



Energy Sector Market Update

Fall 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.

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Consumers Shouldering the Financial Burden of a Strained Market

As inflation surges amidst rising prices and supply chain constraints across the country, the energy markets are seeing strong increases in mean and median company value across the upstream, midstream, and natural gas markets (see our Public Comps tables on pages 5-6).

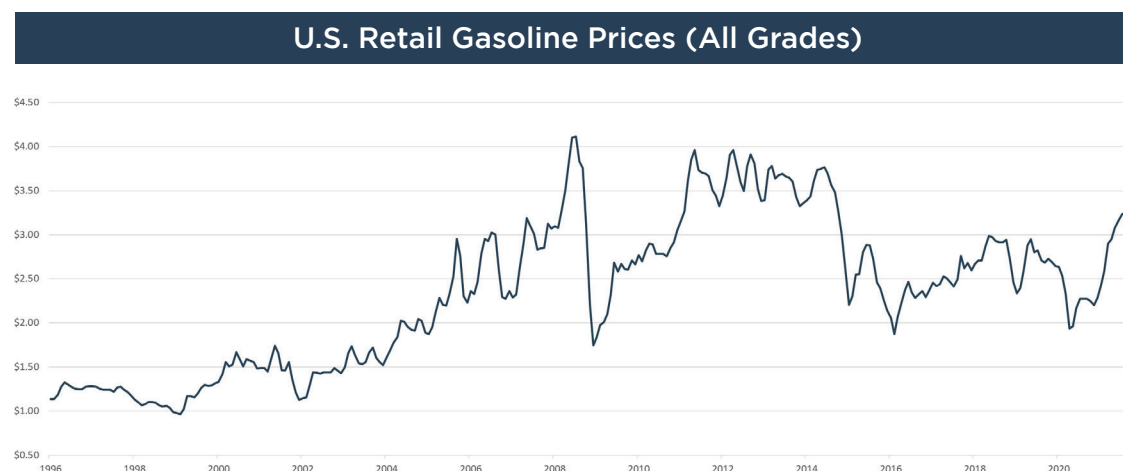
The financial burden, driven primarily by the supply/demand imbalance, is largely placed on retail consumers. The average price per gallon of gasoline at the pump in the U.S. was \$3.33 as of December 12, according to data from AAA. There are no states in the country with an average cost of gasoline below \$2.90 per gallon.

The soaring cost of gas, used to heat almost half of U.S. households, is likely to continue into the winter months. Barring another pandemic lockdown, crude demand is expected to exceed pre-Covid levels in 2022. California plans to increase its use of natural gas in 2022 in expectation of extreme weather. The California Public Utilities Commission (CPUC) approved steps earlier this month to boost supplies of power generation. Meanwhile, CPUC has issued a

proposal that will create the highest solar tax in the country and reduce the bill credit solar customers receive for selling electricity back to the grid, a move that will almost certainly increase its residents' dependency on natural gas.

Policymakers around the globe have attempted to address the oil-supply imbalance. OPEC+ agreed to release an additional 400,000 barrels per day to global supplies, starting in January 2022. The U.S. Department of Energy will release 50 million barrels from the Strategic Petroleum Reserve over several months.

Traditionally in a market landscape steered by high gas prices, oil and gas companies focus on their core business and drive exploration-and-development projects. However, exploration-and-production (E&P) companies have cut spending on such projects in an effort to satisfy shareholders calling for capital discipline. These cuts, combined with high gas prices, have allowed oil and gas companies to spend more on developing renewable-energy projects. This is a prime opportunity to aggressively fund sustainability and non-carbon operations.



Source: U.S. Energy Information Administration



A Looming Setback for Solar Companies

The California Public Utilities Commission's (CPUC) proposed new rules for residential solar customers were met with sharp criticism from solar companies and green-energy proponents. Points of contention include new monthly fees and reduced payments for excess power exported back to the grid (net-energy metering), for both new and existing solar customers.

Solar companies and advocates argue that this is a step in the wrong direction for California, which leads the nation in solar

adoption. The market responded accordingly, with solar energy stocks selling off sharply on the news. Sunrun (RUN) was down 14 percent, while SunPower (SPWR) and Sunnova Energy International (NOVA) fell 11 percent. California customers account for about 50 percent of Sunrun's projected growth.

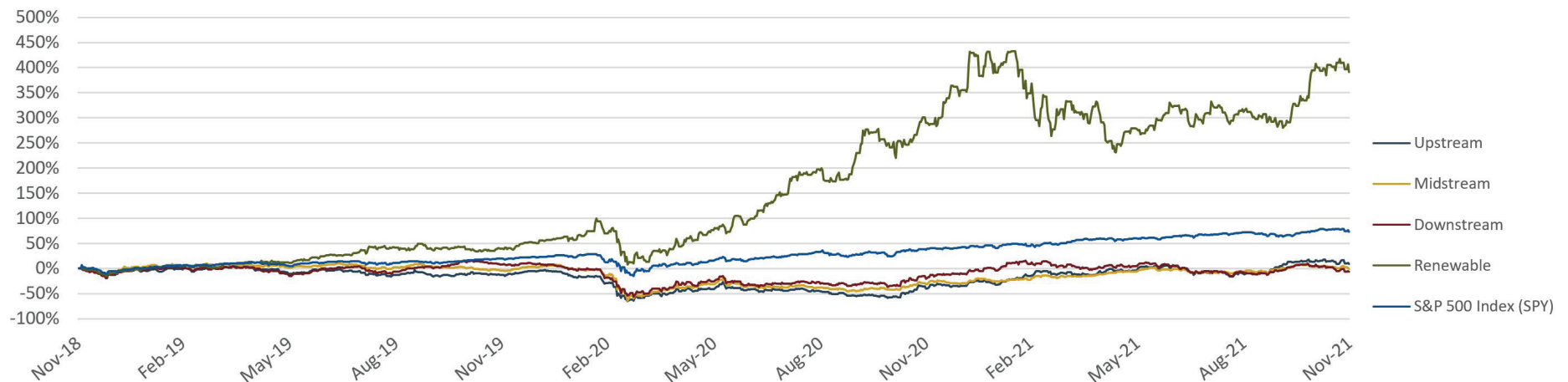
CPUC stated that the changes are meant to encourage consumers to install battery storage systems alongside solar panels, so they can store the excess power generated

by solar panels and feed it back to the grid when it is most needed. Some argue the proposal financially benefits utility companies.

While the proposal is not yet final (CPUC's vote is scheduled for January 27) it sets an uncomfortable precedent for the solar market.

Policy is just one of solar's near-term challenges; tariffs and the strained global supply chain have also contributed to a slowdown in the industry's projected growth.

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 November 30, 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	\$253,337	\$312,091	\$241,125	\$39,168	16.2%	1.3x	8.0x
Chevron Corp	CVX	217,578	249,753	134,588	32,294	24.0%	1.9x	7.7x
Conocophillips	COP	92,498	100,239	36,199	15,168	41.9%	2.8x	6.6x
EOG Resources	EOG	50,903	51,977	16,645	7,667	46.1%	3.1x	6.8x
Occidental Petroleum	OXY	27,693	67,949	22,203	9,951	44.8%	3.1x	6.8x
Pioneer Natural Resources	PXD	43,534	50,073	14,310	4,170	29.1%	3.5x	12.0x
Hess Corp	HES	23,081	30,519	6,557	3,098	47.2%	4.7x	9.9x
Oasis Petroleum	OAS	2,368	3,154	1,409	1,014	72.0%	2.2x	3.1x
Diamondback Energy	FANG	19,337	26,764	5,538	2,057	37.1%	4.8x	13.0x
Phillips 66	PSX	30,308	44,779	95,281	1,449	1.5%	0.5x	30.9x
Devon Energy Corporation	DVN	28,475	33,039	9,213	3,366	36.5%	3.6x	9.8x
Marathon Oil Corporation	MRO	12,060	15,588	4,691	2,259	48.2%	3.3x	6.9x
	Mean	\$66,764	\$82,160	\$48,980	\$10,138	37.1%	2.9x	10.1x
	Median	\$29,391	\$47,426	\$15,478	\$3,768	39.5%	3.1x	7.9x

Source: Pitchbook. “NM” = Not Meaningful

Public Comparables Analysis – Midstream

As of November 30, 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	\$46,676	\$75,107	\$36,481	\$7,271	19.9%	2.1x	10.3x
Kinder Morgan Inc.	KMI	35,054	68,766	15,300	5,870	38.4%	4.5x	11.7x
Williams Cos Inc. (The)	WMB	32,551	57,455	9,899	4,426	44.7%	5.8x	13.0x
MPLX LP	MPLX	29,892	50,447	8,976	5,132	57.2%	5.6x	9.8x
Energy Transfer LP	ET	22,783	83,178	58,794	12,682	21.6%	1.4x	6.6x
ONEOK Inc	OKE	26,685	40,730	13,690	3,230	23.6%	3.0x	12.6x
Cheniere Energy Partners LP	CQP	20,431	36,926	8,173	2,941	36.0%	4.5x	12.6x
Cheniere Energy	LNG	26,579	59,479	12,094	11	0.1%	4.9x	NM
Magellan Midstream Partners LP	MMP	9,900	15,167	2,587	1,375	53.1%	5.9x	11.0x
Targa Resources Corp	TRGP	11,822	22,344	14,081	2,131	15.1%	1.6x	10.5x
Western Midstream Partners LP	WES	7,853	15,022	2,805	1,860	66.3%	5.4x	8.1x
Plains All American Pipeline LP	PAA	6,613	18,381	35,052	1,222	3.5%	0.5x	15.0x
Hess Midstream LP	HESM	834	3,977	1,154	856	74.1%	3.4x	4.6x
Phillips 66 Partners LP	PSXP	7,864	12,696	1,080	864	80.0%	11.8x	14.7x
	Mean	\$20,395	\$39,977	\$15,726	\$3,562	38.1%	4.3x	10.8x
	Median	\$21,607	\$38,828	\$10,997	\$2,536	37.2%	4.5x	11.0x

Source: Pitchbook. “NM” = Not Meaningful

Public Comparables Analysis – Downstream

As of November 30, 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	\$30,308	\$44,779	\$95,281	\$1,449	1.5%	0.5x	30.9x
Marathon Petroleum Corp	MPC	37,459	60,679	102,619	6,217	6.1%	0.6x	9.8x
Valero Energy Corp	VLO	27,367	39,215	94,678	2,654	2.8%	0.4x	14.8x
New Fortress Energy Inc	NFE	5,149	9,125	820	147	18.0%	11.1x	61.9x
HollyFrontier Corp	HFC	5,252	7,867	15,667	1,317	8.4%	0.5x	6.0x
Renewable Energy Group	REGI	2,402	2,080	2,910	247	8.5%	0.7x	8.4x
Clean Energy Fuels Corp	CLNE	1,600	1,423	239	(43)	NM	6.0x	NM
Sunoco LP	SUN	3,200	6,578	15,195	878	5.8%	0.4x	7.5x
CVR Energy Inc	CVI	1,569	2,889	6,248	346	5.5%	0.5x	8.4x
World Fuel Services Corp	INT	1,579	1,301	26,096	199	0.8%	0.0x	6.5x
Enviva Partners LP	EVA	4,273	5,419	1,041	115	11.1%	5.2x	47.1x
Delek US Holdings	DK	1,162	2,841	9,422	(105)	NM	0.3x	NM
PBF Energy Inc	PBF	1,507	5,756	22,665	726	3.2%	0.3x	7.9x
Gevo Inc	GEVO	1,161	950	1	(55)	NM	987.7x	NM
	Mean	\$8,856	\$13,636	\$28,063	\$1,007	6.5%	72.4x	19.0x
	Median	\$2,801	\$5,588	\$12,309	\$296	5.8%	0.5x	8.4x

Source: Pitchbook. “NM” = Not Meaningful

Public Comparables Analysis – Renewables

As of November 30, 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	\$2,402	\$2,080	\$2,910	\$247	8.5%	0.7x	8.4x
Brookfield Renewable Corp	BEPC	6,419	28,439	3,208	1,157	36.1%	8.9x	24.6x
NextEra Energy Partners LP	NEP	6,516	16,450	963	826	85.8%	17.1x	19.9x
Ormat Technologies Inc	ORA	4,228	6,016	651	359	55.1%	9.2x	16.8x
Sunnova Energy International Inc	NOVA	4,150	7,192	215	(70)	NM	33.5x	NM
SunRun	RUN	9,531	16,636	1,495	(316)	NM	11.1x	NM
First Solar Inc	FSLR	11,015	9,559	2,625	694	26.4%	3.6x	13.8x
SunPower Corp	SPWR	4,956	4,958	1,281	408	31.9%	3.9x	12.2x
Enphase Energy	ENPH	33,728	33,365	1,234	206	16.7%	27.0x	162.0x
Plug Power	PLUG	22,968	19,425	340	(690)	NM	57.1x	NM
ON Semiconductor Corporation	ON	26,466	28,211	6,340	1,561	24.6%	4.4x	18.1x
SolarEdge Technologies, Inc.	SEDG	17,214	17,209	1,770	243	13.7%	9.7x	70.9x
Cree, Inc.	CREE	14,251	14,246	567	(177)	NM	25.1x	NM
	Mean	\$12,603	\$15,676	\$1,815	\$342	33.2%	16.3x	38.5x
	Median	\$9,531	\$16,450	\$1,281	\$247	26.4%	9.7x	18.1x

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)
December-21	ConocoPhillips	Royal Dutch Shell (Permian Basin Assets)	Permian oil assets located in Texas, United States.	Corporate Asset Purchase	9,500
December-21	Energy Transfer	Enable Midstream Partners	Owner, operator, and developer of strategically located natural gas and crude oil infrastructure assets.	Merger/Acquisition	7,164
November-21	EQT	Covanta	Convertor of waste to energy, and other waste disposal and renewable energy production businesses.	Buyout/LBO	5,246
November-21	Parkland Fuel	Lynch Energy	Supplier of fuel and lubricants to individuals, gas stations, farms, and trucking companies.	Merger/Acquisition	Undisclosed
November-21	ADT Security Services	Sunpro Solar	Provider of rooftop solar systems intended to serve residential and commercial properties.	Merger/Acquisition	825
November-21	Southwestern Energy	GEP Haynesville	Operator of a natural gas liquids production company based in The Woodlands, Texas.	Merger/Acquisition	1,850
November-21	Parkland Fuel	Master Petroleum (Colorado)	Distributor of commercial fuel intended to serve the construction, agriculture, oilfield, and trucking industry.	Merger/Acquisition	Undisclosed
November-21	Chesapeake Energy	Vine Energy	Pure play natural gas company.	Merger/Acquisition	2,145
October-21	World Fuel Services	Flyers Energy	Fleet fueling, diesel exhaust fluid, lubricants, fleet fuel cards, and other petroleum solutions.	Merger/Acquisition	775
October-21	Liberty Utilities	Kentucky Power	Operator of an electric utility company based in Ashland, Kentucky.	Merger/Acquisition	2,846
October-21	Kohlberg Kravis Roberts	Clearway Community Energy	Provider of energy services, incl. district energy, combined heat and power and microgrids.	Buyout/LBO	1,900
October-21	Enbridge	Moda Ingleside Energy Center	Operator of a crude export terminal based in Ingleside, Texas.	Merger/Acquisition	3,000
October-21	SunPower	Blue Raven Solar	Provider of solar energy system installation services.	Merger/Acquisition	165
October-21	Coterra Energy	Cimarex Energy	Exploration and production company.	Merger/Acquisition	17,000
September-21	Archaea Energy	Aria Energy	Provider of renewable energy to utilities and other customers across the United States.	Merger/Acquisition	680
September-21	Southwestern Energy	Indigo Natural Resources	Operator of an independent natural gas company intended to supply gas.	Merger/Acquisition	2,700
September-21	Deutsche Windtechnik	Cooke Power Services (Wind Turbine Maintenance Division)	Provider of wind turbine operations and maintenance business services.	Merger/Acquisition	Undisclosed
August-21	Kinder Morgan	Kinetrex Energy	Supplier of liquefied natural gas for transportation, commercial, industrial, agricultural, and power markets.	Merger/Acquisition	310
August-21	ArcLight Capital Partners	PSEG (Fossil Generating Portfolio)	6,750-megawatt fossil generating portfolio. The portfolio comprises 13 generation units.	Buyout/LBO	1,920
August-21	Blackstone and others	Escalante H2 Power	Developer of hydrogen to power projects.	Buyout/LBO	Undisclosed
August-21	HollyFrontier	Sinclair Oil	Operator of a vertically integrated oil firm from oil and gas exploration to motor fuel distribution.	Merger/Acquisition	2,600
July-21	EQT Production Company	Alta Resources	Developer of shale oil and gas assets.	Merger/Acquisition	2,925
July-21	Kinder Morgan	Stagecoach Gas Services	Owner of natural gas pipeline and storage business.	Merger/Acquisition	1,225
July-21	EQT	Cypress Creek Renewables	Developer of solar energy facilities.	Buyout/LBO	Undisclosed
July-21	Greencoat Capital	EDP Renewables (405 MW Wind Portfolio)	405-megawatt wind energy portfolio, comprising two wind farms in Illinois.	Buyout/LBO	720
June-21	Enlight Renewable Energy	Clēnera	Developer of solar and energy storage facilities throughout the United States.	Merger/Acquisition	433
June-21	Partners Group	Dimension Renewable Energy	Provider of renewable energy services.	Buyout/LBO	400
June-21	Independence Energy	Contango Oil & Gas	Oil and natural gas company, engaged in crude oil and natural gas exploration, development, and exploitation.	Merger/Acquisition	5,700

Transaction led by DCA Partners

The Resiliency of Renewables Being Put to the Test

The Energy industry has softened from post-pandemic consolidations and is now focused on selling off non-core assets and maximizing synergies between resources.

The \$17 billion merger between Cabot Oil & Gas Corp. and Climarex Energy (one of the more sizable transactions in Q4) reflects this trend, as the “companies are combining forces to pool resources and cut costs to better weather market downturns and

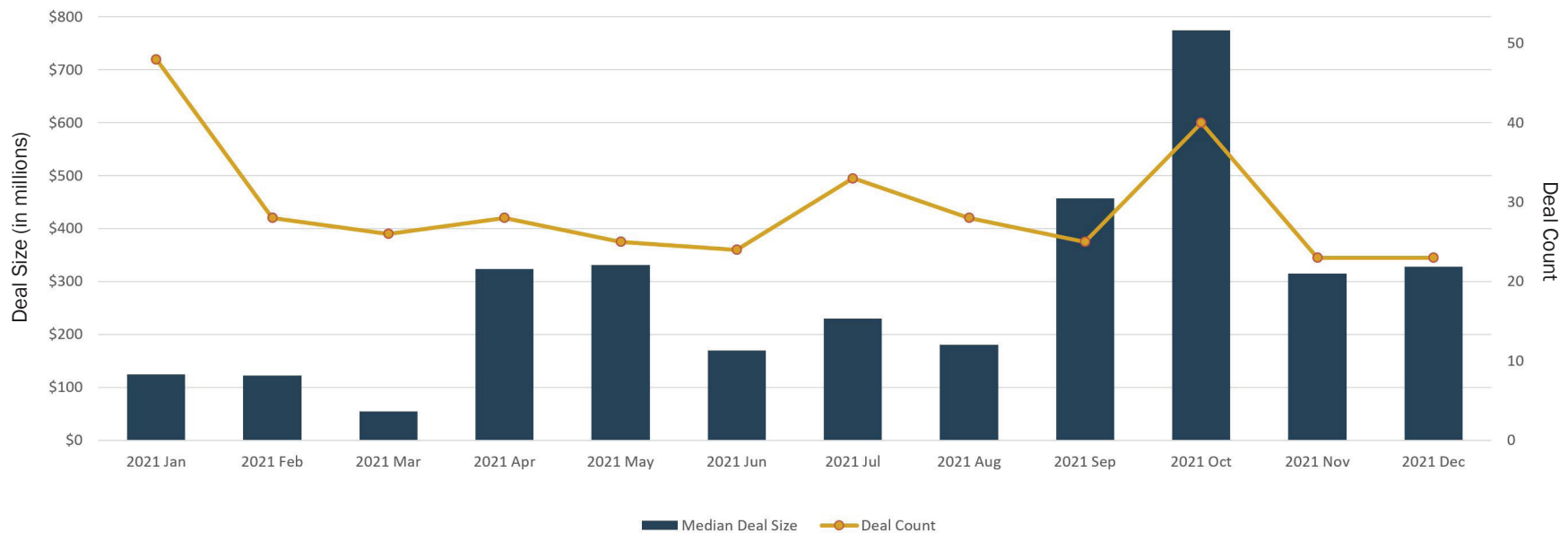
the uncertainty over the energy transition,” according to Dan Dinges, executive chairman of Houston-based Coterra Energy (CTRA), the moniker of the newly formed company.

Other oil companies, under pressure from investors, are shifting investments towards clean energy, and buyers are ready to snatch up available assets to lower production costs through economies of scale. Royal Dutch Shell Plc (RDSA.L)

sold its Permian oil assets to oil producer ConocoPhillips (COP.N) for \$9.5 billion in September.

While the Renewables sector is growing faster than ever, investments may face near-term challenges as the market grapples with a strained U.S. supply chain, high commodity prices, and forthcoming policy changes. A rise in costs across the entire Energy industry may be the market’s saving grace.

Deal Size and Deal Count in the Energy Sector, 2021



Source: Pitchbook

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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