



# ENERGY, POWER & INFRASTRUCTURE

QUARTERLY ENERGY MANAGEMENT SECTOR REVIEW | Q2 2019

**HW** Harris Williams

# Harris Williams (“HW”) Overview

## GLOBAL ADVISORY PLATFORM

- Founded in 1991
- 320+ professionals across eight offices globally
- 170+ closed transactions in the last 24 months
- 21<sup>st</sup> record year in 2018
- 10 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

 CPower has been acquired by  LSPower Innovation and Investment in Energy	Provider of demand response capabilities, energy efficiency projects and distributed generation assets to identify, optimize and monetize across distributed energy assets	 drillinginfo better, faster decisions has been acquired by  GENSTAR CAPITAL LLC	Provider of integrated software, data and analytics solutions to the global energy market including financial services, capital markets and trading and risk professionals	 Trafficware has been acquired by  CUBIC	Develops and markets transportation analysis software for improving traffic flow	 comverge energy made better has been acquired by  Itron	Provider of integrated cloud-base demand response, energy efficiency and customer engagement solutions for utility customers	 AM CONSERVATION GROUP, INC. has been acquired by  FRANKLIN ENERGY	Leading implementer and administrator of energy efficiency programs
 NORESICO has been acquired by  Carrier	Leading independent ESCO serving the Federal, MUSH and commercial and industrial end markets	 TENDRIL has received a minority investment from  SUNPOWER	Leading cloud-based provider of Energy Services Management software and Behavioral Energy Efficiency solutions	 APS energy SERVICES has been acquired by  AMERESCO Growth & Global Acceleration	Leading provider of energy efficiency and renewable energy services in the Southwestern U.S.	 E-Mon Energy Monitoring Products has been acquired by  Honeywell	Leading designer of smart submeter systems and integrated energy intelligence software	 GROHMANN ENGINEERING has been acquired by  TESLA	Manufacturing process automation technologies for energy storage and other applications

# Select Energy Management M&A Transactions

Announced March 1, 2019



## Willdan Group acquires The Weidt Group

Energy Efficiency

- Willdan Group completed its acquisition of The Weidt Group, a leading energy analysis and consulting firm
- Founded in 1977, The Weidt Group account for and manage the environmental impacts of building design and construction and through collaboration with architects, engineers, building owners, product manufacturers, utilities and government clients implements strategies for building lifelong energy performance through benchmarking, verification and software development
- This acquisition expands Willdan's presence in the upper Midwest and better positions the company to help utilities make their grids more resilient

Announced February 15, 2019



## Shell New Energies acquires sonnen

Energy Storage

- Shell has acquired sonnen, a leader in smart energy storage systems and innovative energy services for households.
- sonnen offers smart energy storage to customers and offers digital energy services via its sonnenCommunity platform and has been a pioneer in the energy market by combining its technology with new business models for a decentralized energy system
- Shell's acquisition will accelerate the building of a customer-focused energy system in support of Shell's strategy to offer more and cleaner energy solutions to customers

Announced February 11, 2019



## Ara Partners makes significant investment in Priority Power

Energy Management

- Ara Partners has provided a significant investment in Priority Power, an independent energy management services and consulting firm headquartered in Midland, Texas
- Priority Power, which was founded in 2001, navigates over 1,300 clients through complex and evolving energy procurement and management situations by offering innovative power solutions, including energy supply & risk management, demand response and infrastructure solutions

Announced January 30, 2019



## Greenlots acquired by Shell New Energies

EV Charging

- Greenlots, a US-based leader in electric vehicle (EV) charging and energy management software and solutions, has signed an agreement to become a wholly owned subsidiary of Shell New Energies
- The companies will offer best in class software and services that enable large-scale deployment of smart charging infrastructure and integrate efficiently with advanced energy resources like solar, wind and power storage
- While retaining its brand identity and leadership team, Greenlots will intensify its growth efforts and expand its range of mobility services to utilities, cities, automakers, fleets and drivers around the world

Announced January 17, 2019



## Bureau Veritas acquires Capital Energy

Energy Efficiency

- Capital Energy provides consulting and support services for white certificate projects in France with its customer base comprising of energy suppliers and large retailers
- Founded in 2010, Capital Energy also helps housing organizations, local authorities, industry and building contractors to implement energy efficiency programs
- This acquisition enables Bureau Veritas to expand its range of energy efficiency services for the building and industrial asset sector

# Subsector Spotlight: *Energy Efficiency Program Management*

We first published a whitepaper on the energy efficiency program management industry in [2010](#) amid the sector’s rapid growth. We updated that report in [2017](#) and noted that while industry growth had decelerated from its early days, it was poised for sustained and continued growth through the next decade. That view has been affirmed by several recent reports (links below) examining the long-term potential for the sector.

**The Edison Foundations Institute for Electric Innovation | [Energy Efficiency Trends in the Electric Power Industry](#)**

- “Energy efficiency programs are an essential component of an ever-expanding set of customer energy solutions—high-efficiency lighting, smart thermostats, dynamic rates, clean energy options, energy storage, and more.”
- “By taking a portfolio approach, electric companies are offering easily accessible tried and true programs, such as high efficiency lighting and HVAC tune ups, to an increasing share of customers, while also increasingly offering programs that achieve deep, comprehensive energy savings in homes and buildings, by leveraging data, price signals, and connected technologies to manage energy.”

**Lawrence Berkeley National Laboratory | [The Future of U.S. Electric Efficiency Programs](#)**

- Updates the analysis of LBNL’s 2009 and 2013 reports on projected spending
- Energy efficiency programs have become a significant electricity resource in every state, a trend expected to continue through 2030, that will impact grid planning and infrastructure spending

**Navigant Research | [North American Utility Energy Efficiency Program Implementation](#)**

- Predicts spending on energy efficiency will grow at a steady pace over the next ten years, driven in part by improvements to the resource alongside business models and technologies that continue to evolve
- Efficiency has moved beyond broad demand reductions, towards finding value in saving energy when and where it counts most.

**198TWh**  
2017 Energy Efficiency Savings, which is enough to power...

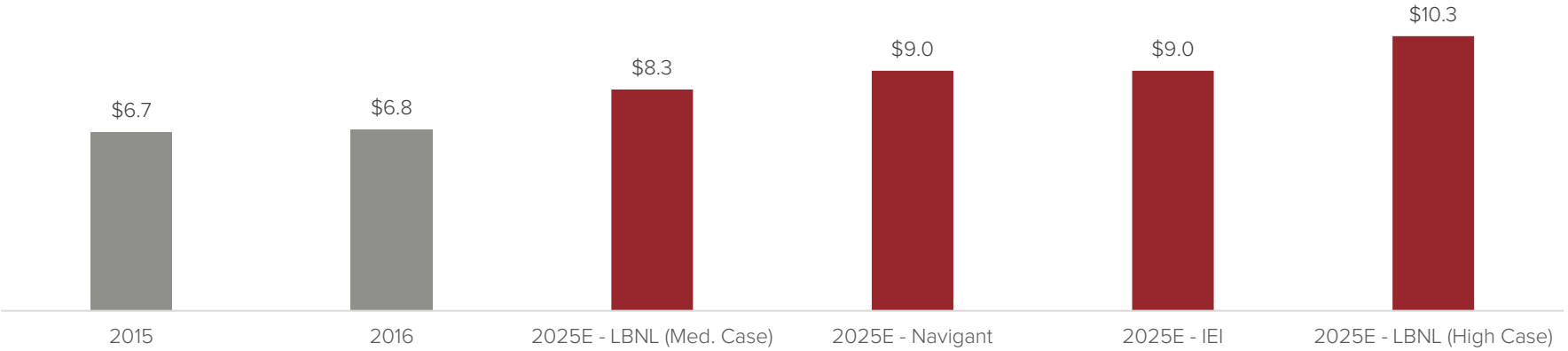
**22 million**  
U.S. homes for one year and...

**2.5x+**  
U.S. 2017 Solar Power Generation

1

**U.S. Electric Energy Efficiency Program Budgets<sup>2</sup>**

(\$ in billions)

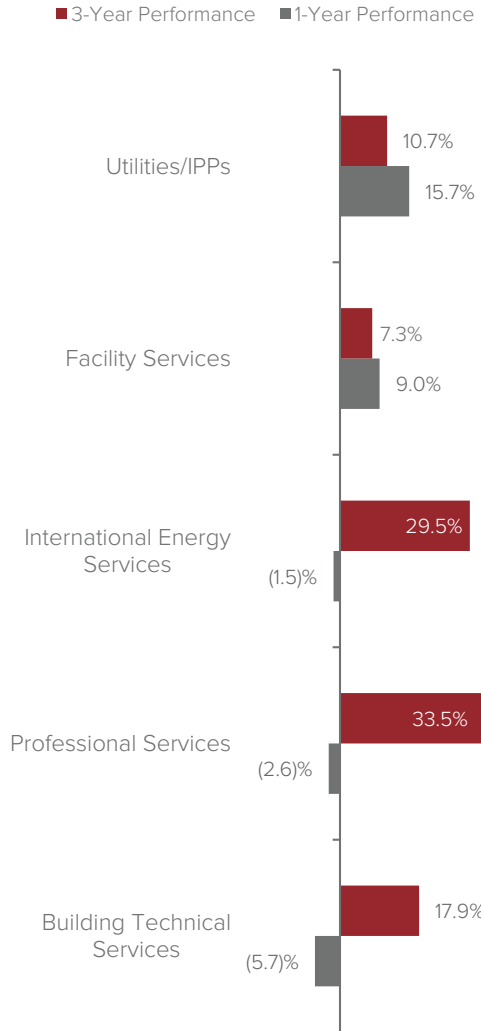


# Public Market Observations<sup>3</sup>

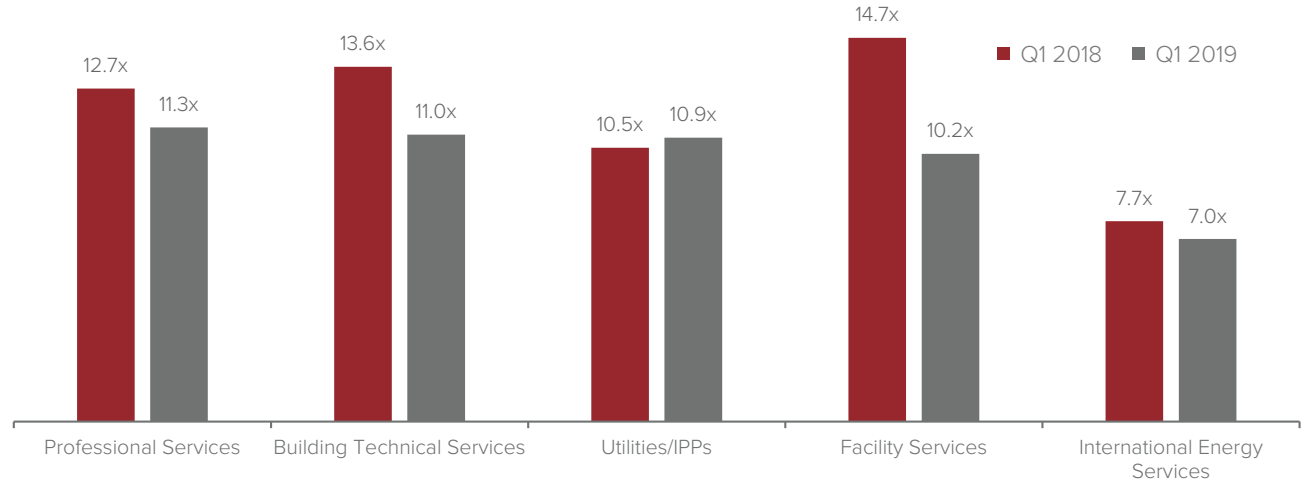
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">INTERNATIONAL ENERGY SERVICES</p>	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018 EBITDA    2019E EBITDA</p> <p>7.1x                    5.8x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — International Energy Services</p>	<p><b>Transaction Spotlight</b> <i>February 28, 2019</i></p>	<p><b>Market Observations</b></p> <p>Engie has taken a majority stake in tiko, a Swiss startup with technology that's aggregating household and business loads into some of Europe's biggest virtual power plants.</p> <p>With recent acquisitions to bolster North American C&amp;I markets, Engie will utilize tiko's residential expertise to expand its service offering in the U.S. market.</p> <p><a href="#">Engie Backs Tiko for Distributed Virtual Power Plants</a></p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">UTILITIES / IPPS</p>	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018 EBITDA    2019E EBITDA</p> <p>11.6x                    10.6x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Utilities/IPPs</p>	<p><b>Transaction Spotlight</b> <i>February 2, 2019</i></p>	<p><b>Market Observations</b></p> <p>Today, for many states in the US, integrating distributed energy resources (DERs) is becoming increasingly important, and communities are creating plans that look closely at the needs of not only community sustainability, but also the needs of critical service providers.</p> <p>How can utilities and communities be prepared to withstand extreme weather and other power outages while still successfully integrating DERs?</p> <p><a href="#">Dawn of the Utility Microgrid</a></p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">BUILDING TECHNOLOGY</p>	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018 EBITDA    2019E EBITDA</p> <p>11.4x                    10.4x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Building Technical Services</p>	<p><b>Transaction Spotlight</b> <i>January 17, 2019</i></p>	<p><b>Market Observations</b></p> <p>Eaton announced that it intends to spin-off its lighting division and create an independent, publicly traded company and is expected to be completed by the end of 2019.</p> <p>The Lighting business is one of the world's leading providers of LED lighting and control solutions to maximize performance and energy efficiency.</p> <p><a href="#">Eaton Plans Late 2019 Lighting Exit</a></p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">FACILITY SERVICES</p>	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018 EBITDA    2019E EBITDA</p> <p>11.2x                    10.2x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Facility Services</p>	<p><b>Transaction Spotlight</b> <i>January 26, 2019</i></p>	<p><b>Market Observations</b></p> <p>Indoor space sensing is emerging as one of the most interesting and influential smart building technologies. Reports indicate that 50 percent of office space is empty and there is significant misalignment between spaces and how they are used.</p> <p>Indoor sensors may be installed initially for a single purposes, but once installed, they can support a wide variety of energy efficient uses.</p> <p><a href="#">The Rise of Indoor Space Sensing Technology</a></p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">PROFESSIONAL SERVICES</p>	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018P EBITDA    2019E EBITDA</p> <p>12.8x                    11.7x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Professional Services</p>	<p><b>Transaction Spotlight</b> <i>January 17, 2019</i></p>	<p><b>Market Observations</b></p> <p>Even as shippers build smaller and more numerous e-commerce distribution centers closer to consumers, demand for warehouses with 1 million-plus square feet isn't letting up.</p> <p>Older structures often can't accommodate the needs of rapid, high-volume packing, while newer, larger and more energy efficient distribution hubs provide favorable economics even if not located in the urban core.</p> <p><a href="#">EE Continues to Drive Mega Distribution Hubs</a></p>

# Public Valuation Multiples by Sector<sup>3</sup>

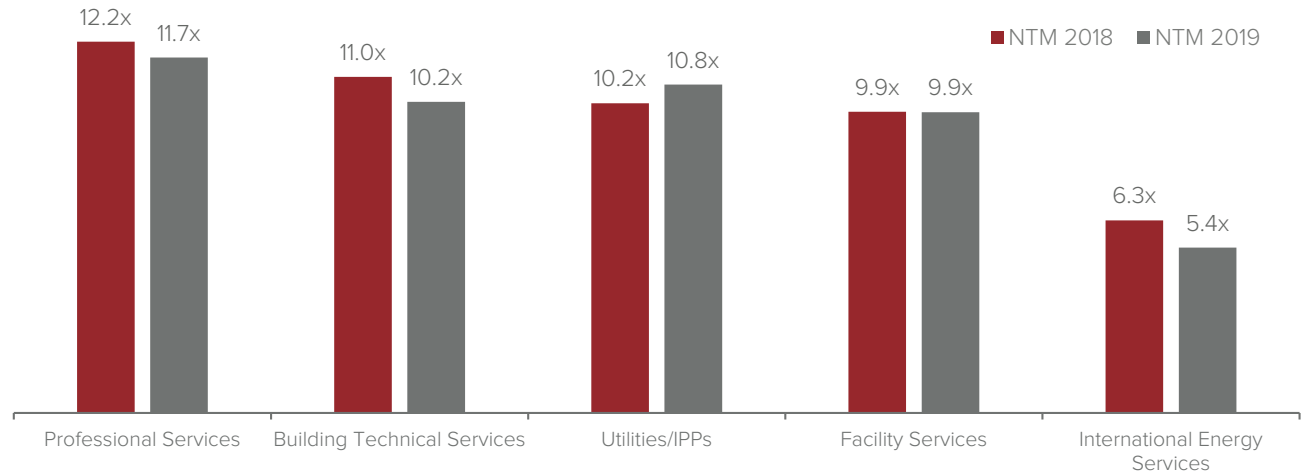
**Stock Performance (1- & 3-Year)**



**EBITDA Multiple Comparison Q1 2018 vs. Q1 2019**



**EBITDA Multiple Comparison NTM Q1 2018 vs. NTM Q1 2019**



# What We're Reading

## The Coming Electrification of the North American Economy

“Over the coming decades, Western economies will become more highly driven by electric power than they are today. As public policies and consumer choices reflect concerns about fossil fuel consumption, and low-carbon technologies continue to develop, a growing share of the economy will rely on low-carbon electricity to fuel cars, to heat homes and businesses, and to provide process heat at industrial facilities.

Electrification of these sectors could significantly increase electricity demand. To meet this rising demand, additional low-carbon electricity generation resources will need to be built and supported by adequate and robust transmission and distribution infrastructure. The report finds that \$30–90 billion dollars of incremental transmission investments will be necessary in the U.S. by 2030 to meet the changing needs of the system due to electrification, with an additional \$200–600 billion needed from 2030 to 2050. These investments will be in addition to the investments needed to maintain the existing transmission system and to integrate renewable generation built to meet existing load.”

[The Brattle Group](#)

## Energy Transition Highlights From CERAWeek

Energy experts and government representatives met in Houston in March to discuss the state of the energy industry at IHS Markit's annual CERAWeek. The conference has historically been a convening of thinkers in conventional fossil fuels, but this year the industry also grappled with a theme across the sector: the energy transition.

Oil and gas majors and car manufacturers are now talking a big game on the energy transition: rebranding, buying up clean energy companies and positioning to “thrive through” the changes. CERAWeek was no exception. But right alongside their recognition that the transition is happening, companies doubled down on commitments to their core business. BP expects renewables to play a key role moving forward in combination with natural gas. The oil major sees a way to make money in clean energy, but said it'll balance that with its traditional markets, while Ford and other car manufacturers are working to balance demand for the cars that consumers want now, namely SUVs, and the electrified vehicles they'll look for in the future.

[Greentech Media](#)

## Why Distributed? A Critical Review of the Tradeoffs Between Centralized and Decentralized Resources

“The recent proliferation of distributed energy resources (DERs) is creating new options for the delivery of key electricity services, including energy, firm capacity, operating reserves, and even alternatives to transmission or distribution network investments. DERs have the ability to deliver the same electricity services provided by centralized resources, including large-scale generators and transmission and distribution network assets. However, because of their distributed and modular nature, DERs are capable of providing these services at locations in power grids where they are most valuable. If sited at the right locations and operated at the right times, DERs can deliver more locational value than more centralized resources.

This article demonstrates that discerning the optimal size and location at which to deploy technologies that can be installed at multiple scales requires analyzing tradeoffs between economies of unit scale and locational value.”

[IEEE](#)

# Select Recent M&A Transactions

Date	Target	Target Description	Acquirer
Mar-01	The Weidt Group	U.S. based energy consulting and software development firm that specializes in the energy and operational performance of new and existing buildings for utilities.	Willdan Group
Feb-28	Limejump	U.K. based provider of demand response solutions.	Shell
Feb-15	Sonnen	Germany based provider of energy storage systems for households and small businesses.	Shell
Feb-11	Priority Power	U.S. based provider of energy management and consulting services.	Ara Partners
Feb-08	7X Energy	U.S. based wind and solar project operator.	Duke Energy
Feb-04	Maxwell Technologies	U.S. based developer of energy storage technologies and products.	Tesla
Jan-30	Greenlots	U.S. based provider of EV charging solutions.	Shell
Jan-22	EMS Technologies	U.S. based provider of design, installations, and maintenance of Building Automation Systems.	Albireo Energy
Jan-16	Maximum Solar	U.S based provider of solar operations and maintenance offering services including O&M contracts, remote monitoring, and facility reporting.	Ameresco
Jan-17	Capital Energy SAS	France based provider of consulting services for energy efficient programs.	Bureau Veritas
Jan-16	Sylvania Lighting Solutions	U.S. based provider of energy-efficient lighting upgrade, retrofit, and renovation solutions.	WESCO International, Inc.
Jan-08	SMRE	Italy based provider of EV drivetrain, charging, and telemetry technology.	SolarEdge



# Case Study: CPower

HW's EP&I Group advised CPower on its acquisition by LS Power



## COMPANY OVERVIEW

CPower Holdings is an energy management company that develops and implements strategies to maximize revenues generated by distributed energy resource assets (“DERs”) for leading commercial and industrial (“C&I”) customers

CPower helps C&I customers and DER vendors identify, optimize and monetize a broad range of distributed energy assets, including demand response capabilities, energy efficiency projects and distributed generation assets

Utilizing proprietary leading-edge technologies and strong differentiated capabilities, Cpower delivers valuable and flexible energy resources to grid operators and utilities, who use them to balance electricity supply and demand in a cost-effective and environmentally sustainable manner

## RELEVANT SUB-SECTORS

DEMAND RESPONSE	UTILITY PROGRAM MGMT	ENERGY EFFICIENCY
DISTRIBUTED GENERATION	ENERGY STORAGE	BUILDING OPTIMIZATION

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### Tyler Dewing

Managing Director  
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# Select HW EPI Transactions

 RELIABILITY SERVICES acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 Shermoa Industries acquired by 	 acquired by 	 acquired by 	 acquired by 
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 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 has been advised on strategic alternatives



# 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](http://www.harriswilliams.com/industries).

## Industry Group Expertise

AEROSPACE, DEFENSE & GOVERNMENT SERVICES

BUSINESS SERVICES

ENERGY, POWER & INFRASTRUCTURE

SPECIALTY DISTRIBUTION

TRANSPORTATION & LOGISTICS

BUILDING PRODUCTS & MATERIALS

CONSUMER

HEALTHCARE & LIFE SCIENCES

INDUSTRIALS

TECHNOLOGY, MEDIA & TELECOM

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**Mumbai**

## Sources

1. CEE
2. LBNL, NAVIGANT, IEL
3. FACTSET

## Disclosures

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