

# MERGERMARKET

## Energy, Mining & Utilities Trend Report

### Q1 2016

---

## Data analysis

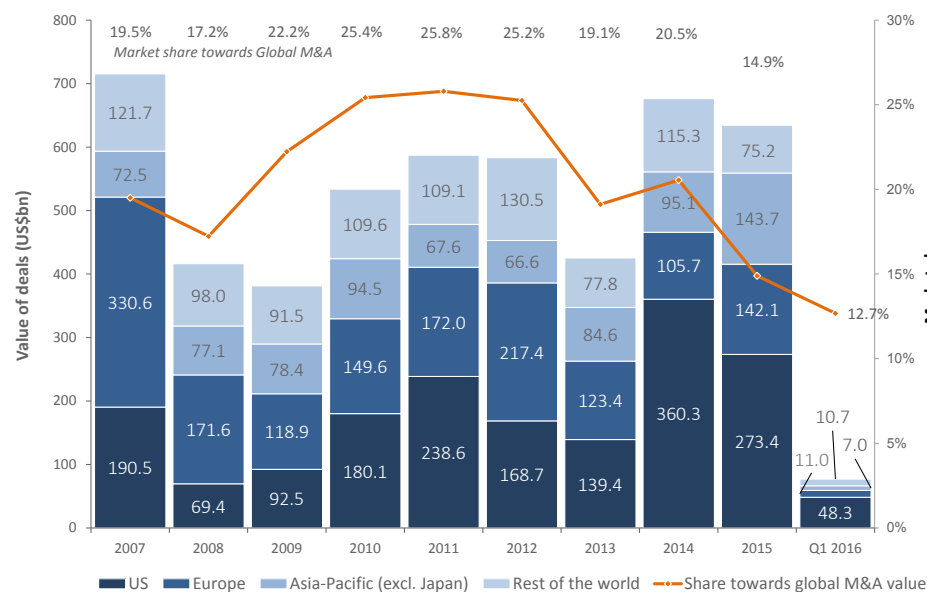
M&A activity across the Energy, Mining & Utilities (EMU) sector has suffered the consequences of a global fall in oil prices, as companies increasingly look inward to preserve capital. By the start of 2016, crude oil was trading at around US\$ 30 range per barrel, compared to more than US\$ 50 per barrel at the start of 2015.

In line with this trend, the global EMU sector registered 263 deals worth US\$ 77.0bn in Q1 2016, a 45.9% decrease by value compared to Q4 2015 (406 deals, US\$ 142.3bn), and the lowest quarterly value since Q3 2009 (US\$ 55.0bn). Furthermore, the 263 deals announced represent the lowest quarterly deal count since Q1 2009 (190).

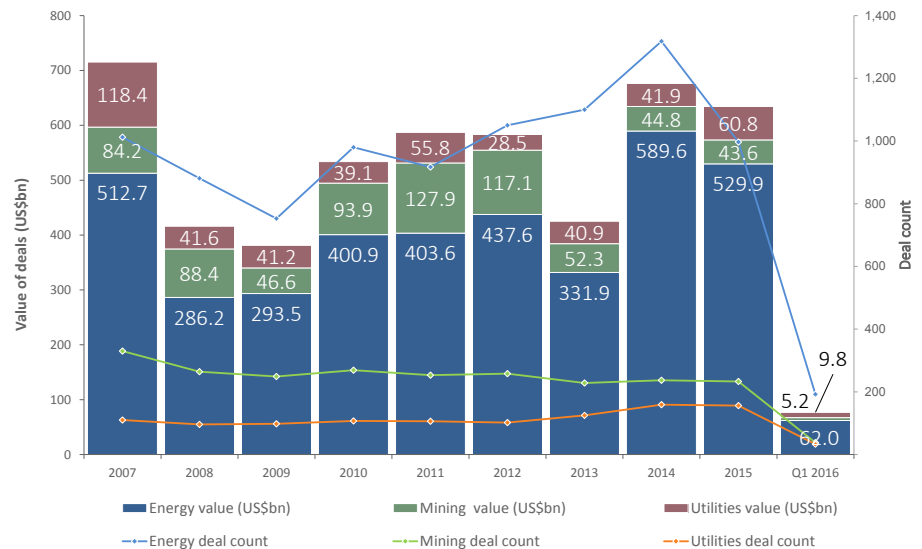
Key factors contributing to this sluggish activity within the sector include low commodity prices, volatile markets and nonalignment of bid and ask prices, according to Mergermarket intelligence. As a result, the sector fell behind both Industrials & Chemicals (661 deals, US\$ 145.5bn) and Pharma, Medical & Biotech (294 deals, US\$ 86.1bn), contributing only 12.7% towards global M&A value during the first quarter.

With 192 deals worth US\$ 62.0bn announced, Energy was the only sub-sector to see an increase in value (7.7%) compared to the same period last year (205 deals, US\$ 57.5bn). Despite its increase, deal value halved that of Q4 2015 (US\$ 126.6bn, 309 deals), with 117 fewer deals announced. Energy infrastructure and related midstream asset consolidations were the focus of the quarter, with two mega deals (>US\$ 10bn) bolstering deal value: the US\$ 12.0bn acquisition of Columbia Pipeline Group Inc by TransCanada Corporation, and the US\$ 11.3bn purchase of ITC Holdings Corporation by Fortis Inc, which combined accounted for 37.7% of the total Energy sub-sector value.

## Regional breakdown



## Global sub-sector trend



Deal activity targeting the Mining sub-sector during the quarter dropped 69.8% by value to US\$ 5.2bn, down from US\$ 17.2bn in Q1 2015. Deal volume also slowed, with 38 deals announced registering the lowest quarterly deal count since Q3 2005 (33 deals). Metals and mining commodities have been depressed for longer than oil and gas due to the slow growth in emerging markets' economies, which have contributed to the slowdown of deal activity within the sub-sector.

Driven by the TransCanada and Fortis acquisitions, M&A activity targeting the EMU sector within the US (73 deals, US\$ 48.3bn) rose 20.3% by value compared to Q1 2015 (83 deals, US\$ 40.1bn). As a result, the US was the most attractive geography within the sector, accounting for 62.7% of total global EMU value, and six out of the top ten global deals targeting the sector.

More in line with the current global market conditions, Europe and Asia both saw decreases in deal value. Europe's 83 deals worth US\$ 11.0bn decreased by 10.2% compared to Q1 2015 (80 deals, US\$ 12.2bn). Simultaneously, M&A activity targeting Asia-Pacific (excl. Japan) decreased compared to the same period last year, with 63 deals valued at US\$ 7.0bn down 74.1% by value (69 deals, US\$ 27.0bn).

This year will likely be challenging for M&A within the EMU sector. It looks to become a year focused on survival for exploration and production companies, since a high level of debt and low commodity prices could lead oil and gas companies to distress, if no major restructuring programmes take place. Macro-economic events such as the anticipated first oil exports out of the US in four decades, the outcome of the US presidential elections and the geopolitical situations in Russia and the Middle East, will all affect activity within the sector.

Goldman Sachs topped the financial advisor league table, having been mandated on the top three EMU deals of the quarter. Skadden Arps Slate Meagher & Flom led the legal advisor league table advising on the top two deals of the quarter.

## Top deals

Value (US\$m)	Deal details	Advisory details
12,040	<p><b>Announcement date:</b> 17-Mar-2016</p> <p><b>Target:</b> Columbia Pipeline Group Inc (USA)</p> <p><b>Bidder:</b> TransCanada Corporation (Canada)</p> <p><b>Seller:</b> -</p>	<p><b>FA to sell-side:</b> Goldman Sachs; Lazard</p> <p><b>LA to sell-side:</b> Bennett Jones; Sullivan &amp; Cromwell; Advising FA: Simpson Thacher &amp; Bartlett; Skadden Arps Slate Meagher &amp; Flom</p> <p><b>FA to buy-side:</b> Wells Fargo Securities</p> <p><b>LA to buy-side:</b> Blake, Cassels &amp; Graydon; Mayer Brown; Osler, Hoskin &amp; Harcourt; <i>Advising FA:</i> White &amp; Case</p>
11,305	<p><b>Announcement date:</b> 09-Feb-2016</p> <p><b>Target:</b> ITC Holdings Corporation (USA)</p> <p><b>Bidder:</b> Fortis Inc (Canada)</p> <p><b>Seller:</b> -</p>	<p><b>FA to sell-side:</b> Barclays; Lazard; Morgan Stanley</p> <p><b>LA to sell-side:</b> Jones Day; Simpson Thacher &amp; Bartlett; <i>Advising FA:</i> Kirkland &amp; Ellis</p> <p><b>FA to buy-side:</b> Goldman Sachs; Scotiabank</p> <p><b>LA to buy-side:</b> Davies Ward Phillips &amp; Vineberg; Osler, White &amp; Case; <i>Advising FA:</i> Hoskin &amp; Harcourt; Skadden Arps Slate Meagher &amp; Flom</p>
6,074	<p><b>Announcement date:</b> 01-Feb-2016</p> <p><b>Target:</b> Questar Corporation (USA)</p> <p><b>Bidder:</b> Dominion Resources Inc (USA)</p> <p><b>Seller:</b> -</p>	<p><b>FA to sell-side:</b> Goldman Sachs</p> <p><b>LA to sell-side:</b> <i>Advising FA:</i> Kirkland &amp; Ellis; Sullivan &amp; Cromwell</p> <p><b>FA to buy-side:</b> Mizuho Financial Group; RBC Capital Markets</p> <p><b>LA to buy-side:</b> McGuireWoods</p>
4,671	<p><b>Announcement date:</b> 20-Apr-2015</p> <p><b>Target:</b> SK Holdings Co Ltd (68.18% Stake) (South Korea)</p> <p><b>Bidder:</b> SK C&amp;C Co Ltd (South Korea)</p>	<p><b>FA to sell-side:</b> Banco Bilbao Vizcaya Argentaria; Credit Suisse</p> <p><b>LA to sell-side:</b> Appleby; <i>Advising FA:</i> Gomez-Pinzon Zuleta Abogados</p> <p><b>FA to buy-side:</b> -</p> <p><b>LA to buy-side:</b> Philippi, Prietocarrizosa &amp; Uria; Torys; <i>Advising FA:</i> Baker &amp; McKenzie; Conyers Dill &amp; Pearman; Milbank Tweed Hadley &amp; McCloy</p>
3,300	<p><b>Announcement date:</b> 25-Feb-2016</p> <p><b>Target:</b> Engie SA (US fossil business) (USA)</p> <p><b>Bidder:</b> Energy Capital Partners LLC; and Dynegy Inc (USA)</p> <p><b>Seller:</b> Engie SA (France)</p>	<p><b>FA to sell-side:</b> Bank of America Merrill Lynch; Morgan Stanley</p> <p><b>LA to sell-side:</b> -</p> <p><b>FA to buy-side:</b> Credit Suisse; Deutsche Bank; Goldman Sachs; Lazard; RBC Capital Markets</p> <p><b>LA to buy-side:</b> Latham &amp; Watkins; Skadden Arps Slate Meagher &amp; Flom; White &amp; Case</p>

## Heat chart based on potential companies for sale

	Industrials & Chemicals	Consumer	Energy, Mining, Utilities	Pharma, Medical, Biotech	TMT	Financial Services	Business Services	Real Estate	Leisure	Transport	Construction	Other
North Asia	566	186	136	171	326	164	96	115	112	57	82	32
Europe	490	548	290	191	419	296	198	76	190	104	109	63
North America	306	200	505	482	443	208	264	62	73	51	24	28
South Asia	72	60	50	67	115	96	66	15	22	36	22	6
Australasia	33	75	87	55	104	60	78	13	23	18	22	33
South East Asia	54	58	63	17	52	71	36	44	30	34	31	34
C&S America	51	75	80	15	62	26	57	4	15	17	24	7
Japan	46	33	11	33	46	12	18	13	8	8	6	1
Africa	38	19	60	6	14	22	13	10	8	11	13	6
Central Asia	6	4	16	0	1	0	2	0	0	0	2	5
Middle East	14	19	20	27	51	13	12	2	9	5	6	0

## Drivers

US renewable energy projects have attracted interest from European insurance and pension funds looking for opportunities to co-invest and acquire stakes. Allianz SE's alternative investment platform Allianz Capital Partners, Munich Re's Munich Ergo Asset Management and Swiss Life Holding are the European groups most interested in US projects fitting the energy yieldco model - an operational or advanced-stage renewable energy project designed to produce steady cash flow after completion and start-up. A US infrastructure investor told Mergermarket his firm has received "countless calls" over recent months from German insurance and pension funds, infrastructure funds and other wealth management firms to acquire or co-invest in solar and wind project equity.

European financial investors have turned their attention to the US because UK and mainland European renewable projects are limited to smaller-size constructions in a "more crowded market". US solar and wind projects are favoured by cross-border investors for their larger constructions, and thus larger returns. "European yieldco structures can only sustain 6%-7% long-term yield curves, so there are definite constraints over there among project constructions and investors", according to a source speaking to Mergermarket.

While operators in the Williston Basin, North Dakota, are arguably the hardest hit in any major oil play in the US, the substantial resource waiting to be recovered and an abundance of private equity waiting to be deployed could be setting the stage for a ramp up of deals in the play. The bid-ask spread is narrowing in the region, as financial buyers - most notably PE-backed companies - willing to gamble on prices recovering in the next two or three years, are finding sellers that do not want to - or cannot - wait any more. The most attractive assets have active wells with potential to ramp up production - when prices recover - attached to them.

As midstream oil and gas companies continue to struggle with low commodity prices, US utilities have taken notice and are increasingly viewing the sector as a source of attractive acquisition targets. Utilities are interested in buying up regulated assets with long-term contracts and stable counterparties, particularly from midstream MLPs that face a cash crunch and falling stock valuations, according to an industry source. Private equity-backed projects are also a source of attractive assets. An executive with a private equity firm focused on developing midstream oil and gas projects said he has had conversations with utilities and agreed they could be potential buyers.

Criteria of heat chart:

Mergermarket's sector heat chart is based on companies tagged as potential targets in the last six months.

## Financial advisor league table by value

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$m)	Deal count	Value (US\$m)	% Value change
1	4	Goldman Sachs	33,431	5	14,115	136.8%
2	15	Lazard	28,046	7	4,678	499.5%
3	11	Morgan Stanley	18,036	7	9,100	98.2%
4	84	Wells Fargo Securities	14,479	3	96	14,982.3%
5	27	Scotiabank	13,035	7	1,410	824.5%
6	21	RBC Capital Markets	12,505	12	1,875	566.9%
7	2	Barclays	11,980	3	19,082	-37.2%
8	36	Credit Suisse	9,582	7	865	1,007.7%
9	-	Mizuho Financial Group	6,074	1	-	-
10	77	Banco Bilbao Vizcaya Argentaria	5,228	3	112	4,567.9%

## Financial advisor league table by deal count

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$m)	Deal count	Deal count	Count change
1	5	RBC Capital Markets	12,505	12	7	5
2	47	Lazard	28,046	7	1	6
3	4	Morgan Stanley	18,036	7	7	0
4	23	Scotiabank	13,035	7	3	4
5	32	Credit Suisse	9,582	7	2	5
6	9	Bank of America Merrill Lynch	4,272	6	5	1
7	2	Citi	3,689	6	8	-2
8	1	Evercore Partners	3,628	6	9	-3
9	72	Haywood Securities	247	6	1	5
10	3	Goldman Sachs	33,431	5	7	-2

## Legal advisor league table by value

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$m)	Deal count	Value (US\$m)	% Value change
1	28	Skadden Arps Slate Meagher & Flom	29,151	6	2,882	911.5%
2	15	White & Case	27,763	8	7,279	281.4%
3	57	Osler, Hoskin & Harcourt	25,677	8	776	3,208.9%
4	7	Simpson Thacher & Bartlett	23,784	5	17,762	33.9%
5	45	Kirkland & Ellis	19,910	6	1,156	1,622.3%
6	25	Sullivan & Cromwell	19,534	4	4,678	317.6%
7	30	Blake, Cassels & Graydon	14,837	6	2,654	459.0%
8	159	Mayer Brown	13,616	2	-	-
9	120	Bennett Jones	12,335	4	96	12,749.0%
10	89	Jones Day	11,380	3	212	5,267.9%

## Legal advisor league table by deal count

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$m)	Deal count	Deal count	Count change
1	4	Clifford Chance	3,677	10	9	1
2	2	Vinson & Elkins	3,460	10	14	-4
3	19	Herbert Smith Freehills	825	9	4	5
4	16	Norton Rose Fulbright	568	9	5	4
5	6	White & Case	27,763	8	8	0
6	53	Osler, Hoskin & Harcourt	25,677	8	2	6
7	7	DLA Piper	3,129	8	8	0
8	37	CMS	946	8	3	5
9	13	Latham & Watkins	4,815	7	6	1
10	8	Linklaters	2,953	7	7	0

## Mergermarket criteria

All data is based on transactions over US\$ 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds US\$ 10m.

Deals where the stake acquired is less than 30% will only be included if the value is greater than US\$ 100m. Click [here](#) for the full deal criteria.

**M&A trend:** Based on the dominant sector of the target company being Energy, Mining & Utilities. The dominant geography of the target company is based on global activity or the region stated. Excludes lapsed and withdrawn bids.

**Cross-border M&A:** Based on a transaction involving at least two different countries between either target, bidder, or seller.

**Top deals:** Based on the dominant sector of the target company being Energy, Mining & Utilities. The dominant geography of the target company is based on global activity.

FA refers to financial advisor. LA refers to legal advisor. Excludes lapsed and withdrawn bids.

**League tables:** Based on the dominant sector of the target company being Energy, Mining & Utilities and the dominant geography of the target, bidder or seller being global. The financial advisor tables *exclude* lapsed and withdrawn bids. The legal advisor tables *include* lapsed and withdrawn bids.

All values are in US\$.

Data correct as of 01-Apr-2016

## Contacts

### PR

EMEA: [Luella Atabaki](#)  
T: +44 20 3741 1127

Americas: [Chrissy Carney](#)  
T: +1 646 378 3118

Asia: [Eloise Chu](#)  
T: +852 2158 9710

### Research

Analyst:  
[Sabzina Oshikova](#)  
T: +44 20 3741 1290  
Global research editor:  
[Kirsty Wilson](#)  
T: +44 20 3741 1281

### Deal submissions

EMEA: [Andrea Putaturo](#)  
T: +44 20 3741 1274

Asia: [John Capulong](#)  
T: +852 2158 9723

Americas: [Jason Loria](#)  
T: +1 646 378 3122

## About Mergermarket

Mergermarket is a mergers & acquisitions (M&A) intelligence service.

Mergermarket is part of The Mergermarket Group which has nearly 1000 employees worldwide and regional head offices in New York, London and Hong Kong.

In any market, the life blood of advisors is deal flow. Mergermarket is unique in the provision of origination intelligence to the investment banking, legal, private equity, acquisition finance, public relations (PR) and corporate markets.

With an unrivalled network of analysts covering M&A in the Americas, Europe,

Middle-East, Africa and Asia-Pacific, Mergermarket generates proprietary intelligence and delivers it together with daily aggregated content, on its Mergermarket.com platform and by real-time email alerts to subscribers.

This wealth of intelligence, together with a series of deal databases, individual and house league tables, profiles and editorial have proven time and time again that this product can and does generate real revenues for clients. This is apparent when you see that Mergermarket is used by over 1500 of the world's foremost advisory firms to assist in their origination process.

Part of The Mergermarket Group

# www.mergermarket.com

10 Queen Street Place  
London, EC4R 1BE  
United Kingdom

T: +44 203 741 1000  
[sales@mergermarket.com](mailto:sales@mergermarket.com)

330 Hudson St.  
4th Floor  
New York  
NY 10013. USA

T: +1 212 390 7812  
[sales.us@mergermarket.com](mailto:sales.us@mergermarket.com)

Suite 1602-6  
Grand Millennium Plaza  
181 Queen's Road,  
Central Hong Kong

T: + 612 9002 3131  
[sales.asia@mergermarket.com](mailto:sales.asia@mergermarket.com)