



PCE Industry Report

Power & Energy



Middle Market M&A Summary

Power & Energy

2nd Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$2.6 billion.
- The largest transaction was the acquisition of Cameron International Corporation by Schlumberger Limited for \$16.6 billion.
- The small transaction was the acquisition of SL Industries, Inc. by Handy & Harman Ltd. for \$174.7 million.
- The public company industry median TEV/EBIT multiple is 17.3x.
- The public company industry median TEV/EBITDA multiple is 11.2x.

Key Trends

- The Oil & Gas Storage & Transport, Oil & Gas Drilling, Equipment & Services, Electrical Components & Equipment, and Independent Power Producers, Energy Traders & Utilities subsector's transaction volumes are all trending negatively.
- The Independent Power Producers, Energy Traders, and Utilities subsector's transaction volume was the largest at 33% of the industry over the past quarter.
- Driven by stronger economic activity and a focus on energy independence and reducing greenhouse gas emissions, wind power production is on pace to grow at 14.4% through 2016, reaching over \$9 billion in annual revenue.
- According to the International Renewable Energy Agency, jobs in the renewable energy sectors are increasing faster than employment opportunities in the fossil fuel industry for the first time.
- U.S. oil exports have been on the rise in 2016 with Japan & Italy as the largest buyers other than Canada.¹
- Energy Transfer Equity was awarded, via court ruling, the right to terminate its \$38 billion acquisition of Williams Companies.

Source:

IBIS World, S&P Capital IQ, and PCE Proprietary Data

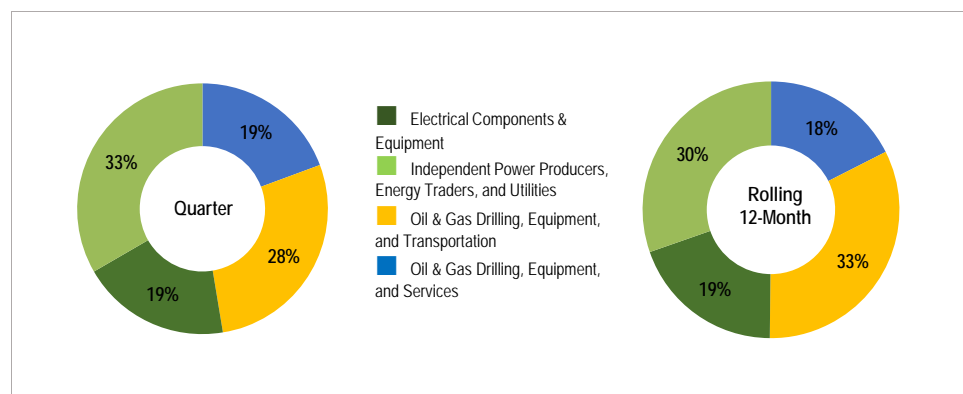
¹"US Oil Exports Increase", CNN, June 2016

Industry Trends During Quarter

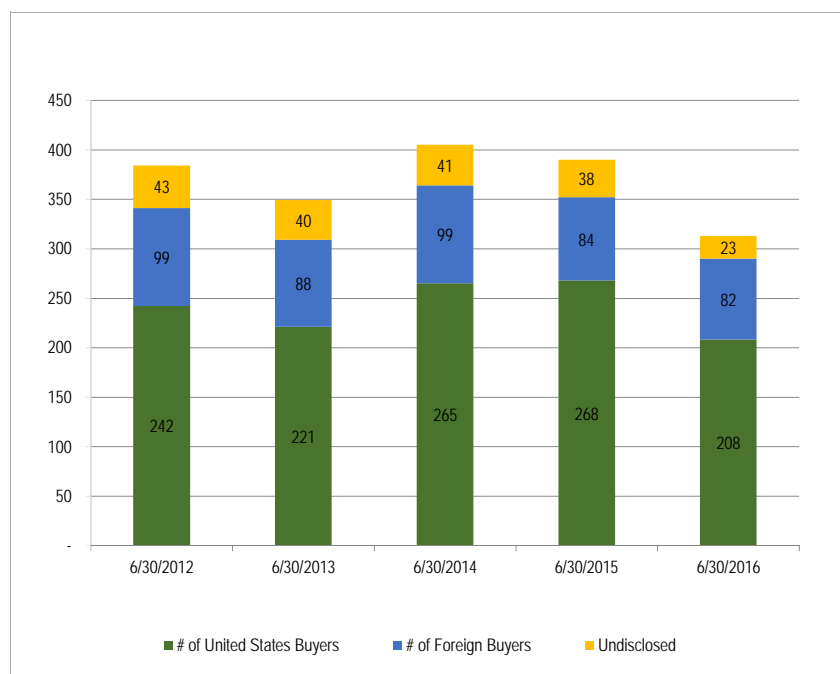
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Oil & Gas Drilling, Equipment & Services	↓	→	→
Oil & Gas Storage & Transportation	↓	↑	↑
Electrical Components & Equipment	↓	↑	↓
Independent Power Producers, Energy Traders & Utilities	↓	↑	↓

* 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



Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

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

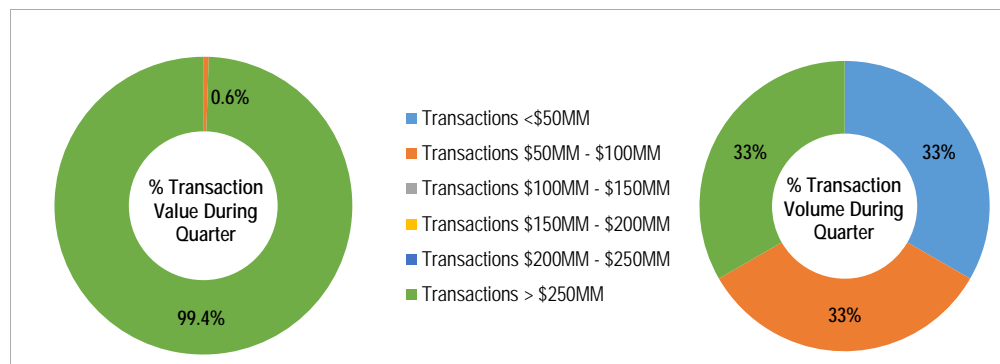
Sector	Target	Buyer	Transaction Value
Oil & Gas Drilling Equip	Cameron International Corporation	Schlumberger Limited	\$16,561.0
Oil & Gas Drilling Equip	Cleco Corporation	British Columbia Investment Management Corporation; Macquarie Infrastructure Partners Inc.; & John Hancock Financial Corporation	\$4,703.5
Oil & Gas Drilling Equip	NextEra Energy Resources, LLC, Forney And Lamar Generating Assets	Energy Future Holdings Corp.	\$1,553.0
Oil & Gas Drilling Equip	Stagecoach Gas Services LLC	Con Edison Gas Pipeline and Storage, LLC	\$975.0
Oil & Gas Drilling Equip	30% interest in Zydeco Pipeline, 1% in interest Bengal Pipeline and 3% interest in Colonial Pipeline	Shell Midstream Operating LLC	\$700.7
Oil & Gas Drilling Equip	PowerSecure International, Inc.	Southern Company	\$444.6
Oil & Gas Drilling Equip	Rockies Express Pipeline LLC	Talgrass Energy Partners, LP	\$440.0
Oil & Gas Drilling Equip	Black Hills Colorado IPP, LLC.	Argo Infrastructure Partners	\$215.0
Oil & Gas Drilling Equip	16.67% of Tri-States and 25.3% of Wilprise Pipeline and 49.67% of Destin Pipeline	American Midstream Emerald, LLC	\$183.6
Oil & Gas Drilling Equip	SL Industries Inc.	Handy & Harman Ltd.	\$174.7

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

Transaction Volume	11
Number of Transactions with Disclosed Values	3
Transaction Value*	\$16,661.74
Average Transaction Value*	\$5,553.91
Median Transaction Value*	\$100.00

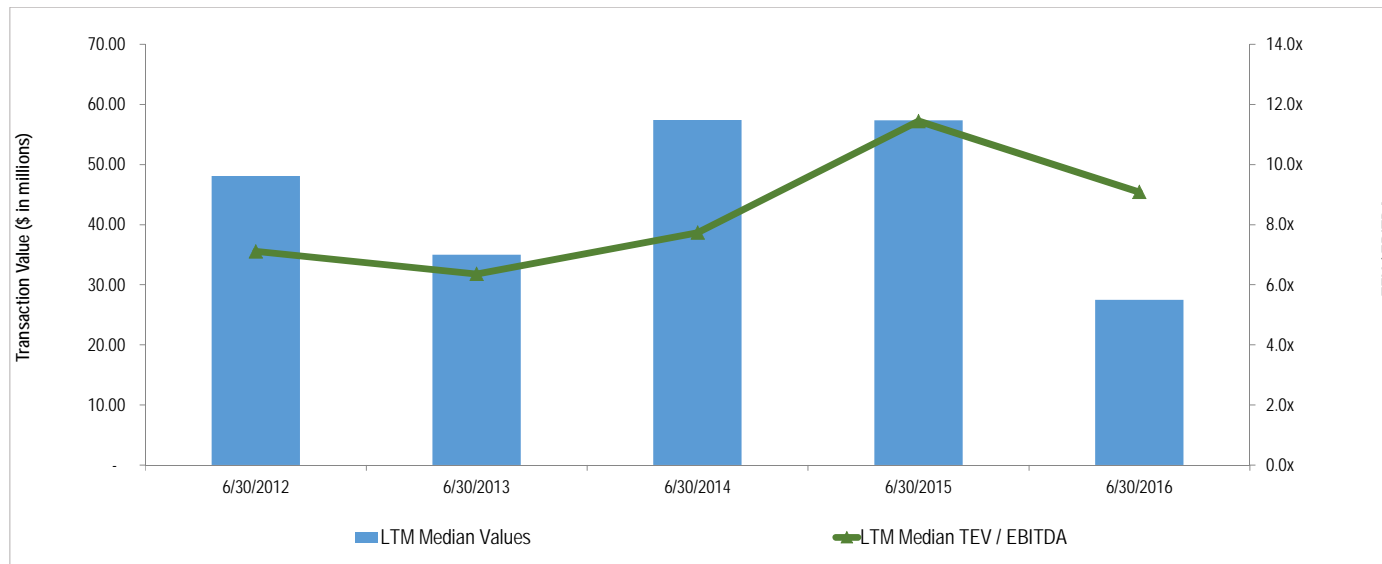
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



* Values and multiples may be skewed given data includes reported information only. While - 30% - 40% of transactions disclose values, only - 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

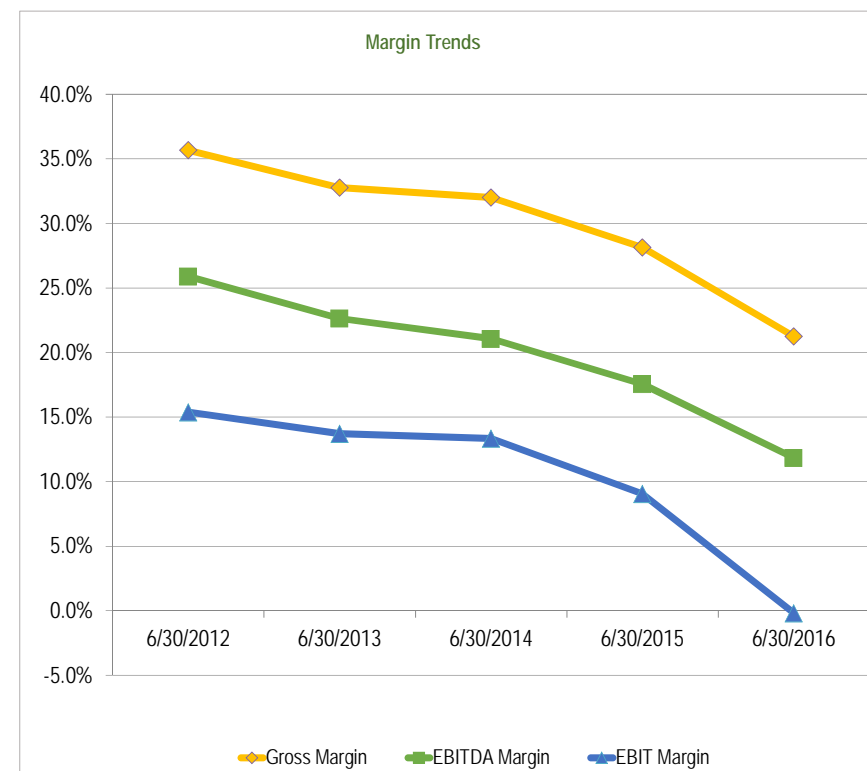
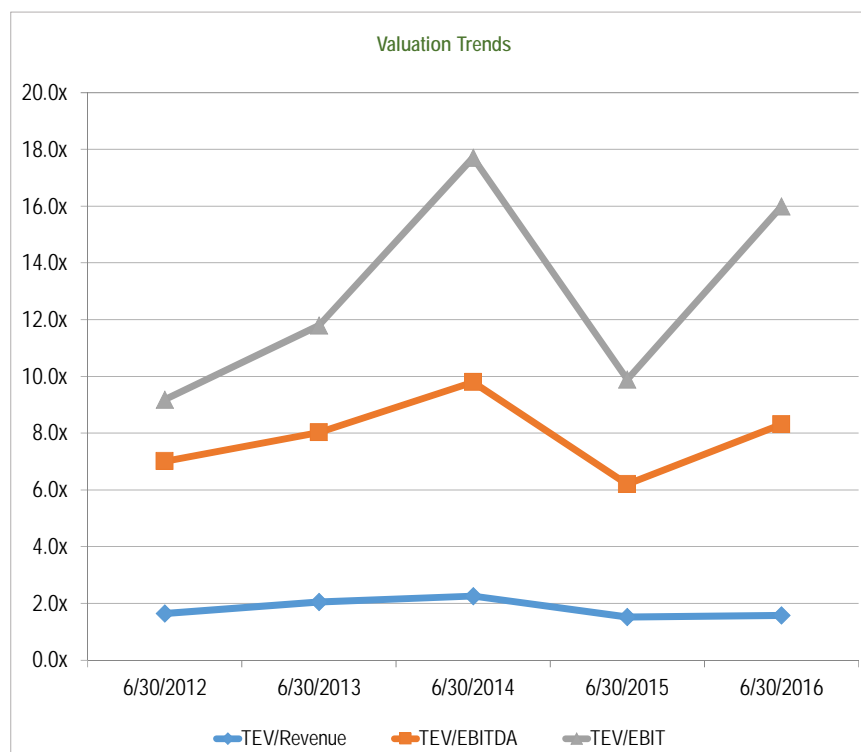
Oil & Gas Drilling, Equipment & Services

2nd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	LTM 6/30/2016	Trends
Average	\$2,213	1.9x	21.1x	24.5x	TEV/Revenue	↑
Median	\$332	1.6x	8.3x	16.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	LTM 6/30/2016	Trends
Average	22.0%	6.0%	-13.1%	Gross Margin	↓
Median	21.3%	11.8%	-0.2%	EBITDA Margin	↓
				EBIT Margin	↓



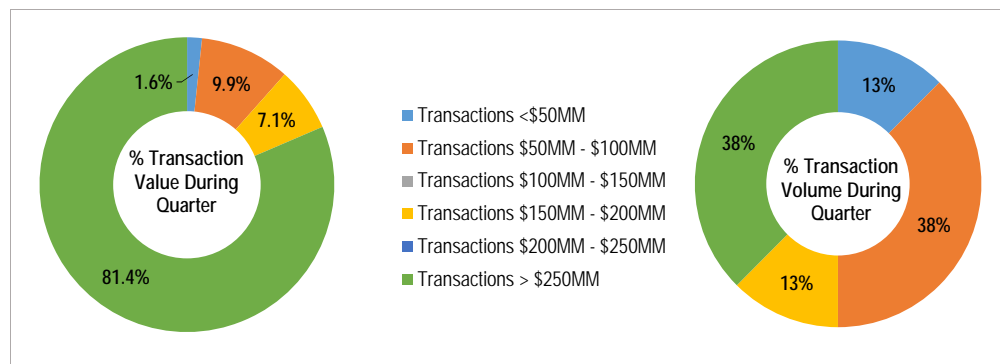
Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

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

Transaction Volume	16
Number of Transactions with Disclosed Values	8
Transaction Value*	\$2,599.14
Average Transaction Value*	\$324.89
Median Transaction Value*	\$220.45

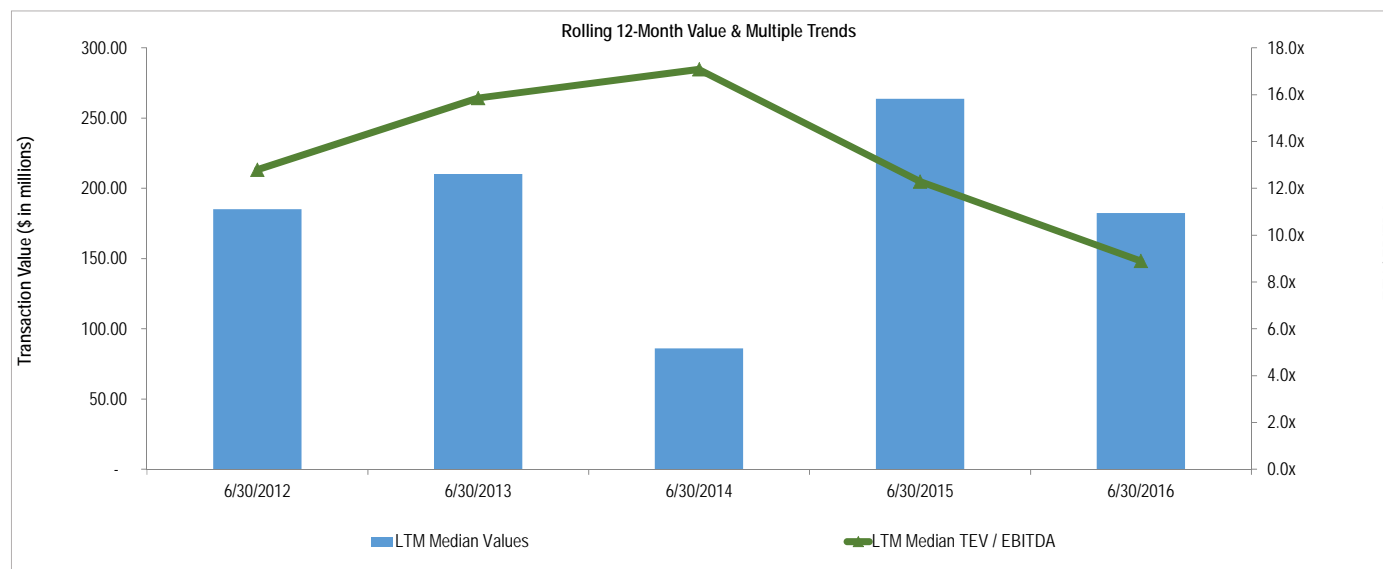
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Transactions by Value & Volume



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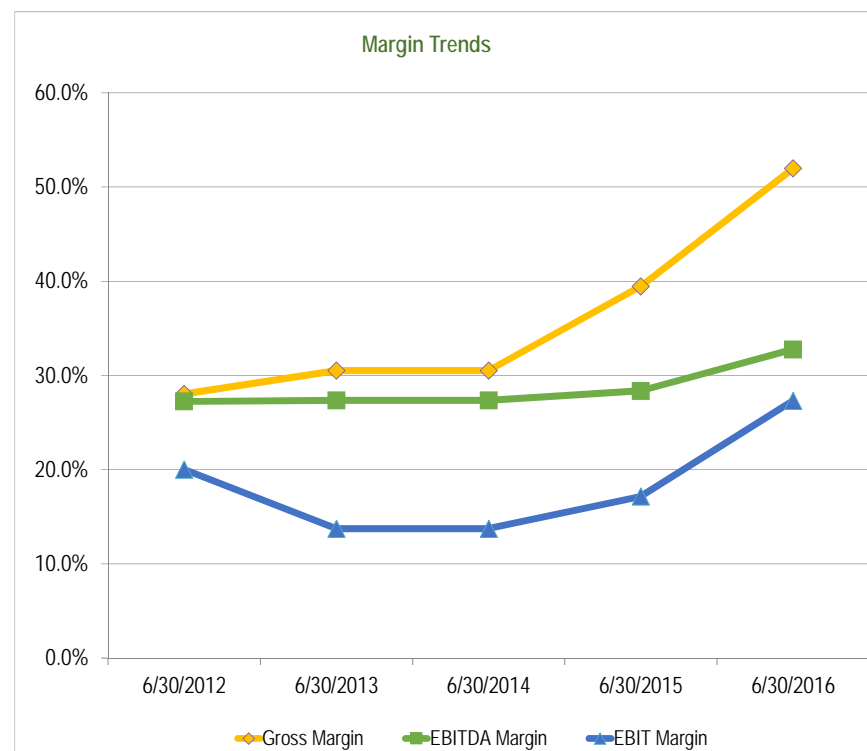
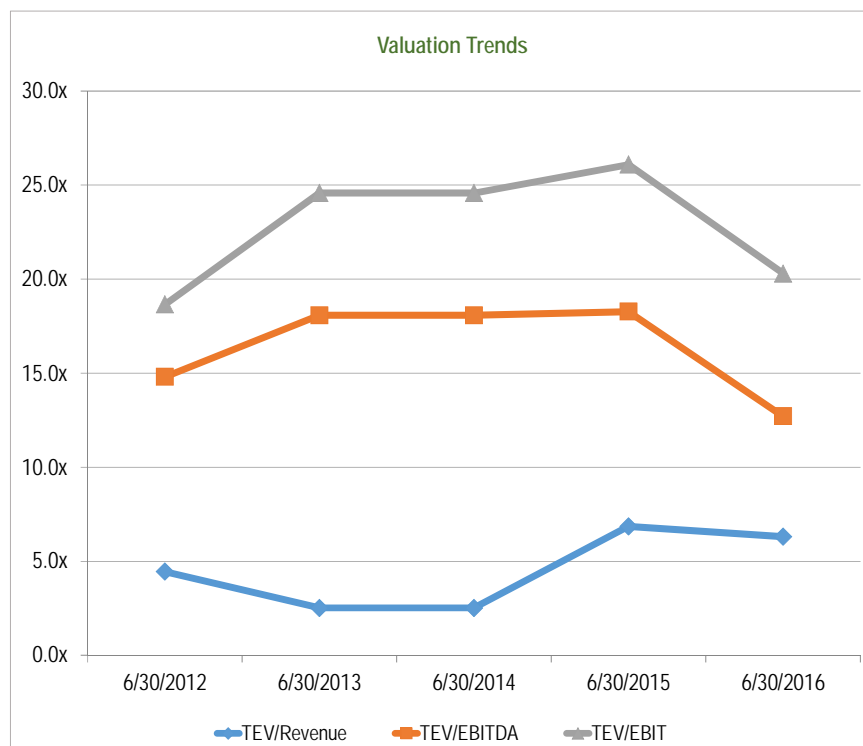
Oil & Gas Storage & Transportation

2nd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$6,085	13.8x	14.1x	25.2x	TEV/Revenue	↓
Median	\$2,953	6.3x	12.7x	20.3x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	47.8%	33.9%	25.4%	Gross Margin	↑
Median	52.0%	32.8%	27.3%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

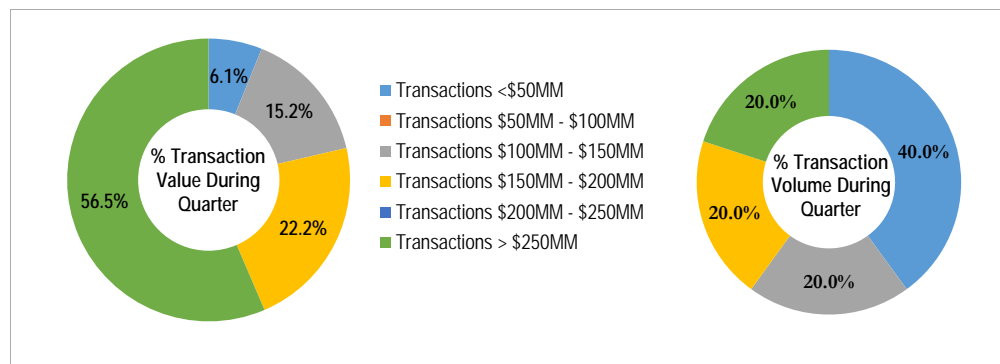


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	11
Number of Transactions with Disclosed Values	5
Transaction Value*	\$787.60
Average Transaction Value*	\$157.52
Median Transaction Value*	\$120.00

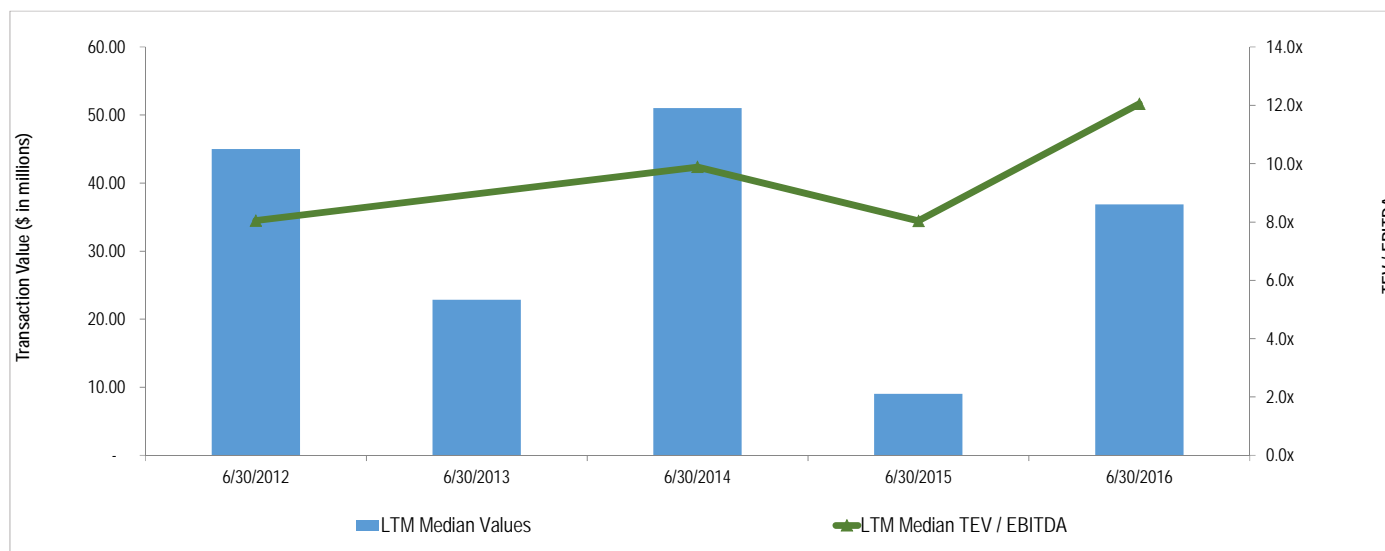
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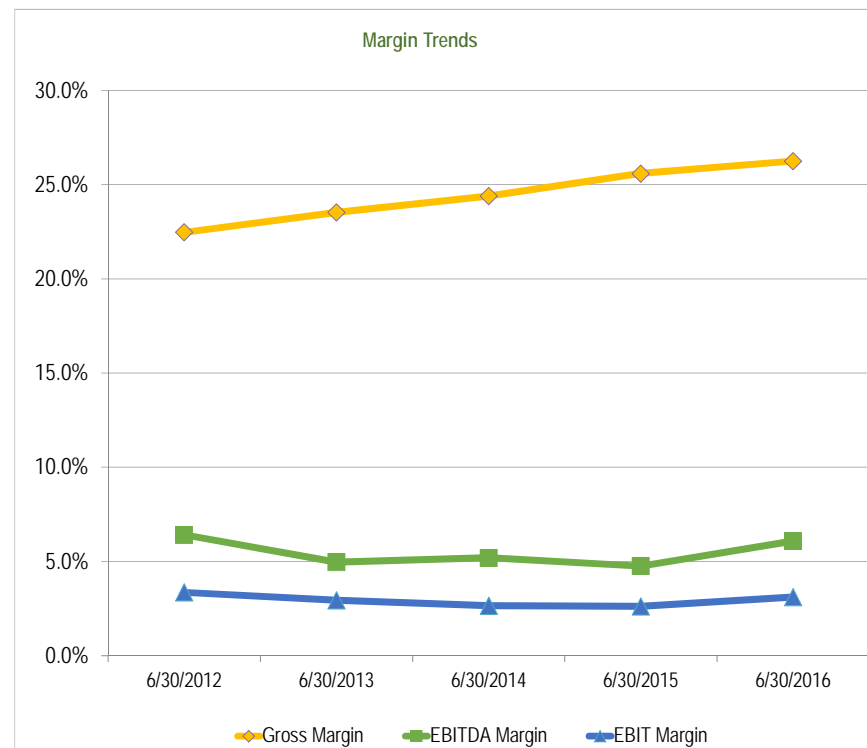
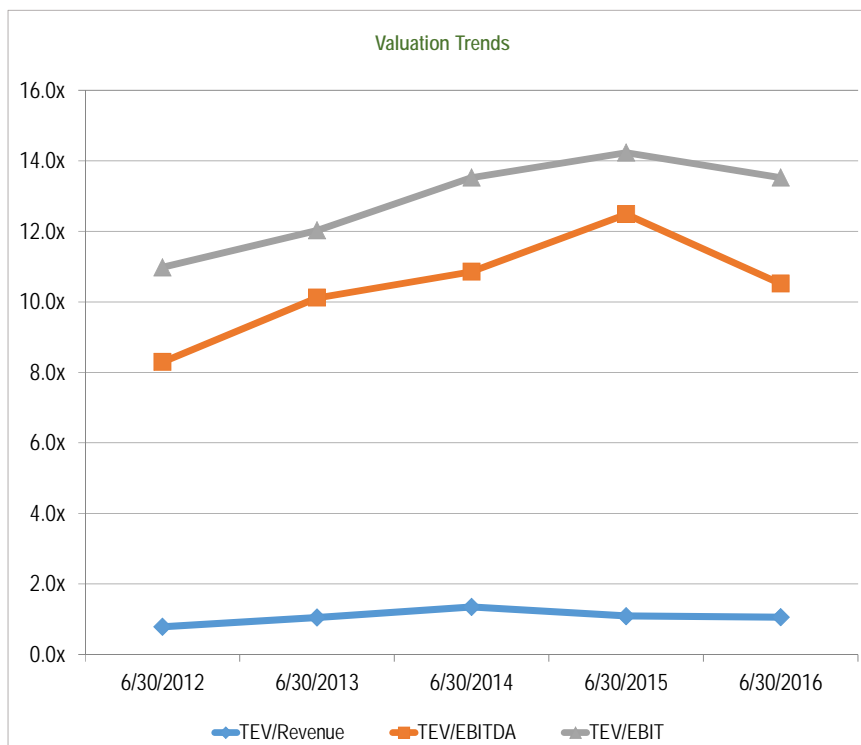
Electrical Components & Equipment

2nd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$2,150	4.0x	13.5x	18.0x	TEV/Revenue	↓
Median	\$207	1.1x	10.5x	13.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	26.3%	-1.3%	-5.9%	Gross Margin	↑
Median	26.2%	6.1%	3.1%	EBITDA Margin	↑
				EBIT Margin	↑



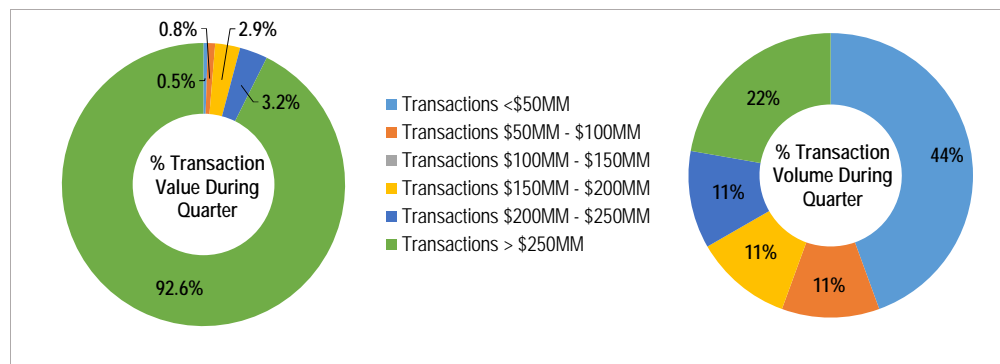
Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

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

Transaction Volume	19
Number of Transactions with Disclosed Values	9
Transaction Value*	\$6,754.24
Average Transaction Value*	\$750.47
Median Transaction Value*	\$57.00

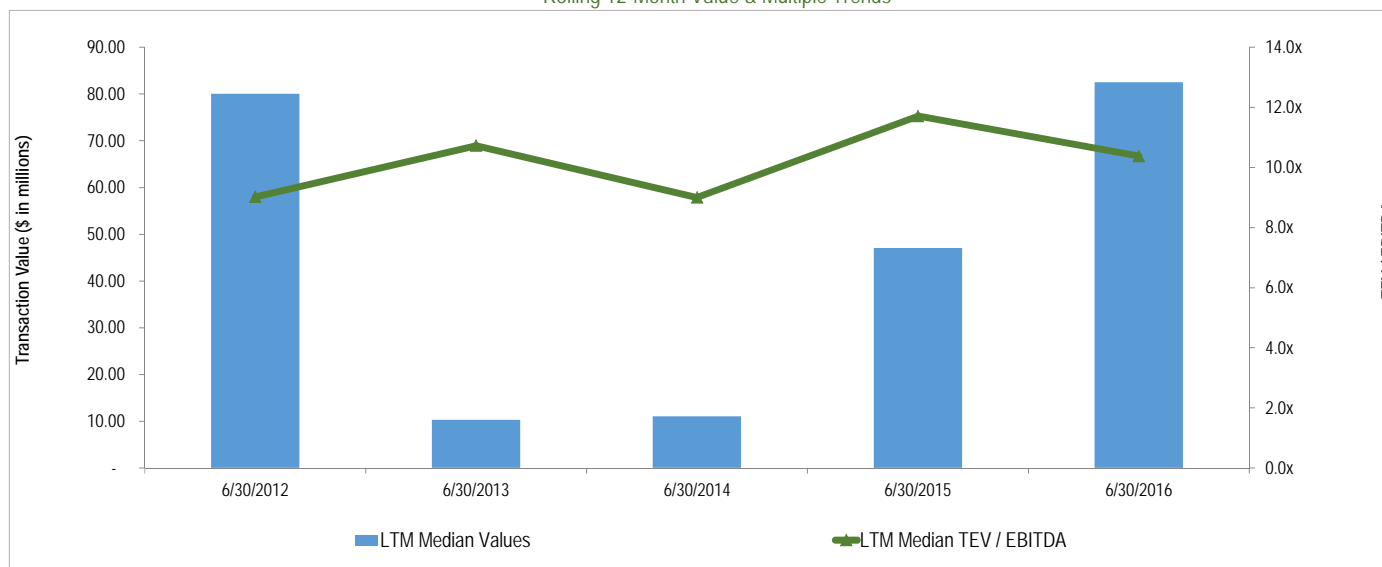
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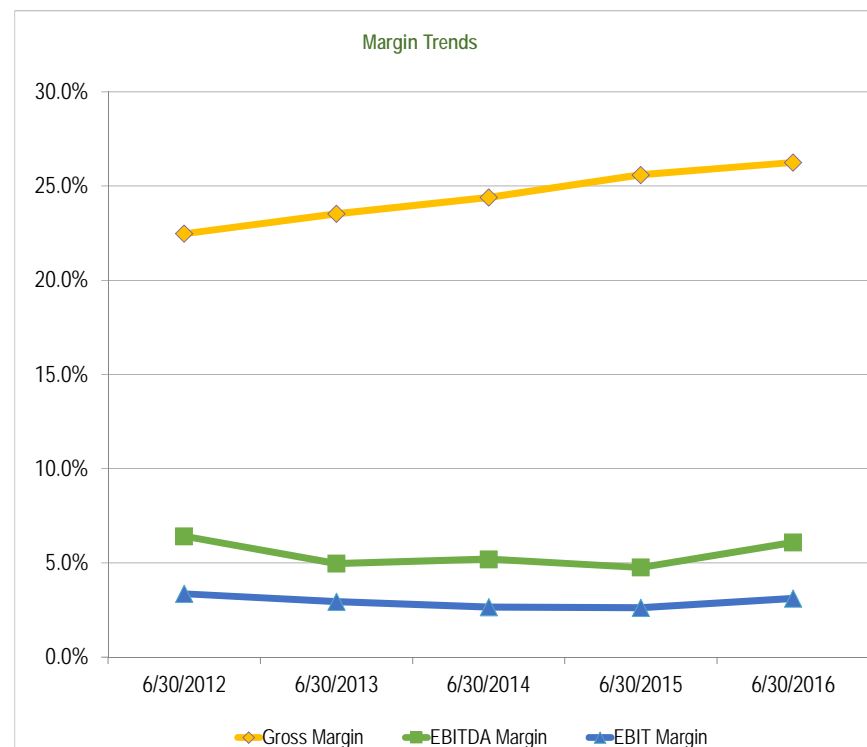
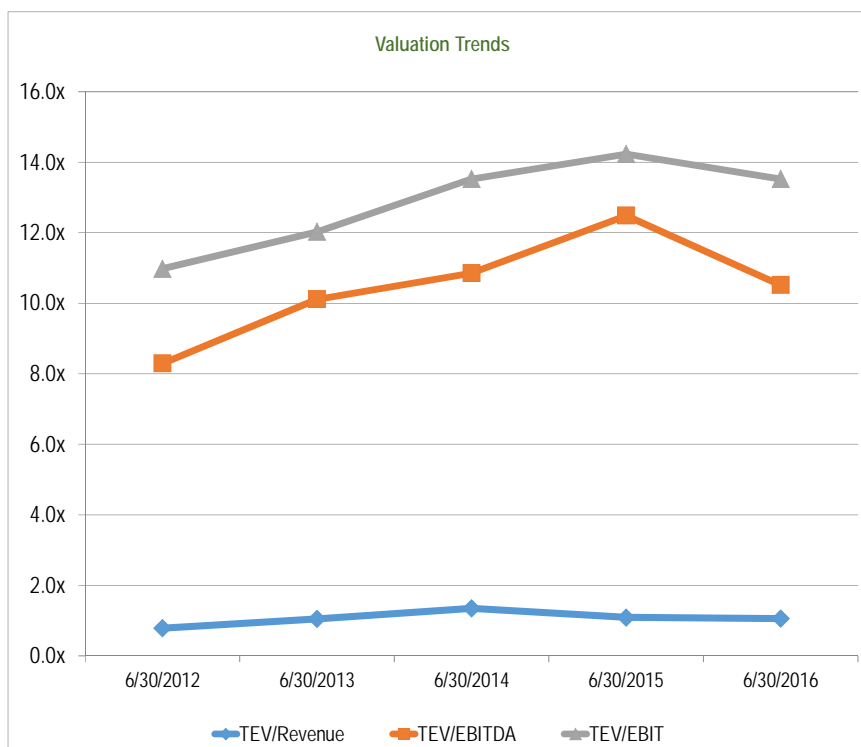
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Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	LTM 6/30/2016 Trends	
Average	\$9,272	4.5x	12.6x	20.4x	TEV/Revenue	➔
Median	\$4,078	3.6x	11.9x	18.6x	TEV/EBITDA	⬇
					TEV/EBIT	⬇

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	LTM 6/30/2016 Trends	
Average	41.0%	29.1%	16.5%	Gross Margin	⬆
Median	38.3%	30.4%	18.1%	EBITDA Margin	⬆
				EBIT Margin	⬆



Source: S&P Capital IQ as of 7/22/2016 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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- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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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 dates only.

Glossary

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