

M&A Update June 2020-June 2021

Energy



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Summary

Energy Environment Stabilizes and Looks Towards the Future



Renewable Revolution

Oil and gas continue to lead the M&A space by a significant margin, especially in terms of total transaction value. Renewable energies, however, are starting to take over the industry with increased investment activity and rising valuations. Continuing efforts from companies to hit their Environmental, Social, and Governance (ESG) targets as well as legislation pushing towards a net zero emissions future will continue to provide growth opportunities well into the future. Oil and gas must adapt their business practices to develop cleaner practices, or face risk of regulatory scrutiny.

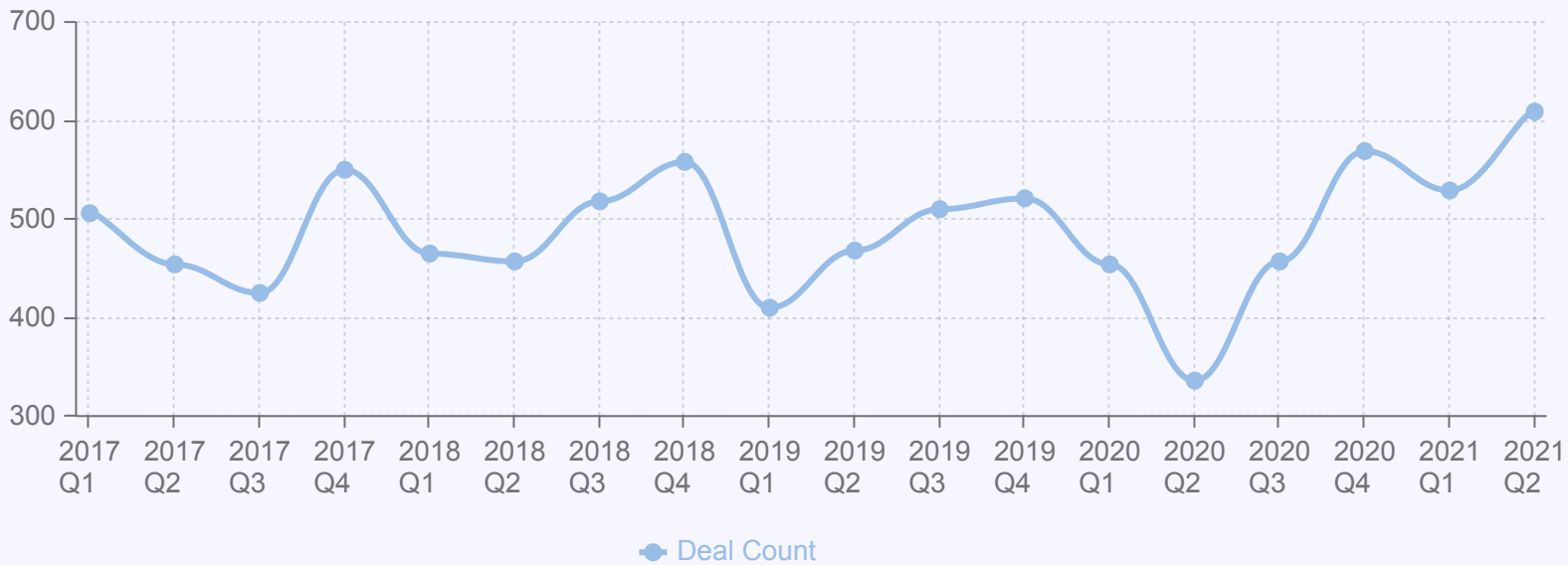
M&A Activity Rebounds

After a brutal first half of 2020, M&A rebounded sharply from the Q2 2020 lows to typical levels of activity seen before the pandemic for the rest of 2020 and into the first half of 2021. Total transaction value has fallen slightly since recovering in Q3 of 2020, but M&A deal activity will likely pick back up as companies recover cash flows to make more investments. As demand for travel picks back up, oil prices will begin to stabilize after a year of volatility. Larger acquisitions in the natural gas space will pick back up as companies look to bolster their resource capabilities, divest from underperforming assets, and start to make the push towards cleaner energy.



TOTAL TRANSACTIONS: 2020-2021

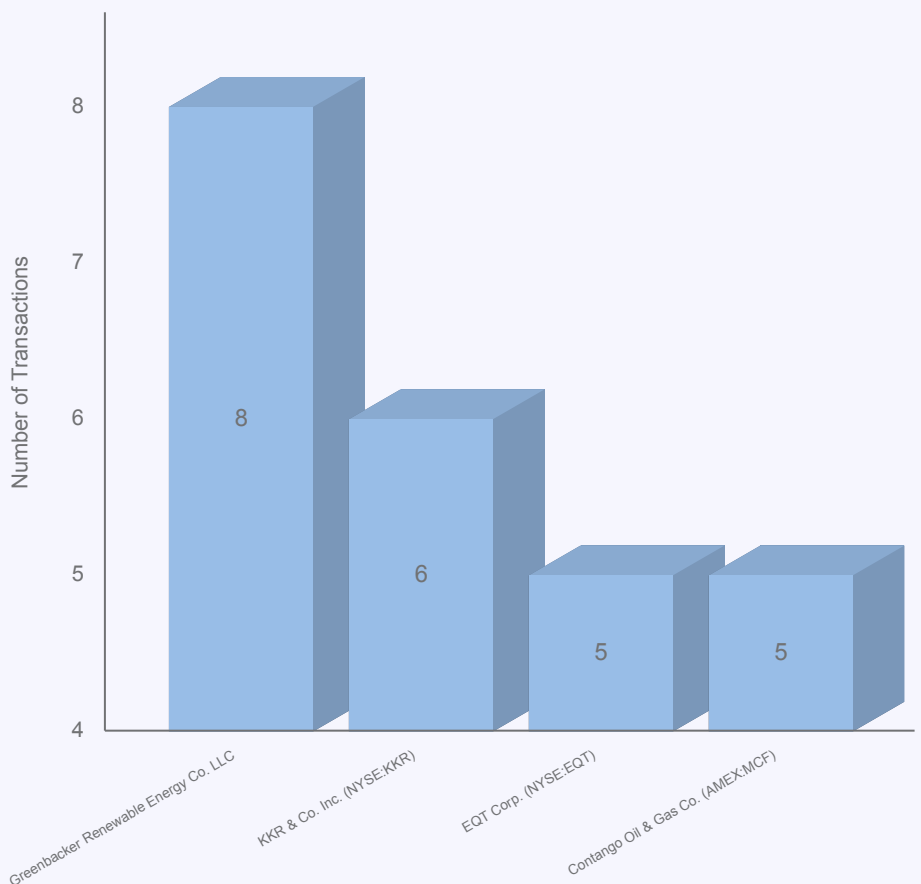
Global M&A Deal Volume: Number of Transactions Per Quarter
Energy Industry



Renewable Energy Grows

Greenbacker Renewable Energy Company (GREC) led the energy M&A market in terms of deal number for the past year. GREC acquires and finances the construction and operation of renewable energy and sustainable development projects to generate income and capital appreciation. With eight new acquisitions, GREC has positioned itself for growth in wind, solar, and hydroelectric renewable energies.

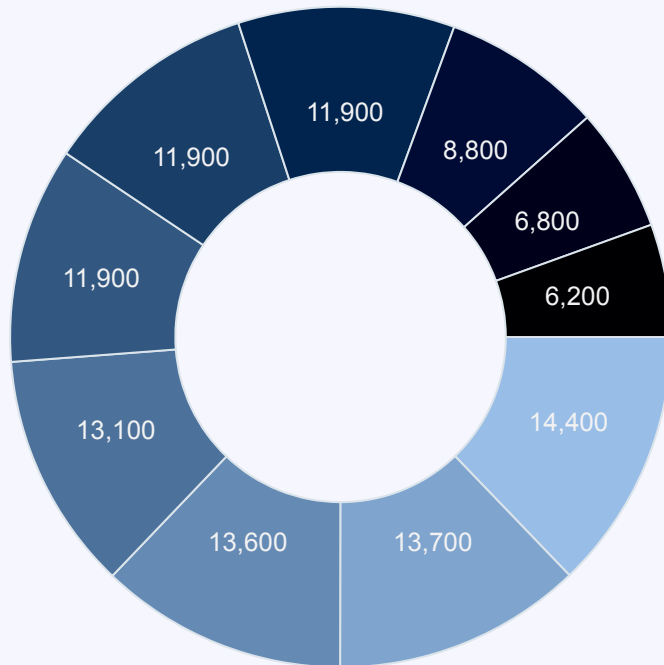
Most Active Investors by Number of Transactions (U.S. 2020-2021)



TOTAL TRANSACTION VALUE BY COMPANY: 2020-2021

Most Active Investors by Transaction Size

Values in Millions (\$)



Global Infrastructure Partners	14,400
ConocoPhillips (NYSE:COP)	13,700
Pioneer Natural Resources Co. (NYSE:PXD)	13,600
Chevron Corp. (NYSE:CVX)	13,100
Caisse des Dépôts et Consignations	11,900
CNP Assurances S.A. (OTC:CNPAF)	11,900
Meridiam SAS	11,900
Cabot Oil & Gas Corp. (NYSE:COG)	8,800
Energy Transfer LP (NYSE:ET)	6,800
EQT Corp. (NYSE:EQT)	6,200

Hostile Takeover Settles

After multiple attempts to acquire French water technology and solutions company SUEZ, Veolia Environnement S.A has successfully closed the deal after agreeing on certain conditions. As the two companies merge, a "new SUEZ" will be acquired by a consortium consisting of Global Infrastructure Partners, Meridiam, Caisse des Depots, and CNP Assurances for just under \$12 billion. The new SUEZ will be a major player in environmental services and energy with annual revenues of nearly 7 billion euros and strong developmental growth prospects both in France and Internationally.

Oil Remains Key Asset

The largest single M&A deal in the last 12 months in terms of value was made by ConocoPhillips with their acquisition of Concho Resources Inc. for over \$13 billion. Concho Resources engages in hydrocarbon exploration, with operations exclusively in the Permian Basin. Production capabilities were around 330,000 barrels per day in 2019. This acquisition highlights how oil and it's refined products continue to play an integral role in our economy. ConocoPhillips CEO Ryan Lance stated that "this acquisition results in the combination of two premier companies that can lead the structural change for our vital industry".

COVID-19 Recovery

Strong Recovery for Some Sectors, Obstacles Continue for Others

Demand Shock Still in Recovery

Oil and gas value chains were hit extremely hard by the initial onset of the pandemic, with oil futures experiencing backwardation so severe that futures prices turned negative in April of 2020. Downstream assets felt the brunt of the initial impact, and many companies experienced negative margins, were sold, or defaulted as a result of prolonged periods of diminished demand in the second half of 2020. Domestic and international travel in most capacities has rebounded since then, but still remains depressed as more people are opting to work from home and some international borders are still closed. Exploration and production will prove to be the defining segments to invest in for the oil and gas companies who were able to survive. M&A will be a necessary tool for those investments to be made.

Net Zero Future

Environmental, social, and corporate governance (ESG) is starting to become the center of attention for investors and upper level management as businesses start to re-define their core objectives. Many of these objectives are focused on reducing carbon footprints, encouraged by net zero emissions goals of governments and organizations such as the International Energy Agency (IEA). Chinese president Xi Jinping pledged to achieve carbon neutrality by 2060, Japanese Prime Minister announced a goal of 2050, and the UK is ahead of schedule to move away from coal fired stations entirely (2024 vs 2025). These initiatives will have a significant impact on the energy industry globally, both providing opportunity for clean energy to rapidly expand as well as creating obstacles for current oil and gas giants to develop cleaner and more efficient business practices. M&A will serve as a valuable tool for companies to expand, adapt, and evolve to develop a sustainable future.



Valuations

Over \$150 Billion of Disclosed Deal Value: June 2020-June 2021

Average Deal Value (Millions of \$)	608.7
Average TEV/Revenue	2.27
Average TEV/EBITDA	7.32

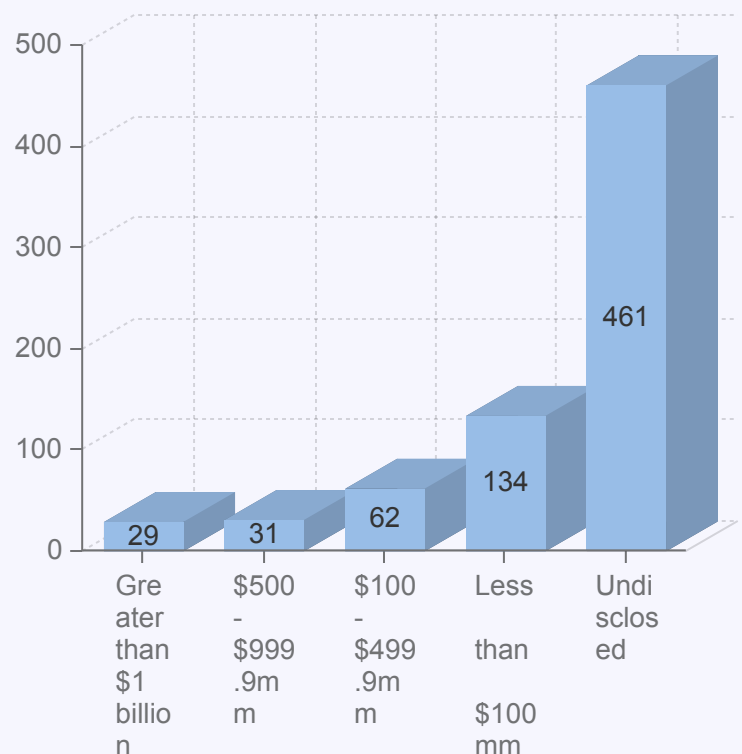
Deal Volume Rebounds

The energy industry was hit extremely hard during the onset of the pandemic, especially the oil and gas industries which account for the majority of M&A deal volume and numbers. Sharp declines in travel by pretty much any vehicle caused the price of oil to drop well below zero for the first time ever in history. This has a drastic impact on M&A as well, with deal count dropping to lows not experienced since the '08 financial crisis in Q2 of 2020. However, deal count rebounded very quickly, with global energy M&A deal count increasing 182% when comparing Q2 of 2020 to Q2 of 2021. Overall deal volume (\$) increased approximately 880% from Q2 of 2020 to Q3 of 2020. Deal volume has since settled to levels slightly below to on par with previous years before the pandemic.

Premiums Applied to Renewables

Valuation multiples for deals made in the energy industry have been relatively low compared to previous years, declining as a result of the negative impacts the pandemic has caused. With M&A volume picking back up as a result of global recovery from lockdown, valuation multiples will likely reverse this downtrend in the near future, then continue to rise slightly as companies start to take advantage of M&A to fuel future growth. Enterprise Value (EV)/EBITDA for coal companies is hovering around the 6x range, and oil related fields are between 7-9x currently. While premiums have declined on average for the entire industry, transactions involving renewable energy companies are seeing trends in the opposite direction. Over the past year, EV/EBITDA valuation multiples have been significantly higher, ranging anywhere from 14x to upwards of 25x and beyond. Investors are taking into account the likelihood of a major shift in global energy dependence in the future and are willing to pay large premiums to get in on the ground floor.

Number of Energy M&A Deals by Transaction Range



Conclusion



Increasing Investment

Valuations have decreased slightly over the course of the pandemic, but as cash flows rebound and demand increases, investment in the energy industry will increase alongside valuation multiples, especially in the renewable energy space.



Push Towards Sustainable Future

Every sector in the energy industry will be transformed by legislative and social initiatives focused on cleaner energy and combating climate change. Renewable energy will see above average growth as oil and gas redevelop cleaner and more efficient business practices.



Nature of Business is Changing

A growing number of banks and private equity funds are becoming signatories to the Collective Commitment to Climate Action (CCCA), agreeing to focus investment on carbon neutral and ESG initiatives. A group of institutional investors with a collective \$5.1 trillion AUM convening under the name Net-Zero Asset Owner Alliance continues to gain traction as well, signaling a shift in priorities for energy companies and investors in this space.

Senior Management Team



Jim Audette is a founding partner and President of ASA Ventures. He has broad experience in building high performance companies as a C-level executive and strategist. In addition, his experience includes M&A, debt and equity financings, and corporate restructurings, in a wide range of industries including technology, consumer products, promotional products, healthcare, manufacturing, energy and industrials.

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John Allen is a Managing Director, founding partner of ASA Ventures and is a CPA. He brings over 30 years of direct P&L and general management experience. His diverse background includes a unique combination of operations, financial and sales management, which has enabled him to lead companies to dramatic increases in revenue and profitability. He has served as President, General Manager, and Chief Financial Officer. He has an extensive sales background, has closed numerous transactions in the technology sector, as well as, integrating acquisitions.

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Bill Schloth is a Managing Director and founding partner of ASA Ventures. Bill has significant experience in mergers and acquisitions. He has worked on transactions in many sectors including renewable energy, cloud computing, data analysis, construction and manufacturing. These transactions have ranged in enterprise value from \$5 million to \$200 million. His focus has always been on exceeding client expectations through detail-oriented due diligence, transparency and thorough marketing efforts.

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