



ENERGY, POWER & INFRASTRUCTURE

QUARTERLY ENERGY MANAGEMENT SECTOR REVIEW | 4Q 2019

HW Harris Williams

Harris Williams Overview

GLOBAL ADVISORY PLATFORM

- Founded in 1991
- 350+ professionals across eight offices globally
- 170+ closed transactions in the last 24 months
- 21st record year in 2018
- 10 dedicated industry groups



ENERGY, POWER, & INFRASTRUCTURE (“EPI”) GROUP

- 15 professionals based in Richmond, VA
- 15+ closed transactions in the last 24 months

Vertical Focus Areas

- Energy Management
- Renewables and Distributed Energy
- Industrial and Infrastructure Services
- Outsourced Utility Services
- Oilfield Services
- Engineering and Construction
- Environmental Services
- TIC & Integrity Services

Energy Management

- ESCOs
- Utility Program Management
- Building Optimization
- Energy Management Systems
- LED and Smart Lighting Systems
- Energy Storage
- Electric Submeters
- Demand Response / Smart Grid
- Billing & Workforce Management
- Distribution Automation
- Microgrids / Asset Management
- EV charging

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SELECT HW TRANSACTIONS

 has been acquired by 	Leading provider of demand-side management (“DSM”) solutions to utility clients	 has been acquired by 	Provider of demand response capabilities, energy efficiency projects, and distributed generation assets to identify, optimize, and monetize across distributed energy assets	 has been acquired by 	Provider of integrated software, data and analytics solutions to the global energy market including financial services, capital markets, and trading and risk professionals	 has been acquired by 	Develops and markets transportation analysis software for improving traffic flow	 has been acquired by 	Provider of integrated cloud-base demand response, energy efficiency, and customer engagement solutions for utility customers
 has been acquired by 	Leading implementer and administrator of energy efficiency programs	 has been acquired by 	Leading independent ESCO serving the Federal, MUSH, and commercial and industrial end markets	 has received a minority investment from 	Leading cloud-based provider of Energy Services Management software and Behavioral Energy Efficiency solutions	 has been acquired by 	Leading provider of energy efficiency and renewable energy services in the Southwestern U.S.	 has been acquired by 	Leading designer of smart submeter systems and integrated energy intelligence software

Select Energy Management M&A Transactions

Announced August 1, 2019



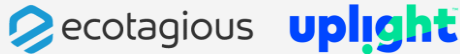
Abry Partners acquires Franklin Energy

Utility Program Management



- Abry Partners has acquired Franklin Energy, a leading provider of demand-side management (DSM) solutions to utility clients
- Formed through the merger of Franklin Energy Services and AM Conservation Group, and the subsequent acquisition of PlanetEcosystems, Franklin Energy is a vertically-integrated DSM company that offers outsourced energy efficiency and demand response program management services, product fulfillment and customer engagement software to utility clients
- The new partnership with Abry is the next step towards expanding Franklin's service, technology, and product capabilities to provide utility clients with an integrated and seamless customer experience

Announced August 6, 2019



Uplight expands with the acquisition of Ecotagious

Software and Technology



- Recently formed from the merger of Simple Energy and Tendril, Uplight, the leading provider of end-to-end, customer-centric technology solutions dedicated to the energy ecosystem, has acquired Ecotagious
- Ecotagious' SaaS-based insights platform uses advanced smart meter disaggregation, machine learning and behavioral science to provide residential customers with uniquely personalized, appliance-level insights into their energy experience
- This acquisition represents another step for Uplight to serve utilities as they transform their business in pursuit of better customer relationships and dramatic reductions in carbon

Announced July 16, 2019



CPower acquires Electric Market Connection

Energy Management



- CPower has acquired Electric Market Connection (EMC), a leading service provider of energy efficiency measurement and verification and project monetization services in the PJM market
- As one of the largest providers of demand-side management solutions to commercial and industrial customers in the US, CPower further strengthens its industry-leading service offering

Announced July 1, 2019



ENGIE acquires Conti Corporation

Facility Services



- ENGIE has acquired Conti Corporation, a provider of complete lifecycle services including construction, design/build, field installation, training, and maintenance services
- Conti will join the ENGIE Services North America team within ENGIE North America, overseeing Energy Services, Contracting and Facility Management businesses
- This acquisition marks ENGIE's 5th energy contractor acquisition since fall of 2017

Announced September 13, 2019



Pason Power combines with Energy Toolbase

Software and Technology



- Pason Power, a provider of intelligent software for the energy storage market, has combined its business with Energy Toolbase
- California-based Energy Toolbase is an industry-leading software platform that specializes in modeling the economics of solar and energy storage projects
- This union will bolster Pason Power and Energy Toolbase's ability to serve customers and develop powerful and dynamic energy management software and control systems

Deal Snapshot: Franklin Energy

Harris Williams recently advised Franklin Energy Group (Franklin Energy), a premier provider of flexible energy efficiency and grid optimization programs, on its sale to Abry Partners.

Here, Luke Semple, a managing director in the Harris Williams Energy, Power & Infrastructure (EPI) Group, discusses what made Franklin Energy an attractive target for Abry Partners and shares his advice for other buyers interested in the space.



What makes this an appealing space for buyers and investors?

Demand side management (DSM), which incorporates energy efficiency, demand response and distributed energy resources (DERs), is serving an increasingly important role in the operation and reliability of the electric power grid.

As the economy enters yet another wave of electrification, whether led by the adoption of electric vehicles or the further electrification of industrial processes, DSM serves as a critical tool for utilities to manage their networks.

In addition to being more cost-effective sources of power load compared to other sources, energy efficiency and demand response are sustainable and help meet investor and consumer calls for more stringent environmental, social and governance (ESG) standards. These programs also allow utilities to delay or defer more costly alternatives, such as new power plants or investments in transmission and distribution (T&D) infrastructure.

What made Franklin Energy particularly appealing to its buyer?

Franklin Energy is a market leading DSM company with a national footprint and vertically integrated capabilities, which enables it to holistically serve its utility clients. It is one of the only players in the market that offers energy efficiency and demand response programs, product fulfillment, and an integrated customer engagement software offering.

In the utility services industry, the “stickiness” of utility clients often presents a growth challenge for businesses seeking to win new customers from the competition. However, Franklin Energy’s management team has an exceptional track record of organic growth across new and existing utility clients.

In addition, the company has successfully married that organic growth with a successful M&A strategy to expand its execution and service capabilities. The end result is a highly attractive platform to capitalize on the industry’s growth dynamics.

What advice do you have for other buyers and investors interested in the space?

While a good deal of consolidation has taken place in Franklin Energy’s core markets in recent years, there are still M&A opportunities for both large and small platforms in the space.

At the same time, there is a wide range of other businesses with exposure to the coming “energy transition” and to some of the broader themes that make the DSM market so attractive. Often, these businesses have direct relationships with end users instead of a utility client. Examples include demand response providers, energy service companies (ESCOs), providers of HVAC and mechanical services, and a broad range of other service providers to the built environment.

Whether buyers choose to focus on DSM companies like Franklin Energy or more end user-oriented businesses, they stand to benefit from strong, long-term tailwinds and steady growth.

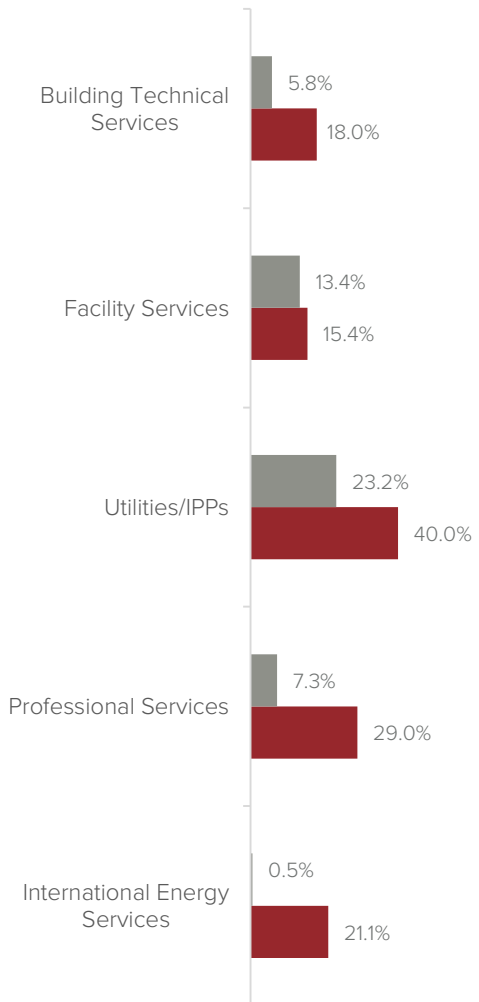
Public Market Observations¹

INTERNATIONAL ENERGY SERVICES	<p>Key Public Comps</p> <p>Enterprise Value / 2018 EBITDA 2019E EBITDA</p> <p>6.1x 5.7x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — International Energy Services</p>	<p>Transaction Spotlight</p> <p>September 3, 2019</p>	<p>Market Observations</p> <p>Electric vehicle infrastructure companies have come a long way in the last decade, but they're still just a small slice of the grid edge investment pie.</p> <p>EV deployment itself has a robust growth story to tell with the global population of EV vehicles passing 5 million last year, but investments in charging companies have not followed as consistent a trajectory.</p> <p>A Decade of Investments Into EV Infrastructure</p>
UTILITIES / IPPS	<p>Key Public Comps</p> <p>Enterprise Value / 2018 EBITDA 2019E EBITDA</p> <p>10.9x 10.9x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — Utilities/IPPs</p>	<p>Transaction Spotlight</p> <p>August 1, 2019</p>	<p>Market Observations</p> <p>Within a decade, there may be more distributed energy resources (DER) coming onto distribution systems than any utility control room can manage.</p> <p>An autonomous energy grid (AEG) could optimize those high levels of DER for the benefit of power system and DER owners.</p> <p>Utilities Scramble to Manage Explosive DER Growth</p>
BUILDING TECHNOLOGY	<p>Key Public Comps</p> <p>Enterprise Value / 2018 EBITDA 2019E EBITDA</p> <p>11.0x 9.8x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — Building Technical Services</p>	<p>Transaction Spotlight</p> <p>July 19, 2019</p>	<p>Market Observations</p> <p>For independent system operators and regional transmission organizations (ISO/RTOs), the need to rely on distributed energy resources as a system resource is growing.</p> <p>Power systems governed by wholesale markets are evolving as traditional fuel-based generation retires. As a result, ISOs and RTOs are appealing to FERC to change the way demand response resources play in the market.</p> <p>Demand Response Rules Are Changing</p>
FACILITY SERVICES	<p>Key Public Comps</p> <p>Enterprise Value / 2018 EBITDA 2019E EBITDA</p> <p>10.7x 9.9x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — Facility Services</p>	<p>Transaction Spotlight</p> <p>September 17, 2019</p>	<p>Market Observations</p> <p>Increased merger and acquisition activity is often a sign of industry maturation. As more buyers purchase emerging solutions, incumbents take notice and start picking winners and making purchases.</p> <p>The smart-building industry — made up of firms providing energy management systems, facility management technology and other building- and real-estate-focused products and services — is starting to consolidate.</p> <p>Consolidation in Fragmented Smart Buildings Sector</p>
PROFESSIONAL SERVICES	<p>Key Public Comps</p> <p>Enterprise Value / 2018 EBITDA 2019E EBITDA</p> <p>11.3x 10.9x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — Professional Services</p>	<p>Transaction Spotlight</p> <p>June 3, 2019</p>	<p>Market Observations</p> <p>JLL commits to net zero carbon in its UK workplaces by 2030 and to spearheading the adoption of net zero carbon buildings across the UK.</p> <p>By 2021, JLL plans to integrate net zero carbon into all services for all buildings advised on, create transparency by tracking net zero carbon assets in core markets, and innovate to reduce embodied carbon in development, refurbishment and fitout, and to drive additional renewable capacity in the grid.</p> <p>JLL Commits to Net Zero Carbon in the UK</p>

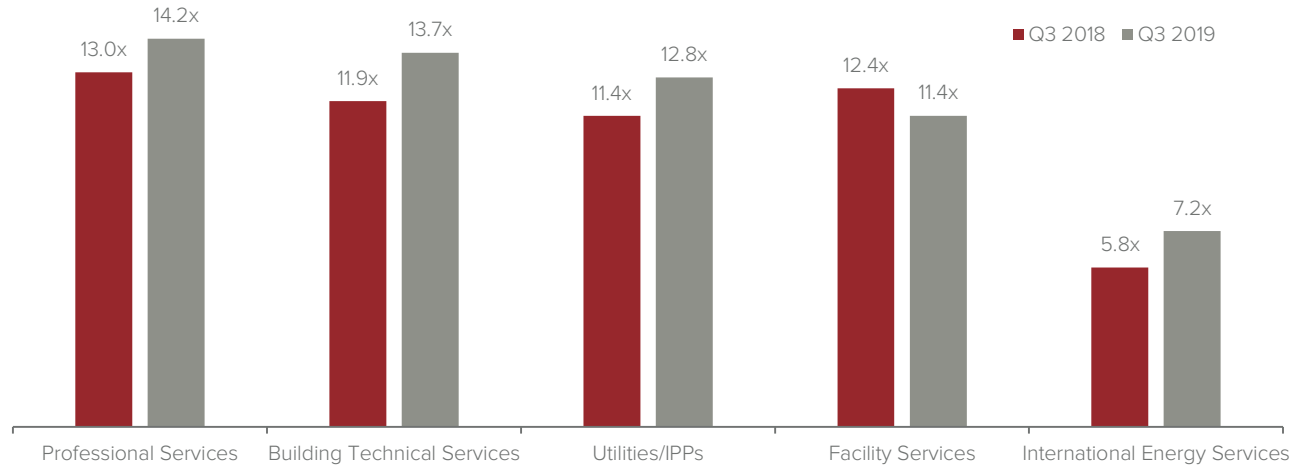
Public Valuation Multiples by Sector¹

Stock Performance (1- & 3-Year)

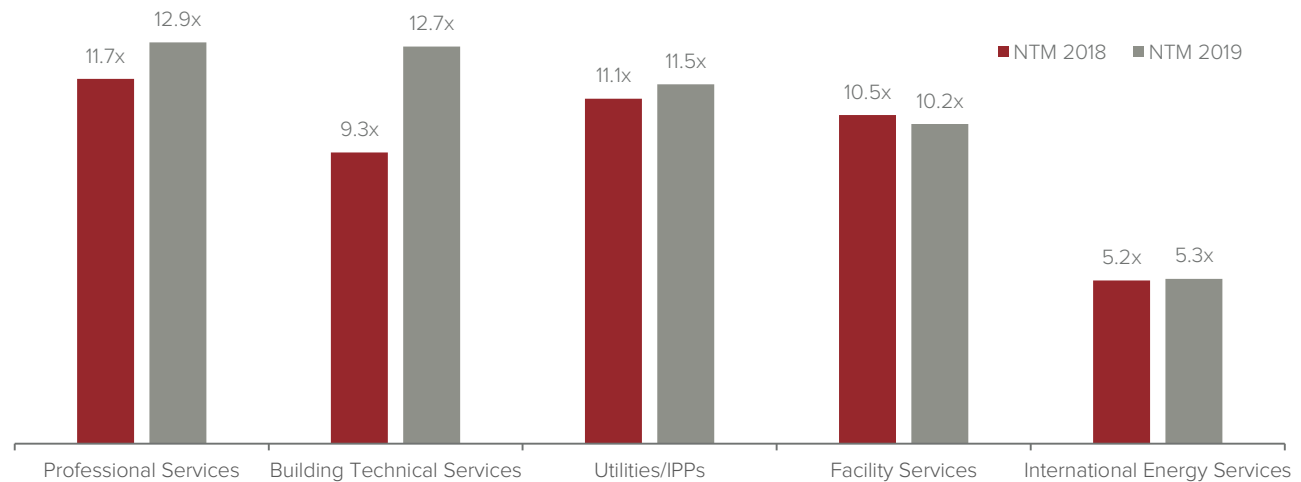
■ 1-Year Performance ■ 3-Year Performance



EBITDA Multiple Comparison Q3 2018 vs. Q3 2019



EBITDA Multiple Comparison NTM Q3 2018 vs. NTM Q3 2019



What We're Reading

The Energy Transition: A \$4.3T, Underfunded Opportunity

The current state of capital allocation in the energy sector can be broken into four distinct categories: non-profits, governments (including grants), private capital and for-profit capital. Of these four categories, one is severely underfunded, and it may come as no shock: venture capital (VC).

Large private equity firms are already making the shift to sustainable investing due to pressure from their institutional limited partner base. Public, for-profit firms are investing directly and indirectly in sustainability because they see climate as the number one risk to their businesses.

Venture capital has historically always punched above its weight. At its core, VC is the capital of innovation. It can change entire sectors in a matter of years (retail, media and marketing) and disrupt even the most entrenched incumbents. So why hasn't it worked in energy, yet?

[Utility Dive](#)

Unfurling The Waste Problem Caused By Wind Energy

"While most of a turbine can be recycled or find a second life on another wind farm, researchers estimate the U.S. will have more than 720,000 tons of blade material to dispose of over the next 20 years, a figure that doesn't include newer, taller higher-capacity versions.

There aren't many options to recycle or trash turbine blades, and what options do exist are expensive, partly because the U.S. wind industry is so young. It's a waste problem that runs counter to what the industry is held up to be: a perfect solution for environmentalists looking to combat climate change, an attractive investment for companies such as Budweiser and Hormel Foods, and a job creator across the Midwest and Great Plains...Decommissioned blades are also notoriously difficult and expensive to transport. They can be anywhere from 100 to 300 feet long and need to be cut up onsite before getting trucked away on specialized equipment — which costs money — to the landfill."

[NPR](#)

The Speed of the Energy Transition: Gradual or Rapid Change?

"Will the global energy transition from fossil fuels to sustainable energy be gradual or rapid? This key issue for the 2020s has profound implications for governments, energy producers, technology providers as well as industrial and private consumers. But, more importantly, the difference between a gradual and rapid transition will determine the climate future of humanity. A gradual transition will mean that the goals of the Paris Agreement will be badly missed. A rapid transition will give humanity a chance to meet the goals of the Paris Agreement and keep temperature well below 2 degrees Celsius... While the global energy system and the factors that impact it are more complex than any scenario or narrative can capture, this paper builds on different existing scenarios and contrasts The Gradual narrative and The Rapid narrative. It also highlights what to look for over the course of the next decade to see which narrative plays out."

[World Economic Forum](#)

Select Recent M&A Transactions

Date	Target	Target Description	Acquirer
Aug-01	Franklin Energy	U.S. based provider of demand-side management solutions to utility clients.	Abry Partners
Sep-23	OnForce Solar	U.S. based service provider that develops, designs, engineers, finances, installs, and maintains solar energy systems for commercial, municipal and utility-scale customers.	174 Power Global
Sep-17	Environmental Energy Corp.	U.S. based provider of building automation and systems integration services to commercial buildings and universities.	Albireo Energy
Sep-13	Energy Toolbase	U.S. based provider of software services that specializes in modeling the economics of solar and energy storage projects	Pason Power
Sep-04	Life Safety Solutions	U.S. based provider of fire alarm, life safety, and security solutions.	Convergint
Sep-04	Vidaris	U.S. based provider of assurance services, building design, efficiency and dispute resolution in the construction, real estate, infrastructure and industrial fields.	Socotec
Sep-03	PowerFlex Systems	U.S. based provider of electric vehicle charging technology services.	EDF Renewables North America
Sep-03	EE Partners	U.S. based provider of electrical engineering and technical services.	Priority Power Management
Aug-23	ERM Power	Australia based provider of energy monitoring and energy management solutions.	Shell
Aug-06	Ecotagious	Canada based provider of SaaS energy solutions to the residential end market.	Uplight
Jul-26	Vertex Group	U.S. based provider of customer information system software and integration services.	DFW Capital Partners
Jul-16	Electric Market Connection	U.S. based provider of energy efficiency measurement and verification and project monetization services in the PJM market.	CPower
Jul-15	Simple Energy	U.S. based provider of customer engagement software and solutions.	Tendril Networks, Inc. (Uplight)
Jul-01	Conti Corporation	U.S. based provider of HVAC, electrical and mechanical systems and digital networks services.	ENGIE

Franklin Energy

Case Study



a portfolio company of



has been acquired by



COMPANY OVERVIEW

Franklin Energy is a leading provider of demand-side management (“DSM”) solutions to utility clients

Formed through the merger of Franklin Energy Services and AM Conservation, and the subsequent acquisition of PlanetEcosystems, Franklin offers outsourced energy efficiency (“EE”) and demand response (“DR”) program management services, product fulfillment and customer engagement software to the residential, commercial and industrial, multi-family and small business end markets

As the only program manager with integrated service and product capabilities to execute comprehensive programs, Franklin reduces the administrative burden and cost of managing multiple contracts across programs while ensuring consistent and reliable service

RELEVANT SUB-SECTORS

UTILITY PROGRAM MGMT

DEMAND RESPONSE

EE SERVICES

EE PRODUCTS

Select HW EPI Transactions

 acquired by 	 acquired by 	 RELIABILITY SERVICES acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by
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Our Firm

Harris Williams has a broad range of industry expertise, which create powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at www.harriswilliams.com/industries.

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BUSINESS SERVICES

ENERGY, POWER & INFRASTRUCTURE

SPECIALTY DISTRIBUTION

TRANSPORTATION & LOGISTICS

BUILDING PRODUCTS & MATERIALS

CONSUMER

HEALTHCARE & LIFE SCIENCES

INDUSTRIALS

TECHNOLOGY, MEDIA & TELECOM

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Sources

1. CapIQ

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