OTCPK:DOFS.Q)	4.8	794.5	(19.1)	54.2	6.8	2,191.4	2.8	40.4
DCP Midstream, LP (NYSE:DCP)	84.1	6,304.0	(8.1)	665.0	10.5	10,900.5	1.7	16.4
Exxon Mobil Corporation (NYSE:XOM)	71.9	195,860.0	(4.9)	18,672.0	9.5	270,599.3	1.4	14.5
Halliburton Company (NYSE:HAL)	81.9	14,445.0	(11.2)	1,635.0	11.3	25,440.6	1.8	15.6
Hess Corporation (NYSE:HES)	90.2	4,885.0	(1.3)	1,860.0	38.1	27,146.4	5.6	14.6
Marathon Petroleum Corporation (NYSE:MPC)	75.2	92,755.0	10.2	3,450.0	3.7	70,500.0	0.8	20.4
Phillips 66 (NYSE:PSX)	71.6	76,845.0	(2.6)	1,322.0	1.7	47,603.3	0.6	36.0
Southwestern Energy Company (NYSE:SWN)	84.3	2,274.0	(9.6)	437.0	19.2	4,778.8	2.1	10.9
Transocean Ltd. (NYSE:RIG)	49.2	3,254.0	6.8	1,186.0	36.4	8,706.5	2.7	7.3
Valero Energy Corporation (NYSE:VLO)	65.3	71,240.0	(5.0)	3,010.0	4.2	37,166.5	0.5	12.3
Median	74.8 %	\$14,445.0	(5.0) %	\$1,635.0	11.3 %	\$27,146.4	2.0 x	14.5 x
Mean	69.4 %	\$46,051.4	(6.2) %	\$4,288.9	16.8 %	\$60,933.8	2.2 x	17.2 x
Power & utilities (18)								
Ameren Corporation (NYSE:AEE)	81.8 %	\$5,529.0	(2.0) %	\$2,448.0	44.3 %	\$28,671.6	5.2 x	11.7 x
ALLETE, Inc. (NYSE:ALE)	77.3	1,153.3	(6.8)	384.7	33.4	5,525.9	4.8	14.4
American Electric Power Company, Inc. (NasdaqGS:)	77.1	14,923.9	(1.1)	5,398.9	36.2	73,233.8	4.9	13.6
Avangrid, Inc. (NYSE:AGR)	80.1	6,260.0	1.9	1,800.0	28.8	23,666.1	3.8	13.1
Black Hills Corporation (NYSE:BKH)	69.2	1,688.2	0.7	653.1	38.7	7,496.4	4.4	11.5
CenterPoint Energy, Inc. (NYSE:CNP)	78.8	12,120.0	10.2	2,843.0	23.5	26,553.2	2.2	9.3
Consolidated Edison, Inc. (NYSE:ED)	72.7	12,237.0	1.3	4,387.0	35.9	47,743.3	3.9	10.9
Dominion Energy, Inc. (NYSE:D)	79.0	16,717.0	10.3	7,482.0	44.8	101,192.8	6.1	13.5
DTE Energy Company (NYSE:DTE)	90.3	12,037.0	(0.5)	3,029.0	25.2	42,758.9	3.6	14.1
Duke Energy Corporation (NYSE:DUK)	86.9	23,773.0	1.1	11,045.0	46.5	134,932.7	5.7	12.2
Energy Corporation (NYSE:ETR)	69.1	10,205.8	(2.8)	3,779.7	37.0	39,831.4	3.9	10.5
Eversource Energy (NYSE:ES)	87.6	8,720.9	4.5	2,970.4	34.1	45,711.0	5.2	15.4
Exelon Corporation (NasdaqGS:EXC)	85.1	33,267.0	0.2	8,906.0	26.8	81,490.1	2.4	9.2
PG&E Corporation (NYSE:PCG)	65.4	18,464.0	1.3	5,846.0	31.7	64,218.9	3.5	11.0
Sempra Energy (NYSE:SRE)	75.6	11,142.0	0.1	4,348.0	39.0	62,467.1	5.6	14.4
The Southern Company (NYSE:SO)	84.2	20,172.0	(3.7)	8,874.0	44.0	116,305.8	5.8	13.1
WEC Energy Group, Inc. (NYSE:WEC)	80.2	7,255.8	(1.3)	2,706.9	37.3	40,827.9	5.6	15.1
Xcel Energy Inc. (NasdaqGS:XEL)	85.2	11,377.0	(0.1)	3,990.0	35.1	55,772.6	4.9	14.0
Median	79.5 %	\$11,707.0	0.2 %	\$3,884.8	36.0 %	\$46,727.1	4.8 x	13.1 x
Mean	79.2 %	\$12,613.5	0.7 %	\$4,494.0	35.7 %	\$55,466.6	4.5 x	12.6 x
Renewable energy (12)								
Ballard Power Systems Inc. (TSX:BLDP)	92.9 %	\$117.7	1.7 %	(\$29.6)	NM %	\$9,687.0	82.3 x	NM x
Brookfield Renewable Partners L.P. (TSX:BEP.UN)	97.5	2,806.0	3.4	1,660.0	59.2	49,006.3	17.5	29.5
Canadian Solar Inc. (NasdaqGS:CSIQ)	99.5	3,355.5	4.4	533.4	15.9	5,179.3	1.5	9.7
Enphase Energy, Inc. (NasdaqGM:ENPH)	95.4	719.6	34.3	166.0	23.1	26,508.9	36.8	159.7
First Solar, Inc. (NasdaqGS:FSLR)	98.1	3,501.5	6.1	769.3	22.0	10,225.0	2.9	13.3
Avangrid, Inc. (NYSE:AGR)	80.1	6,260.0	1.9	1,800.0	28.8	23,666.1	3.8	13.1
Macquarie Infrastructure Corporation (NYSE:MIC)	63.9	1,449.0	(6.6)	462.1	31.9	4,168.1	2.9	9.0
Ormat Technologies, Inc. (NYSE:ORA)	90.2	718.4	1.2	353.4	49.2	7,367.1	10.3	20.8
ReneSola Ltd (NYSE:SOL)	98.8	83.6	NM	6.3	7.5	1,877.4	22.4	300.0
Renewable Energy Group, Inc. (NasdaqGS:REGI)	97.8	2,614.9	6.9	681.8	26.1	3,526.0	1.3	5.2
SunPower Corporation (NasdaqGS:SPWR)	98.3	1,956.6	(3.4)	(96.4)	NM	8,071.2	4.1	NM
Sunrun Inc. (NasdaqGS:RUN)	86.6	845.7	19.1	(19.3)	NM	20,904.9	24.7	NM
Median	96.4 %	\$1,702.8	3.4 %	\$407.7	26.1 %	\$8,879.1	7.2 x	13.3 x
Mean	91.6 %	\$2,035.7	6.3 %	\$523.9	29.3 %	\$14,182.3	17.6 x	62.3 x
Nuclear (3)								
BWX Technologies, Inc. (NYSE:BWXT)	82.6 %	\$2,067.8	7.6 %	\$419.4	20.3 %	\$6,411.2	3.1 x	15.3 x
Curtiss-Wright Corporation (NYSE:CW)	77.1	2,378.7	2.3	476.3	20.0	5,552.6	2.3	11.7
Huntington Ingalls Industries, Inc. (NYSE:HII)	60.0	9,016.0	7.0	1,019.0	11.3	8,479.8	0.9	8.3
Median	77.1 %	\$2,378.7	7.0 %	\$476.3	20.0 %	\$6,411.2	2.3 x	11.7 x
Mean	73.2 %	\$4,487.5	5.6 %	\$638.2	17.2 %	\$6,814.6	2.1 x	11.8 x

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