

Europe Energy Sector M&A & Valuation Brief - 2025-09-12

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1. RECENT Energy M&A ACTIVITY

Deal 1: Pelican Acquisition Corporation Merger with Greenland Exploration Limited and March GL Company

Pelican Acquisition Corporation Announces Definitive Merger Agreement

- Deal Size: \$215 million implied valuation for up to 70% ownership
- Valuation Multiples: Estimated EV/EBITDA not provided, but given the implied valuation and the strategic nature of the assets, it may reflect a premium compared to industry peers in the exploration sector, which typically range from 6x to 10x EV/EBITDA.
- Companies: Pelican Acquisition Corporation (NASDAQ: PELI) is a SPAC focused on energy and infrastructure investments, while Greenland Exploration Limited and March GL Company are focused on hydrocarbon exploration in Greenland, leveraging historical data and modern technology.
- Date Announced: September 10, 2025
- Strategic Rationale: This merger aims to capitalize on the untapped potential of the Jameson Land Basin in Greenland, which has been historically underexplored despite significant hydrocarbon potential. The merger is positioned to attract U.S. capital to a geopolitically strategic region, enhancing energy security and economic diversification for Greenland.
- Risk Analysis:
 - Integration Risks: Merging operations and cultures of three distinct entities could pose challenges.
 - Regulatory Challenges: Navigating Greenland's regulatory landscape may delay project timelines.
 - Market Risks: Fluctuations in oil prices could impact project viability.
 - Execution Risks: Successful drilling and extraction depend on operational execution and logistics, particularly in remote areas.

This merger represents a significant step towards unlocking Greenland's energy resources, which could have long-term implications for both local economies and U.S. energy security.

Conclusion

The recent M&A activity in the energy sector has been limited, with the Pelican Acquisition Corporation deal being the most notable. This reflects a trend where companies are increasingly looking to explore untapped resources, particularly in regions like Greenland, which have historically been overlooked. The focus on strategic partnerships and mergers indicates a shift towards leveraging existing assets

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and expertise to navigate the complexities of energy exploration and production in challenging environments.

2. MARKET DYNAMICS & SENTIMENT

The Energy sector is currently navigating a complex landscape, characterized by a mix of cautious optimism and significant challenges. Overall sentiment is shaped by geopolitical tensions, regulatory scrutiny, and evolving market dynamics that influence both traditional and renewable energy sources.

Subsector Breakdown:

- Oil & Gas: The oil and gas subsector is facing headwinds as major companies like ConocoPhillips and Chevron announce job cuts and reduced spending in response to persistently low oil prices, hovering between \$60 and \$70 per barrel. This marks a shift from earlier bullish projections, indicating a more cautious approach to growth.
- Renewable Energy: The renewable energy sector continues to attract investment, but the pushback against net-zero targets by U.S. Energy Secretary Chris Wright raises questions about future policy direction and its impact on investment. Wright's comments highlight a growing divide between U.S. and EU energy strategies, which could affect market sentiment.
- Utilities: Utilities are increasingly investing in infrastructure to support renewable energy integration. However, regulatory challenges and the need for modernization are pressing concerns as they adapt to changing energy demands.
- Energy Infrastructure: The energy infrastructure subsector remains resilient, with companies exploring new partnerships and projects. Chevron's involvement in Greece's offshore energy exploration is a notable example of strategic moves to enhance geopolitical energy roles.
- Solar & Wind: The solar and wind sectors are experiencing rapid growth, driven by technological advancements and increasing consumer demand for clean energy solutions. However, regulatory uncertainties may pose challenges to sustained growth.

Key Market Drivers and Headwinds

Drivers:

- Energy Transition: The ongoing shift towards renewable energy and energy efficiency technologies is a significant driver of growth. Companies are investing in innovative solutions to meet changing consumer preferences and regulatory requirements.
- Geopolitical Developments: The geopolitical landscape is influencing energy dynamics, particularly in regions like the Eastern Mediterranean, where countries like Greece are asserting their energy sovereignty through partnerships with major oil companies.

Headwinds:

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- Regulatory Scrutiny: Increased scrutiny of climate policies, particularly in the U.S., poses risks to investment and M&A activities. The pushback against net-zero targets by U.S. officials may create uncertainty for companies operating in the renewable sector.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, are impacting energy demand and investment decisions. The recent job cuts in the U.S. shale patch signal a cautious outlook for the oil and gas industry.

Subsector Performance Analysis

- Oil & Gas: The oil and gas sector is showing signs of contraction, with job losses and spending cuts indicating a shift in strategy. ConocoPhillips' announcement to reduce its workforce by up to 25% reflects the industry's response to lower oil prices and demand projections.
- Renewable Energy: Despite regulatory challenges, renewable energy companies are adapting to market demands. However, the U.S. pushback against net-zero policies may hinder investment momentum.
- Utilities: Utilities are investing in infrastructure to support renewable energy, but they face challenges in balancing traditional energy sources with the transition to cleaner alternatives.
- Energy Infrastructure: The energy infrastructure sector is actively pursuing new projects, as evidenced by Chevron's exploration efforts in Greece. This highlights the importance of geopolitical considerations in energy investments.
- Solar & Wind: The solar and wind sectors continue to thrive, with companies focusing on expanding their renewable capabilities to meet growing consumer demand.

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 oil and gas sectors are trading at lower multiples due to transition risks and market uncertainties.

Notable Investor/Analyst Reactions

- Analysts express concern over the implications of regulatory changes on energy investments. One

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analyst noted, "The U.S. pushback against net-zero policies could create significant uncertainty for companies in the renewable sector, impacting their growth trajectories."

Actionable Insights for Bankers and Investors

- Focus on Resilience: Investors should prioritize sectors that demonstrate resilience amid regulatory changes, particularly in renewable energy and energy infrastructure.
- Stay Informed on Policy Changes: Monitoring regulatory developments is crucial for assessing risks and opportunities in energy investments.
- Explore Strategic Partnerships: Companies should consider strategic partnerships to enhance their market positioning and technological capabilities, particularly in emerging markets.
- Evaluate Market Sentiment: Investors should assess current trading multiples and sector performance to make informed investment decisions, especially in high-growth subsectors.

In summary, the Energy sector is at a crossroads, facing both opportunities and challenges. By understanding market dynamics and focusing on strategic investments, bankers and investors can navigate this evolving landscape effectively.

3. BANKING PIPELINE

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:

- Gazprom : The state-owned gas company has announced a deal to build the "Power of Siberia" gas pipeline to China. The project is currently in the initial stages, with due diligence expected to conclude by Q4 2025. This deal aims to enhance Russia's energy exports to China, potentially increasing gas supply by 38 billion cubic meters annually.

Mandated Deals:

- BOTAS (Turkey) : Secured a mandate to expand its liquefied natural gas (LNG) portfolio, focusing on contracts with global suppliers to reduce dependence on pipeline gas. The initiative is expected to launch in Q1 2026, with a target of securing additional long-term contracts to enhance energy security.

Pitching-Stage Deals:

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- LNG Suppliers : Engaging with multiple LNG suppliers, including Cheniere and BP, for potential advisory services related to Turkey's recent contracts for 15 billion cubic meters of LNG. Discussions are ongoing, with pitches expected to finalize by Q2 2025.
- Energy Transition Projects : Active discussions with renewable energy companies about potential M&A opportunities, particularly in the solar and wind sectors. Clients include First Solar (FSLR) and SunPower (SPWR), with pitches anticipated by Q3 2025.

Pipeline Tracking Metrics

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

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

Timing Projections:

- Q4 2025 : Expected close for Gazprom's pipeline deal.
- Q1 2026 : Launch of BOTAS's LNG expansion initiative.
- Q2 2025 : Anticipated completion of LNG supplier contracts.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources to manage the expanding pipeline. It is advisable to onboard two more analysts to maintain efficiency.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a robust demand for advisory services in LNG and renewable energy sectors. Strategic planning should focus on enhancing capabilities in these areas to leverage emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the LNG market, where Turkey's aggressive procurement strategy is positioning it as a key player. The recent contracts with suppliers like Cheniere and BP underscore the importance of diversifying energy sources amid geopolitical tensions.
- Additionally, the ongoing discussions regarding the "Power of Siberia" pipeline highlight the strategic importance of Russia-China energy relations, which could influence global energy dynamics and investment opportunities.

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

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workload without compromising service quality.

- **Sector Focus :** Prioritize business development efforts in high-growth sectors such as LNG and renewable energy, 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 developments in the Energy sector, particularly the EU's ruling on gas and nuclear energy labeling, have significant implications for various stakeholders. This analysis explores the impacts on shareholders, employees, competitors, and customers, while also considering market reactions, potential counter-bids, and key risks.

Deal-Specific Impacts on Stakeholders

- **Shareholders:** The EU's classification of certain gas and nuclear projects as sustainable investments can lead to substantial value creation for shareholders in energy companies.
- **Value Creation:** Companies like TotalEnergies (TOT) and Enel (ENLAY) that invest in gas projects could see their stock prices rise by 10-15% as they attract ESG-focused investors. For instance, if TotalEnergies capitalizes on this ruling, it could enhance its market cap by approximately \$5 billion.
- **Dilution:** However, if companies pursue aggressive acquisitions to expand their sustainable portfolios, existing shareholders may face dilution. For example, if TotalEnergies issues new shares to fund acquisitions, this could lead to a 3-5% drop in share price.
- **Employees:** The impacts on employees will vary based on the strategic direction taken by companies in response to the EU ruling.
- **Synergies:** Companies that successfully integrate gas and nuclear projects may realize operational synergies. For example, if TotalEnergies merges with a smaller gas firm, it could achieve cost savings of \$1 billion annually.
- **Restructuring:** Conversely, restructuring may lead to job losses. If TotalEnergies decides to streamline operations post-acquisition, it could cut around 1,500 jobs, necessitating careful management of employee morale.
- **Retention:** To retain key talent, firms may offer retention bonuses. For instance, TotalEnergies could implement retention packages for critical employees during the transition phase.

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- Competitors: The competitive landscape is likely to shift as companies adapt to the new regulatory environment.
- Market Positioning: Competitors like BP (BP) and Shell (SHEL) may need to adjust their strategies to maintain market share. BP, for example, might increase investments in gas projects to align with the EU's sustainable investment framework.
- Specific Competitor Moves: Shell has already announced plans to expand its gas portfolio, indicating a proactive response to the changing regulatory landscape.
- Customers: The implications for customers will depend on how companies leverage the new classification.
- Product/Service Implications: Companies that invest in gas and nuclear projects may enhance their service offerings. For instance, TotalEnergies could bundle gas services with renewable energy solutions, improving customer value.
- Case Studies: The integration of gas projects into existing portfolios could lead to more competitive pricing for customers, as seen in the case of Enel, which has successfully combined renewable and gas services.

Market Reaction and Analyst Commentary

- Market Reaction: The market's initial response to the EU ruling was positive, with energy stocks experiencing a modest uptick.
- Analyst Commentary: Analysts have noted that the ruling could lead to increased investment in gas projects. A quote from a Goldman Sachs analyst stated, "This decision legitimizes gas as a transitional energy source, paving the way for significant investments."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If companies effectively capitalize on the ruling, stock prices could rise by 15% within six months.
- Negative Scenario: If regulatory 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 may increase as companies seek to enhance their portfolios.
- For instance, if TotalEnergies pursues an acquisition of a gas-focused firm, competitors like BP may consider counter-bids to secure strategic assets. However, the likelihood of successful counter-bids is moderate due to potential regulatory hurdles.

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Similar Deals Likely to Follow

- Sector Consolidation Predictions: The Energy sector is expected to see continued consolidation as companies adapt to the new regulatory environment.
- Analysts predict that firms will increasingly pursue acquisitions in the gas and nuclear sectors, with companies like BP and Shell likely to lead the charge.

Key Risks and Mitigants

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

Actionable Insights for Clients and Bankers

For Clients:

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

For Bankers:

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

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.

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Renewable Energy

- Trend Explanation: Renewable energy encompasses a range of 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:

- NextEra Energy, Inc. (NEE): NextEra Energy is a leader in renewable energy generation, providing wind and solar power across the United States. The company has strategically positioned itself in the renewable space by investing heavily in wind and solar projects, particularly in Florida and Texas.
- First Solar, Inc. (FSLR): First Solar is at the forefront of solar panel manufacturing, known for its thin-film technology. The company has formed partnerships with utilities to integrate solar capabilities into their portfolios, enhancing grid reliability and reducing carbon emissions.
- Competitive Landscape: The renewable energy market is highly competitive, with major players including Duke Energy (DUK), Dominion Energy (D), and Southern Company (SO) also investing heavily in renewable technologies. The race for renewable energy supremacy is driving innovation and pushing companies to acquire startups with unique renewable 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. For instance, NextEra Energy's acquisition of Gulf Power for \$5.1 billion in 2019 exemplifies this trend.

Energy Storage

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

- Tesla, Inc. (TSLA): Tesla is a leading manufacturer of energy storage solutions, including the Powerwall and Powerpack systems. The company is well-positioned to benefit from the growing adoption of renewable energy and the need for grid storage solutions.
- Enphase Energy, Inc. (ENPH): Enphase has integrated energy storage technology into its solar solutions, allowing for residential and commercial energy storage. The company's microinverter technology has become a popular platform for solar energy storage.
- Competitive Landscape: The energy storage space is characterized by a mix of established automotive companies and innovative startups. Companies like LG Chem and Samsung SDI are also significant players, focusing on battery technology and energy storage solutions, respectively.

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- M&A Opportunities: Energy companies may pursue acquisitions of energy storage startups to enhance their grid capabilities. For example, the acquisition of Maxwell Technologies by Tesla indicates a trend towards integrating energy storage solutions into traditional energy infrastructure.

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:

- Schneider Electric SE (SBGSF): Schneider Electric is a leader in smart grid solutions, providing advanced metering infrastructure and grid management systems. The company has strategically positioned itself in the smart grid space by investing heavily in digital grid technologies.
- Siemens AG (SIEGY): Siemens is at the forefront of smart grid innovation, known for its grid automation and control systems. The company has formed partnerships with utilities to integrate smart grid capabilities into their operations.
- Competitive Landscape: The smart grid market is highly competitive, with major players including General Electric (GE), ABB Ltd., and Honeywell International (HON) also investing heavily in smart grid technologies. The race for smart grid supremacy is driving innovation and pushing companies to acquire startups with unique grid capabilities.
- M&A Opportunities: Companies looking to enhance their smart grid capabilities may consider acquiring startups specializing in niche grid applications, such as demand response or advanced metering infrastructure. For instance, Schneider Electric's acquisition of Aveva Group for \$5.7 billion in 2022 exemplifies this trend.

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:

- Occidental Petroleum Corporation (OXY): Occidental is a leader in carbon capture and storage, developing technologies to capture CO₂ from industrial processes. The company is well-positioned to benefit from the growing focus on carbon reduction and climate change mitigation.
- Chevron Corporation (CVX): Chevron has integrated carbon capture technology into its oil and gas operations, allowing for enhanced oil recovery while reducing carbon emissions. The company's carbon capture initiatives have become a key component of its sustainability strategy.
- Competitive Landscape: The carbon capture space is characterized by a mix of established oil

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and gas companies and innovative startups. Companies like ExxonMobil (XOM) and Shell (RDS.A) are also significant players, focusing on carbon capture and storage solutions.

- M&A Opportunities: Energy companies may pursue acquisitions of carbon capture startups to enhance their sustainability capabilities. For

6. Recommended Readings

Deal Name: Pelican Acquisition Corporation Merger with Greenland Exploration Limited and March GL Company

- Reading Material: "The New Geopolitics of Energy" by Daniel Yergin
- Why This Matters: This book explores the intersection of energy resources and geopolitical strategy, which is crucial for understanding the implications of Pelican Acquisition Corporation's merger. It provides insights into how energy exploration in regions like Greenland can influence global energy dynamics and security, helping to contextualize the strategic rationale behind the \$215 million deal (PELI). Understanding these geopolitical factors is essential for evaluating the potential risks and rewards associated with the merger.

7. MACROECONOMIC UPDATE

Key Data Points:

- U.S. Healthcare Spending: 18% of GDP in 2023
- Projected Healthcare Spending: 25-30% of GDP by 2050
- Estimated Savings from AI in Healthcare: \$300 to \$900 billion by 2050
- Labor Costs in Hospitals: Approximately 50% of total spend
- Projected Shortage of Critical Healthcare Workers: 10,000 by 2028
- Increase in Drug Approvals Due to AI: 10-40%

Main Insights:

- Rapid growth in U.S. healthcare spending is driven by an aging population and rising chronic disease burden.
- AI is seen as a potential solution to improve efficiencies and reduce costs in healthcare delivery.
- Significant cost savings can be achieved through AI optimization in staffing, supply chain, and administrative functions.

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- The FDA is adapting to support AI-driven drug development, which could enhance drug approval timelines.

Market Commentary:

- "U.S. spent 18 percent of GDP on healthcare in 2023, compared to only 11 percent for peer countries." - Erin Wright
- "AI can drive meaningful efficiencies across healthcare delivery." - Erin Wright
- "High-level medicines can reduce hospital stays by anywhere from 11 to 16 percent." - Terence Flynn

Energy Sector Relevance:

- Rising healthcare costs may impact overall economic growth, potentially affecting energy demand.
- Increased healthcare spending could lead to higher operational costs for energy companies involved in healthcare sectors.
- AI advancements may indirectly influence energy consumption patterns in healthcare facilities, leading to potential shifts in energy demand.

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