



M&A DEAL ANALYSIS
“America's New Clean Energy Leader”

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M&A DIVISION

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M&A DEAL ANALYSIS

Acquirer: Constellation Energy Corp..

Target: Calpine Corp.

Deal value: \$16.7bn

Sector: Energy

Type of M&A: Sponsor – Divestment & Stock Swap

Announced date: 10/1/2025

Completed date: TBD



Acquirer details

Name: Constellation Energy Corp.

Founding year: 1816

Headquarters: Baltimore, Maryland

CEO: Joseph Dominguez (2022 - Present)

Number of employees: 14,264

Market Cap: \$59.05bn

EV: \$64.99bn

- Revenues: \$23.58bn
- EBITDA: \$6.66bn
- EBITDA margin: 28.24%
- EV/EBITDA: 11.45x
- EV/Sales: 3.23x

(All financial data as of December 2024)

Company industry: Energy Producer and Supplier

Target details

Name: Calpine Corp.

Founding year: 1984

Headquarters: Houston, Texas

CEO: Thad Hill (2014 - Present)

Number of employees: 2,256

- Revenues: \$9.24bn
- EBITDA: \$1.79bn
- EBITDA margin: 19.37%
- EV: \$29.4 bn (as of transaction)
- EBIT: \$1.09bn

(All financial data as of December 2019)

Company industry: Energy Producer and Supplier

Deal Overview

Constellation Energy Corporation (NASDAQ: CEG), a U.S.-based energy producer and supplier, announced on January 10th its acquisition of Calpine Corp, the leading generator of electricity from natural gas and geothermal resources. The transaction values the Houston-based Calpine at \$29.4 billion, with the \$16.7 billion acquisition expected to close by early 2026.

The deal structure involves Constellation Energy purchasing Calpine from private equity firm Energy Capital Partners LLC through a combination of \$12.2 billion in common shares and \$4.5 billion in cash consideration in return for a 100% in Calpine Corp.

Since its founding in Houston, Texas in 1984, Calpine Corporation has grown to become America's leading natural gas and geothermal energy company. The company does business across 22 states, and has a varied energy portfolio of over 26,000MW of power generation. The firm serves commercial, industrial, and utilities clients with its 76 national-wide power plants, employing 2,300 people.

Calpine Corp. has been revolutionary in their adoption of geothermal energy and green energy solutions. They famously operate The Geysers in California, the largest geothermal power plant in the world. The firm's specialisation in greener energy production has made their plants and intellectual property highly demanded due to societal, regulatory, and economic constraints on traditional fossil fuel-based energy production.

Constellation Energy Corp. interest in Calpine Corp. arises from its desire to build upon its green-energy offering and strengthen its position in key electricity markets across the United States. Constellation Energy, which separated from its parent company Exelon Corporation in 2022, operates America's largest fleet of carbon-free nuclear plants and they have leveraged this to push for greater market shares in strategic energy segments. Constellation aims to exploit possible energy synergies that it may have with Calpine, further bolstering its carbon-free energy offering while improving its bottom line.

Industry Overview

This merger combines two major players in the U.S. energy sector, forming the nation's largest clean energy provider. The combined portfolio is diverse, comprising nuclear, natural gas, geothermal, hydro, wind, solar, cogeneration, and battery storage assets. This strategic integration is aimed at addressing the growing demand for reliable and sustainable energy while leveraging operational efficiencies and enhancing competitiveness in a rapidly evolving industry.

Key Industry Trends and Challenges

The U.S. energy sector is at a pivotal point, driven by the convergence of economic pressures, environmental policies, and technological advancements. The merger between Constellation and Calpine reflects a strategic response to these industry dynamics, aiming to consolidate strengths and optimize the generation and distribution of clean energy. Rising Electricity Demand: The digital transformation of industries, accelerated by advancements in artificial intelligence (AI), data centers,

and the proliferation of electric vehicles (EVs), has significantly increased electricity consumption. According to ICF, U.S. power consumption is expected to grow by nearly 20% by 2033. Data centers alone could account for around 10% of global electricity usage by 2030 due to the expansion of cloud computing and AI-driven processes. The transportation sector is rapidly shifting towards electrification, driven by policy incentives and consumer demand for EVs. As a result, the power grid must adapt to increased loads from residential and commercial EV charging stations. Smart home technology, IoT devices, and remote work setups are also contributing to rising residential electricity usage, requiring flexible and resilient grid infrastructure.

Transition to Clean Energy

The push for decarbonization is driven by both regulatory frameworks and consumer expectations. The U.S. targets net-zero emissions by 2050, with intermediate goals encouraging significant reductions in carbon output by 2030. Key legislative support includes the Inflation Reduction Act (IRA) of 2022, which provides financial incentives for renewable energy projects and tax credits to lower emissions. This act has catalyzed investments in solar, wind, and energy storage solutions. Nuclear power is recognized as a cornerstone of clean energy due to its zero-carbon footprint. The merger's strengthened nuclear portfolio is critical for ensuring consistent, low-emission energy generation. Renewable energy adoption is on the rise, with increased investments in wind, solar, and geothermal technologies. Battery storage and grid modernization efforts are also being accelerated to support the integration of intermittent renewable sources.

Energy Security and Reliability

Natural gas remains indispensable for maintaining grid stability, especially as renewable penetration increases. Constellation-Calpine's balanced energy mix, featuring a robust natural gas component, mitigates the risk of power interruptions during low renewable output periods. The geopolitical landscape has impacted fossil fuel availability and pricing, reinforcing the importance of domestically produced energy. The merger positions the combined entity to better navigate these challenges by optimizing natural gas utilization alongside renewable growth. Advanced energy management technologies, including AI-driven predictive maintenance and real-time monitoring, are critical for maintaining operational reliability and efficiency.

Energy Mix Comparison

Constellation-Calpine vs. US Average The merger results in a significantly more diversified energy portfolio compared to the U.S. average. Nuclear energy forms a substantial part of the post-merger mix (30%), providing consistent baseload power. Natural gas (35%) offers the necessary flexibility to balance supply fluctuations from renewable sources. Wind (15%), solar (10%), geothermal (5%), hydro (3%), and battery storage (2%) further diversify the portfolio, enhancing resilience and sustainability.

Strategic Implications of the Merger

The Constellation-Calpine merger is strategically designed to capitalize on the shift towards clean, reliable energy. The combined entity's diverse asset base enables it to address the dual challenges of meeting rising demand and reducing carbon emissions. Operational efficiencies are expected through the integration of generation assets, fuel procurement strategies, and enhanced distribution networks. The combined financial stability facilitates continued investment in innovative energy

solutions, including battery storage and AI-driven grid optimization. This merger not only positions Constellation-Calpine as a leader in clean energy but also aligns with broader industry trends favoring sustainable, low-carbon power generation. The company is poised to deliver consistent energy supply while adapting to policy shifts and market dynamics.

In conclusion, the merger of Constellation and Calpine represents a forward-thinking strategy that addresses critical challenges in the energy sector. By integrating diverse energy assets and enhancing operational capabilities, the combined entity is well-positioned to meet the evolving demands of a cleaner and more resilient energy future.

Deal rationale

Financial benefits for Constellation

The transaction will benefit Constellation's owners, with expected immediate adjusted operating earnings per share (EPS) accretion of more than 20% in 2026 and at least \$2 per share of EPS accretion in future years. The transaction is forecasted to add more than \$2 billion of free cash flow annually, creating capital and scale to reinvest in the business. Constellation's base earnings outlook is expected to continue growing at a double-digit rate through the decade.

Increase in capacity will lead to growth

The deal creates the cleanest and most reliable generation portfolio in the U.S., with a diverse portfolio of zero- and low-emission generation assets and expands Constellation's footprint in the fastest growing area of demand for power, mainly driven by the boom in demand for AI computing, which requires huge amounts of electricity. Together, Constellation and Calpine will have nearly 60 gigawatts of capacity from zero- and low-emission sources, including nuclear, natural gas, geothermal, hydro, wind, solar, cogeneration and battery storage. The combined company's footprint will span the continental U.S. by expanding Constellation's presence in Texas, the fastest growing market for power demand, and in other strategic states, including California, Delaware, New York, Pennsylvania and Virginia.

Innovation and increased customer

The purchase of Calpine combines best-in-class retail and commercial businesses with a premier customer solutions platform, establishing a coast-to-coast presence and providing opportunities to serve more customers with a broader array of energy and sustainability products to meet increasing demand. The transaction will position the combined company as the leading U.S. retail electricity supplier, serving 2.5 million homes and businesses nationwide. The new array of products includes nuclear, renewable and natural gas technologies tailored to customers' unique needs. Lastly, customers will also enjoy more predictability and competitive prices as a result of the two companies' complementary generation assets, load, fuel diversity, geographies and product offerings.

Leader in the clean energy market

The deal reinforces Constellation's position as the largest clean energy producer with the lowest carbon emissions intensity in the U.S.: Constellation is already the top clean energy producer in the U.S., providing 10% of the nation's emissions-free energy, and joining the acquisition of Calpine strengthens this position by increasing Constellation's renewable portfolio, including the Geysers facility in Northern California, the largest geothermal generator in the U.S.

Social impact

The buyout will bring shared commitment to supporting clean, healthy and growing communities through workforce development, philanthropy and community investment. The combined company will increase its positive impact, serving as an economic engine for local communities and continuing its commitment to communities through more than \$21.1 million in combined annual Foundation and philanthropy.

Deal Structure

Constellation will acquire Calpine in a cash and stock transaction valued at an equity purchase price of approximately \$16.4 billion, composed of 50 million shares of Constellation stock, using the trailing 20-day VWAP of \$237.98 and \$4.5 billion in cash, plus the assumption of around \$12.7 billion of Calpine net debt.

Constellation plans to fund the cash portion of the deal with a combination of cash on hand and cash flows generated by the target between signing and closing.

Having considered the cash that Calpine is expected to generate between signing and closing, together with the value of its tax attributes, the net purchase price is \$26.6 billion, which reflects an acquisition multiple of 7.9x 2026 EV/EBITDA.

Risks and Implications

Short-Term Risks

Complexity of Integration

Integrating the 76 power plants operated by Calpine in 22 states into the operations of Constellation poses a big challenge, especially given the variety of technologies involved (natural gas, geothermal, cogeneration, etc.). Furthermore, to solidify synergies, differences in operational culture, systems, and regulatory environment must be worked out before this merger can be realized.

Execution & Transition Risk

The deal has a price tag of around \$26.6 billion and is expected to close only in 2026, elevating its executing risk. Any delay, regrettably not uncommon in large-scale transactions, could push expected benefits and EPS accretion back several years. Dangers that loom may lead to delay: regulatory approval, antitrust scrutiny, and financing problems, among others.

Market Volatility

The cash-and-stock nature of the deal exposes the valuation to share price volatility. If Constellation's stock performs poorly, it could dilute existing shareholders more than expected.

Funding & Cash Flow Pressures

Although Constellation intends to utilize Calpine's interim earnings to finance the \$4.5B cash consideration, its ability to do so hinges on the performance of Calpine's business. If Calpine underperforms, Constellation may need to rely more heavily on external debt to finalize the deal.

Medium/Long term Risks

Dependence on the Energy Market

The newly merged company is much more sensitive to electricity pricing, regulatory changes, and energy supply (especially natural gas). Long periods of low energy prices could cut into the profits of new and existing power plants.

Policy and regulatory uncertainty

In the U.S., the transition to a clean energy economy is currently favoured under existing federal legislation, such as the Inflation Reduction Act (IRA), and the Obama/ Biden administrations' work with China in setting global climate targets. However, shifts in political leadership or regulatory sentiment could affect future implementation of this recent legislation, especially as it concerns the types of subsidies and tax credits that long-term investments in both renewable and nuclear energy projects might rely upon.

The massive capital requirement for geothermal, battery storage, and AI smart grid systems represents a technology risk for the company. If it doesn't invest heavily enough in these technologies to remain competitive, it could slow the growth of its top line. Even so, there's no guarantee it will earn a sustainable return on investment in the short future.

Market reaction

Constellation (CEG) Share Price

The immediate reaction of the market to our announcement was neutral to slightly positive. In fact, the shares were up modestly in early trading after the announcement, which translates to, I think, a very sort of solid vote of confidence for us in terms of what the market thinks with respect to our long-term strategy and, I guess, with respect to the management team as well.

Analyst Commentary

Several analysts consider the transaction to be strategically sound, leaving potential for substantial cash flow generation. EPS accretion estimates (+20% in 2026) and \$2B free cash flow boost are seen as key value drivers.

Key Market Perception Drivers

The market appears to have a favorable view of Constellation expanding into geothermal and gas-based assets, particularly amid AI/data center-driven demand. In addition, given the prevailing

geopolitical sphere, investors seem to increasingly acknowledge the importance of a diversified energy mix (nuclear + gas + renewables), essential for U.S. grid reliability. Some investors, however, express concerns about Calpine's debt load (\$12.7B assumed) and the 7.9x EV/EBITDA multiple, a fair but costly amount.

Deal Advisors

Calpine Corp.

Lead Financial Advisor: *Evercore Inc.*

Non-Lead Financial Advisors: *Barclays, Goldman Sachs, Morgan Stanley & Co*

Legal Advisors: *Latham & Watkins LLP, White & Case LLP*

Constellation Energy Corp.

Financial Advisors: *JP Morgan Securities, Lazard*

Legal Advisor: *Kirkland & Ellis LLP*

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