

Global Utility Software Sector Review

October 2020

Power and Energy Management Focus Areas

POWER AND ENERGY MANAGEMENT



Providers of technologies and services to optimize, enhance, and support energy infrastructure and consumption

ASSET MANAGEMENT

CUSTOMER INFO. & BILLING

DATA & ANALYTICS

ENERGY MANAGEMENT

ENERGY STORAGE

FINANCIAL & ACCOUNTING

POWER GENERATION

PROCUREMENT

REVENUE ASSURANCE

SMART METERING

TRANSMISSION &
DISTRIBUTION

WORKFORCE
MANAGEMENT

KEY TRENDS

- The digitization of the broader energy and power sectors, combined with rapid technological advancement, is accelerating demand, particularly from energy consumers, for energy management software solutions that improve efficiency
- As energy providers seek to meet increased power demand while facing energy input price volatility and complex regulatory challenges, they continue to invest in adopting technology that optimizes energy resources and improves decision-making with a growing use of data and analytics

SELECT MARKET PARTICIPANTS



Power and Energy Management Technology Landscape



Power and Utilities Technology Sector Trends^{1,2}

The utility sector is facing significant change driven by regulatory changes and consumer demands, and legacy software solutions have not been able to keep pace.

Deregulation and competition

- Deregulation is at different levels across Europe and, to a limited degree, across the US
- This has prompted a significant number of new entrants into their respective markets with combinations of homegrown and international players
- After an initial glut of new entrants, markets will then tend to settle, with significant share taken from the incumbent tier 1 players
- In addition, price caps and other regulatory limits to protect vulnerable consumers are eroding margins for providers

Energy sustainability

- Sustainability remains a key focus for consumers and at a corporate level, with new sustainable energy provision business models being tested

Analytics

- Companies are utilizing data and analytics platforms to connect previously siloed data, enabling greater visibility into operational workflows and processes and better-informed operational and strategic decisions

Consumer expectations

- With more options at their disposal, customers expect the highest level of service, raising the bar for best-in-class customer service and increasing switching propensity
- Providers are increasingly looking to enhance their offering to differentiate themselves through add-on services and individualized product packages, such as renewables tariffs

Digitalization & new technology

- Increasing prevalence of smart meters and IoT is transforming the industry from an analog to a digital, data-rich environment
- Meter-level data will be able to enhance their value proposition to customers and increase retention while ensuring revenue and monitoring gross margin by individual meter







Operational efficiency

- With margins severely impacted by price caps, utility providers need to effectively automate and enhance their workflows to remain competitive
- Team consolidation and leveraging software have become critical, especially in previously manual processes such as customer switching and data management



Issues Faced by Tier 1 Utility Providers

As a result of these sector dynamics, tier 1 providers have been losing market share, facing tough competition from a range of more nimble challenger brands.

	 ISSUES FACED BY TIER 1 PROVIDERS	 CURRENT SYSTEMS' DEFICIENCIES	 SOLUTIONS IDENTIFIED
COMPETITION 	<ul style="list-style-type: none"> Increasing number of more nimble, new entrants with highly differentiated offerings Growing prevalence of sustainability and renewables tariffs further driving competition 	<ul style="list-style-type: none"> Legacy brand and outdated, inflexible range of offerings Prior systems, either legacy or homegrown, unable to create and manage the number of offerings and onboard customers at the same rates 	<ul style="list-style-type: none"> Creation of internal competitive emerging brands Use of similar models to new entrants Third-party software enables a smoother customer base migration to those new emerging brands
CUSTOMER SERVICE 	<ul style="list-style-type: none"> Low levels of customer satisfaction causing customers to seek alternative providers Lack of insight into customer needs to drive customer retention 	<ul style="list-style-type: none"> Lack of online and self-serve capabilities to address customer demands Lack of customer-level insight to aid conversations and address their needs 	<ul style="list-style-type: none"> Looking to third-party software for an integrated system to deliver exceptional customer service Data integration and data-driven customer-level insights are key to driving customer retention
OPERATIONAL EFFICIENCY 	<ul style="list-style-type: none"> Suppliers are operating in a tight margin environment as a result of increased competition Price caps implemented by regulators are further squeezing tier 1 providers' margins 	<ul style="list-style-type: none"> High costs of running and maintaining legacy software systems Cost of upgrading capabilities to match the current environment is simply too high and time-consuming to be effective 	<ul style="list-style-type: none"> Third-party solutions have already been developed to serve providers in the current environment Developing a gradual migration plan with the right provider will be key

Third-Party Software is the Solution

Third-party software providers are the enablers of change, driving the sector's digital transition and helping providers of all sizes improve operationally.



ENHANCED CUSTOMER EXPERIENCE

- › Improved customer relationship management system
- › Better self-serve and online capabilities
- › More accurate billing drives



INNOVATION ENABLER

- › Third-party software solutions facilitate nimbler pricing and proposition changes
- › Enables utility providers to continue driving innovation



REDUCED OPERATIONAL COSTS

- › Software, automation and the uptake of managed services are all key mechanisms to drive down costs
- › Reduces the cost and time required for updates implementation



GREATER SCALABILITY

- › Ability to handle large and growing consumer volumes
- › Flexibility from ease of adding users / modules
- › Rapid processing of change requests and updates



IMPROVED CONSISTENCY

- › Use of different data flows and increased commercial complexity driving inconsistencies
- › Single repository of data guaranteeing consistency across all workflows



PROCESS SIMPLIFICATION

- › Automated reporting capabilities help drive business decisions and simplify processes



UNLOCKING DATA ASSETS

- › Ability to harness and harmonize data enables players to better handle unpredictable environments with agility and dynamic decision-making
- › Fuels the transition toward intelligent automation with companies leveraging AI and machine learning to improve the efficiency of energy management at every step

SELECTED KEY PROVIDERS

AMTSybox[®]

ADVANCED
UTILITY SYSTEMS

AGILITYCIS

AutoGrid

arcos[®]

bidgely

CIVICPLUS[™]

CLEVEST

cognito iQ

CONSERVICE[™]

efluid

enbala
YOUR GRID. IN BALANCE.

ENGINEERING

Energy
Exemplar

ENSEK

ESG

FLUENTGRID
Seamless transformation

Gentrack

InvoiceCloud[™]

irthSolutions

itineris
excellence in utilities

KEY2ACT

MECOMS

MGroupServices

minsoit
An Indra company

Nexant

Paymentus

powercloud

SEW
SMART ENERGY WATER

uplight

urjanet

vertexone[™]

International Expansion Challenges for Utility Software Providers

Given a wide range of country-specific requirements and regulations, any international expansion requires **localization**: entering new markets with narrow offer that is subsequently expanded.

GENERIC LOCALIZATION ACTIVITIES

Language localization

- Convert all the text included within the software into local language
- Internationalization, therefore, presents an added degree of complexity for non-English solutions

Application hosting

- An instance of the software would need to be hosted in the targeted region

Data flows

- Requirement to adjust the various data flows to suit the targeted new geographies

Local customer support

- Customers will expect support to be delivered locally, even within regions or states
- This is further exacerbated by the increased level of competition

Local integration partners

- Implementation requires significant configuration to meet specific operating conditions, regulatory requirements and market interfaces
- Initial implementations would be done internally, but it is essential to subsequently develop local implementation partnerships

INTERNATIONAL MARKET ENTRY ASSESSMENT CRITERIA



REGULATORY ENVIRONMENT

- › Market deregulation can drive supplier fragmentation or otherwise affect margin



SUPPLIER FRAGMENTATION

- › Increased supplier fragmentation can lead to greater software adoption due to margin pressure



PREVALENCE OF NEW PLAYERS

- › New entrant contracts can be easier to win and can push incumbents to adopt new software



SIZE OF MARKET

- › Larger markets present greater opportunities



EXTENT OF VERTICAL INTEGRATION

- › Less vertically integrated suppliers may be margin-constrained, driving tech adoption



COMPETITIVE ENVIRONMENT

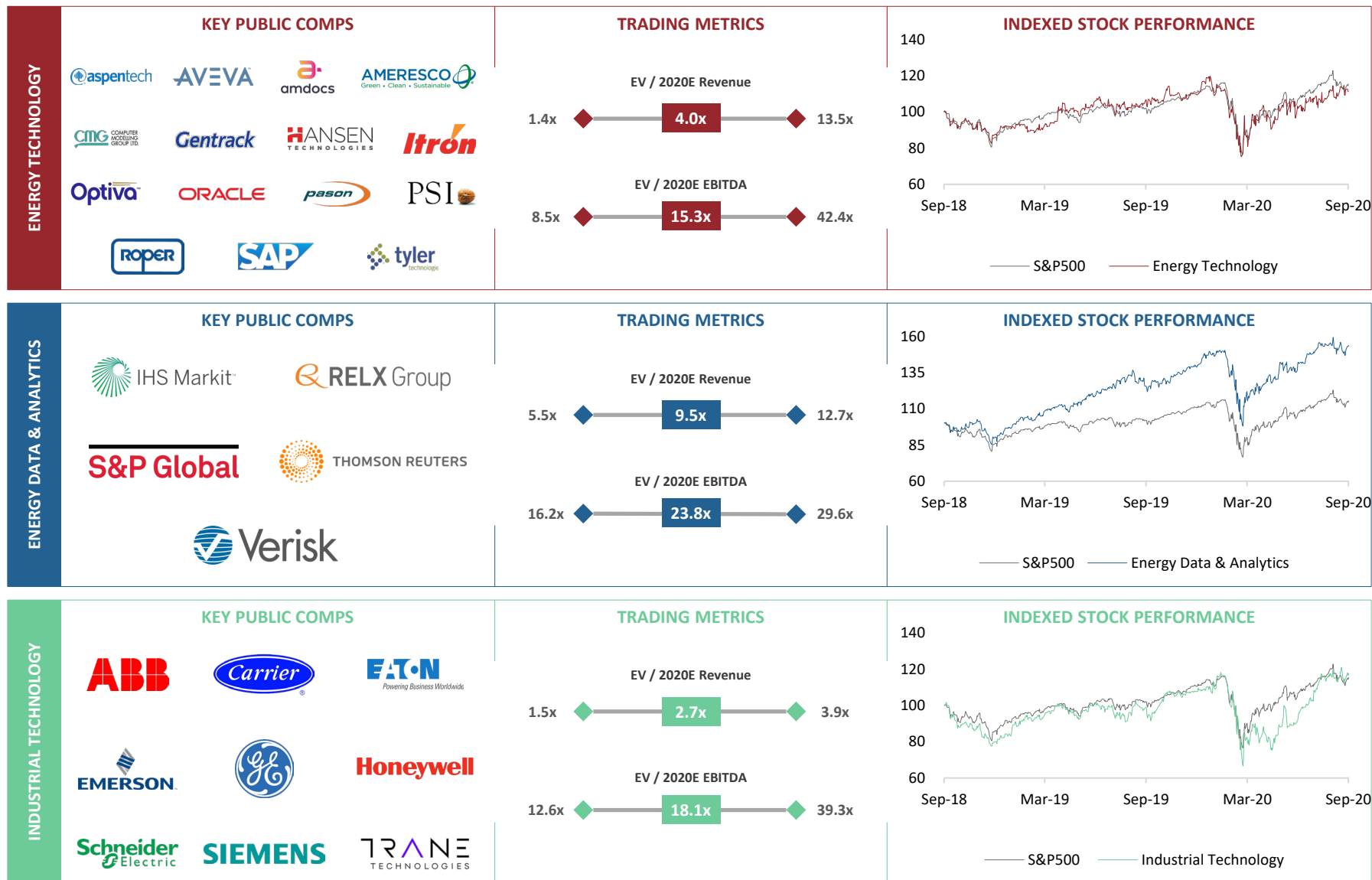
- › Existing software providers may act as barriers to entry into certain geographies



OTHER FACTORS

- › Rates of switching, language barriers and other factors may impact opportunity size

Energy Technology Public Market Observations³

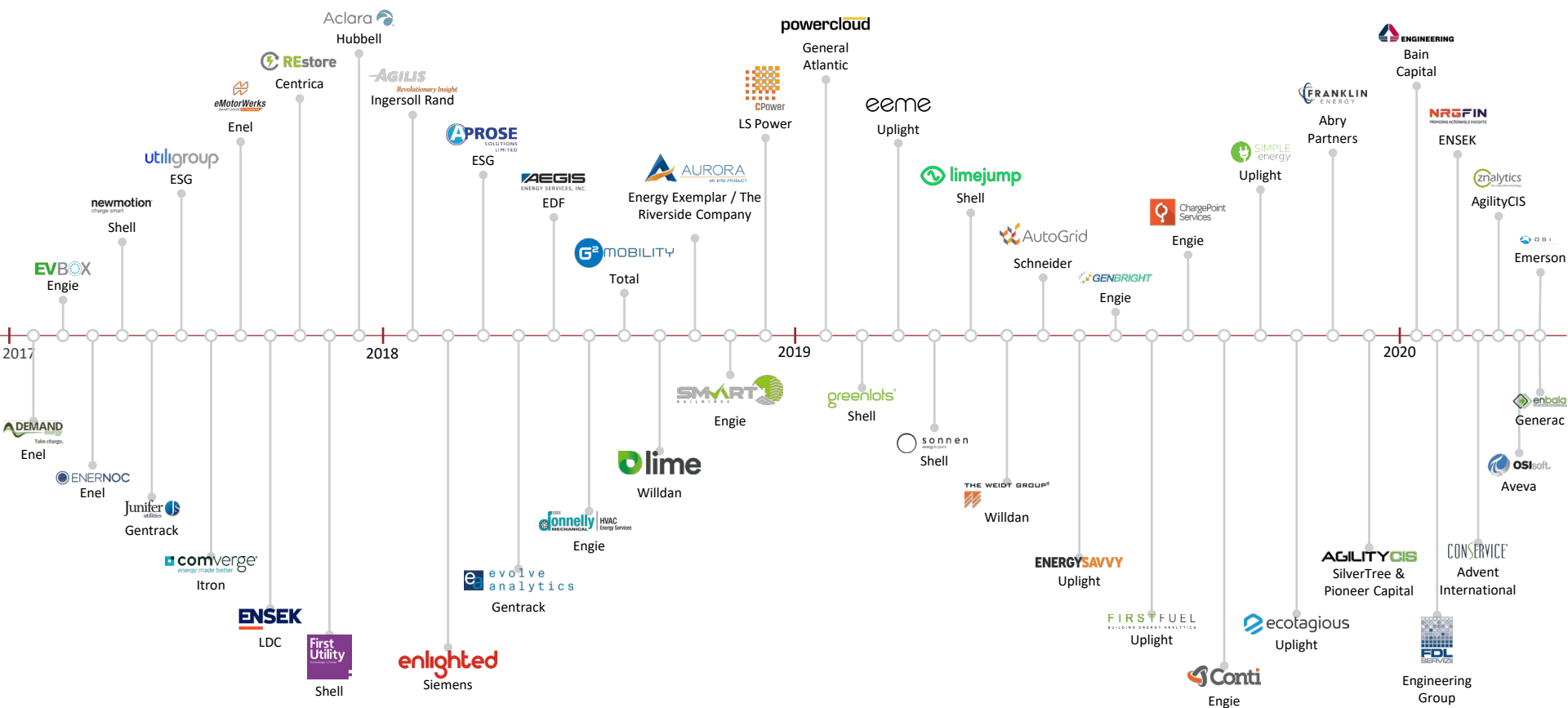


Energy Technology – Trading Comparables⁴

(USD in millions) Company	Market Capitalization	Enterprise Value	Multiples Summary					
			Enterprise Value / Revenue			Enterprise Value / EBITDA		
			LTM	FY2020	FY2021	LTM	FY2020	FY2021
Energy Technology								
Oracle Corporation	\$179,750	\$208,862	5.3x	5.3x	5.2x	12.4x	10.9x	10.5x
SAP SE	185,643	196,848	6.0x	5.9x	5.5x	22.5x	16.7x	15.1x
Roper Technologies, Inc.	41,372	45,368	8.4x	8.1x	7.2x	23.7x	22.9x	19.7x
Tyler Technologies, Inc.	14,026	13,643	12.3x	12.0x	11.1x	65.1x	42.4x	38.1x
AVEVA Group plc	9,980	9,923	9.2x	9.5x	9.1x	49.3x	33.1x	30.4x
Aspen Technology, Inc.	8,573	8,752	14.8x	13.5x	11.9x	33.9x	25.7x	21.5x
Amdocs Limited	7,637	7,525	1.8x	1.8x	1.7x	9.6x	8.5x	8.1x
Itron, Inc.	2,450	3,336	1.4x	1.5x	1.4x	15.3x	19.8x	14.4x
Ameresco, Inc.	1,594	2,313	2.4x	2.4x	2.2x	24.8x	21.1x	18.3x
Hansen Technologies Limited	553	650	3.0x	3.0x	2.9x	21.5x	10.6x	9.8x
PSI Software AG	458	425	1.6x	1.6x	1.5x	17.7x	13.8x	11.8x
Computer Modelling Group Ltd.	311	304	5.4x	5.8x	5.8x	12.5x	12.8x	12.6x
Optiva Inc.	180	224	3.5x	4.0x	3.9x	NM	NM	82.6x
Pason Systems Inc.	334	206	1.8x	1.8x	1.8x	3.6x	9.1x	9.5x
Gentrack Group Limited	80	87	1.4x	1.4x	1.4x	15.8x	12.0x	11.8x
Median	2,450	3,336	3.5x	4.0x	3.9x	19.6x	15.3x	14.4x
Average	30,196	33,231	5.2x	5.2x	4.8x	23.4x	18.5x	20.9x
Energy Data & Analytics								
S&P Global Inc.	\$86,881	\$91,306	12.8x	12.7x	12.2x	23.2x	23.8x	23.0x
RELX PLC	43,116	53,010	5.5x	5.5x	5.1x	19.2x	16.2x	14.2x
Thomson Reuters Corporation	39,602	42,364	9.5x	9.5x	9.1x	42.7x	29.6x	27.8x
IHS Markit Ltd.	31,275	36,469	8.5x	8.4x	7.9x	25.8x	19.7x	18.0x
Verisk Analytics, Inc.	30,092	33,206	12.3x	12.0x	11.3x	29.1x	24.7x	23.3x
Median	39,602	42,364	9.5x	9.5x	9.1x	25.8x	23.8x	23.0x
Average	46,193	51,271	9.7x	9.6x	9.1x	28.0x	22.8x	21.3x
Industrial Technology								
Honeywell International Inc.	\$115,521	\$123,469	3.6x	3.9x	3.7x	15.5x	16.6x	15.0x
General Electric Company	54,533	118,498	1.3x	1.5x	1.5x	13.7x	28.4x	13.3x
Schneider Electric S.E.	66,670	75,235	2.5x	2.6x	2.4x	14.1x	15.6x	13.2x
ABB Ltd	54,568	64,439	2.2x	2.3x	2.2x	16.1x	20.5x	15.2x
Eaton Corporation plc	40,822	49,134	2.6x	2.8x	2.8x	17.3x	18.1x	15.3x
Emerson Electric Co.	39,184	44,514	2.6x	2.7x	2.6x	12.6x	12.6x	12.0x
Carrier Global Corporation	26,453	36,804	2.1x	2.3x	2.1x	14.4x	15.7x	13.4x
Trane Technologies plc	29,022	32,392	2.0x	2.7x	2.6x	13.6x	18.7x	16.4x
Siemens Limited	6,124	5,500	3.7x	3.7x	3.0x	50.6x	39.3x	27.7x
Median	40,822	49,134	2.5x	2.7x	2.6x	14.4x	18.1x	15.0x
Average	48,100	61,109	2.5x	2.7x	2.5x	18.7x	20.6x	15.7x

Increasing M&A Momentum Across the Market

RECENT POWER AND ENERGY MANAGEMENT INVESTMENT ACTIVITY⁴



NOTABLE POWER AND ENERGY MANAGEMENT INDUSTRY CONSOLIDATORS

ABB

ENGIE

Schneider Electric



SIEMENS

Uplight

Selected Utility Software Transactions

October 5, 2020



Generac's acquisition of Enbala⁵

- Enbala is a Canada-based provider of distributed energy optimization and control software needed to ensure the operational stability of the world's power grids
- The transaction is expected to close within 30 days and solidifies Generac's position as a market leader in Smart Grid 2.0 technologies as well as opens opportunities for the company as a grid services provider

May 14, 2020



Advent International's significant strategic investment in Conservice⁶

- Conservice is a US-based provider of utility management software and billing solutions to property owners and managers, serving the single-unit and multi-unit markets
- With the support of Advent and TA Associates, Conservice will be well positioned to continue investing in and growing their product offering portfolio while executing on their substantial organic and acquisitive growth initiatives

April 24, 2020



ENSEK's acquisition of NrgFin⁷

- NrgFin is a Benelux-based consultancy and data analytics company providing finance solutions for energy suppliers with a diverse range of B2B and B2C end customers
- The deal represents the first acquisition completed by ENSEK, which has been backed by LDC since October 2017, and is part of the company's strategy to expand into new international territories within Western Europe as well as pursuing wider growth opportunities in the UK

November 22, 2019



SilverTree Equity and Pioneer Capital's acquisition of Agility CIS⁸

- Agility CIS is a New Zealand-based provider of utility customer information and billing systems software for energy retailers in Australia, New Zealand, the United States and the Middle East
- The transaction will not only allow Agility CIS to invest in developing new digital layers in order to enhance the customer experience and thereby strengthen the product offering, but will also help the company to expand its operations and accelerate growth

January 31, 2019



General Atlantic's acquisition of a 45% stake in powercloud⁹

- powercloud is a Germany-based cloud software provider for the energy sector, offering an array of services comprising the following divisions: ERP, regulatory processes, settlement, and contract and customer management
- The strategic partnership with General Atlantic will further advance the institutionalization of powercloud, enabling the company to provide more comprehensive and speedier customer support, as well further accelerate the company's growth

May 23, 2018



ESG's acquisition of Aprose Solutions¹⁰

- Aprose Solutions is a UK-based provider of software and services to utility providers. Its DCC connector service ASe-i is a complete solution that delivers the standards-compliant connectivity necessary for GB Smart Metering via the DCC
- The acquisition strengthens ESG's market position in UK smart metering DCC SaaS software solutions to energy suppliers, metering service companies, distribution network operators and authorised "other users" of DCC smart metering data

April 18, 2017



ESG's acquisition of Utiligroup¹¹

- Utiligroup is a UK-based provider of SaaS-based solutions to the UK utilities and energy industry that empowers clients to operate at their most efficient and deliver competitive performance at scale, underpinning their customer focus to deliver trust, benefit and empowerment
- The combination will enable local and global energy resellers across North America, the UK and Japan to offer business and residential consumers greater energy choice and more control of their energy consumption

HW Harris Williams / GLOBAL M&A ADVISORS

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SELECT ENERGY TECH EXPERIENCE

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Sources & Disclosures

1. Gartner
2. HW intelligence
3. Capital IQ; Market data as of September 30, 2020; Financials calendarized to a December year-end
4. ibid
5. Generac's press release dated October 5, 2020
6. Advent International's press release dated May 14, 2020
7. ENSEK's press release dated August 5, 2020
8. Agility CIS' press release dated November 22, 2019
9. General Atlantic's press release dated January 16, 2019
10. ESG's press release dated May 23, 2018
11. ESG's press release dated April 18, 2017

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