

Energy sector trends



Price war between Saudi Arabia and Russia ends¹

In early April, Russia, Saudi Arabia, and the US arranged to direct a multinational coalition to reduce oil-production. 23 countries agreed to mutually withhold 9.7 million barrels a day. The deal will likely cut global production of crude by more than 13 percent. After the deal, WTI and Brent crude prices are up 120 percent and 80 percent, respectively, from the beginning of April. This action came as depressed demand for oil, significantly due to the COVID-19 pandemic, sent oil prices plummeting.



Slight rebound in energy demand³

Due to select business openings in Q2 2020, demand for energy started to recover. At the end of June, US gasoline demand had increased to about 85 percent of the previous year's levels. However, with the re-imposition of lockdowns in some states, it will likely decrease in the coming months. Consumption of US natural gas has stayed consistent with the previous year's levels. Per day consumption in June was 70 bcf compared to 67.5 bcf in the previous month and 70.5 bcf in June 2019.



Wind and solar energy production persist²

Although installations of wind and solar energy production systems have been lower than projected at the start of 2020, the renewable energy sources continue to gain share of total US electricity generation. As of the middle of June, wind and solar energy sources comprised 12 percent of generation on average compared to 10 percent in 2019. Capacity additions are expected to continue in part as a result of state policies and a flight to quality in investment alternatives.



Coal industry assisted by renewed demand⁴

Amidst weakened demand for energy due to COVID-19 and initiatives to reduce carbon footprint, coal consumption declined in 2020. From Q4 2019 to Q1 2020, consumption decreased by 35 percent. The demand at the end of June had made up for more than half of this loss and is forecasted by the US Energy Information Administration to reach close to Q4 2019 levels by the end of July. However, the EIA predicts high volatility through the end of the year.

In the news

April 12th, 2020⁵ – OPEC and 20 other countries struck a deal to limit oil production. The decision was made after oil consumption was predicted to drop by about 30 million barrels a day in April. Without the reduction, many more jobs likely would have been cut in the US, particularly. Due to this pressure, the US was forced to concede slightly more production cuts than it preferred in order to allow Mexico to cut less than Saudi Arabia desired it to. The 20 countries not included in OPEC will trim production by 4-5 million of the total 9.7 million barrels a day. Concurrently, the IEA was set to announce its intention to purchase crude to fill its inventories. The combined efforts could take 20 million barrels a day out of supply.

May 27th, 2020⁶ – The IRS issued Notice 2020-41 to provide relief for projects, including solar and wind installations, qualifying for investment tax credit (ITC) and production tax credit (PTC). The notice amends previous IRS guidance to include a one-year addition to the four-year "Continuity Safe Harbor" regarding the "beginning of construction" prerequisite for tax credit. The amendment allows for projects which began in 2016 and 2017 to be completed by the end of 2021 and 2022, respectively, to qualify for tax credit. The notice further includes a "3 ½ Month Rule" for projects that began in late 2019 which had reasonably expected equipment to be delivered within 105 days from project commencement.

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:

- Oil production
- Coal energy consumption
- Renewable energy
- Power and utilities

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.

Contacts

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

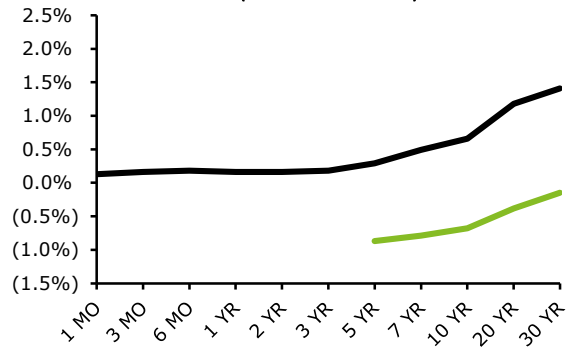
Eric Andreozzi
Managing Director
eandreozi@deloitte.com
+1 (704) 333-0518

Macroeconomic outlook

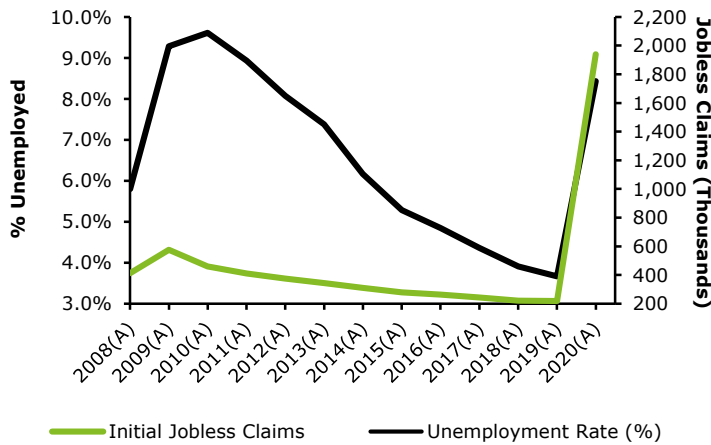
US gross domestic product
(\$ in trillions)¹



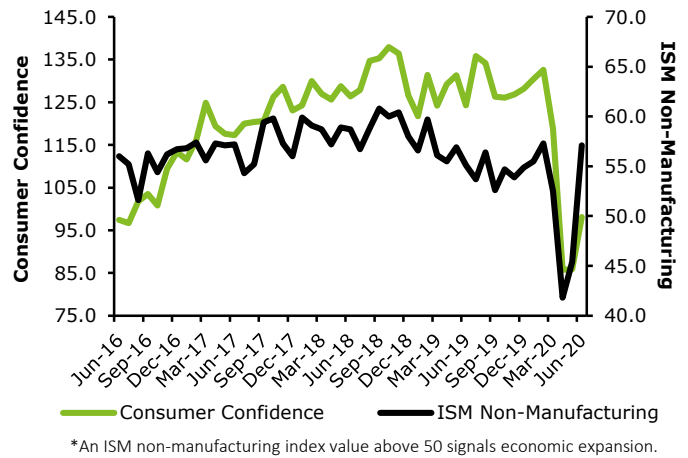
US treasury yield curve
(nominal vs. real)²



US unemployment rate
(% unemployed)³



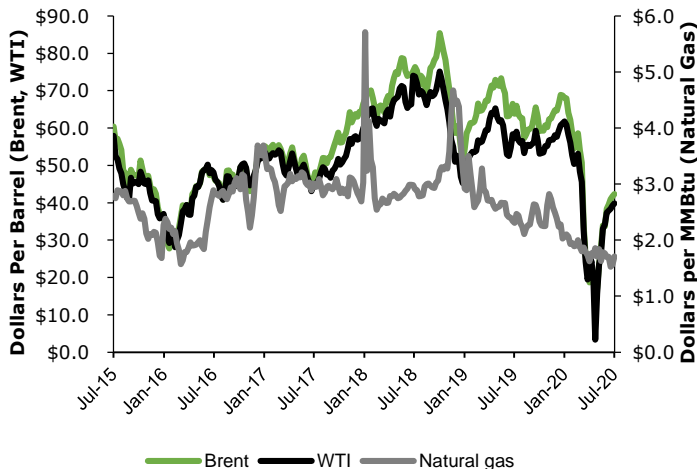
ISM non-manufacturing index
and consumer confidence index⁴



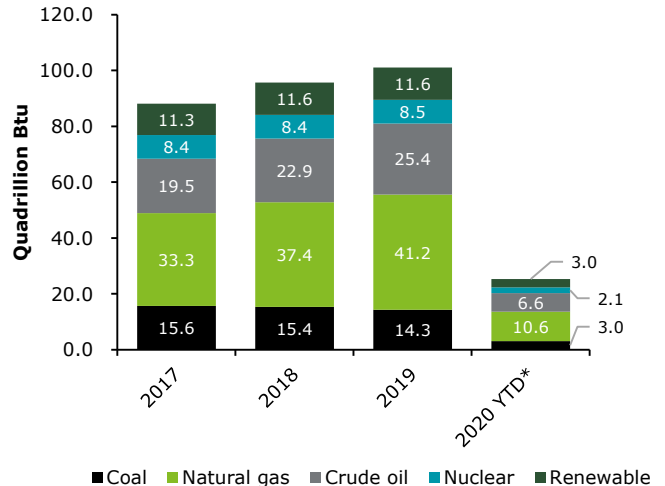
*An ISM non-manufacturing index value above 50 signals economic expansion.

Energy sector outlook

Brent, WTI, and natural gas prices
(2014 – 2020 YTD)⁵



US energy production by source⁶

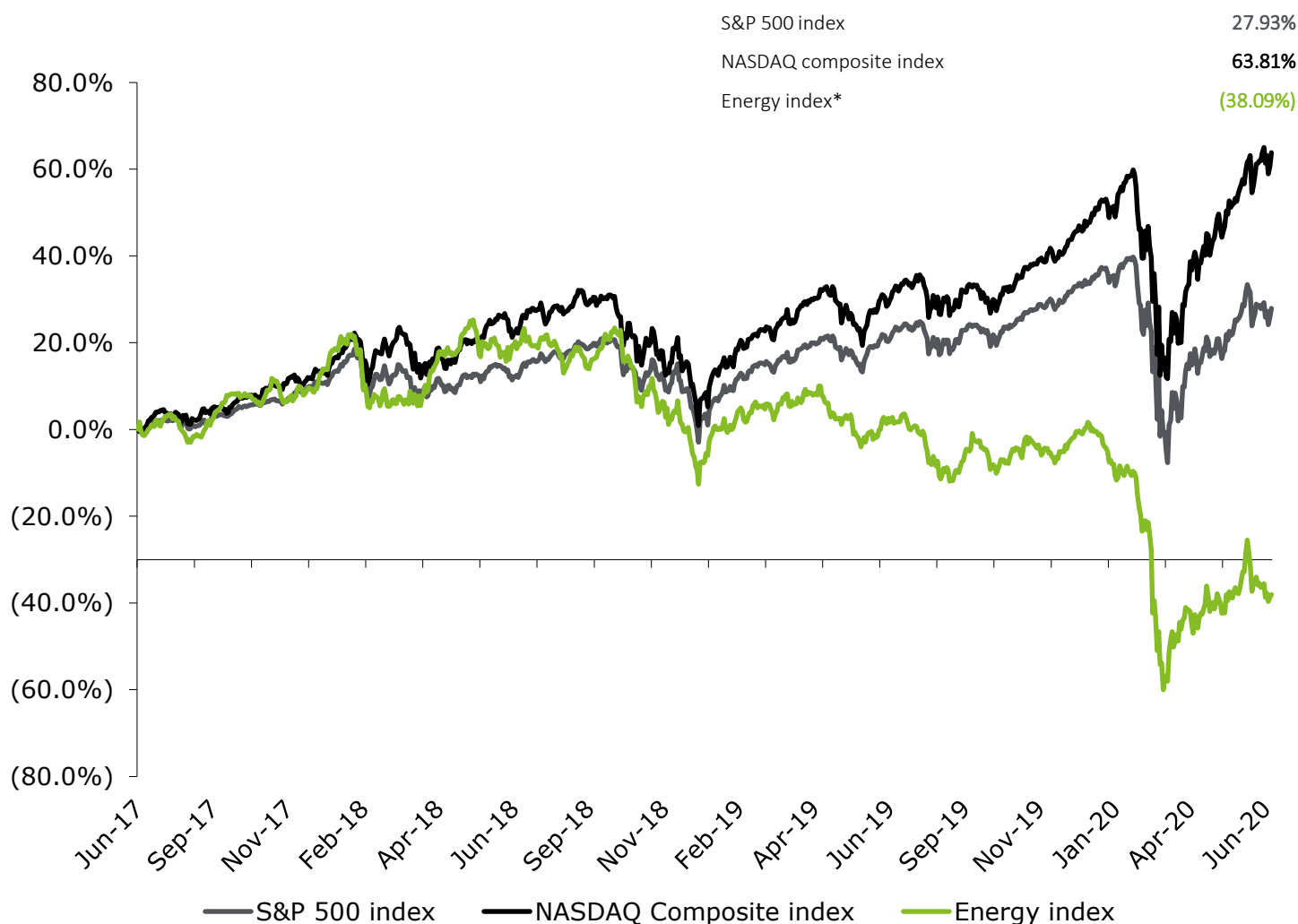


Energy sector breakdown and trading statistics¹

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
Oil and gas, general (13)	13	53.8%	4.9%	\$3,089.0	14.2%	\$22,675.6	1.3x	8.6x	11.1x
Power & utilities (18)	18	76.6	0.6	3,735.5	34.1	44,268.6	4.6	12.2	11.3
Renewable energy (13)	13	82.1	6.6	350.3	22.3	4,862.7	3.6	11.4	12.5
Nuclear (3)	3	63.7	7.8	532.9	20.7	5,765.3	1.9	8.7	9.6
Energy index	47	72.4%	2.1%	\$2,332.0	29.8%	\$22,815.0	3.2x	11.3x	11.2x

(\$ in Millions)

Public comparable three-year stock market performance²

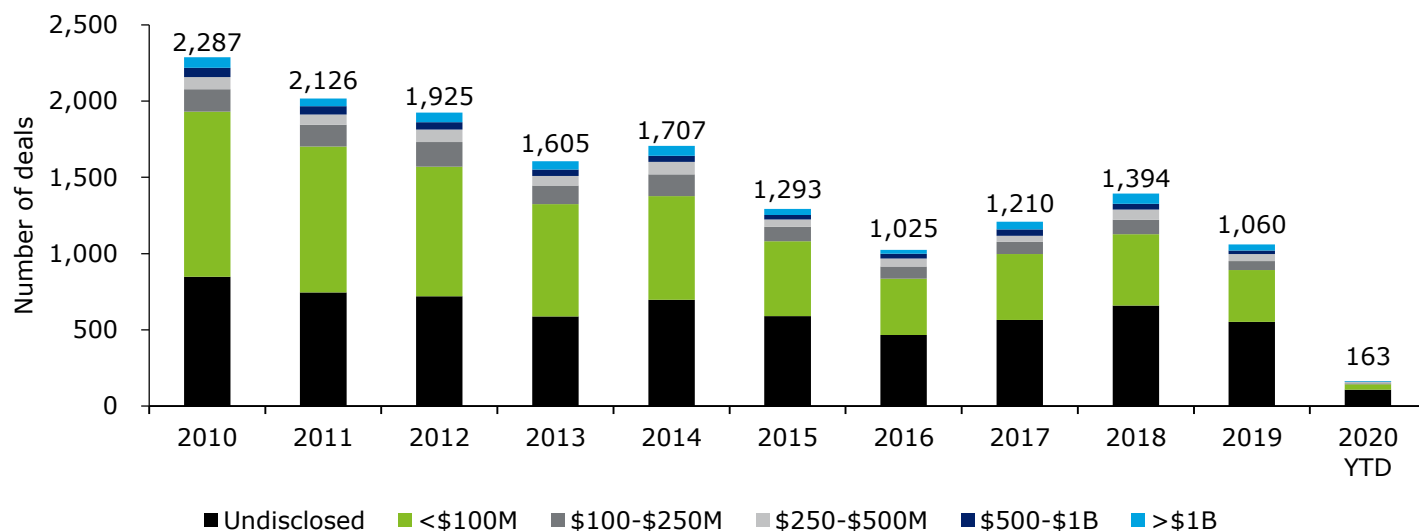


*Energy index companies listed on page 5 in the Appendix.

Recent energy M&A transactions¹

Close Date	Target/Acquiror	Target Business Description	Enterprise Value ("EV")	EV/ EBITDA
Pending	HY Energy Group Co., Ltd. Tongchuan Huinengxin Energy Co., Ltd.	Engages in the storage, transportation, and trading of petrochemicals in China.	\$3,873.4	14.1X
Pending	Gulf Marine Services PLC Seafox Operations B.V.	Gulf Marine Services PLC, together with its subsidiaries, operates self-propelled self-elevating support vessels (SESVs) worldwide.	428.0	8.7
Pending	Oryx Petroleum Corporation Limited Zeg Oil and Gas Ltd	Acquires, explores, develops, and produces oil from oil and gas assets in the Middle East and West Africa.	96.3	3.1
Pending	Quintana Energy Services Inc. KLX Energy Services Holdings, Inc.	Provides oilfield services to onshore oil and natural gas exploration and production companies operating in conventional and unconventional plays.	49.7	2.2
Pending	TransAtlantic Petroleum Ltd. Longfellow Energy, LP	TransAtlantic Petroleum Ltd., an oil and natural gas company, engages in the acquisition, exploration, development, and production of oil and natural gas properties in Turkey and Bulgaria.	52.2	1.4
5/18/2020	Stanmore Coal Ltd. Golden Energy and Resources Limited	Explores, produces, and sells metallurgical and thermal coal in Australia.	212.6	1.3
Pending	Unicorn Capital Partners Ltd. Afrimat Ltd.	Unicorn Capital Partners Limited, an investment holding company, engages in the overburden drilling and blasting, mobile crane hire, exploration drilling, and anthracite mine operation businesses in South Africa and rest of Africa.	129.2	1.0

Annual energy M&A transaction volume²



Appendix

Public comparable analysis¹

Company (Ticker)	Last twelve months							
	% of 52 week high	LTM Revenue	Revenue CAGR (3 Yr)	LTM EBITDA	EBITDA Margin	Enterprise Value ("EV") ⁽¹⁾	EV/Revenue	EV/EBITDA
<i>(\$ in Millions)</i>								
Oil and gas, general (13)								
Chevron Corporation (NYSE:CVX)	69.6 %	\$135,381.0	6.6 %	\$28,558.0	21.1 %	\$189,759.2	1.4 x	6.6 x
ConocoPhillips (NYSE:COP)	62.0	30,400.0	4.7	12,074.0	39.7	51,453.2	1.7	4.3
Devon Energy Corporation (NYSE:DVN)	37.6	6,981.0	(12.6)	2,917.0	41.8	7,231.9	1.0	2.5
Diamond Offshore Drilling, Inc. (OTCPK:DOFS.Q)	3.0	926.1	(13.8)	49.5	5.3	1,972.2	2.1	39.9
DCP Midstream, LP (NYSE:DCP)	37.0	6,917.0	(2.9)	746.0	10.8	9,175.0	1.3	12.3
Exxon Mobil Corporation (NYSE:XOM)	58.2	249,071.0	4.9	28,253.0	11.3	242,089.2	1.0	8.6
Halliburton Company (NYSE:HAL)	51.4	21,708.0	10.8	3,089.0	14.2	20,962.6	1.0	6.8
Hess Corporation (NYSE:HES)	65.7	6,090.0	7.3	2,336.0	38.4	22,678.7	3.7	9.7
Marathon Petroleum Corporation (NYSE:MPC)	53.7	121,110.0	25.4	6,605.0	5.5	64,919.3	0.5	9.8
Phillips 66 (NYSE:PSX)	54.1	105,068.0	11.0	4,984.0	4.7	42,336.1	0.4	8.5
Southwestern Energy Company (NYSE:SWN)	66.9	2,640.0	(0.8)	1,200.0	45.5	3,832.7	1.5	3.2
Transocean Ltd. (NYSE:RIG)	29.0	3,093.0	(2.4)	902.0	29.2	8,976.8	2.9	10.0
Valero Energy Corporation (NYSE:VLO)	55.5	100,530.0	9.6	3,577.0	3.6	35,125.6	0.3	9.8
Median	54.1 %	\$21,708.0	4.9 %	\$3,089.0	14.2 %	\$22,678.7	1.3 x	8.6 x
Mean	49.5 %	\$60,762.7	3.7 %	\$7,330.0	20.8 %	\$53,885.6	1.5 x	10.1 x
Power & utilities (18)								
Ameren Corporation (NYSE:AEE)	87.6 %	\$5,535.0	(2.3) %	\$2,332.0	42.1 %	\$29,408.8	5.3 x	12.6 x
ALLETE, Inc. (NYSE:ALE)	67.0	1,194.9	(4.5)	394.7	33.0	4,859.8	4.1	12.3
American Electric Power Company, Inc. (NYSE:AEP)	81.1	15,252.1	(2.1)	5,189.1	34.0	74,100.9	4.9	14.3
Avangrid, Inc. (NYSE:AGR)	80.9	6,285.0	1.0	1,891.0	30.1	23,161.1	3.7	12.2
Black Hills Corporation (NYSE:BKH)	68.1	1,674.1	0.8	614.0	36.7	7,234.3	4.3	11.8
CenterPoint Energy, Inc. (NYSE:CNP)	62.8	12,239.0	13.9	2,910.0	23.8	26,583.1	2.2	9.1
Consolidated Edison, Inc. (NYSE:ED)	75.5	12,294.0	0.4	4,310.0	35.1	46,539.9	3.8	10.8
Dominion Energy, Inc. (NYSE:D)	84.7	17,210.0	12.2	8,108.0	47.1	109,094.4	6.3	13.5
DTE Energy Company (NYSE:DTE)	80.9	12,177.0	2.5	2,697.0	22.1	39,443.5	3.2	14.6
Duke Energy Corporation (NYSE:DUK)	78.1	24,444.0	2.4	11,057.0	45.2	127,080.5	5.2	11.5
Entergy Corporation (NYSE:ETR)	72.5	10,696.3	(0.4)	3,658.0	34.2	39,872.8	3.7	10.9
Eversource Energy (NYSE:ES)	86.3	8,484.4	3.3	2,817.7	33.2	45,156.1	5.3	16.0
Exelon Corporation (NasdaqGS:EXC)	75.3	33,708.0	1.2	9,474.0	28.1	77,788.0	2.3	8.2
PG&E Corporation (NYSE:PCG)	44.7	17,424.0	(1.0)	5,191.0	29.8	43,309.2	2.5	8.3
Sempra Energy (NYSE:SRE)	75.8	10,960.0	1.1	4,433.0	40.4	66,389.8	6.1	15.0
The Southern Company (NYSE:SO)	75.6	21,025.0	(1.0)	9,114.0	43.3	108,659.1	5.2	11.9
WEC Energy Group, Inc. (NYSE:WEC)	80.1	7,254.3	(1.5)	2,594.7	35.8	40,533.8	5.6	15.6
Xcel Energy Inc. (NasdaqGS:XEL)	90.1	11,199.0	(0.2)	3,813.0	34.0	55,058.9	4.9	14.4
Median	76.9 %	\$11,688.0	0.6 %	\$3,735.5	34.1 %	\$44,232.6	4.6 x	12.3 x
Mean	76.0 %	\$12,725.3	1.4 %	\$4,477.7	34.9 %	\$53,570.8	4.4 x	12.4 x
Renewable energy (13)								
Ballard Power Systems Inc. (TSX:BLDP)	89.5 %	\$114.3	7.7 %	(\$24.6)	NM %	\$4,540.5	39.7 x	NM x
Brookfield Renewable Partners L.P. (TSX:BEP.UN)	95.0	2,947.0	6.3	1,824.0	61.9	36,796.8	12.5	20.2
Canadian Solar Inc. (NasdaqGS:CSIQ)	89.9	3,541.5	8.0	554.5	15.7	2,575.8	0.7	4.6
Enphase Energy, Inc. (NasdaqGM:ENPH)	82.1	729.7	32.6	154.7	21.2	7,090.8	9.7	45.8
First Solar, Inc. (NasdaqGS:FSLR)	85.3	3,063.3	1.6	492.4	16.1	5,362.5	1.8	10.9
Avangrid, Inc. (NYSE:AGR)	80.9	6,285.0	1.0	1,891.0	30.1	23,161.1	3.7	12.2
Macquarie Infrastructure Corporation (NYSE:MIC)	69.8	1,661.0	(0.9)	483.3	29.1	5,514.4	3.3	11.4
Ormat Technologies, Inc. (NYSE:ORA)	70.7	739.1	1.8	350.3	47.4	4,484.8	6.1	12.8
ReneSola Ltd (NYSE:SOL)	59.6	127.2	7.3	18.2	14.3	205.9	1.6	11.3
Renewable Energy Group, Inc. (NasdaqGS:REGI)	76.3	2,637.9	6.9	588.7	22.3	1,071.9	0.4	1.8
SunPower Corporation (NasdaqGS:SPWR)	61.0	1,965.2	(7.8)	(54.1)	NM	2,489.3	1.3	NM
Sunrun Inc. (NasdaqGS:RUN)	97.8	874.8	23.9	(45.1)	NM	7,868.5	9.0	NM
Vivint Solar, Inc. (NYSE:VSLR)	97.6	362.8	28.5	(119.3)	NM	4,310.0	11.9	NM
Median	82.1 %	\$1,661.0	6.9 %	\$350.3	22.3 %	\$4,540.5	3.7 x	11.4 x
Mean	81.2 %	\$1,926.8	9.0 %	\$470.3	28.7 %	\$8,113.3	7.8 x	14.6 x
Nuclear (3)								
BWX Technologies, Inc. (NYSE:BWXT)	74.3 %	\$2,020.7	7.8 %	\$418.1	20.7 %	\$5,838.7	2.9 x	14.0 x
Curtiss-Wright Corporation (NYSE:CW)	61.3	2,510.9	5.7	532.9	21.2	4,715.5	1.9	8.8
Huntington Ingalls Industries, Inc. (NYSE:HII)	64.1	9,082.0	8.9	1,067.0	11.7	9,173.9	1.0	8.6
Median	64.1 %	\$2,510.9	7.8 %	\$532.9	20.7 %	\$5,838.7	1.9 x	8.8 x
Mean	66.6 %	\$4,537.9	7.4 %	\$672.7	17.9 %	\$6,576.0	1.9 x	10.5 x

Sources cited

Page 1:

1. Faucon, Benoit, et al. "U.S., Saudi Arabia, Russia Lead Pact for Record Cuts in Oil Output." The Wall Street Journal, Dow Jones & Company, 12 Apr. 2020, www.wsj.com/articles/opec-allies-look-to-resolve-saudi-mexico-standoff-and-seal-broader-oil-deal-11586695794?mod=searchresults&page=1&pos=6.
2. Deloitte. "2020 Renewable Energy Industry Outlook: A midyear update." www2.deloitte.com/us/en/pages/energy-and-resources/articles/renewable-energy-outlook.html.
3. Lack, Simon. "Energy Demand After Covid-19." *Traders' Insight*, Interactive Brokers LLC, 8 Jul. 2020, www.tradersinsight.news/traders-insight/securities/commodities/energy-demand-after-covid-19/
4. US Energy Information Administration. "Short-term Energy Outlook." *US Energy Information Administration*, US Energy Information Administration, 7 Jul. 2020, www.eia.gov/outlooks/steo/report/coal.php.
5. Faucon, Benoit, et al. "U.S., Saudi Arabia, Russia Lead Pact for Record Cuts in Oil Output." The Wall Street Journal, Dow Jones & Company, 12 Apr. 2020, www.wsj.com/articles/opec-allies-look-to-resolve-saudi-mexico-standoff-and-seal-broader-oil-deal-11586695794?mod=searchresults&page=1&pos=6.
6. JD Supra. "Wind PTC and Solar ITC Gain COVID-19 Construction Relief From IRS." *JD Supra*, JD Supra, 1 Jun. 2020, www.jdsupra.com/legalnews/wind-ptc-and-solar-itc-gain-covid-19-81308/.

Page 2:

1. US Bureau of Economic Analysis. Accessed July 16, 2020. Data as of June 30, 2020.
2. US Department of the Treasury. Accessed July 16, 2020. Data as of June 30, 2020.
3. US Bureau of Labor Statistics. Accessed July 16, 2020. Data as of June 30, 2020.
4. S&P Capital IQ. Accessed July 16, 2020. Data as of June 30, 2020.
5. Federal Reserve Economic Data. Accessed July 16, 2020. Data as of June 30, 2020.
6. US Energy Information Administration. Accessed July 16, 2020. Data as of June 30, 2020.

Page 3:

1. S&P Capital IQ. July 16, 2020. Data as of June 30, 2020
2. Ibid.

Page 4:

1. S&P Capital IQ. July 16, 2020. Data as of June 30, 2020.
2. Ibid.

Page 5:

1. S&P Capital IQ. July 16, 2020. Data as of June 30, 2020.

Deloitte Corporate Finance LLC (DCF)

DCF provides deal execution and lead financial advisory services to large corporate, middle market, private equity and venture capital firms. DCF and its affiliates maintain a presence in key US financial centers.

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	
	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



This newsletter is a periodic compilation of certain completed and announced merger and acquisition activity. Information contained in this newsletter should not be construed as a recommendation to sell or a recommendation to buy any security. Any reference to or omission of any reference to any company in this newsletter shall not be construed as a recommendation to sell, buy or take any other action with respect to any security of any such company. We are not soliciting any action with respect to any security or company based on this newsletter. This newsletter is published solely for the general information of clients and friends of Deloitte Corporate Finance LLC. It does not take into account the particular investment objectives, financial situation, or needs of individual recipients. Certain transactions, including those involving early stage companies, give rise to substantial risk and are not suitable for all investors. This newsletter is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Prediction of future events is inherently subject to both known risks, uncertainties and other factors that may cause actual results to vary materially. We are under no obligation to update the information contained in this newsletter. We and our affiliates and related entities, partners, principals, directors, and employees, including persons involved in the preparation or issuance of this newsletter, may from time to time have "long" and "short" positions in, and buy or sell, the securities, or derivatives (including options) thereof, of companies mentioned herein. The companies mentioned in this newsletter may be: (i) investment banking clients of Deloitte Corporate Finance LLC; or (ii) clients of Deloitte Financial Advisory Services LLP and its related entities. The decision to include any company for mention or discussion in this newsletter is wholly unrelated to any audit or other services that Deloitte Corporate Finance LLC may provide or to any audit services or any services that any of its affiliates or related entities may provide to such company. No part of this newsletter may be copied or duplicated in any form by any means, or redistributed without the prior written consent of Deloitte Corporate Finance LLC.

About Deloitte

Deloitte Corporate Finance LLC (DCF), a broker-dealer registered with the US Securities and Exchange Commission (SEC) and member of the [Financial Industry Regulatory Authority \(FINRA\)](#) and the [Securities Investor Protection Corporation \(SIPC\)](#), is an indirect wholly-owned subsidiary of Deloitte Financial Advisory Services LLP and affiliate of Deloitte Transactions and Business Analytics LLP. Investment banking or other services that would require registration as a broker-dealer with the SEC and membership in FINRA would be provided exclusively by DCF. For more information, visit www.investmentbanking.deloitte.com. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.