



# PCE Industry Report

---

Power & Energy



# Middle Market M&A Summary

## Power & Energy

---

3rd Quarter 2015

### Key Highlights

- The average value of the top ten transactions was \$910.3 mm.
- The largest transaction was the acquisition of Polypore International, Inc. by Asahi Kasei Corporation for \$3,425.0 mm.
- The smallest transaction was the acquisition of Magnetek, Inc. by Columbus McKinnon Corporation for \$178.4 mm.
- The public company industry median TEV/EBIT multiple is 14.5x.
- The public company industry median TEV/EBITDA multiple is 9.7x.

### Key Trends

- All subsectors transaction volumes are trending negatively (Oil & Gas Storage & Transport; Oil & Gas Drilling, Equipment & Services; Electrical Components & Equipment; and Independent Power Producers, Energy Traders & Utilities).
- The Oil & Gas Storage & Transport subsector's transaction volume was the largest at 39% of the industry over the past quarter.
- An increase in the use of gas turbines for electricity generation has been driven by the lower sustained prices in natural gas as new changes in gas recovery technology continues to have an impact on industry dynamics.<sup>1</sup>
- The monthly share of gas powered electricity in the United States surpassed coal's share for the second time in July 2015. YoY, coal's market share has fallen from 38.7% to 35% compared to rise from 27.4% to 31.6% for natural gas. The EIA expects these rapid changes to stabilize in 2016.<sup>2</sup>

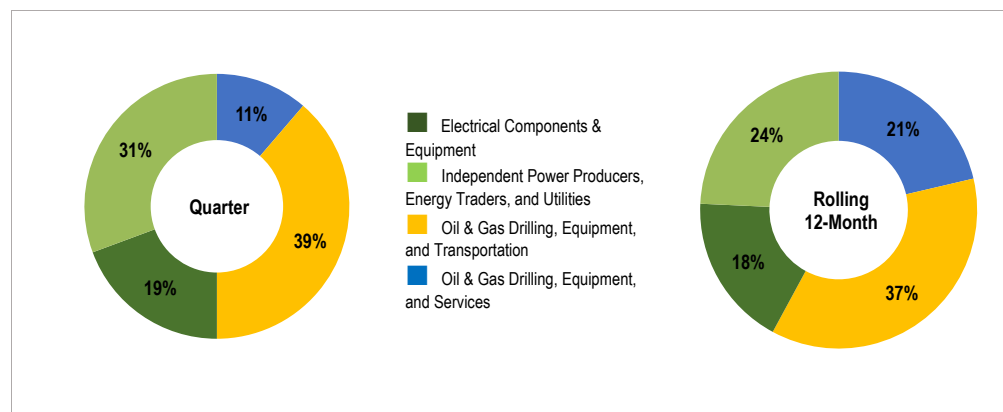
Source: <sup>1</sup> *U.S. Industrial Outlook, September, David J. Meckstroth (2015, September), MAPI Foundation*  
<sup>2</sup> *Short-Term Energy and Winter Fuels Outlook, October (2015, October), U.S. Energy Information Administration*

### Industry Trends During Quarter

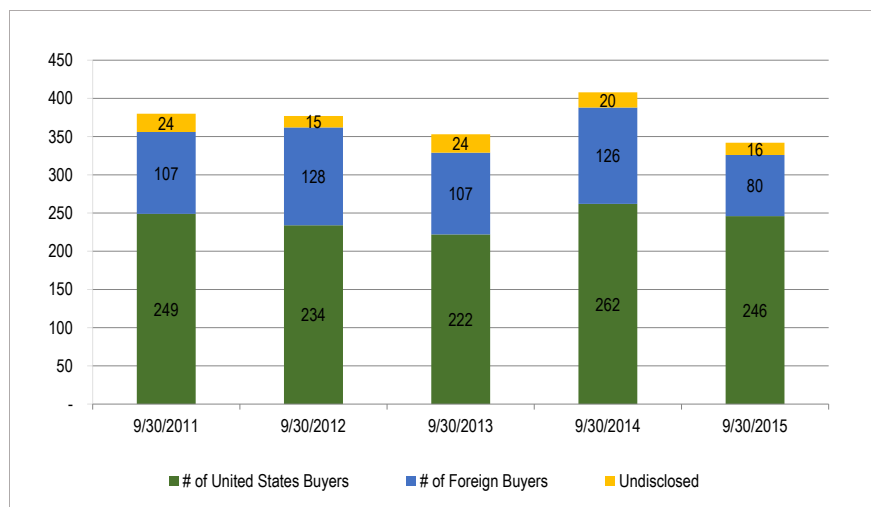
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Oil & Gas Drilling, Equipment & Services	↓	↓	↓
Oil & Gas Storage & Transportation	↓	↓	↓
Electrical Components & Equipment	↓	↓	↓
Independent Power Producers, Energy Traders & Utilities	↓	↓	↓

\* 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
Electrical Components & Equip	Polypore International Inc.	Asahi Kasei Corporation	\$3,425.0
Oil & Gas Storage & Transport	Enterprise Products Partners L.P., Brunswick Nuclear Plant, Mayo Plant, Roxboro Plant Unit 4 and the Harris	Genesis Energy LP Duke Energy Progress, Inc. (nka: Duke Energy Progress, LLC)	\$1,500.0
Ind Power Producers	Cross-Sound Cable Company, LLC	Argo Infrastructure Partners; Argo Infrastructure Alliance (AIA) Energy	\$281.0
Oil & Gas Storage & Transport	Elba Liquefaction Company, LLC	Kinder Morgan, Inc.	\$200.0
Oil & Gas Storage & Transport	Magnetek Inc.	Columbus McKinnon Corporation	\$178.4
Oil & Gas Storage & Transport	QEP Midstream Partners, LP	Tesoro Logistics LP	\$381.7
Oil & Gas Storage & Transport	Poseidon Oil Pipeline Company, L.L.C. Iroquois Gas Transmission System, L.P.	Shell Midstream Operating LLC Dominion Midstream Partners, LP Argo Infrastructure Partners; Argo Infrastructure Alliance (AIA) Energy	\$350.0 \$292.6
Oil & Gas Storage & Transport	GrafTech International Ltd.	Brookfield Asset Management Inc.	\$1,244.2

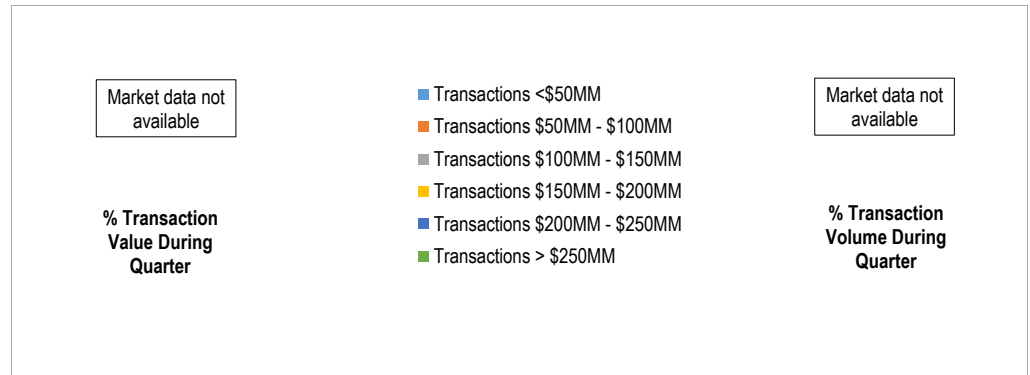
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	7
Number of Transactions with Disclosed Values	0
Transaction Value*	\$0.00
Average Transaction Value*	N/A
Median Transaction Value*	N/A

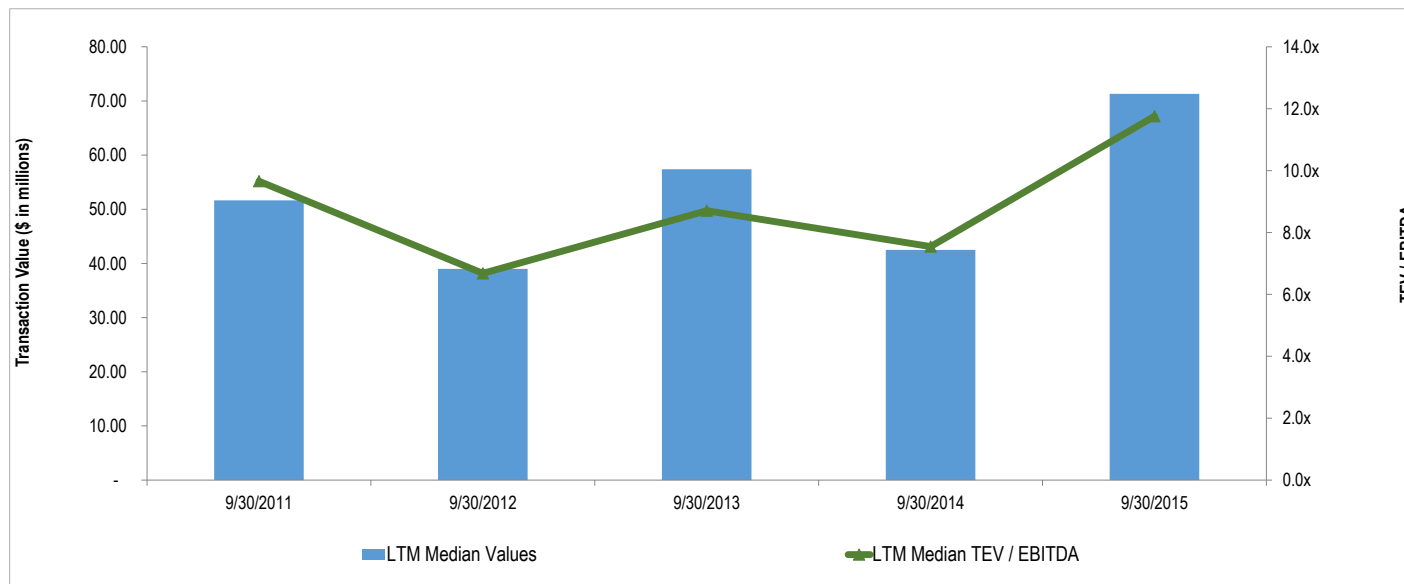
\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

## Transactions by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

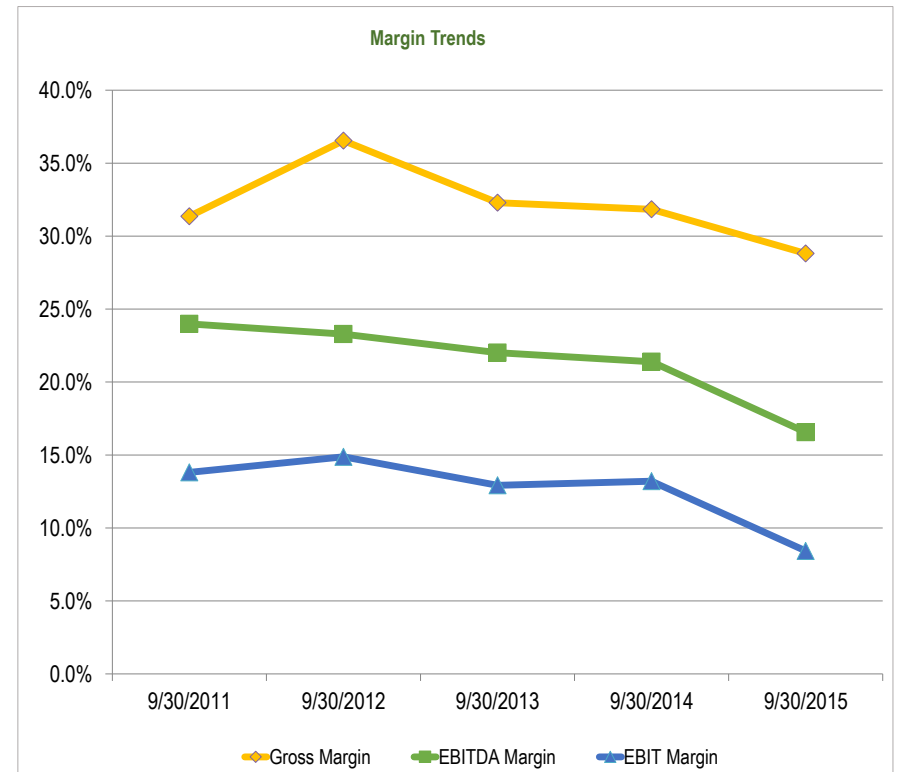
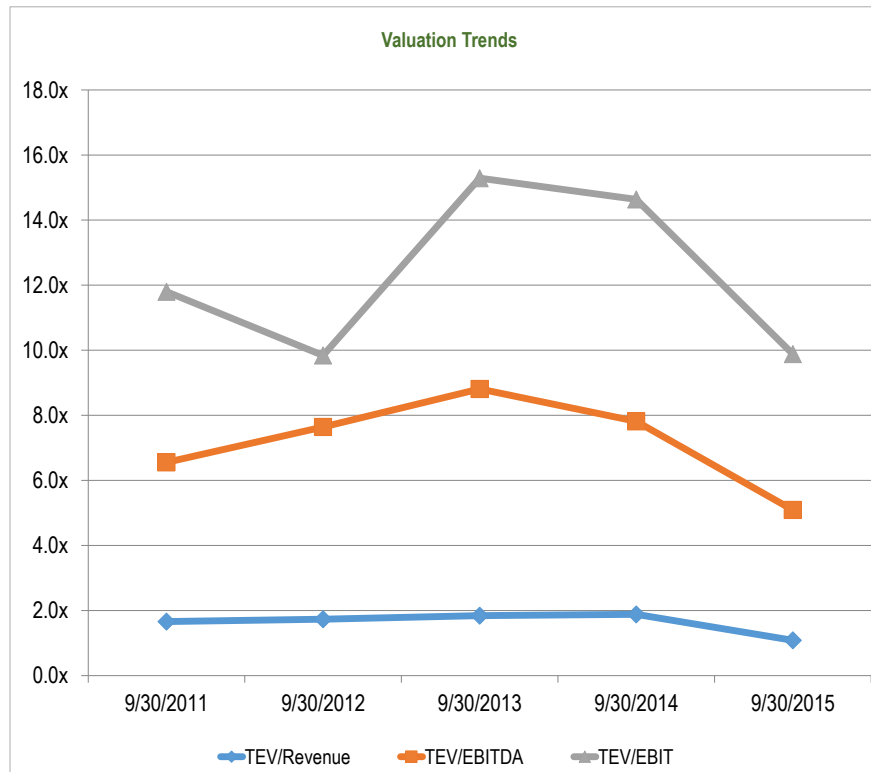


\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$2,148	1.4x	6.8x	19.4x	TEV/Revenue	↓
Median	\$483	1.1x	5.1x	9.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	28.8%	15.0%	1.6%	Gross Margin	↓
Median	28.8%	16.6%	8.4%	EBITDA Margin	↓
				EBIT Margin	↓



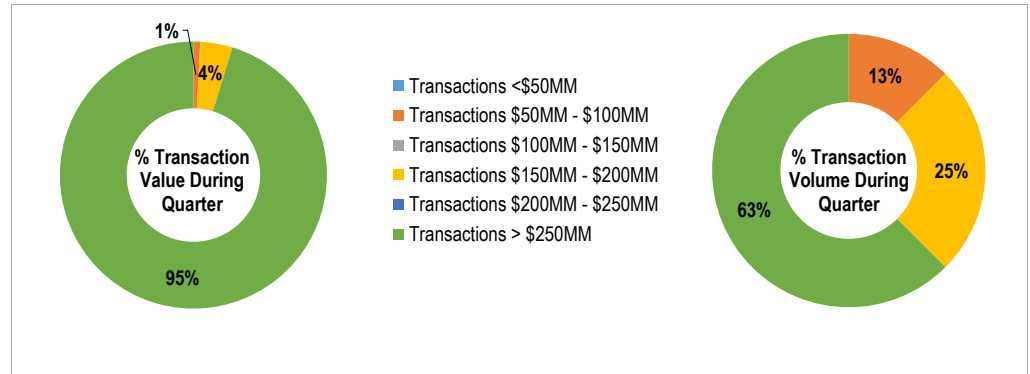
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	24
Number of Transactions with Disclosed Values	8
Transaction Value*	\$9,078.57
Average Transaction Value*	\$421.87
Median Transaction Value*	\$292.55

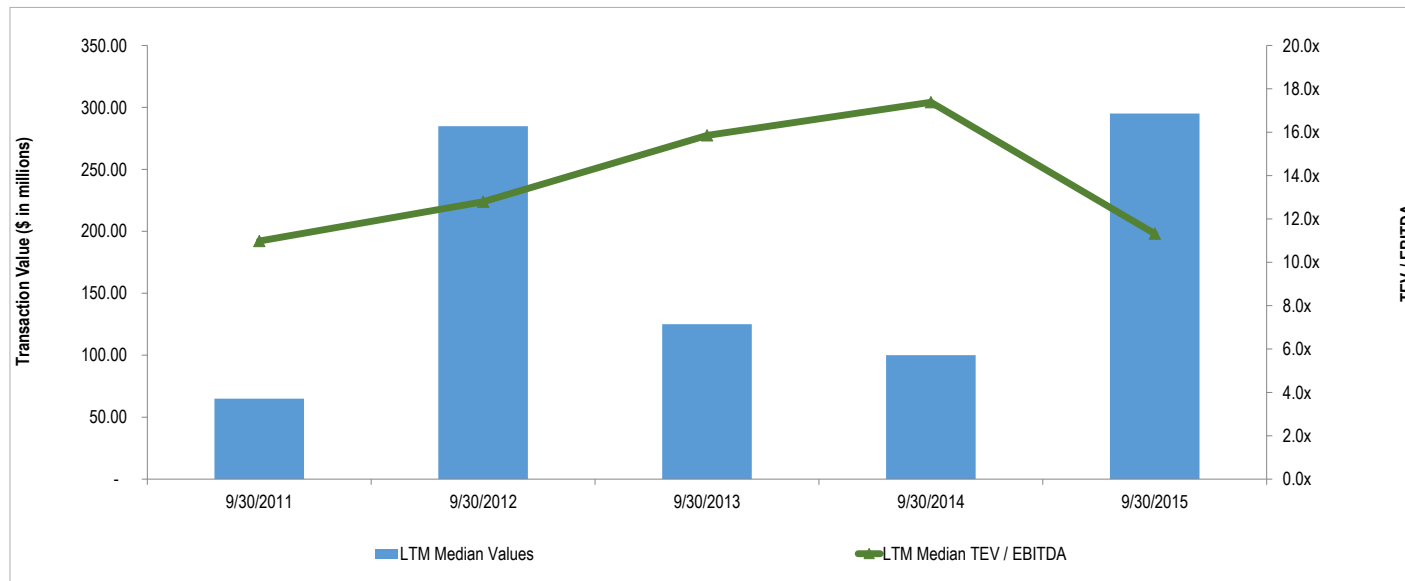
\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

## 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.

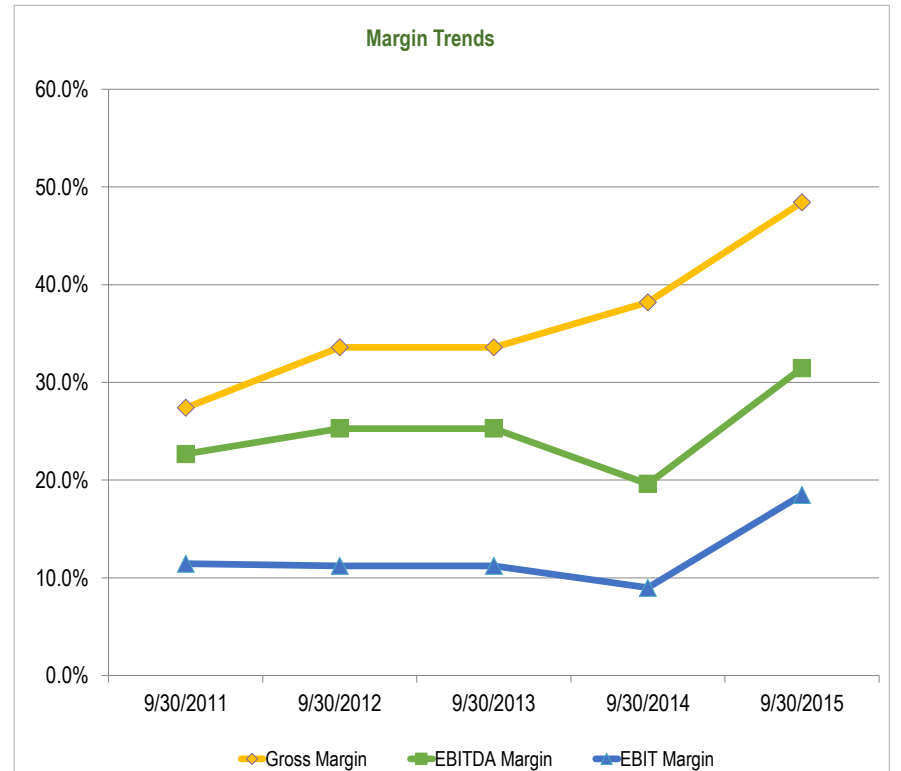
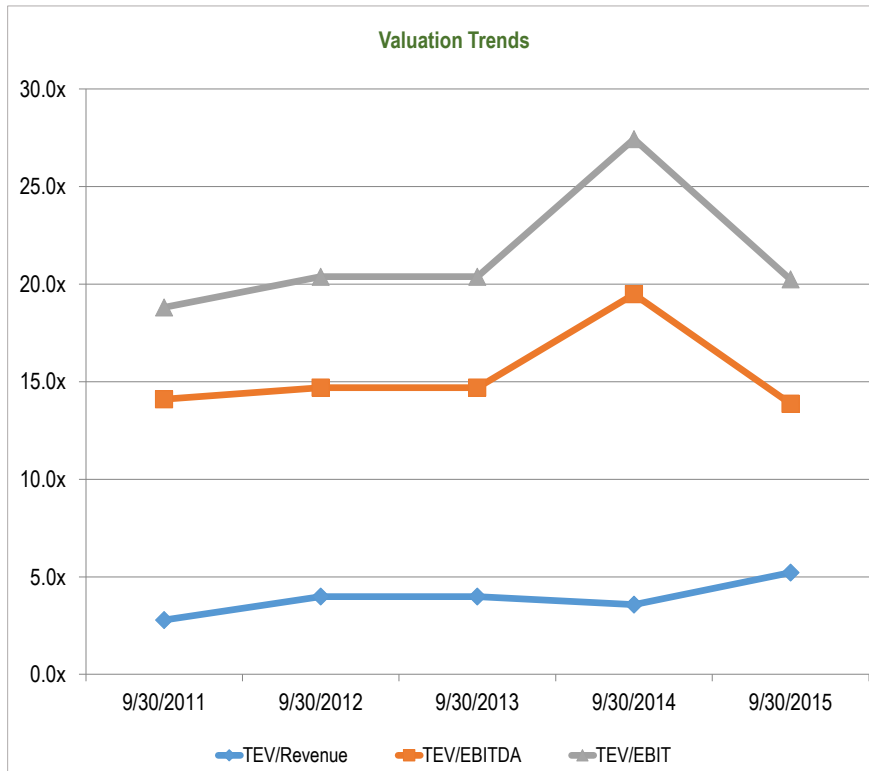
# Oil & Gas Storage & Transportation

3rd Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,175	11.4x	15.5x	27.0x	TEV/Revenue	↑
Median	\$3,075	5.2x	13.9x	20.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	45.5%	29.1%	20.8%	Gross Margin	↑
Median	48.4%	31.5%	18.5%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

# Electrical Components & Equipment

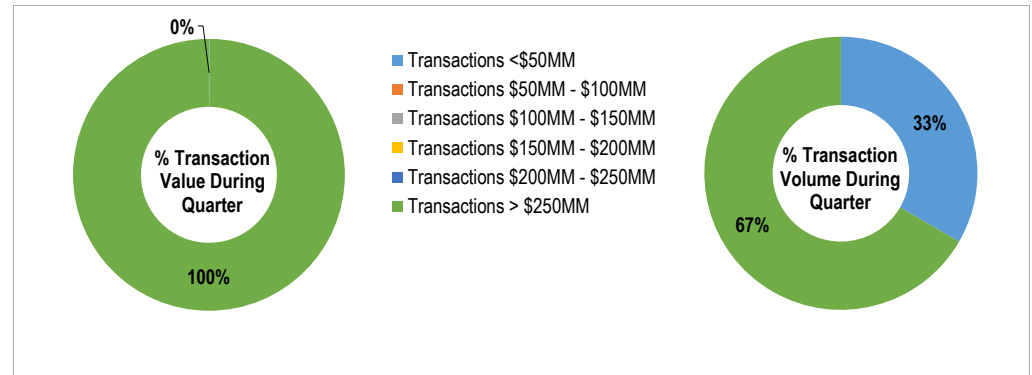
3rd Quarter 2015

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

Transaction Volume	12
Number of Transactions with Disclosed Values	3
Transaction Value*	\$4,672.42
Average Transaction Value*	\$1,557.47
Median Transaction Value*	\$1,244.22

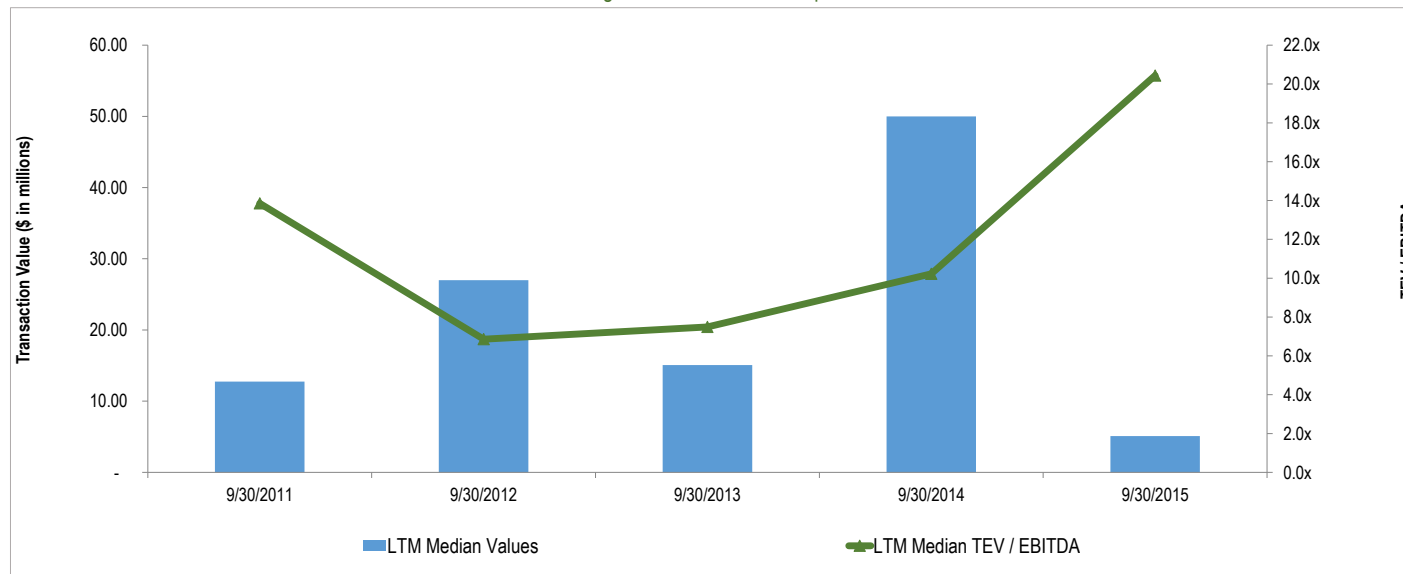
\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

## 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 11/4/2015 and PCE Proprietary Data



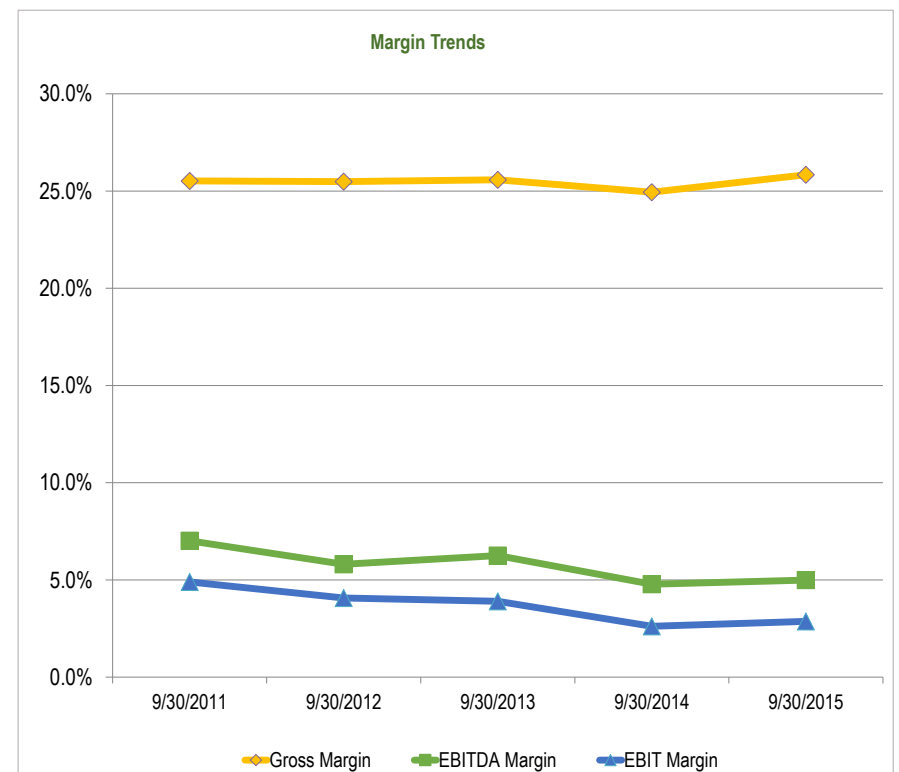
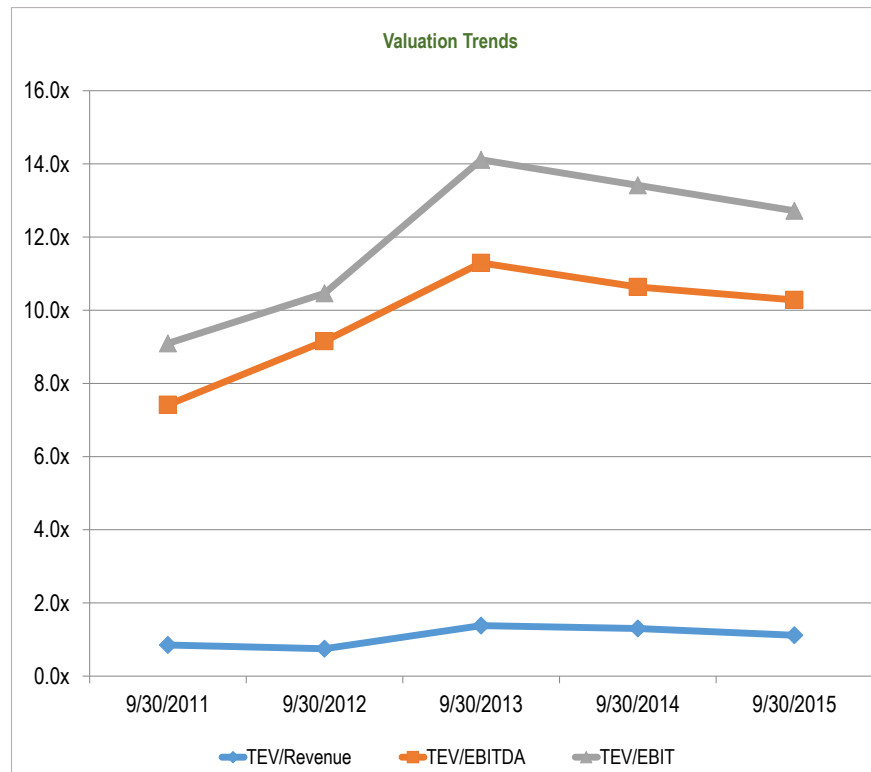
# Electrical Components & Equipment

3rd Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,913	5.7x	14.8x	27.0x	TEV/Revenue	↓
Median	\$203	1.1x	10.3x	12.7x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.5%	-8.1%	-12.9%	Gross Margin	↑
Median	25.8%	5.0%	2.9%	EBITDA Margin	↑
				EBIT Margin	↑



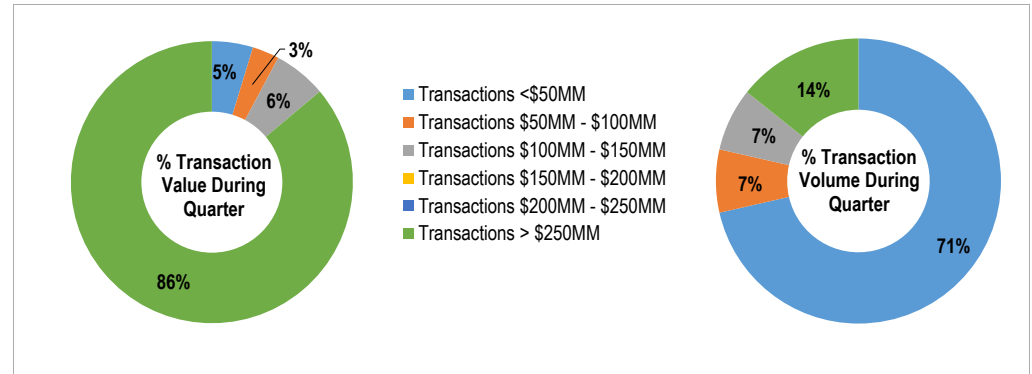
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	19
Number of Transactions with Disclosed Values	14
Transaction Value*	\$1,777.81
Average Transaction Value*	\$126.99
Median Transaction Value*	\$12.65

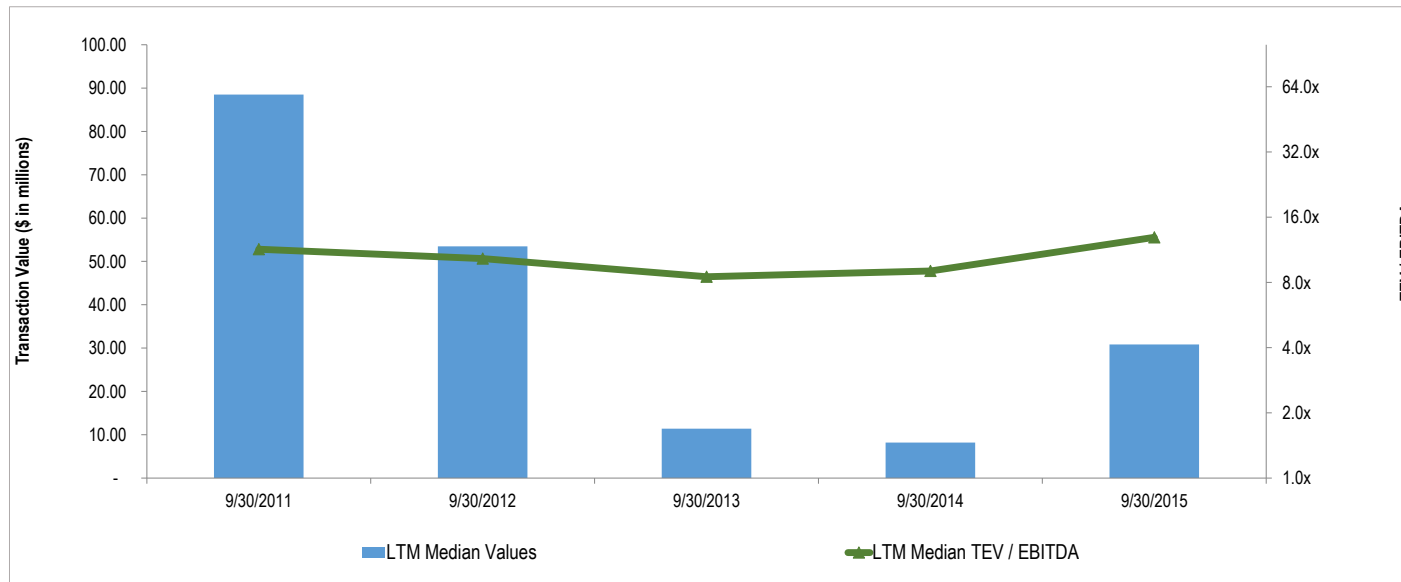
\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

## Transactions by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

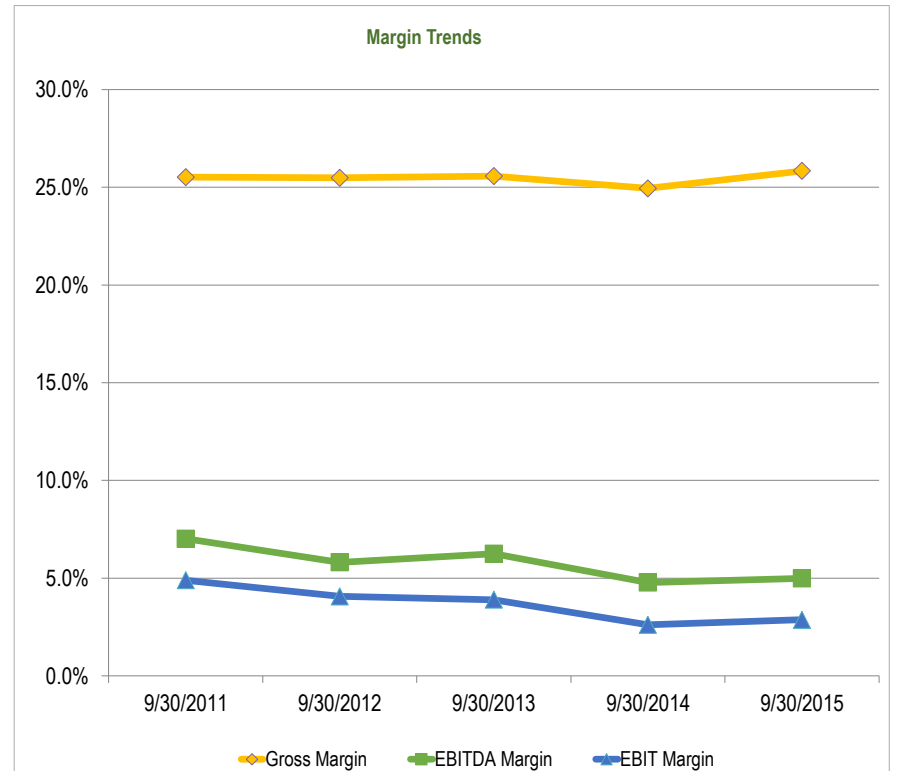
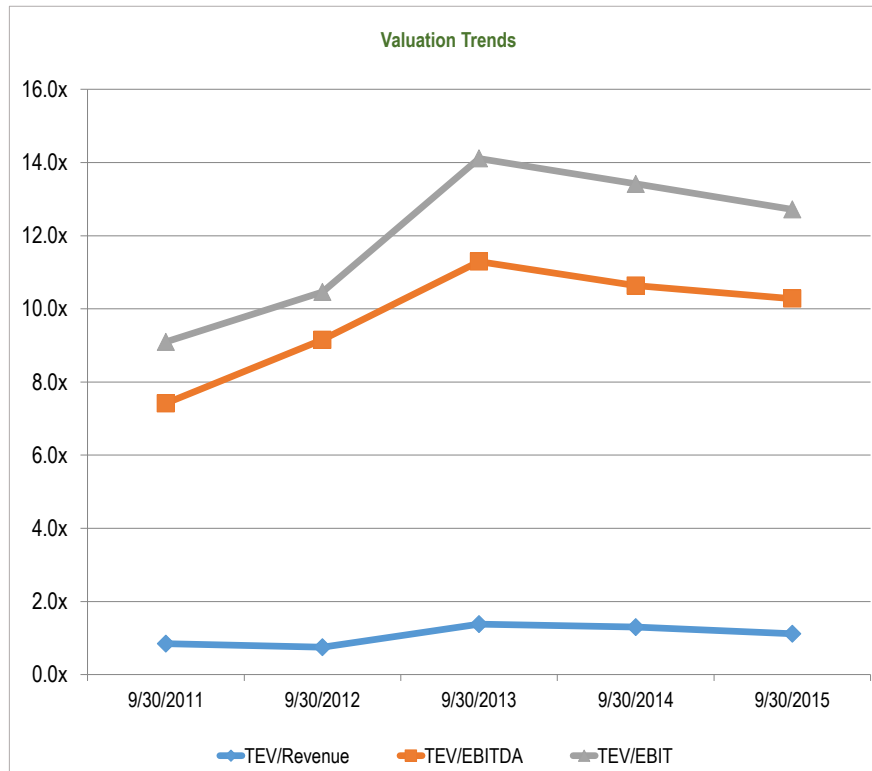


\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

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

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,490	3.5x	9.8x	16.0x	TEV/Revenue	↓
Median	\$3,251	2.8x	9.5x	15.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	38.0%	28.2%	17.0%	Gross Margin	↑
Median	34.6%	28.4%	17.0%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 11/4/2015 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

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

# Contact Us



**Michael Rosendahl**

Direct: 201-444-6280 x1  
Main: 407-621-2100  
mrosendahl@pcecompanies.com



**Michael Poole**

Direct: 407-621-2112  
Main: 407-621-2100  
mpoole@pcecompanies.com

## PCE Locations

Orlando  
Atlanta  
Chicago  
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/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

