

ENERGY

FIRST QUARTER

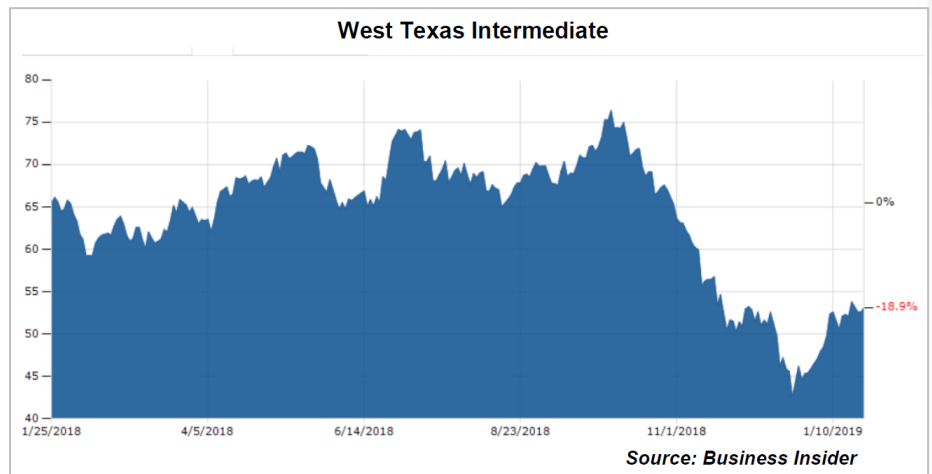
2019

The Energy Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Energy category. 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 2018 included 52 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was closed in November when Ørsted A/S acquired Deepwater Wind, LLC from D E Shaw & Co LP for US\$510 million in cash. The acquisition is in line with growth strategy of Ørsted. Ørsted engages in the provision of renewable energy solutions. It operates through the following segments: wind power, bioenergy & thermal power, distribution and customer solutions. Founded in 2007, Deepwater Wind is located in Rhode Island and operates offshore wind power projects.



West Texas Intermediate had a difficult quarter due to an over-supplied market.

Transactional Overview

Notable closed lower middle market transactions for the period in the Energy sector include:

December 2018 - Diversified Gas & Oil Plc acquired Core Appalachia Holding Co LLC from TCFII Core LLC for US\$180.6 million. The transaction enhances Diversified Gas & Oil's service offerings and expands its midstream footprint in Southern Appalachia. Diversified Gas & Oil engages in the production and distribution of natural gas and crude oil. Core Appalachia Holding Co. explores and develops crude oil and natural gas. The company is headquartered in Evansville, IN.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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December 2018 - Black Hills Electric Generation LLC, a subsidiary of Black Hills Corp, acquired Altagas Renewable Energy Colorado LLC from Altagas Power Holdings (US), Inc., ultimately owned by AltaGas Ltd, for US\$16 million. The acquisition includes Altagas Renewable Energy Colorado's 50% stake holding in Busch Ranch I wind farm. Black Hills Electric Generation engages in the provision of electric power generation services. The company is headquartered in Rapid City, SD.

November 2018 - KLX Energy Services LLC, a subsidiary of KLX Energy Services Holdings, Inc., acquired Motley Services LLC for US\$147.2 million in cash and stock. KLX

Energy Services provides supportive activities for the oil and gas industry. Motley Services operates as an oilfield service company. It offers coiled tubing, wireline, pumping, thru tubing, perforators, pressure control and nitrogen services. The company is headquartered in Odessa, TX.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Quail Run Services, LLC	JF Lehman & Co., Inc.; NRC Group Holdings Corp.
Nichols Oil Tools LLC	Argonaut Private Equity LLC
Adler Hot Oil Service, Inc.	Enservco Corp.
Agility Fuel Solutions LLC	Hexagon Composites ASA
Woodland Midstream LLC	Tailwater Capital LLC; Elevate Midstream Partners LLC
U.S. Oil & Refining Co.	Par Petroleum LLC
S&S Star Water Solutions LLC	Bison Oilfield Services LLC
TerraNavigator, LLC	Ameresco, Inc.

Industry Update

E&P companies plan to increase capital spending on oil wells and other investments by nearly 20% next year, according to Reuters. Year-to-date through October 2018, the US rig count averaged 1,021 -- its highest point since an average of 1,862 in 2014. The total is expected to rise to 1,227 by 2020. Overall rig count had been holding steady for months due to transportation constraints in the Permian Basin and lower prices, but a new pipeline opening in November and rising prices have provided a reason to drill again. There's also a record backlog of wells that have been drilled but not completed.

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, rose and fell 8.6% and 2.6%, respectively, in the week ending December 10, 2018, compared to the same week in 2017.
- Crude shipments to the U.S. from OPEC and its partners fell to 1.41 MM bpd in January, the lowest in five years according to World Oil News.
- Through November 2018 US exports of natural gas continued to rise for the third straight year with the aid of increased pipeline exports to Mexico and significant increases in the export of LNG.

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 information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

