

## ENERGY

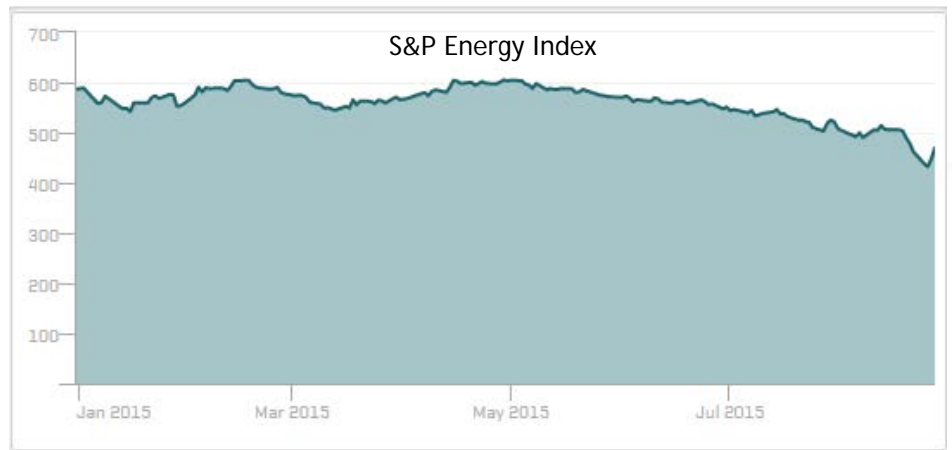
THIRD QUARTER

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 Q2 2015 included 30 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$431 million. The most active sector was upstream oil and gas, which was more than likely driven by the topsy turvy fluctuations in the price of oil. The price actually grew in Q2, averaging \$57/barrel for the quarter, but has fallen sharply in Q3 hovering near \$40. The largest deal of the quarter, which also happened to be the largest industry transaction in 17 years, was Royal Dutch Shell agreeing to acquire BG Group for \$84 billion. The terms of the deal included a 51% premium to BG's trading price (15x EBITDA), showing Shell's belief that there is plenty of growth room going forward.



## Transactional Overview

**June 2015** - Dominion Resources Inc. acquired a 50% minority stake in Four Brothers Solar LLC from Four Brothers Holdings LLC, a subsidiary of SunEdison Inc., for US\$64 million. Dominion Resources, Inc. is a diversified energy company. It supplies electricity and natural gas to homes, businesses and wholesale customers in the Eastern United States. SunEdison, Inc. engages in the business of semiconductor and solar technology. It develops, manufactures, and sells silicon wafers and photovoltaic energy solutions.

**June 2015** - Canamax Energy Ltd acquired Powder Mountain Energy Ltd for CAD21.6 million (US\$17.6 million) in stock. Canamax Energy Ltd. is a junior oil and gas company. It is engaged in the acquisition and exploration of microcaps, and the exploitation of assets, in the oil and gas sector. Powder Mountain produces oil and gas.



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**May 2015** - EnLink Midstream Partners LP, a subsidiary of Devon Energy Corp acquired the remaining 25% of Enlink Midstream Holdings LP from Acacia Natural Gas Corp I Inc., a wholly owned subsidiary of Enlink Midstream LLC for US\$900 million in stock. EnLink Midstream Partners LP operates as an integrated midstream company, which focuses on providing midstream energy services, including gathering, transmission, processing, fractionation and marketing, to producers of natural gas, NGLs, crude oil and condensate. Devon transmits and processes natural gas and crude oil.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
Water Solutions Holdings LLC	American Water Works Co., Inc.
Ullman Oil, Inc.	F.N.B. Capital Partners LP
Westmoreland Kemmerer LLC	Westmoreland Resources GP LLC
Cinco Resources, Inc.	Riley Exploration Group LLC
MCW Fuels LLC	MCW Fuels LLC /Blyumkin
Oasis Power LLC	Nudevco Partners Holdings LLC
Rosetta Resources, Inc.	Noble Energy, Inc.
Southern Propane, Inc.	ArcLight Capital Holdings LLC

## M&A Trends

When oil prices fell in late 2014 many companies in the sector dealt with the issue by thinning out operations - cutting overhead, limiting capital expenditures and reducing staff. The moves were done cautiously as no one knew how long the drop would last. Now, more than half a year later, the environment is still tenuous, which may lead to a number of distressed sales as business owners rely on M&A as a means to avoid trouble with creditors.

## Industry Update

The energy sector performed the best of all sectors in the second quarter of 2015. A composite of energy commodities rose 13.81% and was the strongest commodity sector in the futures markets for Q2. However, there has been a dramatic change in Q3 as the price of oil has drifted below \$40 per barrel. Brent crude oil spot prices decreased by \$5 per barrel in July to a monthly average and fell even further at the end of July and into early August. The current values of futures and options contracts continue to predict a prominent level of uncertainty in the price outlook, which will most likely lead to a very cautious environment for perspective acquirers. Some experts predict that the current record level of inventory will cause prices to settle back down again, and that 2015 will end with West Texas Intermediate (WTI) prices at about \$50 per barrel. However, with so much volatility and uncertainty most experts are not willing make predictions.

### Industry Indicators

- The spot price of crude oil, which affects investment activity in oil and gas drilling, fell 49.3 percent in the week ending July 10, 2015, compared to the same week in 2014.
- The average US retail price for diesel and regular gas, which influences profitability for oil and gas companies, fell 27.7 percent and 22 percent, respectively, in the week ending July 13, 2015, compared to the same week in 2014.

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.

