



ENERGY MANAGEMENT

QUARTERLY SECTOR UPDATE | Q2 2020

HW Harris Williams

Select Energy Management M&A Transactions

Announced January 27, 2020



WARBURG PINCUS

Scale Microgrid Solutions announces equity commitment from Warburg Pincus

Energy Management



- Scale Microgrid Solutions (“SMS”), a leading distributed clean energy and microgrid platform, announced that it has secured an equity commitment of up to \$300 million from Warburg Pincus
- Founded in 2016, SMS is a vertically integrated distributed energy company focused on delivering fully financed cleaner, cheaper and more reliable power solutions to commercial and industrial customers throughout North America
- This investment will enable Scale Microgrid to hire additional staff and pursue future bolt-on acquisitions

Announced February 6, 2020



E Source expands water and smart city offering with acquisition of UtiliWorks

Consulting



- Align Capital Partners’ utility intelligence platform, E Source, has acquired Baton Rouge-based UtiliWorks Consulting, an advisory firm that partners with water, electric, and gas utilities and municipalities
- UtiliWorks specializes in the areas of advanced metering infrastructure (“AMI”), smart energy, smart water, and smart city initiatives with expertise in the areas of technology assessment, business case development, vendor selection, implementation oversight, and stakeholder education

Announced March 27, 2020



Koch Engineered Solutions acquires Sentient Energy

Software and Technology



- Koch Engineered Solutions (KES), a unit of Koch Industries Inc., announced it has acquired Sentient Energy, a leader in distribution grid transformation, providing intelligent line sensors and grid analytics software for fault detection, outage prevention, and safe, reliable power delivery
- Sentient Energy’s capabilities and innovative solutions enable electric utilities to significantly improve grid safety and reliability, lower grid management costs, extend the useful life of existing infrastructure, and prepare the grid for the increasing growth in distributed energy resources

Announced January 30, 2020



Rope Partner secures new investments from Magnesium Capital

Renewables



- Rope Partner, Inc., an international leader in wind turbine blade repair, maintenance and performance-enhancing services, has been acquired by funds advised by Magnesium Capital LLP
- This investment will support Rope Partner’s continued work to provide the expanding market with the high-quality services critical to supporting and accelerating the transition to a clean energy economy. Strategic plans include growth in North America and abroad, with Europe and Latin America already identified as key growth markets

Announced February 15, 2020



EDF acquires Pod Point, one of the UK’s largest EV charging companies

EV Charging



- EDF has acquired a majority stake in Pod Point, one of the largest electric vehicle (EV) charging companies in the UK, as part of a newly formed joint venture with Legal & General Capital (“Legal & General”)
- The acquisition of Pod Point is EDF Group’s largest investment in the EV market and forms part of its plan to become the leading energy company for electric mobility in France, the UK, Italy and Belgium
- This acquisition follows EDF Group’s acquisition of Pivot Power last year, which specializes in grid-scale batteries and provides high voltage power infrastructure required for rapid EV charge-points

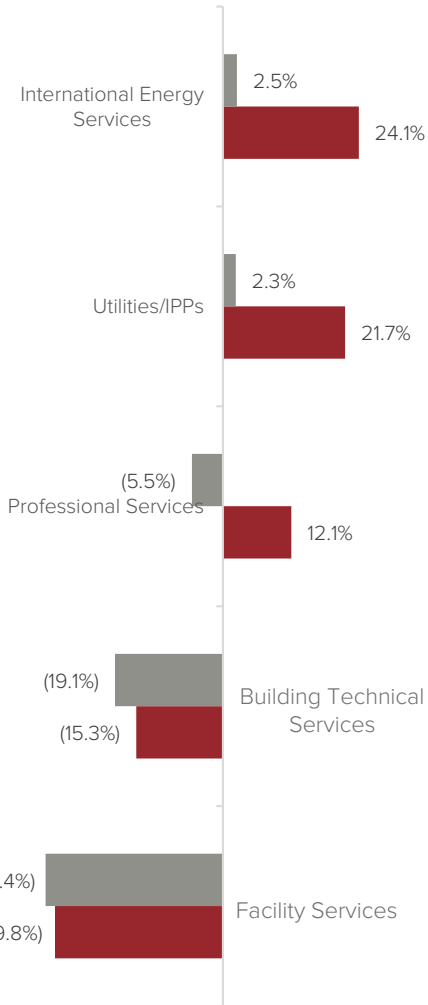
Public Market Observations¹

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">INTERNATIONAL ENERGY SERVICES</p>	<p>Key Public Comps</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA 6.6x 6.4x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — International Energy Services</p>	<p>Market Observations</p> <p>Three firms are working together to trial more than 100 internet-connected electric storage heaters in a bid to heat homes using electricity, which would theoretically be cheaper and less carbon intensive.</p> <p>The last few years have seen a raft of new technologies deployed in a bid to make homes more energy efficient and reduce costs. These include smart meters and smart thermostats, which enable people to control – remotely if necessary.</p> <p>EDF Utilizing Smart Tech to Optimize Building Electricity Use</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">UTILITIES / IPPS</p>	<p>Key Public Comps</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA 12.1x 10.6x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — Utilities/IPPS</p>	<p>Market Observations</p> <p>The nation's investor-owned utilities are leading a clean energy transformation that is already coming to fruition, according to the head of the Edison Electric Institute.</p> <p>Utilities are united in the commitment to clean energy with the goal to reduce carbon emissions 50 percent by 2030, and 80 percent by 2050, compared with peak 2005 levels.</p> <p>U.S. Utilities Moving Fast to Clean Energy Future</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">BUILDING TECHNOLOGY</p>	<p>Key Public Comps</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA 13.5x 10.7x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — Building Technical Services</p>	<p>Market Observations</p> <p>Honeywell announced that it has launched Honeywell Forge Energy Optimization, a cloud-based, closed-loop, machine-learning solution that continuously studies a building's energy consumption patterns and automatically adjusts to optimal energy-saving settings without compromising occupant comfort levels.</p> <p>This solution decreases a building's carbon footprint and can be implemented without significant upfront capital expenses or changes to a building's current operational processes.</p> <p>Honeywell Launches Autonomous Building Energy Optimization Solution</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">FACILITY SERVICES</p>	<p>Key Public Comps</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA 12.1x 12.6x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — Facility Services</p>	<p>Market Observations</p> <p>The recently passed \$2 trillion stimulus package will provide aid to individuals, cities, health care providers and companies across a number of sectors as they grapple with the unprecedented impacts of the new coronavirus. Yet there's one industry that won't see a penny in funding: cleantech.</p> <p>As COVID-19 shuts down businesses and halts innovation, some leaders are worried the momentum behind cleantech will be lost when the outbreak ceases.</p> <p>The CARES Act Won't Support Cleantech, but Cities Still Can</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">PROFESSIONAL SERVICES</p>	<p>Key Public Comps</p> <p>Enterprise Value / 2019 EBITDA 2020E EBITDA 14.8x 10.5x</p>	<p>Stock Price Performance</p> <p>— S&P 500 — Professional Services</p>	<p>Market Observations</p> <p>From the outside, many offices and public buildings currently appear closed for business. Inside, it's a different story as dedicated onsite teams adapt their normal schedules to keep buildings running smoothly – and crucially, ready to reopen when needed.</p> <p>As coronavirus disrupts working norms, landlords and facilities managers are now spending their days balancing ongoing maintenance work with security measures and health and safety issues.</p> <p>How Landlords and Facilities Managers Are Dealing with Empty Buildings</p>

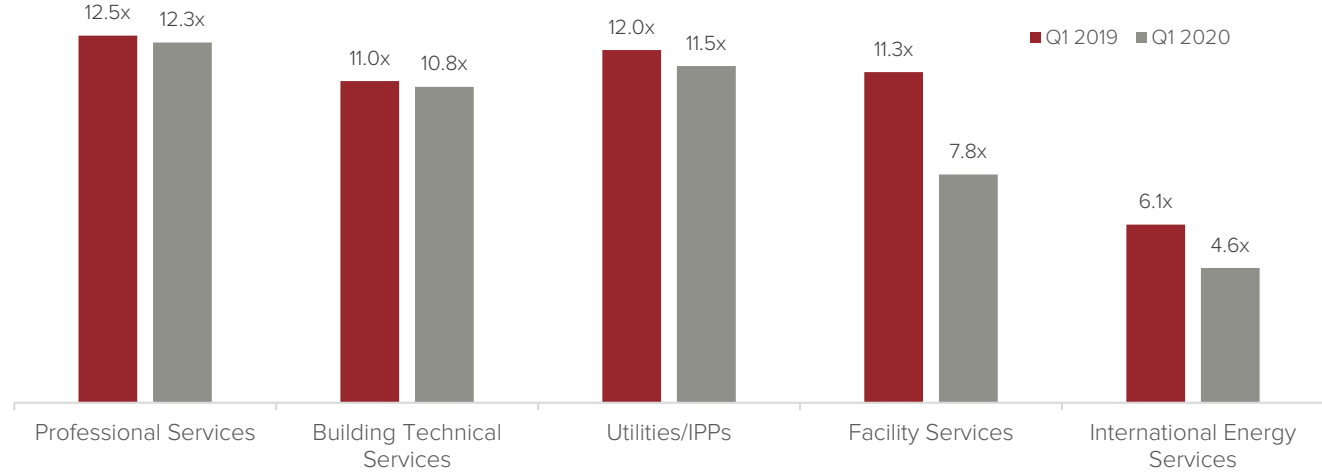
Public Valuation Multiples by Sector¹

Stock Performance (1- & 3-Year)

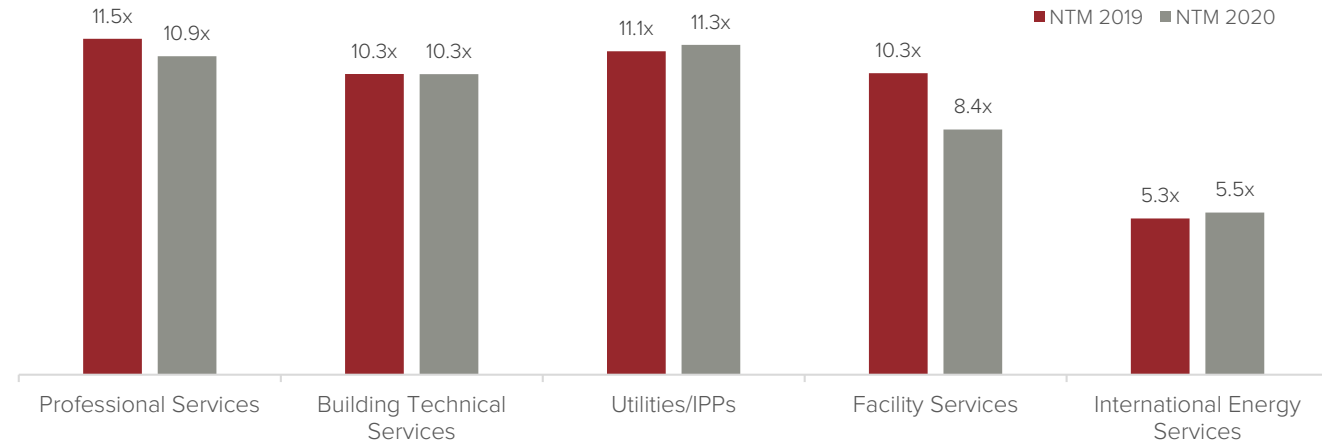
■ 1-Year Performance ■ 3-Year Performance



EBITDA Multiple Comparison Q1 2019 vs. Q1 2020



EBITDA Multiple Comparison NTM Q1 2019 vs. NTM Q1 2020



What We're Reading

Navigant Research Report Shows Global Annual Revenue for Energy Service Companies Is Expected to Near \$29B by 2029

ESCOs evolved in the US to provide access to energy efficiency technologies and services with a significant portion of revenue generated through energy savings performance contracts (ESPCs). This financing structure requires little to no upfront capital and transfers the performance risk of the project from the end-use customer to the ESCO. Today, the US ESCO market is mature, and it is growing in other regions of the world, despite challenges.

On the demand side, clients are becoming more sophisticated and are looking for cost-effective, customized, and comprehensive energy solutions to meet their needs beyond energy efficiency upgrades. On the supply side, energy suppliers and vendors are introducing a broader set of turnkey, portfolio-wide financial and business model options to meet emerging customer needs. According to the report, these trends require ESCOs to diversify project development efforts and develop new technology-agnostic capabilities and financing options outside of ESPC structures.

[Navigant](#)

Coronavirus Will Undercut North American Power Demand Through 2021

North American power markets are in uncharted territory. Wood Mackenzie projects significant pullbacks in the larger North American economy and corresponding impacts to demand for power. WoodMac's current baseline view of the economy forecasts a sharp recession over the next several quarters and a strong recovery starting in 2021.

However, the path of gross domestic product may end up being worse than this baseline despite fiscal and monetary stimulus efforts. A new report from WoodMac on North American power markets includes both the baseline and a more severe scenario, with losses running through 2023. Wood Mackenzie's baseline view yields lower power demand and power prices across North American power markets.

[Greentech](#)

Clearer Picture of Coronavirus-driven Grid Load Declines Emerges in US after Weeks of Lockdown

It has now been almost four weeks since the first U.S. lockdowns related to the spread of the novel coronavirus began, and grid operators are beginning to get a clearer sense of how that is impacting load. However, there is significant regional variation, and figures are complicated by changing weather patterns. In addition to Wood Mackenzie's baseline view yielding lower power demand and power prices across North American power markets and including a recession for the remainder of 2020 with a rebound beginning in the first quarter of 2021, operators are also seeing shifts in the timing of demand.

One of the clearer signals from the past few weeks is a changing load shape as people stay home and office buildings, whose lighting and HVAC loads are a big driver of afternoon peaks, have seen their occupancy fall. This fall has caused an observable flattening of the load curve in many regions, from one with a twice-daily peak to a flatter, lower peak.

[Utility Dive](#)

Coronavirus Got Rid of Smog. Can Electric Cars Do So Permanently?

GAS PUMP HANDLES. Is there anything more cootie-fied? Apparently not, says paper products giant Kimberly-Clark, which in 2011 studied the filthiest surfaces people touch on the way to work and found gas pump handles to be the No. 1 grottiest. Other contenders included mailbox handles, escalator rails and ATM buttons. Last month, as the nation took its collective foot off the gas, skies cleared.

Coronavirus has taught us a few things about transportation. There is a glimpse of an economy where our corporeal presence is in many affairs optional—a 21st-century version of the wartime public reminder, "Is this trip really necessary?" Especially for younger wage-earners and students, struggling with the costs of mobility, that might be a win. After years hiding behind state franchise rules in an effort to fend off Tesla, auto makers and retailers are now learning to love online sales.

[Wall Street Journal](#)

Select Recent M&A Transactions

Date	Target	Target Description	Acquirer
Mar-27	Sentient Energy	U.S based provider of intelligent line sensors and grid analytics software.	Koch Industries
Mar-26	Reach Construction	U.S. based solar construction company.	CUI Global
Mar-17	City Light & Power	U.S. based owner and operator of electrical distribution systems for the U.S. military.	Hunt Companies
Mar-11	Verdant	Canadian based provider of energy saving thermostats, utilizing thermal sensing technologies and analytics to reduce consumption.	Emerson
Feb-22	TROVE	U.S. based provider of predictive analytics solutions for the utility industry.	Align Capital Partners
Feb-15	Pod Point	French based provide of EV charging services.	EDF
Feb-06	UtiliWorks Consulting	U.S. based advisory firm that partners with water, electric, and gas utilities and municipalities in the areas of advanced metering infrastructure, smart energy, and smart water.	Align Capital Partners
Feb-03	Power Distribution	U.S based supplier of mission critical power distribution, static switching, and power monitoring equipment and services for data centers and industrial and commercial customers.	Eaton
Jan-30	Rope Partner	U.S. based provider of wind turbine blade repair, maintenance and performance-enhancing services.	Magnesium Capital
Jan-30	Milholland Electric	U.S. based solar energy contractor.	Solar Integrated Roofing
Jan-27	Scale Microgrid Solutions	U.S. based provider of distributed energy storage solutions.	Warburg Pincus (Equity Commitment)
Jan-15	Advanced Automated Systems	U.S. based provider of building automation and energy management services.	Albireo Energy
Jan-07	Lakehurst Solar	New Jersey based solar facility.	Con Edison

Harris Williams Overview

GLOBAL ADVISORY PLATFORM

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



ENERGY, POWER & INFRASTRUCTURE (“EPI”) GROUP

- 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
- TICC & 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-based 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

Our Firm

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Sources

1. CapIQ

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