



PCE Industry Report

Power & Energy



Middle Market M&A Summary

Power & Energy

1st Quarter 2016

Key Highlights

- The average value of the top transactions was \$3.8 billion.
- The largest transaction was the acquisition of Targa Resources Partners LP by Targa Resources Corp. for \$13.6 billion.
- The smallest transaction was the acquisition of Granite Ridge Holdings LLC by Calpine Corp for \$499.9 million.
- The public company industry median TEV/EBIT multiple is 15.7x.
- The public company industry median TEV/EBITDA multiple is 10.0x.

Key Trends

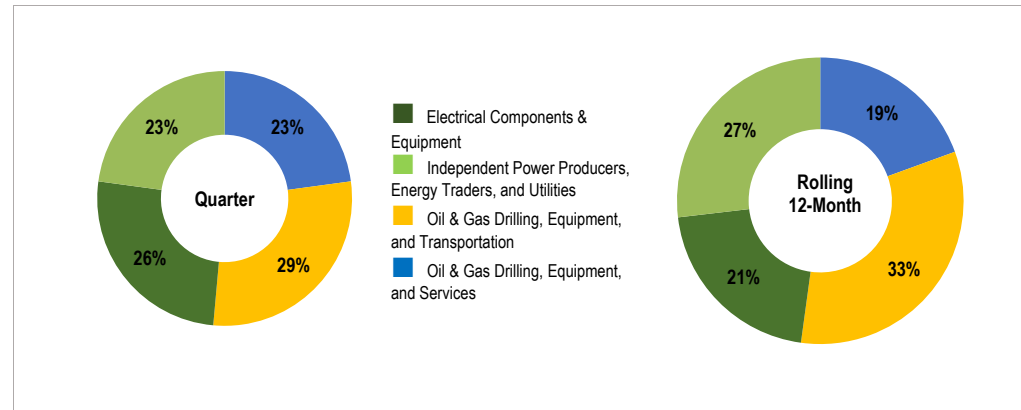
- The Oil & Gas Storage & Transport; Oil & Gas Drilling, Equipment & Services; Electrical Components & Equipment; and Independent Power Producers, Energy Traders & Utilities subsectors' transaction volume are trending negatively.
- The Oil & Gas Storage & Transport subsector's transaction volume was the largest at 29% of the industry over the past quarter.
- Per the US Energy Information Administration, the U.S. crude oil production averaged 9.4 mm barrels per day (b/d) in 2015 and is forecasted to average 8.7 mm in 2016, and 8.2 mm in 2017. March 2016 oil production has dropped to 9.04 mm b/d from 9.42mm b/d in March 2015, a 4.05% decrease in production.
- The US Energy Information Administration forecasts, 2016 will be the first year natural gas surpasses coal for electric power use. Natural gas consumption has increased since 2015 from 75.3 billion cubic feet per day (Bcf/d) to averaging 76.8 Bcf/d in 2016. Natural gas prices has dropped since January (by 29 cents/million British thermal units (MMBtu)) to \$1.99/MMBtu. This is in large part due to the warmer-than-normal winter, record inventory levels, and production growth.
- Wind Power industry in US was bolstered by the extension of the Production Tax Credit at FYE 2015. The late renewal in 2015 may result in a slow start to 2016, however this 5 year extension will lead to longer term projects throughout the industry. 2016 is expected to continue strong with the launch of the offshore wind farm in the Northern Atlantic.

Industry Trends During Quarter

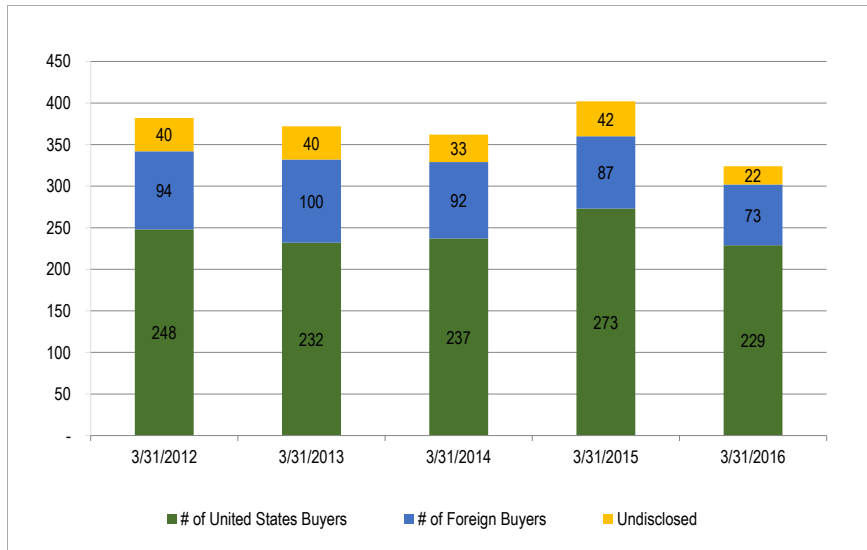
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Oil & Gas Drilling, Equipment & Services	↓	↓	↓
Oil & Gas Storage & Transportation	↓	↓	↓
Electrical Components & Equipment	↓	↓	↓
Independent Power Producers, Energy Traders & Utilities	↓	↓	↓

* 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



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

Sector	Target	Buyer	Transaction Value
Oil & Gas Storage & Transport	Targa Resources Partners LP	Targa Resources Corp.	\$13,611.6
Ind Power Producers	Pepco Holdings, Inc.	Exelon Energy Delivery Company, LLC	\$12,605.4
Electrical Components & Equip	Duracell International Inc.	Berkshire Hathaway Inc.	\$4,724.5
Ind Power Producers	SourceGas Holdings LLC	Black Hills Utility Holdings, Inc.	\$1,691.7
Oil & Gas Storage & Transport	TOM-STACK, LLC	EnLink Midstream, LLC	\$1,338.6
Oil & Gas Drilling Equip	Summit Utica and Meadowlark and Tioga Midstream and 40% Stakes in Ohio Gathering and Ohio Condensate	Summit Midstream Partners, LP	\$1,260.0
Ind Power Producers	Union Power Partners, L.P., Union Power Station	Entergy Gulf States Louisiana, L.L.C.; Entergy Arkansas, Inc.;	\$950.0
Oil & Gas Storage & Transport	Talgrass Pony Express Pipeline, LLC	Talgrass PXP Holdings, LLC	\$743.6
Ind Power Producers	Talen Ironwood Holding, LLC	TransCanada Facility USA, Inc.	\$654.0
Ind Power Producers	Granite Ridge Holdings, LLC	Calpine Corp.	\$499.9

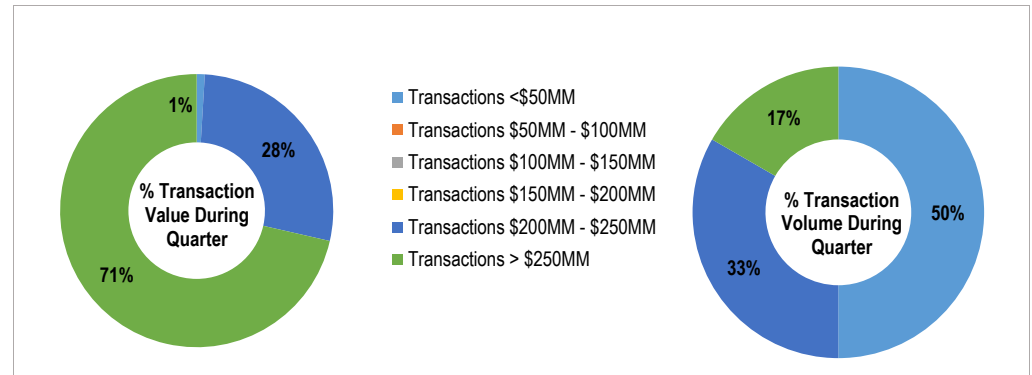
Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

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

Transaction Volume	16
Number of Transactions with Disclosed Values	6
Transaction Value*	\$1,763.85
Average Transaction Value*	\$293.98
Median Transaction Value*	\$125.00

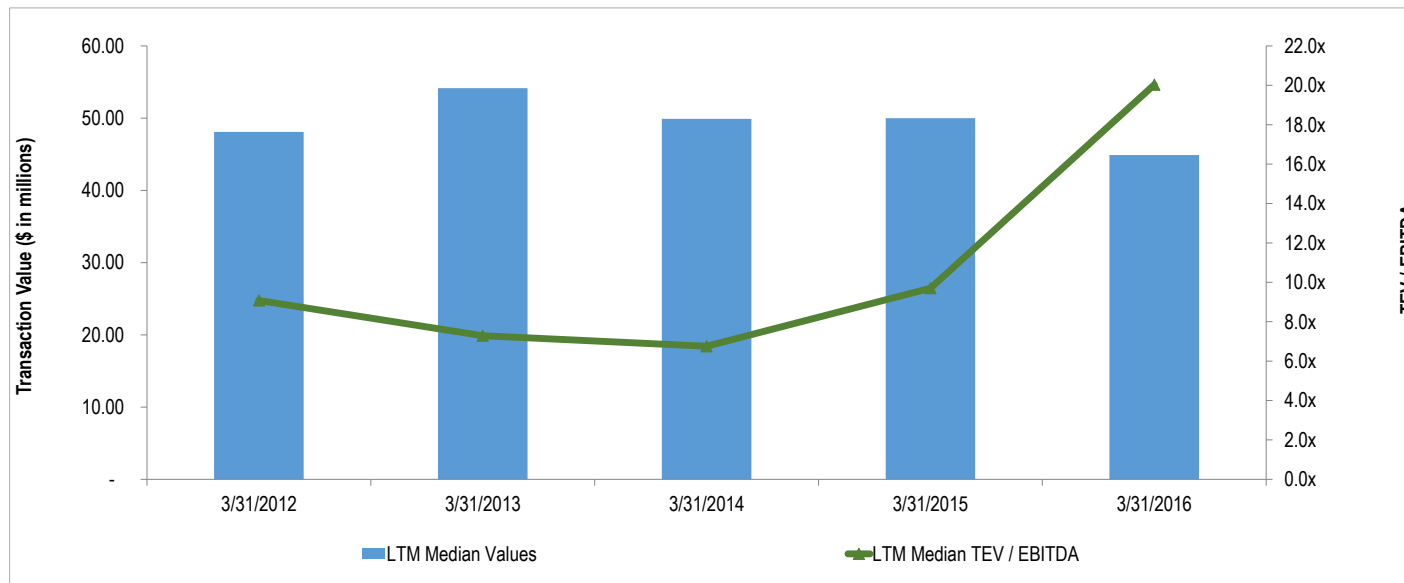
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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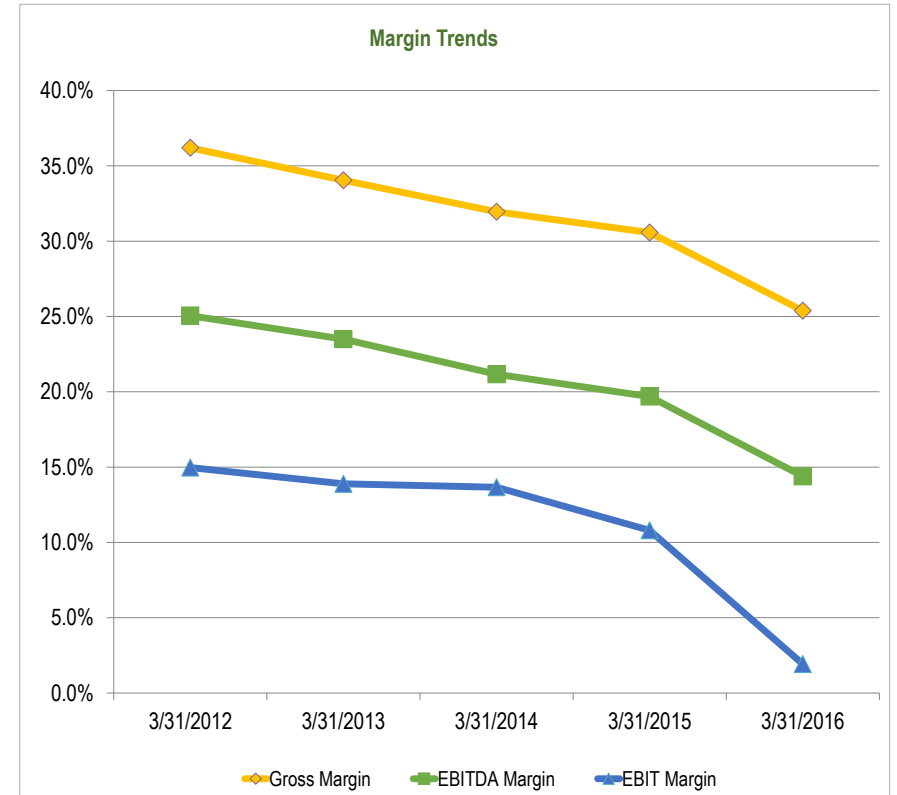
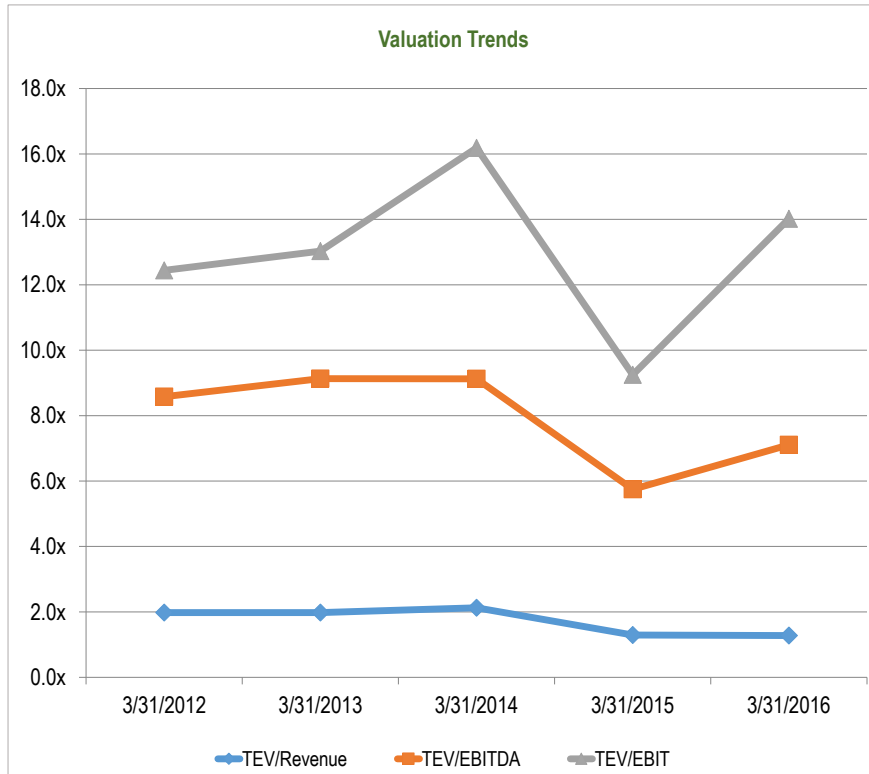
Oil & Gas Drilling, Equipment & Services

1st Quarter 2016

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,684	1.6x	11.5x	30.4x	TEV/Revenue	↓
Median	\$302	1.3x	7.1x	14.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.2%	10.4%	-6.9%	Gross Margin	↓
Median	25.4%	14.4%	1.9%	EBITDA Margin	↓
				EBIT Margin	↓



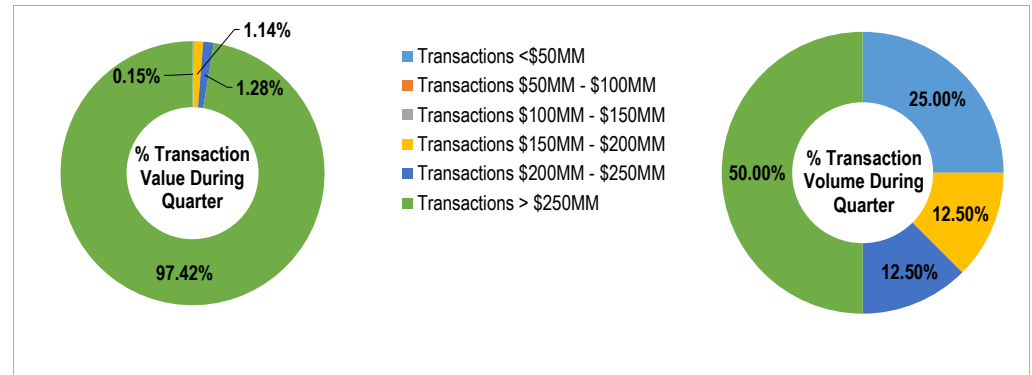
Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

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

Transaction Volume	20
Number of Transactions with Disclosed Values	8
Transaction Value*	\$16,468.69
Average Transaction Value*	\$2,058.59
Median Transaction Value*	\$280.68

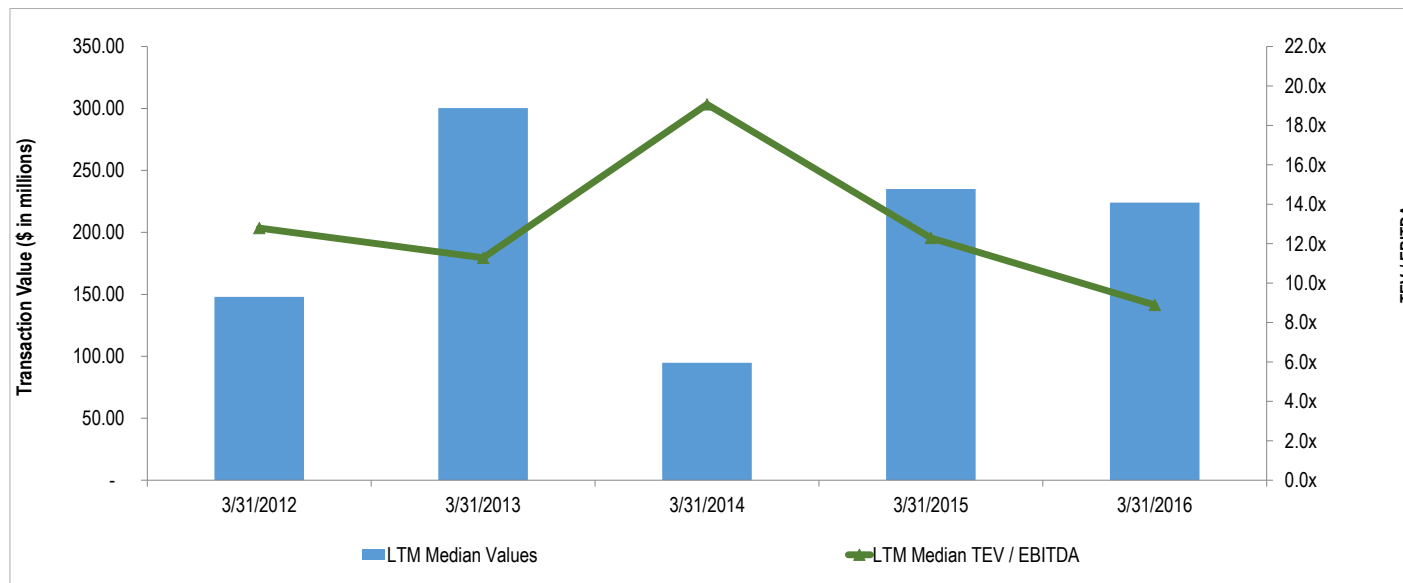
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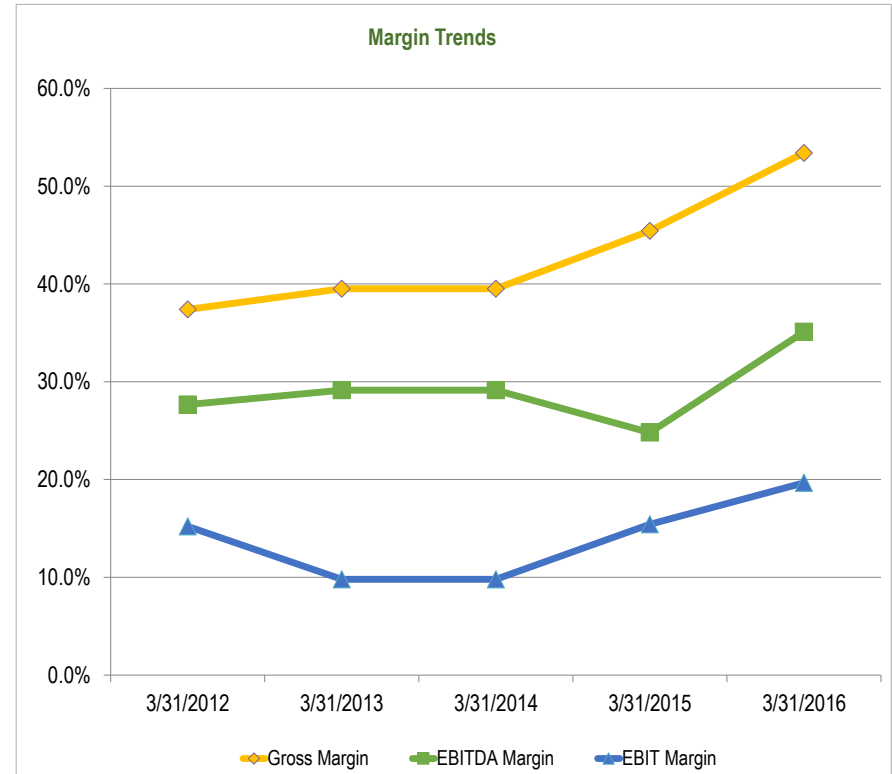
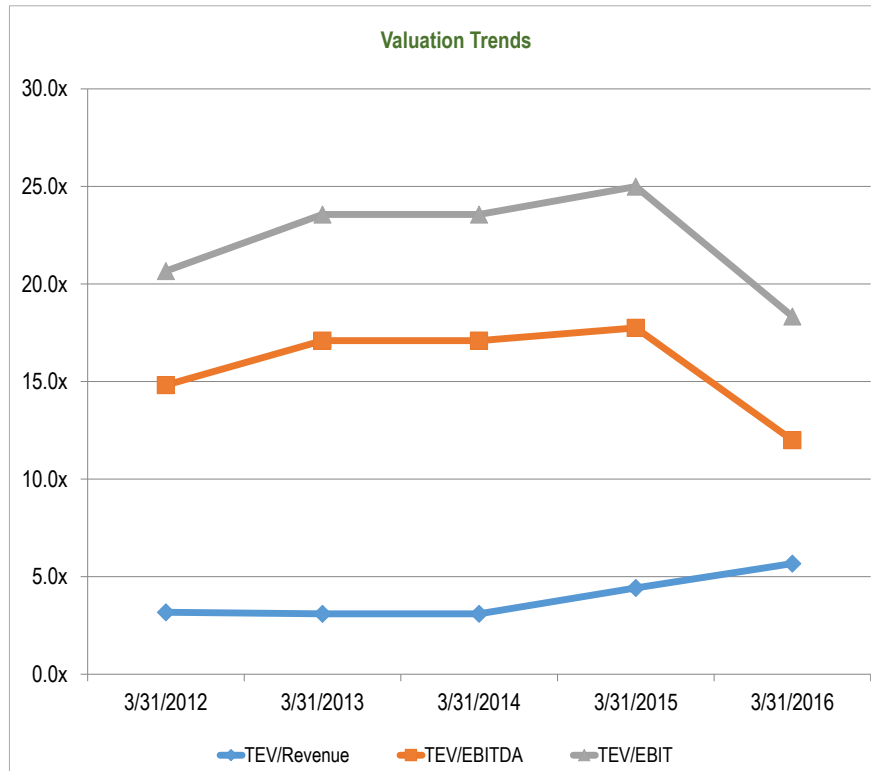
Oil & Gas Storage & Transportation

1st Quarter 2016

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,001	11.2x	14.0x	25.4x	TEV/Revenue	↑
Median	\$2,504	5.7x	12.0x	18.3x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	48.7%	32.4%	23.5%	Gross Margin	↑
Median	53.4%	35.1%	19.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

Electrical Components & Equipment

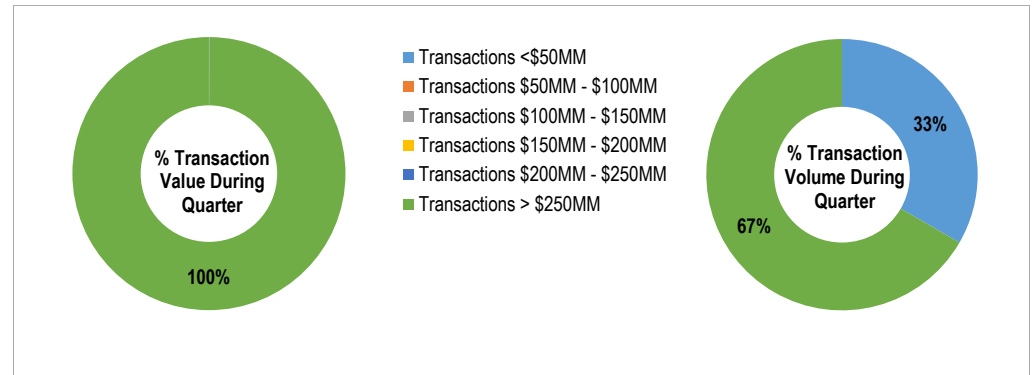
1st Quarter 2016

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

Transaction Volume	18
Number of Transactions with Disclosed Values	3
Transaction Value*	\$5,077.52
Average Transaction Value*	\$1,692.51
Median Transaction Value*	\$350.00

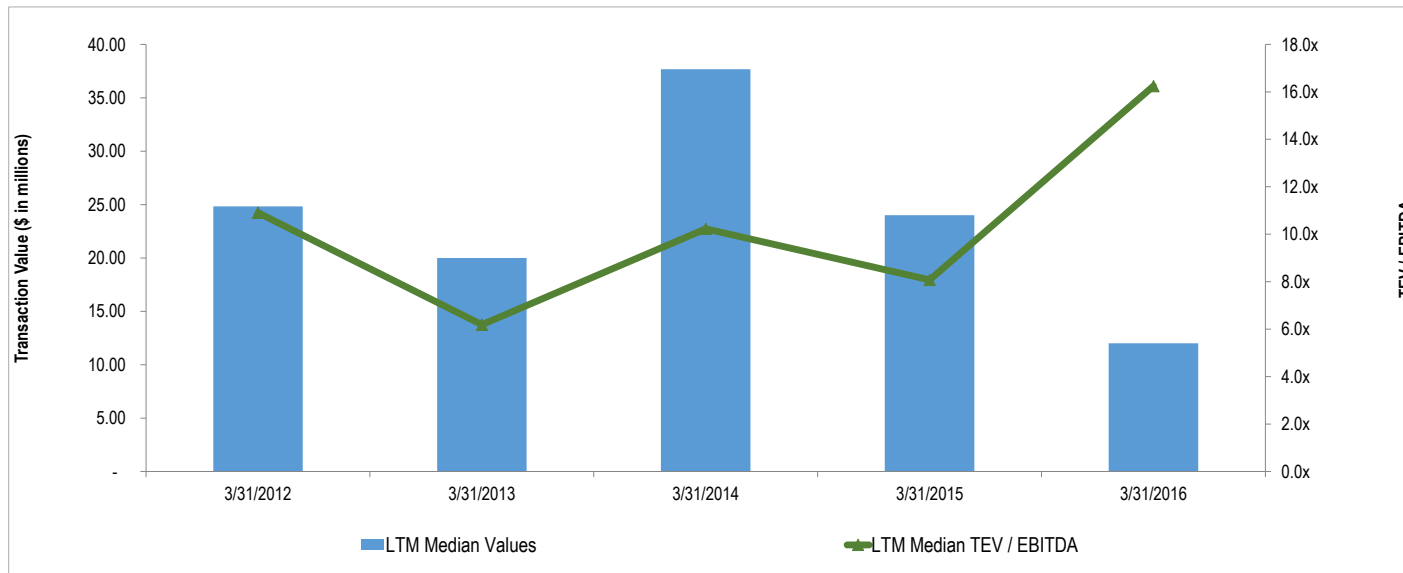
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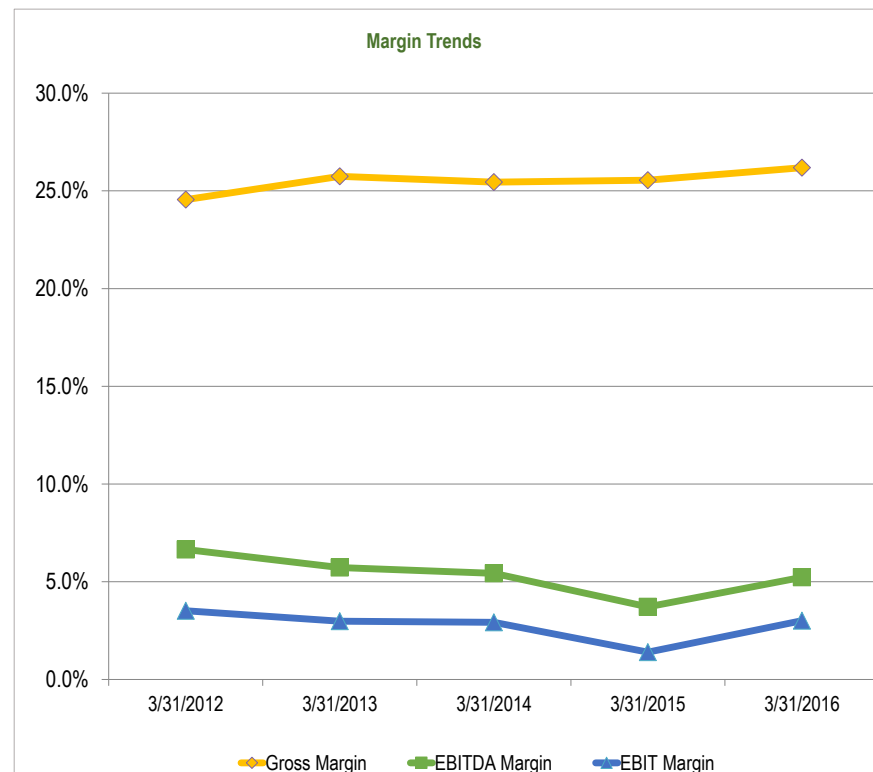
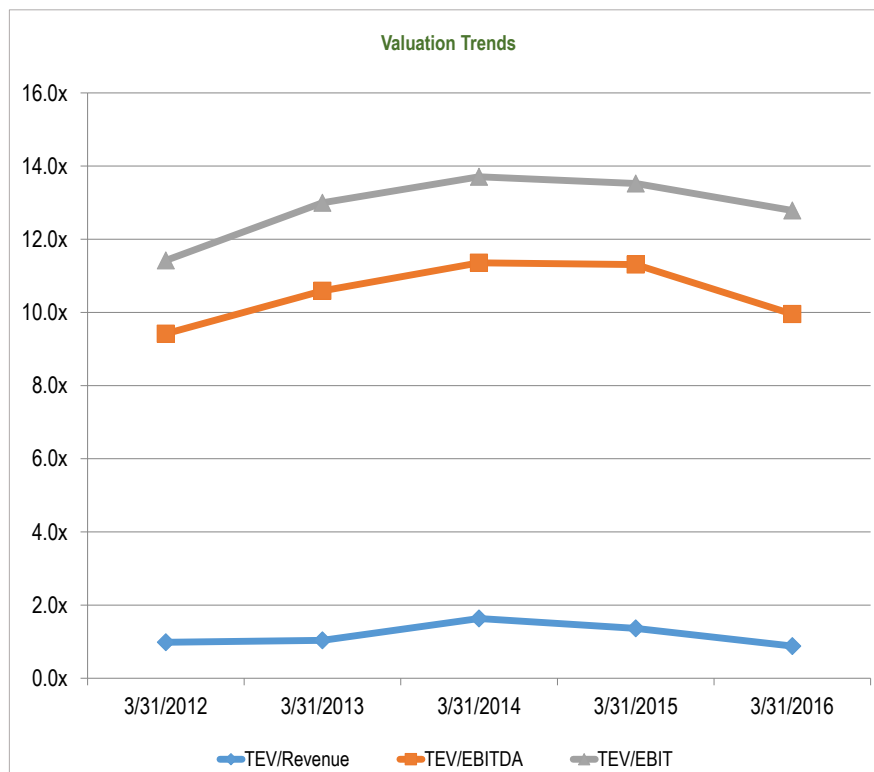
Electrical Components & Equipment

1st Quarter 2016

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,130	2.8x	11.8x	18.0x	TEV/Revenue	↓
Median	\$182	0.9x	10.0x	12.8x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	26.9%	-5.9%	-10.3%	Gross Margin	↑
Median	26.2%	5.2%	3.0%	EBITDA Margin	↑
				EBIT Margin	↑



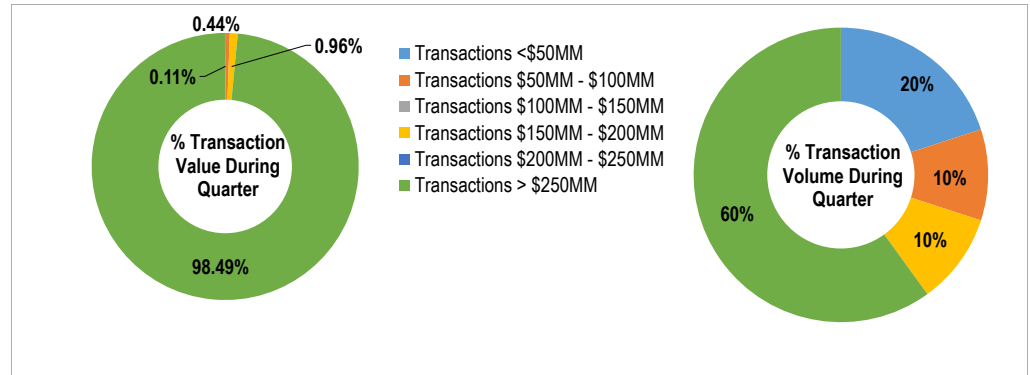
Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

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

Transaction Volume	16
Number of Transactions with Disclosed Values	10
Transaction Value*	\$16,984.65
Average Transaction Value*	\$1,698.46
Median Transaction Value*	\$413.45

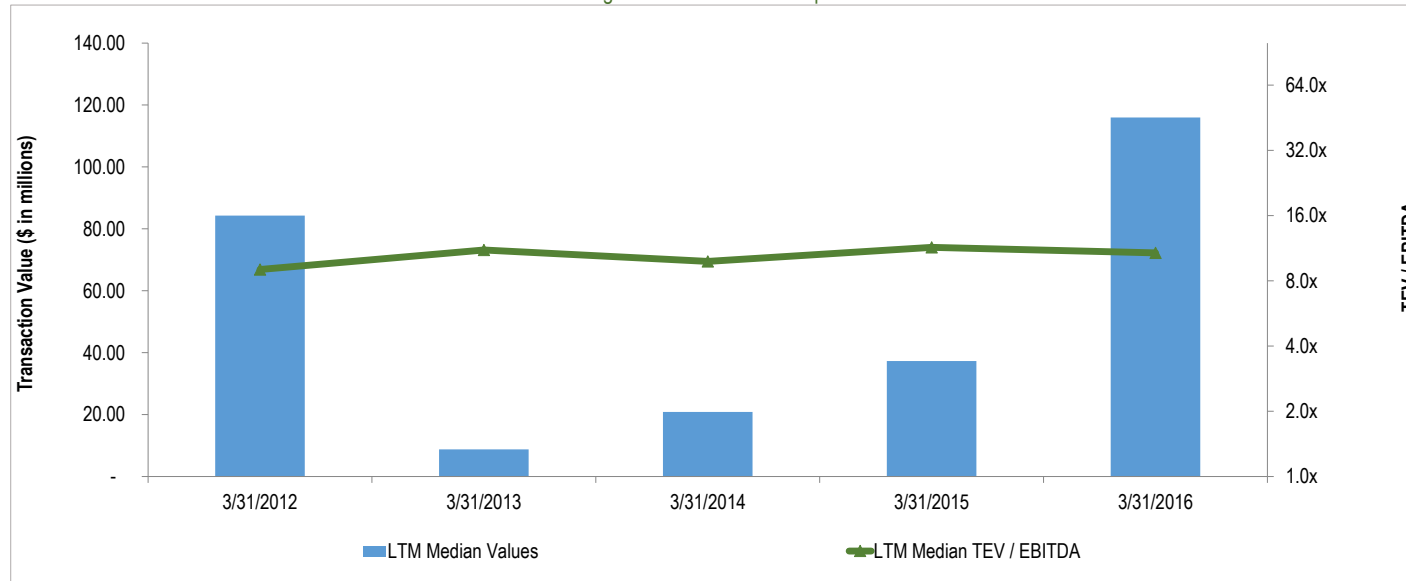
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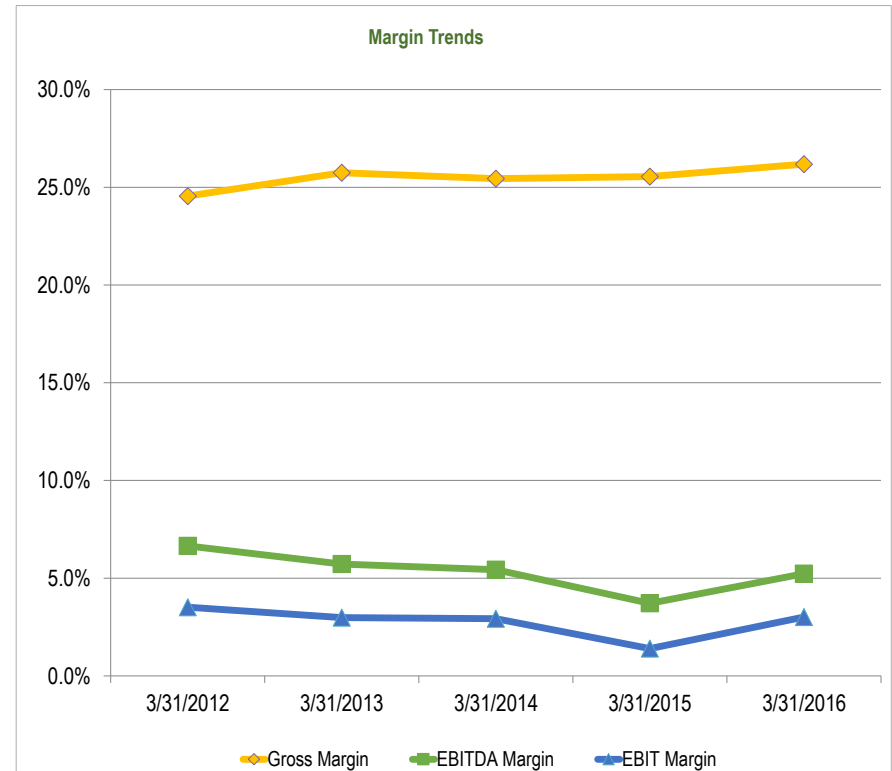
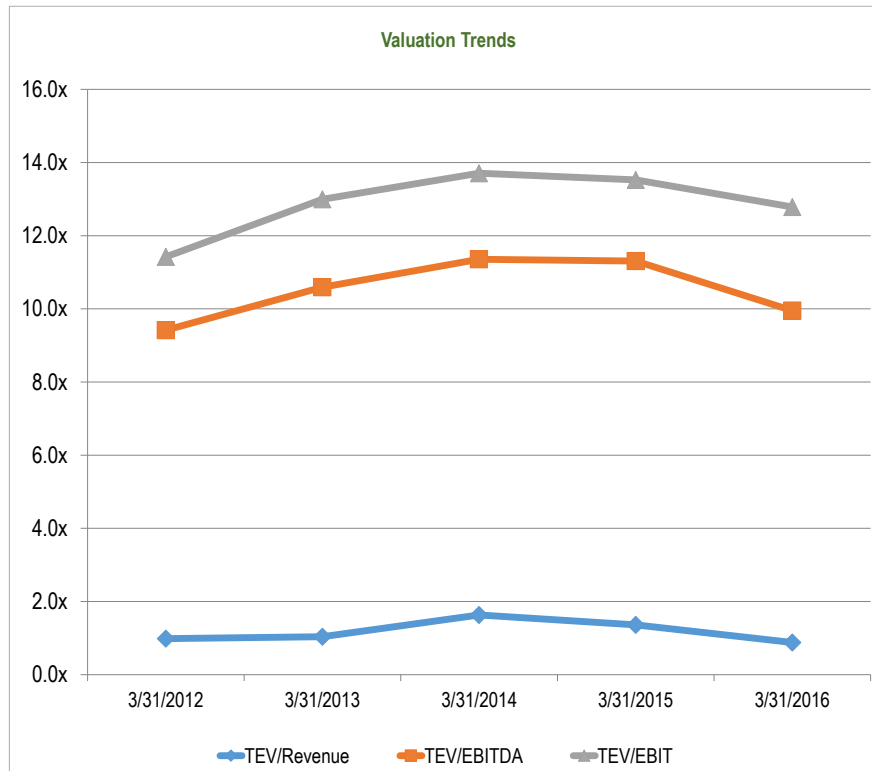


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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$8,668	4.1x	11.6x	18.3x	TEV/Revenue	↓
Median	\$3,736	3.2x	10.8x	17.6x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	39.3%	28.4%	16.4%	Gross Margin	↑
Median	36.9%	28.9%	17.3%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/25/2016 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.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- 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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PCE Locations

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New York

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/dounded dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value

