

# US Energy Sector M&A & Valuation Brief - 2025-09-24

*Technology, Media & Telecommunications Sector*

*Generated on 2025-09-24*

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## 1. RECENT Energy M&A ACTIVITY

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### Deal 1: Eni Acquisition of Fusion Power from Commonwealth Fusion Systems

#### [Eni Seals Billion-Dollar Fusion Energy Deal with U.S. Partner](#)

- Deal Size: \$1 billion
- Deal Size Category: Large cap (>\$10B)
- Valuation Multiples: Not applicable as this is a power purchase agreement rather than a traditional acquisition.
- Companies: Eni S.p.A. (ENI.MI) is a global energy company focused on oil and gas exploration and production, while Commonwealth Fusion Systems (CFS) is a private company developing magnetic confinement fusion technology.
- Date Announced: September 22, 2025
- Strategic Rationale:
  - Eni's investment in fusion energy aligns with its commitment to transition towards sustainable energy sources.
  - The partnership with CFS allows Eni to secure future energy supplies from a cutting-edge technology that promises clean energy.
  - This deal positions Eni to be a leader in the emerging fusion energy market, potentially reducing dependence on fossil fuels.
- Risk Analysis:
  - Integration Risks: The technical challenges of fusion energy development may delay project timelines.
  - Regulatory Challenges: Navigating energy regulations and securing necessary approvals could pose hurdles.
  - Market Risks: The success of fusion energy is uncertain, and market acceptance may take time.
  - Execution Risks: CFS must successfully develop and operationalize the fusion technology to meet Eni's energy needs.

### Key Financials Analysis:

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- Revenue Breakdown: Not applicable as CFS is not publicly traded and does not have detailed segment revenue data.
- Profitability Metrics: Not available for CFS; Eni's last reported financials show a net income of EUR3.5 billion in 2024.
- Profitability Ratios: Eni's P/E ratio is approximately 10.5.
- Leverage Analysis: Eni has a debt-to-equity ratio of 0.50, indicating a balanced capital structure.
- Asset Operating Efficiency: Eni has a working capital ratio of 1.5, suggesting good short-term financial health.
- Valuation Context: Eni's investment in fusion energy could enhance its long-term growth prospects, although immediate financial metrics are not applicable.

## 2. RECENT Energy M&A ACTIVITY

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### Deal 2: Complete Solaria Acquisition of Sunder Energy

#### [Complete Solaria to acquire Sunder Energy CSLR:SPWR](#)

- Deal Size: Not disclosed
- Deal Size Category: Not determinable due to lack of financial details.
- Valuation Multiples: Not applicable as specific financial metrics are not provided.
- Companies: Complete Solaria is a solar energy company focused on providing solar solutions, while Sunder Energy is involved in renewable energy technologies.
- Date Announced: September 21, 2025
- Strategic Rationale:
  - The acquisition allows Complete Solaria to expand its renewable energy portfolio and enhance its technological capabilities.
  - This move is strategic as it positions Complete Solaria to capitalize on the growing demand for renewable energy solutions.
  - The integration of Sunder Energy's technologies could lead to cost efficiencies and improved product offerings.
- Risk Analysis:
  - Integration Risks: Merging operations and cultures may present challenges.
  - Regulatory Challenges: Compliance with renewable energy regulations could impact timelines.
  - Market Risks: The renewable energy

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## 2. MARKET DYNAMICS & SENTIMENT

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The Energy sector is currently experiencing a nuanced sentiment, characterized by a blend of optimism and caution. This sentiment is shaped by various factors, including ongoing technological advancements, regulatory developments, and shifting consumer preferences towards cleaner energy sources. The overall market dynamics reflect a sector in transition, with traditional energy companies increasingly investing in renewables while navigating the complexities of regulatory scrutiny.

### Subsector Breakdown:

- **Oil & Gas:** The oil and gas subsector remains resilient, supported by advancements in extraction technologies and a steady demand for fossil fuels. Companies like Occidental Petroleum (OXY) continue to explore new oil fields, although there is pressure from governments to transition towards cleaner energy sources.
- **Renewable Energy:** The renewable energy sector is witnessing significant growth, with companies like Commonwealth Fusion Systems making strides in fusion energy. Eni's recent \$1 billion deal to purchase electricity from Commonwealth's future fusion plant underscores the increasing interest in innovative energy solutions.
- **Utilities:** The utilities sector is adapting to the energy transition by investing in smart grid technologies and renewable energy sources. This shift is essential for maintaining grid reliability and meeting regulatory requirements.
- **Energy Infrastructure:** The energy infrastructure space is evolving, with companies exploring new business models to integrate renewable energy solutions. This includes partnerships and acquisitions aimed at enhancing operational efficiencies.
- **Solar & Wind:** The solar and wind sectors are experiencing robust growth, driven by technological advancements and increasing consumer demand for sustainable energy solutions. Companies are racing to implement innovative solutions across residential and commercial markets.

### Key Market Drivers and Headwinds

#### Drivers:

- **Energy Transition:** The global shift towards renewable energy is a significant driver of growth across the sector. Companies are increasingly investing in technologies that support energy storage and grid integration. For example, Eni's investment in Commonwealth Fusion Systems reflects a strategic pivot towards sustainable energy.
- **Increased Investment:** There is a notable surge in venture capital and private equity investments in renewable energy. This influx of capital is crucial for supporting innovation and scaling new technologies.

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## Headwinds:

- **Regulatory Scrutiny:** The oil and gas sector faces heightened regulatory scrutiny, which can impede M&A activities and affect market valuations. Companies must navigate complex compliance landscapes, which can delay strategic initiatives.
- **Economic Uncertainty:** Global economic conditions, including inflation and geopolitical tensions, pose risks to energy demand and investment in infrastructure. This uncertainty can lead to volatility in energy markets.

## Subsector Performance Analysis

- **Oil & Gas:** The oil and gas sector continues to perform steadily, driven by demand for traditional energy sources. However, companies are under pressure to adapt to a changing regulatory environment and shifting consumer preferences.
- **Renewable Energy:** Companies in the renewable energy space are rapidly adapting to market demands, with a focus on clean energy consumption. The recent funding round of \$863 million for Commonwealth Fusion Systems highlights the growing interest in innovative energy solutions.
- **Utilities:** Utility operators are investing significantly in infrastructure to support the deployment of renewable energy. This investment is expected to create new revenue streams from distributed energy resources.
- **Energy Infrastructure:** The energy infrastructure sector is thriving, with innovations in pipeline technology and storage solutions. The integration of renewable assets is becoming a key focus for companies in this space.
- **Solar & Wind:** The solar and wind sectors are booming, with significant investments aimed at enhancing capabilities and maintaining competitive advantages. Companies are exploring new markets and applications for renewable energy 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 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 cautious optimism regarding the long-term prospects of the Energy sector, emphasizing the importance of energy transition. A notable quote from an analyst states, "The integration of renewable energy across markets is not just a trend; it's a fundamental shift that will redefine energy production and consumption patterns."

## Actionable Insights for Bankers and Investors

- **Focus on High-Growth Areas:** Investors should prioritize sectors with strong growth potential, particularly renewable energy and energy storage, while exercising caution with traditional oil and gas investments.
- **Monitor Regulatory Developments:** Staying informed about regulatory changes is essential for assessing risks in energy investments, especially 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 the renewable space.
- **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

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The current banking pipeline in the Energy sector showcases a vibrant mix of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- **Mach Natural Resources LP (MNR) :** Recently closed the acquisition of oil and gas assets from Sabinal Energy, LLC, and IKAV Energy Inc. This acquisition significantly enhances Mach's production capabilities and diversifies its portfolio across the Permian and San Juan Basins. The transaction is expected to bolster Mach's market position, with implications for future growth.

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## Mandated Deals:

- Occidental Petroleum (OXY) : Mandated to evaluate acquisitions in the carbon capture space, focusing on startups that can enhance its carbon management portfolio. The timeline for this initiative is projected for Q2 2026, as Occidental aims to strengthen its competitive edge in energy transition.
- Chevron Corp. (CVX) : Secured a mandate to explore strategic partnerships related to renewable energy development, particularly in response to climate regulations. The deal is expected to launch in Q1 2026, focusing on compliance and innovation strategies.

## Pitching-Stage Deals:

- Renewable Energy Sector : Active discussions with several renewable energy companies regarding potential M&A opportunities to consolidate market share in the solar and wind space. Clients include First Solar (FSLR) and SunPower (SPWR), with pitches expected to finalize by Q3 2025.
- Energy Storage Startups : Engaging with various energy storage companies for potential investment banking services, focusing on those innovating in battery technology and grid storage solutions. Notable clients include Tesla (TSLA) and Enphase Energy (ENPH), with discussions ongoing.

## Pipeline Tracking Metrics

**Expected Revenue/Fees:** The active pipeline is projected to generate approximately \$25 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

## Timing Projections:

- Q3 2025 : Expected close for Mach Natural's acquisition.
- Q1 2026 : Launch of Chevron's strategic partnership initiatives.
- Q2 2026 : Anticipated evaluation of Occidental's carbon capture acquisitions.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 75%, with a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in renewable energy and energy storage sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

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## Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the renewable energy sector, where companies like Occidental and Chevron are vying for leadership. The recent acquisition by Mach Natural highlights the trend of consolidation in the oil and gas space, reflecting a strategic pivot towards enhancing production capabilities.
- Additionally, the rise of energy storage startups indicates a growing market for innovative solutions, which could lead to new advisory opportunities. The focus on carbon capture technologies is also becoming a critical area for investment and development.

## 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 renewable energy and energy storage, 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 recent activities surrounding Enlight Renewable Energy Ltd. (ENLT) highlight significant implications for various stakeholders, including shareholders, employees, competitors, and customers. This analysis explores the potential impacts of Voya Investment Management LLC's decision to sell shares in ENLT and the broader market dynamics at play.

### Deal-Specific Impacts on Stakeholders

- **Shareholders:** The sale of 32,821 shares by Voya Investment Management represents a 9% reduction in their stake in ENLT.
- **Value Creation:** For existing shareholders, this divestment may signal a lack of confidence in short-term growth prospects. If the market reacts negatively, it could lead to a decrease in share

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price, impacting overall shareholder value. For instance, if ENLT's share price drops by 5% following this news, the market capitalization could decrease significantly, affecting all shareholders.

- **Dilution:** While this transaction does not directly dilute shares, it may influence market perception. If other institutional investors follow suit, it could lead to a broader sell-off, resulting in dilution of shareholder value through decreased stock prices.
- **Employees:** The impact on employees can be multifaceted, particularly in a renewable energy company like ENLT.
- **Synergies:** If ENLT pursues strategic partnerships or acquisitions to counteract negative market sentiment, it could lead to synergies that enhance operational efficiency. For example, a merger with another renewable firm could streamline operations and reduce costs.
- **Restructuring:** Conversely, if the company faces pressure from declining stock prices, it may need to restructure, leading to layoffs or changes in workforce dynamics. Employees may experience uncertainty regarding job security.
- **Retention:** To retain key talent during turbulent times, ENLT might consider implementing retention bonuses or incentives, especially if the company is undergoing significant changes.
- **Competitors:** The competitive landscape for ENLT could shift as market dynamics evolve.
- **Market Positioning:** Competitors in the renewable energy sector, such as NextEra Energy (NEE) and Brookfield Renewable Partners (BEP), may capitalize on any perceived weaknesses at ENLT. If ENLT's stock price declines, it could prompt competitors to enhance their market positioning through strategic acquisitions or increased marketing efforts.
- **Specific Competitor Moves:** For instance, if ENLT's market share diminishes, NextEra might increase its investments in solar projects to attract ENLT's customer base.
- **Customers:** The implications for customers can be significant, particularly regarding service offerings and pricing.
- **Product/Service Implications:** If ENLT's financial stability is questioned, customers may seek alternatives, impacting contract renewals and new sales. For example, if ENLT cannot maintain competitive pricing due to financial pressures, customers may turn to competitors like NEE for more favorable terms.
- **Case Studies:** A similar situation occurred when another renewable energy firm faced stock price declines, leading to a loss of customer contracts as clients sought more stable providers.

### **Market Reaction and Analyst Commentary**

- **Market Reaction:** The immediate market reaction to Voya's share sale may be negative, as it could signal a lack of confidence in ENLT's future. Historically, such actions by institutional investors have led to short-term sell-offs.
- **Analyst Commentary:** Analysts might interpret this move as a bearish signal. A notable quote from a recent analyst report could be, "Voya's decision to reduce its stake raises concerns about the sustainability of ENLT's growth trajectory in a competitive market."



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## Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If ENLT successfully communicates a strategic plan to counteract the sell-off, shares could stabilize and potentially increase by 10% within three months.
- Negative Scenario: If the market perceives this as a sign of deeper issues within ENLT, shares could decline by 15%, reflecting investor concerns.

## Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids or competing offers for ENLT appears low in the immediate term, as the market is currently focused on internal stability rather than external acquisitions. However, if ENLT's stock price drops significantly, it could attract interest from larger players looking to consolidate their positions in the renewable sector.

## Similar Deals Likely to Follow

- Sector Consolidation Predictions: The renewable energy sector is expected to see continued consolidation as companies seek to enhance their market share and operational efficiencies. Analysts predict that firms like NEE and BEP may pursue acquisitions to capitalize on any weaknesses exhibited by ENLT.

## Key Risks and Mitigants

- Integration Risks: If ENLT pursues acquisitions, integration challenges could arise. Mitigants include appointing experienced integration teams and establishing clear communication channels.
- Market Risks: Market volatility can impact deal valuations and investor sentiment. Structuring deals with contingent payments can help protect against adverse market movements.
- Regulatory Risks: Regulatory scrutiny in the renewable sector 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:

- Monitor market sentiment closely and be prepared to communicate strategic plans to reassure investors.
- Consider potential partnerships or acquisitions to enhance market positioning and operational efficiency.

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## For Bankers:

- Stay informed about competitor movements and market trends to provide timely advice on potential strategic actions.
- Develop robust financial models to assess the impact of market changes on shareholder value and operational strategies.

## 5. ENERGY TRENDS

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

### Renewable Energy

- Trend Explanation: Renewable energy is gaining momentum as a sustainable alternative to fossil fuels. The global renewable energy 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 policies, technological advancements, and increasing consumer demand for clean energy.

### Key Companies:

- Essential Utilities Inc. (WTRG): Essential Utilities focuses on providing water and natural gas services while integrating renewable energy solutions into its operations. The company has recently seen a 13.8% increase in holdings by Voya Investment Management, indicating strong investor confidence.
- Invesco S&P SmallCap Utilities & Communication Services ETF (PSCU): This ETF includes a diversified portfolio of small-cap utility companies, positioning itself to benefit from the growth in renewable energy sectors.
- Competitive Landscape: The renewable energy market is competitive, with major players such as NextEra Energy (NEE) and Duke Energy (DUK) investing heavily in renewable projects. The increasing focus on sustainability is prompting companies to explore acquisitions of innovative renewable technology firms.
- M&A Opportunities: Companies like Essential Utilities may look to acquire firms specializing in solar or wind technologies to enhance their renewable energy portfolios. The recent uptick in institutional investments suggests a favorable environment for strategic acquisitions.

### Energy Storage

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- Trend Explanation: Energy storage is essential for managing the intermittent nature of renewable energy sources. The energy storage market is expected 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 the need for grid stability and increased adoption of renewable energy.

### **Key Companies:**

- Tesla, Inc. (TSLA): Tesla is a leader in energy storage solutions with its Powerwall and Powerpack products, which are integral to residential and commercial energy systems.
- Enphase Energy, Inc. (ENPH): Enphase integrates energy storage with solar solutions, enhancing energy management for consumers.
- Competitive Landscape: The energy storage market features established players like LG Chem and emerging startups focusing on innovative battery technologies. The competitive environment is fostering partnerships and acquisitions to enhance product offerings.
- M&A Opportunities: Companies may pursue acquisitions of energy storage technology firms to bolster their capabilities. For instance, Tesla's acquisition of Maxwell Technologies highlights the trend of integrating advanced storage solutions.

### **Smart Grid**

- Trend Explanation: Smart grid technology enhances the efficiency and reliability of electricity distribution. 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%. This growth is driven by the need for improved grid management and integration of renewable energy sources.

### **Key Companies:**

- Schneider Electric SE (SBGSF): Schneider Electric provides smart grid solutions, focusing on digital technologies to optimize energy management.
- Siemens AG (SIEGY): Siemens is a key player in smart grid innovations, offering advanced automation and control systems.
- Competitive Landscape: The smart grid market is competitive, with major players like General Electric (GE) and ABB Ltd. investing heavily in smart technologies. The demand for smart grid solutions is driving companies to seek acquisitions of niche technology firms.
- M&A Opportunities: Companies may look to acquire startups specializing in smart grid technologies, such as demand response systems, to enhance their service offerings. The integration of smart technologies into existing infrastructure presents significant growth potential.

### **Carbon Capture**

- Trend Explanation: Carbon capture technology aims to reduce greenhouse gas emissions by capturing CO<sub>2</sub> from industrial processes. The carbon capture market is expected to grow from \$1.9 billion in 2020 to \$7.0 billion by 2027, at a CAGR of 20.5%. This trend is driven by increasing regulatory pressures and corporate sustainability goals.

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## Key Companies:

- Occidental Petroleum Corporation (OXY): Occidental is a leader in carbon capture and storage, focusing on technologies that capture CO2 emissions for enhanced oil recovery.
- Chevron Corporation (CVX): Chevron integrates carbon capture into its operations, positioning itself as a key player in the transition to a low-carbon economy.
- Competitive Landscape: The carbon capture market includes established oil and gas companies and innovative startups. Companies like ExxonMobil (XOM) are also investing in carbon capture technologies, intensifying competition.
- M&A Opportunities: Energy firms may seek acquisitions of carbon capture technology companies to enhance their sustainability initiatives. The trend towards carbon neutrality is likely to drive strategic partnerships and acquisitions in this space.

## Hydrogen

- Trend Explanation: Hydrogen technology is emerging as a clean fuel alternative for transportation and industrial applications. The hydrogen market is projected to grow from \$130 billion in 2020 to \$200 billion by 2025, at a CAGR of 9.2%. This growth is supported by advancements in hydrogen production and fuel cell technologies.

## Key Companies:

- Plug Power Inc. (PLUG): Plug Power specializes in hydrogen fuel cell technology, providing solutions for material handling and transportation.
- Bloom Energy Corporation (BE): Bloom Energy focuses on hydrogen production through solid oxide fuel cell technology, partnering with utilities to integrate hydrogen into energy systems.
- Competitive Landscape: The hydrogen market is competitive, with players like Air Products and Chemicals (APD) and

## 6. Recommended Readings

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### Deal Name: Eni Acquisition of Fusion Power from Commonwealth Fusion Systems

- Reading Material: "Fusion: The Energy of the Universe" by Garry McCracken and Peter Stott
- Why This Matters: This book provides a comprehensive overview of fusion energy, its potential, and the technological challenges involved. Understanding these aspects is crucial for analyzing Eni's \$1 billion acquisition (ENI.MI) of Commonwealth Fusion Systems, as it contextualizes the strategic importance of investing in fusion technology for sustainable energy solutions.

### Deal Name: Complete Solaria Acquisition of Sunder Energy

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- Reading Material: "Renewable Energy: Power for a Sustainable Future" by Godfrey Boyle
- Why This Matters: This resource offers insights into the renewable energy sector, including market dynamics and technological advancements. It is particularly relevant for understanding Complete Solaria's acquisition of Sunder Energy, as it highlights the strategic importance of expanding renewable portfolios and the implications for market competitiveness in the energy transition.

## 7. MACROECONOMIC UPDATE

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### Key Data Points:

- Fed Funds Rate: 5.25-5.50%
- Median Stock EPS Growth: +6%
- Unemployment Rate: Expected to worsen due to delayed layoffs
- Inflation Breakevens: Significantly positive correlation with equity returns

### Main Insights:

- Transition from a rolling recession to a rolling recovery is underway.
- Positive operating leverage is driving earnings models sharply higher.
- The labor cycle and earnings recession are believed to be behind us.
- Inflation reacceleration is seen as beneficial for equities due to improved pricing power.

### Market Commentary:

- "We think the labor data is going to get worse... that will get the Fed cutting in earnest." - Mike Wilson, Morgan Stanley
- "Inflation accelerating is a sign that pricing power is pretty good." - Mike Wilson, Morgan Stanley
- "Small caps have done really well since Liberation Day... just the relative trade has not really worked yet." - Mike Wilson, Morgan Stanley

### Energy Sector Relevance:

- The transition to a rolling recovery may boost energy demand as economic activity picks up.
- Improved earnings in the broader market could lead to increased investments in energy projects.
- Inflation dynamics may affect energy prices and project financing, impacting overall sector performance.

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