



PCE Industry Report

Power & Energy



Middle Market M&A Summary

Power & Energy

4th Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$4.1 billion.
 - The largest transaction was the acquisition of ITC Holdings Corp. by Fortis, Inc. for \$11.5 billion.
 - The smallest transaction was the acquisition of Noble Americas Energy Solutions, LLC by Calpine Corporation for \$1.0 billion.
- The public company industry median TEV/EBIT multiple is 18.9x.
- The public company industry median TEV/EBITDA multiple is 12.6x.

Key Trends

- Transaction volume in the Electrical Components & Equipment subsector is trending positively. Transaction volume is flat in the remaining subsectors.
- The Independent Power Producers, Energy Traders, and Utilities subsector's transaction volume was the largest at 31% of the industry over the past quarter.
- The production of solar energy increased significantly in 2016 with an estimated capacity increase of 88%. This increase was heavily influenced from the utility industry but also aided by decisions through corporate companies to massively increase their investments in wind and solar to run their own facilities.
- The Obama administration has decided to postpone offshore oil-and-gas exploration in the U.S Arctic waters which were estimated to contain 27 billion barrels of oil and 132 trillion cubic feet of natural gas. This may lead energy companies in the pursuit to find other sources of oil and gas potentially in other controversial areas such as the eastern Gulf of Mexico.
- The first offshore wind farm, Block Island, launched operations and came online at the end of FY 2016 with an annual capacity of 30 MW. Additional offshore wind projects have applied to be constructed offshore in the NE due to its prime location and the states setting goals for increased wind power capacity.
- Steaming Coal is expected to decline at an annualized rate of 0.4% for the next five years until 2021 despite the practice of wholesale bypass. One of the key factors of this decline is the growth of renewable energy sources and to stay afloat, thermal coal looks to find sustainable demand in the form of coal generated electricity and increased construction activity.

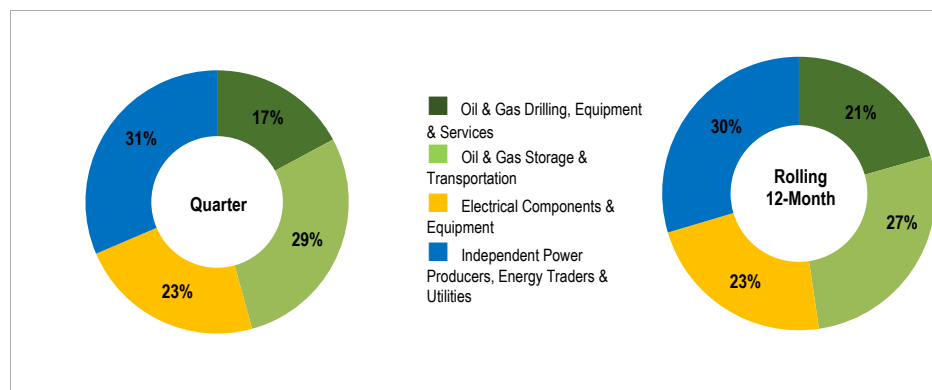
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

Industry Trends During Quarter

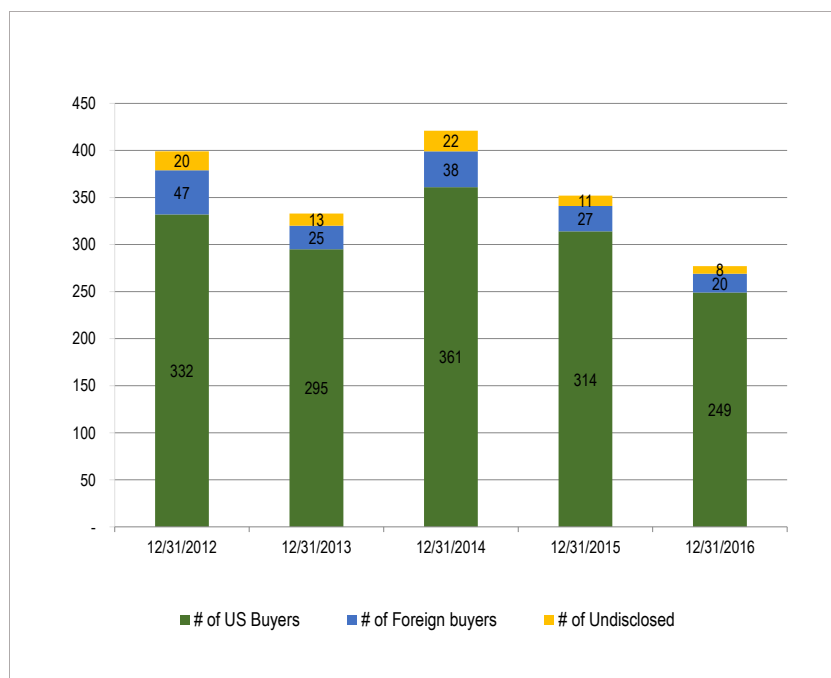
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Oil & Gas Drilling, Equipment & Services	→	↑	↓
Oil & Gas Storage & Transportation	→	↑	↓
Electrical Components & Equipment	↑	↓	↑
Independent Power Producers, Energy Traders & Utilities	→	↑	↑

* 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



Source: S&P Capital IQ as of 1/18/2017 and PCE Proprietary Data

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

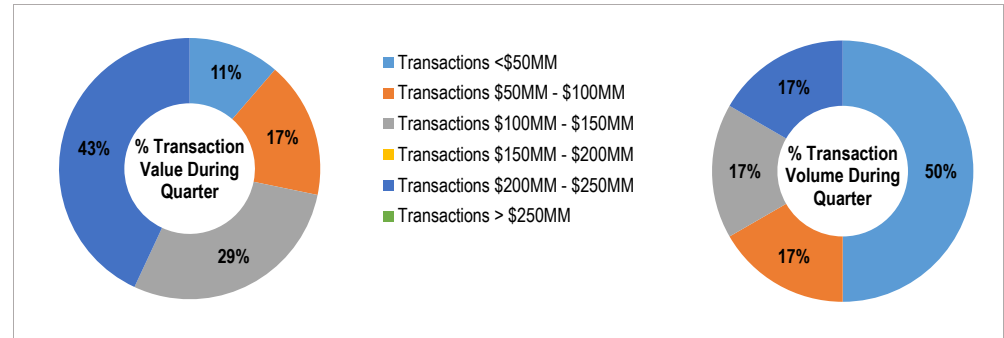
Sector	Target	Buyer	Transaction Value
Independent Power Producers, Energy Traders & Utilities	ITC Holdings Corp.	Fortis Inc.	\$11,478.4
Electrical Components & Equipment	SolarCity Corporation	Tesla Motors, Inc.	\$7,067.1
Independent Power Producers, Energy Traders & Utilities	Piedmont Natural Gas Co. Inc.	Duke Energy Corporation	\$6,589.4
Independent Power Producers, Energy Traders & Utilities	Talen Energy Corporation	C/R Energy Jade, LLC; Raven Power Holdings LLC; Sapphire Power Holdings LLC	\$5,483.7
Electrical Components & Equipment	Emerson Electric Co., Network Power Business Segment	ASCO Power GP, LLC	\$4,000.0
Oil & Gas Storage & Transportation	Questar Pipeline, LLC	Dominion Midstream Partners, LP	\$1,721.2
Electrical Components & Equipment	Powin Corporation	Powin Energy Corporation	\$1,493.1
Oil & Gas Storage & Transportation	Phillips Texas Pipeline Company Eagle 1 LLC	Phillips 66 Partners LP	\$1,303.2
Independent Power Producers, Energy Traders & Utilities	ITC Holdings Corp.	GIC Pte. Ltd.	\$1,219.6
Independent Power Producers, Energy Traders & Utilities	Noble Americas Energy Solutions LLC	Calpine Corporation	\$1,048.0

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

Transaction Volume	14
Number of Transactions with Disclosed Values	6
Transaction Value*	\$497.03
Average Transaction Value*	\$82.84
Median Transaction Value*	\$57.01

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

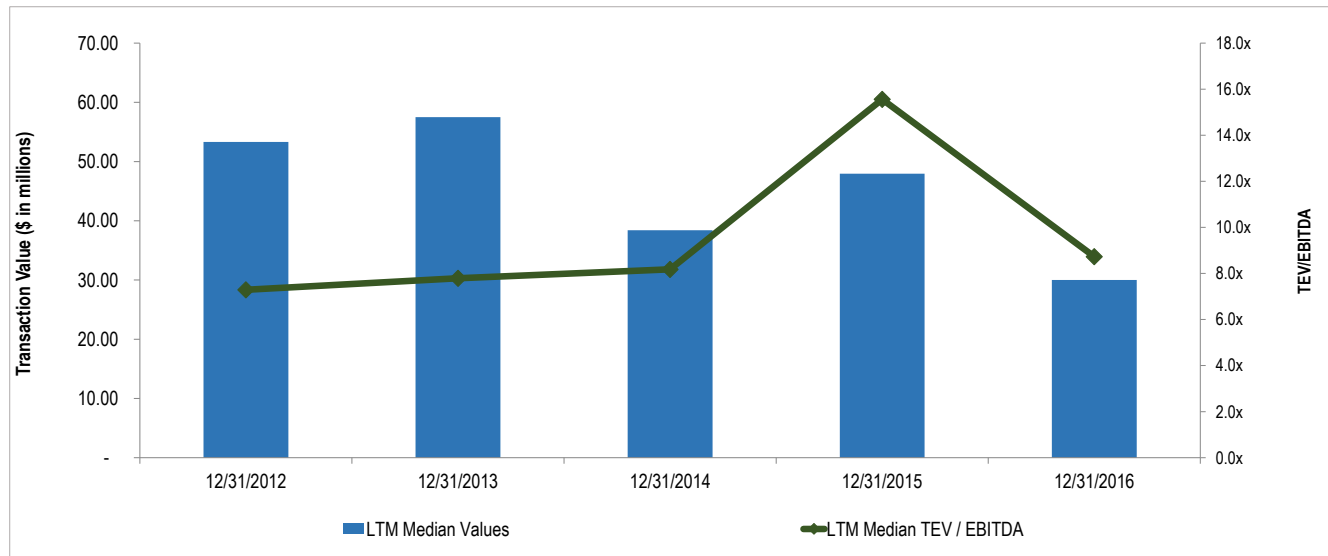
Transactions by Value & Volume



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 1/18/2017 and PCE Proprietary Data

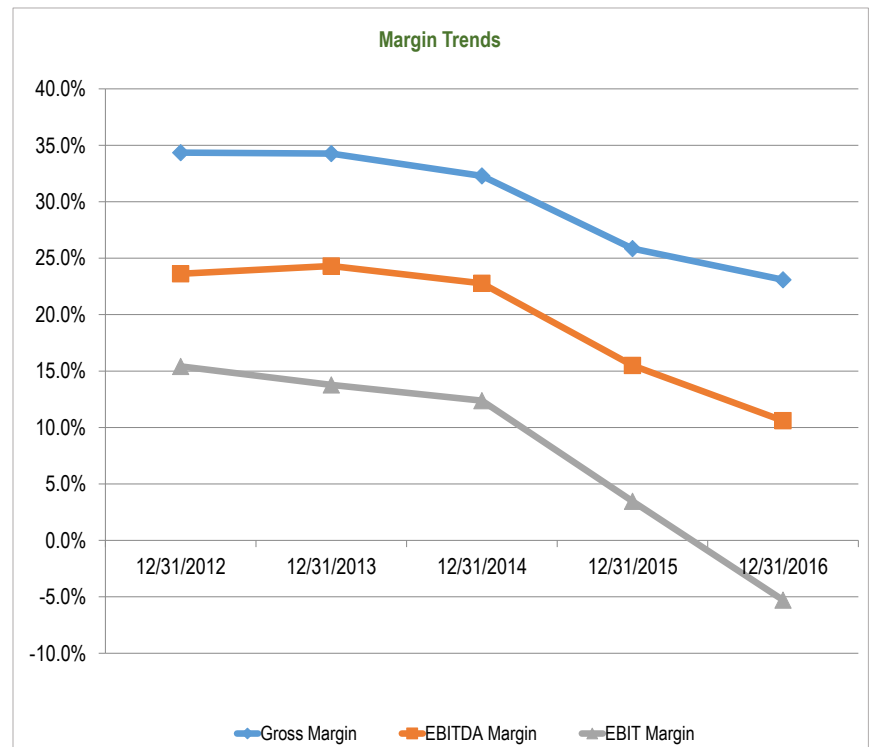
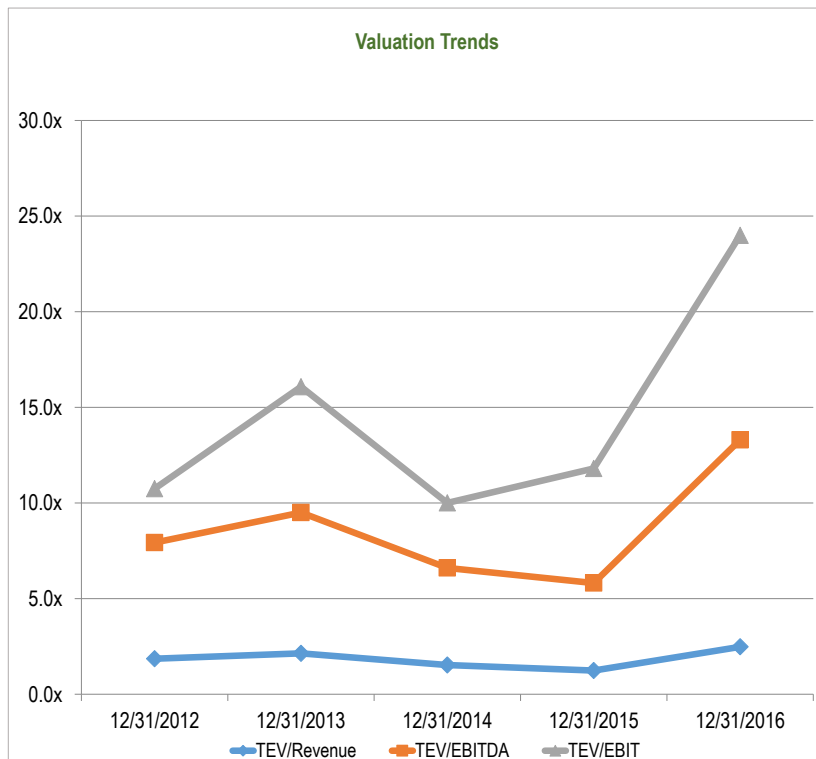
Oil & Gas Drilling, Equipment & Services

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,538	3.1x	16.7x	38.0x	TEV/Revenue	↑
Median	\$633	2.5x	13.3x	24.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	22.0%	4.2%	-17.5%	Gross Margin	↓
Median	23.1%	10.6%	-5.3%	EBITDA Margin	↓
				EBIT Margin	↓



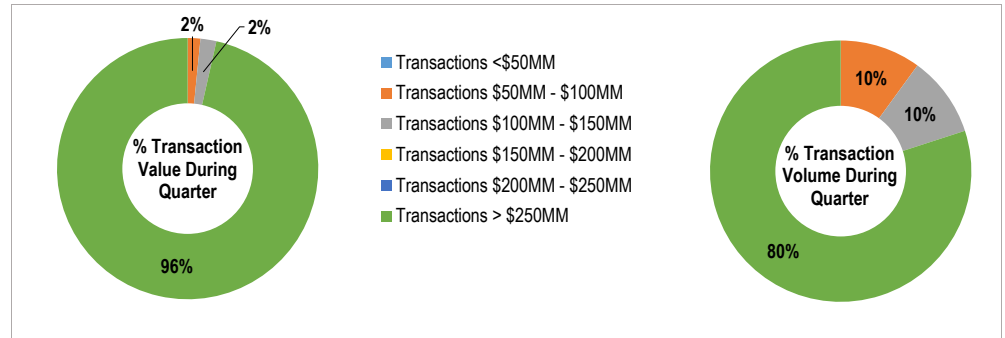
Source: S&P Capital IQ as of 1/18/2017 and PCE Proprietary Data

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

Transaction Volume	17
Number of Transactions with Disclosed Values	10
Transaction Value*	\$5,417.23
Average Transaction Value*	\$541.72
Median Transaction Value*	\$318.00

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

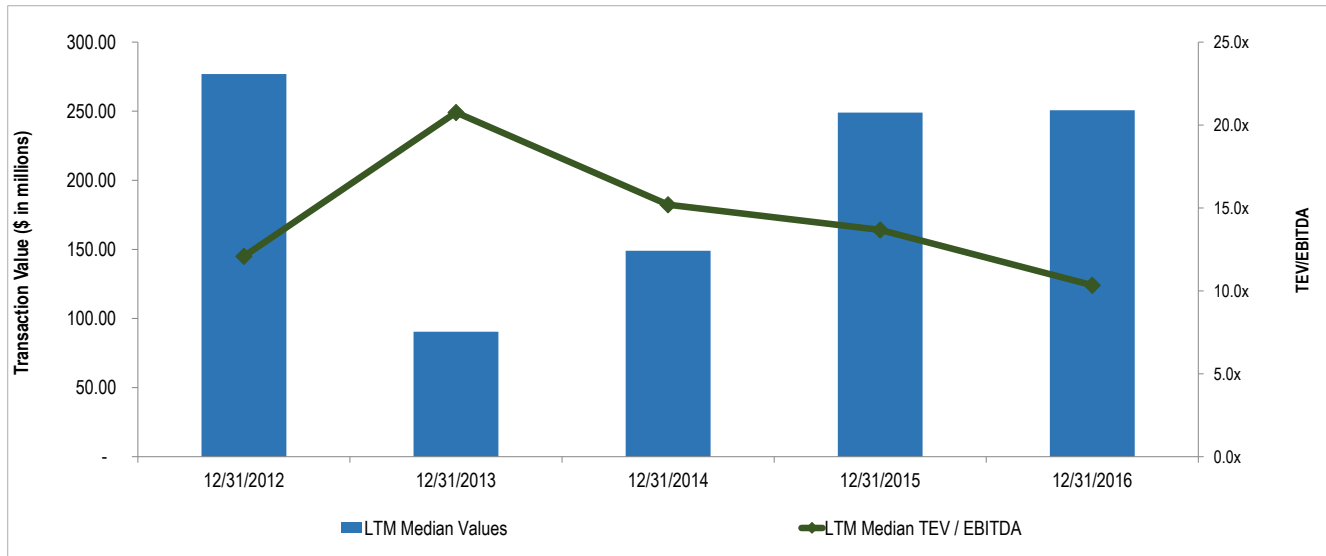
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 1/18/2017 and PCE Proprietary Data

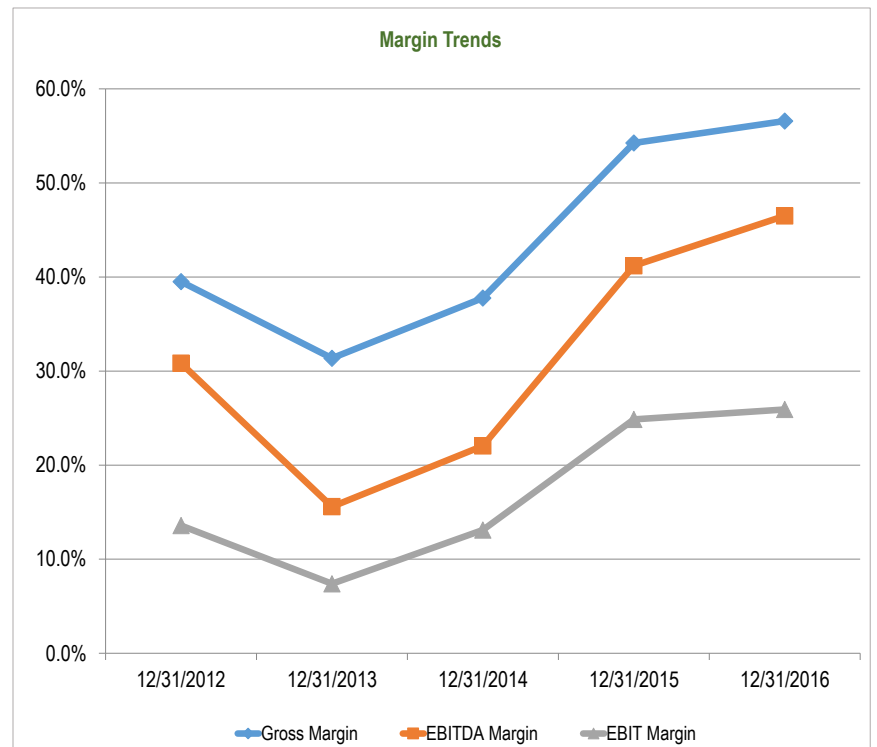
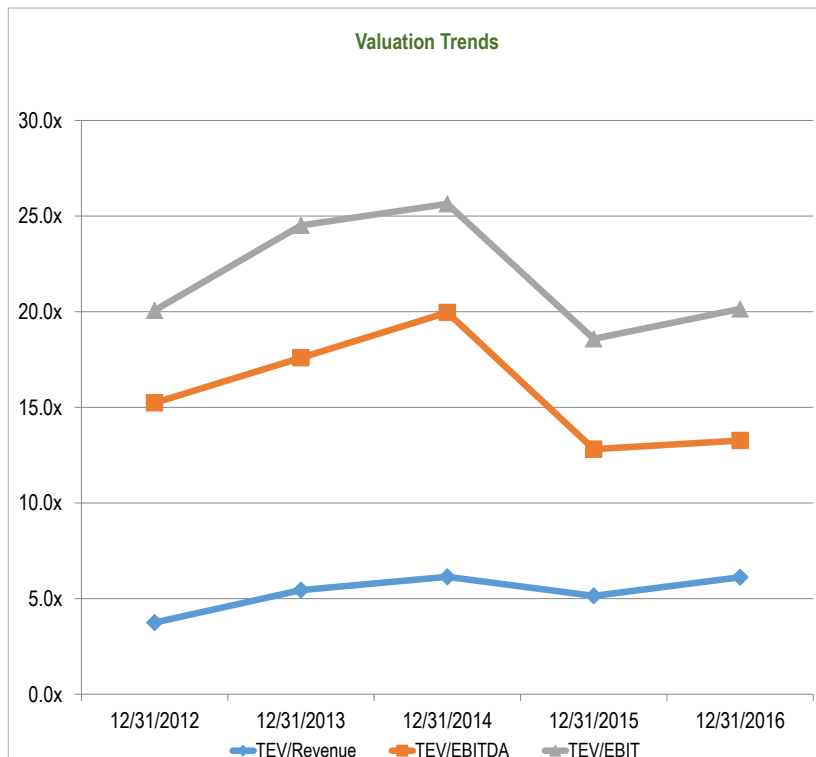
Oil & Gas Storage & Transportation

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,162	10.7x	15.7x	25.6x	TEV/Revenue	↑
Median	\$3,422	6.1x	13.3x	20.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	50.8%	40.0%	29.4%	Gross Margin	↑
Median	56.6%	46.5%	25.9%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/18/2017 and PCE Proprietary Data

Electrical Components & Equipment

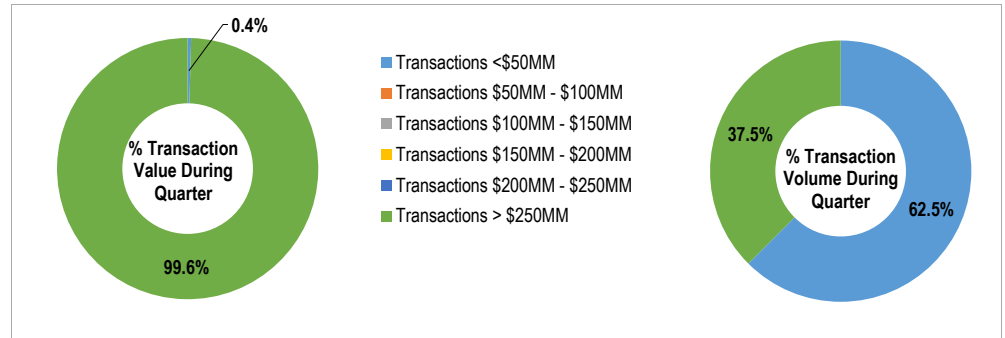
4th Quarter 2016

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

Transaction Volume	19
Number of Transactions with Disclosed Values	8
Transaction Value*	\$12,613.87
Average Transaction Value*	\$1,576.73
Median Transaction Value*	\$21.25

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

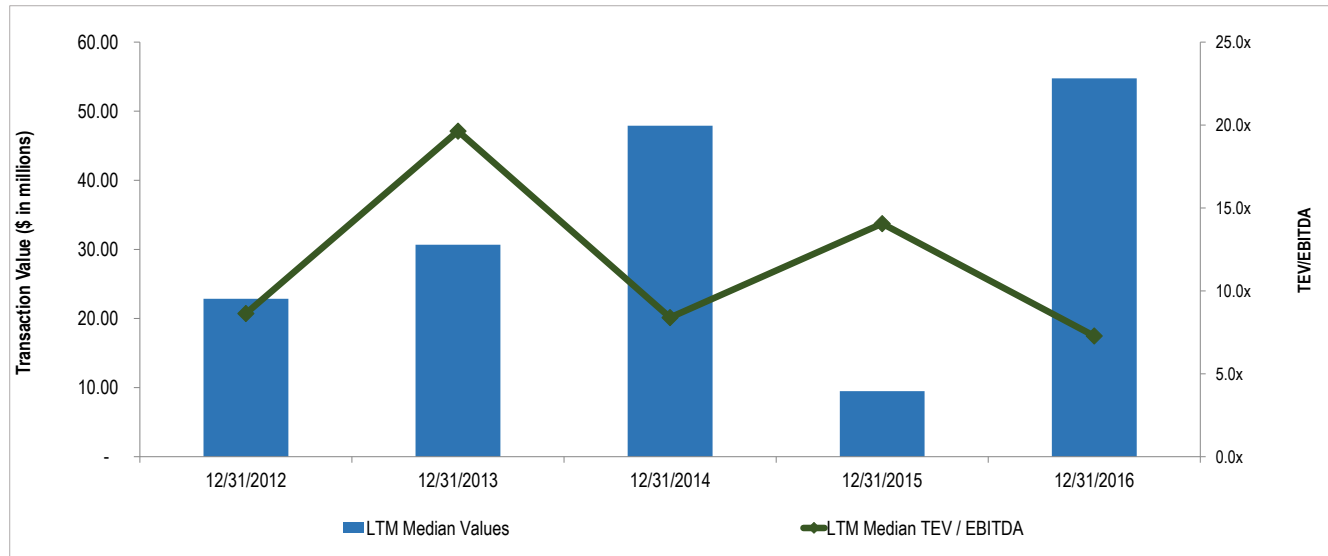
Transactions by Value & Volume



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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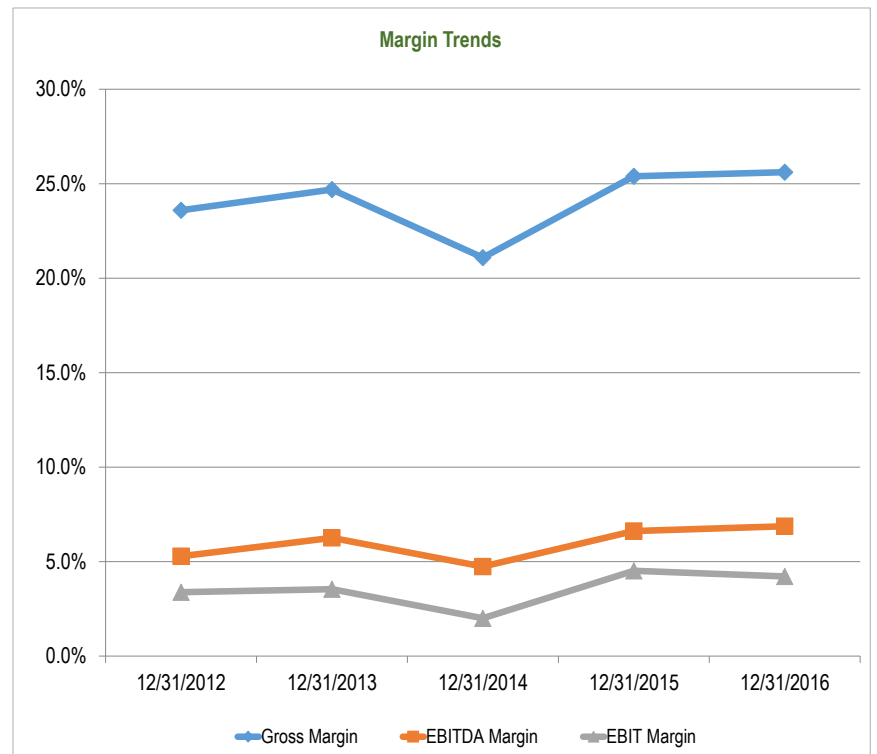
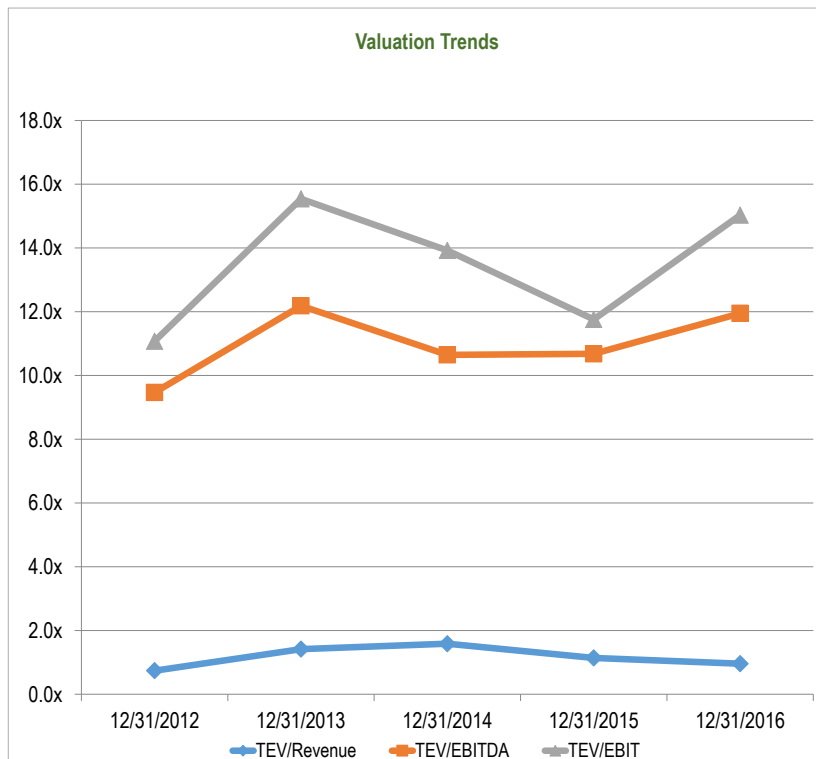
Electrical Components & Equipment

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,386	7.1x	20.7x	16.0x	TEV/Revenue	↓
Median	\$240	1.0x	11.9x	15.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	23.0%	-3.9%	-7.6%	Gross Margin	↑
Median	25.6%	6.9%	4.2%	EBITDA Margin	↑
				EBIT Margin	↓



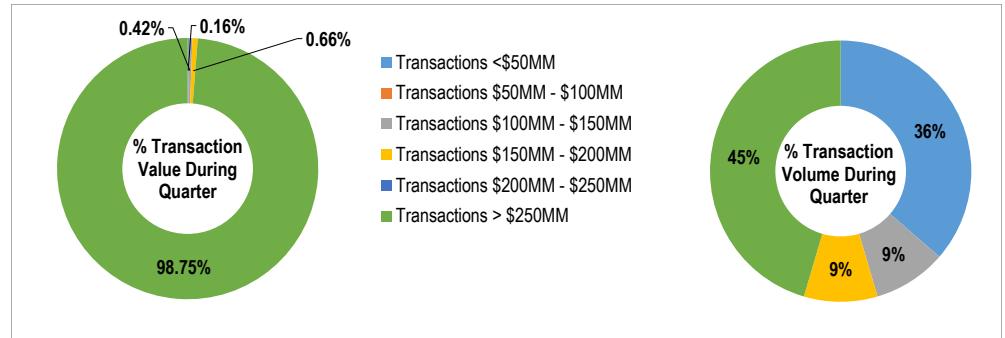
Source: S&P Capital IQ as of 1/18/2017 and PCE Proprietary Data

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

Transaction Volume	20
Number of Transactions with Disclosed Values	11
Transaction Value*	\$26,145.12
Average Transaction Value*	\$2,376.83
Median Transaction Value*	\$172.50

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

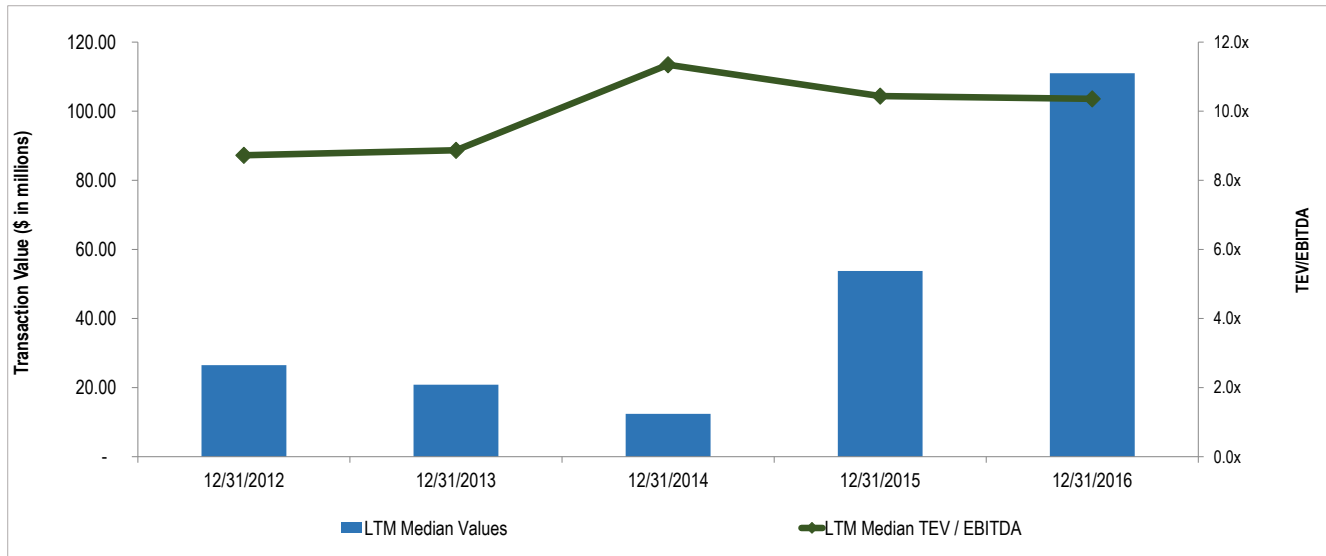
Transactions by Value & Volume



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Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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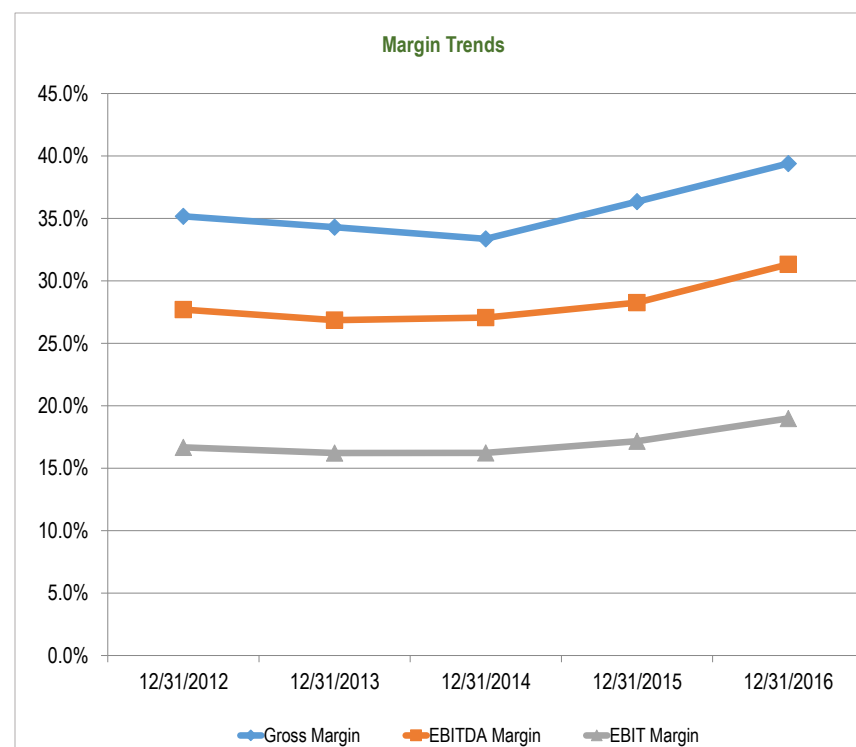
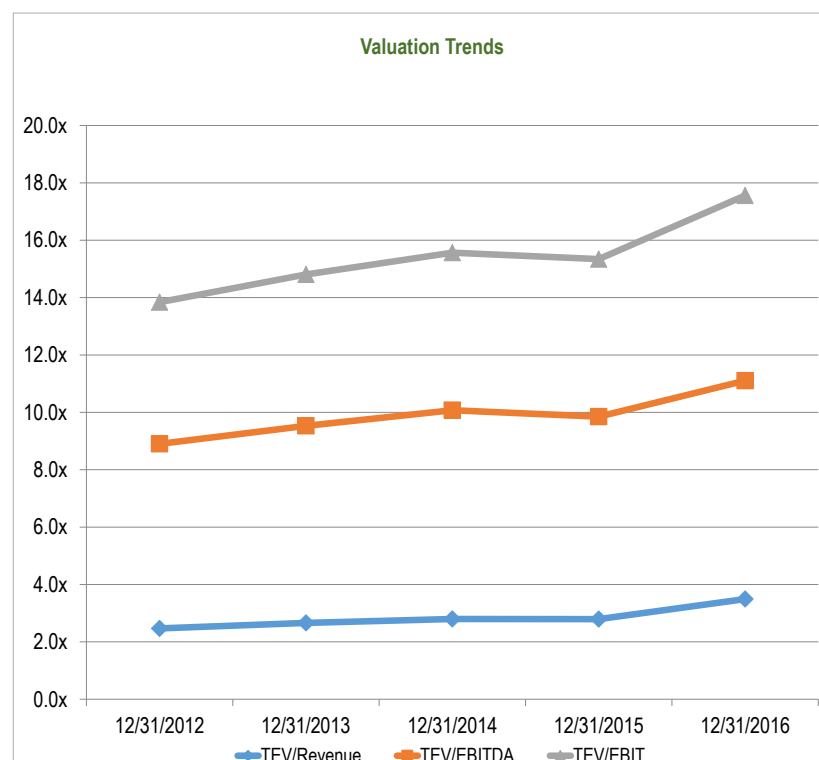
Independent Power Producers, Energy Traders, & Utilities

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$9,143	6.6x	12.0x	22.3x	TEV/Revenue	↑
Median	\$3,904	3.5x	11.1x	17.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	42.4%	31.3%	18.6%	Gross Margin	↑
Median	39.4%	31.3%	19.0%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/18/2017 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.

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- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
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- 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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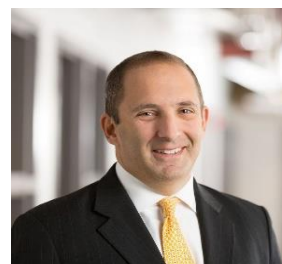


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Data Assumptions

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