

Power & Utilities Deal Flow

Q1 2010 M&A roundup

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Cornelia Bumbacea, Partner

Transaction Advisory Services



Overview

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Q4 Highlights

85 Power & Utilities M&A transactions announced in Q1 2010

- Total deal value US\$ 24.5 billion
- 64 domestic / 21 cross-border transactions
- 63 Corporate / 22 financial buyer transactions
- Americas activity holding up against general downward trend

After strong upward trend in Q4, activity slowing down in Q1

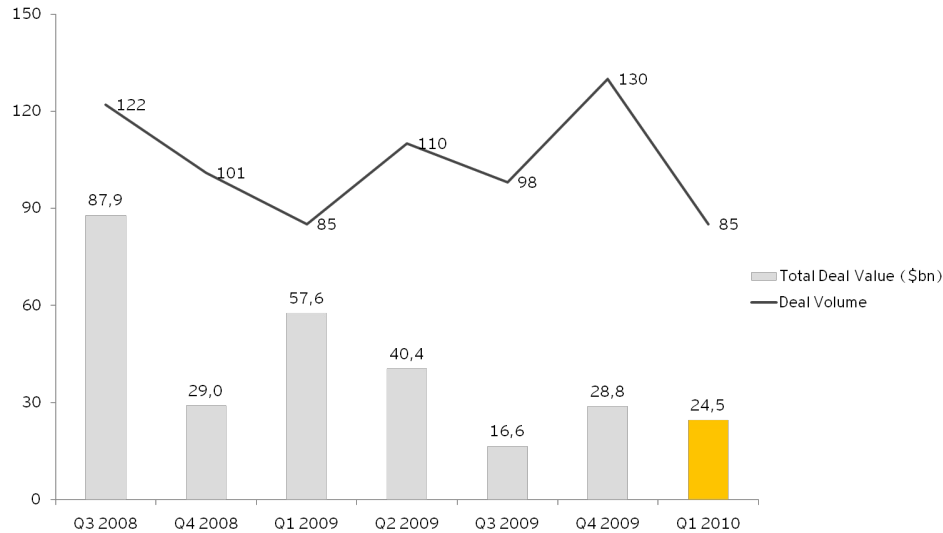
- Deal volume down 35% (prev. quarter) and flat year-on-year
- Deal value down 15% (prev. quarter) and far below Q1 '09 (-135%)
- Average deal value up for the third consecutive quarter (up 55% to Q4 2009)
- Americas M&A volume down, but values on steep increase

Alternative energy M&A much stronger than in previous quarter

- 38 transactions where target is in the alternative energy sector
- Strongest activity in Europe (23 transactions)

Global P&U M&A activity Q3 2008 – Q1 2010

Global Power & Utilities M&A Activity Trend

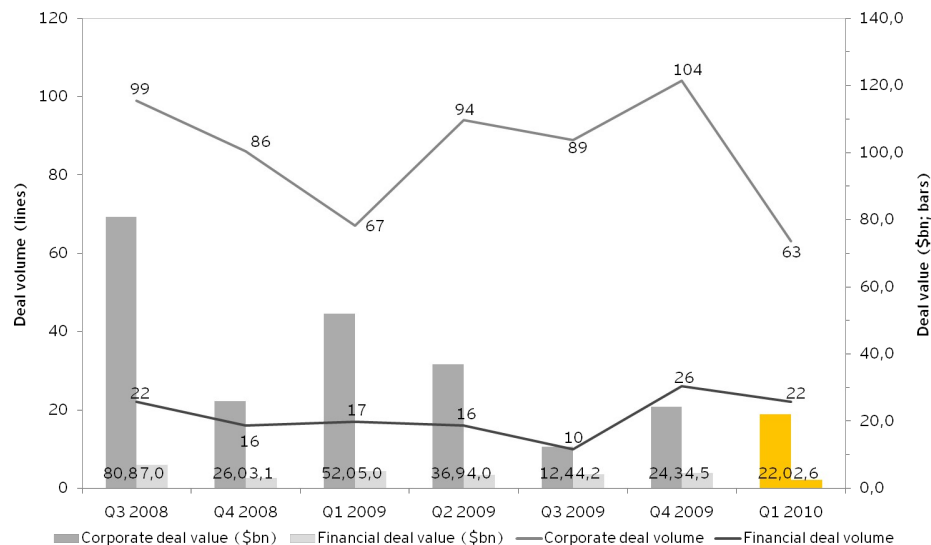


Source: Ernst & Young based on mergermarket

Global M&A activity trend

- After recovery in Q4 2009, M&A activity has declined significantly in Q1 2010
- Deal volume is back to Q1 2009 levels, the lowest under the financial crisis
- Total deal value has stabilized at around US\$ 25 billion, and average deal value has increased by 31% to US\$ 438 million.

Global Power & Utilities - Corporate vs. financial buyer M&A activity



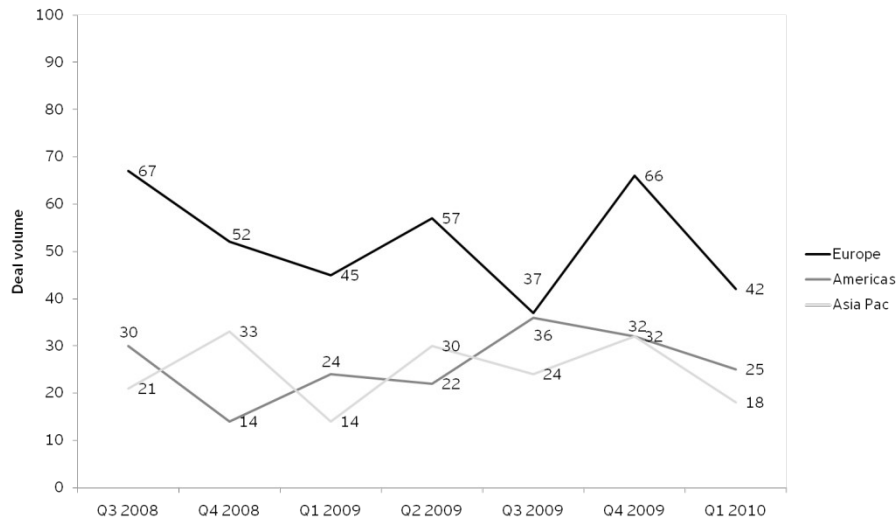
Source: Ernst & Young based on mergermarket

Financial vs. corporate buyer activity

- A lot less corporate buyer M&A activity in Q1 2010 (40% decline over previous quarter), but only modest decline of deal value – less, but more expensive deals
- Opposite picture for financial buyers – only slight decline in deal volumes, but significant decrease of deal values, especially in Europe
- Contrary to the situation in the previous quarter, it is still too early to tell whether a strong and sustaining upward trend can be expected

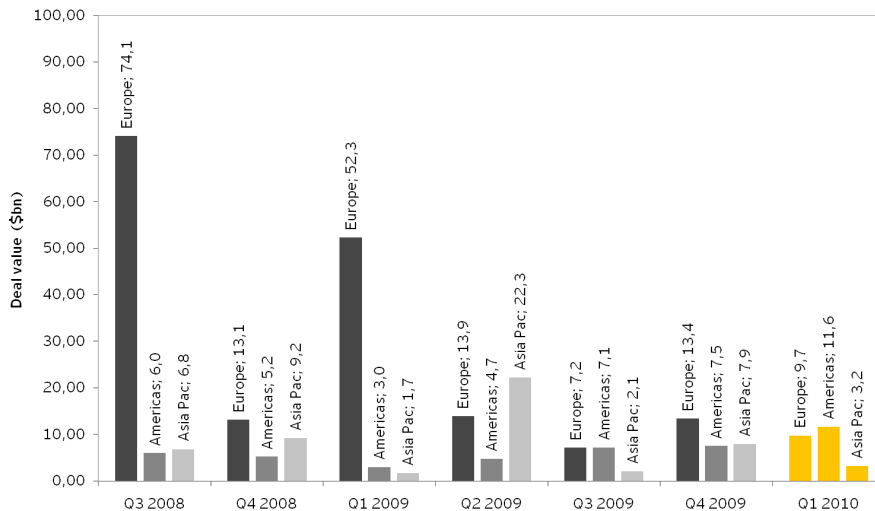
Regional Power & Utilities M&A trends

Regional P&U M&A activity - deal volume



Source: Ernst & Young based on mergermarket

Regional P&U M&A activity - deal value



Source: Ernst & Young based on mergermarket

Deal volume

- Deal volumes have decreased across all geographies
- Europe and Asia Pacific regions have experienced rather steep declines
- Overall, the cyclical nature of M&A transactions is apparent, no signs of a steady “deal flow”

Deal value

- Q1 2010 deal value is largely stable compared to previous quarters, and with the lower deal volume, this leads to higher average deal size
- Some regional differences – significantly increased deal value in the Americas, lower activity in Asia Pac, and the prevailing gap to levels of European M&A activity when mega-mergers took place

Q1 2010 Power & Utilities M&A – intercontinental deal flow

Inbound M&A Europe

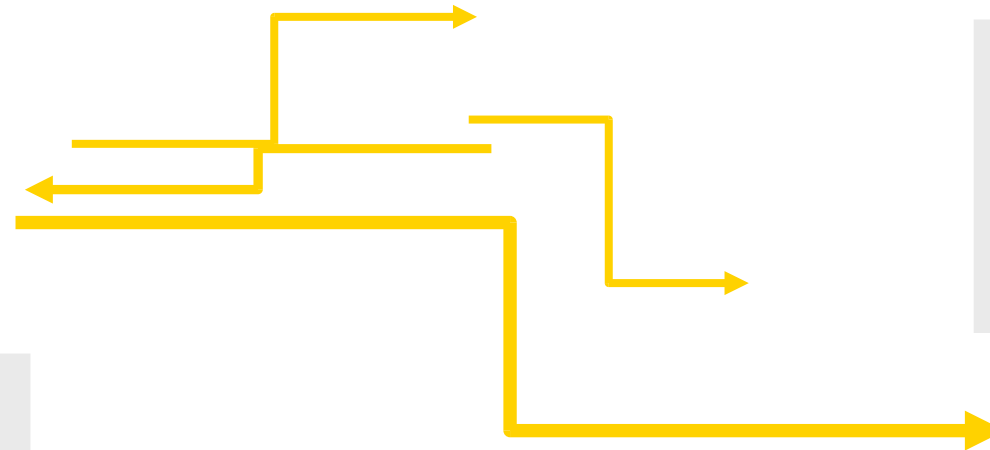
- ▶ United States corporates and financial services investing into alternative energy and energy trading
- ▶ Deal volume US\$291 million

Inbound Asia Pac

- ▶ Private Equity investment in power generation development and alternative energy development businesses
- ▶ Deal volume US\$440 million

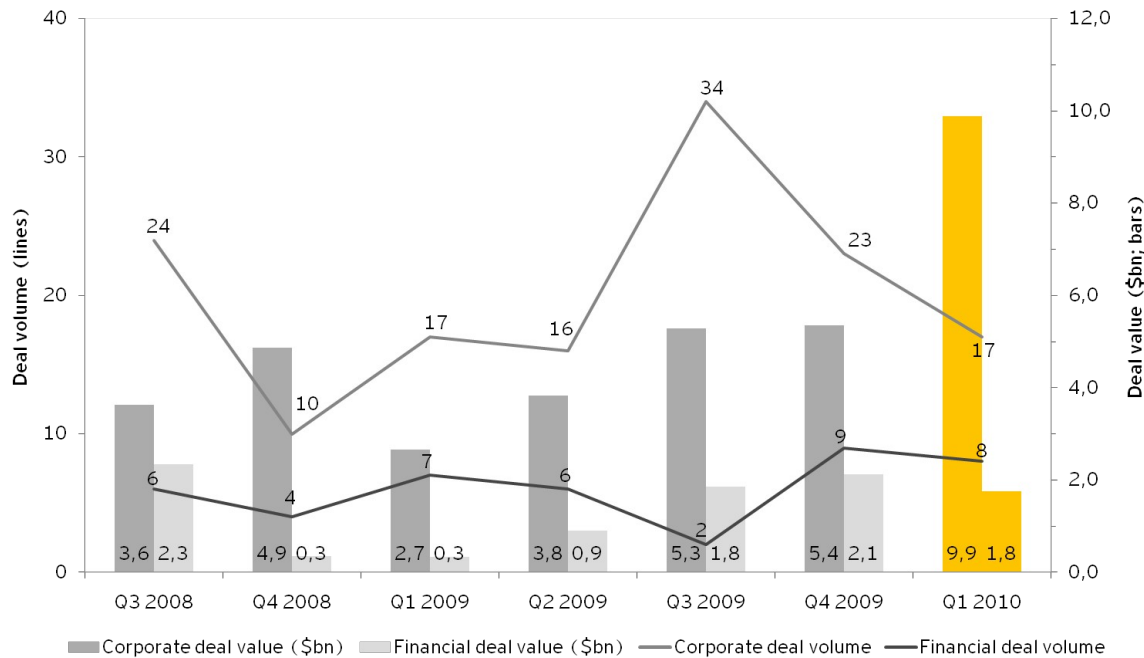
Inbound M&A North and Central America

- ▶ European technology manufacturers, renewable energy companies and utilities investing in alternative energy and upstream oil and gas
- ▶ Deal volume US\$380 million



Regional deal flow – Americas

Americas Power & Utilities - Corporate vs. financial buyer M&A activity



Source: Ernst & Young based on mergermarket

USA
17 transactions
US\$ 10.2 billion

Brazil
2 transactions
US\$ 249 million

Overall deal volume reduced in Q1, back to levels of early 2009

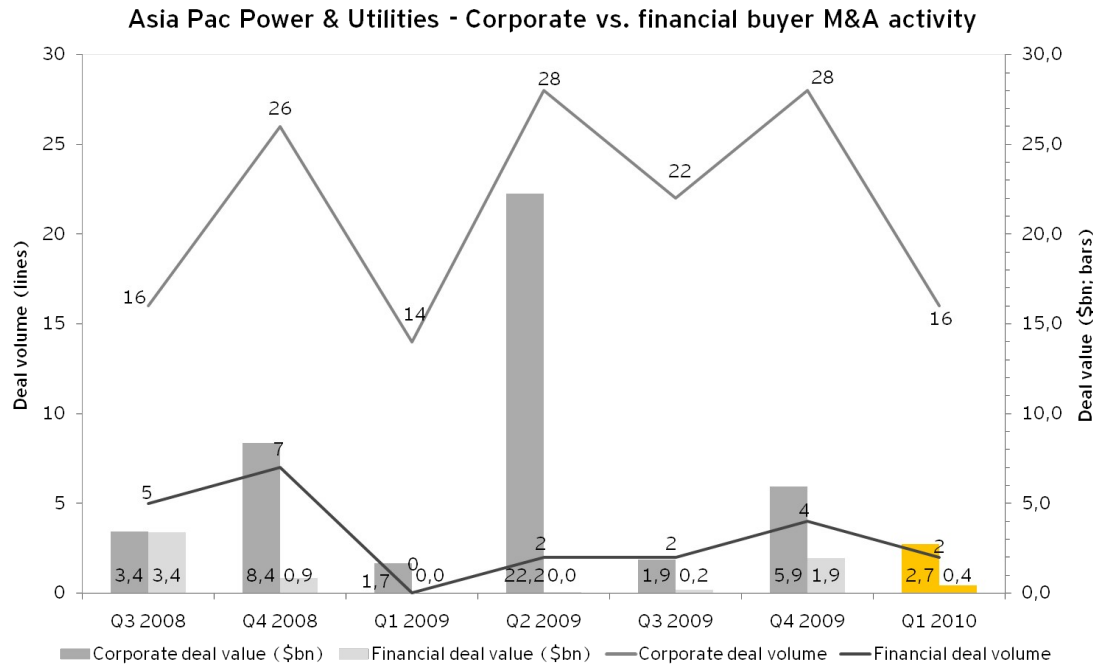
- US stands out as most active M&A market
- Some activity in Canada, South America (Brazil, Chile, Colombia)

Deal value building strong momentum

- Driven by proposed merger between Allegheny and First Energy in the US (US\$ 9 billion)
- Energy Capital Partners (PE) acquiring power stations from BG Group (US\$ 450 million)
- The distressed South West Water Company to be acquired by JP Morgan for US\$ 425 million

Highlighted countries denote strong inbound or domestic M&A activity

Regional deal flow – Asia Pac



Source: Ernst & Young based on mergermarket

China
9 deals
US\$2.2 billion

Australia
4 deals
US\$141 million

Slower deal flow – Q1 volumes down from Q4 but within range of last 18 months

- Power and utilities M&A driven by Greater China market – 50% of Asia Pac deal flow
- Australia's comeback, although more asset deals/minority stakes

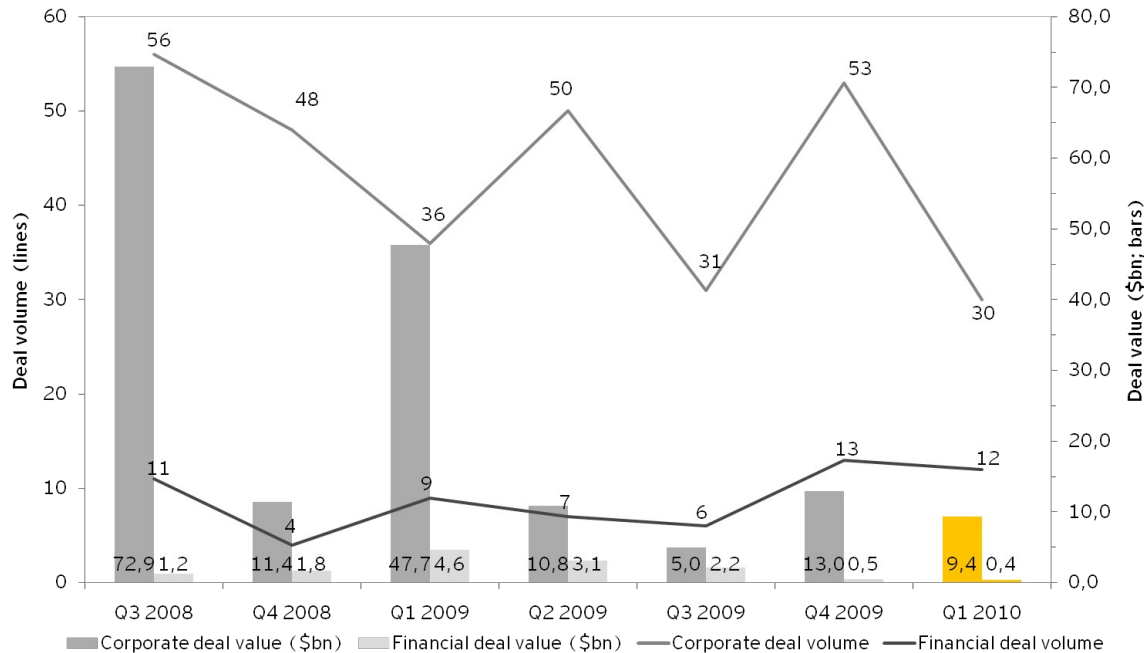
Deal value slightly decreasing

- Only one multi-billion dollar deal (China's Huaneng Power in expansive mood, acquiring assets and stakes in other generators for US\$1.3 billion)
- Limited activity in Japan and India

Highlighted countries denote strong inbound or domestic M&A activity

Regional deal flow – Europe

Europe Power & Utilities - Corporate vs. financial buyer M&A activity



Source: Ernst & Young based on mergermarket

After promising Q4 '09, deal volume is back to lower crisis levels

- M&A activity heavily geared towards alternative energy and infrastructure
- Alternative energy continues to be major deal driver (76% in Q1, 52% in Q4, 48% in Q3)

Deal value flat, mostly driven by regulated asset transactions

- Publigas SA acquiring a 38% stake in Belgian gas transmission operator Fluxys (US\$858 million)
- Alliander, a Dutch transmission company acquired electricity and gas transmission and distribution company Endinet for US\$971 million
- Turkey power privatization gaining some momentum, more assets to come over 2010

Russia
3 transactions
US\$864 million

Germany
8 transactions
US\$2.3 billion

Spain
7 transactions
US\$2.1 billion

Turkey
7 transactions
US\$1.8 billion

Highlighted countries denote strong inbound or domestic M&A activity

Focus: Power & utilities sector in Turkey

Overview - privatization portfolio

- Since 2008, Turkish Privatization Administration (the “PA”) has privatized 18 of the 20 electricity distribution companies (DisCo) owned by the state-owned electricity distribution company, TEDAS.
- As of April 2010, tenders for the privatization of 11 electricity distribution companies have been completed.
- The PA has announced the tender for four electricity distribution companies, namely, Bogazici, Gediz, Trakya and Dicle on 19 March 2010.
- Privatization of gas distribution and power generation is expected to commence in the course of 2010.



Privatization model and tender process

- ▶ The privatization of the distribution companies is executed using a Transfer of Operating Rights (“TOR”) Agreement backed Shares Sale Model (“TSS model”).
- ▶ Investor will be the unique owner of the electricity distribution license and operating rights of distribution assets for 30 years through the TOR agreement. However, the ownership of electricity distribution assets and other tangible and intangible items required for the operation of the distribution assets remains with TEDAŞ.
- ▶ The TSS model is backed by tariffs, Energy Sales Agreements (“ESA”) and investment requirements.



Focus: Romania – General considerations

- **Privatization in the power & utilities sector partially completed in the period 2003-2008**
 - 5 of the 8 distribution companies have been privatized until now (Enel, CEZ, E.On)
 - Remaining privatizations are currently on hold; the privatization strategy for the generation sector is through PPPs (JVs between Termoelectrica and Enel/EOn, CEZ, Electrabel)
- **Recent drive and interest for the renewable sector (mainly wind farms)**
 - Thanks to its natural potential and more recently, an incentivizing legal framework, Romania has become more attractive for major energy players (CEZ, Iberdrola, Enel, EOn, RWE, EdP)
- **Legal reorganization of the power generation sector is ongoing**
 - Two national energy companies are in the process of being created with a balanced mix of producing capabilities, through a series of spin-offs and mergers
 - The two national energy companies are expected to become operational starting 1 July 2010

Subsequent to the set-up of the two national energy companies corroborated with the obsolete generation assets and State's limitations to finance energy projects, the PPPs will become the main investment opportunities for European strategic players looking to invest/consolidate their position in the Romanian energy market.

Focus: Romania – Selection of completed M&A transactions in energy sector

Completed M&A transactions (January 2005 – up to present)

Completed / announced	Target name	Business Line	Acquiror name	Acquired stake	Deal Value EURmil	100% Equity value	MW Installed
April-10	Wind Power Park SRL	Generation	Petrom SA	100%	7 - 9	100	54
September-09	Electrica Oltenia SA	Distribution/Supply	CEZ AS	Remaining 49%	375	765	-
July-09	EHol Distribution SRL	Supply/Trading	ALPIQ (former Atel)	100%	100	100	-
January-09	6 micro-hydropower plants of Hidroelectrica	Generation	Beny Alex SRL (1) Wienstrom GmbH (5)	100%	5.2	5.2	7.8
January-09	E.ON Energie Romania SA	Distribution/Supply	E.ON Gaz Romania Holding	Merger	Undisclosed amount	-	-
October-08	Renovatio Power SRL	Generation	EDP Renováveis SA	85%	8.4	10	90
August-08	Continental Wind Partners LLC's Fantanele and Cogea lac wind farms	Generation	CEZ AS	100%	1100	1100	600
June-08	Hidroelectrica (17 micro power stations)	Generation	Wienstrom GmbH	100%	28.2	28.2	10.6
June-08	Electrica Muntenia Sud SA (64.4% stake)	Distribution/Supply	Enel S.p.A.	68%	820	1214.8	-
February-08	Eolica Dobrogea	Generation	Iberdrola	100%	200-300	-	1,600
December-07	Buzmann Industries SRL	Supply/Trading	Atel Energie AG	100%	Undisclosed amount	-	-
October-07	Blue Line SRL	Generation	ENEL Investment Holding BV	100%	Undisclosed amount	-	-
October-07	Eviva Energy s.r.l.; Eviva Hidro s.r.l.; Eviva S.A.; Eviva s.r.o.	Generation	Martifer Renewables	40% of Eviva Energy, 33% stake of Eviva Hidro	19.2 for the four companies	-	-
October-06	Hidroelectrica (10 hydropower plants)	Generation	Electromagnetica SA	100%	5.6	5.6	-
August-06	Energy Holding SRL (95% stake)	Supply/Trading	Societe Bancaire Privee S.A.	95%	Undisclosed amount	-	-
October-05	Electrica Moldova SA (51% stake)	Distribution/Supply	E.On Energie AG	51%, combination of cash and capital increase	100	400	-
October-05	Electrica Oltenia SA	Distribution/Supply	CEZ AS	25%	47.4	192.5	-
June-05	Hidroelectrica SA (5 micro power stations)	Generation	Institute for Hydroenergetic Studies; Luxten (LLC Group)	100%	12.8	12.8	9.1
January-05	Electrica Banat	Distribution/Supply	Enel	25%	The entire transaction, including the capital increase to 51%, reached EUR111.8 mil.		
January-05	Electrica Dobrogea	Distribution/Supply	Enel	25%			

Ernst & Young – Our experience in Romania

- Ernst & Young has been involved in all major transactions in the energy sector in Romania, from the privatisation of the 5 distribution companies to the joint venture projects for conventional energy Greenfield investments and a number of renewable energy or energy traders related transactions.



Our recent experience in renewable energy

1. Buy-side advisor for ENEL in its acquisition of Blue Line wind farm development project
2. Buy-side advisor for Petrom in the acquisition attempt of an undisclosed target
3. Buy-side advisor for Energias de Portugal (EdP) in its acquisition of Renovatio and Cernavoda power (SPVs)
4. Buy-side advisor for RWE in its acquisition of Sabloal Energie Eoliana
5. Financial advisory for strategic investors in the renewable energy (BP, EU financing)

Thank you!

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Cornelia.Bumbacea@ro.ey.com

