



PCE Industry Report

Power & Energy



Middle Market M&A Summary

Power & Energy

1st Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$8.4 billion.
- The largest transaction was the acquisition of Spectra Energy Corp by Enbridge, Inc. for \$47.5 billion.
- The smallest transaction was the acquisition of Elba Liquefaction Company, LLC by EIG Global Energy Partners for \$555 million.
- The public company industry median TEV/EBIT multiple is 19.2x.
- The public company industry median TEV/EBITDA multiple is 12.5x.

Key Trends

- Transaction volume in the Oil & Gas Storage & Transportation subsector is trending positively. Transaction volume is down in the remaining subsectors.
- The Independent Power Producers, Energy Traders, and Utilities subsector's transaction volume was tied with Oil & Gas Storage & Transportation subsector's volume as the largest at 29% each of the industry over the past quarter.
- In the five years leading to 2017, total energy production has risen at an annualized rate of 1.8%. This is expected to increase to an annualized rate of 2.4% in the five years leading to 2022. The increase in total energy production will be led by crude oil, natural gas, and renewable energy production. Modest increases in coal and nuclear energy will be seen as these industries combat rising growth in electricity production from natural gas and renewable energy sources.
- Per the U.S. Energy Information Administration, the bulk of natural gas export growth is believed to come from liquefied natural gas in the years leading to 2040. With the addition of four new LNG export facilities, totaling five, the U.S. is projected to be a net exporter of natural gas from 2020 onwards.
- The two renewable energy sources that are expected to increase the most from 2016 to 2018 are wind and solar. Wind is expected to increase from 81 gigawatts to 95 gigawatts and solar will grow by 44% to 31 gigawatts in 2018, accounting for 1.4% of total electricity generation in 2018.
- The workforce for the solar industry is growing much more rapidly than the economy as a whole, creating jobs 17 times faster. Due to the decreased cost in solar equipment and rising consumer demand, the solar industry employs twice as many people as the coal industry and roughly the same as the natural gas industry, yet accounts for only less than 2% of total renewable energy generation.

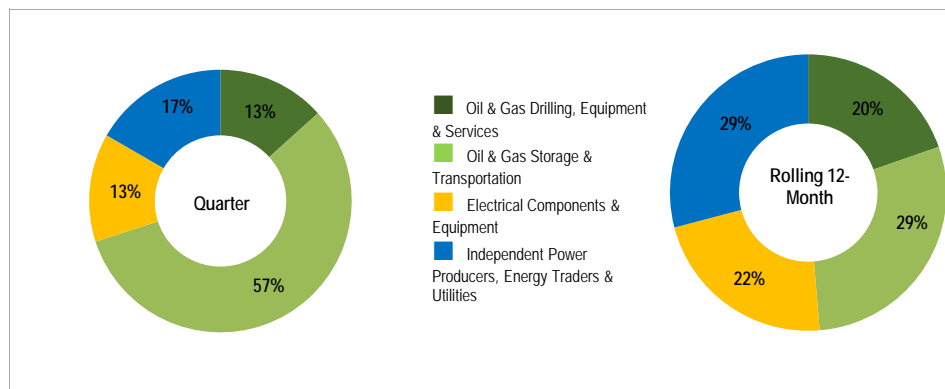
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

Industry Trends During Quarter

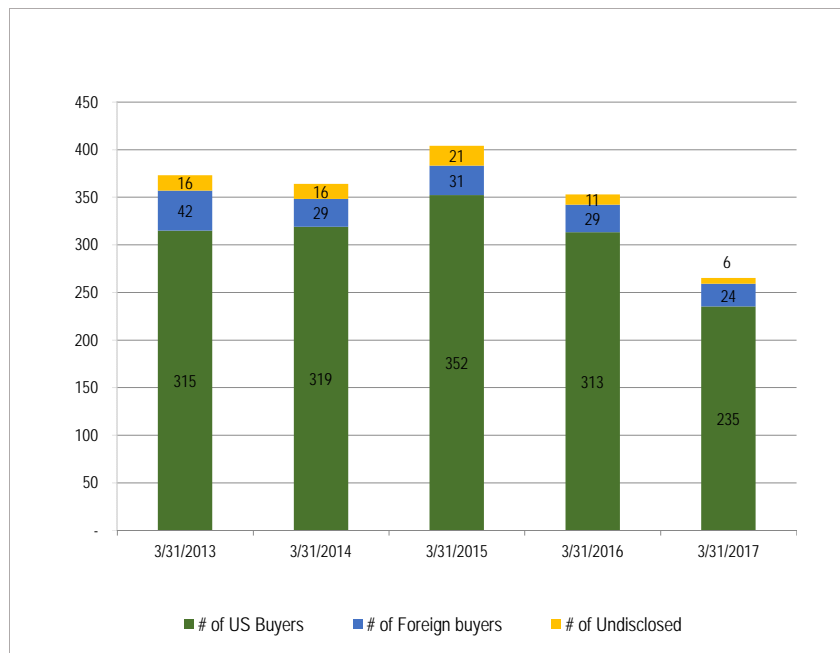
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Oil & Gas Drilling, Equipment & Services	↓	↓	↓
Oil & Gas Storage & Transportation	↑	↓	↑
Electrical Components & Equipment	↓	↑	↓
Independent Power Producers, Energy Traders & Utilities	↓	↓	↓

* 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 4/19/2017 and PCE Proprietary Data

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

Sector	Target	Buyer	Transaction Value
Oil & Gas Storage & Transportation	Spectra Energy Corp	Enbridge Inc.	\$47,480.5
Oil & Gas Storage & Transportation	Columbia Pipeline Partners LP	Columbia Pipeline Group, Inc.	\$8,902.5
Oil & Gas Storage & Transportation	DCP Midstream LLC, Substantially All Assets	DCP Midstream Operating, LP	\$8,865.3
Oil & Gas Drilling, Equipment & Services	FMC Technologies, Inc.	TechnipFMC plc	\$7,836.2
Independent Power Producers, Energy Traders & Utilities	The Empire District Electric Company	Liberty Utilities (Central) Co.	\$2,398.5
Independent Power Producers, Energy Traders & Utilities	American Electric Power Co., Inc., Four Power Plants	The Blackstone Group L.P.; ArcLight Capital Partners, LLC	\$2,170.0
Oil & Gas Storage & Transportation	Hardin Street Transportation LLC And Woodhaven Cavern LLC And MPLX Terminals LLC	MPLX LP	\$2,015.4
Oil & Gas Storage & Transportation	36.75% Stake in Each Dakota Access, LLC and Energy Transfer Crude Oil Company, LLC	Enbridge Energy Partners, L.P.; Marathon Petroleum Corporation	\$2,000.0
Oil & Gas Storage & Transportation	Dakota Access Pipeline and Energy Transfer Crude Oil Pipeline Projects	Enbridge Energy Partners, L.P.; MPLX LP	\$2,000.0
Oil & Gas Storage & Transportation	Elba Liquefaction Company, LLC	EIG Global Energy Partners	\$555.0

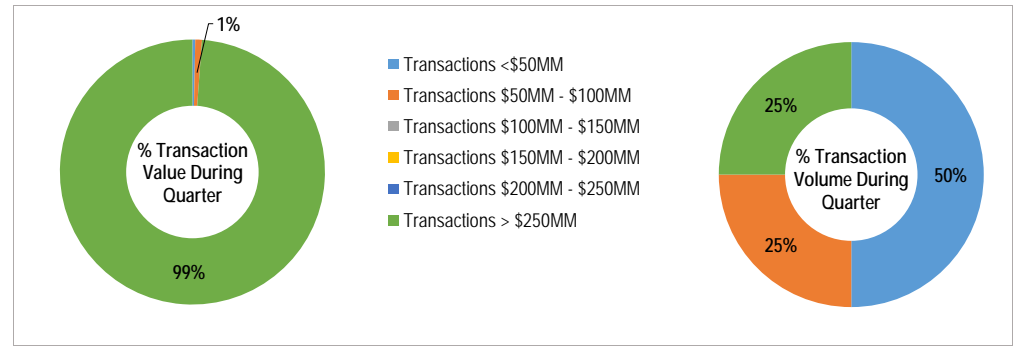


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	11
Number of Transactions with Disclosed Values	4
Transaction Value*	\$7,927.44
Average Transaction Value*	\$1,981.86
Median Transaction Value*	\$42.82

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

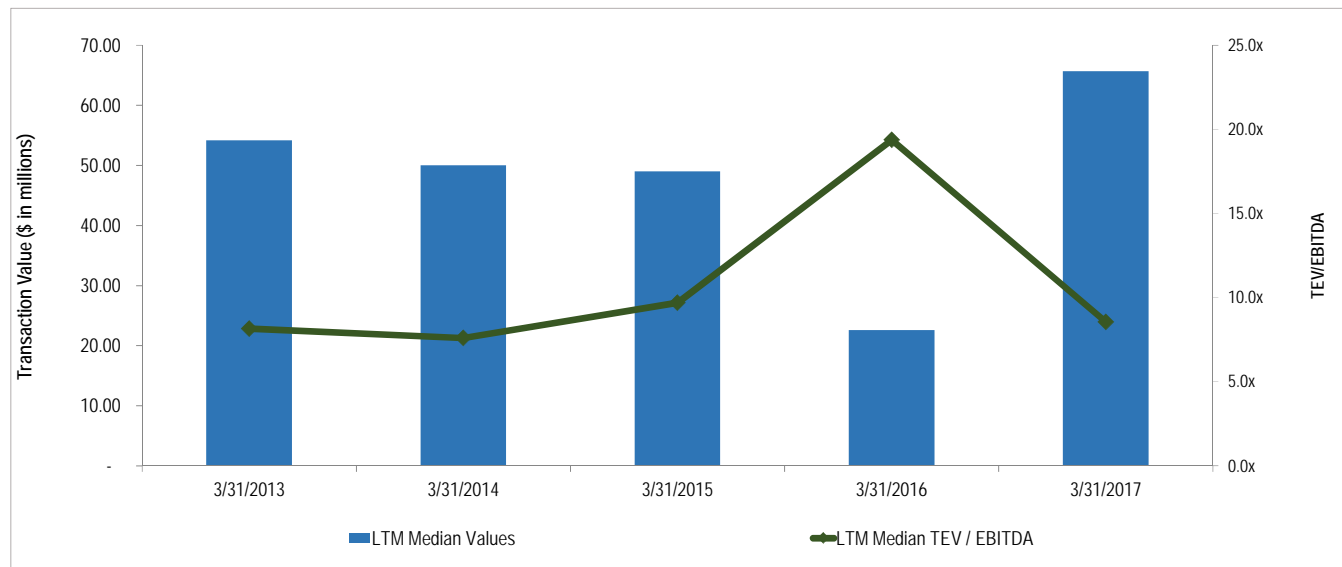
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data

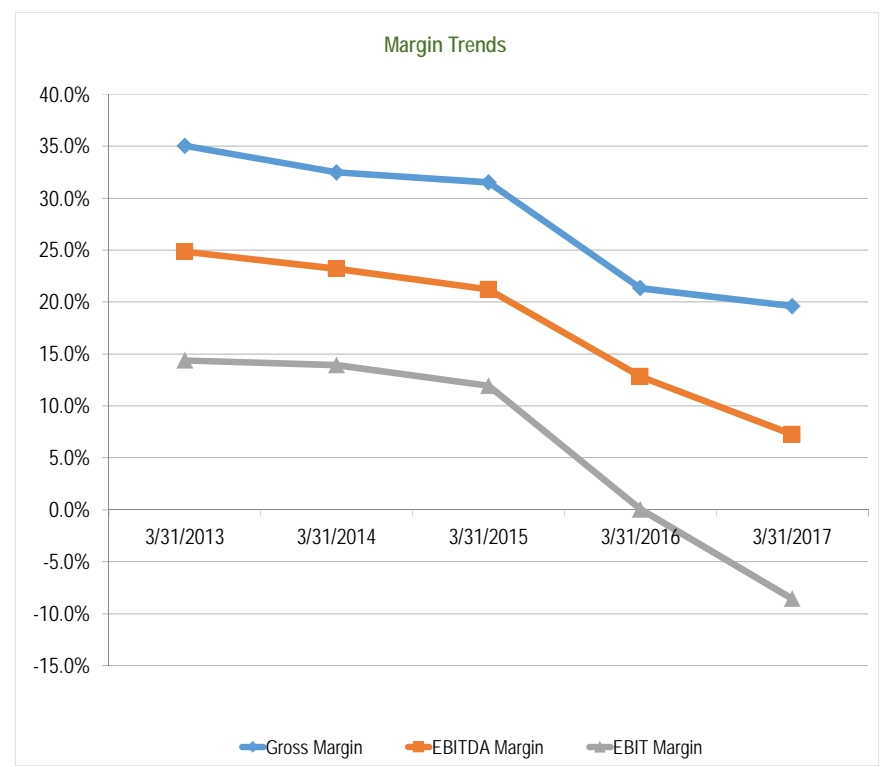
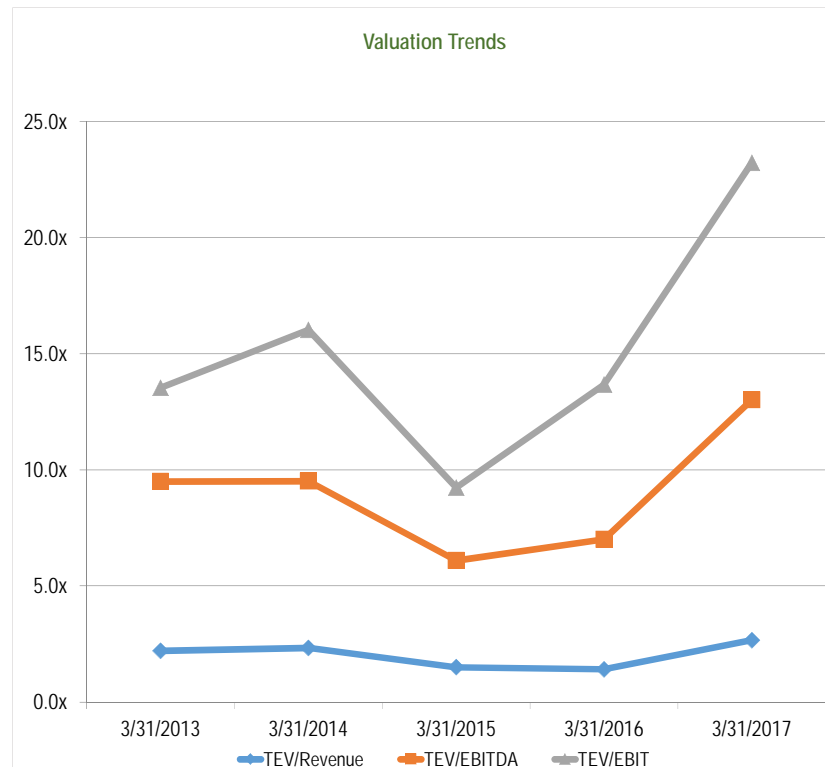
Oil & Gas Drilling, Equipment & Services

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$3,901	3.0x	26.3x	32.3x	TEV/Revenue	↑
Median	\$641	2.7x	13.0x	23.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	20.8%	2.7%	-20.4%	Gross Margin	↓
Median	19.6%	7.3%	-8.6%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data

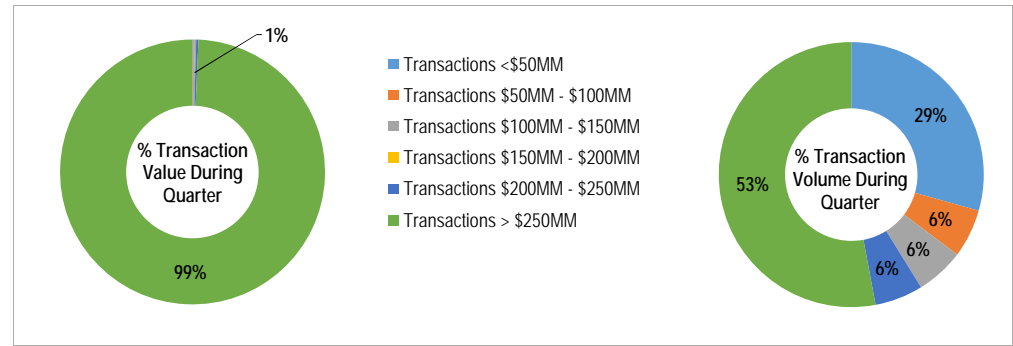


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	23
Number of Transactions with Disclosed Values	17
Transaction Value*	\$73,230.13
Average Transaction Value*	\$4,307.65
Median Transaction Value*	\$400.00

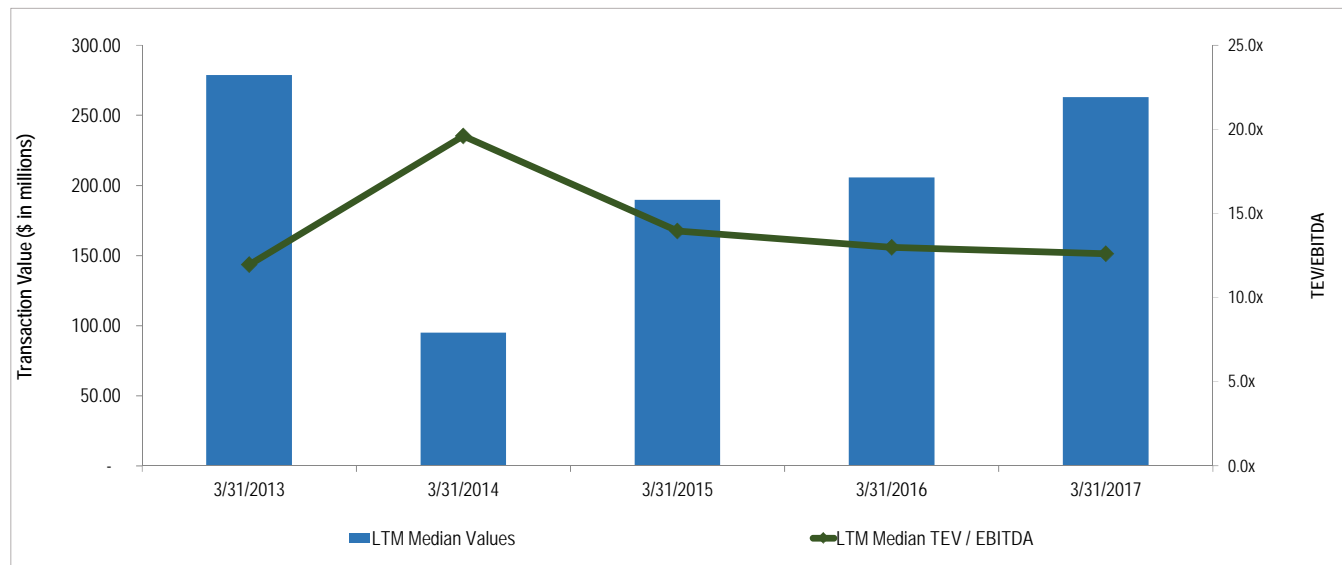
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data



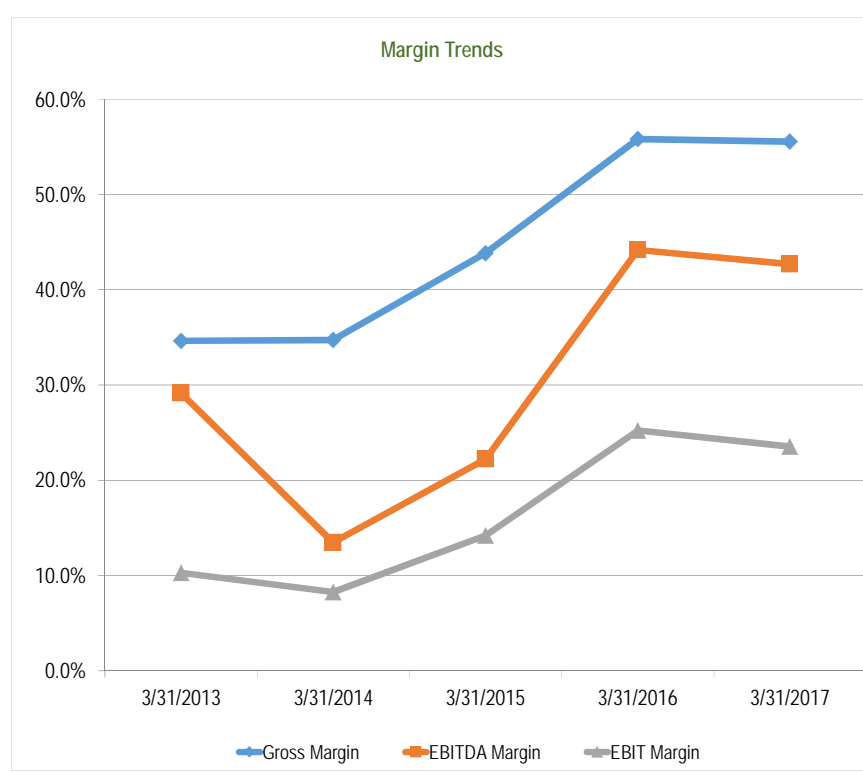
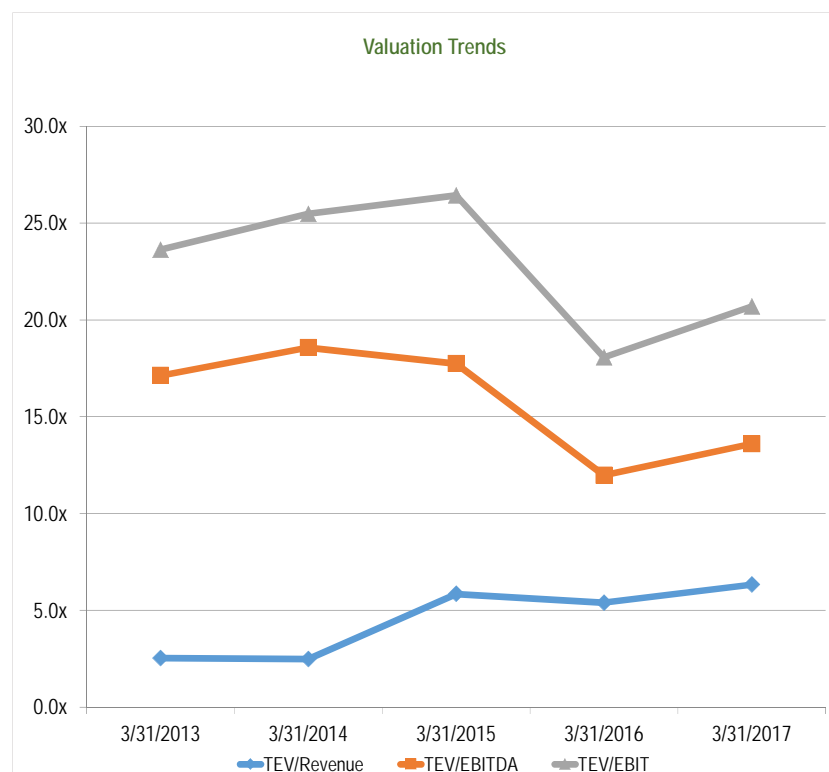
Oil & Gas Storage & Transportation

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$7,343	10.8x	17.2x	25.2x	TEV/Revenue	↑
Median	\$3,466	6.3x	13.6x	20.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	50.1%	39.4%	28.8%	Gross Margin	↓
Median	55.6%	42.7%	23.6%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data



Electrical Components & Equipment

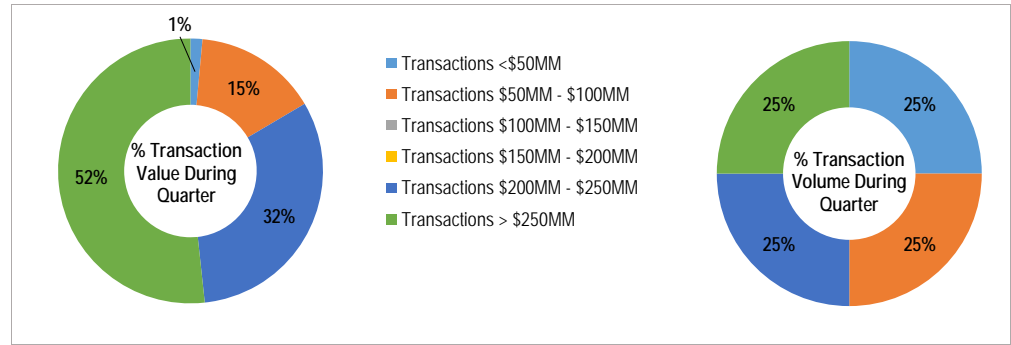
1st Quarter 2017

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

Transaction Volume	17
Number of Transactions with Disclosed Values	4
Transaction Value*	\$641.82
Average Transaction Value*	\$160.46
Median Transaction Value*	\$150.29

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

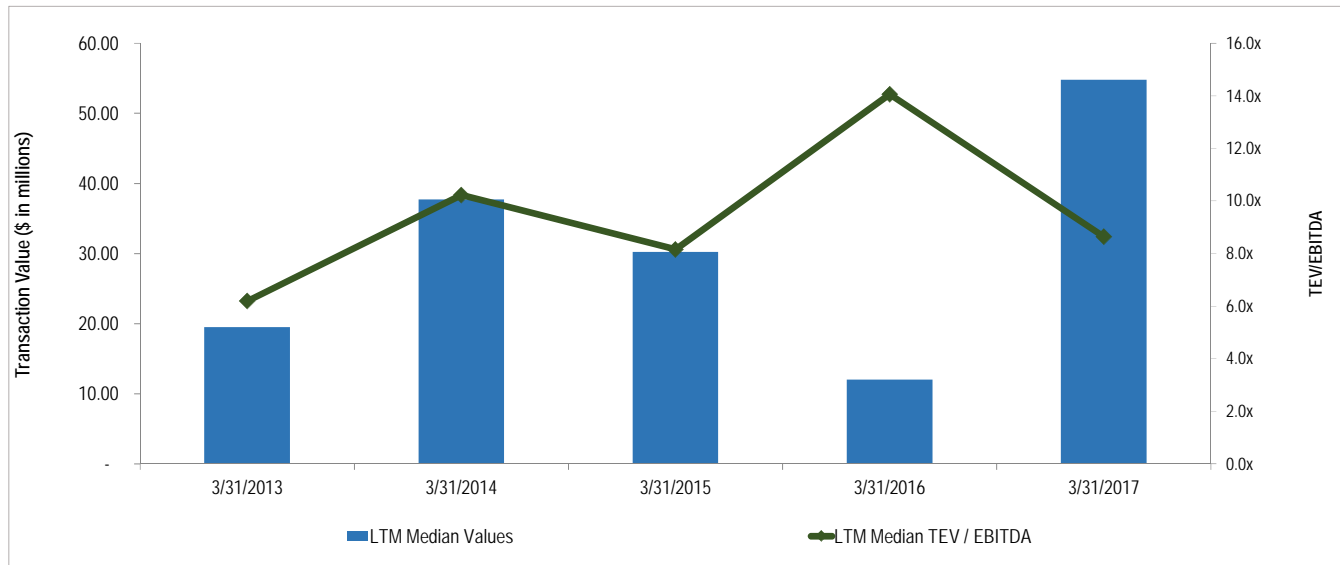
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data



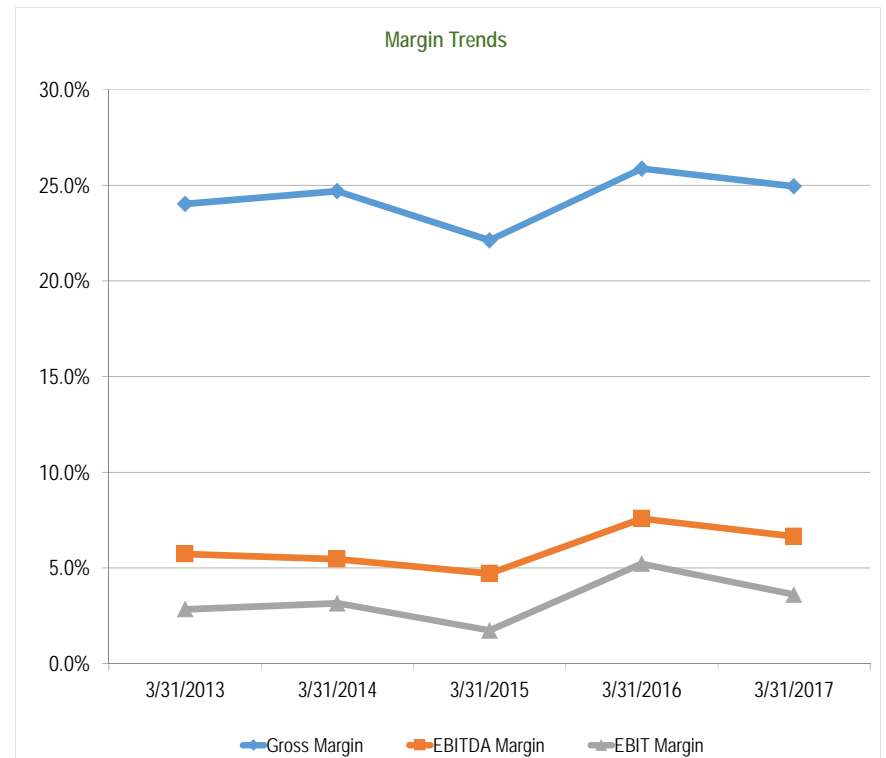
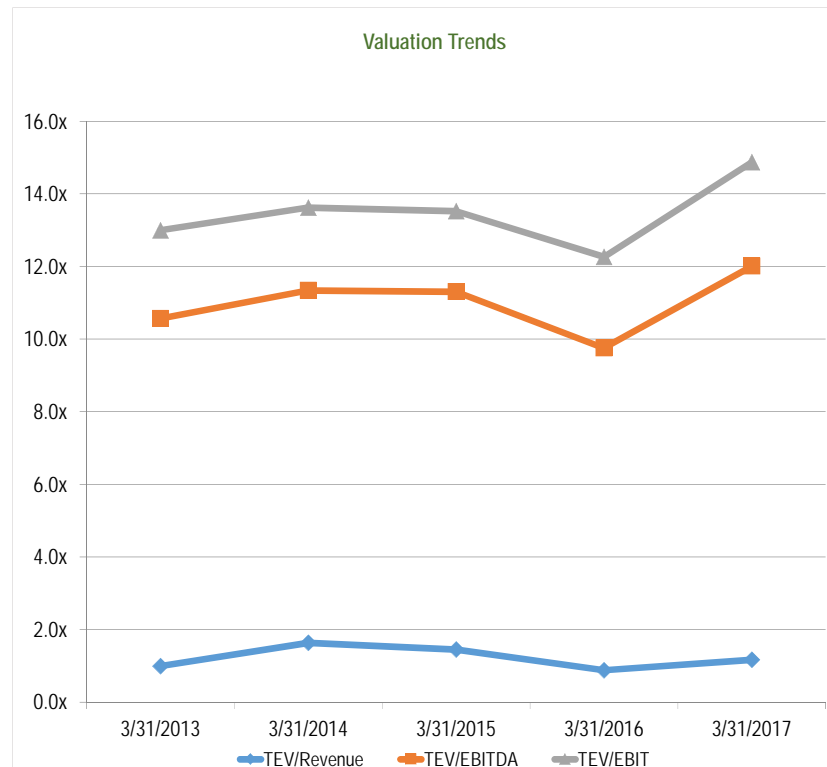
Electrical Components & Equipment

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$2,441	6.7x	21.9x	18.3x	TEV/Revenue	↑
Median	\$239	1.2x	12.0x	14.9x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	22.4%	-3.7%	-7.6%	Gross Margin	↓
Median	24.9%	6.6%	3.6%	EBITDA Margin	↓
				EBIT Margin	↓



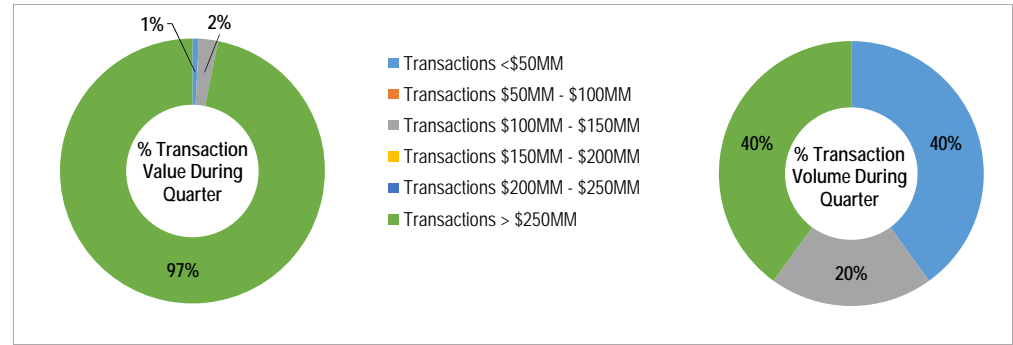
Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data



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

Transaction Volume	17
Number of Transactions with Disclosed Values	5
Transaction Value*	\$4,714.23
Average Transaction Value*	\$942.85
Median Transaction Value*	\$110.00
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

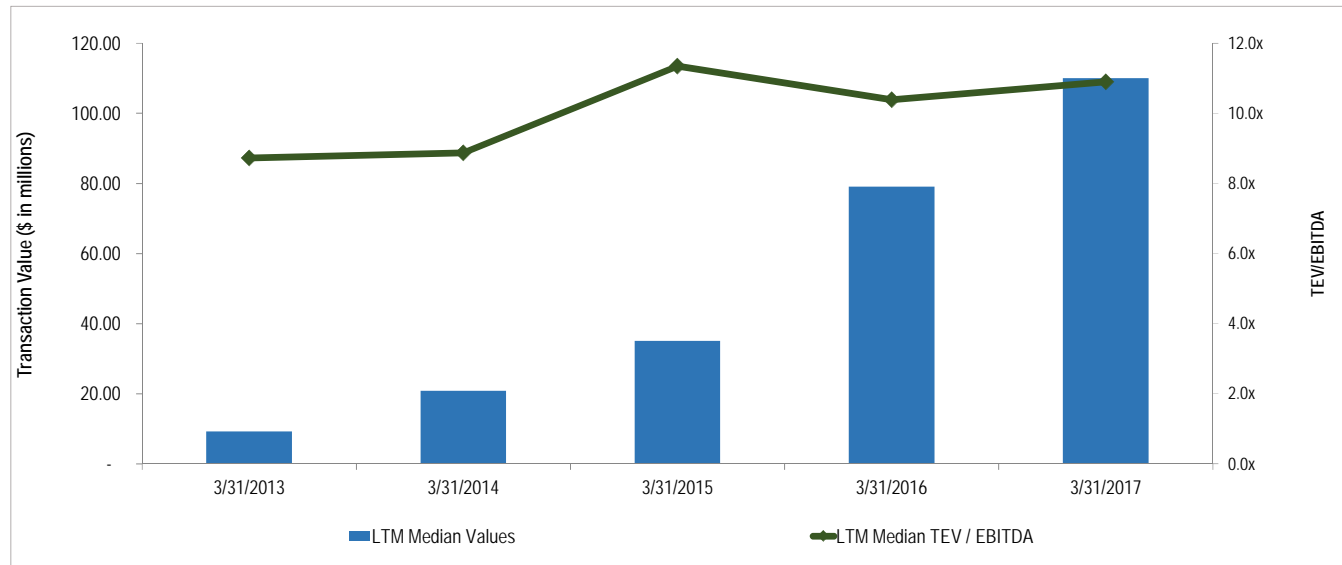
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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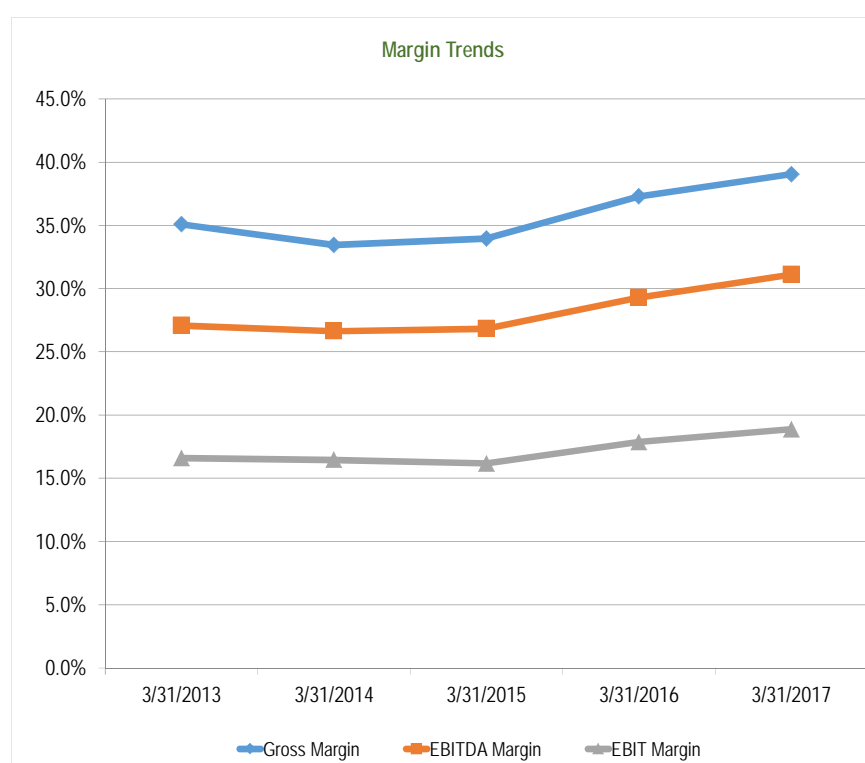
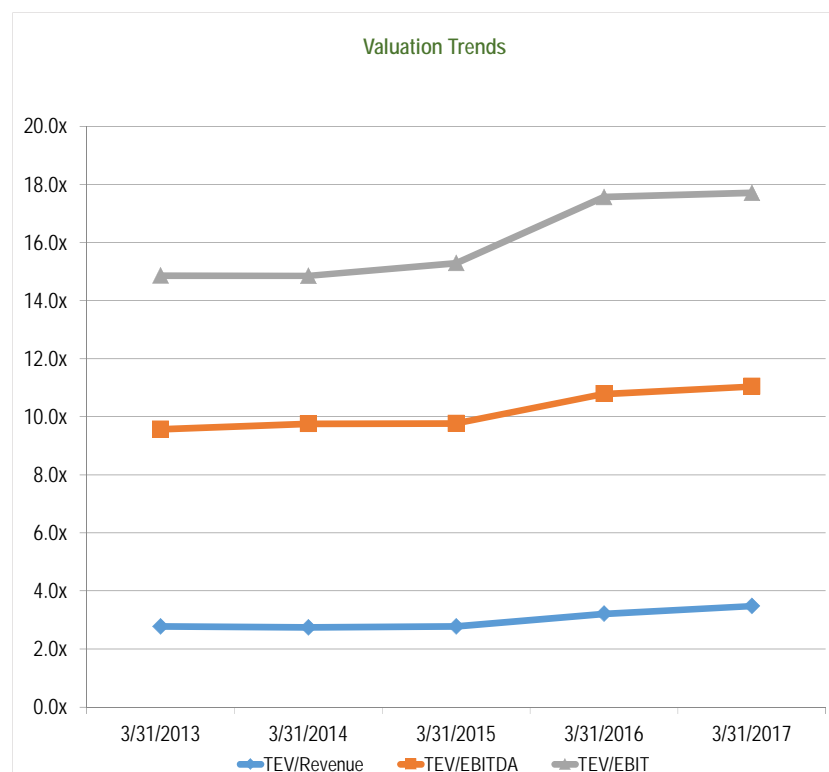
Independent Power Producers, Energy Traders, & Utilities

1st Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$8,443	6.2x	11.7x	20.0x	TEV/Revenue	↑
Median	\$3,447	3.5x	11.0x	17.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	42.2%	31.4%	18.7%	Gross Margin	↑
Median	39.1%	31.1%	18.9%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/17/2017 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:

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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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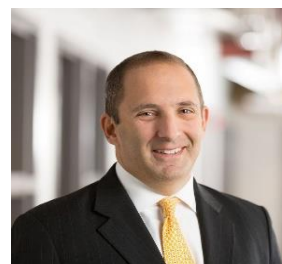


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New York

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 dates only.

Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value