



PCE Industry Report

Power & Energy



Middle Market M&A Summary

Power & Energy

3rd Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$4.7 billion.
 - The largest transaction was the acquisition of Columbia Pipeline Group, Inc. by Transcanada Pipeline USA Ltd. for \$14.0 billion.
 - The smallest transaction was the acquisition of Valero Partners Meraux And Valero Partners Three Rivers by Valero Energy Partners LP for \$324.2 million.
- The public company industry median TEV/EBIT multiple is 16.2x.
- The public company industry median TEV/EBITDA multiple is 11.1x.

Key Trends

- All the subsectors transaction volumes are trending negatively.
- The Oil & Gas Storage & Transportation subsector's transaction volume was the largest at 43% of the industry over the past quarter.
- In October, Altus Power America raised \$205 million from Goldman Sachs Group Inc. and others to fund the installation of solar panel systems in companies including ESPN's headquarters. Interestingly, this funding was secured amidst skepticism surrounding the long-term growth potential of solar companies; this year, shares of SolarCity, Vivint Solar, and Sunrun have declined sharply and SunEdison Inc. filed for bankruptcy protection.¹
- Oil prices continue to increase after OPEC has tentatively agreed to cut production for the first time in eight years. The arrangements of such a supply deal will be discussed at OPEC's official meeting in Vienna next month. However, many analysts believe that the deal is not large enough, nor will it happen quickly enough to solve the global supply glut.²
- Caelus Energy LLC made a substantial oil discovery in the shallow waters of remote Alaska with the potential to revitalize the state's North Slope region. The Company estimates a find of 6 billion barrels of light oil.³
- Big data is expected to revolutionize the renewable electricity industry by solving the widespread intermittency problems associated with relying on sustainable sources including solar and wind power by synthesizing weather forecasts to better predict energy needs in advance.⁴

Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

¹"Altus Power America Raises \$205 Million for Solar Expansion", Wall Street Journal, October 4, 2016

²"OPEC Agrees to First Oil Output Cut in Eight years", Bloomberg, September 28, 2016

³"Texas oil company announces big offshore Alaska discovery", CNBC, October 5, 2016.

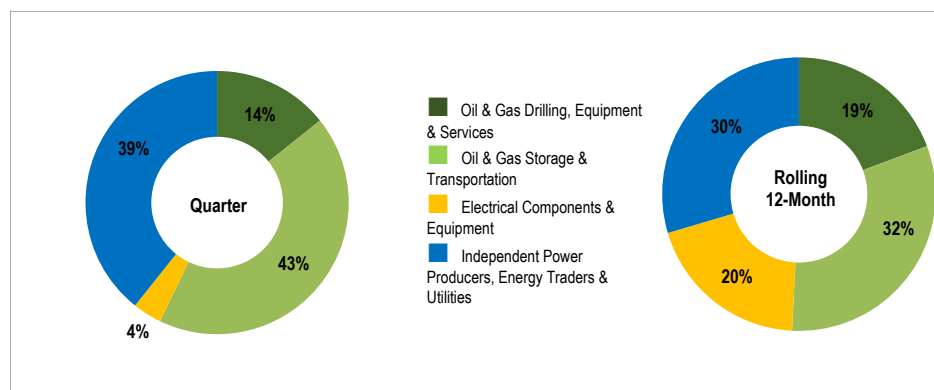
⁴"How Big Data Changes the Economics of Renewable Energy", Wall Street Journal, September 23, 2016.

Industry Trends During Quarter

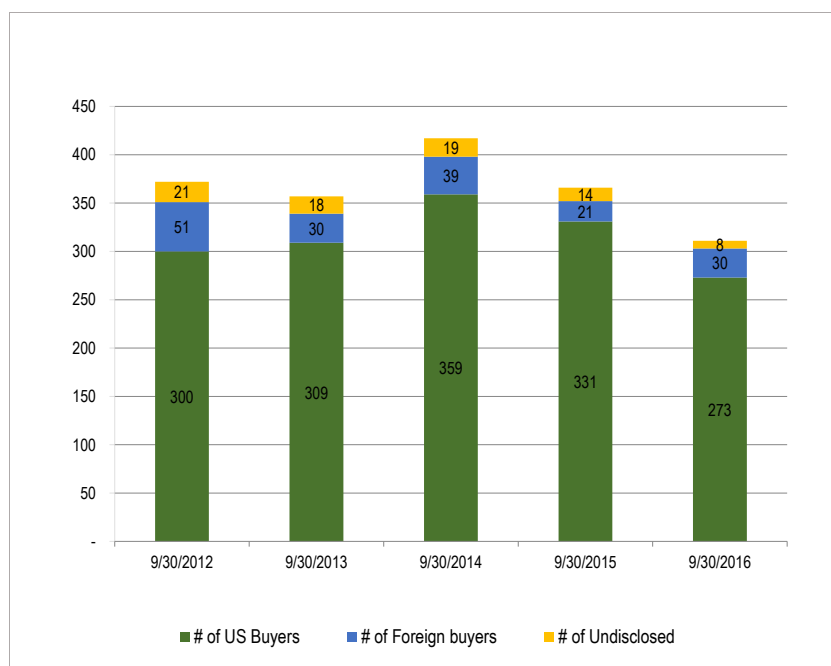
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Oil & Gas Drilling, Equipment & Services	↓	↑	↑
Oil & Gas Storage & Transportation	↓	↓	↓
Electrical Components & Equipment	↓	↑	↑
Independent Power Producers, Energy Traders & Utilities	↓	↑	↓

* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Oil & Gas Storage & Transportation	Columbia Pipeline Group, Inc.	Transcanada Pipeline USA Ltd.	\$14,006.8
Independent Power Producers, Energy Traders & Utilities	Southern Company Gas	Southern Company	\$12,001.7
Independent Power Producers, Energy Traders & Utilities	TECO Energy, Inc.	Emera Incorporated	\$10,422.5
Independent Power Producers, Energy Traders & Utilities	Dominion Questar Corporation	Dominion Resources, Inc.	\$6,114.9
Oil & Gas Storage & Transportation	Southern Natural Gas Company	Southern Company	\$2,674.5
Oil & Gas Storage & Transportation	Kenai Pipe Line Company and Tesoro Alaska Terminals	Tesoro Logistics Operations, LLC	\$444.0
Independent Power Producers, Energy Traders & Utilities	EnergySouth, Inc.	Spire Inc.	\$390.0
Oil & Gas Storage & Transportation	Rose Rock Midstream, L.P.	SemGroup Corporation	\$387.2
Independent Power Producers, Energy Traders & Utilities	NRG Wholesale Generation LP, Aurora Generating Station	RA Generation LLC	\$365.0
Oil & Gas Storage & Transportation	Valero Partners Meraux And Valero Partners Three Rivers	Valero Energy Partners LP	\$324.2

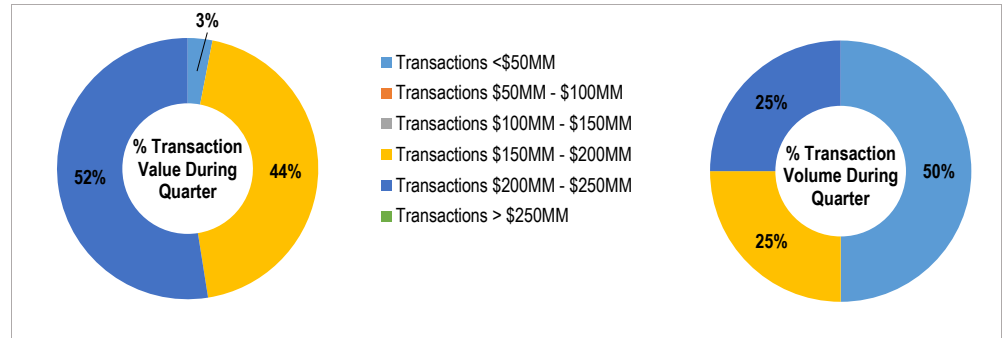
Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	14
Number of Transactions with Disclosed Values	4
Transaction Value*	\$404.71
Average Transaction Value*	\$101.18
Median Transaction Value*	\$95.94

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

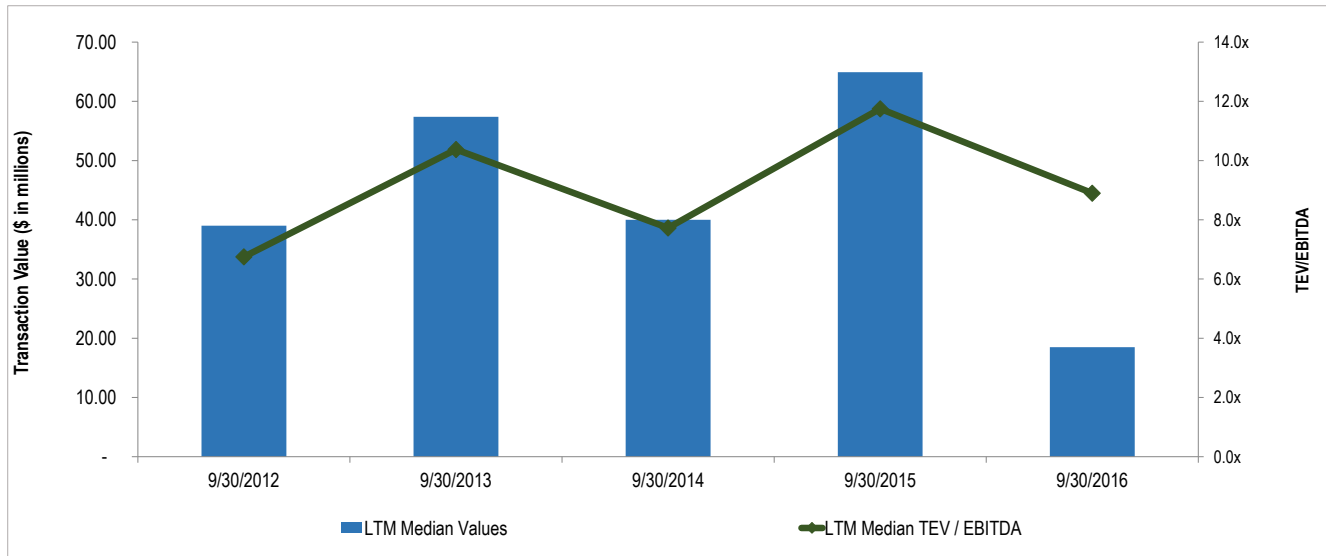
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

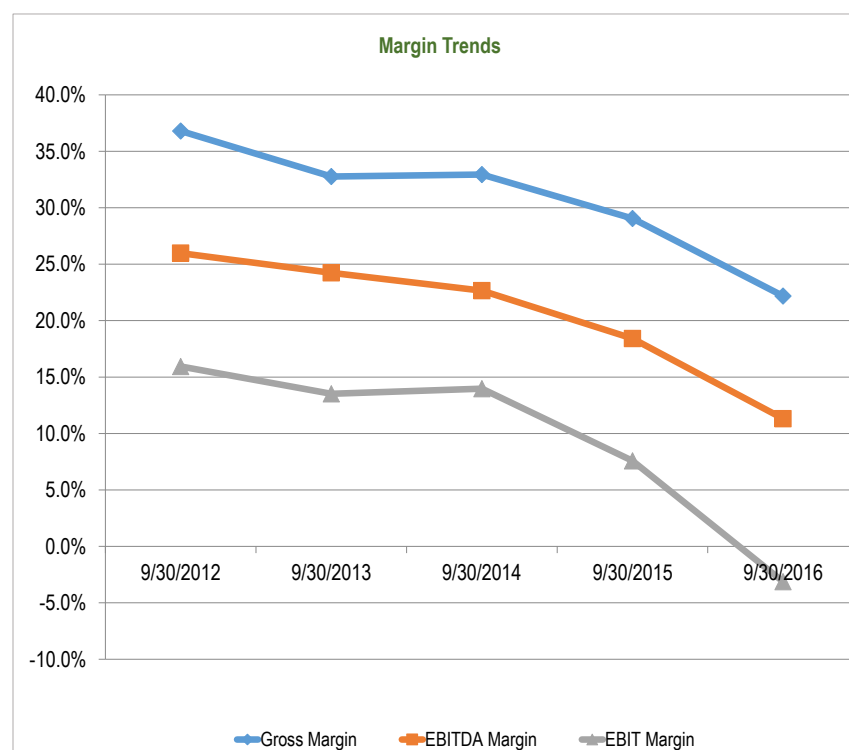
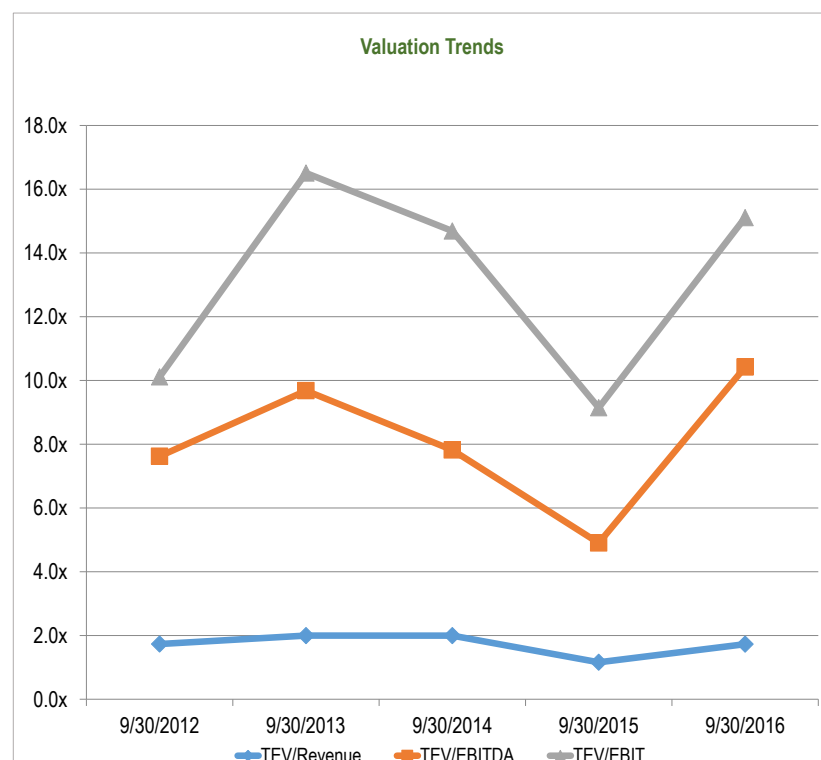
Oil & Gas Drilling, Equipment & Services

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	09/30/2016 Trends	
Average	\$4,182	2.4x	19.9x	35.0x	TEV/Revenue	↑
Median	\$444	1.7x	10.4x	15.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	09/30/2016 Trends	
Average	147.6%	121.4%	4.8%	Gross Margin	↓
Median	22.2%	11.3%	-3.1%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data



Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	17
Number of Transactions with Disclosed Values	12
Transaction Value*	\$18,623.73
Average Transaction Value*	\$1,551.98
Median Transaction Value*	\$220.06

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

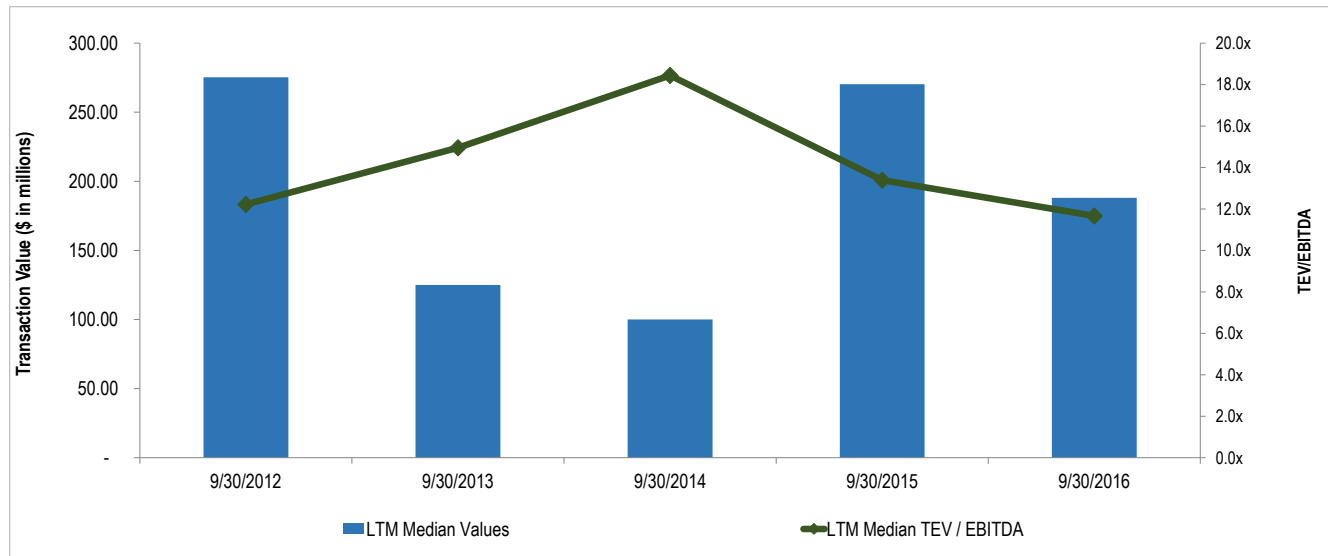
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

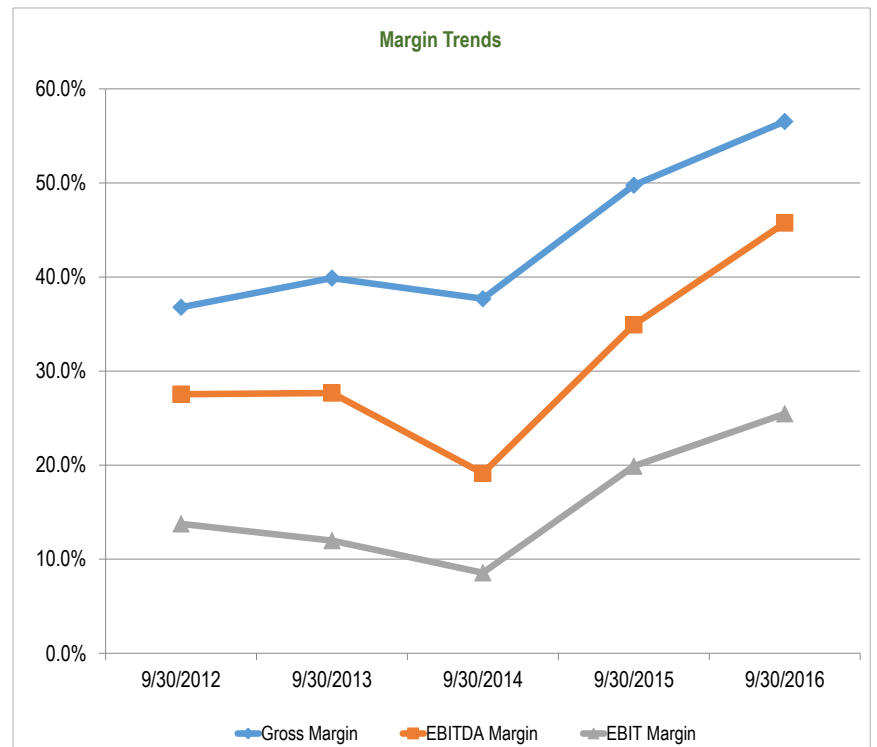
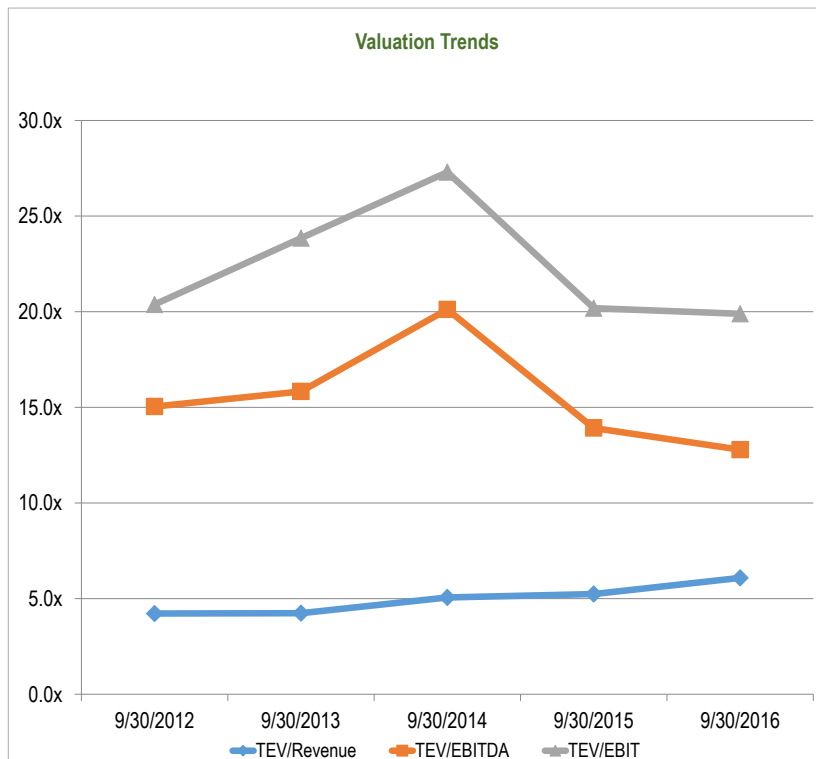
Oil & Gas Storage & Transportation

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,759	11.6x	16.5x	25.1x	TEV/Revenue	↑
Median	\$3,338	6.1x	12.8x	19.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	51.0%	38.9%	28.6%	Gross Margin	↑
Median	56.5%	45.7%	25.5%	EBITDA Margin	↑
				EBIT Margin	↑



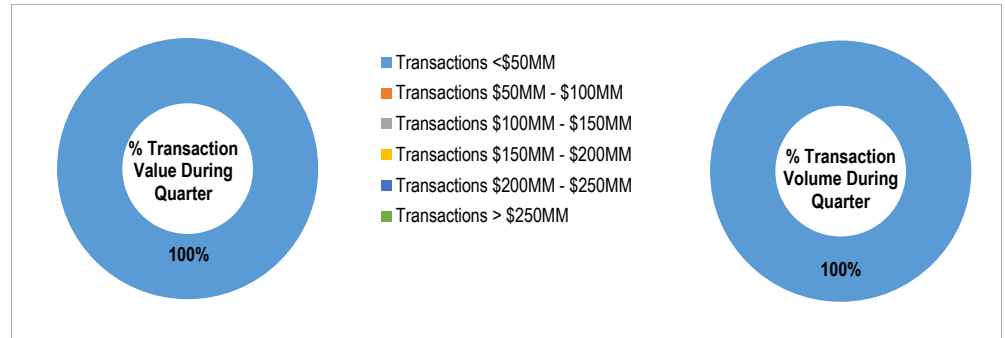
Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	11
Number of Transactions with Disclosed Values	1
Transaction Value*	\$35.00
Average Transaction Value*	\$35.00
Median Transaction Value*	\$35.00

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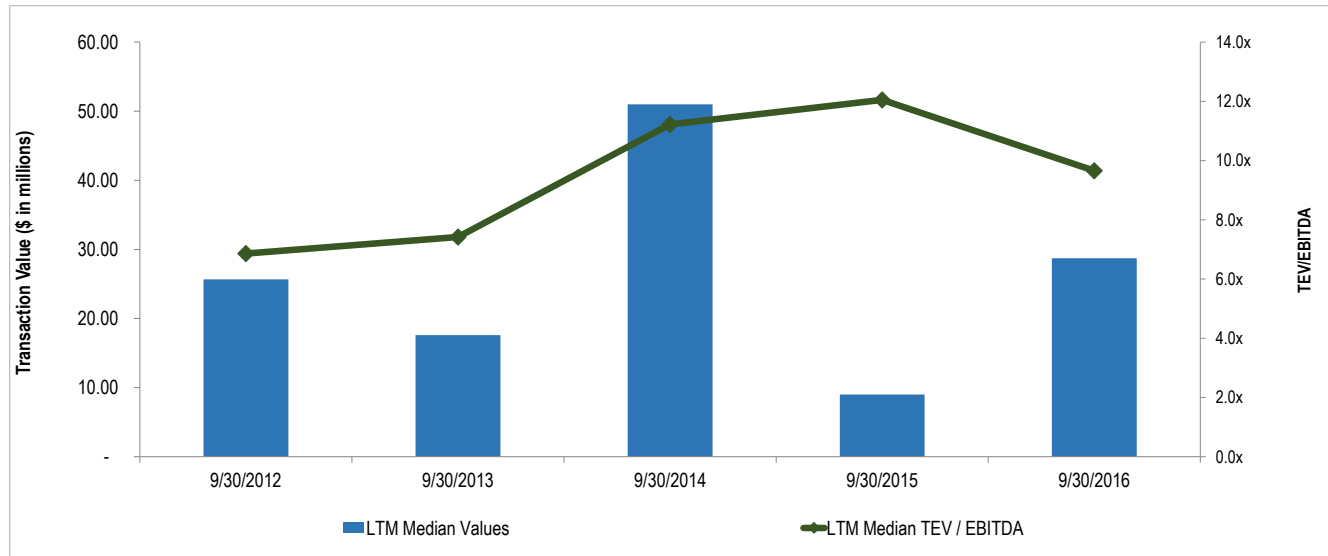
Transactions by Value & Volume



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Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

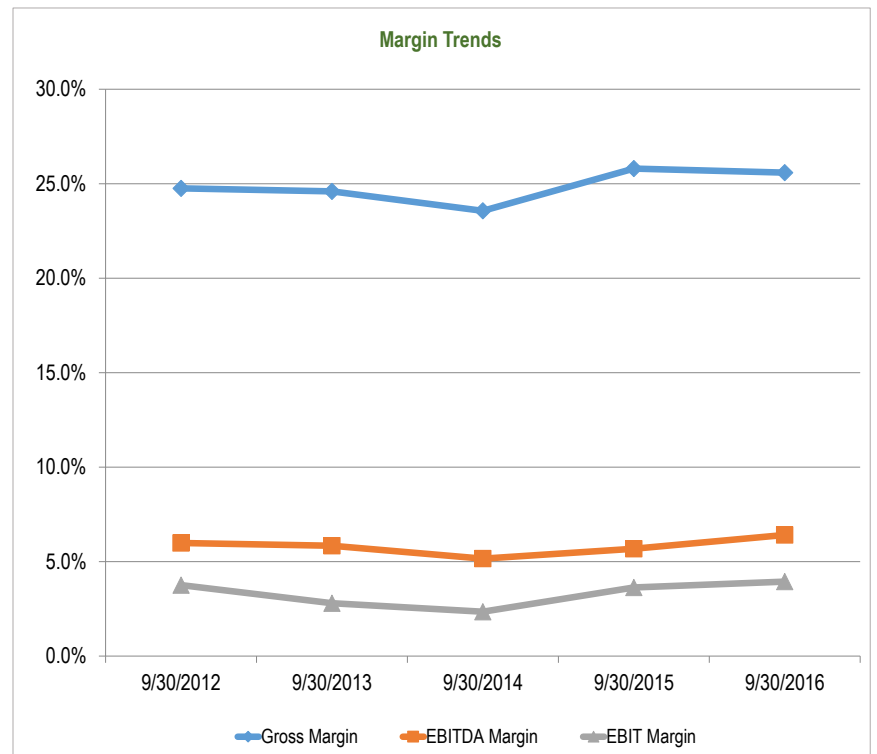
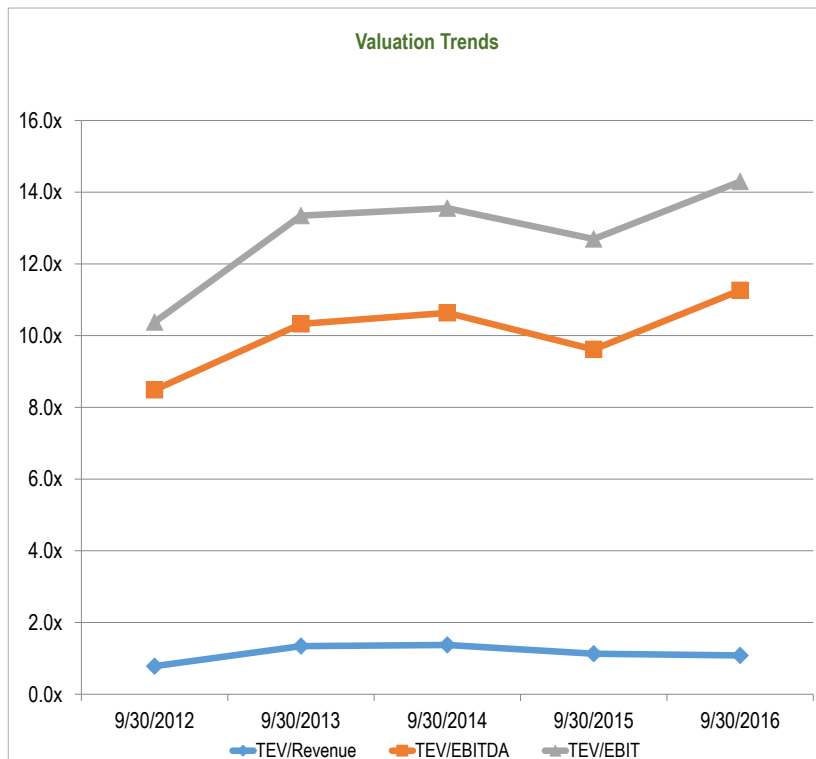
Electrical Components & Equipment

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,194	5.9x	12.4x	16.0x	TEV/Revenue	↓
Median	\$248	1.1x	11.3x	14.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.7%	-1.9%	-6.4%	Gross Margin	↓
Median	25.6%	6.4%	3.9%	EBITDA Margin	↑
				EBIT Margin	↑



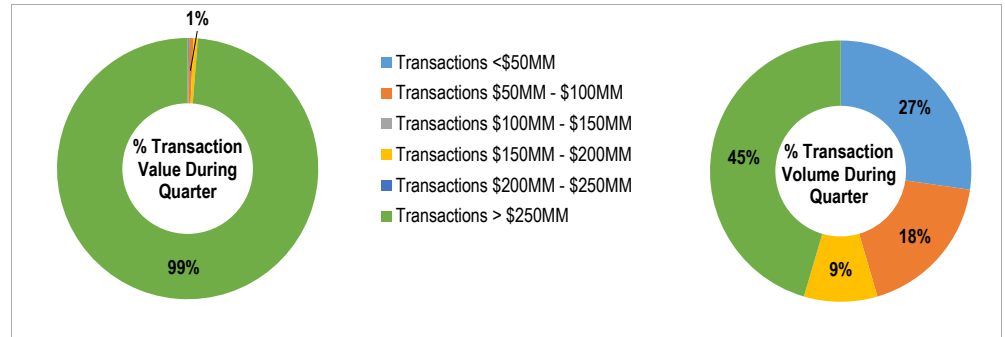
Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	18
Number of Transactions with Disclosed Values	11
Transaction Value*	\$29,665.62
Average Transaction Value*	\$2,696.87
Median Transaction Value*	\$160.00

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

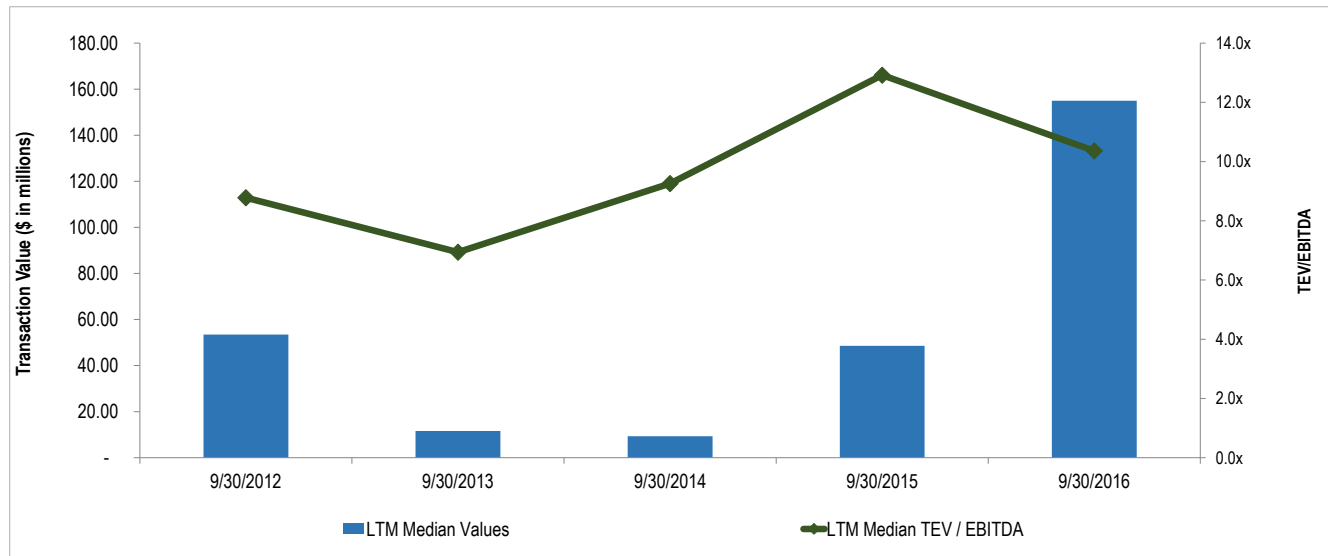
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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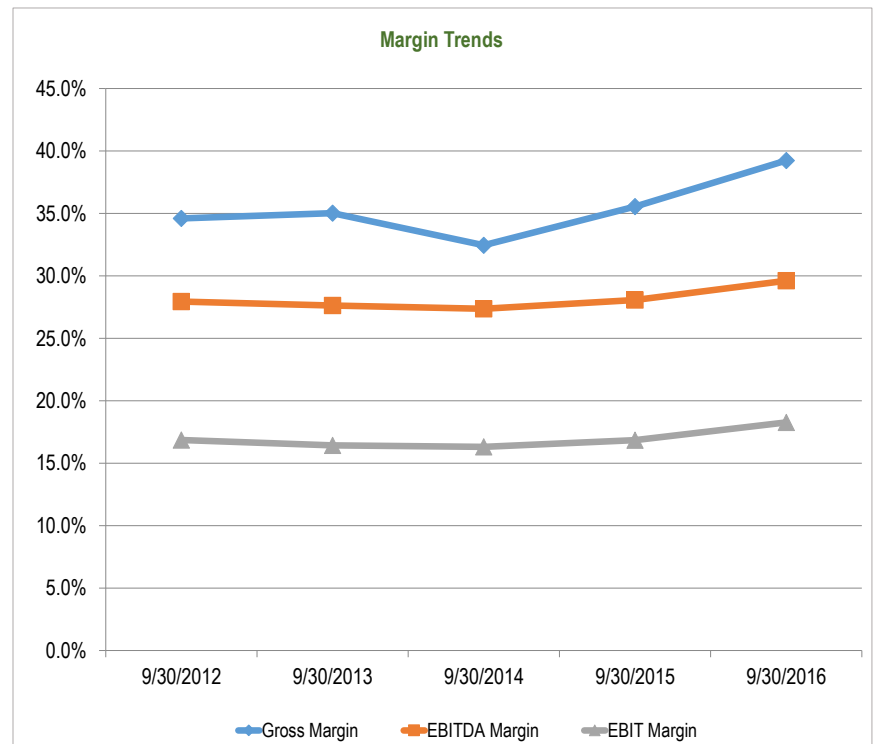
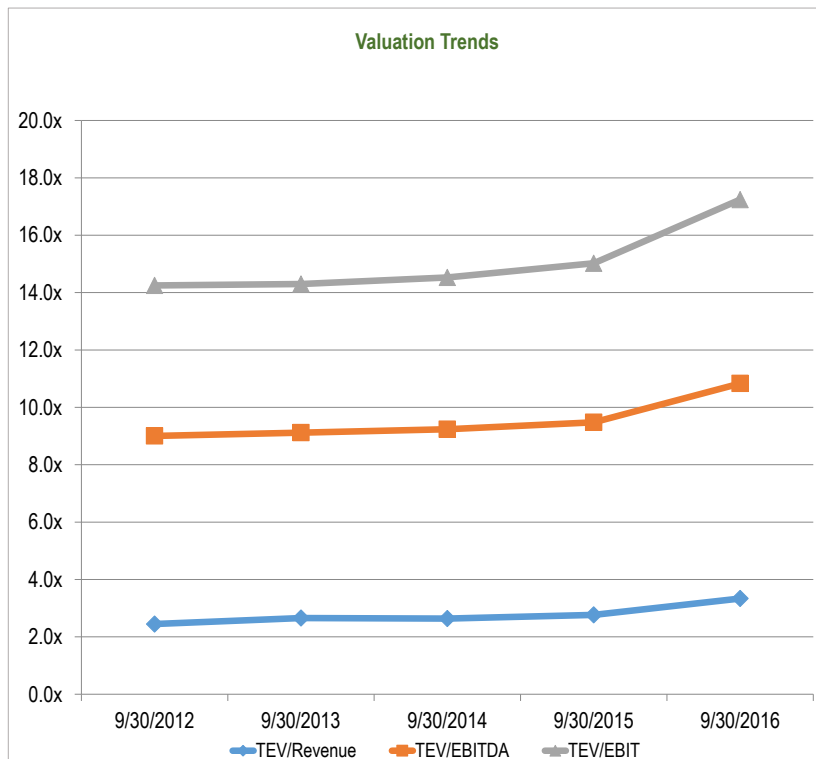
Independent Power Producers, Energy Traders, & Utilities

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,529	4.5x	11.8x	20.0x	TEV/Revenue	↑
Median	\$2,787	3.3x	10.8x	17.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.6%	29.2%	16.3%	Gross Margin	↑
Median	39.2%	29.6%	18.3%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

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- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value