

ENERGY

FIRST QUARTER

2015

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

M&A activity for North American based target companies in the energy sector for Q4 2014 included 22 deals, with an average EBITDA multiple of 5.4 and revenue multiple of 1.5. The sector has been greatly impacted in recent months by the precipitous decline in the price of oil as Middle Eastern and North American producers duke it out for supremacy. Still, as the desire for renewable energy continues to gain momentum the sector is ripe for investment.

Transactional Overview

Notable closed transactions for the period in the energy sector include:

December 2014 - Freehold Royalties Ltd acquired Anderson Energy Ltd for CAD35 million (US\$30.8 million) in cash, subject to adjustment and less any bank debt of Anderson Energy Ltd, which will be assumed and immediately paid out. Freehold Royalties Ltd. is engaged in acquiring and managing oil and gas royalties.

Anderson Energy Ltd. is a resource-based oil and gas development company, which is engaged in the exploration, acquisition, development and production of oil and natural gas.

November 2014 - Tri-Win International Investment Group Inc. acquired Hyperion Exploration Corp for CAD7.6 million (US\$6.7 million) in cash by way of a plan of arrangement. Tri-Win is a global investment group focused on real estate. Hyperion Exploration Corp. is an oil and gas company, which is engaged in the acquisition, exploration, development and production of natural gas and crude oil.

November 2014 - Schoeller Bleckmann Oilfield Equipment AG acquired a 67% majority stake in Resource Well Completion Technologies, Inc. from its founder, for approximately CAD89.3 million (US\$79.2 million) in cash and contingent payout. Schoeller-Bleckmann Oilfield Equipment AG manufactures and designs drilling equipment for the oil and gas service industry. Resource Well Completion Provides Technologies down hole completion equipment for the oil & gas Industry.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

FOR MORE INFORMATION CONTACT

Corporate Finance Associates
24461 Ridge Route, Suite A200
Laguna Hills, CA 92653

For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

info@cfaw.com
www.cfaw.com

Selected Q4 Transactions

Target/Issuer	Buyers/Investors
SPG Energy Group LLC	ERM Power Ltd.
Resource Well Completion Tech.	Schoeller-Bleckmann Oilfield Equip.
Tubular Structures International LLC	TransTech Energy, Inc.
Platt, Sparks & Associates, Inc.	FTI Consulting, Inc.
Nuevo Midstream LLC	Western Gas Partners LP
Gas Ventures LLC	Dome Energy AB
Chesapeake Energy Corp.	Southwestern Energy Co.
New Leaf Biofuel LLC	Baker Commodities, Inc.

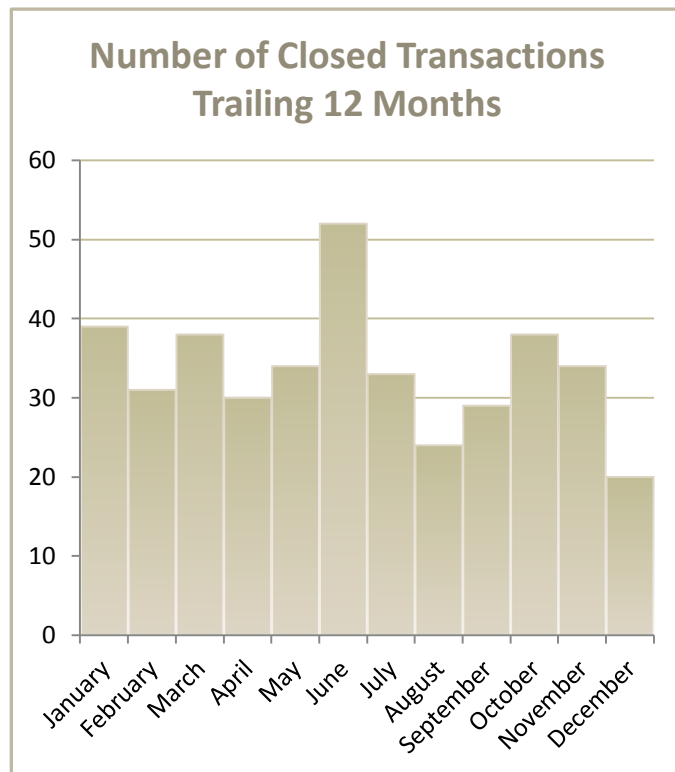
Industry Trends

The average US retail price for diesel and regular gas, which influences profitability for oil and gas companies, fell 11.7 percent and 21.1 percent, respectively, in the week ending January 12, 2015, compared to the same week in 2014. Embattled oil prices are stoking anticipation of mergers and acquisitions in the energy sector, but the bulk of that activity may not come until 2016. Valuations in the public company sector have not fallen far enough to create a strong buyer's market. In declining markets energy companies typically first try to lay out a strategy for dealing with the new price environment, which takes considerable time, making it difficult for buyers to determine the right valuation for a company.

Industry Indicators

According to *First Research*, an industry research organization, the recent drop in crude oil prices is putting pressure on larger US producers to scale back on fracking operations. Fracking has been a huge boon to US oil production in recent years, but as prices fall, costs remain high, and the return on investment has diminished. ConocoPhillips recently announced it will cut back drilling operations and exploration spending. Shell also plans to reduce spending and cut employment. Smaller oil companies with lower cost structures are continuing to profit from fracking, but margins may be squeezed if oil prices continue downward, a scenario some experts say is likely given Saudi Arabia's plan to keep production high. Unlike US producers, Saudi Arabia is able to profit from oil even if prices reach \$30 per barrel, according to Forbes.

New Canadian rules for rail transport of oil and ethanol could boost operating costs for oil producers. Tighter regulation came nearly a year after a train derailment in Quebec killed 47 people, prompting regulators in Canada and the US to pursue tighter regulation of oil tank cars. The new Canadian rules, issued in April 2014, call for railroads to develop emergency plans for responding to explosions; the rules also fast-track the retirement of older tank cars and require the adoption of stronger tank cars within the next three years. Prompted by Canada's moves, regulators in the US are working to update their tanker rules, which have been in dispute for years. US regulations are likely to call for stronger tank cars, reduced speeds for trains carrying oil or ethanol, and safer routes for trains carrying more than 20 tank cars.



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.

