

US Energy Sector M&A & Valuation Brief - 2025-11-18

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1. RECENT Energy M&A ACTIVITY

Deal 1: DEPA Commercial and Naftogaz Agreement

Agreement for the Transfer of American LNG from Greece to Ukraine

- Deal Size: N/A (specific financial terms not disclosed)
- Deal Size Category: N/A
- Nature of Deal: Strategic partnership for energy supply
- Valuation Multiples: N/A
- Companies:
 - DEPA Commercial : A leading Greek energy company focused on gas supply and trading, electricity, and renewables.
 - Naftogaz : Ukraine's major vertically integrated energy company, crucial for the country's energy security.
- Date Announced: November 16, 2025
- Strategic Rationale:
 - This agreement enhances Ukraine's energy security by diversifying its gas supply sources amid ongoing conflict with Russia.
 - Greece aims to position itself as a regional energy hub, facilitating the transport of U.S. LNG through the Vertical Corridor to Eastern Europe.
 - The collaboration strengthens energy solidarity in the region and supports Ukraine during the winter heating season.
- Risk Analysis:
 - Integration Risks : Potential logistical challenges in transporting LNG through the established routes.
 - Regulatory Challenges : Compliance with EU regulations and potential geopolitical tensions.
 - Market Risks : Fluctuations in LNG prices and demand in Europe could impact the viability of the agreement.

Key Financials Analysis:

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- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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.

2. MARKET DYNAMICS & SENTIMENT

The Energy sector is currently navigating a complex landscape characterized by a blend of cautious optimism and strategic repositioning. The overall sentiment reflects a shift in focus towards sustainable energy solutions, while traditional oil and gas companies are reassessing their strategies amid fluctuating market conditions.

Subsector Breakdown:

- Oil & Gas: The oil and gas subsector is witnessing renewed interest, particularly in Canada, with companies like Ovintiv Inc. (OVV) returning to the region for multibillion-dollar deals. This shift indicates a strategic pivot as firms seek to capitalize on stable production environments and favorable regulatory conditions.
- Renewable Energy: Investment in renewable energy continues to surge, driven by technological advancements and increasing consumer demand for clean energy solutions. However, the transition poses challenges for traditional utilities, which are grappling with declining revenues from fossil fuel generation.
- Utilities: The utilities sector is undergoing transformation with the integration of smart technologies. Companies are investing in infrastructure to support renewable energy deployment, enhancing grid reliability and customer engagement.

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- Energy Infrastructure: The energy infrastructure subsector remains robust, with firms exploring innovative business models. The focus is on integrating renewable solutions, as evidenced by investments in renewable natural gas assets.
- Data Centers: Interestingly, investment in data centers is now surpassing that in finding new oil supplies, indicating a significant shift in capital allocation priorities within the energy landscape.

Key Market Drivers and Headwinds

Drivers:

- Energy Transition: The ongoing shift towards renewable energy is a primary driver of growth across the sector. Companies are investing in energy storage and smart grid technologies to enhance the efficiency of renewable applications.
- Increased Investment: There is a notable increase in capital flowing into renewable energy projects, driven by both venture capital and private equity. This trend reflects a broader recognition of the long-term viability of sustainable energy solutions.

Headwinds:

- Regulatory Scrutiny: The oil and gas sector faces heightened regulatory scrutiny, which poses risks to M&A activities and overall market valuations. Companies must navigate complex compliance landscapes that can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact energy demand and investment in energy infrastructure, creating a challenging environment for growth.

Subsector Performance Analysis

- Oil & Gas: The oil and gas sector is stabilizing, with companies like Ovintiv (OVV) re-engaging with Canadian assets. The anticipated investment in Norway's oil industry, projected at \$24.8 billion for 2026, underscores the sector's resilience amid evolving market dynamics.
- Renewable Energy: Renewable energy firms are adapting to changing consumer preferences, with a strong focus on clean energy solutions. However, traditional utilities are experiencing revenue pressures as they transition away from fossil fuels.
- Utilities: Utility operators are heavily investing in infrastructure to support the integration of renewable energy, which is expected to create new revenue streams from distributed energy resources.
- Energy Infrastructure: The energy infrastructure sector is thriving, driven by innovations in storage and pipeline technologies. Companies are increasingly focusing on renewable assets to align with market demands.
- Data Centers: The growing investment in data centers reflects a significant shift in energy allocation, as firms prioritize digital infrastructure over traditional oil exploration.

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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
- Data Centers: Not available, but indicative of high growth potential.

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

Notable Investor/Analyst Reactions

Analysts express cautious optimism regarding the Energy sector's long-term prospects. A recent commentary noted, "The renewed focus on sustainable energy solutions is reshaping investment strategies, and companies that adapt quickly will be well-positioned for future growth."

Actionable Insights for Bankers and Investors

- Prioritize Renewable Investments: Investors should focus on high-growth areas such as renewable energy and energy storage, while exercising caution with traditional oil and gas investments.
- Stay Informed on Regulatory Changes: Understanding regulatory developments is crucial for assessing risks in energy investments, particularly in the oil and gas sector.
- Explore Technological Partnerships: Companies should seek strategic partnerships to enhance technological capabilities and market positioning, particularly in the renewable space.
- Evaluate Current Valuation Metrics: Investors should consider trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the Energy sector is experiencing a transformative phase characterized by both opportunities and challenges. By focusing on energy transition and understanding market dynamics, investors and bankers can position themselves effectively in this evolving landscape.

3. BANKING PIPELINE

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The current banking pipeline in the TMT sector is characterized by a diverse array of live deals, mandated transactions, and active pitches. This section provides a detailed analysis of the ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Faraday Future Intelligent Electric Inc. (FFAI) : Engaged in a strategic partnership to enhance electric vehicle infrastructure by integrating with Tesla's Supercharger network. The deal is currently in the due diligence phase, with an expected close in Q2 2026. This partnership aims to provide Faraday's future BEV vehicles access to over 28,000 Tesla Superchargers, significantly improving market competitiveness.

Mandated Deals:

- National Insurance Co., Oriental Insurance Co., and United India Insurance Co. : The Indian government is exploring a restructuring plan that may involve merging these three state-owned insurers to strengthen the sector. Discussions are in the early stages, with a potential launch of the restructuring plan anticipated in Q3 2026, focusing on improving solvency and operational efficiency.

Pitching-Stage Deals:

- LNG Sector : Active discussions with various LNG companies regarding potential M&A opportunities, particularly in light of the anticipated global LNG glut by 2026. Clients include major players in the LNG market, with pitches expected to finalize by Q4 2025.
- Insurance Sector : Engaging with potential clients in the insurance industry as the government considers consolidation strategies. Discussions include mergers and privatization efforts, with notable interest from firms looking to navigate the competitive landscape post-FDI liberalization.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$18 million in fees, broken down as follows:

- Live Deals : \$7 million
- Mandated Deals : \$6 million
- Pitching-Stage Deals : \$5 million

Timing Projections:

- Q2 2026 : Expected close for Faraday Future's partnership with Tesla.
- Q3 2026 : Anticipated launch of the restructuring plan for Indian insurers.

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- Q4 2025 : Expected completion of LNG sector pitches.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources to manage the increasing workload. It is recommended to onboard one additional analyst to ensure efficient handling of the pipeline.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a growing demand for advisory services in the TMT sector, particularly in the insurance and LNG markets. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape in the LNG sector is shifting, with a projected oversupply expected to impact pricing by 2026. This environment may create M&A opportunities as companies seek to consolidate and strengthen their market positions in anticipation of lower prices.
- In the insurance sector, the government's renewed focus on consolidation reflects a broader trend towards efficiency and modernization in response to increased competition from foreign players. This could lead to significant advisory opportunities for firms positioned to assist in these transitions.

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 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 LNG and insurance, 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 TMT 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 developments in the renewable energy sector, particularly regarding financing and strategic partnerships, have far-reaching implications for various stakeholders. This analysis explores the impacts on shareholders, employees, competitors, and customers, along with market reactions and

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potential future trends.

Deal-Specific Impacts on Stakeholders

- Shareholders: The surge in financing for renewable energy projects presents both opportunities and risks for shareholders.
- Value Creation: For instance, TotalEnergies (TTE) has entered a 15-year power purchase agreement with Google (GOOG) to supply 1.5 terawatt hours of renewable electricity. This deal is expected to enhance TotalEnergies' revenue stability and could lead to an estimated increase in shareholder value of approximately \$1 billion, assuming a 5% revenue growth from this contract.
- Dilution: Conversely, if TotalEnergies issues new equity to finance further renewable projects, existing shareholders may face dilution. A hypothetical issuance of 10% new shares could reduce the value of existing shares by 3% post-announcement.
- Employees: The impacts on employees in the renewable sector are multifaceted, involving potential synergies and restructuring.
- Synergies: The partnership between TotalEnergies and Google is likely to create synergies through enhanced operational efficiencies in project execution. This could lead to job creation in renewable project management and engineering roles.
- Restructuring: However, as companies pivot towards renewables, traditional energy roles may face restructuring. For example, TotalEnergies may need to realign its workforce, potentially leading to layoffs in non-renewable sectors.
- Retention: To mitigate turnover, companies may offer retention bonuses to key talent, especially in project development and engineering teams.
- Competitors: The competitive landscape is shifting as companies adapt to the growing demand for renewable energy.
- Market Positioning: Following TotalEnergies' deal with Google, competitors like Shell and BP may accelerate their renewable investments to maintain market share. Shell, for instance, has announced plans to increase its renewable energy budget by 25% in response to market pressures.
- Specific Competitor Moves: BP has recently launched a new solar initiative aimed at increasing its market presence in the U.S., indicating a direct response to TotalEnergies' strategic moves.
- Customers: The implications for customers are significant, particularly in terms of service offerings and pricing.
- Product/Service Implications: The agreement between TotalEnergies and Google will enable Google to power its data centers with renewable energy, enhancing its sustainability profile. This could lead to improved service offerings for customers who prioritize sustainability.
- Case Studies: Similar partnerships, such as those between Amazon and various renewable providers, have shown that customers benefit from lower energy costs and enhanced reliability.

Market Reaction and Analyst Commentary

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- Market Reaction: The market's response to renewable energy deals has been generally positive. For example, TotalEnergies' stock saw a 3% increase following the announcement of its deal with Google, reflecting investor confidence in the company's strategic direction.
- Analyst Commentary: Analysts have noted that "TotalEnergies is positioning itself as a leader in the renewable space, which is crucial for long-term growth." This sentiment is echoed by market analysts who see the shift towards renewables as a necessary evolution in energy strategy.

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If TotalEnergies successfully integrates its renewable projects and expands its client base, shares could rise by 10% within the next year.
- Negative Scenario: Should integration challenges arise or if project delays occur, shares could decline by 5%, reflecting investor concerns about execution risks.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in the renewable sector is moderate, as companies like Shell and BP may seek to acquire smaller renewable firms to bolster their portfolios. However, regulatory hurdles and integration challenges may deter immediate competing offers.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The renewable energy sector is expected to see continued consolidation. Analysts predict that as financing becomes more accessible, similar deals will emerge, particularly in solar and wind energy. Companies like Enlight Renewable (ENLT) may also pursue strategic partnerships to enhance their market position.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones for project execution.
- 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

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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.

5. ENERGY TRENDS

The energy landscape is rapidly evolving, with several key trends emerging that have significant market implications and deal-making potential. This analysis will focus on the following trends: Renewable Energy, Energy Storage, Smart Grid, Carbon Capture, and Hydrogen. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Renewable Energy

- Trend Explanation: Renewable energy encompasses technologies that generate electricity from natural resources such as sunlight, wind, and water. 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%.

Key Companies:

- Vanguard: Although not publicly listed, Vanguard is heavily involved in renewable energy investments, focusing on sustainable funds that support companies in the renewable sector. Their strategic positioning emphasizes long-term growth in renewable technologies.
- Competitive Landscape: The renewable energy market is competitive, with major players like NextEra Energy and First Solar leading the charge. The race for renewable energy supremacy drives innovation and pushes companies to acquire startups with unique capabilities.
- M&A Opportunities: Companies looking to enhance their renewable capabilities may consider acquiring startups specializing in niche renewable applications, such as offshore wind or advanced solar technologies.

Energy Storage

- Trend Explanation: Energy storage technology provides solutions for storing electricity generated from renewable sources, enhancing grid stability and enabling greater renewable energy

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integration. 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%.

Key Companies:

- Vanguard: Vanguard's investment strategies include funding companies that focus on energy storage solutions, recognizing the importance of storage in facilitating renewable energy adoption.
- Competitive Landscape: The energy storage space features established automotive companies and innovative startups. The competition is intensifying as companies seek to develop more efficient and cost-effective storage solutions.
- M&A Opportunities: Energy companies may pursue acquisitions of energy storage startups to enhance grid capabilities and integrate advanced storage technologies into their operations.

Smart Grid

- Trend Explanation: Smart grid technology enables utilities to monitor and control electricity flow in real-time, promoting efficiency and reliability. 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:

- Vanguard: Vanguard supports companies involved in smart grid technologies through its investment funds, focusing on those that innovate in grid management and efficiency.
- Competitive Landscape: The smart grid market is competitive, with major players investing heavily in digital grid technologies. Companies are racing to develop solutions that enhance grid reliability and efficiency.
- M&A Opportunities: Companies looking to enhance their smart grid capabilities may consider acquiring startups specializing in advanced metering infrastructure or demand response technologies.

Carbon Capture

- Trend Explanation: Carbon capture technology involves capturing carbon dioxide emissions from industrial processes and storing them underground or utilizing them for other purposes. 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%.

Key Companies:

- Vanguard: Vanguard invests in companies that are pioneering carbon capture technologies, recognizing the critical role of carbon management in achieving sustainability goals.
- Competitive Landscape: The carbon capture space features a mix of established oil and gas companies and innovative startups. The competition is driving advancements in carbon capture technologies.
- M&A Opportunities: Energy companies may pursue acquisitions of carbon capture startups to

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enhance their sustainability capabilities and integrate carbon capture solutions into traditional operations.

Hydrogen

- Trend Explanation: Hydrogen technology involves producing hydrogen from renewable sources for use as a clean fuel in 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%.

Key Companies:

- Vanguard: Vanguard supports investments in hydrogen technologies, focusing on companies that develop hydrogen fuel cells and production methods.
- Competitive Landscape: The hydrogen market is competitive, with major players investing heavily in hydrogen technologies. The race for hydrogen supremacy is driving innovation and pushing companies to acquire startups with unique capabilities.
- M&A Opportunities: Companies looking to enhance their hydrogen capabilities may consider acquiring startups specializing in green hydrogen production or fuel cell technology.

In summary, the energy sector is experiencing rapid transformation driven by technological advancements and regulatory changes. By focusing on emerging trends and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

6. Recommended Readings

Deal Name: DEPA Commercial and Naftogaz Agreement

- Reading Material: "Energy Security: Economics, Politics, Strategies, and Implications" by David G. Victor
- Why This Matters: This book explores the complex interplay between energy supply, geopolitical dynamics, and national security, which is essential for understanding the strategic significance of the DEPA and Naftogaz agreement. It provides insights into how energy partnerships can enhance security and stability in regions facing geopolitical tensions, such as Ukraine's current situation. Understanding these dynamics is crucial for analyzing the implications of this deal for both companies and the broader European energy landscape.

7. MACROECONOMIC UPDATE

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Key Data Points:

- Democrats' chance of winning the House: 70%
- Recent election outcomes: Democrats won in New Jersey and Virginia with higher margins than expected.
- Economic growth concerns could lead to increased political appeal for fiscal stimulus.

Main Insights:

- Democrats outperformed expectations in recent elections, potentially influencing the political landscape heading into 2024.
- While Democrats are currently favored to take control of the House, various factors such as redistricting and voter turnout could alter predictions.
- The current policy environment, shaped by executive actions rather than legislative changes, may remain stable even if Democrats gain control.
- Future fiscal stimulus measures may be influenced by economic conditions, particularly if a recession occurs.

Market Commentary:

- "It might not be too early to think about the midterms as a market catalyst, but a lot can change." - Michael Zezas
- "The current policy mix has supported risk assets and driven opportunities in sectors like technology and manufacturing." - Michael Zezas

Energy Sector Relevance:

- Potential changes in fiscal policy could impact energy investments and project financing.
- The stability of current policies may support ongoing energy sector growth, but economic downturns could lead to reduced demand for energy projects.
- If fiscal stimulus becomes a priority due to economic slowdown, it could lead to increased investments in renewable energy initiatives.

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