



# ENERGY

THIRD QUARTER

2013

This Industry Practice Group was established to draw on the experience of CFA dealmakers, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

## Energy M&A

According to a report from Price Waterhouse Coopers (PwC), a leading global consulting firm, M&A activity for the energy industry was down in the first quarter of 2013. There were a total of 39 energy deals with values greater than \$50 million, accounting for \$17.2 billion in deal value, a decrease from the 53 deals worth \$30.4 billion in the second quarter of 2012. On a sequential basis, deal volume in the second quarter dropped by five percent compared to the first quarter of 2013, with deal value falling by 37 percent during the same time period. Divestitures drove U.S. energy mergers and acquisitions activity in the second quarter of 2013, according to PwC. Upstream deals accounted for 22 transactions, representing 56 percent of total deal volume totaling \$6.4 billion. Additionally, there were 10 midstream deals, accounting for 26 percent of total deal volume in the quarter worth a total of \$6.2 billion.

In addition, PwC predicts that new EPA actions will continue to have a significant impact on the sector with rules such as the MATS rule, which will require plants to be shut down. With the extension of production tax credits (PTCs) we can expect to see continued investments similar to what was experienced in 2012. Solar is likely to witness greater investments, driven by state and national incentives. More consolidation is likely in the solar space, led by large utilities.

## Fast Facts Q1 2013 Energy M&A

Master limited partnerships (MLPs) were involved in seven transactions, representing 18 percent of total deal activity. Oilfield services was the most active subsector within Energy, contributing four deals worth \$3.6 billion during the second quarter of 2013. There were four corporate transactions totaling \$5.9 billion in the second quarter of 2013, a drop from the 15 corporate deals that totaled \$18.0 billion during the same period in 2012. In the second quarter of 2013, there were no announced deals from foreign buyers, representing a significant change from previous quarters



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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Selected Q2 Transactions	
Target/Issuer	Buyers/Investors
DynaFlo Artificial Lift Systems	Accelerated Companies LLC
Antelope Oil Tool & Mfg., Co.	Intervale Capital
Panhandle Oilfield Svc. Cos., Inc.	Argosy Capital
Avatar Energy Ltd.	RockBridge Energy Alberta Ltd.
Bison Midstream, LLC	Summit Midstream Ptnrs, LP (NYSE:SMPLP)
Global Tubing, LLC	Quantum Energy Partners (NYSE:FET)
Pipeline Management Inc.	Inter Pipeline Fund (TSX:IPLUN)
Mitchell Drilling Intl Pty Ltd	Mining Associates Pvt. Ltd.
Transport and Railroad Fuel Business	Mansfield Oil Company
Hartney Fuel Oil Company	RelaDyne, Inc.
Natural Gas System in Americus	Black Hills/NE Gas Utility Company
Campbell's Bottled Gas Inc.	Thompson Gas & Electric Svc., Inc.
Spectra Energy Exp Pipeline Canada	Spectra Energy Partners, LP (NYSE:SEP)
Intl Tubular Services de Mexico	PD International Holdings C.V.
Deep Sea Mooring AS	HitecVision AS (OTCNO:HITV)
Swift Engineering Inc.	Technocraft Industries (India) Ltd

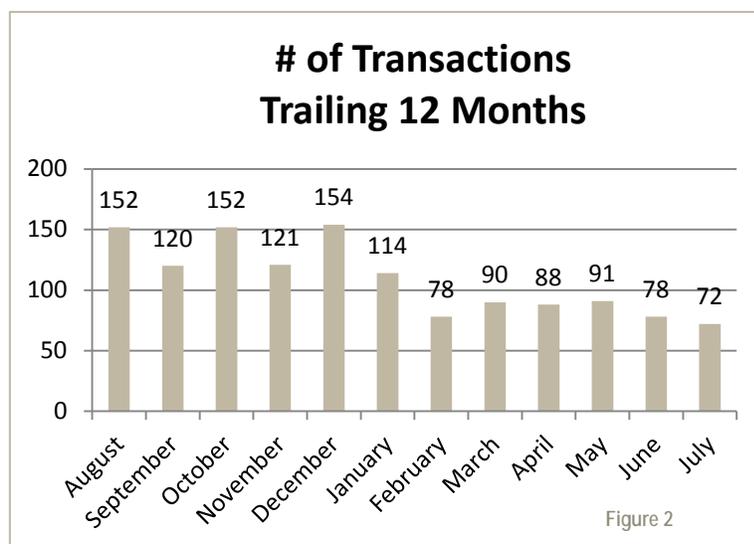
Figure 1

## Power and Utilities

Investment challenges continue to plague this sector. Private equity groups and VCs are reluctant to invest due to increasing valuations, giving rise to more corporate consolidation. Power & utilities saw the second highest deal value for Q2 2013, with 91 deals worth \$27.7bn and 15.4% of market share by value. The sector also saw a 53% decrease in deal value and a 22% decrease in volume from Q2 2012.

## Oil and Gas Sector

Total deal volume in the US oil and gas sector hit a ten-year high in the last quarter of the 2012, at 75, with the \$56.2 billion in aggregate value marking the second highest quarterly value figure for a decade. Of the 75 deals carried out in the fourth quarter, there were 27 deals with values greater than \$50 million related to shale plays, with a combined value of \$16.3 billion. For the whole year, 77 shale deals were carried out, contributing \$51.7 billion to the sector total. Two of the deals in the fourth quarter related to transactions involving the controversial Marcellus Shale - totaling \$685 million in value - and one related to the Utica Shale, worth \$372 million.



## Private Equity

Private equity in the energy industry continued its trend from the first quarter with volume remaining low with just two transactions with values greater than \$50 million in the second quarter. Total deal value was \$686 million, a slight increase from the first quarter of 2013, but a 90 percent decrease compared to the same period in 2012. PE investors opted to stay on the side lines, partly due to the uptick in valuations. Private equity groups are also waiting for the opportune moment in gas to capitalize on looming price increases following recent shifts from coal to gas for power generation.

Portfolio optimization continued to be the key theme into 2013, with utilities seeking to either increase their investments in regulated businesses or decrease their investments in competitive generation. Continuing weak power prices are the principal reason that utilities are seeking to rebalance their portfolios. Although some generation asset sales are sure to occur, the sector might also witness blockbuster mergers: joining forces enables utilities to better align portfolios.

The Energy Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Energy Practice Group provides M&A advice to independent and integrated energy companies in all sectors of the energy industry, including power generation, oil & gas, utilities, mining and natural resources, renewable energy and businesses that serve the energy industry, in all aspects of oil and gas land-based transactions, mergers, acquisitions, joint ventures and financial resources. For more information contact your local Corporate Finance Associates office.

