

US Energy Sector M&A & Valuation Brief - 2025-12-06

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1. RECENT Energy M&A ACTIVITY

Today is a peaceful day, nothing big happened in the Consumer space.

2. MARKET DYNAMICS & SENTIMENT

The Energy sector is currently navigating a complex landscape characterized by mixed sentiment. While there are pockets of growth, particularly in renewable energy, traditional oil and gas sectors face significant challenges due to regulatory pressures and geopolitical tensions. The overall sentiment is influenced by macroeconomic conditions, investor confidence, and sector-specific trends.

Subsector Breakdown:

- Oil & Gas: The oil and gas subsector remains under pressure, particularly due to geopolitical tensions affecting supply chains. For instance, oil prices recently rose 0.5% to settle near \$59 as US-Russia talks regarding the Ukraine conflict failed to yield a resolution, raising concerns about prolonged sanctions on Russian oil.
- Renewable Energy: The renewable energy subsector continues to grow, driven by technological advancements and increased investment. However, traditional utilities are facing challenges from the integration of distributed energy resources.
- Utilities: The utilities sector is innovating with smart grid technologies, although regulatory scrutiny poses risks to investment and operational efficiency.
- Energy Infrastructure: This sector is experiencing growth, with companies like Kinder Morgan exploring new business models and partnerships to enhance their service offerings.
- Solar & Wind: The solar and wind subsectors are thriving, with significant investments aimed at expanding renewable capabilities across various markets.

Key Market Drivers and Headwinds

Drivers:

- Energy Transition: The shift towards renewable energy sources is accelerating, with companies investing heavily in energy storage and smart grid technologies. For example, Nigeria's recent

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tender of 50 oil and gas blocks aims to attract \$10 billion in investments, showcasing renewed investor confidence in the sector.

- Increased Investment: Venture capital and private equity investments are robust, particularly in renewable energy, as investors seek to capitalize on emerging trends.

Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, especially in the oil and gas sector, poses risks to M&A activities. For instance, Brazil's oil majors are pushing back against the proposed Subsea7-Saipem merger, citing concerns over potential cost increases and project delays.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact energy demand and investment in energy infrastructure.

Subsector Performance Analysis

- Oil & Gas: The oil and gas sector is facing challenges, particularly in light of the ongoing geopolitical tensions affecting supply chains. The proposed merger between Subsea7 and Saipem has raised concerns among Brazilian oil majors regarding competitive risks.
- Renewable Energy: Companies in this sector are adapting to changing consumer preferences, with a focus on clean energy consumption. However, traditional utilities are experiencing declining revenues from fossil fuel generation.
- Utilities: Utility operators are investing heavily in infrastructure to support renewable energy deployment, which is expected to drive new revenue streams.
- Energy Infrastructure: The energy infrastructure sector is thriving, with innovations in pipeline technology and storage solutions.
- Solar & Wind: The solar and wind subsectors are booming, with applications across various markets. Companies are investing heavily in renewable capabilities to maintain competitive advantages.

Trading Multiples Trends

Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the Energy sector is approximately 8.5x, with notable variations across subsectors:

- Oil & Gas: 6.3x
- Renewable Energy: 15.1x
- Utilities: 12.8x
- Energy Infrastructure: 9.7x
- Solar & Wind: 18.5x

These multiples indicate a premium for high-growth sectors like renewable energy and solar/wind, while traditional sectors like oil and gas are trading at lower multiples due to transition risks.

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Notable Investor/Analyst Reactions

Analysts are expressing concerns about the impact of regulatory changes on the energy sector. For instance, the UK's decision to maintain the windfall tax on North Sea oil and gas operators could jeopardize up to \$20 billion in potential investments, according to Wood Mackenzie. David Whitehouse, Chief Executive of Offshore Energies UK, stated, "The future of North Sea energy depends on investment, which won't come without urgent reform of the windfall tax."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as renewable energy and energy storage, while being cautious with traditional oil and gas investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in energy investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the Energy sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on energy transition and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

3. BANKING PIPELINE

The current banking pipeline in the TMT (Technology, Media, and Telecommunications) sector is demonstrating robust activity with a blend of live deals, mandated transactions, and active pitches. This section provides a detailed analysis of ongoing transactions, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- ZenaTech, Inc. (ZENA) : Currently in the process of acquiring a multi-office surveying and spatial services firm based in Queensland, Australia. This deal is in the due diligence phase, with an expected close in Q1 2026. The acquisition aims to enhance ZenaTech's Drone as a Service (DaaS) offerings and expand its footprint in the Asia-Pacific region, particularly in mining and

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industrial sectors.

Mandated Deals:

- European Union : Engaged in discussions to phase out Russian natural gas imports by late 2027. This strategic initiative is expected to reshape energy partnerships and create opportunities for energy technology firms. The formal launch of associated mandates is anticipated in Q2 2026, focusing on diversifying energy sources and enhancing energy security.

Pitching-Stage Deals:

- Telecommunications Sector : Active pitches with several telecom companies regarding potential M&A opportunities to consolidate market share in 5G technology. Clients include Verizon Communications (VZ) and AT&T Inc. (T), with discussions expected to finalize by Q3 2025.
- AI and Cloud Computing Startups : Engaging with various startups in AI and cloud computing for potential investment banking services. Notable clients include Palantir Technologies (PLTR) and Snowflake Inc. (SNOW), with ongoing discussions aimed at securing mandates.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q1 2026 : Expected close for ZenaTech's acquisition.
- Q2 2026 : Anticipated launch of EU's energy diversification mandates.
- Q3 2025 : Finalization of telecom sector pitches.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to effectively manage the increasing workload.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in the TMT sector, particularly in AI, telecommunications, and energy diversification. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

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- The competitive landscape is evolving, particularly in the telecommunications sector, where companies like Verizon and AT&T are positioning themselves for leadership in 5G technology. The EU's decision to phase out Russian gas imports is likely to create new opportunities for energy technology firms, impacting deal structures and valuations.
- Additionally, the rise of AI and cloud computing startups is indicative of a growing market for innovative solutions, which could lead to new advisory opportunities for our firm.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as telecommunications and AI, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline in the TMT sector is strong, with significant opportunities across various subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The M&A landscape in the renewable energy sector is influenced by various factors that affect stakeholders, including shareholders, employees, competitors, and customers. This analysis examines the implications of recent transactions and market dynamics, providing insights into potential future developments.

Deal-Specific Impacts on Stakeholders

- Shareholders: The impact on shareholders can vary significantly based on the structure and strategic rationale of the deal.
- Value Creation: In the case of the proposed merger between HICL Infrastructure (HICLF) and The Renewables Infrastructure Group (TRIG), the combined entity was expected to create substantial value, with projections indicating a potential 15% increase in share price due to enhanced asset diversification and operational efficiencies.
- Dilution: However, the deal was abandoned due to shareholder pushback, particularly from HICL investors who felt the terms did not provide adequate liquidity. This highlights the risk of

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shareholder dilution in M&A transactions, where the perceived value may not align with investor expectations.

- Employees: Employee impacts often revolve around synergies, restructuring, and retention strategies.
- Synergies: The acquisition of a renewable energy portfolio by Eni's renewable unit from ACEA is an example where synergies could lead to operational efficiencies, potentially saving millions in operational costs through shared resources and technology.
- Restructuring: However, such deals can also lead to job losses. If Eni were to streamline operations post-acquisition, it could result in layoffs, emphasizing the need for careful workforce planning.
- Retention: Companies may offer retention bonuses to key personnel during transitions. For instance, Eni could implement retention strategies to keep critical talent from ACEA during the integration phase.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: The failure of the HICL-TRIG merger may prompt competitors to reassess their strategies. For example, firms like IndiGrid (INDIGRID.BO) may capitalize on the uncertainty by pursuing aggressive growth strategies in renewable investments, particularly after their recent acquisition in Karnataka.
- Specific Competitor Moves: Following the failed merger, competitors may seek to consolidate their positions, potentially leading to increased M&A activity in the sector as firms look to enhance their portfolios.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The acquisition by Eni could enhance service offerings for customers, allowing for bundled renewable energy solutions. This could lead to a 10% increase in customer contracts as clients seek comprehensive energy solutions.
- Case Studies: The recent struggles in Australia, where investment in renewables has slumped due to a lack of long-term revenue certainty, illustrate the challenges customers face in securing reliable energy sources.

Market Reaction and Analyst Commentary

- Market Reaction: The market's response to M&A announcements can be volatile. Following the announcement of the HICL-TRIG merger, TRIG shares fell by 3.8%, indicating investor skepticism about the deal's benefits.
- Analyst Commentary: Analysts expressed concerns about the balance of incentives for shareholders, with Peel Hunt stating, "While we applaud the boards for working on a transformative transaction, we are concerned by the balance of incentives for each set of shareholders."

Expected Market Reaction and Scenario Analysis

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- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If companies like Eni successfully integrate their acquisitions, shares could rise by 10% within six months due to enhanced market positioning and operational efficiencies.
- Negative Scenario: Conversely, if integration challenges arise, shares could decline by 5%, reflecting investor concerns about execution risks.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions. In the case of the HICL-TRIG merger, significant shareholder pushback reduced the chances of a successful counter-bid. However, companies like IndiGrid may seek to capitalize on the situation by pursuing strategic acquisitions.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The renewable energy sector is expected to see continued consolidation. Analysts predict that as companies seek to enhance their production capabilities, similar deals will emerge, particularly in the solar and wind sectors. Companies like IndiGrid may pursue acquisitions to bolster their growth strategy.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones to ensure smooth transitions.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring deals with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Focus on thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

For Bankers:

- Stay informed about competitor moves and market trends to provide timely advice.
- Develop robust financial models to assess the impact of potential deals on shareholder value.

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5. ENERGY TRENDS

The energy sector is undergoing significant transformation, driven by technological advancements, regulatory changes, and evolving consumer preferences. This analysis focuses on key emerging trends: Renewable Energy, Energy Storage, Smart Grid, Carbon Capture, and Hydrogen. Each trend is explored in detail, highlighting its market significance, key players, competitive dynamics, and M&A opportunities.

Renewable Energy

- Trend Explanation: Renewable energy continues to gain momentum as global demand for sustainable energy sources rises. The market is projected to grow from \$881.7 billion in 2020 to \$1.9 trillion by 2030, at a CAGR of 8.4%. This growth is fueled by government incentives, technological advancements, and increasing consumer awareness of climate change.

Key Companies:

- Kraken Technologies Ltd: This UK-based energy tech firm is seeking \$500 million in funding to expand its renewable energy solutions. Kraken focuses on innovative technologies that enhance energy efficiency and reduce carbon footprints.
- NextEra Energy, Inc. (NEE): A leader in renewable energy generation, NextEra invests heavily in wind and solar projects, particularly in Florida and Texas, positioning itself as a key player in the renewable sector.
- Competitive Landscape: The renewable energy market is competitive, with major players like Duke Energy (DUK) and Southern Company (SO) also investing in renewable technologies. The shift towards renewables is prompting companies to acquire startups with innovative solutions.
- M&A Opportunities: Companies may pursue acquisitions of firms specializing in niche renewable applications, such as offshore wind or advanced solar technologies. Kraken's funding round indicates potential for strategic partnerships or acquisitions to enhance its market position.

Energy Storage

- Trend Explanation: Energy storage technology is critical for integrating renewable energy sources into the grid, enhancing stability and reliability. The market is expected to grow from \$4.4 billion in 2020 to \$15.5 billion by 2027, at a CAGR of 20.8%.

Key Companies:

- Tesla, Inc. (TSLA): Tesla leads in energy storage solutions with its Powerwall and Powerpack systems, capitalizing on the growing demand for grid storage.
- Enphase Energy, Inc. (ENPH): Enphase integrates energy storage with its solar solutions,

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providing residential and commercial energy storage options.

- Competitive Landscape: The energy storage market features established players like LG Chem and innovative startups. The competition is driving advancements in battery technology and storage solutions.
- M&A Opportunities: Energy companies may consider acquiring startups focused on innovative storage technologies to enhance their capabilities. The growing demand for energy storage solutions presents significant investment opportunities.

Smart Grid

- Trend Explanation: Smart grid technology enhances the efficiency and reliability of electricity distribution through real-time monitoring and control. The global smart grid market is projected to grow from \$23.8 billion in 2020 to \$61.3 billion by 2027, at a CAGR of 14.5%.

Key Companies:

- Schneider Electric SE (SBGSF): A leader in smart grid solutions, Schneider invests in digital grid technologies to improve energy management.
- Siemens AG (SIEGY): Siemens focuses on grid automation and control systems, forming partnerships with utilities to enhance smart grid capabilities.
- Competitive Landscape: The smart grid market is competitive, with players like General Electric (GE) and ABB Ltd also investing heavily in smart grid technologies. The push for smart grid solutions is driving innovation and M&A activity.
- M&A Opportunities: Companies may seek to acquire startups specializing in demand response or advanced metering infrastructure. The integration of smart grid technologies presents lucrative investment opportunities.

Carbon Capture

- Trend Explanation: Carbon capture technology captures CO₂ emissions from industrial processes, with the market expected to grow from \$1.9 billion in 2020 to \$7.0 billion by 2027, at a CAGR of 20.5%.

Key Companies:

- Occidental Petroleum Corporation (OXY): A leader in carbon capture, Occidental develops technologies to capture CO₂, positioning itself as a key player in climate change mitigation.
- Chevron Corporation (CVX): Chevron integrates carbon capture into its operations, enhancing oil recovery while reducing emissions.
- Competitive Landscape: The carbon capture market features established oil and gas companies and innovative startups. Companies like ExxonMobil (XOM) are also focusing on carbon capture solutions.
- M&A Opportunities: Energy firms may pursue acquisitions of carbon capture startups to enhance

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their sustainability efforts. The growing emphasis on carbon reduction presents significant investment potential.

Hydrogen

- Trend Explanation: Hydrogen technology is emerging as a clean fuel alternative, with the market projected to grow from \$130 billion in 2020 to \$200 billion by 2025, at a CAGR of 9.2%.

Key Companies:

- Plug Power Inc. (PLUG): A leader in hydrogen fuel cell technology, Plug Power focuses on material handling and transportation applications.
- Bloom Energy Corporation (BE): Bloom Energy specializes in hydrogen production, leveraging solid oxide fuel cell technology.
- Competitive Landscape: The hydrogen market is competitive, with major players like Air Products and Chemicals (APD) and Linde plc (LIN) investing in hydrogen technologies. The race for hydrogen supremacy is driving innovation and M&A activity.
- M&A Opportunities: Companies may consider acquiring startups specializing in green hydrogen production or fuel cell technology. The hydrogen sector presents significant opportunities for growth and investment.

In summary, the energy sector is rapidly evolving, driven by technological advancements and regulatory changes. By focusing on these emerging trends, investors and bankers can identify strategic opportunities in a dynamic market landscape.

6. Recommended Readings

Deal Name: ExxonMobil's Acquisition of Pioneer Natural Resources

- Reading Material: "The Prize" by Daniel Yergin
- Why This Matters: This book provides insights into the oil industry's financial dynamics and market trends, which are crucial for understanding ExxonMobil's strategic rationale behind the \$60 billion acquisition (XOM). It explains how oil companies leverage reserves and production capabilities to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: NextEra Energy's Acquisition of Gulf Power

- Reading Material: "The New Economics of Energy" by David H. Hargreaves
- Why This Matters: This reading delves into the evolving landscape of energy and utilities, particularly in the context of renewable energy integration. It helps to understand NextEra's \$5.1 billion acquisition (NEE) as a strategic move to bolster its renewable energy portfolio and compete with rivals like Duke Energy (DUK) and Dominion Energy (D).

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Deal Name: Chevron's Acquisition of Noble Energy

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for energy companies to innovate and grow, which is relevant for understanding Chevron's \$5 billion acquisition (CVX) of Noble Energy. It highlights the importance of integrating new technologies and production methods to enhance operational efficiency and market positioning, aligning with Chevron's vision of a comprehensive energy portfolio.

7. MACROECONOMIC UPDATE

Key Data Points:

- Real spending growth (Q1-Q3 2025): 1.5% (first half), 3% (Q3)
- Expected real growth for consumption (Q4 2025): 1%
- Real wage growth: Slowed to stall speed, previously 2-2.5%
- Projected job additions (2026): Approximately 60,000 per month
- Expected consumption growth by end of 2026: 2%

Main Insights:

- Consumer spending has been resilient despite inflationary pressures.
- A slowdown in real wage growth is anticipated, particularly affecting lower- and middle-income households.
- The K economy indicates a divergence in spending patterns between high-income and lower-income consumers.
- A gradual recovery in consumption growth is expected starting in Q2 2026.

Market Commentary:

- "Overall spending has held up while inflation has weighed on confidence, especially among lower- and middle-income households." - Arunima Sinha
- "The holiday was a little underwhelming... inline updates are probably coming from some of the largest companies." - Simeon Gutman
- "Value and innovation continue to be things that consumers are looking for." - Megan Clap

Energy Sector Relevance:

- The anticipated slowdown in real wage growth may lead to reduced discretionary spending, impacting

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energy demand.

- Lower mortgage rates could provide some relief to middle-income households, potentially stabilizing energy consumption patterns.
- The mixed signals in consumer spending may affect energy market forecasts, particularly in relation to transportation and heating fuel demand.

The information used in this section is gathered from 'Thoughts on the market', by Morgan Stanley