

Energy sector trends

Oil rises on falling supply, prospects of Iran sanctions¹

Oil prices ended the quarter at the highest level in eight weeks, lifted by declining global supply along with the possibility of new Iran sanctions by the U.N. Saudi Arabia reiterated its commitment to lowering a global crude surplus in a recent meeting with OPEC. Growing global demand for oil amid economic expansion has helped offset concerns over record high shale production in the US.



Non-residential solar growth accelerates in 2017³

In 2017, the non-residential sector grew by 28 percent year-over-year, and solar remains a popular source for new energy coming online—representing 30 percent of all new electric capacity. This growth offsets a decline in residential PV driven by contraction in core markets due to shifting business strategies for key residential installers, such as Tesla, as well as looming government regulation.

PJM proposes two-stage capacity auction²

To better facilitate competition in the eastern US market for electric power, PJM Interconnection LLC has proposed to the Federal Energy Regulatory Commission to change the way generation capacity is sold in the market. PJM proposes a two-step auction that will level the playing field between subsidized producers and non-subsidized producers, in order to keep the market competitive while encouraging clean energy developments.

Nuclear production tax credit spurs growth⁴

On February 9th, the US Congress passed bipartisan legislation to allow new reactors to receive the nuclear production tax credit beyond 2020. In addition, the legislation allows public-entity project partners to transfer their credits to other project partners which is expected to spur investment in new reactors. Projects expected to benefit from this legislation include two reactors at Vogtle Electric in Georgia and NuScale Power's new project in Idaho.

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 & Gas
- Renewable Energy
- Power & Utilities
- Nuclear

Who we are

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

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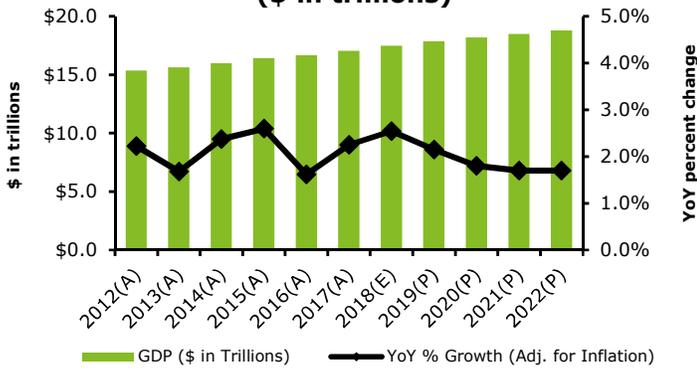
In the news

March 31st, 2018 – FirstEnergy Solutions Corp., which sells power to retail and wholesale customers primarily in the Midwest and mid-Atlantic, filed for chapter 11 bankruptcy for a fleet of its power-generation businesses. The businesses operate seven power facilities in midwestern markets where aggressive competition from cheaper gas-fired and renewable energy sources has undercut the economics of traditional nuclear and coal plants. Throughout the US market, coal and nuclear power plant operators have struggled in recent years because of low natural gas prices delivered by the shale boom.⁵

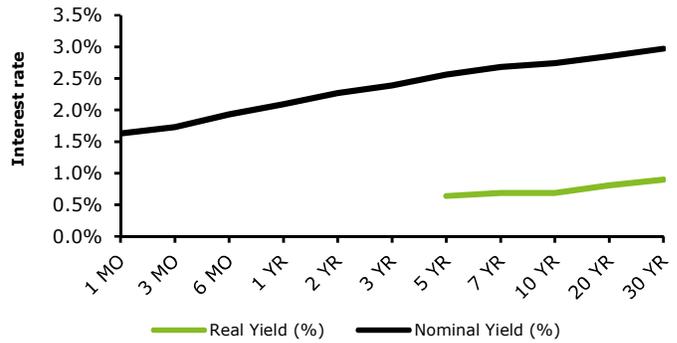
March 29th, 2018 – Royal Dutch Shell PLC is on a spree of small but strategic acquisitions in the power sector. In the past few months, the British-Dutch oil giant bought a utility, an electric-car charging business and a stake in a solar-power company, wagering on these sectors to generate profits as electricity and renewables continue to play a bigger role in the power market. Shell has said it plans to spend between \$1 billion and \$2 billion a year in what it calls its "New Energies" division through 2020. Despite its bullishness, Shell is proceeding with caution, putting a fraction of its \$25 billion to \$30 billion capital spending budget into its new energies business.⁶

Macroeconomic outlook

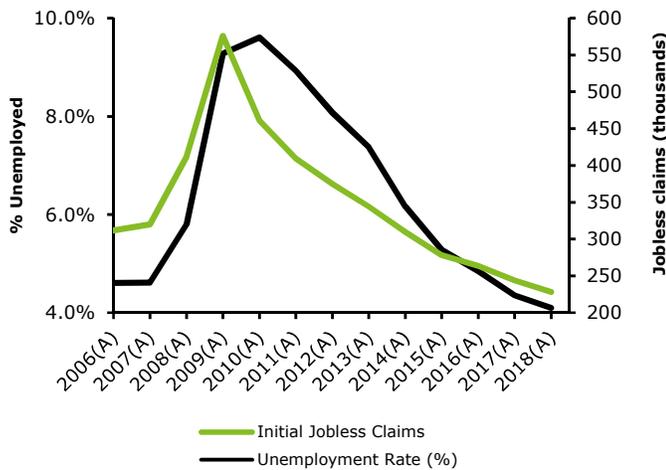
US gross domestic product (\$ in trillions)¹



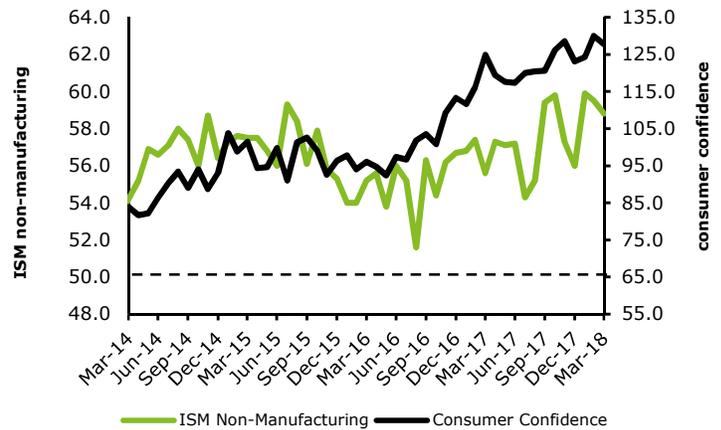
US Treasury yield curve (nominal vs. real)²



US unemployment rate (% Unemployed)³



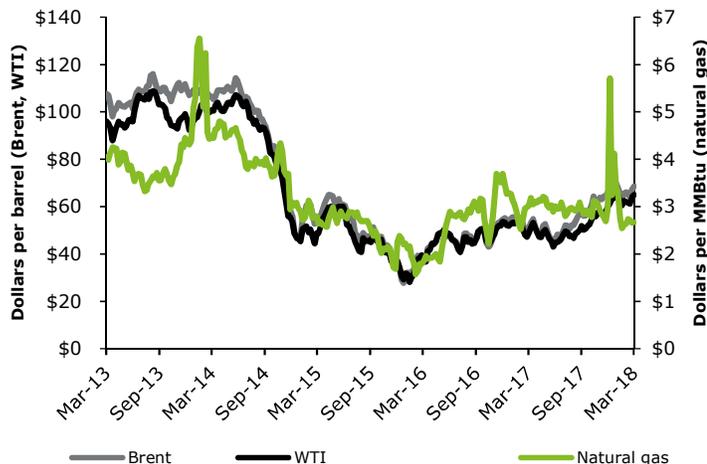
ISM non-manufacturing index and consumer confidence index⁴



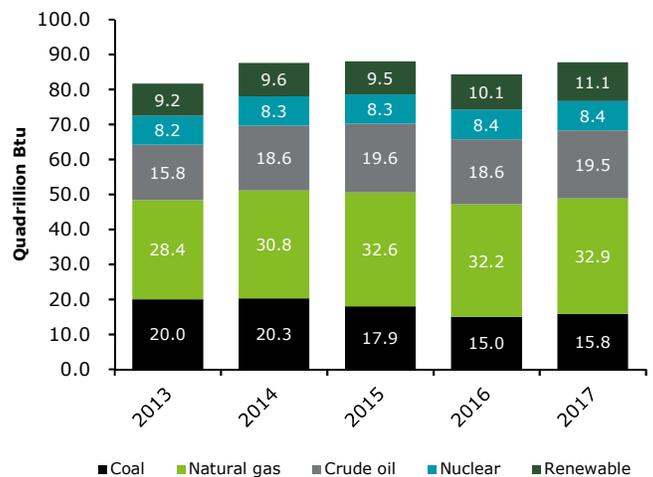
*An ISM non-manufacturing index value above 50 signals economic expansion.

Energy sector outlook

Brent, WTI, and natural gas prices (2012 - 2018 YTD)⁵



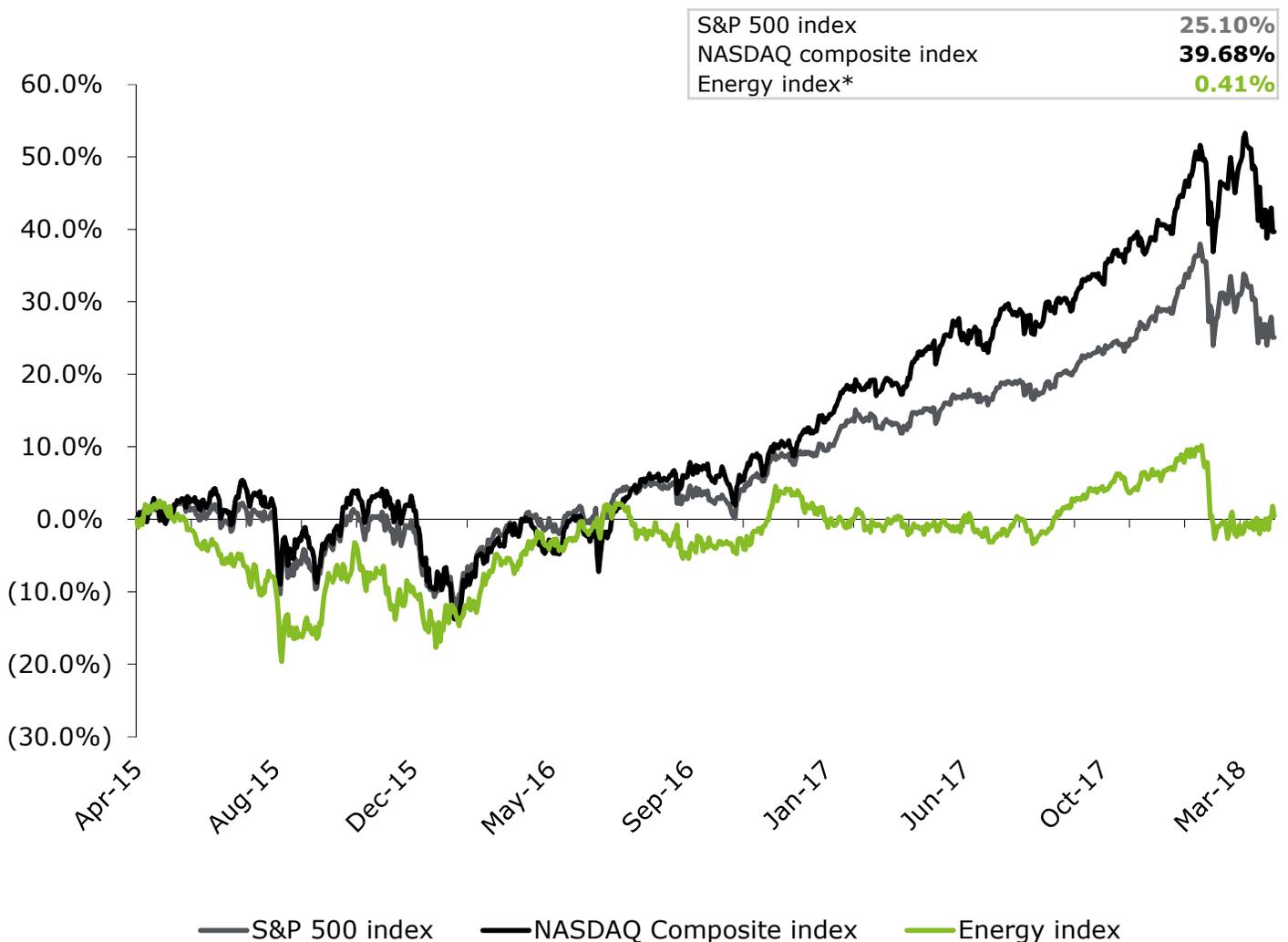
US energy production by source⁶



Energy sector breakdown & 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
(\$ in Millions)									
Oil and gas, general (14)	14	83.1 %	(9.7) %	\$3,708.0	19.0 %	\$46,769.5	2.1 x	9.4 x	7.6 x
Power & utilities (19)	19	88.9	1.4	3,501.0	33.1	32,201.9	3.6	10.9	10.6
Renewable energy (13)	13	79.8	8.2	89.8	24.2	2,698.3	3.7	11.3	13.7
Nuclear (3)	3	93.9	2.3	456.6	19.9	6,632.9	2.8	13.8	13.4
Energy index	49	87.1 %	0.5 %	\$2,121.0	29.7 %	\$22,331.5	2.7 x	10.5 x	10.0 x

Public comparables three-year stock market performance²

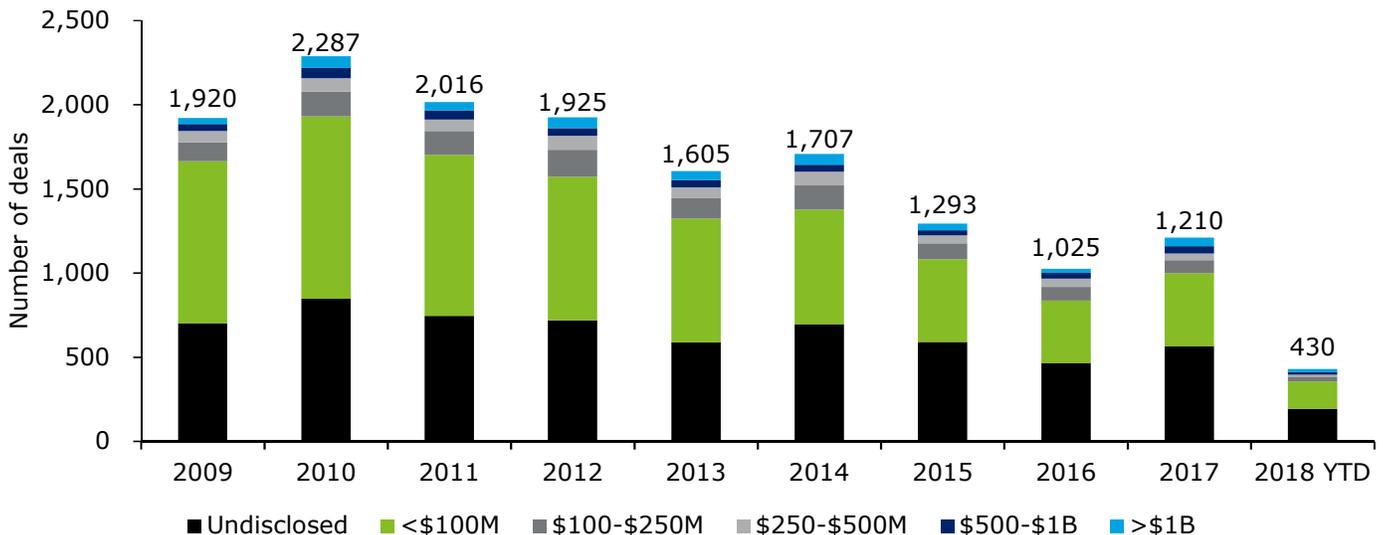


*Energy index companies listed on pages 6 & 7 in the Appendix.

Select Energy M&A transactions¹

Close date*	Target/Acquiror	Target business description	Enterprise Value ("EV")	EV/ EBITDA
Pending	Willbros Group, Inc. Primoris Services Corporation	Willbros Group, Inc., through its subsidiaries, operates as a specialty energy infrastructure contractor serving oil and gas, and power industries and Canada.	\$137.7	N/A x
Pending	RSP Permian, Inc. Concho Resources Inc.	RSP Permian, Inc., an independent oil and natural gas company, engages in the acquisition, exploration, exploitation, development, and production of unconventional oil and associated liquids-rich natural gas reserves in the Permian Basin of West Texas.	9,589.0	17.8
Pending	Murray & Roberts Holdings Limited ATON Austria Holding GmbH	Murray & Roberts Holdings Limited, an investment holding company, operates in the construction and engineering, underground mining development, and oil and gas markets.	461.2	5.2
Pending	Tallgrass Energy Partners, LP Tallgrass Equity, LLC	Acquires, owns, develops, and operates midstream energy assets in North America.	4,176.5	6.9
4/9/2018	Dynegy Inc. Vistra Energy Corp.	Dynegy Inc., through its subsidiaries, produces and sells electric energy, capacity, and ancillary services.	10,475.1	10.4
Pending	innogy SE E.ON SE	Operates as an energy company in Europe.	44,562.8	8.8
Pending	SandRidge Energy, Inc. Midstates Petroleum Company, Inc.	Engages in the exploration, development, and production of oil, natural gas, and natural gas liquids primarily in the Mid-Continent and North Park Basin of the United States.	551.1	2.8
3/8/2018	Calpine Corporation Canada Pension Plan Investment Board; Energy Capital Partners	Calpine Corporation, a wholesale power generation company, owns and operates natural gas-fired and geothermal power plants in North America.	17,315.9	11.0
Pending	Gas Natural SDG, S.A. CVC Capital Partners Limited; Corporación Financiera Alba, S.A.	Engages in the exploration and development, liquefaction, re-gasification, transportation, storage, distribution, and commercialization of natural gas in Spain and internationally.	47,738.2	10.3
Pending	AWE Limited Mitsui & Co., Ltd.	Explores for, develops, and produces hydrocarbons primarily in Australia.	512.6	28.1
1/31/2018	Hindustan Petroleum Corporation Limited Oil and Natural Gas Corporation Limited	Refines, markets, and transports petroleum products in India.	14,312.8	7.0
Pending	Hunter Group ASA Apollo Asset Limited	Develops technology for exploration and verification of hydrocarbon prospects.	362.3	N/A

Annual Energy M&A transaction volume²



*Pending transactions sorted by announcement date.

Appendix

Public comparables analysis¹

Company (Ticker)	% of 52 week high	LTM Revenue	Revenue CAGR (3 Yr)	LTM EBITDA	EBITDA Margin	Enterprise Value ("EV") ⁽¹⁾	Last twelve months		NTM
							EV/Revenue	EV/EBITDA	EV/EBITDA
<i>(\$ in Millions)</i>									
Oil and gas, general (14)									
Andeavor (NYSE:ANDV)	82.6 %	\$34,204.0	(5.1) %	\$2,500.0	7.3 %	\$26,123.3	0.8 x	10.4 x	7.2 x
Chevron Corporation (NYSE:CVX)	85.2	131,929.0	(8.8)	24,416.8	18.5	252,981.3	1.9	10.4	6.5
ConocoPhillips (NYSE:COP)	96.7	31,166.0	(12.9)	11,097.0	35.6	79,440.7	2.5	7.2	6.4
Devon Energy Corporation (NYSE:DVN)	70.4	14,010.0	(5.2)	3,201.0	22.8	29,370.7	2.1	9.2	7.6
Diamond Offshore Drilling, Inc. (NYSE:DO)	71.8	1,375.6	(19.6)	517.6	37.6	3,607.9	2.6	7.0	8.9
Energy Transfer Partners, L.P. (NYSE:ETP)	66.6	29,054.0	(19.4)	5,649.0	19.4	59,306.5	2.0	10.5	7.6
Exxon Mobil Corporation (NYSE:XOM)	83.5	248,423.0	(9.0)	35,088.3	14.1	362,242.8	1.5	10.3	7.0
Halliburton Company (NYSE:HAL)	81.1	22,081.0	(12.2)	3,992.0	18.1	49,631.3	2.2	12.4	9.8
Hess Corporation (NYSE:HES)	91.2	5,427.0	(16.6)	2,011.0	37.1	19,381.9	3.6	9.6	9.9
Marathon Petroleum Corporation (NYSE:MPC)	97.6	69,859.0	(6.3)	5,912.0	8.5	52,412.7	0.8	8.9	8.0
Phillips 66 (NYSE:PSX)	89.3	93,072.0	(10.3)	3,424.0	3.7	54,063.9	0.6	15.8	8.2
Southwestern Energy Company (NYSE:SWN)	48.4	3,277.0	(5.3)	1,564.0	47.7	7,663.8	2.3	4.9	5.7
Transocean Ltd. (NYSE:RIG)	75.9	2,688.0	(32.9)	1,085.0	40.4	9,048.0	3.4	8.3	8.0
Valero Energy Corporation (NYSE:VLO)	92.8	93,074.0	(7.4)	5,925.5	6.4	43,907.7	0.5	7.4	6.8
Median	83.1 %	\$30,110.0	(9.7) %	\$3,708.0	19.0 %	\$46,769.5	2.1 x	9.4 x	7.6 x
Mean	80.9 %	\$55,688.5	(12.2) %	\$7,598.8	22.7 %	\$74,941.6	1.9 x	9.5 x	7.7 x
Power & utilities (19)									
Ameren Corporation (NYSE:AEE)	87.3 %	\$5,967.0	0.7 %	\$2,410.0	40.4 %	\$22,331.5	3.7 x	9.3 x	9.4 x
ALLETE, Inc. (NYSE:ALE)	88.9	1,411.9	6.8	367.6	26.0	5,108.6	3.6	13.9	12.3
American Electric Power Company, Inc. (NYSE:AEP)	87.9	15,539.9	(1.6)	5,175.9	33.3	56,526.4	3.6	10.9	10.1
Avangrid, Inc. (NYSE:AGR)	95.6	6,070.0	12.5	1,867.2	30.8	21,976.5	3.6	11.8	10.1
Black Hills Corporation (NYSE:BKH)	75.4	1,680.3	6.4	605.0	36.0	6,332.5	3.8	10.5	10.6
CenterPoint Energy, Inc. (NYSE:CNP)	90.0	9,614.0	1.4	2,121.0	22.1	19,442.3	2.0	9.2	9.2
Consolidated Edison, Inc. (NYSE:ED)	86.9	12,033.0	(2.3)	3,950.0	32.8	40,008.3	3.3	10.1	10.0
Dominion Energy, Inc. (NYSE:D)	79.1	12,668.0	1.2	6,156.5	48.6	83,506.5	6.6	13.6	11.9
DTE Energy Company (NYSE:DTE)	89.4	13,124.0	4.9	2,472.0	18.8	32,086.9	2.4	13.0	11.3
Duke Energy Corporation (NYSE:DUK)	84.4	23,189.0	1.8	10,145.0	43.7	108,357.9	4.7	10.7	11.4
Entergy Corporation (NYSE:ETR)	89.6	11,209.9	(2.8)	3,501.0	31.2	30,391.2	2.7	8.7	8.9
Eversource Energy (NYSE:ES)	89.1	7,934.8	(0.1)	2,688.1	33.9	32,201.9	4.1	12.0	11.3
Exelon Corporation (NYSE:EXC)	91.4	34,477.0	5.9	9,888.0	28.7	74,603.1	2.2	7.5	8.6
PG&E Corporation (NYSE:PCG)	61.4	17,135.0	0.1	5,870.0	34.3	41,613.9	2.4	7.1	6.4
Sempra Energy (NYSE:SRE)	90.4	11,207.0	0.5	3,829.0	34.2	51,156.4	4.6	13.4	10.7
The Southern Company (NYSE:SO)	83.5	23,632.0	9.5	6,224.0	26.3	95,372.4	4.0	15.3	11.0
Vectren Corporation (NYSE:VVC)	91.5	2,691.2	2.2	650.8	24.2	7,382.0	2.7	11.3	11.0
WEC Energy Group, Inc. (NYSE:WEC)	89.5	7,630.5	17.6	2,528.2	33.1	30,809.1	4.0	12.2	12.2
Xcel Energy Inc. (NasdaqGS:XEL)	87.1	11,409.0	(0.1)	3,805.0	33.4	38,805.8	3.4	10.2	10.3
Median	88.9 %	\$11,209.9	1.4 %	\$3,501.0	33.1 %	\$32,201.9	3.6 x	10.9 x	10.6 x
Mean	86.2 %	\$12,032.8	3.4 %	\$3,908.1	32.2 %	\$42,000.7	3.6 x	11.1 x	10.4 x
Renewable energy (13)									
Ballard Power Systems Inc. (TSX:BLDP)	60.6 %	\$118.7	22.9 %	(\$3.9)	NM %	\$582.0	4.9 x	NM x	158.7 x
Brookfield Renewable Partners L.P. (TSX:BEP.UN)	88.1	2,742.0	18.1	1,654.0	60.3	27,530.3	10.0	16.6	14.0
Canadian Solar Inc. (NasdaqGS:CSIQ)	85.2	3,390.4	4.6	349.1	10.3	2,898.2	0.9	8.3	9.1
Enphase Energy, Inc. (NasdaqGM:ENPH)	81.9	301.4	(6.9)	(2.6)	NM	458.5	1.5	NM	31.8
First Solar, Inc. (NasdaqGS:FSLR)	92.7	2,616.8	(3.5)	384.0	14.7	4,904.5	1.9	12.8	13.3
JA Solar Holdings Co., Ltd. (NasdaqGS:JASO)	77.4	3,021.4	20.3	271.5	9.0	923.4	0.3	3.4	3.8
Macquarie Infrastructure Corporation (NYSE:MIC)	45.2	1,864.8	8.2	629.9	33.8	6,863.4	3.7	10.9	10.0
Ormat Technologies, Inc. (NYSE:ORA)	79.8	692.8	7.4	328.7	47.4	3,814.5	5.5	11.6	10.7
ReneSola Ltd (NYSE:SOL)	67.6	103.0	(59.6)	89.8	87.2	771.4	7.5	8.6	27.8
Renewable Energy Group, Inc. (NasdaqGS:REGI)	94.5	2,158.2	19.2	16.5	0.8	704.0	0.3	42.7	6.2
SunPower Corporation (NasdaqGS:SPWR)	68.2	1,871.8	(14.8)	(132.2)	NM	2,915.9	1.6	NM	18.2
Sunrun Inc. (NasdaqGS:RUN)	96.7	529.7	38.7	(45.8)	NM	2,698.3	5.1	NM	NM
Vivint Solar, Inc. (NYSE:VSLR)	59.9	268.0	119.7	(23.5)	NM	1,461.0	5.5	NM	59.4
Median	79.8 %	\$1,864.8	8.2 %	\$89.8	24.2 %	\$2,698.3	3.7 x	11.3 x	13.7 x
Mean	76.7 %	\$1,513.8	13.4 %	\$270.4	32.9 %	\$4,348.1	3.7 x	14.4 x	30.3 x
Nuclear (3)									
BWX Technologies, Inc. (NYSE:BWXT)	93.9 %	\$1,687.7	5.2 %	\$351.6	20.8 %	\$6,632.9	3.9 x	18.9 x	17.0 x
Curtiss-Wright Corporation (NYSE:CW)	96.4	2,295.0	0.7	456.6	19.9	6,315.1	2.8	13.8	13.4
Huntington Ingalls Industries, Inc. (NYSE:HII)	93.2	7,441.0	2.3	1,058.0	14.2	12,117.2	1.6	11.5	9.9
Median	93.9 %	\$2,295.0	2.3 %	\$456.6	19.9 %	\$6,632.9	2.8 x	13.8 x	13.4 x
Mean	94.5 %	\$3,807.9	2.7 %	\$622.1	18.3 %	\$8,355.0	2.8 x	14.7 x	13.5 x

Recent transactions¹

							Last twelve months	
(\$ in Millions)								
Target/Acquiror	Sub-sector	Close date	LTM Revenue	LTM EBITDA	EBITDA Margin	Enterprise Value ("EV")	EV/Revenue	EV/EBITDA
Willbros Group, Inc. Primoris Services Corporation	Oil and Gas Equipment and Services	Pending	\$850.0	(\$70.2)	-8.3 %	\$137.7	0.2 x	N/A x
RSP Permian, Inc. Concho Resources Inc.	Oil and Gas Exploration and Production	Pending	803.7	537.4	66.9	9,589.0	11.9	17.8
Murray & Roberts Holdings Limited ATON Austria Holding GmbH	Construction and Engineering	Pending	1,930.7	88.0	4.6	461.2	0.2	5.2
Tallgrass Energy Partners, LP Tallgrass Equity, LLC	Oil and Gas Storage and Transportation	Pending	655.9	608.7	92.8	4,176.5	6.4	6.9
Dynegy Inc. Vistra Energy Corp.	Independent Power Producers and Energy Traders	Apr-18	4,955.0	1,011.0	20.4	10,475.1	2.1	10.4
innogy SE E.ON SE	Multi-Utilities	Pending	50,989.4	5,082.6	10.0	44,562.8	0.9	8.8
SandRidge Energy, Inc. Midstates Petroleum Company, Inc.	Oil and Gas Exploration and Production	Pending	343.7	198.1	57.6	551.1	1.6	2.8
Calpine Corporation Energy Capital Partners	Independent Power Producers and Energy Traders	Mar-18	8,033.0	1,571.0	19.6	17,315.9	2.2	11.0
Gas Natural SDG, S.A. CVC Capital Partners Limited	Gas Utilities	Pending	28,712.6	4,635.9	16.1	47,738.2	1.7	10.3
AWE Limited Mitsui & Co., Ltd.	Oil and Gas Exploration and Production	Pending	63.5	18.2	28.7	512.6	8.1	28.1
Hindustan Petroleum Corporation Limited Oil and Natural Gas Corporation Limited	Oil and Gas Refining and Marketing	Jan-18	29,306.7	2,056.3	7.0	14,312.8	0.5	7.0
Hunter Group ASA Apollo Asset Limited	Oil and Gas Equipment and Services	Pending	5.6	(4.4)	-78.4	362.3	64.5	N/A
Equital Ltd. Y.H.K. Investment Limited Partnership	Oil and Gas Exploration and Production	Feb-18	784.2	640.3	81.6	4,385.6	5.6	6.8
CDM Resource Management LLC USA Compression Partners, LP	Oil and Gas Equipment and Services	Apr-18	276.7	N/A	N/A	1,678.5	6.1	N/A
Xinjiang Zhudong Petroleum Technology Co., Ltd. Huzhou Yanrun Investment Management	Oil and Gas Equipment and Services	Pending	32.8	10.0	30.6	645.4	19.7	64.3
Median			\$655.9	\$198.1	28.7 %	\$782.0	5.6 x	7.0 x
Mean			\$7,674.6	\$1,070.1	26.5 %	\$8,681.1	9.6 x	14.6 x

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