

Energy Quarterly Update

Q2 2022



DCF's Energy Practice

Deloitte Corporate Finance LLC (DCF) is a leading global middle-market M&A adviser. Our professionals have extensive knowledge in the energy sector which helps DCF to help clients enhance value.



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Firm Overview

#2

2021 Global M&A
 Advisor by deal
 volume ⁽¹⁾.

662

Completed deals
 in the last 12
 months.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has access to **2,400 Corporate Finance professionals** across 60 countries that complement the North American team.
- **One of the top global middle-market financial advisor** in 2021 according to Mergermarket⁽¹⁾.



Sector Focus

- Oil and Gas
- Renewable Energy
- Power and Utilities
- Nuclear Energy



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Case study

TerraSmart, LLC

Deal Contacts

Eric Andreozzi, Keith Adams, Máté Bánhegyi



The undersigned acted as exclusive financial advisor to Ethos Risk Services, LLC



Client Overview

- Based in Fort Myers, FL, TerraSmart LLC (TerraSmart or the Company) is a vertically-integrated solar solutions provider that has turned tough, arduous soil locations into buildable sites for clean energy production using proprietary screw-based racking and foundations.
- The Company provides technologically-driven, turnkey designs and installation services to commercial and utility-scale clients across the United States, with a focus on commitment to quality and service.
- Deloitte Corporate Finance LLC (DCF) was engaged by TerraSmart to explore strategic alternatives and produce liquidity for shareholders, while also helping the Company identify a partner to help it accelerate growth.

Acquiror Overview

- Gibraltar Industries, Inc. (Nasdaq: ROCK) is a leading manufacturer and provider of products and services for the renewable energy, conservation, residential, industrial, and infrastructure markets.

“The Deloitte Corporate Finance team was instrumental throughout every stage of the deal process and by our side the entire way. Their deal expertise, extensive experience working with entrepreneurial-based companies, and in-depth knowledge of the renewables sector led to a successful transaction and optimal outcome for our shareholders. We truly appreciate and value the guidance and dedication DCF provided in delivering top-notch execution, and we could not have picked a better advisor.”

Ryan Reid
Founder and President
TerraSmart LLC

DCF’s Role

- DCF added significant value by:
 - Running a highly competitive marketing process, leveraging its experience in renewable energy to contact primarily strategic acquirors and a select few financial sponsors with expressed interest in solar.
 - Developing detailed marketing materials to clearly highlight TerraSmart’s integrated turnkey solutions, innovative use of technology, and robust project pipeline.
 - Working alongside the Company’s management team to facilitate an effective diligence process while assisting in the negotiation of deal terms and structure.
 - Coordinating an organized confirmatory diligence process and advising on key transaction terms, including a complex net working capital framework.

Deloitte thought leadership

Deloitte thought leadership

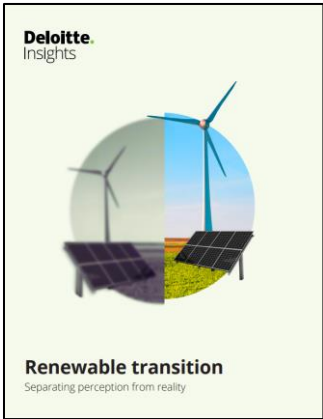
- Deloitte stays well-informed of industry trends and makes significant investments in producing cutting-edge thought leadership.
- Deloitte is deeply committed to providing insights that help keep clients on the forefront of critical trends.
- Focused research on energy industry drivers and trends enables Deloitte to demonstrate eminence in the business services market by redefining the lens through which industry leaders operate.

Extensive knowledge network

DCF can leverage its expansive cross-business knowledge network, extensive consulting reports, and in-depth industry research to drive results and provide differentiated insights for our clients.



Recent insights



Notable recent M&A transactions⁽¹⁾

Oil and Gas 	Colgate Energy LLC to be acquired by Centennial Resource Development. ^(a, b) <ul style="list-style-type: none"> Centennial Resource Development announced its plans to acquire Colgate Energy LLC, the United States based upstream energy company from Pearl Energy Investments LP and NGP Energy Capital Management LLC. Following the transaction, the combined company will have a total production of roughly 135,000 barrels of oil equivalent per day. 	Announced Date: May 2022 EV: \$3,942.1 MM Rev: N/A EV/Rev: N/A EV/EBITDA: N/A
Renewables 	Chevron Acquires Renewable Energy Group (REG). ^(c) <ul style="list-style-type: none"> Chevron acquired the outstanding shares of REG in an all-cash transaction valued at \$3.17 billion. The transaction price represents a premium of around 57.0% over the 30-day average of closing stock prices. The transaction is expected to accelerate progress toward Chevron's goal to grow renewable fuels production capacity to 100,000 barrels per day by 2030. The transaction closed on June 12, 2022. 	Closed Date: June 2022 EV: \$3,166.1 MM Rev: N/A EV/Rev: N/A EV/EBITDA: N/A
Power and Utilities 	TriSummit Utilities Inc acquires Alaska Pipeline Company and others. ^(d) <ul style="list-style-type: none"> TriSummit Utilities Inc, the Canada based natural gas utility company engaged in providing services to residential, commercial, and industrial customers is to acquire 100% stake in Alaska Pipeline Co, ENSTAR Natural Gas Co, Norstar Pipeline Co Inc., and a 65% stake in Cook Inlet Natural Gas Storage Alaska. The transaction is subject to close with regulatory and government approvals and clearances. 	Announced Date: May 2022 EV: \$800 MM Revenue: N/A EV/Rev: N/A EV/EBITDA: N/A
Nuclear 	50% of Fortum Oslo is acquired by a Consortium of Investors. ^(e) <ul style="list-style-type: none"> HitecVision AS along with Infranode AB & Hafslund Eco AS, has agreed to acquire a 50% stake in Fortum Oslo Varme AS, a local provider of heat, power, bioenergy, and hydroelectric power solutions, from Fortum Oyj. 	Closed Date: May 2022 EV: \$1,947.8 MM Rev: N/A EV/Rev: N/A EV/EBITDA: 23.6x



Oil and gas

Sector trends⁽¹⁾

- Oil and Gas prices experienced significant growth in Q2 2022 as a result of increasing demand for crude oil simultaneously with low supplies.
- The US crude oil output rose during the second quarter, as weekly production volumes steadily increased to 12.1MM barrels per day through the week ending June 30, 2022.
- US oil producers increased returns despite operational costs increasing. Based off 53 US exploration and production companies, trends in Q2 2022 showed higher revenues as a result of increasing crude oil prices as well as higher material and labor costs caused by supply chain limitations.

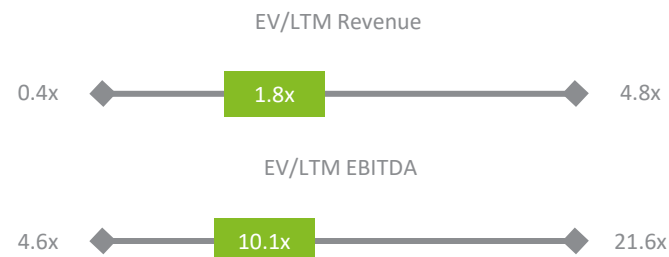
Select public comparables⁽³⁾

Company name	Enterprise value (millions)
Exxon Mobil Corporation	\$399,789.8
Chevron Corporation	291,461.9
ConocoPhillips	117,504.3
Marathon Petroleum Corporation	69,531.3
Valero Energy Corporation	54,905.0
Phillips 66	51,061.4
Devon Energy Corporation	38,717.0
Hess Corporation	37,279.4
Halliburton Company	33,240.5
DCP Midstream, LP	12,206.4
Southwestern Energy Company	11,579.3
Transocean Ltd.	7,973.9

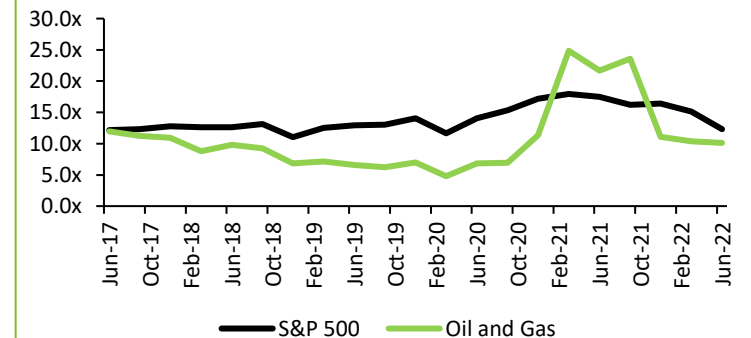
Select recent M&A activity⁽²⁾

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	Colgate Energy LLC	Centennial Resource Development, Inc.	\$3,942.1	N/A
Pending	XTO Canada	Whitecap Resources Inc.	1,470.0	N/A
June 2022	Desert Peak Minerals	Falcon Minerals Corporation	1,280.8	N/A
May 2022	Great Western Petroleum	PDC Energy, Inc.	1,270.6	N/A
May 2022	Targa Resources Corp	ArcLight Capital Partners, LLC	857.0	N/A

Trading metrics⁽⁴⁾



Historical EV/EBITDA multiples⁽⁴⁾





Renewable energy

Sector trends⁽¹⁾

- The price of renewable identification number (RIN) credits—a compliance mechanism used for the Renewable Fuel Standard program administered by the US Environmental Protection Agency—has remained high in Q2 2022. RINs generated by biomass-based diesel (biodiesel and renewable diesel) production (D4 RINs), peaked on April 28 at \$1.91 per gallon. RINs generated by ethanol production (D6 RINs) peaked on June 7 at \$1.68 per gallon, close to the high prices seen in 2021.
- Many large corporations continue to announce renewable energy-focused strategies to meet Environmental, Social, and Corporate Governance (ESG) goals in Q2 2022.

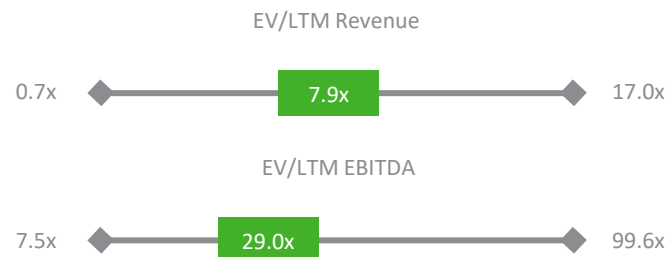
Select public comparables⁽³⁾

Company name	Enterprise value (millions)
Brookfield Renewable Partners	\$65,758.4
Avangrid, Inc.	26,301.2
Enphase Energy, Inc.	25,825.8
Sunrun Inc.	13,619.4
First Solar, Inc.	6,144.5
Ormat Technologies, Inc.	6,200.5
Canadian Solar Inc.	3,985.3
SunPower Corporation	2,938.1
Array Technologies, Inc.	2,758.7
Shoals Technologies Group, Inc.	2,100.6
Ballard Power Systems Inc.	1,312.1
ReneSola Ltd.	179.0

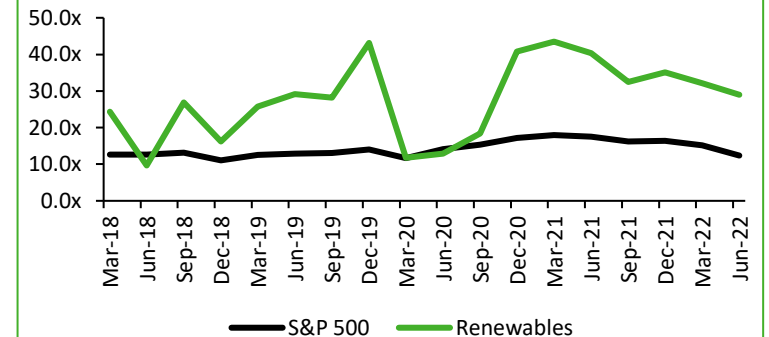
Select recent M&A activity⁽²⁾

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
June 2022	Renewable Energy Group Inc.	Chevron Corporation	\$3,166.1	N/A
Pending	Clearway Energy Group LLC	TotalEnergies S.A.	1,600.0	N/A
Pending	Sunpower Corporation	Global Infrastructure Partners, LLC	701.4	N/A
June 2022	ACES Delta	Haddington Ventures, LLC	650.0	N/A
Pending	Borrego (Development Business)	Energy Capital Partners, LP	567.0	N/A

Trading metrics⁽⁴⁾



Historical EV/EBITDA multiples⁽⁴⁾





Power and utilities



Sector trends⁽¹⁾

- The average US residential retail price of electricity was 14.77 ¢/kWh in Q2 2022, 1.01 ¢/kWh higher than the average price in Q2 2021.
- Utility companies are expected to continue their biggest spending increases in decades to upgrade aging grids as outages become longer and more frequent.
- This utilities sector has outperformed the S&P 500 for three consecutive quarters despite inflation and rising bond rates.

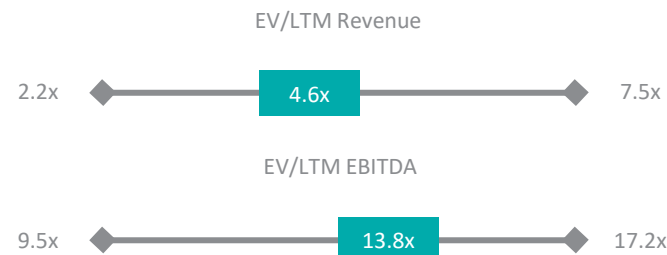
Select public comparables⁽³⁾

Company name	Enterprise value (millions)
Duke Energy Corporation	\$156,140.2
The Southern Company	135,502.5
Dominion Energy, Inc.	107,769.5
American Electric Power Company	85,728.6
Exelon Corporation	80,330.7
Sempra	73,297.6
PG&E Corporation	66,833.2
Xcel Energy Inc.	62,430.4
Consolidated Edison, Inc.	58,208.7
Entergy Corporation	50,713.6
Eversource Energy	49,739.0
WEC Energy Group, Inc.	46,983.9
DTE Energy Company	42,714.1
Ameren Corporation	36,891.0
CenterPoint Energy, Inc.	32,338.0
Avangrid, Inc.	26,311.2
Black Hills Corporation	9,175.2
ALLETE, Inc.	5,904.9

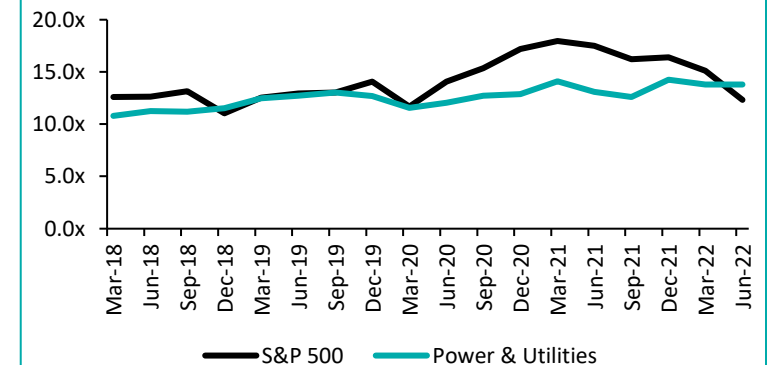
Select recent M&A activity⁽²⁾

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	South Jersey Industries, Inc.	Infrastructure Investments Fund	\$7,637.7	13.3x
Pending	Alaska Pipeline Company	TriSummit Utilities Inc.	800.0	N/A
Pending	Hope Gas, Inc.	Hearthstone Utilities	690.0	N/A
May 2022	Adani Transmission Limited	International Holdings Company P.J.S.C.	508.2	72.1x
Pending	Nextgen Power Holdings LLC	Archea Infrastructure, LLC	215.0	N/A

Trading metrics⁽⁴⁾



Historical EV/EBITDA multiples⁽⁴⁾



Nuclear energy

Sector trends⁽¹⁾

- At the G7 Leaders' Summit, the Biden Administration laid out its strategy to execute the Partnership for Global Infrastructure and Investment (PGII) to narrow infrastructure gaps around the world, strengthen the global economy and supply chains, and advance international security through strategic investments.
 - PGII includes nuclear energy testing across the globe and specific funding for a small modular reactor power plant in Romania.
- The Biden Administration also launched a \$6BN effort to rescue nuclear power plants at risk of closing citing the need to continue nuclear energy as a carbon-free source of power. This is the largest federal investment in saving financially distressed nuclear reactors.
- Nuclear energy accounted for about 20% of America's electricity as of Q2 2022.

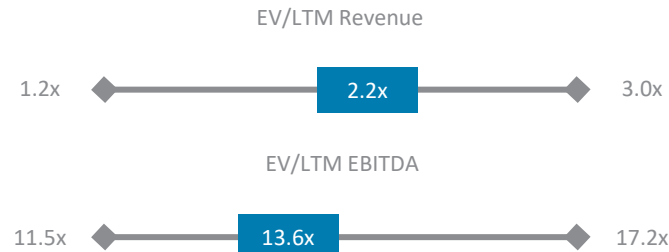
Select public comparables⁽³⁾

Company name	Enterprise value (millions)
Huntington Ingalls Industries, Inc.	\$11,556.6
BWX Technologies, Inc.	6,292.6
Curtiss-Wright Corporation	6,195.0

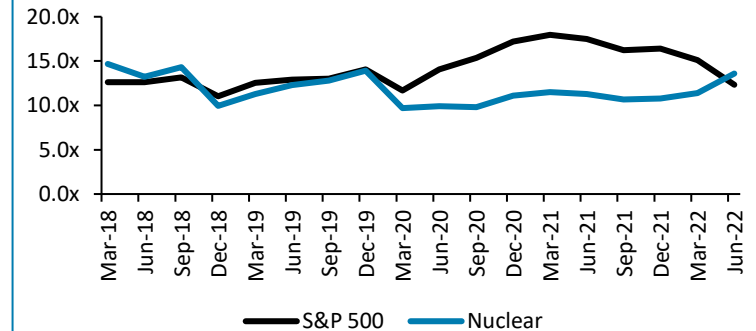
Select recent M&A activity⁽²⁾

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
May 2022	Fortum Oslo Varme AS	HitecVision AS	\$1,947.8	22.3x
Pending	GE Steam Power	Electricite de France S.A.	200.0	N/A
June 2022	Zap Energy Inc.	Lowercarbon Capital LLC	160.0	N/A

Trading metrics⁽⁴⁾



Historical EV/EBITDA multiples⁽⁴⁾



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