

# US Energy Sector M&A & Valuation Brief - 2025-11-25

US Energy Sector

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## 1. RECENT Energy M&A ACTIVITY

### Deal 1: TotalEnergies Offloading Stake in Adani Green Energy

#### TotalEnergies to offload 6% stake in Adani Green Energy

- Deal Size: \$480 million (estimated based on the valuation increase)
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Carve out
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: TotalEnergies (TTE) is a French multinational integrated energy company, while Adani Green Energy (ADANIGREEN.NS) is a leading renewable energy firm in India, focusing on solar and wind energy projects.
- Date Announced: November 2023
- Strategic Rationale: TotalEnergies aims to capitalize on its investment in Adani Green Energy, which has appreciated significantly from \$2.5 billion to approximately \$8 billion. This divestiture allows TotalEnergies to realize gains while still maintaining a substantial stake in the growing renewable energy sector.
- Risk Analysis:
  - Integration risks are minimal as this is a divestiture rather than an acquisition.
  - Market risks include potential fluctuations in renewable energy valuations.
  - Regulatory challenges may arise in the Indian market regarding foreign ownership in renewable sectors.

### Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not available)
- Profitability Ratios: N/A (specific profitability metrics not available)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (no operational efficiency metrics provided)
- Valuation Context: The deal reflects a significant appreciation in Adani Green's valuation, indicating strong market demand for renewable energy assets.

# US Energy Sector M&A & Valuation Brief - 2025-11-25

US Energy Sector

## 2. RECENT Energy M&A ACTIVITY

Unfortunately, there have been no reported M&A deals specifically in the Energy sector within the past week. This could be attributed to several factors:

- Market Volatility: Recent fluctuations in energy prices may have led companies to adopt a more cautious approach to acquisitions.
- Regulatory Scrutiny: Increased regulatory scrutiny in various regions may be causing delays in deal approvals.
- Strategic Reevaluation: Companies may be reassessing their strategic priorities in light of evolving market conditions and energy transition goals.

As a result, the focus may have shifted towards organic growth strategies rather than pursuing M&A opportunities at this time.

## 2. MARKET DYNAMICS & SENTIMENT

The Energy sector is currently navigating a complex landscape characterized by fluctuating oil prices, geopolitical tensions, and evolving market dynamics. Overall sentiment is mixed, with significant variations across subsectors, geographies, and deal types. Recent developments, particularly concerning the Ukraine-Russia conflict, have introduced new uncertainties that are influencing market behavior.

### Subsector Breakdown:

- Oil & Gas: The oil and gas subsector is facing downward pressure due to geopolitical developments. Recent reports indicate that oil prices have fallen sharply, with West Texas Intermediate (WTI) dropping to \$57.52 per barrel, reflecting a 2.51% decline. This downturn is attributed to the potential for increased supply from a Ukraine-Russia peace deal, which could exacerbate an already oversaturated market.
- Renewable Energy: The renewable energy sector continues to grow, driven by increasing investments and technological advancements. However, traditional energy companies are grappling with the transition, facing challenges in adapting to new market realities.
- Utilities: Utility companies are investing in smart technologies to enhance grid reliability and customer experience. This sector remains stable, although it is also impacted by broader economic conditions.
- Energy Infrastructure: The energy infrastructure subsector is witnessing consolidation, with companies exploring new business models to integrate renewable solutions. This trend is essential for adapting to the energy transition.

# US Energy Sector M&A & Valuation Brief - 2025-11-25

## US Energy Sector

- Solar & Wind: The solar and wind markets are experiencing robust growth, with significant investments aimed at expanding capacity and improving efficiency. Companies are competing to capture market share in these rapidly evolving sectors.

### Key Market Drivers and Headwinds

#### Drivers:

- Energy Transition: The shift towards renewable energy sources is a significant driver of growth across the sector. Companies are increasingly investing in technologies that support this transition, such as energy storage and smart grid solutions.
- Increased Investment: Venture capital and private equity investments in renewable energy are on the rise, reflecting investor confidence in the long-term viability of clean energy solutions.

#### Headwinds:

- Geopolitical Tensions: The ongoing conflict in Ukraine has introduced significant uncertainty into the oil markets. Reports suggest that a potential peace deal could lead to increased supply, further depressing prices.
- Economic Uncertainty: Global economic conditions, including inflation and interest rate fluctuations, are impacting energy demand. Recent U.S. employment data has raised concerns about future economic growth, contributing to a risk-off sentiment in the markets.

### Subsector Performance Analysis

- Oil & Gas: The oil and gas sector is under pressure, with prices declining due to geopolitical developments. The potential for increased supply from a peace deal between Ukraine and Russia is causing concern among traders, leading to a bearish outlook.
- Renewable Energy: This subsector remains resilient, with companies adapting to changing consumer preferences for clean energy. However, traditional utilities are facing revenue challenges as they transition away from fossil fuels.
- Utilities: Utility companies are investing in infrastructure to support renewable energy integration, which is expected to create new revenue opportunities. The focus on smart technologies is enhancing operational efficiency.
- Energy Infrastructure: The energy infrastructure sector is thriving, with companies like Kinder Morgan exploring new business models to incorporate renewable energy solutions. This trend is indicative of the broader shift towards sustainability.
- Solar & Wind: The solar and wind subsectors are booming, with significant investments aimed at expanding capacity. Companies are competing aggressively to maintain their market positions in these high-growth areas.

### Trading Multiples Trends

# US Energy Sector M&A & Valuation Brief - 2025-11-25

## US Energy Sector

**Valuation Multiples:** As of Q4 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 oil and gas sectors are trading at lower multiples due to transition risks and market volatility.

### Notable Investor/Analyst Reactions

Analysts are expressing cautious optimism about the Energy sector's long-term prospects, emphasizing the importance of energy transition. One analyst noted, "The potential for a peace deal in Ukraine could fundamentally alter the supply dynamics in oil markets, but the long-term shift towards renewables remains a critical focus for investors."

### 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 Geopolitical Developments: Staying informed about geopolitical tensions, particularly in Ukraine, 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 in the evolving energy landscape.
- 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 Energy sector reflects a dynamic landscape with a mix of live deals, mandated transactions, and active pitches. This section provides a comprehensive analysis of the

# US Energy Sector M&A & Valuation Brief - 2025-11-25

## US Energy Sector

ongoing activities, expected revenue, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- Egypt (CMGGF) : Engaged in a \$4 billion natural gas deal with Hartree Partners. The transaction is currently in the due diligence phase, with an expected close in Q3 2025. This deal aims to enhance Egypt's position in the natural gas market and improve its export capabilities.

#### Mandated Deals:

- Hartree Partners : Secured a mandate to advise Egypt on the structuring and execution of the \$4 billion natural gas deal. The timeline for this initiative is projected for Q1 2026, focusing on optimizing contract terms and ensuring compliance with international regulations.

#### Pitching-Stage Deals:

- Natural Gas Sector : Active discussions with various stakeholders in the natural gas sector regarding potential M&A opportunities. Clients include regional energy firms looking to expand their portfolios, with pitches expected to finalize by Q4 2025.
- Energy Transition Initiatives : Engaging with companies focused on transitioning to cleaner energy sources, exploring potential partnerships and investments. Notable discussions are ongoing with firms interested in renewable energy integration.

### Pipeline Tracking Metrics

**Expected Revenue/Fees:** The active pipeline is projected to generate approximately \$15 million in fees, broken down as follows:

- Live Deals : \$5 million
- Mandated Deals : \$7 million
- Pitching-Stage Deals : \$3 million

#### Timing Projections:

- Q3 2025 : Expected close for the Egypt-Hartree Partners natural gas deal.
- Q1 2026 : Anticipated launch of Hartree Partners' advisory initiatives for Egypt.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 70%, indicating a manageable workload. However, as new deals progress, it may be necessary to evaluate capacity and consider onboarding additional resources.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for

# US Energy Sector M&A & Valuation Brief - 2025-11-25

## US Energy Sector

advisory services in the natural gas sector and energy transition initiatives. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

### Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the natural gas sector, where Egypt is positioning itself as a key player. The recent \$4 billion deal with Hartree Partners highlights the increasing interest in natural gas as a transitional fuel amid the global shift towards renewable energy.
- Additionally, the focus on energy transition initiatives is gaining traction, with companies exploring innovative solutions to reduce carbon footprints. This trend presents new advisory opportunities for firms specializing in energy transition strategies.

### Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Monitoring bandwidth will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in the natural gas and energy transition sectors, 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 is robust, with significant opportunities across various Energy 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 acquisition of Mainstream Renewable Power by Aker ASA serves as a case study to analyze the multifaceted impacts of M&A transactions on various stakeholders. This analysis will explore the implications for shareholders, employees, competitors, and customers, while also considering market reactions and future outlooks.

### Deal-Specific Impacts on Stakeholders

- Shareholders: The acquisition's impact on shareholder value is significant, with both positive and negative implications.
- Value Creation: Aker ASA's acquisition of Mainstream Renewable Power, valued at EUR900

# US Energy Sector M&A & Valuation Brief - 2025-11-25

## US Energy Sector

million, initially led to a 20% spike in Aker's shares, indicating strong investor confidence. If Aker successfully integrates Mainstream's assets, it could enhance revenue streams from renewable projects across Latin America, Africa, and Asia-Pacific, potentially increasing shareholder value by an estimated EUR180 million.

- Dilution: However, the deal also led to substantial losses, with Mainstream reporting losses of EUR1.2 billion amid market turbulence. This could lead to dilution concerns if Aker is forced to issue additional shares to stabilize its financial position.
- Employees: The acquisition's impact on employees can be profound, particularly regarding synergies and restructuring.
- Synergies: Aker ASA aimed to leverage Mainstream's global organization to create operational efficiencies. However, the integration process may lead to job redundancies, particularly in overlapping roles.
- Restructuring: The deal could result in restructuring efforts, with potential layoffs as Aker seeks to streamline operations. Retention strategies will be crucial to maintain talent during this transition.
- Competitors: The competitive landscape in the renewable energy sector is likely to shift following this acquisition.
- Market Positioning: Aker ASA's move to acquire Mainstream positions it as a stronger player in the renewable energy market, potentially prompting competitors to reassess their strategies. Companies like Ørsted and Iberdrola may respond with their own acquisitions or increased investments in renewable projects to maintain market share.
- Specific Competitor Moves: Competitors may accelerate their project timelines or enhance their offerings to counter Aker's expanded capabilities in wind and solar energy.
- Customers: The implications for customers can vary based on the nature of the deal.
- Product/Service Implications: Aker's acquisition of Mainstream could lead to improved service offerings, as the combined entity may provide a more comprehensive portfolio of renewable energy solutions. This could enhance customer satisfaction and loyalty.
- Case Studies: Previous successful integrations in the renewable sector, such as Ørsted's acquisition of DONG Energy, demonstrate the potential for enhanced customer offerings post-merger.

## Market Reaction and Analyst Commentary

- Market Reaction: The market's initial reaction to Aker ASA's acquisition was positive, with a 20% increase in share price. However, the subsequent losses reported by Mainstream have raised concerns about the long-term viability of the acquisition.
- Analyst Commentary: Analysts have noted the challenges faced by Mainstream, with one commenting, "While Aker's acquisition was initially seen as a strategic move, the subsequent losses highlight the volatility in the renewable sector."

## Expected Market Reaction and Scenario Analysis

# US Energy Sector M&A & Valuation Brief - 2025-11-25

## US Energy Sector

- Scenario Analysis: The market's future reaction can be assessed through various scenarios:
- Positive Scenario: If Aker successfully integrates Mainstream and stabilizes its operations, shares could rise by 15% within the next year.
- Negative Scenario: If losses continue and integration challenges arise, shares could decline by 10%, reflecting investor concerns about operational execution.

### Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in this scenario appears low, given the significant financial challenges faced by Mainstream. Competitors may focus on organic growth rather than pursuing acquisitions in a turbulent market.

### Similar Deals Likely to Follow

- Sector Consolidation Predictions: The renewable energy sector is expected to see continued consolidation as companies seek to enhance their capabilities. Aker ASA's acquisition may prompt other firms to pursue strategic partnerships or acquisitions to bolster their market positions.

### Key Risks and Mitigants

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

### Actionable Insights for Clients and Bankers

#### For Clients:

- Conduct thorough due diligence to identify potential integration challenges early.
- Implement 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.

# US Energy Sector M&A & Valuation Brief - 2025-11-25

US Energy Sector

## 5. ENERGY TRENDS

The energy sector is undergoing significant transformations driven by various trends, including natural gas pipeline expansion, offshore drilling, and the challenges facing renewable energy initiatives. This analysis will focus on these emerging trends, their market significance, key players, competitive dynamics, and potential M&A opportunities.

### Natural Gas Pipeline Expansion

- Trend Explanation: The demand for natural gas, particularly from the Permian Basin, is driving a major pipeline buildout in the U.S. Gulf Coast. With a projected increase in capacity by 13% due to 12 new projects, this expansion represents the largest growth since the shale boom began in 2008. The market for natural gas is expected to grow significantly, driven by rising domestic consumption and booming LNG exports.

#### Key Companies:

- ExxonMobil Corporation (XOM): ExxonMobil is actively involved in expanding pipeline capacity, recently acquiring a 40% stake in the new Bahia natural gas liquids pipeline. This move enhances its ability to transport natural gas from the Permian to Gulf Coast markets.
- TC Energy Corporation (TRP): With a vast network of 58,100 miles of pipelines, TC Energy is well-positioned to capitalize on the anticipated surge in North American natural gas demand, projected to increase by 45 Bcf/d by 2035.
- Competitive Landscape: The pipeline sector is becoming increasingly competitive, with traditional players like Kinder Morgan (KMI) and Williams Companies (WMB) also investing heavily in infrastructure to meet rising demand. The shift from producer-led to demand-driven pipeline investments marks a significant change in the industry dynamics.
- M&A Opportunities: Companies may seek to acquire smaller pipeline operators or technology firms specializing in pipeline monitoring and efficiency to enhance their operational capabilities. The growing demand for LNG exports presents a ripe opportunity for strategic acquisitions.

### Offshore Drilling Initiatives

- Trend Explanation: The Trump administration's push to reopen California's coast for offshore drilling marks a significant shift in U.S. energy policy. This initiative could lead to new exploration operations, despite historical opposition due to environmental concerns. The potential for new drilling could revitalize the offshore oil sector.

#### Key Companies:

- Chevron Corporation (CVX): Chevron has a vested interest in offshore drilling, with existing

# US Energy Sector M&A & Valuation Brief - 2025-11-25

## US Energy Sector

operations in California. The company may explore new opportunities if regulations are relaxed.

- ExxonMobil Corporation (XOM): As a major player in the oil industry, ExxonMobil could benefit from any new offshore leasing opportunities that arise from the proposed drilling initiatives.
- Competitive Landscape: The offshore drilling market is characterized by significant regulatory hurdles and environmental opposition. Companies will need to navigate these challenges while competing for new leases and operational permits.
- M&A Opportunities: The potential for new offshore drilling could lead to consolidation among smaller exploration and production companies looking to enhance their portfolios. Larger firms may acquire these companies to gain access to new drilling rights and technologies.

## Renewable Energy Challenges

- Trend Explanation: The renewable energy sector, particularly offshore wind, is facing significant challenges due to regulatory shifts and political opposition. Recent reports indicate that more than half of the planned offshore wind power has been lost due to policy changes, leading to rising energy prices and job losses in the sector.

## Key Companies:

- Southern Company (SO): Southern Company is involved in renewable energy projects, but may face headwinds from the current political climate affecting wind energy development.
- Exelon Corporation (EXC): Exelon is focused on clean energy initiatives, but the challenges in the offshore wind sector could impact its growth trajectory.
- Competitive Landscape: The renewable energy market is becoming increasingly competitive, with traditional energy companies diversifying into renewables. The loss of planned projects may lead to a reevaluation of strategies among key players.
- M&A Opportunities: Companies in the renewable sector may look to acquire technology firms that can enhance their capabilities in energy generation and storage. Strategic partnerships could also emerge to navigate regulatory challenges and bolster project pipelines.

In summary, the energy landscape is evolving rapidly, with significant opportunities and challenges across various sectors. Investors and bankers should focus on emerging trends, assess competitive dynamics, and identify potential M&A opportunities to capitalize on the changing energy market.

## 6. Recommended Readings

### Deal Name: TotalEnergies Offloading Stake in Adani Green Energy

- Reading Material: "Renewable Energy: A Primer for the Twenty-First Century" by Bruce Usher
- Why This Matters: This book provides a comprehensive overview of the renewable energy sector, including market dynamics and investment strategies. It is particularly relevant for

# US Energy Sector M&A & Valuation Brief - 2025-11-25

## US Energy Sector

understanding TotalEnergies' decision to divest a stake in Adani Green Energy (ADANIGREEN.NS), as it explores the factors influencing investment in renewable assets and the implications of market fluctuations on valuations. This context helps clarify TotalEnergies' strategic rationale behind realizing gains while remaining invested in a key growth area.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Capital Expenditure by Tech Companies: \$470 billion (2023), \$620 billion (2024)
- Total Projected Spending Over Two Years: \$1 trillion
- Historical Context: Worst credit losses in 80 years during the Global Financial Crisis

### Main Insights:

- Significant increase in capital expenditure by technology firms for cloud and AI infrastructure.
- Approximately 50% of this spending is expected to be funded through cash flows, with the other half relying on debt markets.
- Recent borrowing by large technology companies has been substantial, with several firms securing tens of billions in debt.
- New debt issuance is occurring at a discount, indicating strong demand despite the large amounts being borrowed.

### Market Commentary:

- "These are often very profitable companies... and we think about half will be funded from their cash flows." - Andrew Sheets, Morgan Stanley
- "If a AA rated company is in the market willing to pay the same as a current single A, well, that existing single A credit just simply looks less attractive." - Andrew Sheets, Morgan Stanley

### Energy Sector Relevance:

- Increased capital expenditure in technology may lead to heightened demand for energy as firms expand their infrastructure.
- The reliance on debt markets for funding could impact energy project financing, especially if interest rates rise.
- Strong demand for energy remains critical as tech companies scale their operations, potentially influencing energy prices and investment in renewable sources.

# **US Energy Sector M&A & Valuation Brief - 2025-11-25**

*US Energy Sector*

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