



Energy and resources  
quarterly update

Q1 2021

## Energy sector trends

### Proposal to Mitigate Climate Change<sup>1</sup>

On Wednesday, March 31<sup>st</sup>, President Joe Biden introduced a large proposal to build clean energy infrastructure, totaling \$2 trillion. It included \$174 billion in spending to help the electric vehicle market and shift away from fossil fuel powered cars. It also included \$35 billion for R&D in carbon capture and storage, hydrogen, and offshore wind. To fund the majority of the proposal, he plans to increase the corporate tax rate from 21% to 28%.



### Solar to account for largest share of new capacity<sup>3</sup>

According to the U.S. Energy Information Administration's (EIA) latest inventory of electricity generators, developers and power plant owners plan for 39.7 gigawatts (GW) of new electricity generating capacity to start commercial operation in 2021. Solar is expected to account for the largest share of new capacity at 39%, followed by wind at 31%. About 3% of the new capacity is expected to come from the new nuclear reactor at the Vogtle power plant in Georgia.

### Net-Zero by 2050, Increasing Global Clean Energy Market<sup>2</sup>

The U.S. is planning to be carbon neutral by 2050. U.S. Energy Secretary Jennifer Granholm says this will help produce a global clean energy market worth \$23 trillion. Net-zero does not mean the elimination of fossil fuels, but the off-setting of those emissions. The International Energy Agency says that oil and gas will still make up 46% of the global energy portfolio in 2040.

### Oil Production Steady<sup>4</sup>

In March, OPEC+ decided to stick with current oil production quotas for April, with some exceptions. This was a surprise for many equity analysts, as Brent Crude jumped almost 5 percent when the news broke. Some analysts say Saudi Arabia could end up squeezing an oil market in which thirst for oil could recover faster than anticipated. Prince Abdulaziz bin Salman, the Saudi oil minister, would like to see more concrete evidence of an economic recovery before increasing oil supply.

## In the news

**February 15, 2021<sup>5</sup>** – Power outages occurred in Texas due to a strong winter storm. Some blamed the power outages on a failure of green energy, but wind and solar generate about 21 percent of the state's electrical power. Natural gas provides about half of the state's electricity and is in higher demand during the winter season. Natural gas power plants and green energy output were reduced as severe wind and snow damaged equipment, froze wind turbines, and covered solar panels. Texas' energy grid is independent of the east and west portions of the U.S. grid. Many believe this is one of the reasons that there was not a sufficient emergency plan for extreme weather in place.

**March 31, 2021<sup>6</sup>** – OPEC and Russia reached a deal that Russia would increase production by 130,000 barrels a day, while Kazakhstan would increase by 20,000. These were exceptions to OPEC's decision to stick with current oil production quotas. Russia has been pushing the hardest for output increases. The group is still not satisfied, but they are showing some unity with the deal. In January, Saudi Arabia voluntarily cut production by one million to about 8.1 million, and the cut was supposed to end in April. However, Saudi Arabia said it would continue this cut for at least another month.

## 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:

- Climate change mitigation
- Carbon neutral plans
- New electricity generation
- Oil production

## 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.

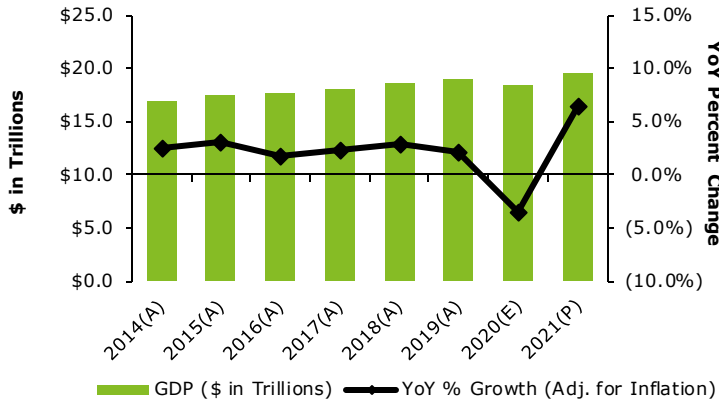
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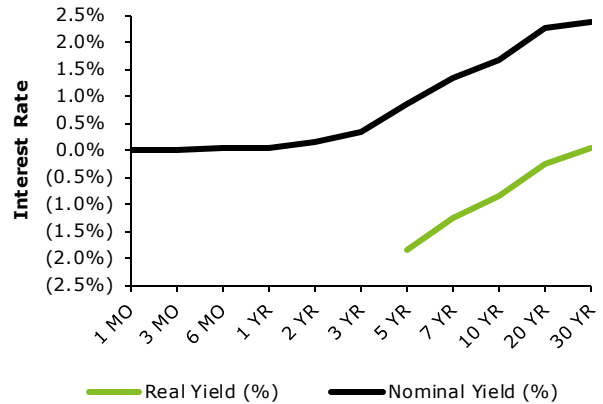
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## Macroeconomic outlook

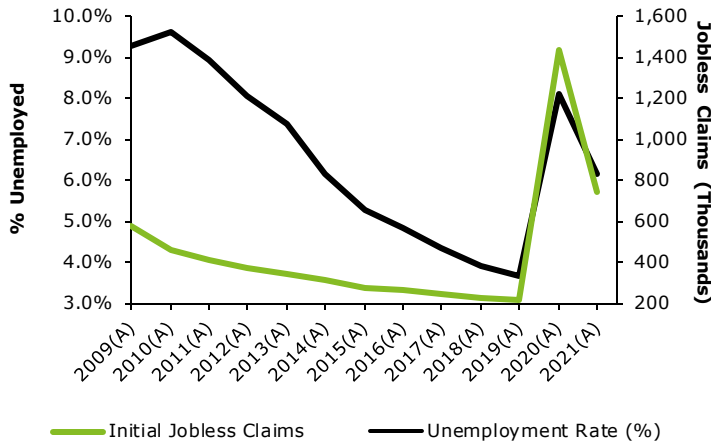
**US gross domestic product (\$ in trillions)<sup>1</sup>**



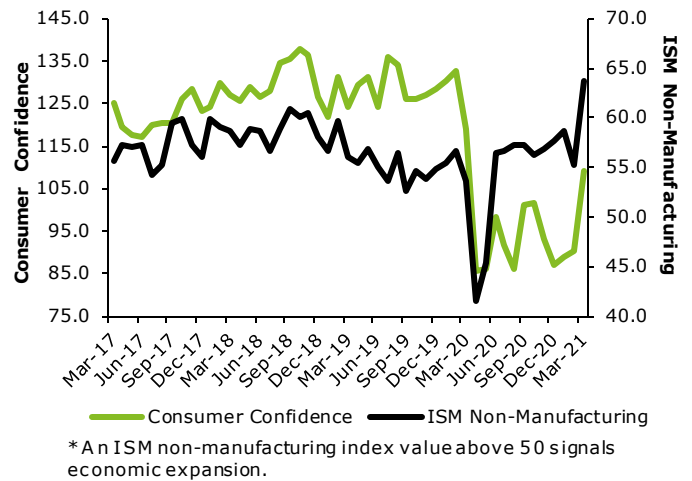
**US treasury yield curve (nominal vs. real)<sup>2</sup>**



**US unemployment rate (% unemployed)<sup>3</sup>**

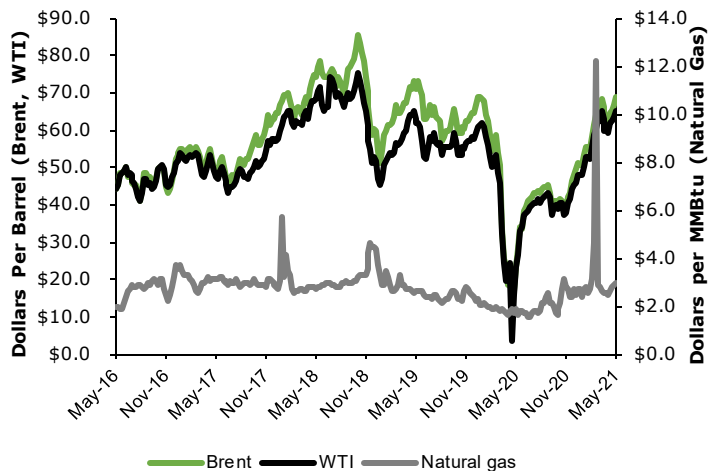


**ISM non-manufacturing index and consumer confidence index<sup>4</sup>**

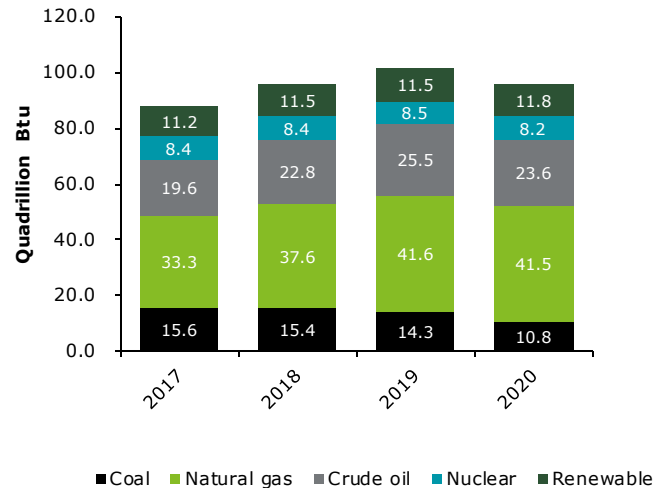


## Energy sector outlook

**Brent, WTI, and natural gas prices (2016 – 2020)<sup>5</sup>**



**US energy production by source<sup>6</sup>**

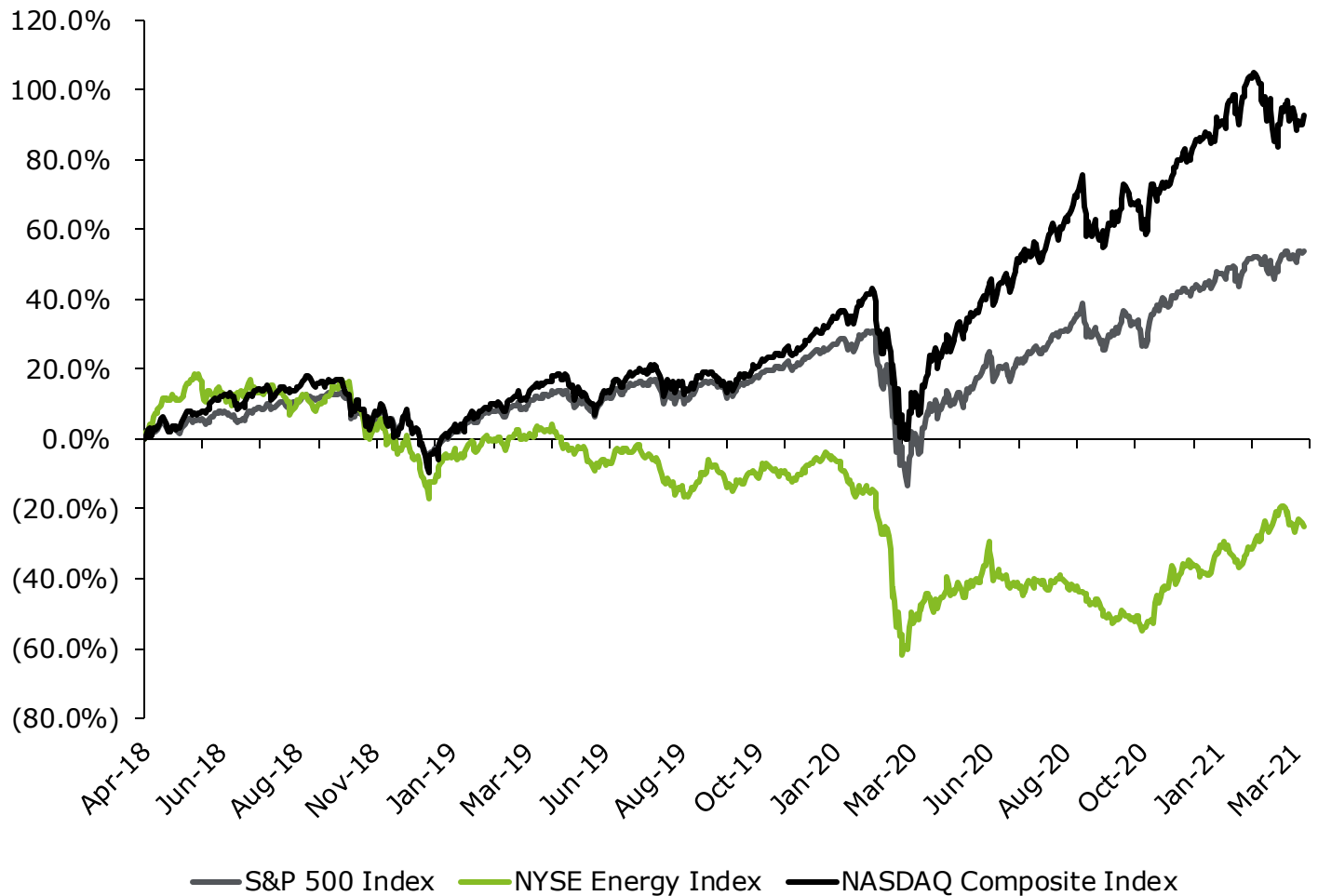


## Energy sector breakdown and trading statistics<sup>1</sup>

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
<i>(\$ in Millions)</i>									
Oil and gas, general (13)	13	92.4%	(9.9)%	\$1,381.0	12.9%	\$32,536.8	2.2x	18.8x	9.0x
Power & utilities (18)	18	94.2	0.4	4,073.8	35.4	49,922.3	5.0	13.6	11.7
Renewable energy (12)	12	50.2	0.2	196.6	20.0	4,435.7	6.0	14.2	11.5
Nuclear (3)	3	94.7	7.1	503.9	19.3	7,006.9	2.6	12.3	12.2
<b>Energy index</b>	<b>46</b>	<b>92.0%</b>	<b>(0.4)%</b>	<b>\$1,883.0</b>	<b>27.6%</b>	<b>\$29,725.9</b>	<b>4.1x</b>	<b>14.2x</b>	<b>11.2x</b>

## Public comparable three-year stock market performance<sup>2</sup>

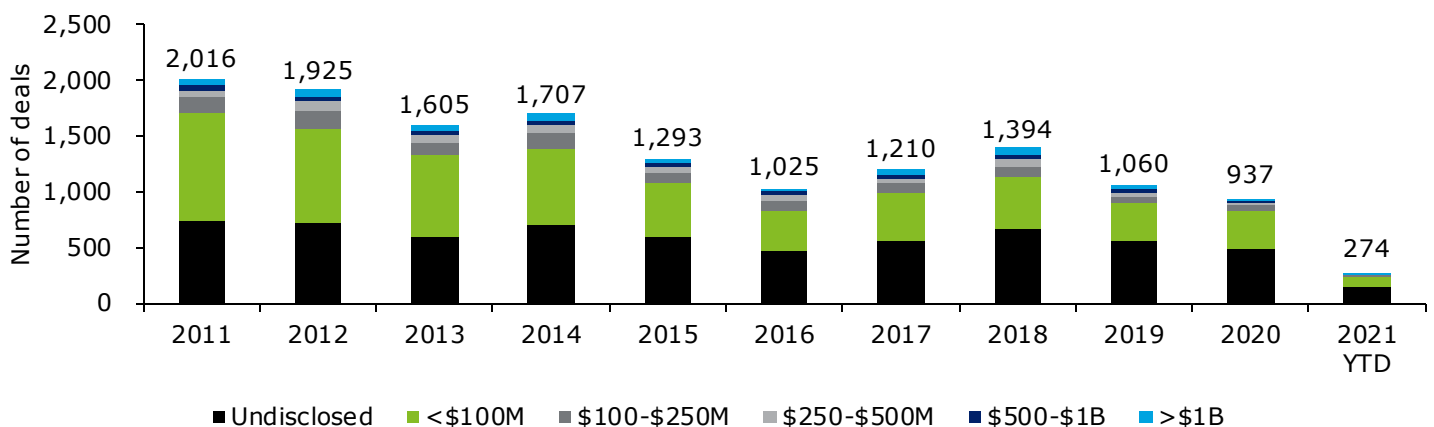
S&P 500 index	<b>53.88%</b>
NASDAQ composite index	<b>92.82%</b>
NYSE Energy index	<b>(24.83%)</b>



## Recent energy M&A transactions<sup>1</sup>

Close Date	Target/ Acquiror	Target Business Description	Enterprise Value (EV) (\$ in Millions)	EV/ EBITDA
Pending	<b>Inter Pipeline Ltd.</b>  Brookfield Infrastructure Partners L.P.	Engaged in the petroleum transportation and storage, and natural gas liquids (NGL) processing businesses in Canada and Europe.	\$11,543.7	14.5 x
Pending	<b>Tervita Corporation</b>  Secure Energy Services Inc.	Operates as an environmentally focused waste service provider in Canada and the United States.	1,077.0	6.7
5/4/2021	<b>ADES International Holding PLC</b>  The Public Investment Fund of The Kingdom of Saudi Arabia	Provides oil and gas drilling and production services in Egypt, Algeria, Kuwait, and the Kingdom of Saudi Arabia.	1,203.7	6.5
4/15/2021	<b>New Fortress Energy Inc.</b>  Golar LNG Partners LP	Operates as an integrated gas-to-power infrastructure company, providing energy and development services to end-users worldwide.	1,732.1	8.4
4/13/2021	<b>Pinnacle Renewable Energy Inc.</b>  Drax Group plc	Manufactures, distributes, and sells industrial wood pellets for industrial electrical power generation and home heating consumption in North America, Asia, and Europe.	758.1	15.0
4/6/2021	<b>PT Golden Energy Mines Tbk</b>  Ascend Capital Advisors (S) Pte. Ltd.	Engages in the development of oil and natural gas properties in Canada.	1,060.5	7.2
3/30/2021	<b>CSI Compressco LP</b>  Spartan Energy Partners, LP	Owns and operates a fleet of liquefied gas carriers worldwide.	732.7	6.8

## Annual energy M&A transaction volume<sup>2</sup>



\*2021 YTD through March 2021.

## Appendix

Public comparable analysis<sup>1</sup>

Market data as of 05/17/21

Company (Ticker)	% of 52 week high	LTM Revenue	Revenue CAGR (3 Yr)	LTM EBITDA	EBITDA Margin	Enterprise Value ("EV")	Last twelve months	
							EV/Revenue	EV/EBITDA
<i>(\$ in Millions)</i>								
<b>Oil and gas, general (13)</b>								
Chevron Corporation (NYSE:CVX)	98.0 %	\$95,842.0	(10.5) %	\$12,934.0	13.5 %	\$253,025.2	2.6 x	19.6 x
ConocoPhillips (NYSE:COP)	95.4	22,772.0	(9.9)	5,960.0	26.2	90,199.1	4.0	15.1
Devon Energy Corporation (NYSE:DVN)	99.4	5,365.0	(13.0)	930.0	17.3	24,413.5	4.6	26.3
Diamond Offshore Drilling, Inc.	16.7	598.4	(24.2)	(28.9)	NM	148.5	0.2	NM
DCP Midstream, LP (NYSE:DCP)	97.2	7,328.0	(5.2)	479.0	6.5	11,994.3	1.6	25.0
Exxon Mobil Corporation (NYSE:XOM)	97.1	182,075.0	(9.6)	17,901.0	9.8	330,217.8	1.8	18.4
Halliburton Company (NYSE:HAL)	96.1	12,859.0	(16.5)	1,381.0	10.7	29,330.5	2.3	21.2
Hess Corporation (NYSE:HES)	99.9	5,092.0	(2.1)	2,580.0	50.7	34,670.1	6.8	13.4
Marathon Petroleum Corporation (NYSE:MPC)	99.3	70,458.0	(3.2)	3,979.0	5.6	81,376.0	1.2	20.5
Phillips 66 (NYSE:PSX)	97.9	64,935.0	(11.3)	(1,090.0)	NM	55,387.8	0.9	NM
Southwestern Energy Company (NYSE:SWN)	99.4	2,788.0	(5.2)	359.0	12.9	6,827.4	2.4	19.0
Transocean Ltd. (NYSE:RIG)	87.1	3,046.0	4.3	1,271.0	41.7	9,144.5	3.0	7.2
Valero Energy Corporation (NYSE:VLO)	96.7	59,067.0	(14.0)	2,421.0	4.1	46,699.0	0.8	19.3
<b>Median</b>	<b>97.2 %</b>	<b>\$12,859.0</b>	<b>(9.9) %</b>	<b>\$1,381.0</b>	<b>12.9 %</b>	<b>\$34,670.1</b>	<b>2.3 x</b>	<b>19.3 x</b>
<b>Mean</b>	<b>90.8 %</b>	<b>\$40,940.4</b>	<b>(9.3) %</b>	<b>\$3,775.1</b>	<b>18.1 %</b>	<b>\$74,879.5</b>	<b>2.5 x</b>	<b>18.6 x</b>
<b>Power &amp; utilities (18)</b>								
Ameren Corporation (NYSE:AEE)	96.0 %	\$5,661.0	(1.8) %	\$2,571.0	45.4 %	\$33,860.1	6.0 x	13.2 x
ALLETE, Inc. (NYSE:ALE)	96.0	1,196.7	(5.4)	362.2	30.3	5,974.8	5.0	16.5
American Electric Power Company, Inc. (NasdaqGS: AEP)	90.7	15,452.1	(0.2)	5,763.7	37.3	78,737.7	5.1	13.7
Avangrid, Inc. (NYSE:AGR)	91.7	6,497.0	2.3	1,883.0	29.0	26,723.8	4.1	14.2
Black Hills Corporation (NYSE:BKH)	92.6	1,793.3	1.6	640.6	35.7	8,591.4	4.8	13.4
CenterPoint Energy, Inc. (NYSE:CNP)	98.6	7,798.0	(8.1)	2,333.0	29.9	31,700.8	4.1	13.6
Consolidated Edison, Inc. (NYSE:ED)	93.8	12,689.0	1.4	4,500.0	35.5	52,054.7	4.1	11.6
Dominion Energy, Inc. (NYSE:D)	88.9	14,104.0	3.6	6,412.0	45.5	103,619.7	7.3	16.2
DTE Energy Company (NYSE:DTE)	96.8	12,933.0	(0.5)	3,094.0	23.9	46,517.0	3.6	15.0
Duke Energy Corporation (NYSE:DUK)	94.9	23,654.0	(0.0)	11,183.0	47.3	147,611.5	6.2	13.2
Energy Corporation (NYSE:ETR)	93.1	10,531.3	(2.1)	3,855.7	36.6	45,417.5	4.3	11.8
Eversource Energy (NYSE:ES)	87.0	9,356.5	5.6	3,114.0	33.3	47,378.0	5.1	15.2
Exelon Corporation (NasdaqGS:EXC)	97.3	34,182.0	(0.3)	8,612.0	25.2	86,497.8	2.5	10.0
PG&E Corporation (NYSE:PCG)	81.3	18,879.0	3.7	5,965.0	31.6	63,991.4	3.4	10.7
Sempra Energy (NYSE:SRE)	97.9	11,600.0	2.7	4,390.0	37.8	68,765.7	5.9	15.7
The Southern Company (NYSE:SO)	96.3	21,267.0	(3.5)	9,556.0	44.9	124,575.1	5.9	13.0
WEC Energy Group, Inc. (NYSE:WEC)	89.6	7,824.5	0.8	2,767.6	35.4	45,070.6	5.8	16.3
Xcel Energy Inc. (NasdaqGS:XEL)	92.6	12,256.0	2.4	4,292.0	35.0	61,517.0	5.0	14.3
<b>Median</b>	<b>93.4 %</b>	<b>\$11,928.0</b>	<b>0.4 %</b>	<b>\$4,073.8</b>	<b>35.4 %</b>	<b>\$49,716.4</b>	<b>5.0 x</b>	<b>13.6 x</b>
<b>Mean</b>	<b>93.1 %</b>	<b>\$12,648.6</b>	<b>0.1 %</b>	<b>\$4,516.4</b>	<b>35.5 %</b>	<b>\$59,922.5</b>	<b>4.9 x</b>	<b>13.8 x</b>
<b>Renewable energy (13)</b>								
Array Technologies, Inc. (NasdaqGM:ARRY)	26.0	680.9	0.0	61.6	9.0	2,198.8	3.2	35.7
Avangrid, Inc. (NYSE:AGR)	91.7	6,497.0	2.3	1,883.0	29.0	26,723.8	4.1	14.2
Ballard Power Systems Inc. (TSX:BLDP)	32.0 %	\$97.6	(6.3) %	(\$39.8)	NM %	\$2,943.0	30.1 x	NM x
Brookfield Renewable Partners L.P. (TSX:BEP.UN)	70.1	3,801.0	11.5	2,266.0	59.6	50,569.9	13.3	22.3
Canadian Solar Inc. (NasdaqGS:CSIQ)	53.6	3,476.5	0.8	440.5	12.7	3,427.8	1.0	7.8
Enphase Energy, Inc. (NasdaqGM:ENPH)	51.7	870.6	42.4	223.6	25.7	15,601.4	17.9	69.8
First Solar, Inc. (NasdaqGS:FSLR)	63.6	2,982.6	4.5	700.9	23.5	6,524.6	2.2	9.3
Macquarie Infrastructure Corporation (NYSE:MIC)	85.8	826.7	(21.1)	136.7	16.5	4,109.9	5.0	30.1
Ormat Technologies, Inc. (NYSE:ORA)	50.7	679.6	(0.4)	353.5	52.0	4,851.9	7.1	13.7
ReneSola Ltd (NYSE:SOL)	20.5	73.5	(10.6)	0.0	0.1	631.8	8.6	NM
Renewable Energy Group, Inc. (NasdaqGS:REGI)	53.9	2,203.9	(3.1)	169.6	7.7	2,478.3	1.1	14.6
Shoals Technologies Group, Inc. (NasdaqGM:SHLS)	49.2	180.4	0.0	50.0	27.7	3,817.3	21.2	76.3
SunPower Corporation (NasdaqGS:SPWR)	38.2	1,140.7	(15.0)	34.9	3.1	3,972.2	3.5	113.9
Sunrun Inc. (NasdaqGS:RUN)	39.6	1,046.3	22.3	(243.5)	NM	14,574.0	13.9	NM
<b>Median</b>	<b>51.2 %</b>	<b>\$958.4</b>	<b>0.0 %</b>	<b>\$153.2</b>	<b>20.0 %</b>	<b>\$4,041.1</b>	<b>6.1 x</b>	<b>22.3 x</b>
<b>Mean</b>	<b>51.9 %</b>	<b>\$1,754.1</b>	<b>2.0 %</b>	<b>\$431.2</b>	<b>22.2 %</b>	<b>\$10,173.2</b>	<b>9.4 x</b>	<b>37.1 x</b>
<b>Nuclear (3)</b>								
BWX Technologies, Inc. (NYSE:BWXT)	93.8 %	\$2,109.6	7.1 %	\$406.8	19.3 %	\$7,087.7	3.4 x	17.4 x
Curtiss-Wright Corporation (NYSE:CW)	95.7	2,387.2	1.3	503.9	21.1	6,265.1	2.6	12.4
Huntington Ingalls Industries, Inc. (NYSE:HII)	96.9	9,376.0	7.3	1,083.0	11.6	10,164.0	1.1	9.4
<b>Median</b>	<b>95.7 %</b>	<b>\$2,387.2</b>	<b>7.1 %</b>	<b>\$503.9</b>	<b>19.3 %</b>	<b>\$7,087.7</b>	<b>2.6 x</b>	<b>12.4 x</b>
<b>Mean</b>	<b>95.5 %</b>	<b>\$4,624.2</b>	<b>5.2 %</b>	<b>\$664.6</b>	<b>17.3 %</b>	<b>\$7,838.9</b>	<b>2.4 x</b>	<b>13.1 x</b>

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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.

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