

**Deloitte.**



Energy Quarterly  
Update

Q1 2023



# DCF's Energy Practice

Deloitte Corporate Finance LLC (DCF) is a leading global middle-market M&A adviser. Our professionals have extensive knowledge in the energy sector which helps DCF to help clients enhance value.



## Energy Leadership



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## Firm Overview

#1

2022 Global M&A  
Advisor by deal  
volume <sup>(1)</sup>.

704

Completed deals  
in the last 12  
months.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has **2,400 Corporate Finance professionals** throughout the Deloitte Touche Tohmatsu Limited network of member firms in 60 countries that complement the North American team.
- **One of the top global middle-market financial advisor** in 2022 according to Mergermarket<sup>(1)</sup>.



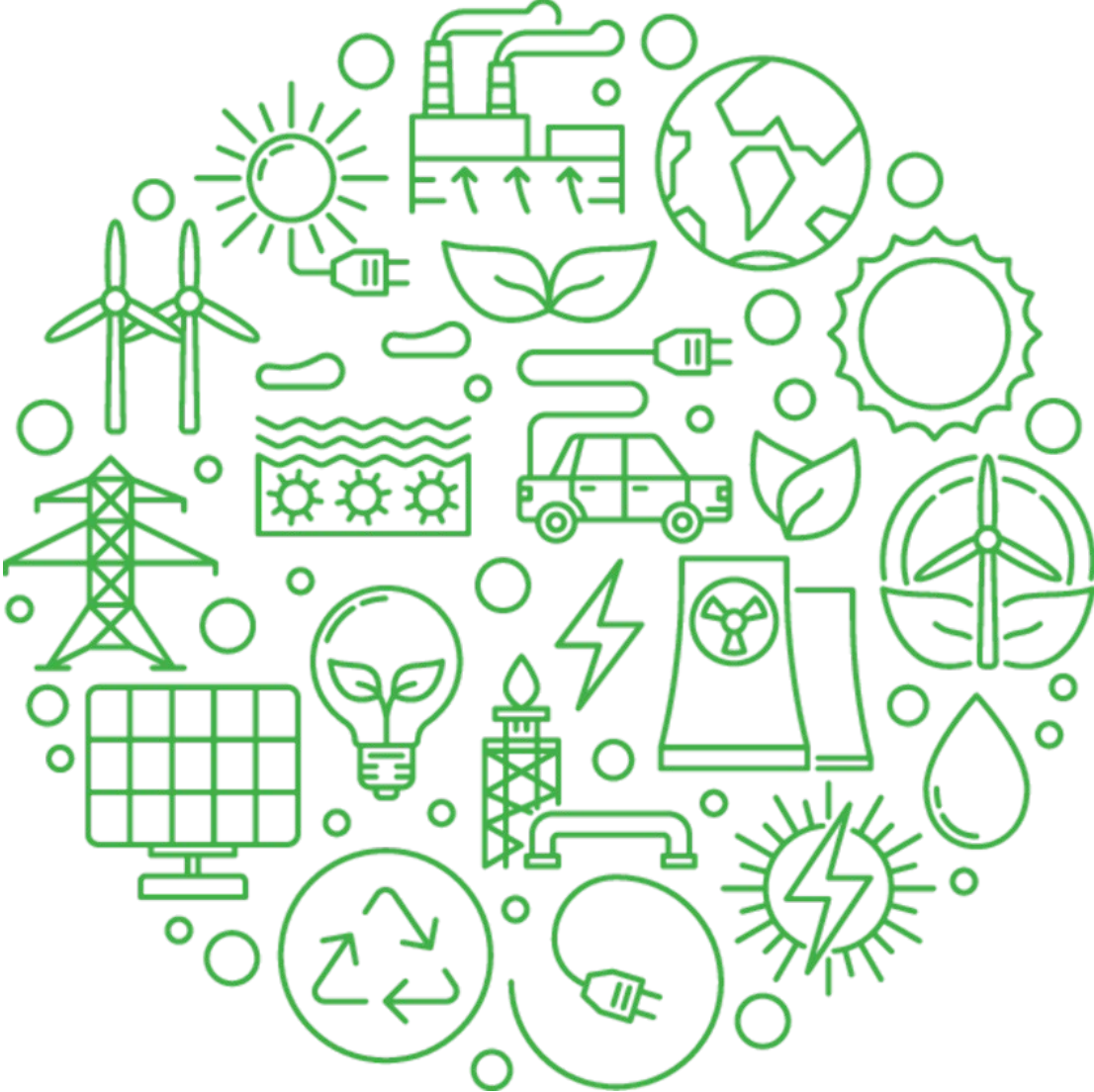
## Sector Focus

- Oil and Gas
- Renewable Energy
- Power and Utilities
- Nuclear Energy



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Click on items above to jump to section



# Case study

## Cherry Street Energy, LLC

### Deal Contacts

Eric Andreozzi, Keith Adams, Máté Bánhegyi, Jonathan Price



has completed a majority recapitalization with



The undersigned acted as the financial advisor to Cherry Street Energy, LLC



Deloitte Corporate Finance LLC

### Client Overview

- Founded in 2015 in Atlanta Georgia, Cherry Street Holding Company, LLC (CSE or the Company) builds, owns, operates, and maintains a renewable energy infrastructure in the built environment.
- CSE focuses on serving the renewable energy needs of municipalities, universities, schools, and hospitals as well as other large blue-chip commercial and industrial customers.
- CSE is the first and largest provider of non-utility renewable energy in Georgia.

### Transaction Results

- Completed a majority recapitalization of the Company with EBSCO Capital, LLC (EBSCO).
- Cherry Street Energy is now positioned to focus on expanding its footprint with existing customers, developing new customers, and building the power company of the future.

### DCF's Role

- The Company engaged Deloitte Corporate Finance LLC (DCF) to assist with efforts in finding a growth investor with an aligned vision on the market opportunity for growth in distributed energy.
- DCF added significant value by:
  - Assisting the Company with developing marketing materials and hosting a webinar to highlight the Company's operating projects and backlog, strong management team and its case for growth based on the its unique business model.
  - Utilizing its extensive reach to network with the energy investment community in order to find a partner with a culture fit who met the key transaction objectives.
  - Managing an extensive due diligence process and assisting client with facilitating a complex transaction which supports Company Stakeholders.

*"The Deloitte Corporate Finance team was instrumental during every phase of the deal process and helped us navigate a number of market and business dynamics along the way. DCF's knowledge of the renewables landscape and the effort put in by each member of the team was critical to our success. Their focus on driving important items to reach a successful outcome was fundamental in Cherry Street gaining such a great new partner in EBSCO Capital."*

—Michael Chanin  
Founder and CEO  
Cherry Street Energy

Prior engagement performance is no guarantee of future performance and may not be representative of the experience of other clients. This communication is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security.

# Case study

## SGC Power, LLC

**Deal Contacts** Eric Andreozzi, Keith Adams, Máté Bánhegyi, Jonathan Price



has been acquired by



The undersigned acted as the financial advisor to SGC Power, LLC



**Deloitte**  
Deloitte Corporate Finance LLC

### Client Overview

- Founded in 2014 in Elkridge, MD, SGC Power, LLC (SGC or the Company), is a developer of community solar projects. The Company adds value by identifying, developing, and designing solar projects that produce long-term lease income for property owners while providing affordable clean energy to surrounding communities.
- SGC has a presence in Maryland, Pennsylvania, Virginia, Delaware, and Illinois, and has built reputation by educating local legislators and their neighborhoods about the benefits of community solar.

### Transaction Results

- SGC now operates as a business unit under the Pivot Energy brand, leveraging Pivot’s development expertise to enter new markets and increase value to their property owners.
- SGC’s shareholders achieved their liquidity objectives while positioning the Company for accelerated growth with the help of Pivot’s industry insights and experience.

### DCF’s Role

- The Company engaged Deloitte Corporate Finance LLC (DCF) to leverage its experience in solar energy to find the partner with industry experience and operation expertise to facilitate rapid growth while providing liquidity to shareholders.
- DCF added significant value by:
  - Developing detailed marketing materials to highlight the Company’s portfolio and pipeline projects within a growing market for Community Solar.
  - Running a highly competitive marketing process, yielding interest from both financial sponsors and strategics, and assisting the Company’s shareholders with selecting a partner with a culture fit who met the key transaction objectives of the sellers.
  - Managing an extensive due diligence process, structuring a complex transaction which includes an earnout, and negotiating a seller-friendly deal structure at an attractive valuation.

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# Deloitte thought leadership

## Deloitte thought leadership

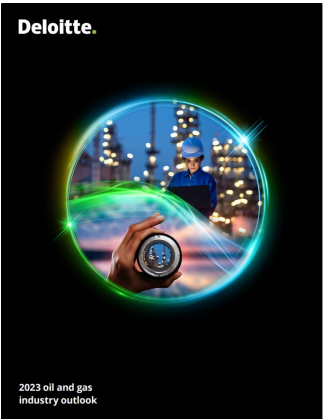
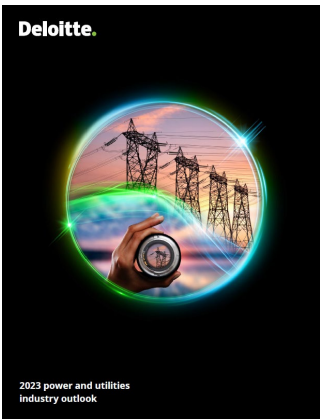
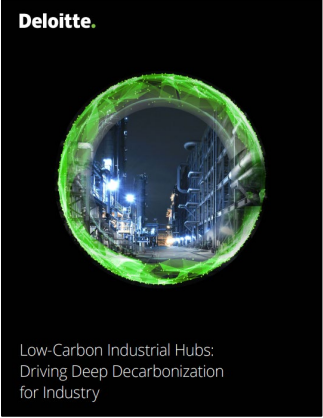
- Deloitte stays well-informed of industry trends and makes significant investments in producing cutting-edge thought leadership.
- Deloitte is deeply committed to providing insights that help keep clients on the forefront of critical trends.
- Focused research on energy industry drivers and trends helps enable Deloitte to demonstrate eminence in the business services market by redefining the lens through which industry leaders operate.

## Extensive knowledge network

DCF can leverage its expansive cross-business knowledge network, extensive consulting reports, and in-depth industry research to drive results and provide differentiated insights for our clients.



## Recent insights



# Notable recent M&A transactions<sup>(1)</sup>

<p><b>Oil and Gas</b></p>	<p><b>Baytex Energy Corp to buy US peer Ranger Oil Corp</b></p> <ul style="list-style-type: none"> <li>• Baytex Energy entered into an agreement to acquire Ranger Oil as the Canadian company looks to significantly boost its presence in South Texas' Eagle Ford shale basin.</li> <li>• The Eagle Ford basin has seen increasing deal activity and consolidation in recent months as strategic players have acquired smaller producers with established presence in the basin.</li> </ul>	<p><b>Announced Date:</b> February 2023  <b>EV:</b> \$2,536.2 MM  <b>Rev:</b> 1,046.9 MM  <b>EV/Rev:</b> 2.4X  <b>EV/EBITDA:</b> 3.5X</p>
<p><b>Renewables</b></p>	<p><b>Actis, LLP and EnCap Investments, LP to acquire co-control stake in Catalyze Holdings, LLC</b></p> <ul style="list-style-type: none"> <li>• Actis, a global investor in sustainable infrastructure, has partnered with EnCap Investments to invest in Catalyze Holdings, a US based energy platform, targeting a build-out of ~600 MW of solar and battery storage capacity.</li> <li>• Actis will provide funding to accelerate the continued growth of Catalyze Holdings. It will also bring sector expertise and fresh equity capital to support the development of a proprietary growth pipeline.</li> </ul>	<p><b>Announced Date:</b> February 2023  <b>EV:</b> \$1,200.0 MM  <b>Rev:</b> N/A  <b>EV/Rev:</b> N/A  <b>EV/EBITDA:</b> N/A</p>
<p><b>Power and Utilities</b></p>	<p><b>Brookfield Corp to acquire additional 30% ownership interest in FirstEnergy Transmission, LLC</b></p> <ul style="list-style-type: none"> <li>• FirstEnergy Corp entered into a definitive agreement to sell an additional 30% in its FirstEnergy Transmission (FET) business to Brookfield's Super-Core Infrastructure fund. At close, Brookfield will own 49.9% of FET.</li> <li>• Proceeds from the \$3.5 BN all-cash deal will help strengthen FirstEnergy's financial position and support long-term growth as it enables clean energy transition.</li> </ul>	<p><b>Announced Date:</b> February 2023  <b>EV:</b> \$19,035.7 MM  <b>Revenue:</b> 1,538.0 MM  <b>EV/Rev:</b> 12.4x  <b>EV/EBITDA:</b> 20.5x</p>
<p><b>Nuclear</b></p>	<p><b>Vistra Corp to create a zero-carbon generation and retail platform through the acquisition of Energy Harbor Corp</b></p> <ul style="list-style-type: none"> <li>• The transaction will combine Energy Harbor with Vistra's nuclear and retail businesses and Vistra Zero renewables and storage projects under a newly formed subsidiary holding company, Vistra Vision.</li> <li>• This combination creates a leading integrated retail electricity and zero-carbon generation company with the second-largest competitive nuclear portfolio in the country.</li> </ul>	<p><b>Announced Date:</b> March 2023  <b>EV:</b> \$3,430.0 MM  <b>Rev:</b> N/A  <b>EV/Rev:</b> N/A  <b>EV/EBITDA:</b> N/A</p>

## Sector trends<sup>(1)</sup>

- US crude oil output rose during the first quarter, as weekly production volumes increased to 12.2 million barrels per day through the week ending March 31, 2023.
- In EIA's 2023 Annual Energy Outlook, the US is to remain a net exporter of petroleum products and natural gas through 2050. Contributing factors include high international demand and relatively little growth in domestic consumption.
- The Biden administration is currently holding talks with global energy companies and foreign officials to set standards for certified natural gas. Lack of unified standards across the supply chain and Europe's energy crisis have prevented low-carbon gas markets from taking off, which these efforts will attempt to alleviate.

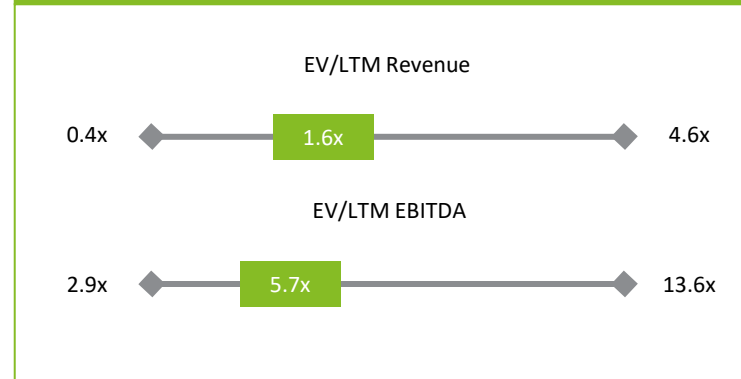
## Select public comparables<sup>(3)</sup>

Company name	Enterprise value (MM)
Exxon Mobil Corp	\$471,126.2
Chevron Corp	321,521.9
ConocoPhillips	128,859.8
Marathon Petroleum Corp	83,055.4
Phillips 66	63,423.3
Valero Energy Corp	61,117.5
Hess Corp	47,651.3
Devon Energy Corporation	38,631.2
Halliburton Company	35,373.4
DCP Midstream, LP	13,937.9
Transocean, Ltd	11,789.5
Southwestern Energy Company	10,022.3

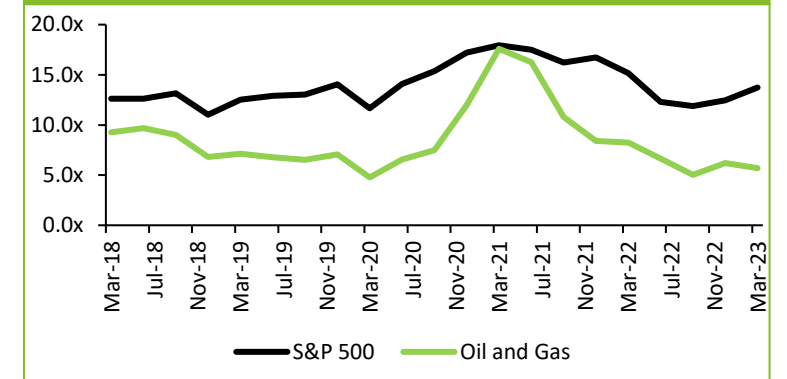
## Select recent M&A activity<sup>(2)</sup>

Announced Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Feb-23	Ranger Oil Corp	Baytex Energy Corp	\$2,536.2	3.5x
Jan-23	Advance Energy Partners, LLC	MRC Energy Company	1,690.0	3.2x
Mar-23	Centurion Pipeline Company, LLC	Energy Transfer, LP	1,420.7	N/A
Feb-23	Gray Oak Pipeline, LLC	Enbridge Inc	172.0	N/A
Jan-23	Pogo Oil & Gas, LLC	HNR Acquisition Corp	120.5	N/A

## Trading metrics<sup>(4)</sup>



## Historical EV/EBITDA multiples<sup>(4)</sup>





# Renewable energy



## Sector trends<sup>(1)</sup>

- The EIA's 2023 Annual Energy Outlook shows renewable generating capacity growth in all regions of the United States through 2050. Compared with 2022, solar generating capacity grows by about 325% to 1,019% by 2050, and wind generating capacity grows by about 138% to 235%. EIA also sees expansion in installed battery capacity to support this growth in renewables.
- In February, the Biden administration outlined how states and nonprofit organizations can apply for low-cost financing from a "green bank" for projects intended to cut greenhouse gas emissions. The EPA expects to award \$20 BN in competitive grants to ~15 nonprofit groups and \$7 BN to state and local governments.

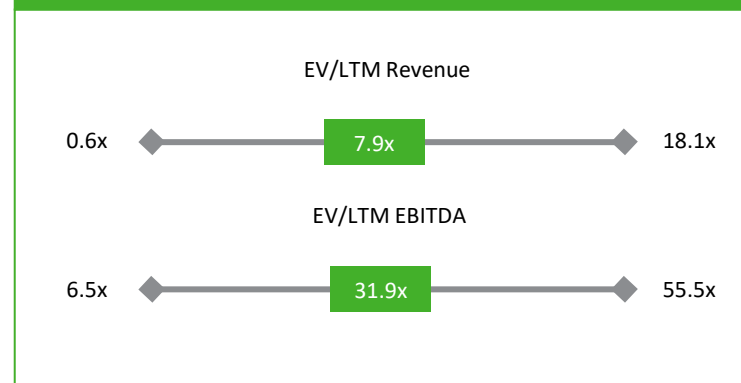
## Select public comparables<sup>(3)</sup>

Company name	Enterprise value (MM)
Brookfield Renewable Partners, LP	\$74,825.2
Enphase Energy Inc	28,404.6
NextEra Energy Partners, LP	21,940.8
First Solar Inc	20,843.6
Sunrun Inc	13,924.7
Ormat Technologies Inc	7,181.8
Canadian Solar Inc	4,460.9
Array Technologies Inc	4,243.9
Shoals Technologies Group Inc	4,111.7
SunPower Corp	2,471.1
Ballard Power Systems Inc	1,032.2

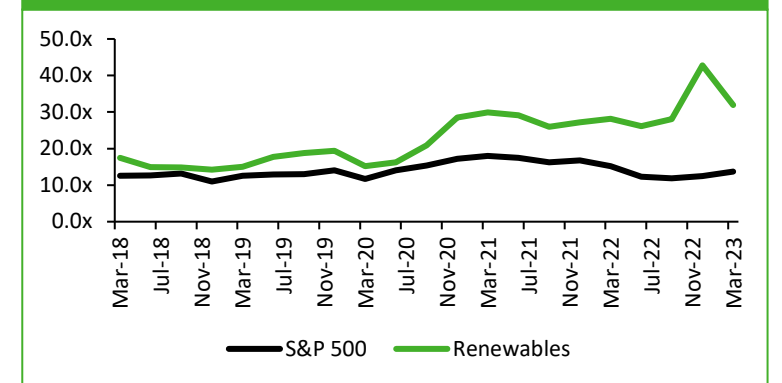
## Select recent M&A activity<sup>(2)</sup>

Announced Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Feb-23	Catalyze Holdings, LLC	Actis, LLP EnCap Investments, LP	\$1,200.0	N/A
Jan-23	New Rise Renewables, LLC	Camber Energy Inc	750.0	N/A
Mar-23	Sevana Bioenergy, LLC	Ontario Teachers' Pension Plan	250.0	N/A
Jan-23	Patriot Renewables, LLC's Wind Portfolio	Competitive Power Ventures Inc	172.0	N/A

## Trading metrics<sup>(4)</sup>



## Historical EV/EBITDA multiples<sup>(4)</sup>



## Sector trends<sup>(1)</sup>

- Net electricity generation in the US decreased by 7.9% in January 2023 compared to January 2022 and average revenue per kWh increased by 12.7% on a national basis in the same period. The average residential retail price grew 12.8% YoY in January 2023 to reach 15.47 cents/kwh. Prices in the transportation end-use sector rose the most, increasing 16.4% YoY in January 2023 followed by the industrials sector, which grew 13.7% during this period.
- Wholesale electricity prices were bifurcated in January 2023, with prices peaking across the western US and much lower east of the Rocky Mountains. Due to mild winter weather, prices east of the Rockies remained below \$95/MWh during the month, reaching new 12-month lows in New England, the Mid-Atlantic, Louisiana, and Texas.

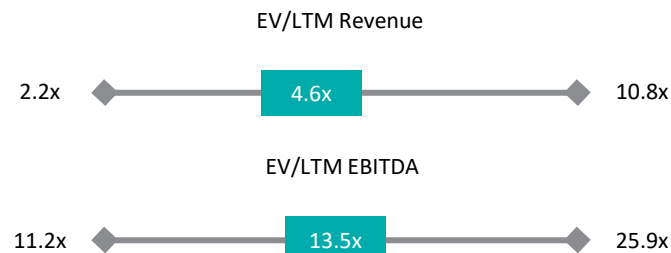
## Select public comparables<sup>(3)</sup>

Company name	Enterprise value (MM)
NextEra Energy Inc	\$227,143.1
Duke Energy Corp	154,650.4
The Southern Company	137,410.2
Dominion Energy Inc	94,331.9
American Electric Power Company Inc	86,963.7
PG&E Corp	85,198.1
Exelon Corp	81,600.2
Sempra Energy	80,128.5
Xcel Energy Inc	62,986.8
Consolidated Edison Inc	57,304.2
Eversource Energy	50,123.1
Entergy Corp	49,964.2
WEC Energy Group Inc	47,434.7
DTE Energy Company	41,788.1
Ameren Corp	37,649.3
CenterPoint Energy Inc	35,638.3
Avangrid Inc	25,778.1
Black Hills Corp	8,921.3
ALLETE Inc	6,242.6

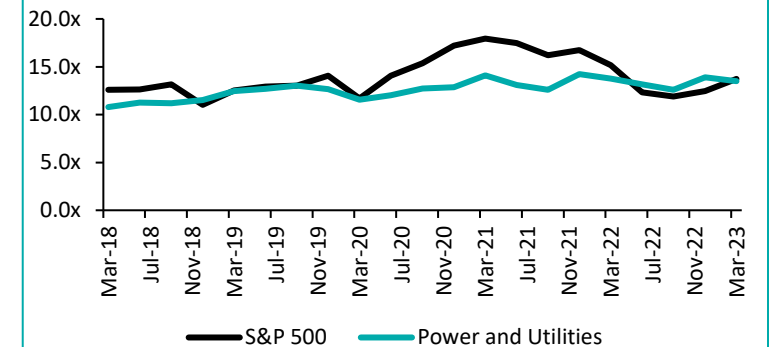
## Select recent M&A activity<sup>(2)</sup>

Announced Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Feb-23	FirstEnergy Transmission, LLC	Brookfield Corp	\$19,035.7	20.5x
Mar-23	ENSTAR Natural Gas Company	TriSummit Utilities Inc	800.0	N/A

## Trading metrics<sup>(4)</sup>



## Historical EV/EBITDA multiples<sup>(4)</sup>



# Nuclear energy

## Sector trends<sup>(1)</sup>

- The Accelerating Deployment of Versatile, Advanced Nuclear for Clean Energy (ADVANCE) Act was introduced to the US Senate in March. The bill supports development and deployment of new nuclear technologies and preservation of existing nuclear capacity. Expanding and preserving US use of nuclear energy is viewed as essential to advancing US energy and national security interests as well as achieving environmental goals.
- A March report from the US DOE said domestic nuclear capacity has the potential to scale up from ~100 GWe today to ~300 GWe by 2050 if cumulative investment across hydrogen, nuclear, and energy storage sectors increased to \$300 billion by 2030. Although widely regarded as a clean, firm power source that is key to reaching US decarbonization goals, advanced nuclear's perceived risks of uncontrolled cost overrun and project abandonment limit orders for new reactors.

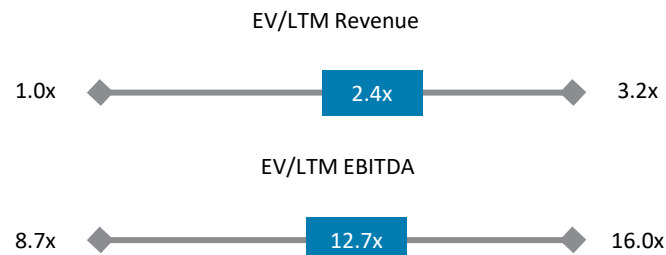
## Select public comparables<sup>(3)</sup>

Company name	Enterprise value (MM)
Huntington Ingalls Industries Inc	\$10,987.0
Curtiss-Wright Corp	7,920.6
BWX Technologies Inc	7,036.6

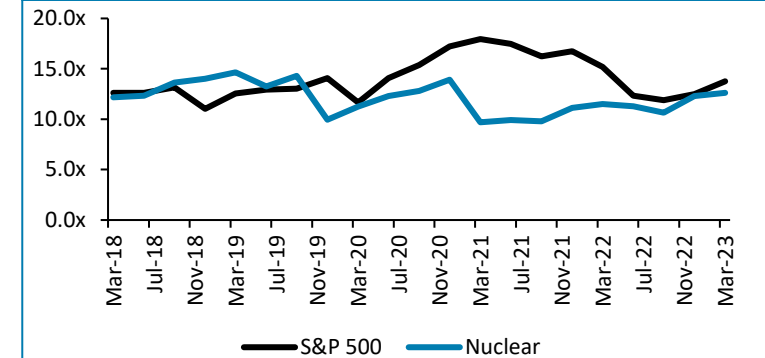
## Select recent M&A activity<sup>(2)</sup>

Announced Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Mar-23	Energy Harbor Corp	Vistra Corp	\$3,430.00	N/A

## Trading metrics<sup>(4)</sup>



## Historical EV/EBITDA multiples<sup>(4)</sup>



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4. Expanded public comparables set in Q1, 2023.
  - a. “Company Screening”, S&P Capital IQ, April 2023, <https://www.capitaliq.com/CIQDotNet/Screening/ScreenBuilderViper.aspx?UniqueScreenId=1889248437&screeintypeid=1&clear=all>



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