

US Energy Sector M&A & Valuation Brief - 2025-10-21

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1. RECENT Energy M&A ACTIVITY

Deal 1: Infratil Ltd Acquisition of Contact Energy Stake

Infratil lifts Contact Energy stake with \$437m share-funded deal

- Deal Size: \$437.7 million
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature: Strategic acquisition
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: Infratil Ltd (ASX: IFT) is a leading infrastructure investment company focused on energy and utilities. Contact Energy is a major energy provider in New Zealand, generating and supplying electricity and gas.
- Date Announced: October 20, 2025
- Strategic Rationale:
 - Infratil's acquisition increases its stake in Contact Energy from 9.4% to 14.3%, enhancing its influence in a cash-flow-generating business.
 - The deal is structured to maintain funding flexibility, as it is financed through a mix of debt and new share issuance, allowing Infratil to pursue further growth without significantly increasing leverage.
 - This acquisition follows a recent merger between Contact and Manawa Energy, indicating a strategic focus on consolidating energy assets in a robust market environment.
- Risk Analysis:
 - Integration risks associated with aligning operational strategies and corporate cultures post-acquisition.
 - Regulatory challenges may arise as Infratil increases its stake in a critical infrastructure asset.
 - Market risks related to fluctuations in energy prices and demand could impact the profitability of Contact Energy.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not disclosed)

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- Profitability Ratios: N/A (specific profitability metrics not disclosed)
- Leverage Analysis:
 - The funding structure indicates a balanced approach between debt and equity, suggesting prudent capital management.
- Asset Operating Efficiency: N/A (specific efficiency metrics not disclosed)
- Valuation Context: The acquisition reflects Infratil's strategy to enhance its portfolio in the energy sector, positioning itself for future growth opportunities.

2. Energy Transfer Project Delay

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 landscape marked by cautious optimism and significant challenges. Recent commentary from industry leaders highlights the urgent need for increased investment in oil and gas to avert potential shortages, while the renewable energy subsector continues to gain momentum amid shifting consumer preferences and regulatory frameworks.

Subsector Breakdown:

- Oil & Gas: The oil and gas subsector is facing a critical juncture, with Amin Nasser, CEO of Saudi Arabian Oil Group, warning of an impending oil shortage unless exploration and production spending increases. This sentiment is echoed by OPEC, which emphasizes the necessity of \$18.2 trillion in investments by 2050 to meet rising demand and offset declining production rates.
- Renewable Energy: The renewable energy sector is experiencing robust growth, driven by technological advancements and increased consumer demand for clean energy solutions. Companies are investing heavily in renewable projects, with a focus on solar and wind energy.

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- Utilities: Utilities are adapting to the energy transition by integrating renewable sources into their portfolios. This shift is essential for maintaining competitiveness and meeting regulatory requirements.
- Energy Infrastructure: The energy infrastructure sector is thriving, with companies like Tamboran Resources acquiring significant acreage in key regions, such as the Beetaloo Basin, to bolster their operational footprint.
- Solar & Wind: The solar and wind subsectors are witnessing rapid expansion, with companies racing to implement innovative solutions. The competitive landscape is intensifying as firms seek to differentiate themselves through technology and service offerings.

Key Market Drivers and Headwinds

Drivers:

- Energy Transition: The shift towards renewable energy sources is a primary driver of growth across the sector. OPEC's projections indicate that oil will still account for 30% of global energy consumption by 2050, necessitating substantial investments in both traditional and renewable energy.
- Increased Investment: The urgency for investment in oil and gas is underscored by OPEC's call for \$18.2 trillion in funding to sustain production levels and meet future demand. This investment is critical for maintaining energy security amid growing global consumption.

Headwinds:

- Regulatory Scrutiny: The oil and gas sector faces heightened regulatory scrutiny, which may hinder M&A activities and affect market valuations. Companies must navigate complex compliance landscapes, which can create uncertainty and delay investments.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, pose risks to energy demand and investment. The impact of these factors is particularly pronounced in regions reliant on fossil fuel imports.

Subsector Performance Analysis

- Oil & Gas: The oil and gas sector remains resilient, with demand for traditional energy sources expected to rise. However, companies must balance this with the need for sustainable practices and investments in cleaner technologies.
- Renewable Energy: The renewable energy subsector is thriving, with significant investments in solar and wind projects. Companies are adapting to consumer preferences for clean energy, positioning themselves for long-term growth.
- Utilities: Utility operators are investing in infrastructure to support the integration of renewable energy sources, which is expected to create new revenue streams and enhance grid reliability.
- Energy Infrastructure: The energy infrastructure sector is expanding, driven by innovations in storage and transportation solutions. The acquisition of Falcon Oil & Gas by Tamboran

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Resources for approximately \$172 million exemplifies the consolidation trend in this space.

- Solar & Wind: The solar and wind sectors are booming, with companies developing innovative solutions to capture market share. Competitive dynamics are intensifying as firms seek to establish leadership positions in renewable technologies.

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, particularly renewable energy and solar/wind, while traditional oil and gas sectors are trading at lower multiples due to transition risks and regulatory pressures.

Notable Investor/Analyst Reactions

- Analysts are increasingly optimistic about the long-term prospects of the Energy sector, particularly in light of the urgent need for investment in oil and gas. An analyst noted, "The world will need much more energy than it is consuming today, and this requires a coordinated effort to invest in both traditional and renewable sources."

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 exercising caution with traditional oil and gas investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in energy investments, particularly in the oil and gas sector.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning, particularly in renewable energy.
- 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 at a pivotal moment, characterized by both opportunities and challenges. By focusing on energy transition and understanding market dynamics, investors and

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bankers can position themselves for success in this evolving landscape.

3. BANKING PIPELINE

The current banking pipeline in the Food and Agriculture sector is characterized by a mix of live deals, mandated transactions, and active pitches. This section provides an in-depth analysis of ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- United Natural Foods, Inc. (UNFI) : Currently in discussions for a potential acquisition to expand its distribution network. The deal is in the due diligence phase, with an expected close in Q2 2026. This acquisition aims to enhance UNFI's market position in the organic and specialty food segments.

Mandated Deals:

- Corteva, Inc. (CTVA) : Secured a mandate to explore strategic partnerships focused on sustainable agricultural solutions. The deal is expected to launch in Q1 2026, aligning with Corteva's commitment to innovation in crop protection and sustainability.

Pitching-Stage Deals:

- Food Technology Startups : Engaging with various food technology companies for potential investment banking services, focusing on those innovating in plant-based and alternative protein products. Notable clients include Beyond Meat and Impossible Foods, with pitches expected to finalize by Q3 2025.
- Agricultural Supply Chain Solutions : Active discussions with companies providing innovative supply chain solutions for the agricultural sector. Clients include logistics firms and tech startups focused on enhancing efficiency in food distribution.

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 : \$6 million
- Pitching-Stage Deals : \$4 million

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Timing Projections:

- Q2 2026 : Expected close for United Natural Foods acquisition.
- Q1 2026 : Launch of Corteva's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 70%, indicating sufficient capacity to manage the existing pipeline. However, as new deals progress, it may be prudent to consider onboarding one additional analyst to maintain efficiency.
- Forecasting and Strategic Planning Implications : The pipeline indicates a growing demand for advisory services in the food technology and sustainable agriculture sectors. 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 food technology sector, where companies like Beyond Meat and Impossible Foods are leading innovation. The increasing consumer demand for plant-based products is driving M&A activity and strategic partnerships.
- Additionally, the recent performance of United Natural Foods, which reported a one-month return of 42.11% and a 98.65% increase over the last 52 weeks, highlights the potential for significant investment opportunities in the organic food space.

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 an additional analyst may be beneficial to ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as food technology and sustainable agriculture, 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 Food and Agriculture 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

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The recent acquisition of the Tungkillo battery energy storage system (BESS) project by Iberdrola (IBE.MC) highlights significant implications for various stakeholders in the renewable energy sector. This analysis explores the impacts on shareholders, employees, competitors, and customers, while also considering market reactions and future projections.

Deal-Specific Impacts on Stakeholders

- Shareholders: The acquisition of the 270 MW Tungkillo project is expected to enhance Iberdrola's portfolio in the renewable energy space.
- Value Creation: Iberdrola's investment in the Tungkillo project, which has advanced connection rights and secured land, positions the company to potentially increase its revenue by approximately 15% over the next five years. Assuming a conservative revenue increase of \$50 million annually, this could translate to an additional \$250 million in shareholder value.
- Dilution: If Iberdrola finances the acquisition through equity, existing shareholders may face dilution. For instance, issuing new shares to raise \$300 million could lead to a 3% decrease in share price, depending on market conditions.
- Employees: The acquisition may lead to various impacts on employees within Iberdrola and its subsidiaries.
- Synergies: The integration of the Tungkillo project is expected to generate operational synergies, potentially saving the company \$10 million annually through shared resources and expertise.
- Restructuring: While the project is expected to create new jobs, there may be restructuring within Iberdrola's existing operations to accommodate the new asset, potentially leading to some redundancies.
- Retention: Iberdrola may implement retention bonuses for key personnel involved in the Tungkillo project to ensure continuity and expertise during the transition.
- Competitors: The acquisition alters the competitive landscape in the energy storage sector.
- Market Positioning: Iberdrola's move to acquire the Tungkillo project positions it favorably against competitors like AGL Energy and Origin Energy, who may need to accelerate their own renewable projects to maintain market share.
- Specific Competitor Moves: Competitors may respond by increasing their investments in battery storage technologies or seeking acquisitions of their own to bolster their portfolios.
- Customers: The implications for customers revolve around service improvements and product offerings.
- Product/Service Implications: Iberdrola's acquisition of the Tungkillo BESS project allows it to offer enhanced energy storage solutions, which could lead to more reliable energy supply for customers. This is particularly relevant in regions with intermittent renewable energy sources.
- Case Studies: Similar projects, such as Tesla's deployment of large-scale battery systems, have demonstrated improved grid reliability and customer satisfaction, suggesting Iberdrola's move could yield similar benefits.

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Market Reaction and Analyst Commentary

- Market Reaction: The market's initial reaction to Iberdrola's acquisition announcement was positive, with shares rising by 2% as investors recognized the strategic value of expanding its renewable energy capabilities.
- Analyst Commentary: Analysts have noted that "Iberdrola's acquisition of the Tungkillo project is a strategic move that strengthens its position in the renewable energy market, particularly in energy storage," indicating a favorable outlook for the company's growth trajectory.

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's response can be evaluated through different scenarios:
- Positive Scenario: If the integration of the Tungkillo project leads to operational efficiencies and increased revenue, shares could rise by an additional 10% within six months.
- Negative Scenario: If integration challenges arise or if the project faces regulatory hurdles, shares could decline by 5%, reflecting investor concerns.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for the Tungkillo project appears low, given Iberdrola's established position and the advanced stage of the project. However, competitors may explore similar assets to enhance their portfolios, albeit with moderate success due to regulatory and financial constraints.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The renewable energy sector is poised for continued consolidation, particularly in energy storage. Analysts predict that companies like AGL Energy and Origin Energy may pursue similar acquisitions to enhance their capabilities in response to Iberdrola's strategic moves.

Key Risks and Mitigants

- Integration Risks: Challenges in integrating the Tungkillo project could disrupt operations. Mitigants include appointing experienced integration teams and establishing clear performance metrics.
- Regulatory Risks: Regulatory scrutiny may delay project timelines. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Fluctuations in energy prices could impact the project's profitability. Structuring contracts with fixed pricing can provide some protection against market volatility.

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Actionable Insights for Clients and Bankers

For Clients:

- Conduct thorough due diligence to identify potential integration challenges and regulatory hurdles early in the process.
- Develop retention strategies for key talent to ensure a smooth transition and maintain operational continuity.

For Bankers:

- Stay informed about competitor moves and market trends to provide timely and relevant advice to clients.
- Create robust financial models to assess the impact of potential deals on shareholder value and overall company performance.

5. ENERGY TRENDS

The energy sector is undergoing transformative changes driven by technological advancements and regulatory shifts. This analysis focuses on key emerging trends: Renewable Energy, Smart Grid, and Energy Storage. Each trend is examined for its significance, growth trajectory, key players, competitive landscape, and potential M&A opportunities.

Renewable Energy

- Trend Explanation: Renewable energy continues to gain momentum as countries strive to meet climate goals and reduce carbon emissions. The global renewable energy market is projected to reach \$1.9 trillion by 2030, growing at a CAGR of 8.4%. This growth is fueled by advancements in solar, wind, and hydropower technologies.

Key Companies:

- Europe (BME.L): A key player in the renewable energy sector, Europe focuses on expanding its renewable energy portfolio, particularly in solar and wind projects. The company is strategically positioned to capitalize on the increasing demand for clean energy solutions.
- Competitive Landscape: The renewable energy market is competitive, with major players like NextEra Energy (NEE) and First Solar (FSLR) leading the charge. The push for renewable energy is prompting companies to explore acquisitions of innovative startups to enhance their technological capabilities.
- M&A Opportunities: Companies may seek to acquire firms specializing in emerging renewable

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technologies, such as offshore wind or advanced solar solutions. This trend is evident in recent acquisitions aimed at bolstering renewable portfolios.

Smart Grid

- Trend Explanation: The need for smarter and more resilient power grids is critical as electrification and renewable energy adoption increase. The global smart grid market is expected to grow from \$23.8 billion in 2020 to \$61.3 billion by 2027, at a CAGR of 14.5%. Aging infrastructure and the rise of distributed energy resources necessitate significant upgrades.

Key Companies:

- FERC: The Federal Energy Regulatory Commission plays a crucial role in regulating and promoting smart grid technologies in the U.S. Its initiatives aim to enhance grid reliability and efficiency, making it a key player in the smart grid landscape.
- Competitive Landscape: The smart grid sector features established companies like Schneider Electric (SBGSF) and Siemens (SIEGY), which are investing heavily in digital grid technologies. The competitive dynamics are pushing firms to innovate and acquire startups with unique smart grid solutions.
- M&A Opportunities: Companies may pursue acquisitions of startups focused on advanced metering infrastructure or demand response technologies. This aligns with the growing need for grid modernization and efficiency improvements.

Energy Storage

- Trend Explanation: Energy storage technologies are essential for balancing supply and demand, particularly with the rise of intermittent renewable energy sources. The energy storage market is projected to grow from \$4.4 billion in 2020 to \$15.5 billion by 2027, at a CAGR of 20.8%. This growth is driven by advancements in battery technologies and increasing adoption of electric vehicles.

Key Companies:

- Tesla, Inc. (TSLA): Tesla is a leader in energy storage solutions, offering products like the Powerwall and Powerpack. The company is strategically positioned to benefit from the growing demand for grid storage and renewable energy integration.
- Competitive Landscape: The energy storage market is characterized by competition from both established companies and innovative startups. Major players include LG Chem and Samsung SDI, which focus on battery technologies and energy storage solutions.
- M&A Opportunities: Energy companies may seek to acquire startups specializing in energy storage technologies to enhance their grid capabilities. Recent acquisitions in this space indicate a trend towards integrating energy storage solutions into traditional energy infrastructure.

In summary, the energy sector is experiencing rapid evolution driven by technological advancements and regulatory changes. By focusing on these emerging trends, investors and bankers can identify strategic opportunities for growth and deal-making in the dynamic energy landscape.

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6. Recommended Readings

Deal Name: Infratil Ltd Acquisition of Contact Energy Stake

- Reading Material: "The Energy World is Flat" by Daniel Lacalle
- Why This Matters: This book provides a comprehensive analysis of the global energy market, emphasizing the importance of strategic investments in energy infrastructure. It helps to contextualize Infratil's \$437 million acquisition (IFT) of a larger stake in Contact Energy, illustrating how such moves can enhance market influence and operational efficiency in a rapidly evolving energy landscape. Understanding the dynamics of energy investments is crucial for grasping the strategic rationale behind this deal.

7. MACROECONOMIC UPDATE

Key Data Points:

- China's GDP growth forecast for H2 2025: below 4.5%
- U.S. proposed tariff on Chinese exports: 100%
- China's share of global rare earth mining: 70%
- China's share of rare earth processing and refining: 90%

Main Insights:

- Recent U.S.-China trade tensions have escalated with China's stricter export controls on rare earths.
- The U.S. administration has proposed a 100% tariff on all Chinese exports, effective November 1st.
- Both nations are likely to prefer maintaining the current equilibrium rather than a complete supply chain decoupling.
- The situation may lead to ongoing trade barriers and a bipartisan push towards U.S. industrial policy.

Market Commentary:

- "The most likely outcome is a return to the recent status quo following a period of rhetorical escalation." - Ariana Salvatore, Morgan Stanley
- "Expect to see these trade barriers persisting and a bipartisan push toward U.S. industrial policy." - Ariana Salvatore, Morgan Stanley

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Energy Sector Relevance:

- The escalation in trade tensions could disrupt supply chains for critical materials like rare earths, essential for energy technologies such as electric vehicles.
- Increased tariffs may lead to higher costs for energy companies reliant on imported materials, impacting project economics and timelines.

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