



Energy Sector Market Update

Spring 2021

M&A Advisory for the Energy Industry

DCA Partners is a boutique investment bank specializing in M&A advisory services throughout the western United States. Our industry expertise and entrepreneurial experience allows us to bring a unique perspective to every single engagement.

Select Transactions



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What to Expect After an Unexpected 2020

To say that the COVID-19 pandemic turned many markets upside down in 2020 would be an understatement, and this was certainly true as it relates to the Energy sector (where, quite literally, crude oil prices went negative last April). Yet the sector also showed signs of resiliency as companies focused on consolidation, vertical integration, and investment into renewables as ways to combat the global glut in supply driven by pandemic uncertainty.

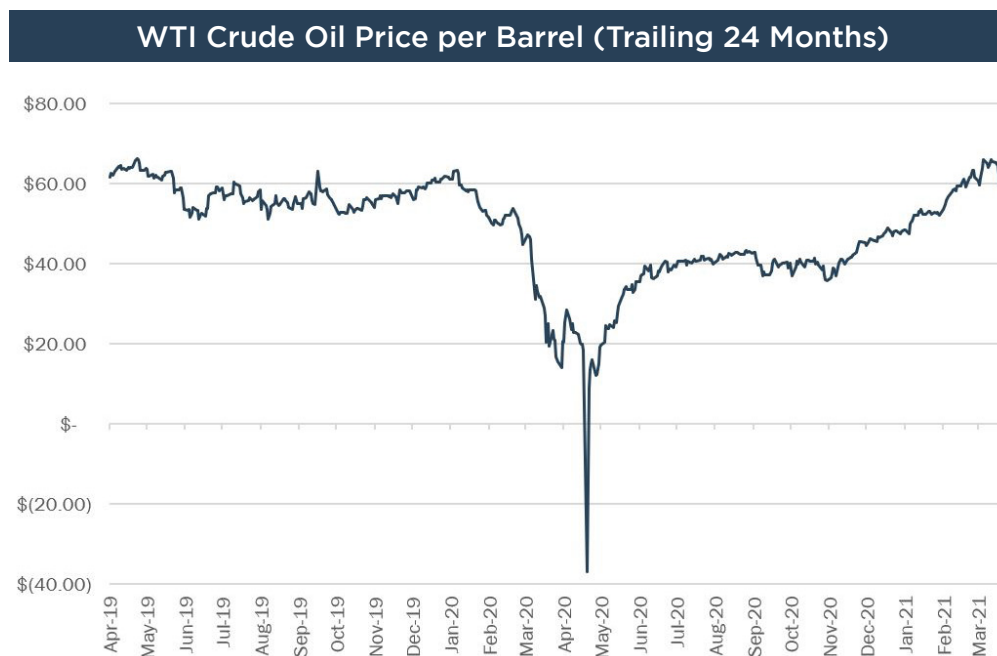
M&A rebounded in the second half of 2020 as well, with notable upstream deals leading the way. Chevron's (CVX) \$13 billion acquisition of Noble Energy, which closed in October 2020, helped expand its upstream resources significantly, allowing it access to Noble's strong reserves. ConocoPhillips (COP) followed suit shortly thereafter, acquiring Concho Resources (CXO) for \$9.7 billion. That deal, which closed in January 2021, catapults COP as a major player in the Permian Basin, with the company citing a resource base of approximately 23 billion barrels of oil equivalent as a key driver for the transaction.

Further downstream, major players continued to leverage M&A as a

primary means of investing and divesting key assets that align with long-term strategic plans. In August, Marathon Petroleum Corp (MPC) reached an agreement to sell the Speedway chain (approx. 3,900 Speedway convenience stores) to 7-Eleven for \$21 billion; the two companies announced the closing of that deal on May 14. That deal is expected to close sometime late Q1/early Q2 2021. And closer to home, DCA advised Flyers Energy on the acquisition of Firebird Fuel from MPC. The acquisition included

99 cardlock fuel stations across the southwest, further cementing Flyers' national reach as a premier cardlock operator.

As we set our sights on 2021, we anticipate increased M&A activity as companies look to double down on core business operations, capitalize on improving tailwinds coming out of the pandemic, and prepare for the energy transition (see our spotlight on the Trend to Net Zero on page 10).



Source: Federal Reserve Economic Data

Pullback in Renewables Following Strong 2020 Gains

Fueled by improving fundamentals, a low interest rate environment and the results of the 2020 presidential election, renewable energy stocks rallied in 2020. While many have drawn parallels to the dot-com era, the high prices in the sector reflect both the declining cost of generating electricity from renewable energy sources and the future growth potential in the sector.

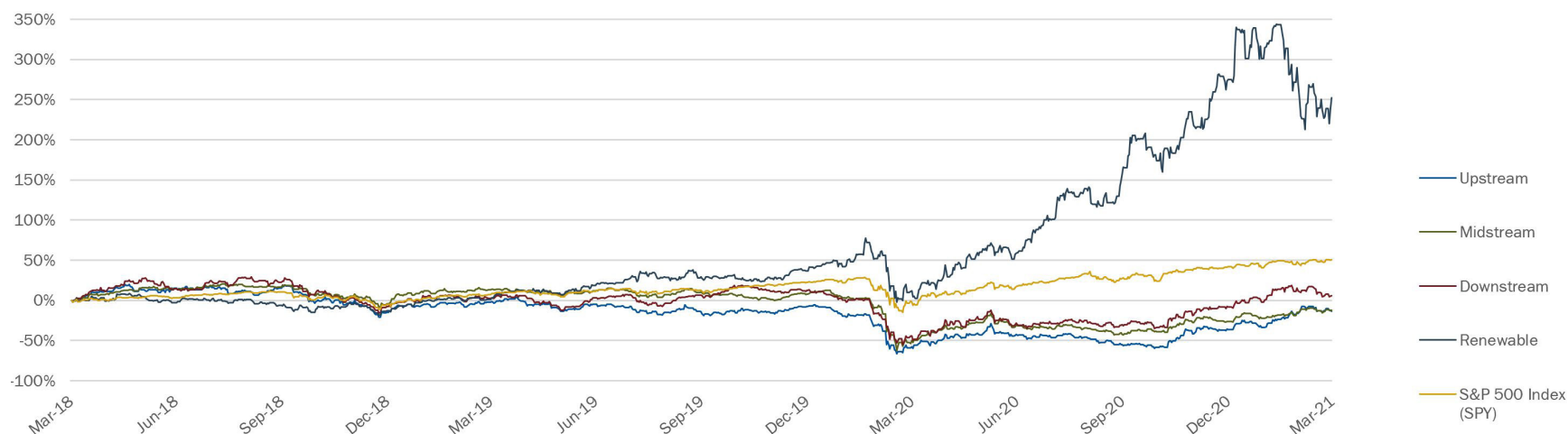
The recent decline in clean energy stock prices is part of a broader shift towards value stocks given the

elevated valuations in the market overall. Q1 2021 prices within the renewable space remain well above Q1 2020 highs, and the sector is poised for a rebound and continued growth as US government efforts to decarbonize the economy intensify and consumer preferences shift toward sustainability.

President Biden's recently unveiled infrastructure plan and other regulatory tailwinds will further boost growth in the sector through a variety of investments and tax breaks, including an estimated \$355

billion for the energy transition; \$174 billion for electric vehicles, \$35 billion for climate technology and \$146 billion dedicated to electric grid updates and clean energy. Coupled with the administration's proposal to implement a broader \$2 trillion plan focused on climate change, the increased level of government spending in the sector will present strong growth opportunities for current industry operators as well as traditional fuel providers focused on diversification for the future.

Public Valuations: Share Price (Growth Over Trailing 36 Months)



Note: Underlying companies within the data sets above are detailed on the following four pages.

Public Comparables Analysis – Upstream

As of March 31, 2021 (USD in millions)

Comparables Subset – Upstream								
Company Name	Ticker	Market Cap	Enterprise Value	Last Twelve Months				
				Revenue	EBITDA	EBITDA Margin	Enterprise Value/	
							Revenue	EBITDA
Exxon Mobil Corp	XOM	\$236,358	\$306,614	\$178,574	\$18,284	10.2%	1.7x	16.8x
Chevron Corp	CVX	202,030	241,756	94,471	12,752	13.5%	2.6x	19.0x
Conocophillips	COP	71,623	79,136	18,784	3,339	17.8%	4.2x	23.7x
EOG Resources	EOG	42,332	45,114	9,873	2,867	29.0%	4.6x	15.7x
Occidental Petroleum	OXY	24,849	69,902	17,809	(6,302)	NM	3.9x	NM
Pioneer Natural Resources	PXD	34,397	36,342	7,024	1,516	21.6%	5.2x	24.0x
Hess Corp	HES	21,722	30,027	4,667	(308)	NM	6.4x	NM
Oasis Petroleum	OAS	1,193	2,008	1,083	N/A	N/A	1.9x	NM
Diamondback Energy	FANG	13,283	20,119	2,813	(4,281)	NM	7.2x	NM
Phillips 66	PSX	35,704	51,622	64,129	(3,062)	NM	0.8x	NM
Devon Energy Corporation	DEV	14,707	17,148	4,828	(1,543)	NM	3.6x	NM
Marathon Oil Corporation	MRO	8,427	13,089	3,097	1,125	36.3%	4.2x	11.6x
	Mean	\$58,885	\$76,073	\$33,929	\$2,217	21.4%	3.8x	18.5x
	Median	\$29,623	\$40,728	\$8,449	\$1,125	19.7%	4.1x	17.9x

Source: Pitchbook. “NM” = Not Meaningful

Public Comparables Analysis – Midstream

As of March 31, 2021 (USD in millions)

Comparables Subset – Midstream								
Company Name	Ticker	Market Cap	Enterprise Value	Last Twelve Months				
				Revenue	EBITDA	EBITDA Margin	Enterprise Value/	
							Revenue	EBITDA
Enterprise Products Partners LP	EPD	\$48,039	\$77,967	\$27,200	\$6,860	25.2%	2.9x	11.4x
Kinder Morgan Inc.	KMI	37,703	72,338	11,700	4,420	37.8%	6.2x	16.4x
Williams Cos Inc. (The)	WMB	28,778	53,857	7,719	3,170	41.1%	7.0x	17.0x
MPLX LP	MPLX	26,583	49,068	8,246	1,526	18.5%	6.0x	32.2x
Energy Transfer LP	ET	20,763	86,345	38,954	6,382	16.4%	2.2x	13.5x
ONEOK Inc	OKE	22,543	36,356	8,542	2,094	24.5%	4.3x	17.4x
Cheniere Energy Partners LP	CQP	20,111	36,578	6,167	2,643	42.9%	5.9x	13.8x
Cheniere Energy	LNG	18,257	50,696	9,358	2,993	32.0%	5.4x	16.9x
Magellan Midstream Partners LP	MMP	9,682	14,812	2,428	1,300	53.6%	6.1x	11.4x
Targa Resources Corp	TRGP	7,260	18,370	8,260	(317)	NM	2.2x	NM
Western Midstream Partners LP	WES	7,679	15,223	2,773	1,369	49.4%	5.5x	11.1x
Plains All American Pipeline LP	PAA	6,571	19,594	23,290	(1,510)	NM	0.8x	NM
Hess Midstream LP	HESM	560	3,668	1,092	744	68.1%	3.4x	4.9x
Phillips 66 Partners LP	PSXP	7,232	12,176	1,038	1,066	102.7%	11.7x	11.4x
	Mean	\$18,697	\$39,075	\$11,198	\$2,339	42.7%	5.0x	14.8x
	Median	\$19,184	\$36,467	\$8,253	\$1,810	39.4%	5.5x	13.7x

Source: Pitchbook. "NM" = Not Meaningful

Public Comparables Analysis – Downstream

As of March 31, 2021 (USD in millions)

Comparables Subset – Downstream								
Company Name	Ticker	Market Cap	Enterprise Value	Last Twelve Months				
				Revenue	EBITDA	EBITDA Margin	Enterprise Value/	
							Revenue	EBITDA
Phillips 66	PSX	\$35,704	\$51,622	\$64,129	\$(3,062)	NM	0.8x	NM
Marathon Petroleum Corp	MPC	34,874	75,575	69,779	(8,913)	NM	1.1x	NM
Valero Energy Corp	VLO	29,267	42,642	64,912	904	1.4%	0.7x	47.2x
New Fortress Energy Inc	NFE	8,078	8,844	452	(176)	NM	19.6x	NM
HollyFrontier Corp	HFC	5,811	8,523	11,184	(107)	NM	0.8x	NM
Renewable Energy Group	REGI	2,977	2,838	2,137	175	8.2%	1.3x	16.2x
Clean Energy Fuels Corp	CLNE	2,737	2,724	292	42	14.6%	9.3x	64.1x
Sunoco LP	SUN	3,176	6,748	10,710	593	5.5%	0.6x	11.4x
CVR Energy Inc	CVI	1,928	3,166	3,930	(7)	NM	0.8x	NM
World Fuel Services Corp	INT	2,222	2,091	20,358	293	1.4%	0.1x	7.2x
Enviva Partners LP	EVA	1,934	2,852	875	140	15.9%	3.3x	20.4x
Delek US Holdings	DK	1,609	3,470	7,302	(359)	NM	0.5x	NM
PBF Energy Inc	PBF	1,699	6,228	15,116	(492)	NM	0.4x	NM
Gevo Inc	GEVO	1,944	1,867	5	(32)	NM	351.6x	NM
	Mean	\$9,569	\$15,657	\$19,370	\$(786)	7.8%	27.9x	27.7x
	Median	\$2,857	\$4,849	\$9,006	\$(20)	6.9%	0.8x	18.3x

Source: Pitchbook. “NM” = Not Meaningful

Public Comparables Analysis – Renewables

As of March 31, 2021 (USD in millions)

Comparables Subset – Renewables								
Company Name	Ticker	Market Cap	Enterprise Value	Last Twelve Months				
				Revenue	EBITDA	EBITDA Margin	Enterprise Value/	
							Revenue	EBITDA
Renewable Energy Group	REGI	\$2,977	\$2,838	\$2,137	\$175	8.2%	1.3x	16.2x
Brookfield Renewable Corp	BEPC	8,031	31,438	3,087	(1,011)	NM	10.2x	NM
NextEra Energy Partners LP	NEP	5,531	14,164	917	737	80.4%	15.4x	19.2x
Ormat Technologies Inc	ORA	4,396	5,577	705	402	56.9%	7.9x	13.9x
Sunnova Energy International Inc	NOVA	4,411	6,567	161	(111)	NM	40.8x	NM
SunRun	RUN	12,252	18,126	922	(214)	NM	19.7x	NM
First Solar Inc	FSLR	9,253	7,988	2,711	530	19.5%	2.9x	15.1x
SunPower Corp	SPWR	5,705	6,166	1,125	735	65.4%	5.5x	8.4x
Enphase Energy	ENPH	21,988	21,644	774	156	20.2%	27.9x	138.4x
Plug Power	PLUG	21,134	21,387	308	(61)	NM	69.5x	NM
ON Semiconductor Corporation	ON	17,138	19,569	5,255	965	18.4%	3.7x	20.3x
SolarEdge Technologies, Inc.	SEDG	14,827	14,458	1,459	199	13.6%	9.9x	72.6x
Cree, Inc.	CREE	12,461	12,313	664	(65)	NM	18.6x	NM
	Mean	\$10,777	\$14,018	\$1,556	\$188	35.3%	18.0x	38.0x
	Median	\$9,253	\$14,164	\$922	\$175	19.9%	10.2x	17.7x

Source: Pitchbook. "NM" = Not Meaningful

Select Recent Energy Sector M&A Activity

Financing Date	Investor(s)/Buyer(s)	Target	Target Description	Deal Type	Value (\$M)
March-21	PPL (NYS: PPL)	Narragansett Electric (PINX: NRGSP)	A Rhode Island-based company engaged in the distribution of electricity.	M&A	3,800
March-21	Diamondback Energy (NAS: FANG)	QEP Resources	A crude oil and natural gas E&P company that focuses on Texas and North Dakota.	M&A	2,200
March-21	LS Power Group	LS Power	A 125MW solar project based in California.	Buyout/LBO	Undisclosed
February-21	Flyers Energy	Mansfield Energy	Acquisition of Fleet Express Commercial Fueling, a cardlock network in Ohio	M&A	Undisclosed
February-21	Switchback Energy Acquisition	ChargePoint (NYS: CHPT)	Developer of an EV charging network.	Reverse Merger	268
February-21	Sunnova Energy (NYS: NOVA)	Sunstreet	Provider of solar panel systems.	M&A	355
February-21	Energy Transfer Partners (NYS: ETPpC)	Enable Midstream Partners (NYS: ENBL)	Owner, operator and developer of natural gas and crude oil infrastructure assets.	M&A	7,200
February-21	Basalt Infrastructure Partners	Xpress Natural Gas	Oil and natural gas products intended to deliver sustainable energy production options.	Buyout/LBO	Undisclosed
January-21	Contango Oil & Gas (ASE: MCF)	Mid-Con Energy Partners	Engaged in the development and production of oil and natural gas properties.	M&A	350
January-21	H.I.G. Capital	Continental Batteries	Manufacturer and distributor of aftermarket batteries to automotive, marine and industrial users.	Buyout/LBO	Undisclosed
January-21	ConocoPhillips (NYS: COP)	Concho Resources	Oil and natural gas company primarily operating in the Permian Basin and New Mexico.	M&A	9,700
January-21	I Squared Capital	Atlantic Power (TSE: ATP)	Independent power producer that owns power generation assets in the U.S. and Canada.	Buyout/LBO	961
January-21	Brookfield Asset Management (TSE: BAM.A)	Caithness Energy	An 845-megawatt wind project (338 wind turbines) in Oregon.	Buyout/LBO	Undisclosed
January-21	Devon Energy (NYS: DVN)	WPX Energy	Oil and gas producer with acreage in the Bakken, the Permian Basin, and the Rockies.	M&A	2,600
January-21	NRG Energy (NYS: NRG)	Direct Energy	Provider of electricity and gas utility and protection services.	M&A	3,625
December-20	Flyers Energy	Firebird Fuels	99 unattended cardlock fuel stations purchased from a subsidiary of Marathon Petroleum.	M&A	Undisclosed
December-20	First Reserve	The Goldfield Corporation	Specializes in installing and maintaining electrical transmission lines for electric utilities.	Buyout/LBO	194
December-20	Capital Dynamics	Arlington Valley Solar Energy II	A 175-megawatt crystalline silicon photovoltaic solar energy project (600k panels) in Arizona.	Buyout/LBO	Undisclosed
December-20	Riverstone Holdings	International Matex Tank and Terminal	Provider of bulk liquid handling services and storage services.	Buyout/LBO	2,685
December-20	EnCap Flatrock Midstream, Stakeholder Midstream	Santa Fe Midstream	Provider of oil and gas midstream services based in Texas.	Buyout/LBO	Undisclosed
December-20	EnCap Investments	Lilis Energy	Engaged in the acquisition, drilling, and production of oil and natural gas properties.	Buyout/LBO	47
November-20	Williams Partners	Caiman Energy	Owner and operator of a midstream energy company intended to move natural gas products.	M&A	160
November-20	Kayne Anderson, Terra Energy, Warburg Pincus	Ursa Operating Company	Develops oil resource plays and acquires conventional oil and gas producing properties.	Buyout/LBO	60
November-20	White Deer Energy	EV Infrastructure	EV charging and battery energy storage infrastructure for commercial fleet operators.	Buyout/LBO	Undisclosed
November-20	KKR (NYS: KKR), NextEra Energy Partners (NYS: NEP)	NextEra Energy	Portfolio of 1,000 megawatt long-term contracted renewables projects based in the U.S.	Buyout/LBO	Undisclosed
October-20	Alberton Acquisition (NAS: ALAC)	Solarmax Technology	Manufacturer of solar energy systems based in Riverside, California.	Reverse Merger	Undisclosed
October-20	Sunrun (NAS: RUN)	Vivint Solar	Distributes electricity to residential customers through long-term contracts.	M&A	3,200
October-20	Chevron (NYS: CVX)	Noble Energy	Independent oil and gas producer with key assets in the U.S., Israel, and West Africa.	M&A	5,000

Transaction led by DCA Partners

Trend to Net Zero

Global efforts to address climate change are expanding and accelerating under the Paris Agreement, with more than 125 countries having targets to achieve net zero by 2050, and the Biden Administration committing the U.S. to building a clean energy economy by 2035.

As climate policies become more specific, compounded by public expectations for change, major companies will be under increasing pressure to develop and implement transition plans. For instance, French oil giant Total SE (TOT) is building a renewables portfolio that could account for up to 40 percent of its sales by 2050 and recently added to that portfolio with a minority investment in an India-based solar asset, Adani Green Energy. After acquiring Hamel Renewables, Spanish power company Naturgy (NTGY) also announced plans to invest up to \$1.8 billion in the U.S. renewables space over the next five years.

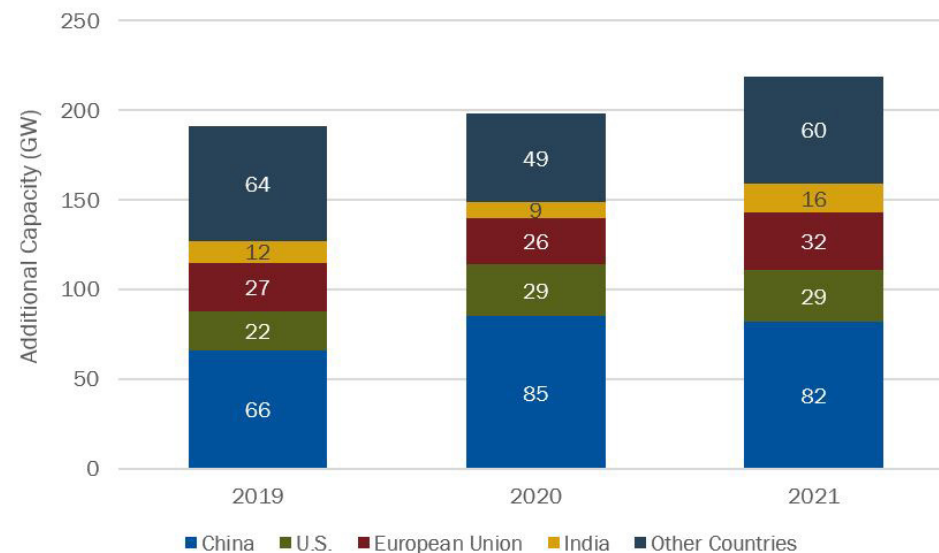
These plans come despite the events of 2020 as the global renewables industry demonstrated resilience amid the global pandemic. While supply chain disruptions and construction delays slowed the progress in the first

half of the year, construction and manufacturing activity ramped up again quickly in the second half. Recovery has been stronger than initially expected, and the International Energy Agency now foresees additional capacity to come in 2021, particularly in Europe, the U.S., and China.

The most near-term reductions in emissions in the U.S. will likely come from the electricity sector, electric vehicles, and home heating, according to the National Academies of Science, Engineering

and Medicine. We see evidence of this on the consumer side, with the EV market expected to reach record sales numbers in 2021 (driven by more offerings and lower prices) and more than 21GW of wind and ~15GW of solar capacity expected to come online by the end of the year, as well as on the business side, with large cap companies like Amazon and Verizon pledging to power all operations on renewable energy and to invest in technologies and services that reduce carbon emissions prior to 2050.

Renewable Capacity Additions by Country/Region (2019–2021)



Source: IEA

About DCA Partners

Growth Through Acquisition

Our advisors help companies accomplish their growth objectives through a well-executed, acquisition-driven growth strategy that maximizes financial returns and mitigates risks—no matter how large, small, or specialized the transaction may be.

Sell Your Business

We bring technological sophistication, broad transaction experience, and deep industry expertise and relationships to every one of our sell-side engagements. The result is a world-class suite of services coupled with a unique and highly competitive transaction process that ultimately creates premium value for our clients.

Strategic Advisory

DCA serves some of the most respected companies in the region, providing guidance, strategic advice, and operational oversight to businesses across a wide range of industry sectors.

Get In Touch

We are happy to answer your questions and provide a confidential, complementary conversation regarding your strategic business goals.

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