



Optimize deals

PwC Deals

North American Power & Utilities Deals Insights Q2 2016

Executive summary

For deals over \$50 million, Q2 2016 represented another robust quarter for deal activity in the power and utilities (P&U) sector. Deal activity in the quarter was driven by large Corporate deals for electric utility, renewable, and independent power producer companies, among others. We saw continued interest from inbound investors in the sector and a continuation of significant deal activity from Q1 2016. On a value basis, combined deal value for the first two quarters of 2016 is already greater than the annual figures for each of 2013, 2014, and 2015 respectively; signifying a strong current deal environment in the P&U sector.

As compared to Q2 2015, Q2 2016 deal activity (both on a volume and value basis) in the P&U sector grew significantly. However, it declined as compared to the prior quarter. The increase in deal value, as compared to Q2 2015, was driven primarily by mega deals (deal value > \$1 billion), which represented 89 percent of total deal value for the quarter. The two largest deals in the quarter were the Great Plains Energy Incorporated acquisition of Westar Energy, Inc. for \$12.2 billion, and the Tesla Motors, Inc. acquisition of SolarCity Corporation for \$6.6 billion. Both of these deals were Strategic deals.

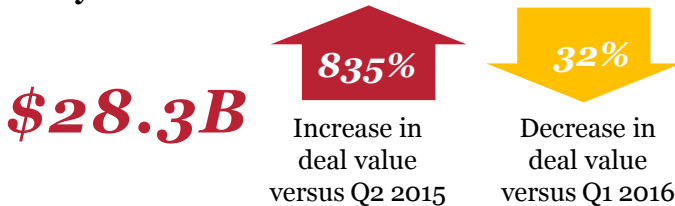
“ A convergence of previously discussed themes was evidenced in Q2 with deal activity across the gamut of investment classes as electric and gas infrastructure and renewable and traditional generation were all active targets. The rapidly changing makeup of US generation supply continues to create opportunity and drive activity broadly in the space. ”

— **Jeremy Fago,**
PwC US Power & Utilities Deals Leader

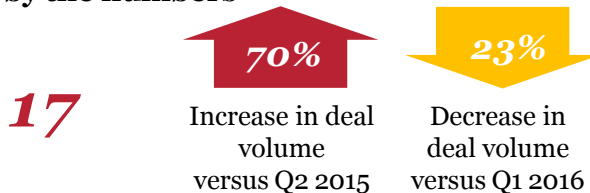
Key trends/highlights

- A drop in overall deal volume and number of mega deals resulted in total deal value reduction from \$41.4 billion in the previous quarter to \$28.3 billion this quarter (a 32 percent decline in deal value).
- Four mega deals occurred in Q2 2016, as compared to seven mega deals in the previous quarter.
- 12 of the 17 transactions in Q2 2016 were from Strategic buyers, accounting for 76 percent of total deal value, down from the previous quarter (92 percent of total deal value).
- Corporate deals increased its share to 92 percent of total deal value in Q2 2016, as compared to 85 percent of total deal value in the previous quarter.
- There were three inbound deals in Q2 2016 accounting for 5 percent of total deal value. This was down from five inbound deals in the previous quarter, accounting for a significant 71 percent of total deal value.
- Renewable deals were up in Q2 2016 to 28 percent of total deal value, as compared to 3 percent in the prior quarter.

Value by the numbers



Volume by the numbers



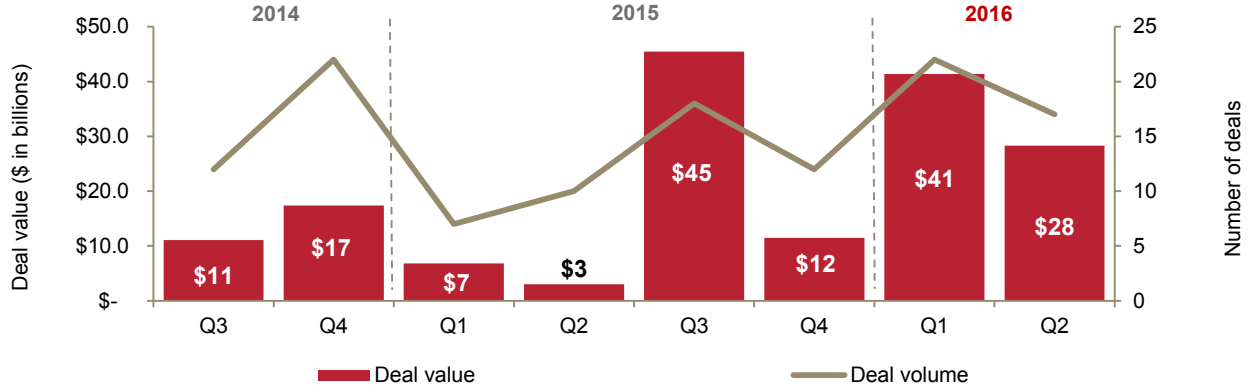
Source: Thomson Reuters, S&P Capital IQ, and PwC analysis





Highlights of Q2 2016 deal activity

P&U Deal Value and Volume (Deals > \$50 million)



Source: Thomson Reuters, S&P Capital IQ, and PwC analysis

Key announced transactions

In Q2 2016, four mega deals were announced, including:

- Great Plains Energy Incorporated’s \$12.2 billion announcement to acquire Westar Energy, Inc., a Topeka, Kansas-based electric utility company. Once the transaction is complete, Great Plains Energy Incorporated will have more than 1.5 million customers in Kansas and Missouri, nearly 13,000 megawatts of generation capacity, almost 10,000 miles of transmission lines and over 51,000 miles of distribution lines.
- Tesla Motors, Inc.’s offer to acquire SolarCity Corporation for \$6.6 billion, a San Mateo, California-based full-service solar provider. The vertically integrated energy company is expected to offer end-to-end clean energy products to its customers and build on the core competencies of each company.
- Riverstone Holdings LLC’s \$5.1 billion acquisition of the remaining 65 percent interest in Talen Energy Corporation, an Allentown, Pennsylvania-based competitive energy and power generation company. The private-equity firm, which focuses on energy and power investments, will buy all remaining shares of Talen Energy Corporation that it doesn’t already own.
- The Singapore state-owned GIC Pte Ltd.’s \$1.2 billion acquisition of a 19.9 percent stake in ITC Holdings Corp., a Novi, Michigan-based electric transmission company, from Fortis Inc.

Source: Thomson Reuters, S&P Capital IQ, and company press releases

Mega deals saw a drop

There were four mega deals in Q2 2016 as compared to seven in Q1 2016, accounting for 89 percent of total deal value.



Largest transaction

Great Plains Energy Incorporated’s acquisition of Westar Energy, Inc., accounted for 43 percent of total deal value announced in Q2 2016.



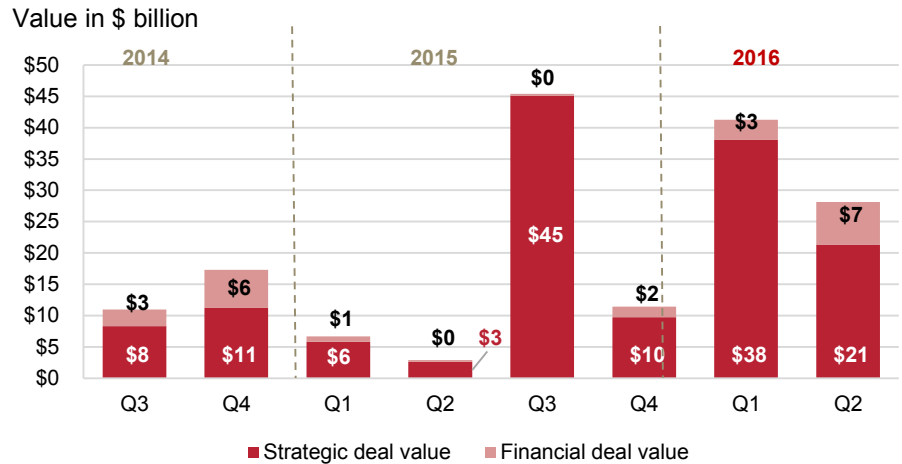


Highlights of Q2 2016 deal activity

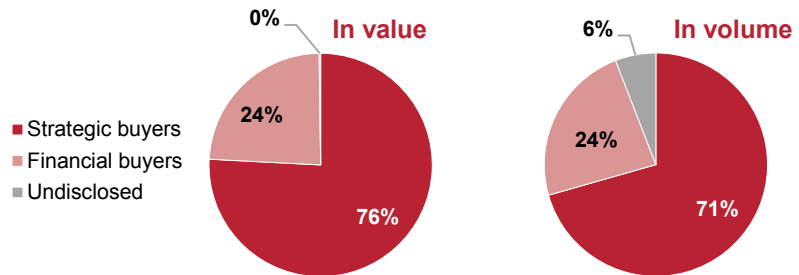
Strategic v. Financial deals

- Deal activity in Q2 2016 was primarily driven by Strategic deals, accounting for 71 percent of total deal volume. This represents a decrease from 77 percent of total deal volume in Q1 2016, and a significant decrease from 90 percent of total deal volume in Q2 2015.
- Strategic deals' share of total deal value declined to 76 percent in Q2 2016, as compared to 92 percent in Q1 2016 and 91 percent in Q2 2015.
- Financial deals' share of total deal volume was 24 percent in Q2 2016, up from 23 percent in Q1 2016 and 10 percent in Q2 2015. Value of these deals also increased to 24 percent of total deal value in Q2 2016, up from 8 percent in Q1 2016 and 9 percent in Q2 2015.
- The top two mega deals of Q2 2016 were Strategic deals, while the next two mega deals were Financial. The top two Strategic deals announced were the acquisition of Westar Energy, Inc. by Great Plains Energy Incorporated and the acquisition of SolarCity Corporation by Tesla Motors, Inc.
- There was one deal, Veresen Inc.'s sale of the Glen Park Hydro Power Facility valued at \$61 million, for which the buyer was undisclosed.

Strategic v. Financial Deals (Deals > \$50 million)

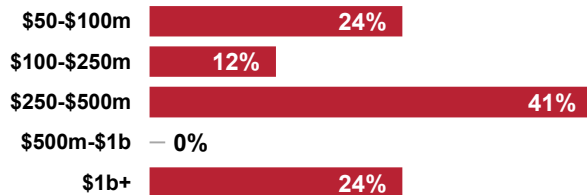


Q2 2016 Deals by Investor Group (Deals > \$50 million)



Source: Thomson Reuters, S&P Capital IQ, and PwC analysis

Deal Volume by Deal Size (Deals > \$50 million)



Source: Thomson Reuters, S&P Capital IQ, and PwC analysis

Deal size

- 24 percent of the Q2 2016 deal volume was driven by mega deals.
- Sequentially, only the \$250 million to \$500 million category showed growth on a volume basis – from 9 percent to 41 percent, driven primarily by Asset deals. Half of the Strategic deals by volume occurred in this deal size category.
- The remaining deal size categories showed a decline during Q2 2016 as compared to the previous quarter on a volume basis. Transactions in the \$50 million to \$100 million category decreased from 32 percent to 24 percent, transactions in the \$100 million to \$250 million category declined from 23 percent to 12 percent, transactions in the \$500 to \$1 billion category declined from 5 percent to 0 percent, and transactions in the \$1 billion+ category declined from 32 percent to 24 percent.



Highlights of Q2 2016 deal activity

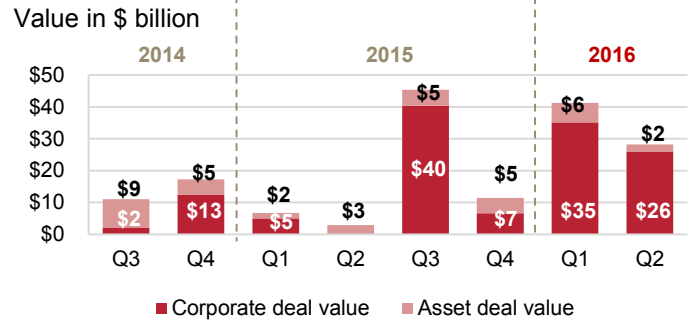
Corporate v. Asset deals

- Corporate deals contributed a considerable share of total deals, both in volume (at 53 percent) and value (at 92 percent) in Q2 2016. All four mega deals in the quarter were Corporate deals. The top Corporate deal, with a deal value of \$12.2 billion, was the acquisition of Westar Energy, Inc. by Great Plains Energy Incorporated. Corporate deals grew significantly in Q2 2016, as compared to no Corporate deals in Q2 2015. Sequentially, Corporate deal activity was consistent in terms of volume. However, Corporate deal value declined in Q2 2016, as compared to Q1 2016, from \$35.2 billion to \$26.1 billion.
- Asset deals decreased in Q2 2016 (both in deal volume and deal value), as compared to prior quarter and the same quarter in the prior year. Within Asset deals, all deals were below \$500 million in deal value and 38 percent of total Asset deals had deal values below \$100 million. The biggest Asset deal, with a deal value of \$469 million, was Southern Power Company's acquisition of a 90.1 percent stake in Invenergy Wake Wind Holdings LLC (a wind power generation deal).

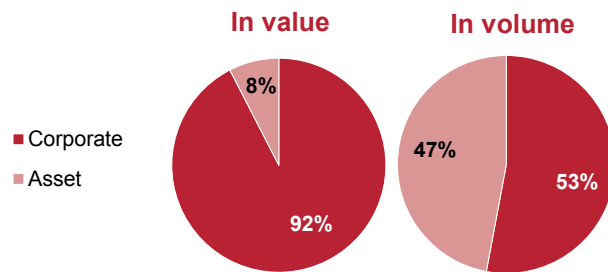
Inbound v. Domestic deals

- Domestic deals contributed significantly to total deal activity in Q2 2016, both in volume (at 76 percent) and value (at 95 percent). Three of the four mega deals in Q2 2016 were Domestic deals, with total deal value of \$23.8 billion or 84 percent of total deal value. The deals included:
 - The \$12.2 billion acquisition of Westar Energy, Inc. by Great Plains Energy Incorporated;
 - The \$6.6 billion acquisition of SolarCity Corporation by Tesla Motors, Inc; and,
 - The \$5.1 billion acquisition of a 65 percent stake in Talen Energy Corporation by Riverstone Holdings LLC.
- Inbound deals accounted for 18 percent of total deal volume in Q2 2016, deriving 5 percent of total Q2 2016 deal value. Two of the three inbound deals were Corporate acquisitions. Inbound investors represented multiple home countries/locations, including Singapore, Switzerland and Hong Kong. Only one inbound deal was a mega deal, with a value of \$1.2 billion.
- There was one deal, Veresen Inc.'s sale of the Glen Park Hydro Power Facility valued at \$61 million, for which the buyer was undisclosed.

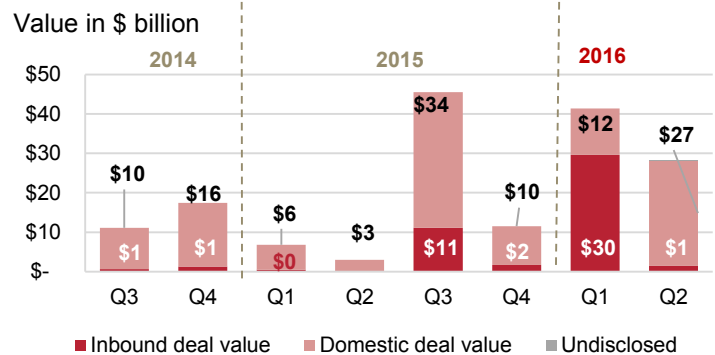
Corporate v. Asset Deals (Deals > \$50 million)



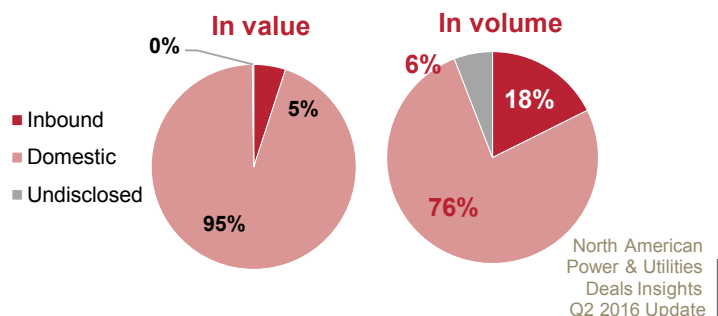
Q2 2016 Deals by Deal Type (Deals > \$50 million)



Inbound v. Domestic Deals (Deals > \$50 million)



Q2 2016 deals by Acquirer Geography (Deals > \$50 million)





Optimize deals

Snapshot of Top 10 Deals

Q2 2016

Rank	Value (\$ million)	Acquirer name	Target name	Transaction type	Investor group	Date announced
1	\$12,190	Great Plains Energy Incorporated	Westar Energy, Inc.	Corp	Strategic	5/31/16
<p>US - Great Plains Energy Incorporated agreed to acquire the entire share capital of Westar Energy, Inc., a Topeka-Kansas based electric utility company. Great Plains Energy Incorporated offered \$51 in cash and \$9 common shares per Westar Energy, Inc. common share, restricted common shares and performance share.</p>						
2	\$6,556	Tesla Motors, Inc.	SolarCity Corporation	Corp	Strategic	6/21/16
<p>US - Tesla Motors, Inc. planned to launch an unsolicited offer to acquire the entire share capital of SolarCity Corporation, a San Mateo-California based full-service solar provider, in a stock swap transaction. Tesla offered 0.131 common shares for every SolarCity Corporation share held. Based on Tesla's closing stock price of \$219.7 on June 20, 2016, the last full trading day prior to the announcement, each SolarCity Corporation share was valued at \$28.781.</p>						
3	\$5,091	Riverstone Holdings LLC	65 percent Stake in Talen Energy Corporation	Corp	Financial	6/3/16
<p>US - Riverstone Holdings LLC agreed to acquire the remaining 65 percent interest or 83.55 million common shares, which it did not already own, in Talen Energy Corporation, an Allentown-Pennsylvania based competitive energy and power generation company, for \$14 in cash per share.</p>						
4	\$1,228	GIC Pte. Ltd.	19.9 percent Stake in ITC Holdings Corp.	Corp	Financial	4/20/16
<p>Singapore - The Singaporean state-owned GIC Pte. Ltd. agreed to acquire a 19.9 percent stake, or 30.396 million common shares, in ITC Holdings Corp., a Novi-Michigan based electric utility company, from Fortis Inc., for \$1.228 billion in cash, in a privately negotiated transaction.</p>						
5	\$469	Southern Power Company	90.1 percent Stake in Invenergy Wake Wind Holdings LLC	Asset	Strategic	6/15/16
<p>US - Southern Power Company signed an agreement to acquire a 90.1 percent stake in Invenergy Wake Wind Holdings LLC from Invenergy Wind LLC for \$469 million. The transaction is expected to be completed in late 2016.</p>						
6	\$451	Florida Power & Light Company	Indiantown Cogeneration, L.P.	Asset	Strategic	6/20/16
<p>US - Florida Power & Light Company (FPL) agreed to acquire Indiantown Cogeneration, L.P. from Calypso Energy Holdings, LLC for \$451 million. The consideration will be paid in cash including existing debt.</p>						
7	\$390	Spire Inc.	EnergySouth Inc	Corp	Strategic	4/26/16
<p>US - Spire Inc. agreed to acquire EnergySouth Inc from Sempra U.S. Gas & Power, LLC for \$390 million, which includes working capital adjustments of \$46 million and the assumption of \$67 million in debt.</p>						
8	\$375	Dynergy Inc	35 percent Stake in Atlas Power LLC	Asset	Strategic	6/15/16
<p>US - Dynergy Inc agreed to acquire the remaining 35 percent stake, which it did not already own, in Atlas Power LLC, a fossil fueled electric power generation facility, from its joint venture partner Energy Capital Partners LLC, for \$375 million in cash.</p>						
9	\$365	RA Generation LLC	Aurora Generating Station	Asset	Strategic	5/12/16
<p>US - RA Generation LLC planned to acquire the 878-MW Aurora Generating Station from NRG Wholesale Generation LP for \$365 million.</p>						
10	\$357	Easterly Acquisition Corp.	Sungevity, Inc.	Corp	Financial	6/29/16
<p>US- Sungevity, Inc. (Sungevity), plans to merge with Easterly Acquisition Corp., an asset management firm to become a publicly traded company. Sungevity's existing stockholders will roll over all of their existing equity into Sungevity Holdings and, together with Sungevity's management, retain approximately 58.8 percent ownership, assuming no redemptions by Easterly's stockholder.</p>						

Source: Thomson Reuters, S&P Capital IQ, BusinessWire, NYTimes

About PwC's Deals Practice

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For a deeper discussion on power and utilities deal considerations, please contact any one of our authors.

Smart deal makers are perceptive enough to see value others have missed, flexible enough to adjust for the unexpected, aggressive enough to win favorable terms in a competitive environment and circumspect enough to envision the challenges they will face from the moment the contract is signed. But, in a business environment where information can quickly overwhelm, the smart deal makers look to experienced advisors to help them fashion a deal that works.

PwC's Deals group can advise power and utility companies and private equity firms on key M&A decisions, from identifying acquisition or divestiture candidates and performing detailed buy-side diligence, to developing strategies for capturing post-deal profits and exiting a deal through a sale, carve-out, or IPO. With more than 9,800 deals professionals in 75 countries, we can deploy seasoned teams that combine deep power and utility industry skills with local market knowledge virtually anywhere and everywhere your company operates or executes transactions.

Although every deal is unique, most will benefit from the broad experience we bring to delivering strategic M&A advice, due diligence, transaction structuring, M&A tax, merger integration, valuation, and post-deal services.

In short, we offer integrated solutions, tailored to your particular deal situation and designed to help you extract value within your risk profile. Whether your focus is deploying capital through an acquisition or joint venture, raising capital through an IPO or private placement, or harvesting an investment through the divestiture process, we can help.

For more information about M&A and related services in the power and utilities industry, please visit www.pwc.com/us/utilities or www.pwc.com/us/deals

About the data

We define M&A activity as mergers and acquisitions where targets are North American-based (US or Canada) companies or assets acquired by either US or foreign acquirers. M&A activity reflects unregulated power generation and regulated (electric, gas and water) transaction activity.

We have based our findings on data provided by industry-recognized sources. Specifically, values and volumes used throughout this report are based on announcement date data for transactions with a disclosed deal value greater than \$50 million, as provided by Thomson Reuters and/or S&P Capital IQ, and supplemented by additional independent research. Information related to previous periods is updated periodically based on new data collected by Thomson Reuters and/or S&P Capital IQ for deals announced during previous periods, but not reflected in previous data sets. Unless otherwise noted, all data and charts included in this report are sourced from Thomson Reuters and/or S&P Capital IQ.

Power and utility deals used in this report were developed using NAIC codes. In certain cases, we have reclassified deals regardless of their NAIC or SIC codes to better reflect the nature of the related transaction.

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