

ENERGY

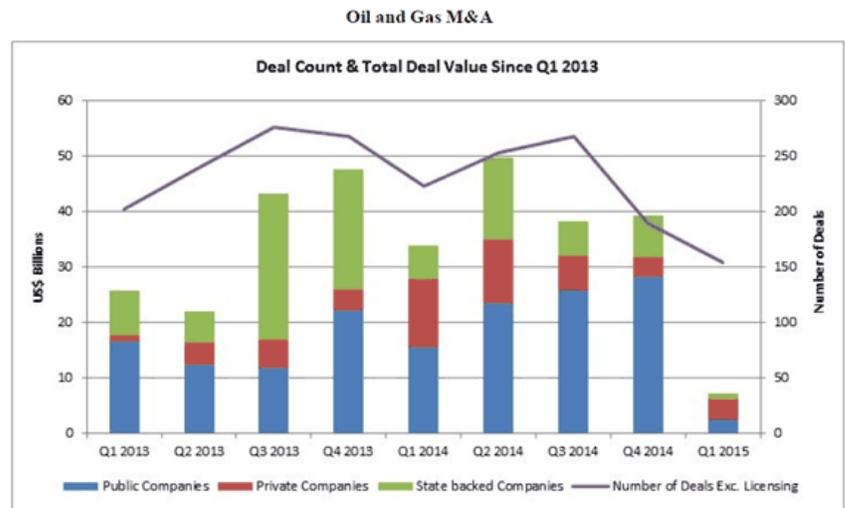
SECOND QUARTER

2015

This Industry Practice Group was established to draw on the experience of CFA dealmakers, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Energy M&A

M&A activity for North American based target companies in the Energy sector for Q1 2015 included 75 closed deals according to data published by industry data tracker FactSet, with an average enterprise value of \$255 million. From a global perspective, deal count is significantly down as a direct result of the tumbling price of oil. According a report from Evaluate Energy, an oil and gas data analysis firm, the value of global upstream oil and gas M&A deals dropped to \$7.1 billion during Q1 2015, a drop of 79% compared to the value in Q1 2014 and a drop of 85% compared to the average value per quarter since the start of 2009. The price of oil as per the WTI benchmark started the year at \$52 and has moved little since. Saudi supply policy is not appearing to let up. That, combined with large U.S. stock inventories and further supply side pressure from a potential resolution to sanctions on Iranian exports, puts the chances of a significant increase in oil prices in the near term at very low odds.



Source: OilVoice

Transactional Overview

March 2015 - Lime Energy Co acquired EnerPath Services, Inc., a subsidiary of Enerpath International Holding Co, itself a portfolio company of OI Ventures LLC, for approximately \$11 million in cash, subject to adjustment. Lime Energy Co. provides integrated energy engineering, consulting and implementation solutions. EnerPath has been in the energy efficiency business for over 20 years. Utilities, cities and corporations in the United States and Canada have turned to EnerPath to deliver large-scale energy efficiency programs to the mass-market.



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For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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February 2015 - A private group led by Justice Family acquired Bluestone Coal Corp from Mechel OAO for US\$5 million in cash. Bluestone Coal engages in mining of coal. It operated both underground and surface mines and focuses on bituminous coal and lignite surface mining. The company was founded in 1971 and is based in Beckley, West Virginia.

January 2015 - Matador Resources Co acquired Harvey E Yates Co from HEYCO Energy Group, Inc. for \$93.1 million in cash and stock, plus \$12 million in assumed liabilities. Matador Resources Co. is engaged in the exploration, development, production and acquisition of oil and natural gas resources in the United States. HEYCO Energy Group is a U.S. holding company with subsidiaries and affiliates active in upstream oil and gas operations in the United States and Europe.

Selected Q1 Transactions	
Target/Issuer	Buyers/Investors
H2Pump LLC	Sustainable Innovations LLC
J.A. Jack & Sons, Inc.	H.I.G. Capital LLC; Harrison Gypsum LLC
Legion Terminals LLC	Plains All American Pipeline LP
Polaris Drilling, Inc.	Desco Capital Partners
Bayside Petroleum Co., Inc.	Technis Energy Ltd.
Teg Oil & Gas USA, Inc.	Hawker Energy, Inc.
Kirkey Specialized Drilling & Consulting	RCF Management LLC; Tam Drilling
Dallas Clean Energy LLC	Cambrian Energy Mccommas Bluff LLC

Industry Trends

Falling oil prices are affecting valuations. Many owners are reluctant to test the M&A market as valuations have dipped significantly over the past six months. Buyers, on the other hand, see the current market climate as an opportunity to acquire good companies at reasonable multiples. According to data published by Fitch Ratings, low prices for an extended period could lead to more acquisitions of smaller, potentially distressed companies by larger ones, while reducing the major oil companies' ability to finance their operations through disposals. The combination of lower operating cash flows, fewer disposals and some potential acquisitions could put major oil companies' credit metrics under pressure. However, the impact would depend on how they respond, as some might choose to cut capex and exploration expenses, while others might decide to operate with higher leverage, which could lead to downgrades if sustained. There has been a large number of private equity backed energy companies formed over the past five years capitalizing on the fracking trend. Many of these companies have significant debt to service, which could spark a flurry of M&A activity - even if multiples are lower than many of the sellers would like.

Industry Update

Industry publication World Oil's annual forecast and review predicts that West Texas Intermediate crude oil prices will average about \$55 per barrel in 2015. If this comes to fruition, exploration projects that require crude prices of more than \$50 per barrel to break even, such as Arctic drilling and crude exploration in Canada, will likely lose funding. Shale drilling in North America is also expected to decline. New well activity in Texas, which leads the US in oil production, is expected to fall nearly 24 percent in 2015. Louisiana, North Dakota, and Oklahoma are also expected to see declines. Overall, US drilling is forecast to fall by nearly 20 percent in 2015.

Collectively, the Energy Practice Group provides M&A advice to independent and integrated energy companies in all sectors of the energy industry, including power generation, oil & gas, utilities, mining and natural resources, renewable energy and businesses that serve the energy industry, in all aspects of oil and gas land-based transactions, mergers, acquisitions, joint ventures and financial resources.

