



# PCE Industry Report

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Power & Energy



# Middle Market M&A Summary

## Power & Energy

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4th Quarter 2015

### Key Highlights

- The average value of the top ten transactions was \$2.8 billion.
- The largest transaction was the acquisition of MarkWest Energy Partners, L.P. by MPLX LP for \$15.7 Billion.
- The smallest transaction was the acquisition of Energy Wholesale Commodities, Rhode Island State Energy Center by The Carlyle Group for \$490 million.
- The public company industry median TEV/EBIT multiple is 14.4x.
- The public company industry median TEV/EBITDA multiple is 9.9x.

### Key Trends

- The Oil & Gas Storage & Transport, Oil & Gas Drilling, Equipment & Services, Electrical Components & Equipment, and Independent Power Producers, Energy Traders & Utilities subsector's are all trending negatively.
- The Oil & Gas Storage & Transportation subsector's transaction volume was the largest at 34% of the industry over the past quarter.
- As the United States moves towards energy independence and a continued increase of global demand for petroleum based products, the Oil & Gas Drilling industry is expected an average annual 5.3% growth over the next five years.<sup>1</sup>
- Oil & Gas Equipment production fell 15% in 2015. In 2016, production is forecasted to decrease through the third quarter before it begins to resume growth. In the following years, growth is expected to be 14% in 2017 and 17% in 2018.<sup>2,3</sup>

Source: <sup>1</sup> *Oil Drilling and Gas Extraction in the US. (December 2015), IBIS World, Retrieved: January 8, 2016*

<sup>2</sup> *U.S. Industrial Outlook, December, Dan Meckstroth (2015, December), MAPI Foundation*

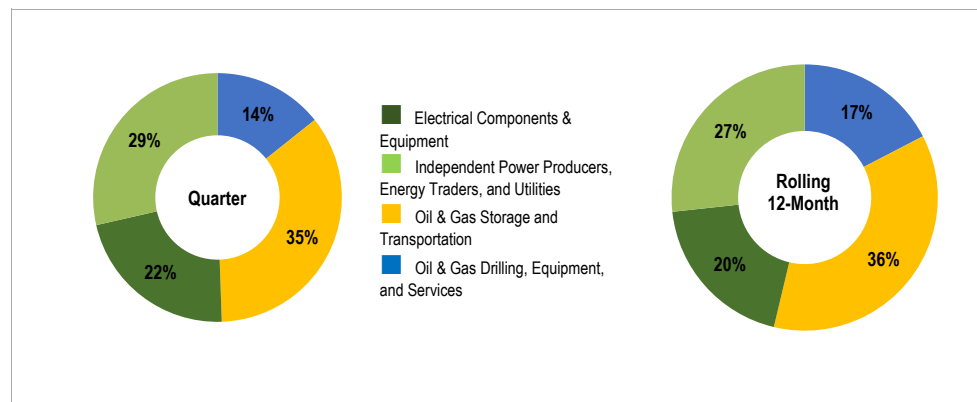
<sup>3</sup> *Short-Term Energy Outlook, December (2015, December), U.S. Energy Information Administration*

### Industry Trends During Quarter

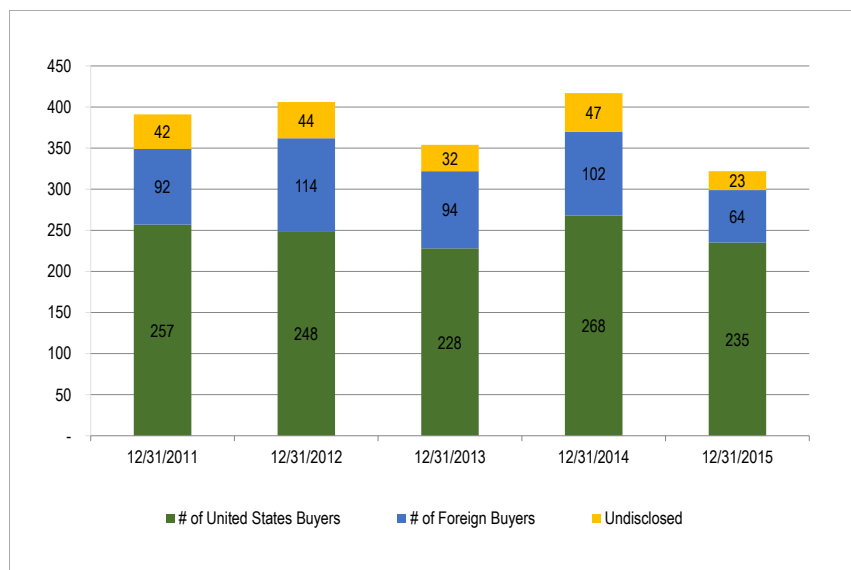
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Oil & Gas Drilling, Equipment & Services	↓	↓	↓
Oil & Gas Storage & Transportation	↓	↓	↓
Electrical Components & Equipment	↓	↓	↓
Independent Power Producers, Energy Traders & Utilities	↓	↓	↓

\* 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	MarkWest Energy Partners, L.P.	MPLX LP	\$15,677.3
Ind Power Producers	UIL Holdings Corporation	Iberdrola USA, Inc. (nka:Avangrid, Inc.)	\$4,847.0
Oil & Gas Storage & Transport	NET Holdings Management, LLC	NextEra Energy Partners, LP	\$2,000.0
Ind Power Producers	Forney And Lamar Generating Assets	Energy Future Holdings Corp.	\$1,350.0
Ind Power Producers	MACH Gen, LLC	Talen Energy Supply, LLC	\$1,175.0
Ind Power Producers	HD Supply Power Solutions; HDS Power Solutions, Inc.; Pro Canadian Holdings I, ULC	Anixter International Inc.	\$825.0
Ind Power Producers	GWF Energy Holdings LLC	AltaGas Power Holdings (U.S.) Inc.	\$642.0
Ind Power Producers	AEP Resources, Inc.	American Commercial Lines Inc.	\$550.0
Oil & Gas Storage & Transport	Crude Oil and Refined Product Storage and Pipeline Assets	Tesoro Logistics Operations, LLC	\$498.4
Ind Power Producers	Entergy Wholesale Commodities, Rhode Island State Energy Center	The Carlyle Group LP; et. al.	\$490.0

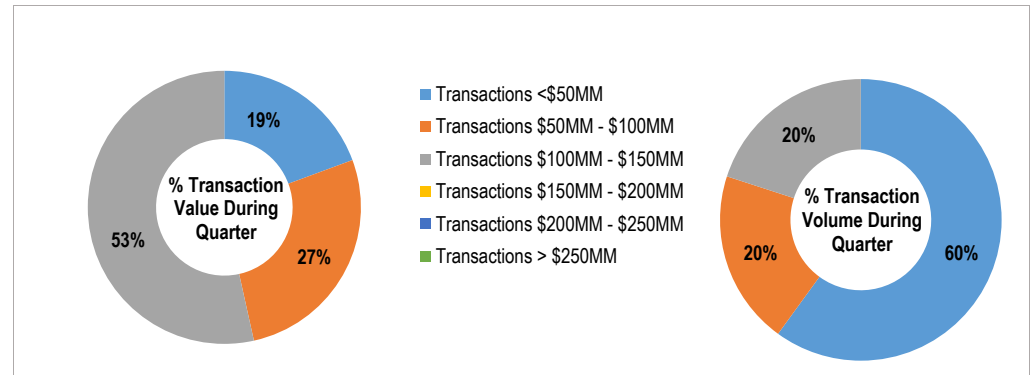
Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

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

Transaction Volume	13
Number of Transactions with Disclosed Values	5
Transaction Value*	\$243.10
Average Transaction Value*	\$48.62
Median Transaction Value*	\$44.90

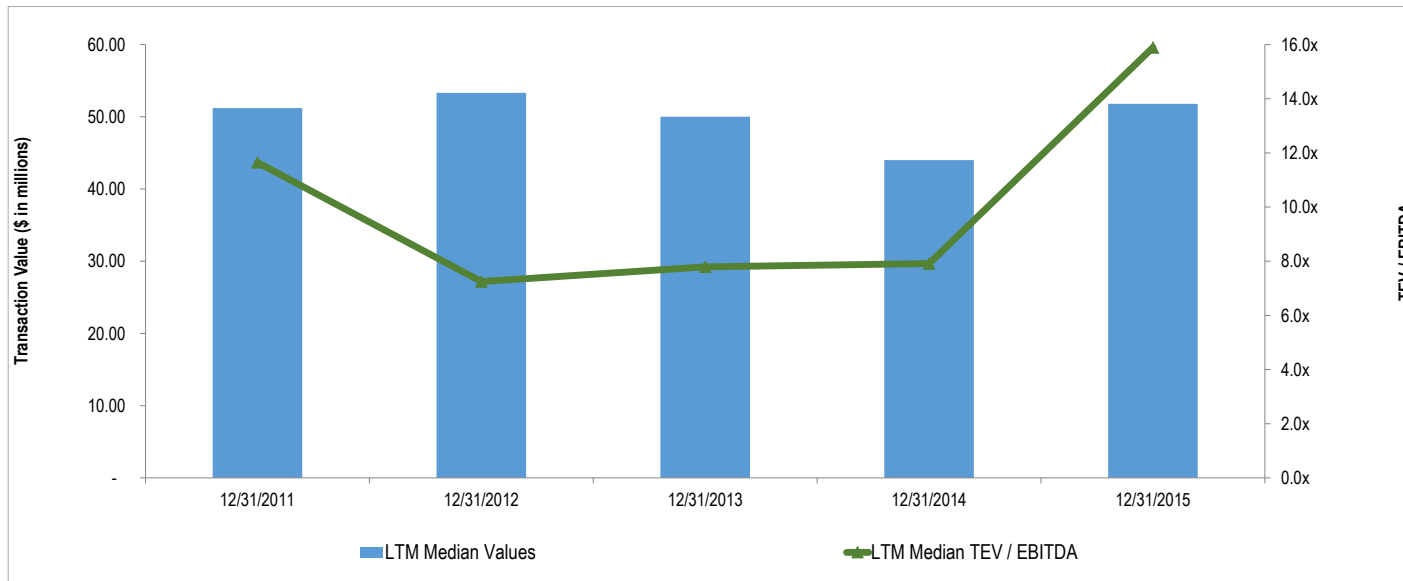
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## Transactions by Value & Volume



## 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.

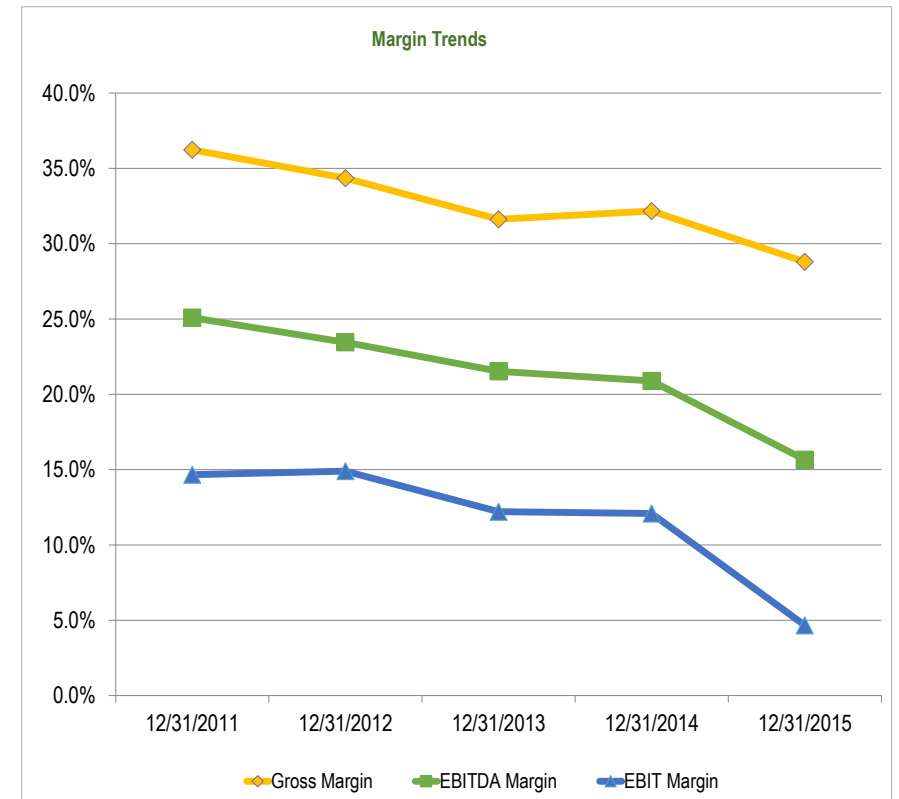
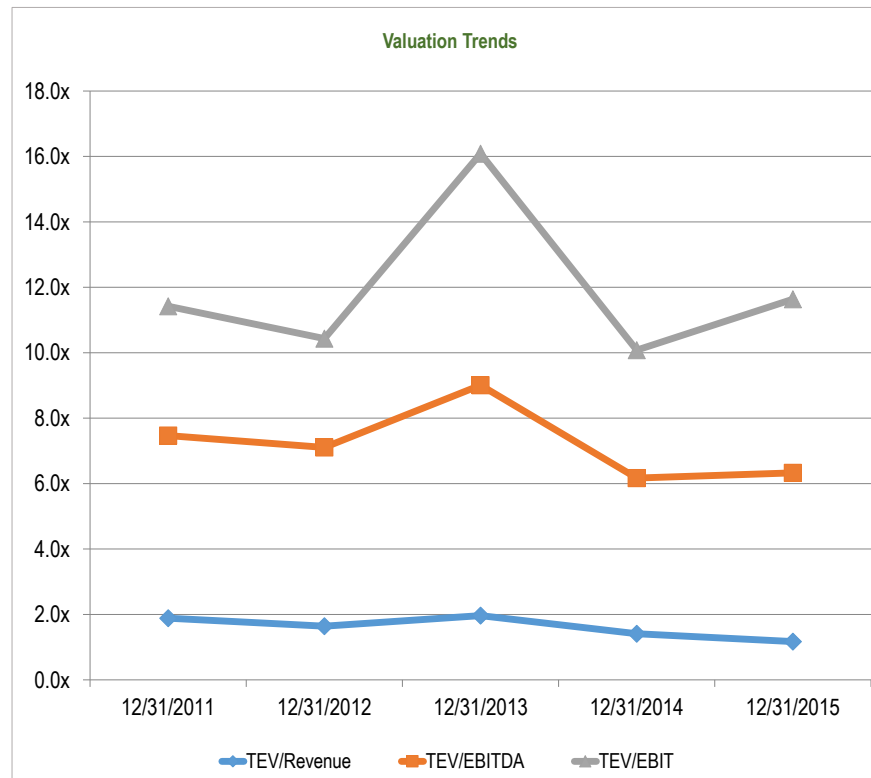
# Oil & Gas Drilling, Equipment & Services

4th Quarter 2015

## Summary of Public Comparables (\$ in millions)

Total Enterprise Value					Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,648	1.4x	12.0x	18.1x	TEV/Revenue	↓
Median	\$266	1.2x	6.3x	11.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

Margins				Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	26.9%	12.9%	-2.1%	Gross Margin	↓
Median	28.8%	15.7%	4.7%	EBITDA Margin	↓
				EBIT Margin	↓



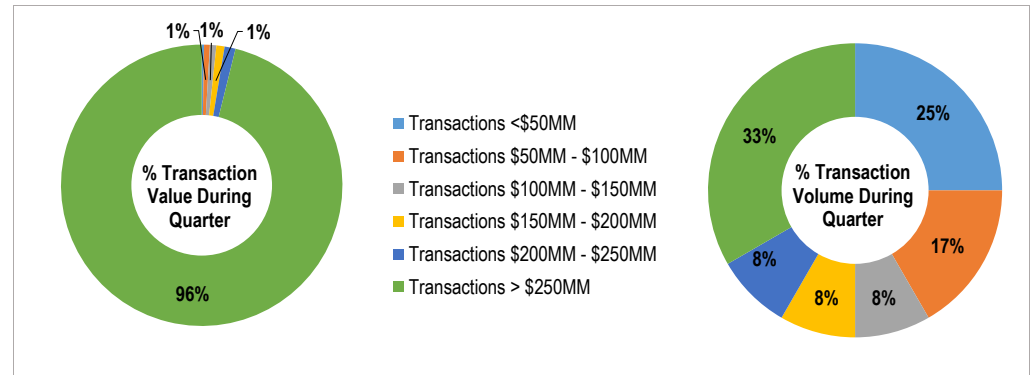
Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

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

Transaction Volume	32
Number of Transactions with Disclosed Values	12
Transaction Value*	\$19,232.05
Average Transaction Value*	\$1,602.67
Median Transaction Value*	\$162.00

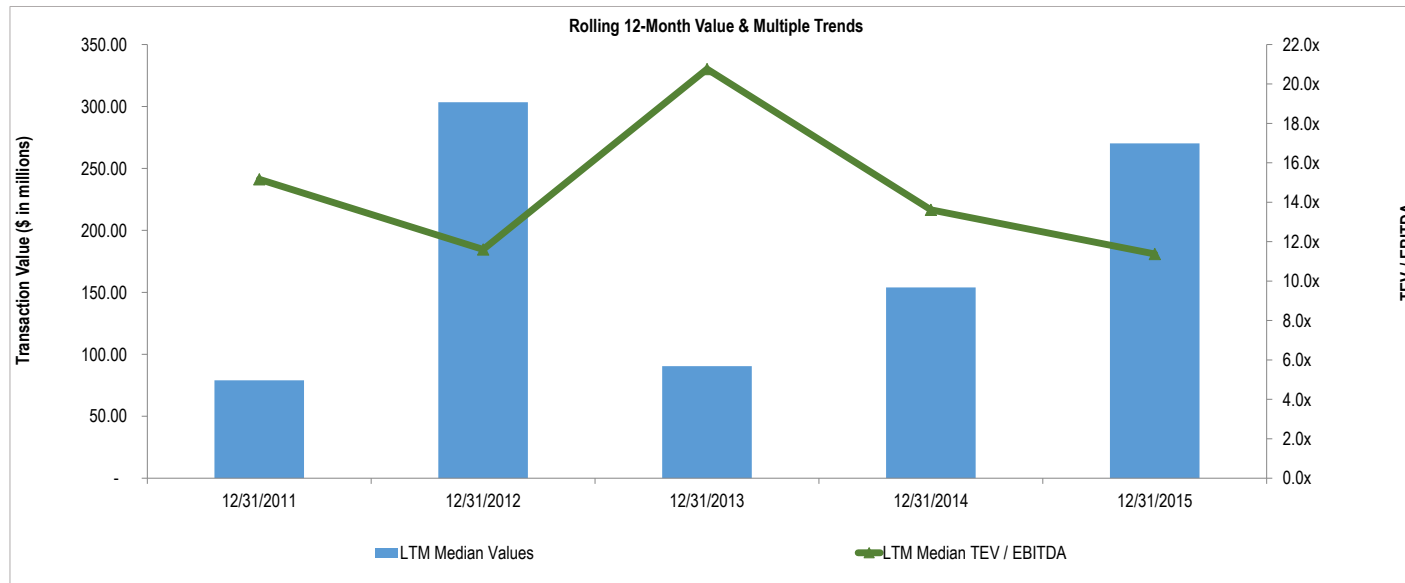
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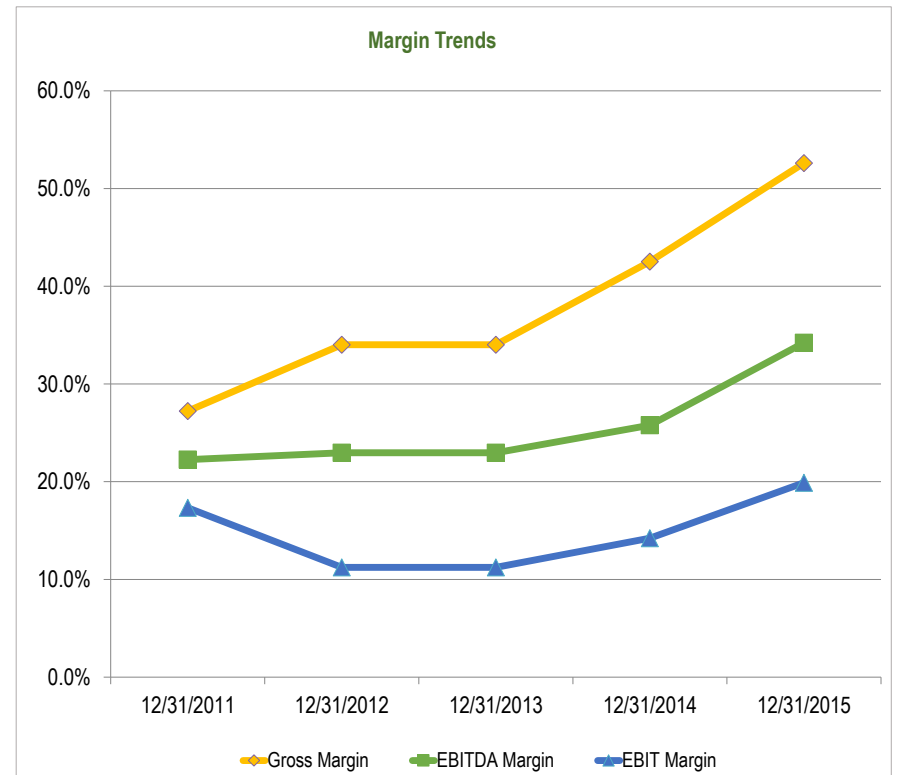
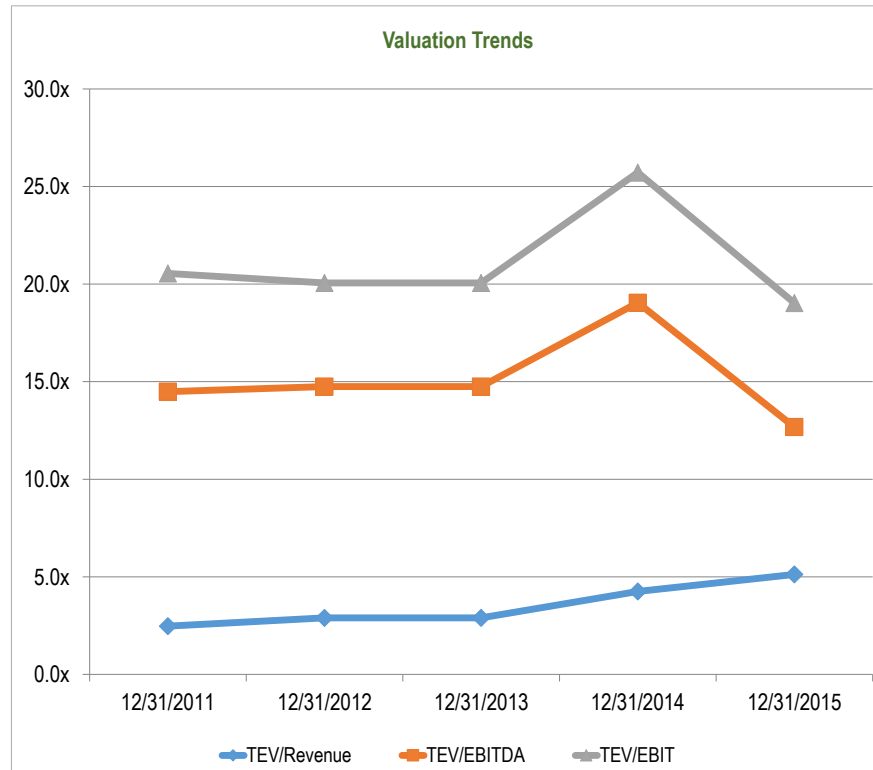
# Oil & Gas Storage & Transportation

4th Quarter 2015

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,380	11.8x	14.3x	24.5x	TEV/Revenue	↑
Median	\$2,139	5.1x	12.7x	19.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	48.6%	31.4%	22.6%	Gross Margin	↑
Median	52.6%	34.2%	19.9%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

# Electrical Components & Equipment

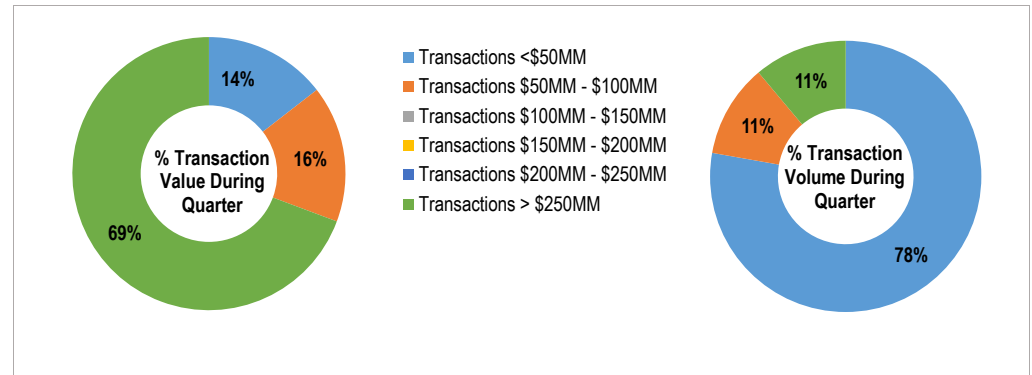
4th Quarter 2015

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

Transaction Volume	20
Number of Transactions with Disclosed Values	9
Transaction Value*	\$555.49
Average Transaction Value*	\$61.72
Median Transaction Value*	\$12.00

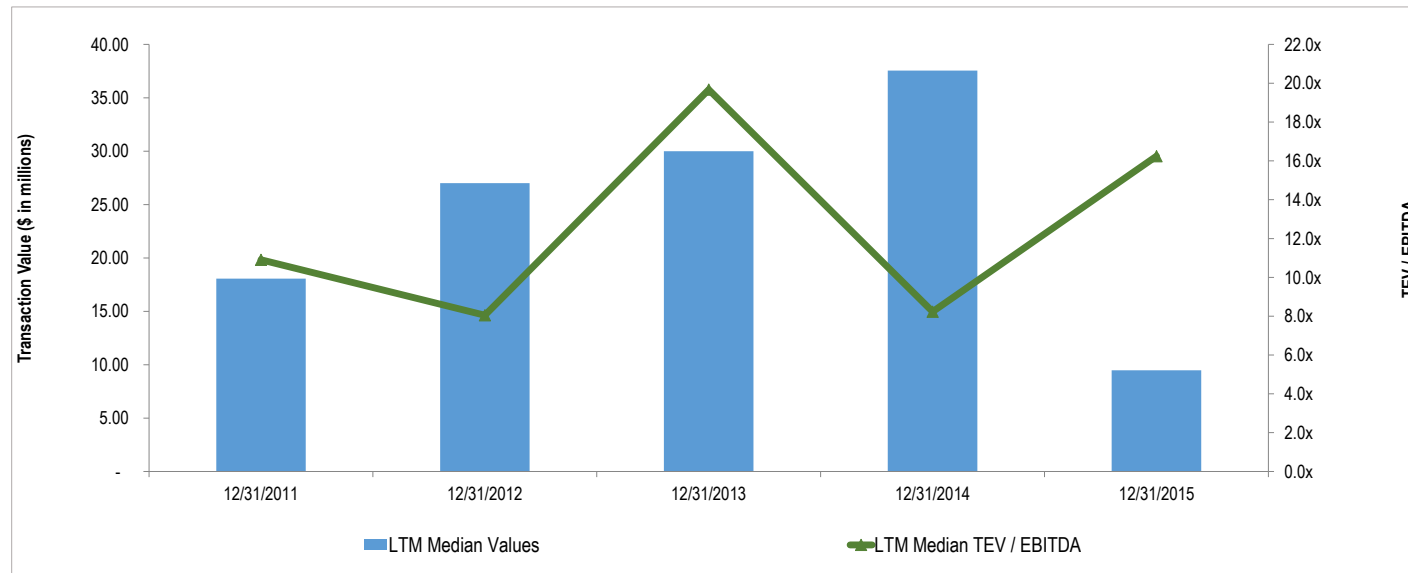
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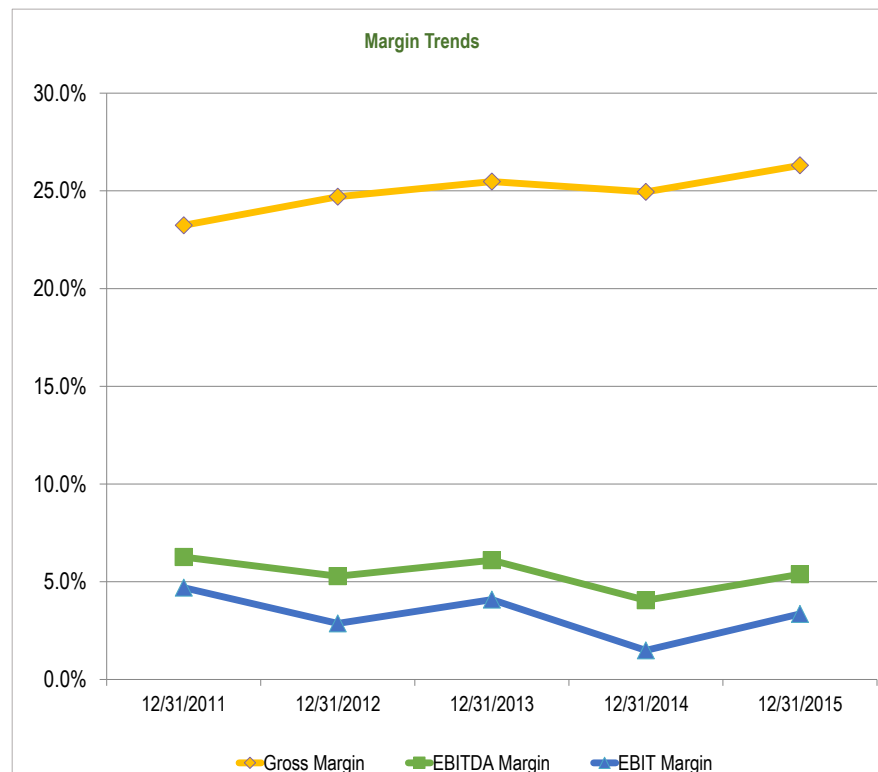
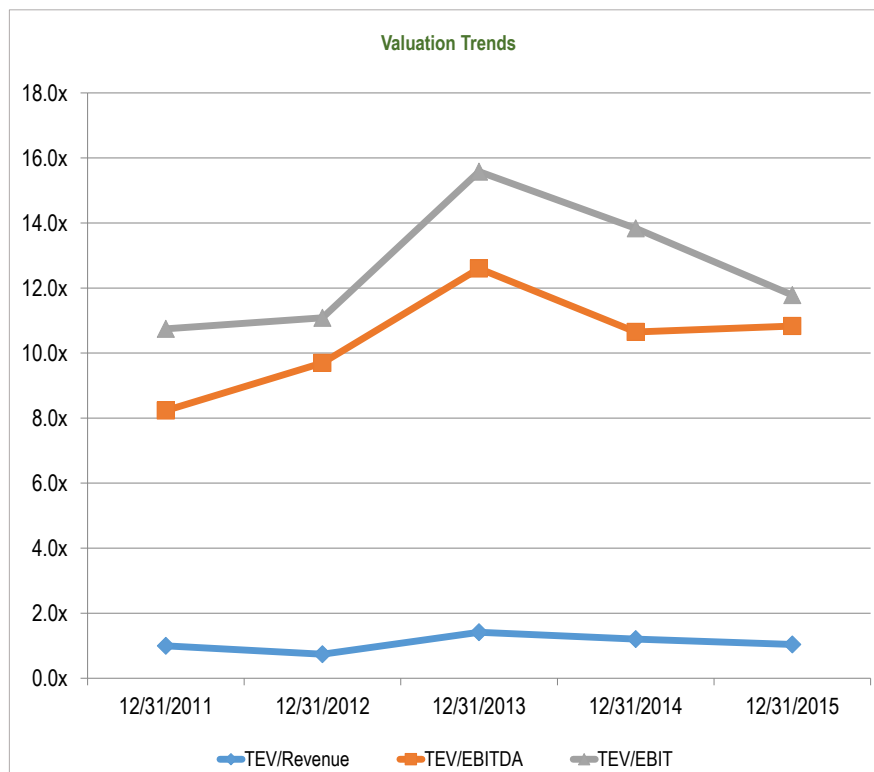
# Electrical Components & Equipment

4th Quarter 2015

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,759	3.1x	16.7x	19.0x	TEV/Revenue	↓
Median	\$149	1.0x	10.8x	11.8x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	26.2%	-5.6%	-9.9%	Gross Margin	↑
Median	26.3%	5.4%	3.4%	EBITDA Margin	↑
				EBIT Margin	↑



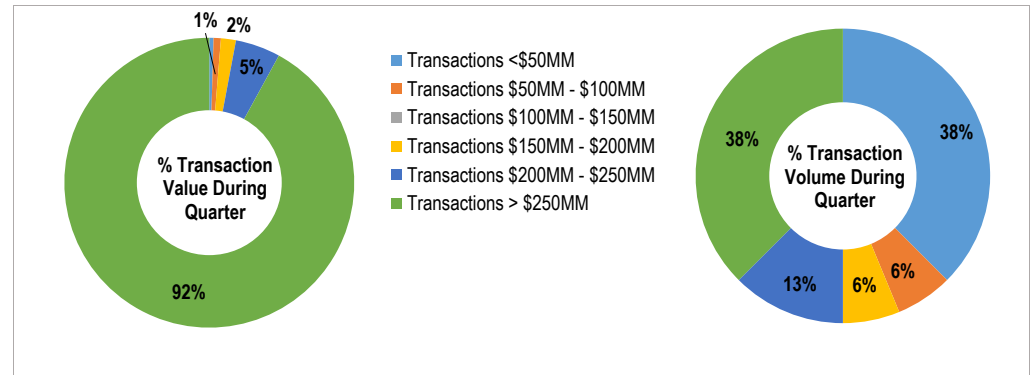
Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

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

Transaction Volume	26
Number of Transactions with Disclosed Values	16
Transaction Value*	\$9,268.06
Average Transaction Value*	\$579.25
Median Transaction Value*	\$190.00

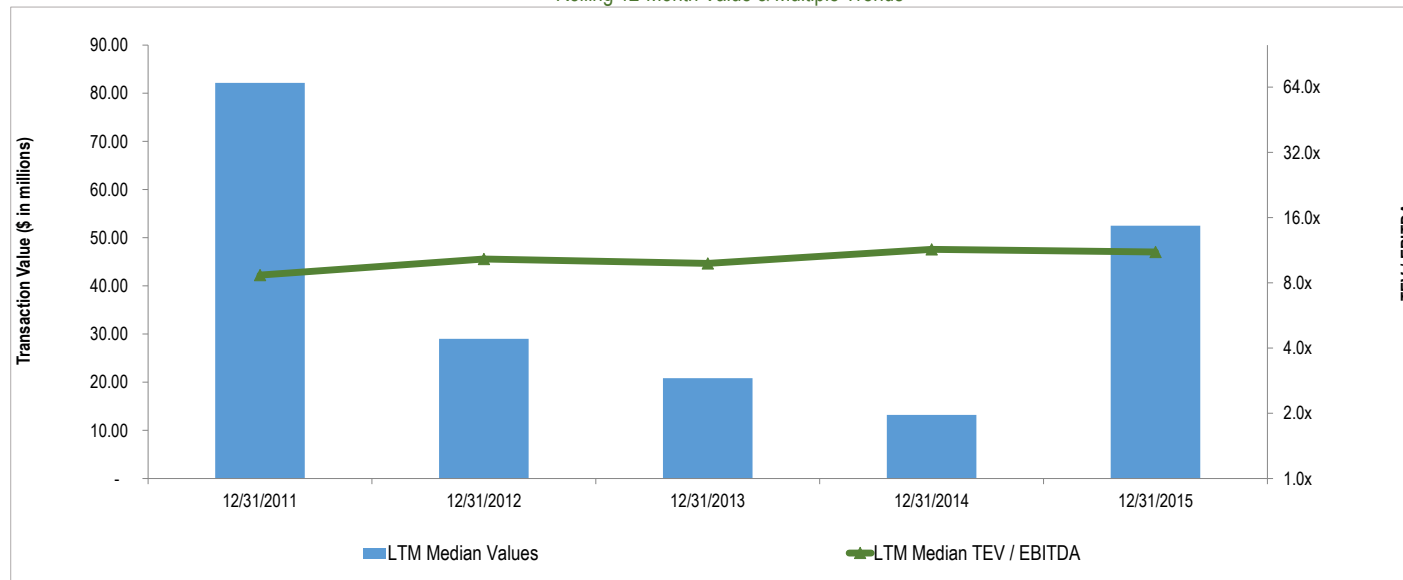
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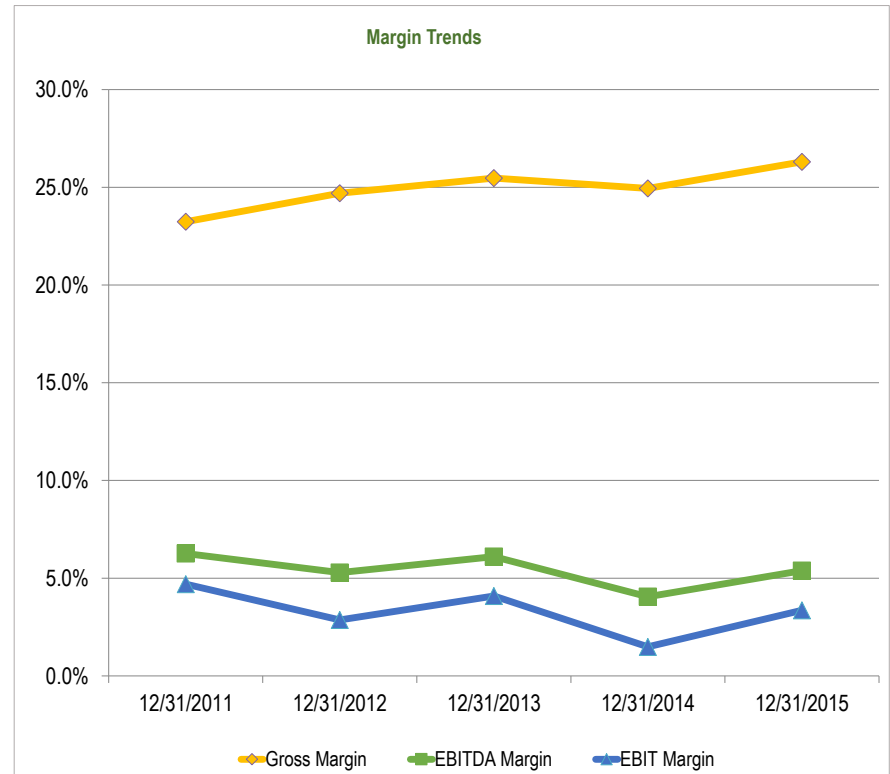
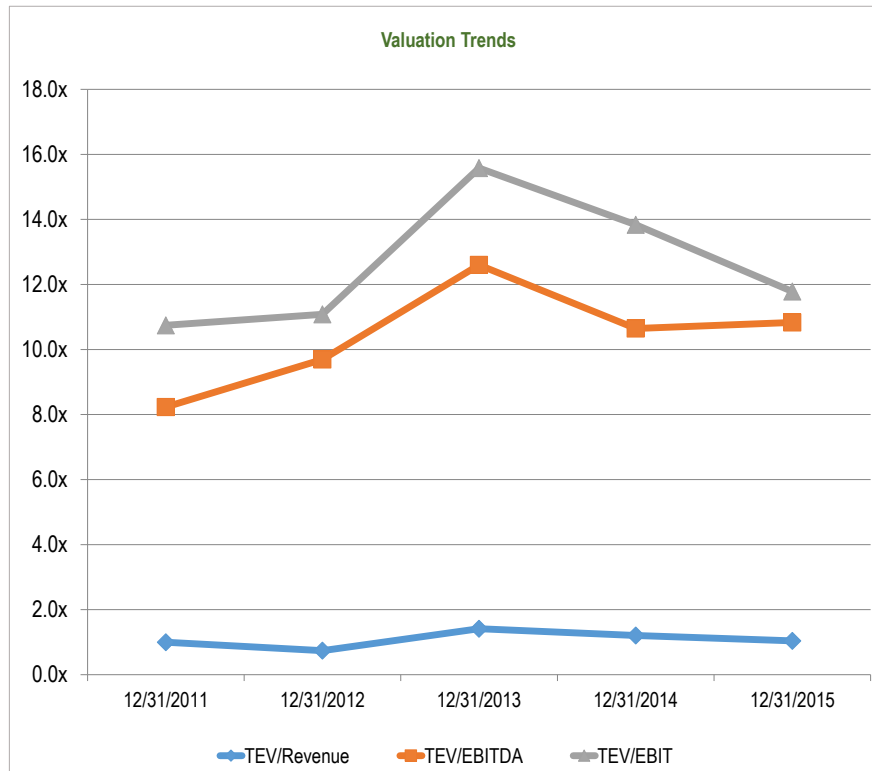


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## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,775	3.5x	9.9x	16.4x	TEV/Revenue	↓
Median	\$3,356	2.8x	9.8x	15.4x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	38.5%	28.3%	16.7%	Gross Margin	↑
Median	35.3%	28.6%	17.3%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/25/2016 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

Experienced in all market sectors, PCE has established several specialty practice areas:

- Aerospace & Defense
- 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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## 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/announced dates only.

## Glossary

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

