

Q2 2021

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## Energy sector trends

### Proposal to mitigate climate change<sup>1</sup>

On Friday, April 23<sup>rd</sup>, President Joe Biden convened with heads of state and government, as well as leaders and representatives from international organizations, businesses, subnational governments, and indigenous communities to rally the world in tackling the climate crisis. In addition, President Biden promised to target a carbon emission reduction by 50-52% in the United States compared to 2005 levels noting that countries who take decisive action will reap economic benefits.



### Exploration and Production Companies Raising Capital<sup>3</sup>

The amount of debt and equity issued among publicly traded US exploration and production (E&P) companies totaled \$4.4 billion as of March 2021. E&P companies are taking advantage of increasing crude oil prices, averaging \$65/b in March 2021, and extremely low interest rates, at a target of 0.00% to 0.25%, in order to refinance existing debts, resume drilling activities, and purchase new acreage.

### Increased air travel resulting in more jet fuel consumption<sup>2</sup>

The four-week average in jet fuel consumption from April 9<sup>th</sup> through April 23<sup>rd</sup> was over 1.2 million barrels per day. US jet fuel demand decreased in response to travel limitations during the COVID-19 pandemic. According to the TSA, the number of travelers decreased to only 100,000 passengers a day in April 2020. However, that number grew to an average of 1.4 million passengers a day in April 2021.

### Increase in Electricity Consumption<sup>4</sup>

The US Energy Information Administration expects more electricity consumption this summer as the economy continues on the way to recovery. Much of the increased demand in electricity is expected to come from the commercial and industrial sectors as people start heading back to the office and spending less times in their homes in response to the easing restrictions from the COVID-19 pandemic.

## 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:

- Climate change mitigation
- Jet fuel demand
- E&P capital raises
- Electricity consumption

## 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.

## In the news

**April 20, 2021<sup>5</sup>** – The International Energy Agency issued a dire warning announcing that global carbon dioxide emissions from energy are predicted to rise nearly 5% this year, suggesting that the economic rebound is “anything but sustainable” for the climate. 2021’s rise in carbon dioxide emissions will be driven by a resurgence in the use of coal power, particularly in Asia. The economic rebound is spurring demand for all fossil fuels with levels of both coal and gas set to rise above 2019 levels. The agency urged world leaders to take climate change very seriously predicting that the damage to our climate could be irreversible.

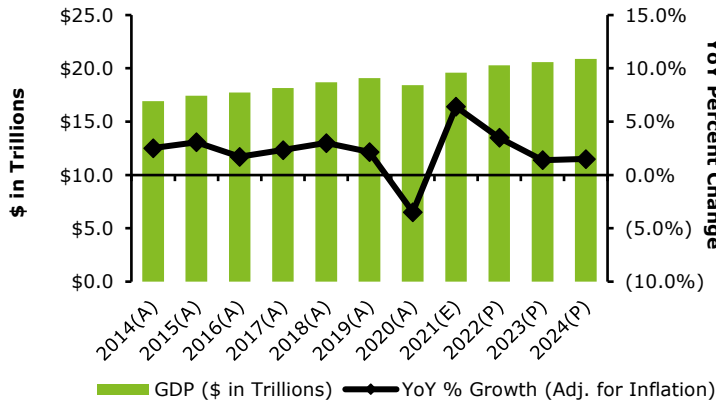
## Contacts

**Keith Adams, CFA**  
Managing Director  
keadams@deloitte.com  
+1 (404) 631-3455

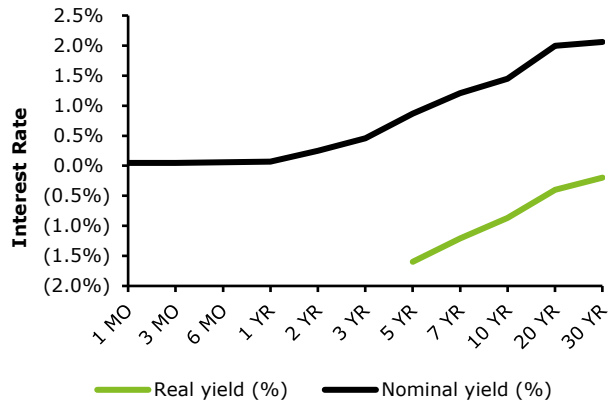
**Eric Andreozzi**  
Managing Director  
eandreozi@deloitte.com  
+1 (704) 333-0518

## Macroeconomic outlook

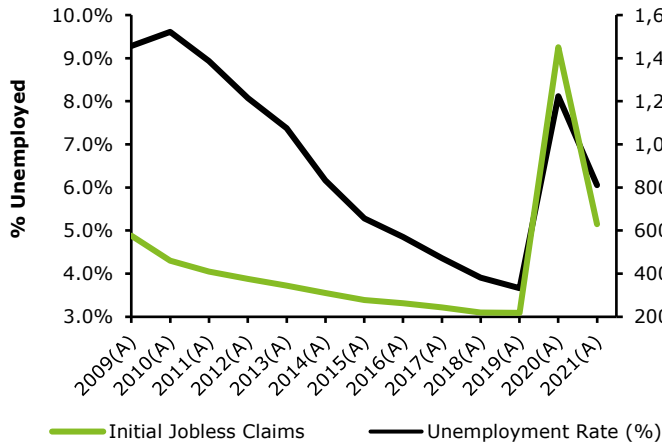
**US gross domestic product (\$ in trillions)<sup>1</sup>**



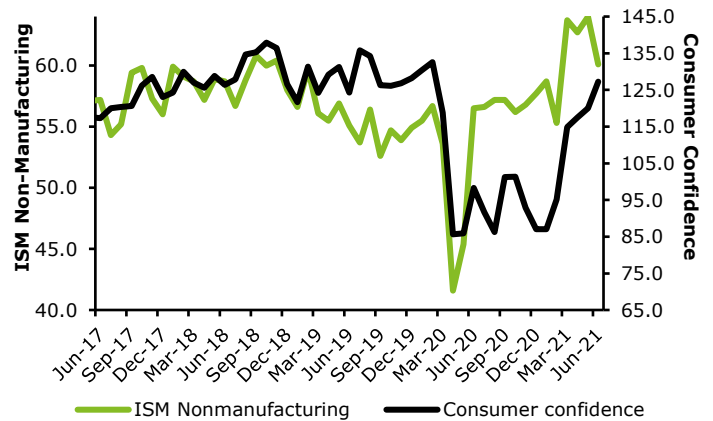
**US treasury yield curve (nominal vs. real)<sup>2</sup>**



**US unemployment rate (% unemployed)<sup>3</sup>**



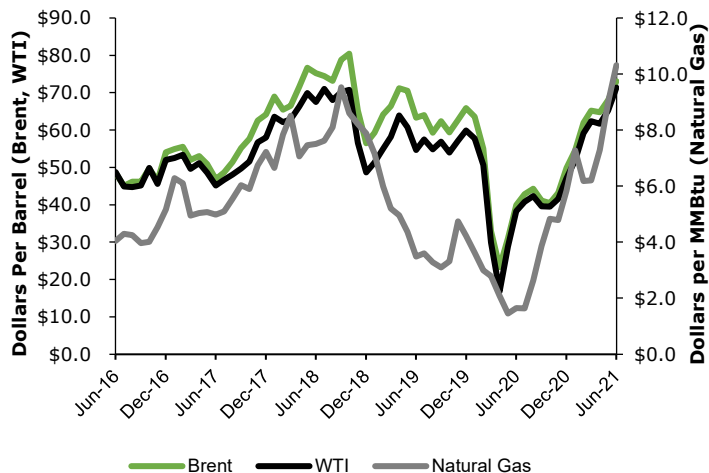
**ISM non-manufacturing index and consumer confidence index<sup>4</sup>**



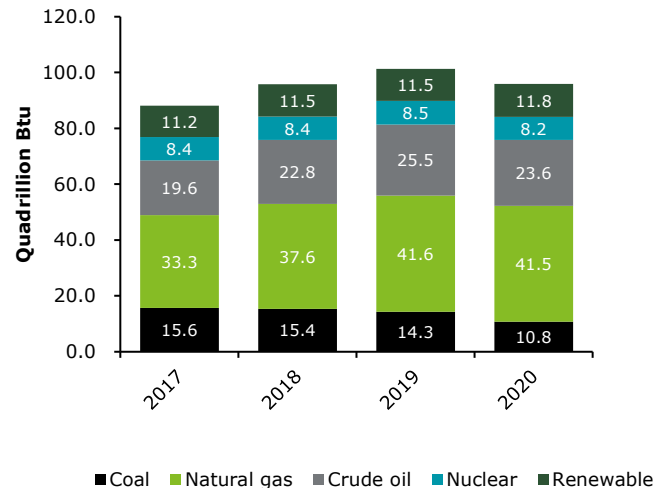
\*An ISM non-manufacturing index value above 50 signals economic expansion.

## Energy sector outlook

**Brent, WTI, and natural gas prices (2016 - 2020)<sup>5</sup>**



**US energy production by source<sup>6</sup>**



## Energy sector breakdown and trading statistics<sup>1</sup>

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	13	81.8%	(3.5)%	\$1,551.0	11.6%	\$34,509.5	1.9x	12.5x	7.5x
Power & utilities	18	93.9	0.8	4,092.3	34.6	49,922.7	4.9	13.8	12.6
Renewable energy	14	52.7	0.1	266.2	25.6	4,153.1	4.8	28.0	13.8
Nuclear	3	90.5	9.5	539.6	19.0	6,001.2	2.4	11.0	11.0
Energy index	48	79.7%	1.0%	\$1,612.3	22.7%	\$23,646.6	3.5x	16.3x	11.2x

## Public comparable three-year stock market performance<sup>2</sup>

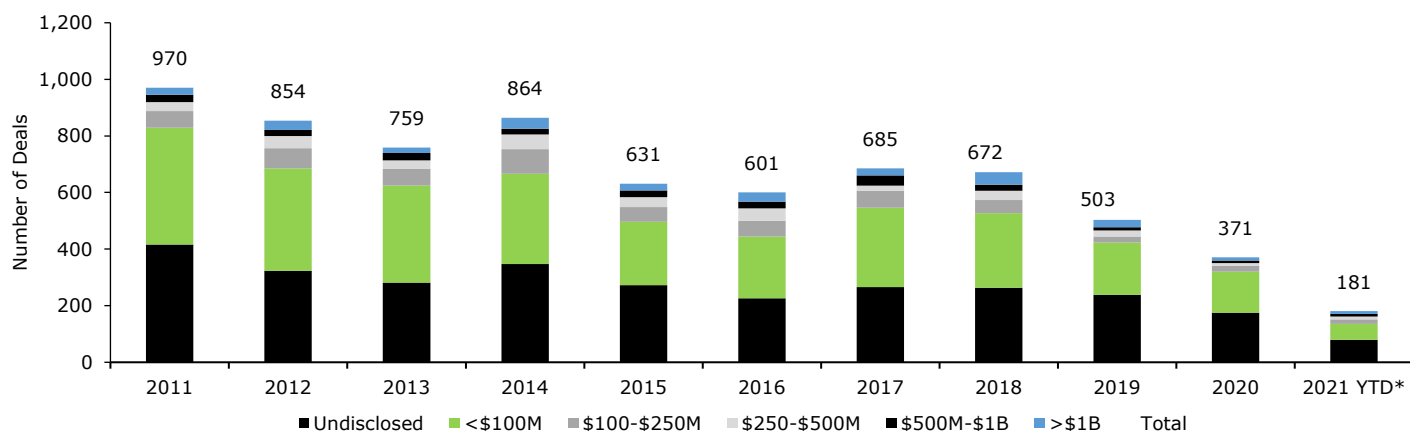
Financial data as of June 31, 2021

S&P 500 index	<b>57.61%</b>
NASDAQ composite index	<b>91.66%</b>
NYSE Energy index	<b>(26.51%)</b>



Recent energy M&A transactions<sup>1</sup>

Close Date	Target/Acquiror	Target Business Description	Enterprise Value (EV) (\$ in Millions)	EV/ EBITDA
Pending	<b>Cimarex Energy Co.</b>  Cabot Oil & Gas Corporation	An independent oil and gas company that explores for, exploits, develops, produces, and markets oil and gas properties in the United States.	\$9,058.34	14.0 x
Pending	<b>Enable Midstream Partners LP</b>  Energy Transfer LP	Owns, operates, and develops midstream energy infrastructure assets in the United States.	7,258.65	10.0
5/4/2021	<b>ADES International Holding PLC</b>  The Public Investment Fund of The Kingdom of Saudi Arabia	Provides oil and gas drilling and production services in Egypt, Algeria, Kuwait, and the Kingdom of Saudi Arabia.	1,203.7	6.5
4/15/2021	<b>New Fortress Energy Inc.</b>  Golar LNG Partners LP	Operates as an integrated gas-to-power infrastructure company, providing energy and development services to end-users worldwide.	1,732.1	8.4
4/13/2021	<b>Pinnacle Renewable Energy Inc.</b>  Drax Group plc	Manufactures, distributes, and sells industrial wood pellets for industrial electrical power generation and home heating consumption in North America, Asia, and Europe.	758.1	15.0
4/6/2021	<b>PT Golden Energy Mines Tbk</b>  Ascend Capital Advisors (S) Pte. Ltd.	Engages in the development of oil and natural gas properties in Canada.	1,060.5	7.2
3/30/2021	<b>CSI Compressco LP</b>  Spartan Energy Partners, LP	Owns and operates a fleet of liquefied gas carriers worldwide.	732.7	6.8

US annual energy M&A transaction volume<sup>1</sup>

\*2021 YTD through June 2021.

## Appendix

Public comparable analysis<sup>1</sup>

Company (Ticker)	% of 52 Week High	LTM Revenue	3-Yr Revenue CAGR	LTM EBITDA	EBITDA Margin	Enterprise Value ("EV") <sup>(1)</sup>	Last Twelve Months	
							EV/ Revenue	EV/ EBITDA
Oil and gas, general (13)								
Chevron Corporation (NYSE:CVX)	90.0 %	\$116,033.0	(6.7) %	\$21,866.0	18.8 %	\$234,554.4	2.0 x	10.7 x
ConocoPhillips (NYSE:COP)	88.9	29,641.0	(3.5)	10,393.0	35.1	\$84,270.6	2.8	8.1
Devon Energy Corporation (NYSE:DVN)	84.3	7,900.0	0.0	2,098.0	26.6	\$23,603.1	3.0	11.3
Diamond Offshore Drilling, Inc.	43.0	597.4	(24.3)	(28.9)	NM	NA	NA	NA
DCP Midstream, LP (NYSE:DCP)	82.5	8,285.0	(2.9)	411.0	5.0	\$11,356.5	1.4	27.6
Exxon Mobil Corporation (NYSE:XOM)	89.0	215,879.0	(6.2)	24,449.0	11.3	\$306,291.8	1.4	12.5
Halliburton Company (NYSE:HAL)	80.0	13,370.0	(16.9)	1,551.0	11.6	\$25,271.9	1.9	16.3
Hess Corporation (NYSE:HES)	80.1	5,810.0	0.3	5,113.0	88.0	\$29,994.1	5.2	5.9
Marathon Petroleum Corporation (NYSE:MPC)	88.3	87,972.0	2.5	4,313.0	4.9	\$56,380.0	0.6	13.1
Phillips 66 (NYSE:PSX)	78.3	81,037.0	(7.1)	(767.0)	NM	\$48,972.3	0.6	NM
Southwestern Energy Company (NYSE:SWN)	81.8	3,428.0	1.5	9.0	0.3	\$6,372.4	1.9	708.0
Transocean Ltd. (NYSE:RIG)	67.6	2,772.0	0.1	1,083.0	39.1	\$8,743.9	3.2	8.1
Valero Energy Corporation (NYSE:VLO)	78.2	75,780.0	(9.3)	1,156.0	1.5	\$39,024.8	0.5	33.8
Median	81.8 %	\$13,370.0	(3.5) %	\$1,551.0	11.6 %	\$34,509.5	1.9 x	12.5 x
Mean	79.4 %	\$49,885.0	(5.6) %	\$5,511.2	22.0 %	\$72,903.0	2.0 x	77.8 x
Power & utilities (18)								
Ameren Corporation (NYSE:AEE)	100.1 %	\$5,661.0	(1.8) %	\$2,571.0	45.4 %	\$34,557.7	6.1 x	13.4 x
ALLETE, Inc. (NYSE:ALE)	100.1	1,289.1	(2.8)	379.9	29.5	6,282.5	4.9	16.5
American Electric Power Company, Inc. (NasdaqGS:AEP)	94.9	15,784.6	(0.4)	5,874.1	37.2	81,626.2	5.2	13.9
Avangrid, Inc. (NYSE:AGR)	94.4	6,582.0	2.3	1,878.0	28.5	27,354.1	4.2	14.6
Black Hills Corporation (NYSE:BKH)	98.8	1,839.0	2.2	644.6	35.1	8,946.8	4.9	13.9
CenterPoint Energy, Inc. (NYSE:CNP)	100.7	7,965.0	(7.5)	2,424.0	30.4	32,058.2	4.0	13.2
Consolidated Edison, Inc. (NYSE:ED)	90.1	12,941.0	1.9	4,431.0	34.2	50,760.4	3.9	11.5
Dominion Energy, Inc. (NYSE:D)	87.5	14,104.0	3.6	6,412.0	45.5	102,337.4	7.3	16.0
DTE Energy Company (NYSE:DTE)	82.3	13,579.0	0.4	3,120.0	23.0	42,970.4	3.2	13.8
Duke Energy Corporation (NYSE:DUK)	99.1	23,991.0	0.2	11,323.0	47.2	151,705.8	6.3	13.4
Entergy Corporation (NYSE:ETR)	93.4	10,940.6	(1.0)	3,936.7	36.0	46,324.6	4.2	11.8
Eversource Energy (NYSE:ES)	92.2	9,526.0	5.9	3,154.7	33.1	49,085.1	5.2	15.6
Exelon Corporation (NasdaqGS:EXC)	99.6	34,775.0	(0.1)	9,238.0	26.6	89,018.9	2.6	9.6
PG&E Corporation (NYSE:PCG)	65.7	19,561.0	5.0	6,087.0	31.1	60,466.9	3.1	9.9
Sempra (NYSE:SRE)	91.3	11,815.0	4.5	4,248.0	36.0	67,373.0	5.7	15.9
The Southern Company (NYSE:SO)	96.7	21,845.0	(2.9)	9,579.0	43.8	125,754.7	5.8	13.1
WEC Energy Group, Inc. (NYSE:WEC)	90.2	7,952.0	1.2	2,836.8	35.7	45,211.4	5.7	15.9
Xcel Energy Inc. (NasdaqGS:XEL)	90.5	12,738.0	3.7	4,358.0	34.2	61,403.4	4.8	14.1
Median	93.9 %	\$12,276.5	0.8 %	\$4,092.3	34.6 %	\$49,922.7	4.9 x	13.8 x
Mean	92.6 %	\$12,938.2	0.8 %	\$4,583.1	35.1 %	\$60,179.9	4.8 x	13.7 x
Renewable energy (14)								
Array Technologies, Inc. (NasdaqGM:ARRY)	24.9 %	\$680.9	NA %	\$61.6	9.0 %	\$2,134.1	3.1 x	34.6 x
Avangrid, Inc. (NYSE:AGR)	94.4	6,582.0	2.3	1,878.0	28.5	27,354.1	4.2	14.6
Ballard Power Systems Inc. (TSX:BLDP)	36.1	96.8	(6.6)	(51.0)	NM	4,092.6	42.3	NM
Brookfield Renewable Partners L.P. (TSX:BEP.UN)	76.9	3,801.0	11.5	2,266.0	59.6	63,412.1	16.7	28.0
Canadian Solar Inc. (NasdaqGS:CSIQ)	59.4	3,740.2	(3.3)	383.0	10.2	3,929.3	1.1	10.3
Enphase Energy, Inc. (NasdaqGM:ENPH)	78.3	1,061.2	51.9	276.1	26.0	24,415.7	23.0	88.4
First Solar, Inc. (NasdaqGS:FSLR)	82.9	2,969.4	8.8	759.0	25.6	8,444.6	2.8	11.1
Macquarie Infrastructure and Real Assets	NA	NA	NA	NA	NA	NA	NA	NA
Ormat Technologies, Inc. (NYSE:ORA)	52.7	651.6	(1.7)	336.5	51.6	5,222.9	8.0	15.5
ReneSola Ltd (NYSE:SOL)	20.5	68.7	(22.5)	1.8	2.6	327.6	4.8	181.3
Renewable Energy Group, Inc. (NasdaqGS:REGI)	51.3	2,476.2	0.1	266.2	10.7	2,438.7	1.0	9.2
Shoals Technologies Group, Inc. (NasdaqGM:SHLS)	74.6	180.4	NA	50.0	27.7	3,395.9	18.8	67.9
SunPower Corporation (NasdaqGS:SPWR)	40.5	1,231.9	(14.6)	40.9	3.3	4,153.1	3.4	101.7
Sunrun Inc. (NasdaqGS:RUN)	48.0	1,266.1	27.4	(263.4)	NM	17,523.7	13.8	NM
Median	52.7 %	\$1,231.9	0.1 %	\$266.2	25.6 %	\$4,153.1	4.8 x	28.0 x
Mean	57.0 %	\$1,908.2	4.9 %	\$461.9	23.2 %	\$12,834.2	11.0 x	51.1 x
Nuclear (3)								
BWX Technologies, Inc. (NYSE:BWXT)	78.5 %	\$2,110.2	6.5 %	\$401.5	19.0 %	\$6,001.2	2.8 x	14.9 x
Curtiss-Wright Corporation (NYSE:CW)	90.5	2,458.6	1.6	539.6	21.9	5,932.9	2.4	11.0
Huntington Ingalls Industries, Inc. (NYSE:HII)	91.5	9,580.0	7.3	1,168.0	12.2	9,686.2	1.0	8.3
Median	90.5 %	\$2,458.6	6.5 %	\$539.6	19.0 %	\$6,001.2	2.4 x	11.0 x
Mean	86.8 %	\$4,716.3	5.1 %	\$703.0	17.7 %	\$7,206.8	2.1 x	11.4 x

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For additional information or to find out more about how DCF can assist the deal initiation and execution process, please contact one of our DCF managing directors:

**Phil Colaco**

CEO  
philcolaco@deloitte.com  
+1 704 333 0533

**Tom Spivey**

tspivey@deloitte.com  
+1 214 840 7014

**Jamie Lewin**

jlewin@deloitte.com  
+1 214 840 7057

**Keith Adams**

keadams@deloitte.com  
+1 404 631 3455

**John Deering**

jdeering@deloitte.com  
+1 704 333 0574

**James Miller**

jamesmiller5@deloitte.com  
+1 704 731 8230

**Eric Andreozzi**

eandreozi@deloitte.com  
+1 704 333 0518

**Lorin DeMordaunt**

ldemordaunt@deloitte.com  
+1 704 333 0591

**Byron Nelson**

bynelson@deloitte.com  
+1 469 417 2462

**Tony Blanchard**

anblanchard@deloitte.com  
+1 313 396 3738

**Will Frame**

wframe@deloitte.com  
+1 312 486 4458

**Lou Paone**

lpaone@deloitte.com  
+1 704 731 7202

**Doug Bolt**

dbolt@deloitte.com  
+1 704 731 7219

**Simon Gisby**

sgisby@deloitte.com  
+1 212 436 2495

**Garret Poston**

gposton@deloitte.com  
+1 213 593 4544

**Matt Preece**

mpreece@deloitte.com  
+1 704 731 7186

**Bill Kerkam**

wkerkam@deloitte.com  
+1 980 312 3613

Deloitte Corporate Finance business development group:

**Brad Heston**

Senior Vice President  
bheston@deloitte.com  
+1 404 631 3839

**John Lindsey**

Senior Vice President  
jlindsey@deloitte.com  
+1 469 417 2147

**Bill Pucci**

Senior Vice President  
wpucci@deloitte.com  
+1 973 602 4542

[www.investmentbanking.deloitte.com](http://www.investmentbanking.deloitte.com)





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