

ENERGY

FOURTH QUARTER

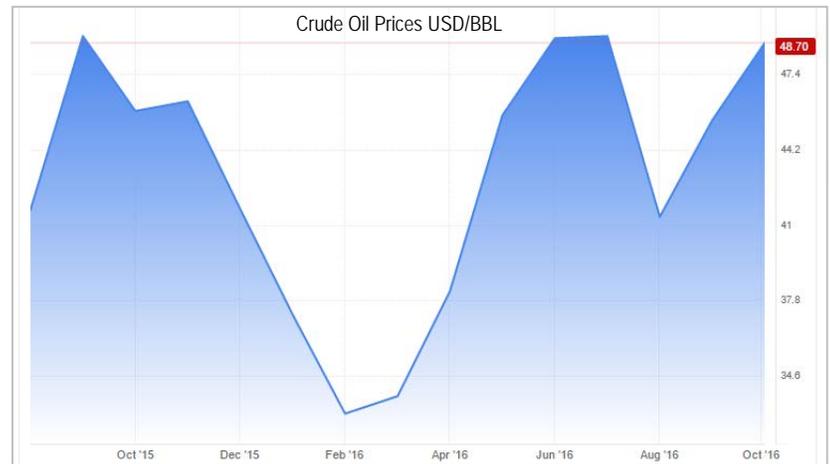
2016

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 Q3 2016 included 127 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$165.4 million.

One of the largest deals of the quarter took place in July when The Southern Co. agreed to acquire a 50% minority stake in Southern Natural Gas Co., LLC from Kinder Morgan, Inc. for US\$1.5 billion in cash, subject to post-closing adjustments. Southern Natural Gas Co. provides gas storage and transportation services. The company serves the natural gas distribution, electricity generation, gas pipelines, marketing and trading companies.



Oil had a strong quarter as the crude price rose on signs of an improving supply/demand balance and US dollar weakness. The positive news had a corresponding positive effect on publically traded energy stocks tied to oil.

Transactional Overview

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

August 2016 - NRG Yield Operating LLC, a subsidiary of NRG Yield, Inc. acquired the remaining 51.1% minority stake it did not own in CVSR Holdco LLC, from Nrg Solar Cvsr Holdings 2 LLC, a unit of NRG Energy Inc for US\$ 78.5 million in cash. NRG Yield Operating LLC operates as a power generation company. It owns a diversified portfolio of contracted renewable and conventional generation and thermal infrastructure assets in the United States. CVSR Holdco LLC is a company headquartered in the United States that owns and operates a photovoltaic energy generating facility.



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For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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August 2016 - High Arctic Energy Services Inc acquired the business and assets of the production services division of Tervita Corp for CAD42.8 million (US\$33.2 million) in cash. High Arctic Energy Services, Inc. is an oilfield services company, which operates in Papua New Guinea and Western Canada. It provides contract drilling, work over services and oilfield related equipment in Papua New Guinea. Tervita Corp owns and operates 68 marketed service rigs and provides oil field services.

July 2016 - Flotek Industries Inc acquired International Polymeric Inc for US\$11.3 million in cash and stock. Flotek Industries, Inc. manufactures and markets oilfield products and downhole technologies. The company operates through its segments: Energy Chemical Technologies, Consumer and Industrial Chemical Technologies, Drilling Technologies and Production Technologies. International Polymeric, Inc. supplies and distributes natural polymers, including guar, to the oil and gas industry.

| Selected Q3 Closed Transactions | |
|----------------------------------------------|-------------------------------------|
| Target/Issuer | Buyers/Investors |
| Torrance Valley Pipeline Co. LLC | PBF Logistics LP |
| The Williams Cos., Inc. /Canadian | Inter Pipeline Ltd. |
| Marlin Midstream LLC | Tailwater Capital LLC; Align |
| Petroleum Industry Research Associates, Inc. | Platts, Inc. |
| Catalyst Oilfield Services LLC | Canadian Energy Servs &Tech |
| Redneck Oilfield Services Ltd. | Strad Energy Services Ltd. |
| Parkway Pipeline LLC | Valero Terminals & Distribution Co. |
| ANS Distributing, Inc. | MidOcean US Advisor LP; Five Points |

Industry Update

Oil producers can better withstand downturns in oil prices by looking for efficiencies in their operations. As the oil industry continues to struggle, some bright spots are emerging as producers find ways to boost efficiency enough to make up for low per-barrel prices. Companies have to carefully manage well productivity to be sure per-barrel costs don't exceed market value. Three shale producers recently surprised the market by announcing productivity gains without higher costs or concessions from vendors. Factors from linking cost cutting and executive pay to boosting the amount of sand used in fracking to design changes have led to doubled production and a 40% drop in costs, according to Reuters. While rig count has fallen in North Dakota's Bakken Shale oil region in the last six years, production per rig has risen from around 200 barrels a day in 2010 to just below 800 barrels per day in 2016, according to The Wall Street Journal.

New rules from the FAA authorizing drone flights for businesses, with limitations, could open up a whole host of uses for drones within the oil and gas field services industry. The rules require drones to stay in view of the operator but the unmanned craft could be used to inspect oil field equipment, help map fields, monitor assets, and take on dangerous tasks without risk. Oil and gas companies around the globe have increasingly been using drones for a variety of operations.

Industry Indicators

- The average US retail price for diesel and regular gas, which influences profitability for oil and gas companies, fell 4.7% and 7.3%, respectively, in the week ending September 12, 2016, compared to the same week in 2015.
- The spot price of crude oil, which affects profitability for oil and natural gas operations, rose 1.8% in the week ending September 9, 2016, compared to the same week in 2015.

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.

