

Energy sector trends

Proposal to mitigate climate change¹

On Friday, April 23rd, 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 Capital³

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 consumption²

The four-week average in jet fuel consumption from April 9th through April 23rd 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 Consumption⁴

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, 2021⁵ – 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.

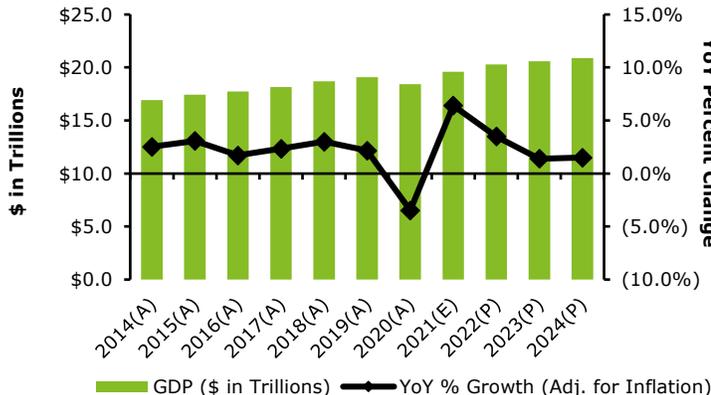
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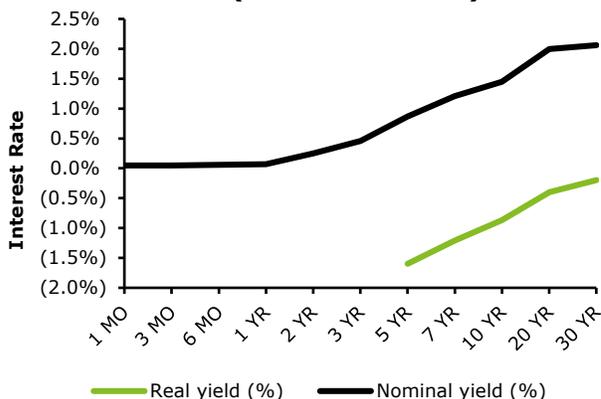
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Macroeconomic outlook

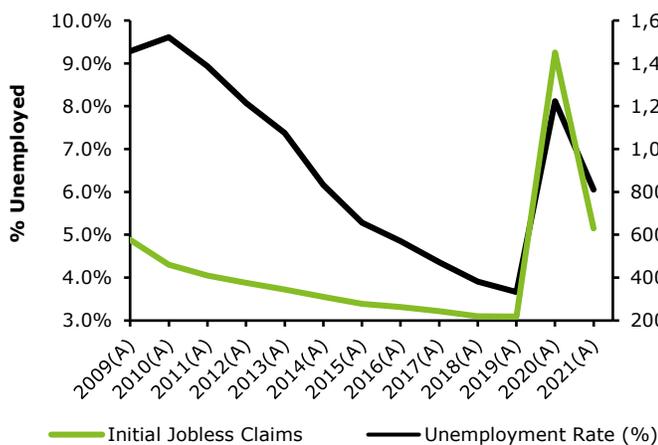
US gross domestic product (\$ in trillions)¹



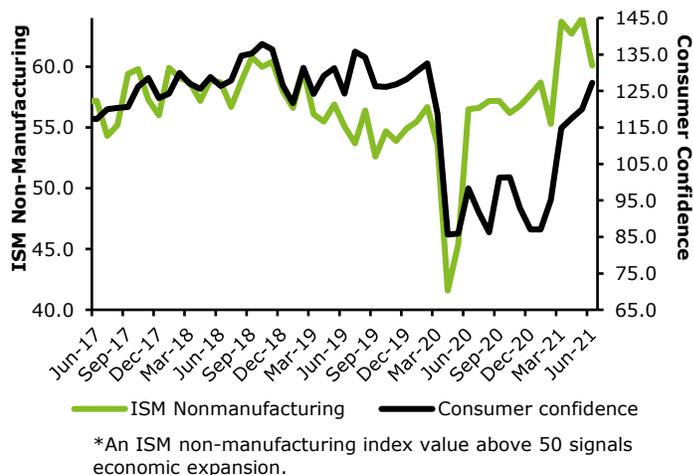
US treasury yield curve (nominal vs. real)²



US unemployment rate (% unemployed)³

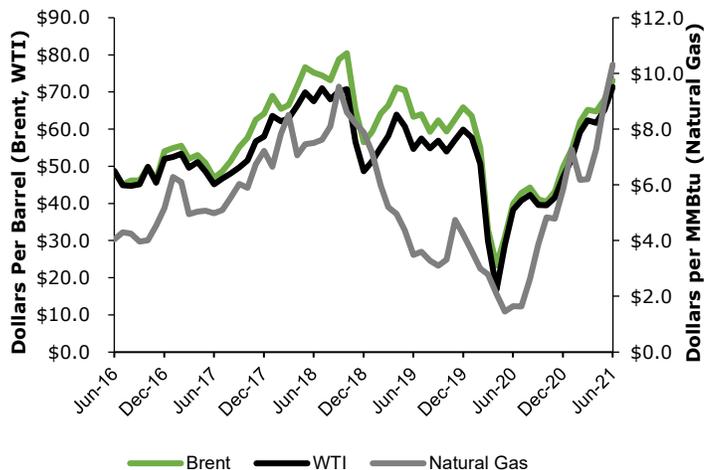


ISM non-manufacturing index and consumer confidence index⁴

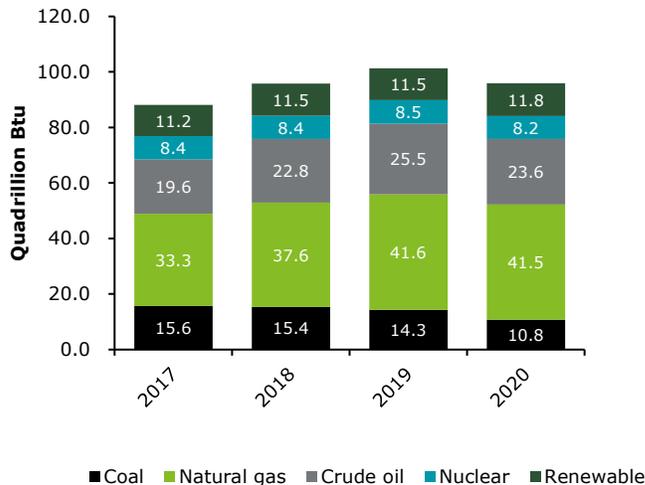


Energy sector outlook

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



US energy production by source⁶



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	
(\$ 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 performance²

Financial data as of June 31, 2021

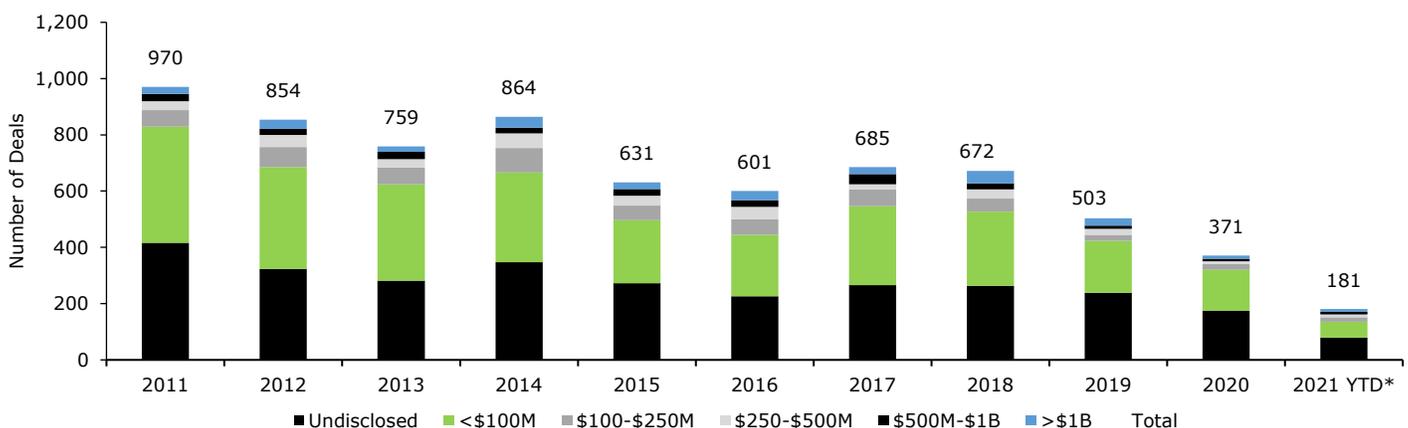
S&P 500 index	57.61%
NASDAQ composite index	91.66%
NYSE Energy index	(26.51%)



Recent energy M&A transactions¹

Close Date	Target/Acquiror	Target Business Description	Enterprise Value (EV) (\$ in Millions)	EV/EBITDA
Pending	Cimarex Energy Co. 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	Enable Midstream Partners LP Energy Transfer LP	Owns, operates, and develops midstream energy infrastructure assets in the United States.	7,258.65	10.0
5/4/2021	ADES International Holding PLC 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	New Fortress Energy Inc. 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	Pinnacle Renewable Energy Inc. 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	PT Golden Energy Mines Tbk 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	CSI Compressco LP Spartan Energy Partners, LP	Owns and operates a fleet of liquefied gas carriers worldwide.	732.7	6.8

US annual energy M&A transaction volume¹



*2021 YTD through June 2021.

Appendix

Public comparable analysis¹

Company (Ticker)	% of 52 Week High	LTM Revenue	3-Yr Revenue CAGR	LTM EBITDA	EBITDA Margin	Enterprise Value ("EV") ⁽¹⁾	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:HI)	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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