

**Deloitte.**



Energy Quarterly  
Update

Q3 2022



# 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



**Eric Andreozzi**  
Managing Director  
Charlotte, NC  
eandreozzi@deloitte.com



**Keith Adams**  
Managing Director  
Energy Sector Lead  
Atlanta, GA  
keadams@deloitte.com



**Máté Bánhegyi**  
Senior Vice President  
Charlotte, NC  
mbanhegyi@deloitte.com



**Jonathan Price**  
Vice President  
Charlotte, NC  
jprice@deloitte.com



## Firm Overview

#2

2021 Global M&A  
Advisor by deal  
volume <sup>(1)</sup>.

662

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 2021 according to Mergermarket<sup>(1)</sup>.



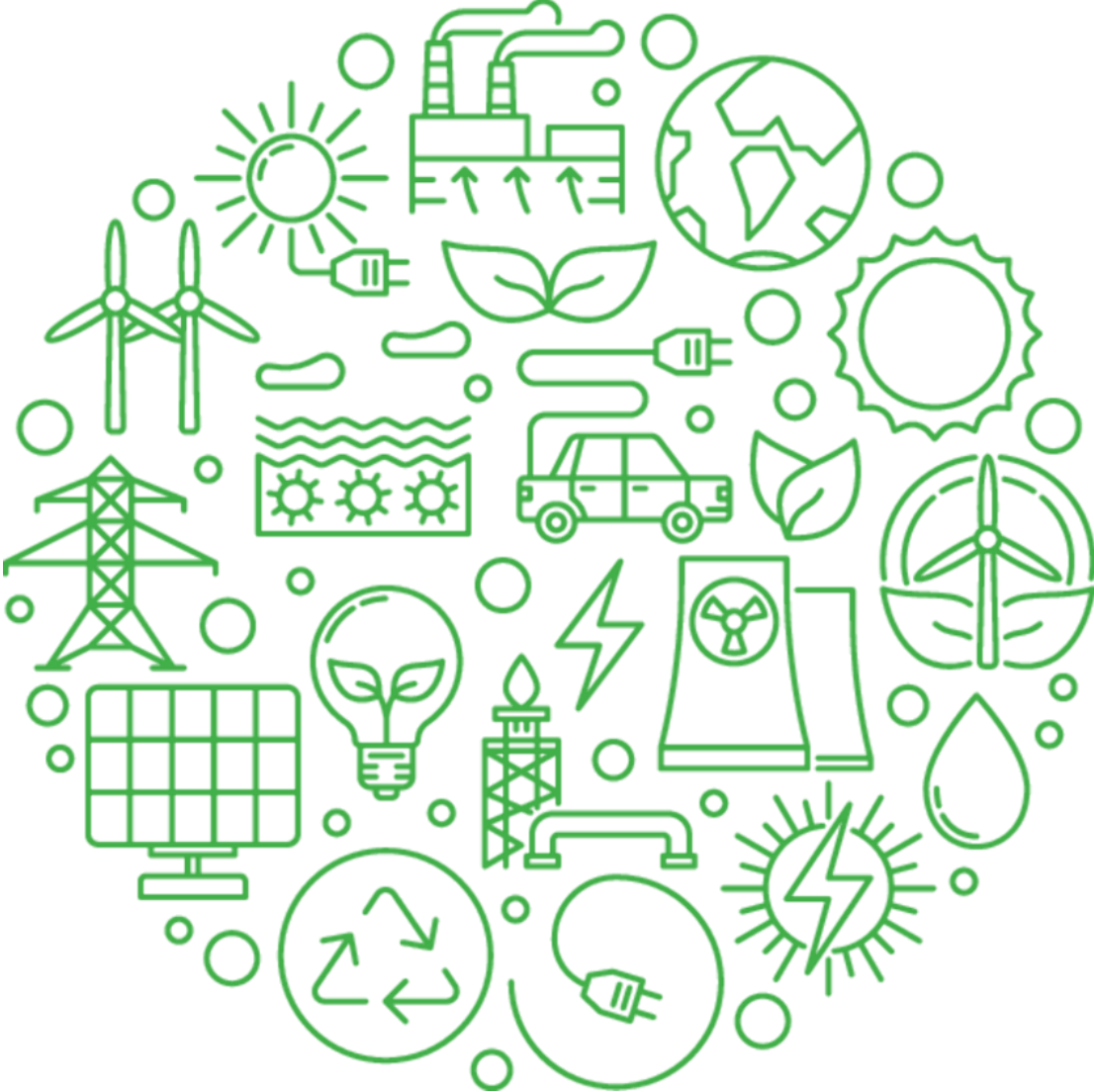
## Sector Focus

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



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# Case study

## TerraSmart, LLC

### Deal Contacts

Eric Andreozzi, Keith Adams, Máté Bánhegyi, Jonathan Price



### Client Overview

- Based in Fort Myers, FL, TerraSmart LLC (TerraSmart or the Company) is a vertically-integrated solar solutions provider that has turned tough, arduous soil locations into buildable sites for clean energy production using proprietary screw-based racking and foundations.
- The Company provides technologically-driven, turnkey designs and installation services to commercial and utility-scale clients across the United States, with a focus on commitment to quality and service.
- Deloitte Corporate Finance LLC (DCF) was engaged by TerraSmart to explore strategic alternatives and produce liquidity for shareholders, while also helping the Company identify a partner to help it accelerate growth.

### Acquiror Overview

- Gibraltar Industries, Inc. (Nasdaq: ROCK) is a leading manufacturer and provider of products and services for the renewable energy, conservation, residential, industrial, and infrastructure markets.

*“The Deloitte Corporate Finance team was instrumental throughout every stage of the deal process and by our side the entire way. Their deal expertise, extensive experience working with entrepreneurial-based companies, and in-depth knowledge of the renewables sector led to a successful transaction and optimal outcome for our shareholders. We truly appreciate and value the guidance and dedication DCF provided in delivering top-notch execution, and we could not have picked a better advisor.”*

Ryan Reid  
Founder and President  
TerraSmart LLC

### DCF’s Role

- DCF added significant value by:
  - Running a highly competitive marketing process, leveraging its experience in renewable energy to contact primarily strategic acquirors and a select few financial sponsors with expressed interest in solar.
  - Developing detailed marketing materials to clearly highlight TerraSmart’s integrated turnkey solutions, innovative use of technology, and robust project pipeline.
  - Working alongside the Company’s management team to facilitate an effective diligence process while assisting in the negotiation of deal terms and structure.
  - Coordinating an organized confirmatory diligence process and advising on key transaction terms, including a complex net working capital framework.

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.

# Deloitte thought leadership

## Deloitte thought leadership

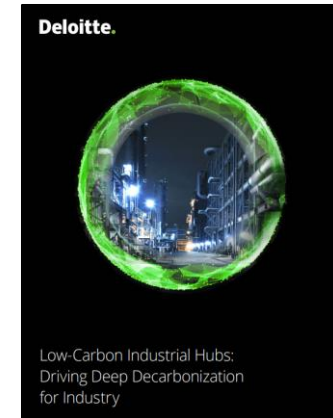
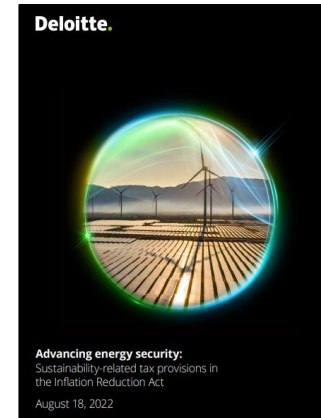
- Deloitte stays well-informed of industry trends and makes significant investments in producing cutting-edge thought leadership.
- Deloitte is deeply committed to providing insights that help keep clients on the forefront of critical trends.
- Focused research on energy industry drivers and trends enables 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>DCP Midstream, LP acquired by Phillips 66</b></p> <ul style="list-style-type: none"> <li>Phillips 66 entered into an agreement to acquire DCP Midstream, LP, a United States based midstream energy company which owns and operates approximately 35 natural gas processing plants.</li> <li>The acquisition should help Phillips 66 expand its natural gas liquids business by capitalizing on new commercial opportunities and optimizing costs.</li> </ul>	<p><b>Announced Date:</b> August 2022  <b>EV:</b> \$13,227.76 MM  <b>Rev:</b> N/A  <b>EV/Rev:</b> 0.9x  <b>EV/EBITDA:</b> 8.6x</p>
<p><b>Renewables</b></p>	<p><b>Scout Clean Energy to be acquired by Brookfield Renewables</b></p> <ul style="list-style-type: none"> <li>Brookfield Renewable, together with its institutional partners, has executed a Purchase and Sale Agreement to acquire Scout Clean Energy and all of its assets for \$1.0BN with the potential to invest an additional \$350MM to support the business' development activities.</li> <li>Scout will continue under the Scout Clean Energy brand name as an independent power producer (IPP).</li> </ul>	<p><b>Announced Date:</b> September 2022  <b>EV:</b> \$1,000.0 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>Capital Power and Manulife Investment Management complete acquisition of Midland Cogeneration Venture</b></p> <ul style="list-style-type: none"> <li>Capital Power and Manulife Investment Management have successfully completed the acquisition of a 100% interest in MCV Holding Company, which owns Midland Cogeneration Venture, for \$894MM.</li> <li>Midland Cogeneration Venture is a critical asset to support grid reliability during the transition to renewables.</li> <li>Capital Power will be responsible for operations, maintenance, and asset management.</li> </ul>	<p><b>Announced Date:</b> July 2022  <b>EV:</b> \$894.0 MM  <b>Revenue:</b> N/A  <b>EV/Rev:</b> N/A  <b>EV/EBITDA:</b> N/A</p>
<p><b>Nuclear</b></p>	<p><b>French State to acquire Electricité de France SA (EDF)</b></p> <ul style="list-style-type: none"> <li>The French State agreed to acquire 16.3% stake in EDF from the shareholders for 10.0BN euros.</li> <li>France discussed that EDF's nationalization will increase the security of its energy reserves as Europe scrambles to find alternatives to Russian gas supplies.</li> </ul>	<p><b>Announced Date:</b> July 2022  <b>EV:</b> \$55,209.8 MM  <b>Rev:</b> N/A  <b>EV/Rev:</b> 0.5x  <b>EV/EBITDA:</b> 6.2x</p>

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

- US crude oil output declined during the third quarter, as weekly production volumes decreased to 12.0MM barrels per day through the week ending September 30, 2022.
- Crude oil prices have been subject to volatility in Q3 due to geopolitical factors, uncertain OPEC+ production, and concerns that a global recession could reduce crude oil demand.
- The Bureau of Safety and Environmental Enforcement said about 157,706 barrels, or 9% of oil production in the US Gulf of Mexico, were shut by Hurricane Ian. The hurricane also shut around 128 million cubic feet, or 6% of gas production in the gulf, according to the regulator.

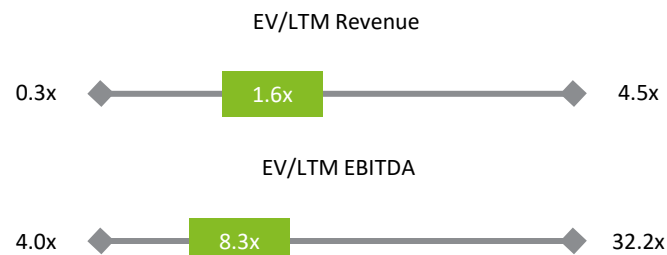
## Select public comparables<sup>(3)</sup>

Company name	Enterprise value (MM)
Exxon Mobil Corp	\$399,090.3
Chevron Corp	296,097.7
ConocoPhillips	139,072.2
Marathon Petroleum Corp	71,616.3
Valero Energy Corp	51,347.7
Phillips 66	50,351.4
Devon Energy Corp	42,955.1
Hess Corp	41,127.8
Halliburton Company	29,659.0
DCP Midstream, LP	13,779.0
Southwestern Energy Company	12,042.3
Transocean, Ltd	8,238.1

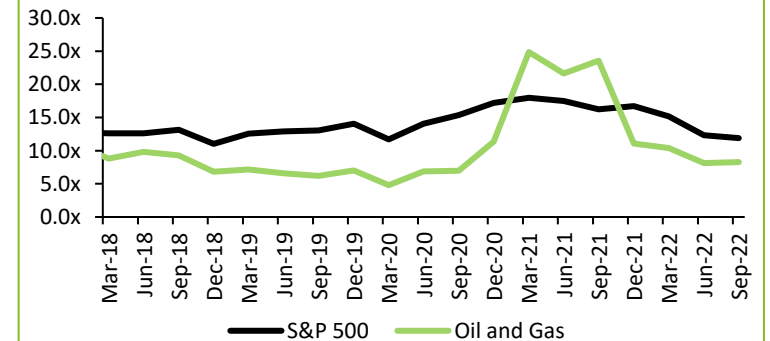
## Select recent M&A activity<sup>(2)</sup>

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	DCP Midstream, LP	Phillips 66	\$13,227.8	8.6x
Pending	Tug Hill and XCL Midstream (Upstream Assets and Gathering and Processing Assets)	EQT Corporation	5,200.4	N/A
Pending	Aera Energy, LLC	Green Gate Resources E, LLC	3,861.0	N/A
Pending	Brigham Minerals Inc	Sitio Royalties Corp	1,979.0	9.5x
Pending	EnVen Energy Corp	Talos Production Inc	1,860.8	N/A

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



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



# Renewable energy



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

- In August 2022, President Biden signed into law the Inflation Reduction Act, which contains \$369BN in clean and renewable energy provisions. The legislation includes tax incentives intended to boost the use of renewable energy by individuals and businesses.
- In September 2022, the Biden administration announced plans to develop floating platforms in the deep ocean to vastly expand offshore wind in the United States. The plan hopes to deploy up to 15GW of electricity through floating sites by 2035, enough to power 5 million homes.

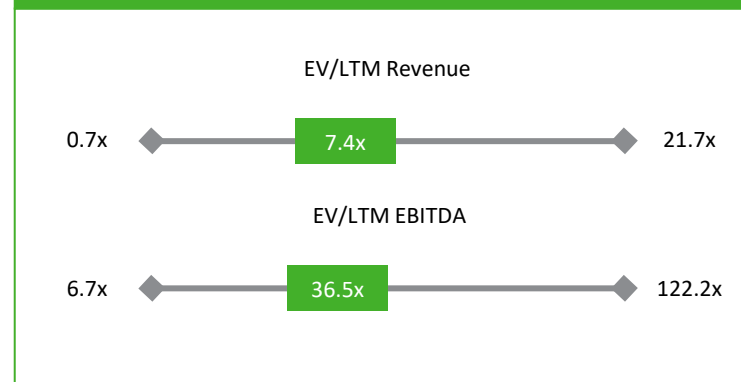
## Select public comparables<sup>(3)</sup>

Company name	Enterprise value (MM)
Brookfield Renewable Partners	\$66,474.0
Enphase Energy Inc	37,643.7
NextEra Energy Partners, LP	19,928.2
Sunrun Inc	14,774.7
First Solar Inc	12,486.5
Ormat Technologies Inc	6,794.1
Canadian Solar Inc	4,221.0
SunPower Corp	4,096.5
Array Technologies Inc	3,597.1
Shoals Technologies Group Inc	2,696.4
Ballard Power Systems Inc	1,251.1
ReneSola, Ltd	197.2

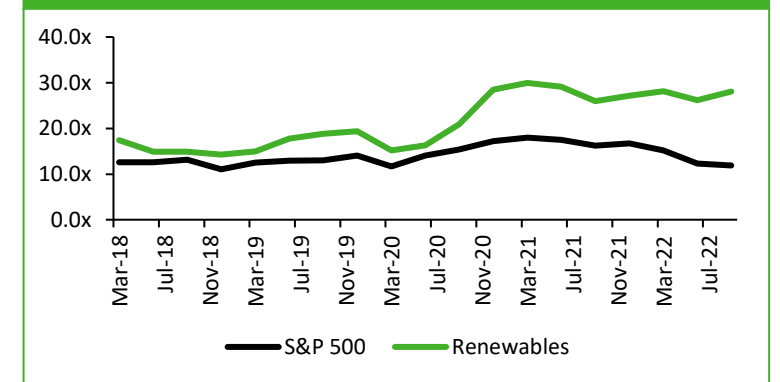
## Select recent M&A activity<sup>(2)</sup>

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	Scout Clean Energy, LLC	Brookfield Renewable	\$1,000.0	N/A
Jul-22	Vanguard Renewables, LLC	BlackRock Real Assets	700.0	N/A
Sep-22	Solar Service Experts, LLC	XL Fleet Corp	600.0	11.8x
Sep-22	Standard Solar Inc	Brookfield Renewable	540.0	N/A
Sep-22	Tri Global Energy, LLC	Enbridge Inc	320.0	N/A

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



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







# Power and utilities



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

- The average US residential retail price of electricity was 15.95 ¢/kWh in August 2022, 2.00 ¢/kWh higher than the average price in August 2021. The US Department of Energy (DOE) announced a \$10.5B investment to strengthen America’s electric grid. This accelerates the deployment of transformative projects and ensures the reliability of the power sector’s infrastructure in Q3 2022.
- The EIA forecasts the US residential price of electricity will average 14.9 ¢/kWh in 2022, up 8% from 2021. Higher retail electricity prices largely reflect an increase in wholesale power prices, which are driven by higher natural gas prices this quarter.

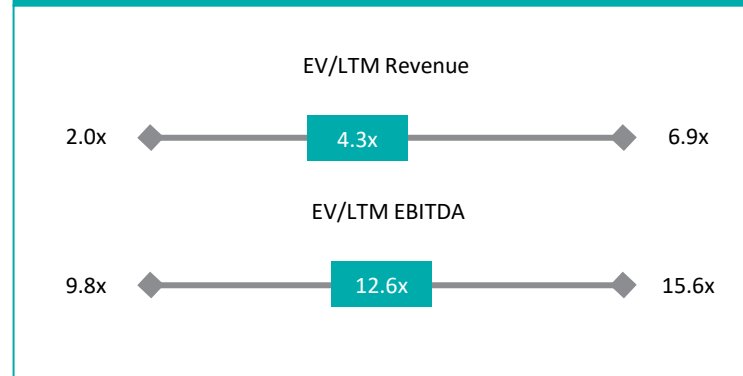
## Select public comparables<sup>(3)</sup>

Company name	Enterprise value (MM)
NextEra Energy Inc	\$222,948.3
Duke Energy Corp	145,961.5
The Southern Company	131,760.1
Dominion Energy Inc	102,824.3
American Electric Power	82,119.1
PG&E Corp	80,084.9
Exelon Corp	75,086.3
Sempra	74,615.7
Xcel Energy Inc	59,897.4
Consolidated Edison Inc	55,740.0
Eversource Energy	48,558.1
Entergy Corp	47,067.8
WEC Energy Group Inc	43,705.9
DTE Energy Company	41,405.4
Ameren Corp	35,544.8
CenterPoint Energy Inc	32,309.4
Avangrid Inc	25,161.2
Black Hills Corp	8,959.7
ALLETE Inc	5,461.5

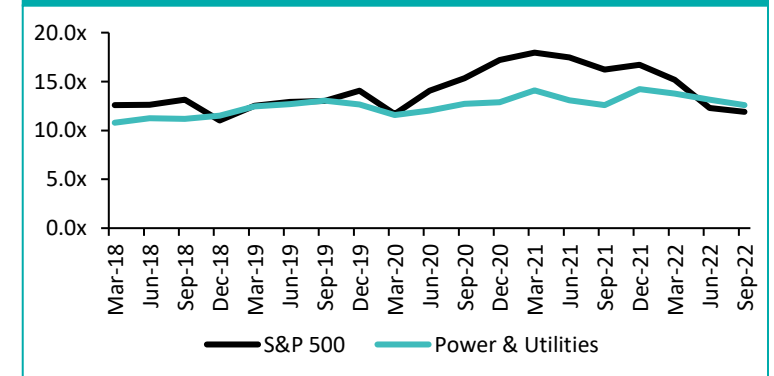
## Select recent M&A activity<sup>(2)</sup>

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Sep-22	Midland Cogeneration Venture, LP	Manulife Investment Management; Capital Power Corp	894.0	N/A
Pending	Jackson Generation, LLC	Gulf Energy USA, LLC	835.9	N/A
Pending	Oakville Enterprises Corp	Enbridge Inc	368.9	N/A

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



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



# Nuclear energy

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

- Nuclear has "come into the limelight" as the most realistic energy option for sustainable development, KEPCO President and CEO Seung-II Cheong told delegates this September at the World Nuclear Symposium 2022 held in London. However, speakers in a panel discussing sustainable development agreed one challenge to the increased use of nuclear is public opinion.
- A September 2022 report from the US DOE showed that about 80% of retired US coal plant sites are suitable to host nuclear reactors and help the country reach its net-zero emissions goals by 2050. The study found that if a large coal plant was to be replaced by a nuclear power plant of a similar size, more than 650 permanent jobs could be created and greenhouse gas emissions in the region could be slashed by 86%.

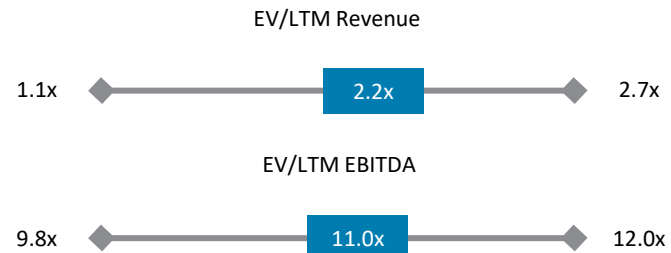
## Select public comparables<sup>(3)</sup>

Company name	Enterprise value (MM)
Huntington Ingalls Industries Inc	\$11,756.4
Curtiss-Wright Corp	6,506.7
BWX Technologies Inc	5,903.7

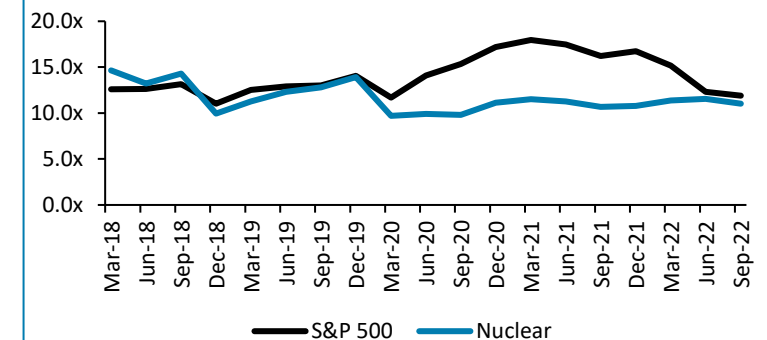
## Select recent M&A activity<sup>(2)</sup>

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	Electricité de France SA	French State	\$55,209.8	6.2x
Pending	Uniper SE	German Government	8,144.5	N/A

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



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



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