

GREEN TRANSITION: MARKET OUTLOOK

CHANGING REGULATION AND A SPOTLIGHT ON CORPORATE SOCIAL RESPONSIBILITY IS DRIVING THE GREEN TRANSITION MARKET.

CORPORATES ARE EXPLORING VERTICAL INTEGRATION TO CLEAN EXISTING OPERATIONS, WHILST PRIVATE EQUITY ARE RECOGNISING THE FUTURE VALUE PROPOSITION OF INVESTING IN RENEWABLES AND ENERGY STORAGE.

GREEN TRANSITION

MARKET BACKGROUND AND KEY THEMES

UK CLIMATE GOALS

- Government has implemented a 2035 goal for all electricity to come from clean sources. This is driving all aspects of the green transition space
- Rising fuel costs have driven users to look at other options... Commercially, an example of this could be using a battery storage system to supplement a diesel genset, reducing fossil fuel usage and consequently saving costs and reducing emissions

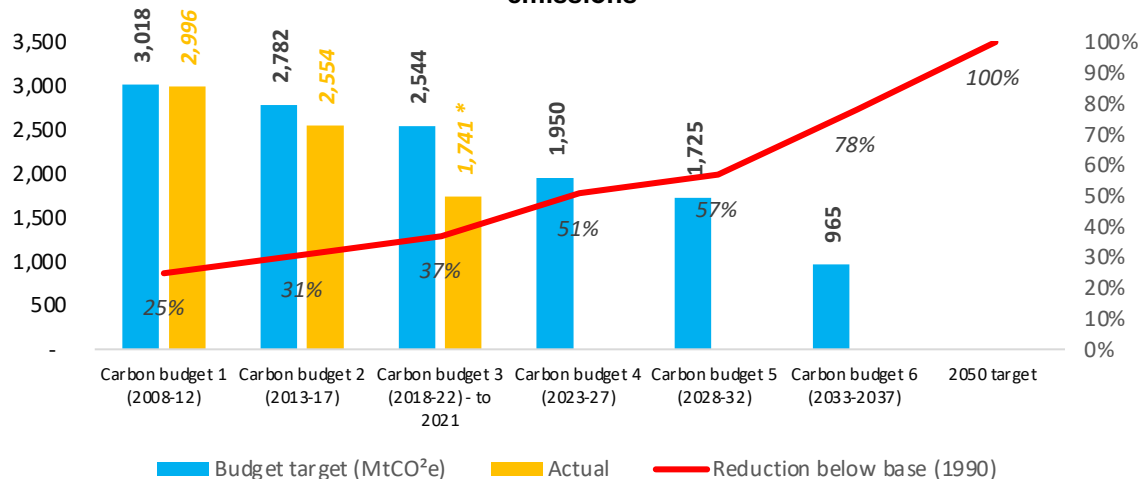
ESG INTERESTS

- With ESG and corporate social responsibility high on business agenda, real value is being drawn from firms willing to invest in their ESG ratings and capitalise on competitors who are yet to take responsibility for the footprint of their operations
- The green transition drive and ESG focus on the back of this is significant, with ESG-conscious corporates recognising how highly valued sustainability is amongst client bases

POLITICAL VOLATILITY

- Global volatility in geo-politics has exposed weaknesses and lack of dimension in the energy security of certain countries. This has kickstarted a push towards diversification and self-sufficiency, which takes place through implementation of green sources and inputs

UK carbon budgets – progress against GHG (Greenhouse gas) emissions



- The wider legislative context driving green transition initiatives is in the form of the Climate Change Act, requiring the UK government to set stepping stone targets towards the 2050 net-zero carbon goal
- Currently in the third carbon budget period, the latest release of 2021 greenhouse gas emissions data indicates the UK is on track to hit current and future targets
- As the 2050 target edges nearer, there is growing social and economic emphasis in the private sector for businesses to 'greenify' their operations, supply chains and corporate brand
- ESG and environmental consultancies are experiencing rapid growth, particularly in traditional sectors with notoriety for high waste or pollutive activities

Source: Pitchbook, Cooper Parry analysis, ResearchAndMarkets, Gov.UK – Net Zero Strategy: Build Back Greener

GREEN TRANSITION

SPOTLIGHT ON UK INVESTMENT

UK TTM KEY METRICS

137

DEALS COMPLETED

£161m¹

AVERAGE DEAL SIZE

£7.1bn²

AGGREGATE DEAL VALUE

15x

DISCOUNTED MEDIAN EV/EBITDA MULTIPLE OF LISTED ENERGY STORAGE PLAYERS

MOST ACTIVE PRIVATE EQUITY INVESTORS IN UK ASSETS

KKR

AUM: £411bn
 Median deal size (2022): £335m
 Vertical preference: Power generation
 Sector investments last 12 months: 2



inflexion

AUM: £8bn
 Median deal size (2022): £38m
 Vertical preference: Energy services
 Sector investments last 12 months: 2

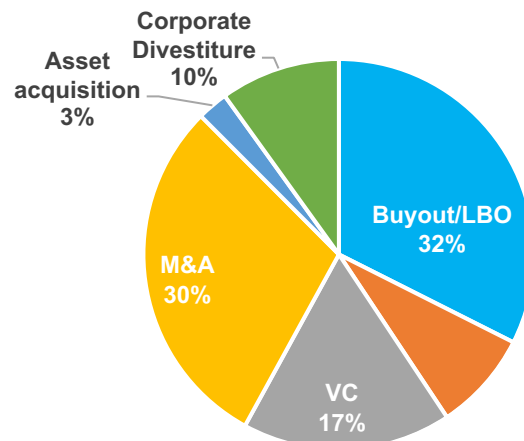


BGF

AUM: £2.5bn
 Median deal size (2022): £15m
 Vertical preference: Energy services
 Sector investments last 12 months: 6



CAPITAL INVESTED BY DEAL TYPE



- The last 12 months has seen a hive of deal activity across all deal types. We are continuing to see strong deal flow into 2023 as private equity and strategic acquirors explore value creation through M&A of green transition assets
- Investors continue to seek assets with innovative solutions to 'green' existing infrastructure, with servicing of energy assets and ESG consultancies also highly favoured
- Private equity capital continues to flow into the space and dominate deal activity with 40% of deals involving a private equity investor either directly or through bolt-on acquisitions

Source: – Pitchbook, Cooper Parry analysis

(1) Deals & deal size across all PE, M&A, LBO transactions where metrics disclosed <£1bn. (2) Aggregate deal value includes all size of transaction where data is disclosed

RENEWABLE ENERGY

INVESTMENT TRENDS

INVESTMENT TRENDS

- Deal counts in the Renewables space were at a plateau in pre-2020 years, clear spikes in both deal counts and capital invested in post-2020 are visible
- Traction in the space have increased, with the underlying drivers indicating the trend will continue

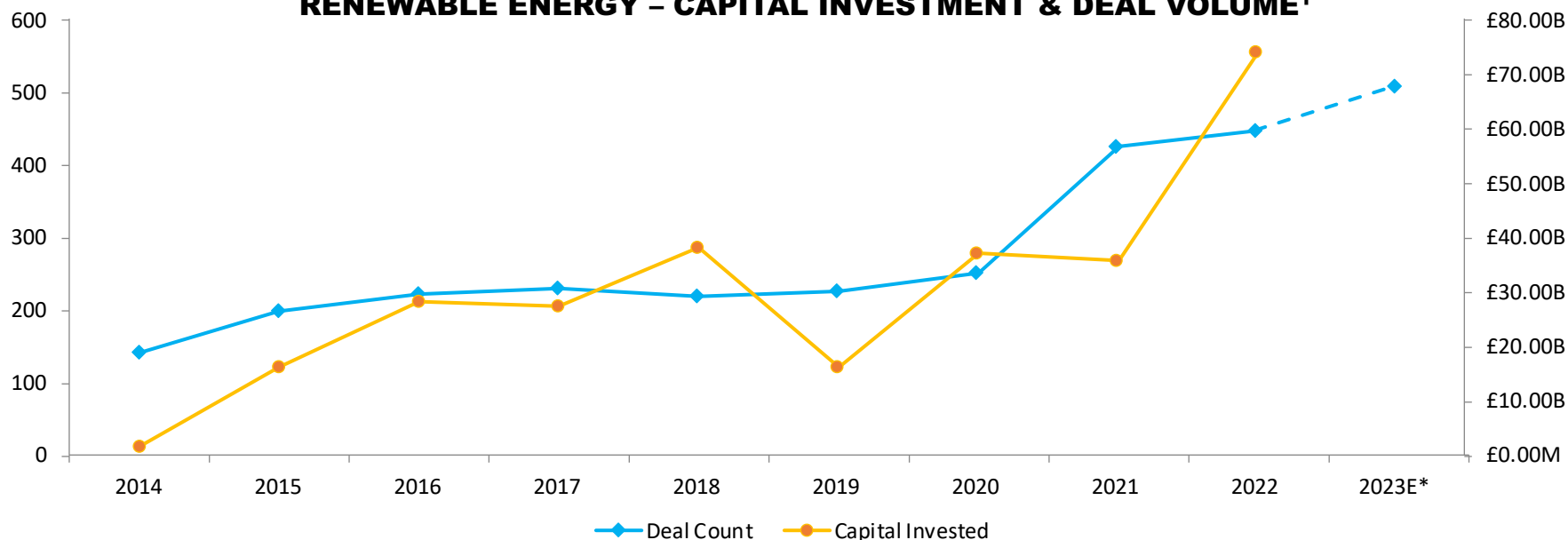
VIABILITY

- Renewable infrastructure is becoming more economically viable, with falling costs coupled with rising fossil fuel prices, driving capital to the space
- Availability is contributing to the increasing viability, with demand-driven growth, companies offering renewable infrastructure are able to further build their bank of assets

IR/PR

- With consumer and investor awareness on climate issues at an all-time high, there is greater pressure on firms to invest into the renewables space, ensuring that investor and public relations are held strong

RENEWABLE ENERGY – CAPITAL INVESTMENT & DEAL VOLUME¹



Source: Pitchbook, Cooper Parry analysis

* 2023 expected value calculated based on historic CAGR (1) Deals & capital investment across all PE buyout and M&A transactions where data disclosed

RENEWABLE ENERGY

NOTABLE DEALS

octopus
energy

CPP Investments

Target: Octopus Energy **Buyer:** CPP Investments **EV:** £457.8m

- Octopus Energy, the UK-based producer and supplier of renewable solar, wind and tidal energy, was acquired by CPP Investments, the Canada-based public pension fund
- Octopus will use the funds to further improve its energy technology platform and to invest in solutions that will drive renewable energy generation

CONTOURGLOBAL



KKR

Target: ContourGlobal **Buyer:** KKR **EV:** £1.76bn

- ContourGlobal, the UK-based developer of power generation assets, was acquired by Kohlberg Kravis Roberts, the US-based private equity firm, in a public-to-private LBO
- This acquisition will help accelerate growth for ContourGlobal, providing the capital needed to expand its portfolio of assets and building on their global footprint

PROTIUM
SWEN
Capital Partners

SUSTAINABLE IMPACT CAPITAL

Target: Protium **Buyer:** SWEN Capital/Sustainable Impact Capital
EV: £40.5m

- Protium, the UK-based provider of green energy services intended to support businesses during the transition to zero carbon, was acquired by SWEN Capital Partners and Sustainable Impact Capital
- This funding allows Protium to accelerate its growing portfolio of >250mw of green hydrogen projects

INFENERGY

BORALEX

Target: Infinergy **Buyer:** Boralex **EV:** £22.8m

- Infinergy, the UK-based developer of onshore windfarms, was acquired by Boralex, the Canada-based power producer
- This acquisition allows Boralex to strengthen its European presence, with potential for further development

Source: Pitchbook, Cooper Parry analysis

BATTERY ENERGY STORAGE

MARKET OUTLOOK AND KEY DRIVERS

CLIMATE CHANGE TARGETS

- Global efforts are currently underway to transition energy systems from fossil fuels to cleaner sources. This trend is driven by several factors, including the now widely accepted view that carbon emissions must be reduced to limit the effects of climate change, but purely economic reasons are also relevant

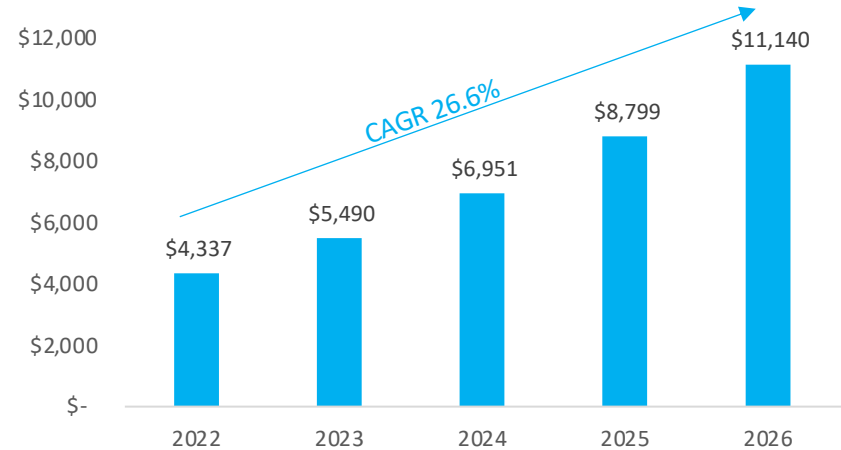
NEED FOR GRID-SCALE ENERGY STORAGE

- Intermittent renewables such as wind and solar have typically provided power which can be absorbed at small scale by current grid infrastructure
- As intermittent renewables account for a larger proportion of total generation capacity, additional means to manage intermittency are necessary, and grid-scale battery energy storage systems (BESS) are a key method to achieve this
- Grid BESS allow energy storage when power generation outstrips demand and releases it when demand is high. The real value, which is attracting interest from trade and private equity, is in assets that operate BESS that can be used for long duration energy storage and are mobile in nature – allowing for distribution to remote sites such as hospitals or construction projects in need of power

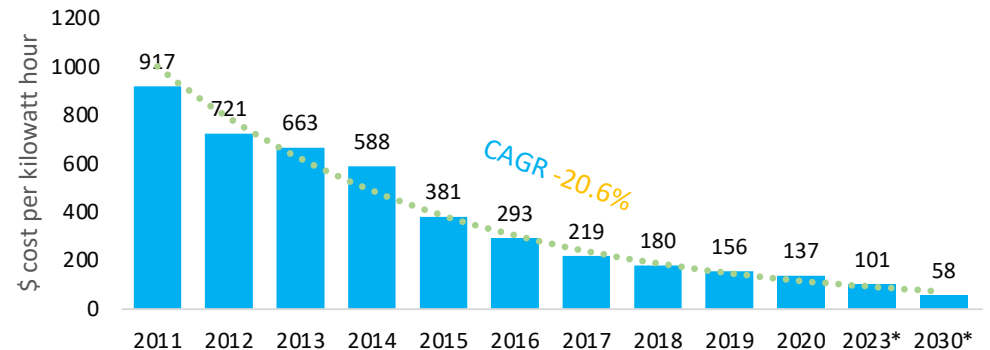
LITHIUM-ION'S PRE-EMINENCE

- The ability to simply connect many individual cells to create BESS simplifies the design process and allows the use of mass-produced cells, for which manufacturing infrastructure is already in place. The cost of Li-ion cells has fallen sharply in the last 10 years with some predicting further decline in the next 5 years, reducing barriers to entry and fuelling growth in the energy storage market

BESS GLOBAL OUTLOOK (\$M)

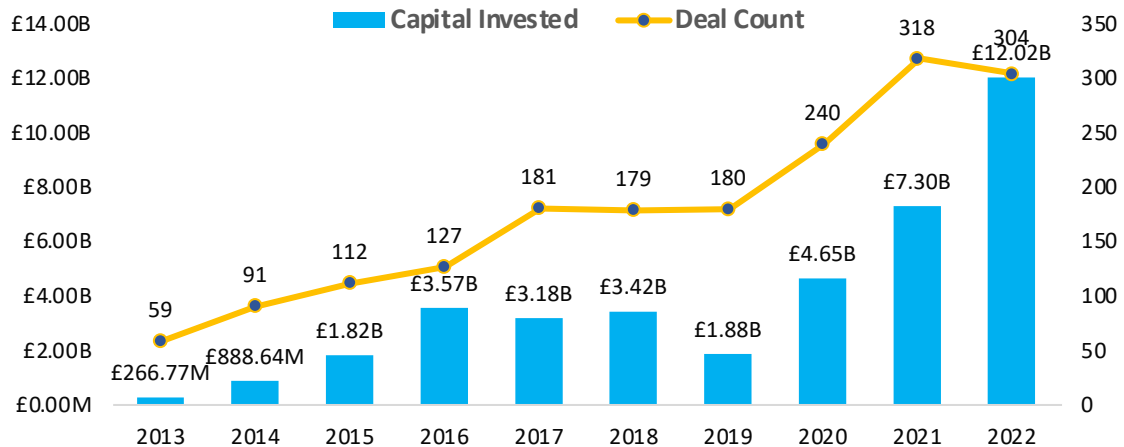


FALLING COSTS OF LITHIUM-ION BATTERIES CONTINUING TO DRIVE GROWTH



Source: Pitchbook, Cooper Parry analysis

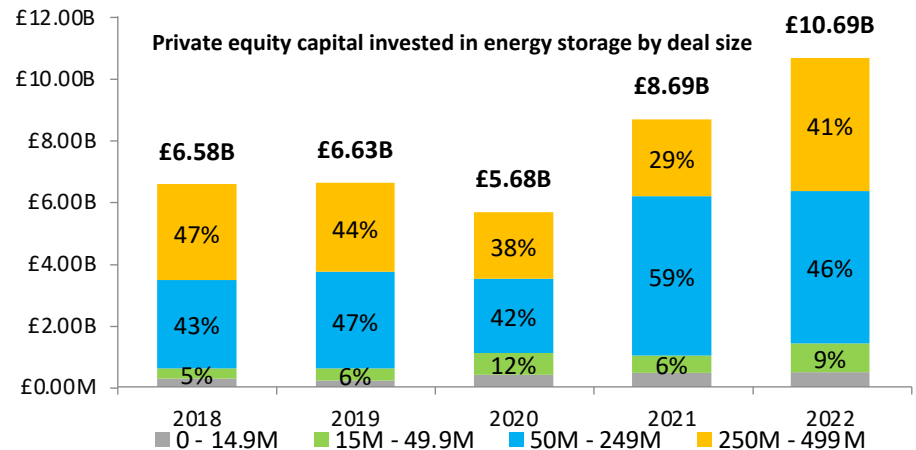
BATTERY ENERGY STORAGE INVESTMENT TRENDS



- Despite economic and market headwinds, demand for high-quality, mission-critical energy storage assets that can serve a multitude of sectors continues to grow
- A trend is developing amongst trade players in typically capital-intense sectors whereby they are using strategic M&A to 'green' existing operations and strengthen their ESG ratings
- The disruption caused to supply chains has exposed over-reliance on external energy. Despite existing pressures on natural resources for batteries and overlapping supply chains with EVs and consumer electronics, some larger businesses are turning to internalisation of energy storage through acquisition of BESS assets

PRIVATE EQUITY

- In line with rising deal volumes, private equity investment figures also demonstrate growth with a strong rebound from covid uncertainty. Total capital deployed into energy storage assets topped £10bn+ in 2022, growth of 23% YoY
- The post-Covid bounce back saw a greater weighting of investment into lower mid-market assets than in previous years, with 59% of capital involved in transactions between £50m-£249m
- As the sector and infrastructure around energy storage matures, it is anticipated we will see new sub-verticals develop specifically around servicing of assets. Service-driven businesses that are able to scale quickly, have recurring contracts and provide innovative solutions within energy storage will prove highly attractive to private equity



Source: Pitchbook, Cooper Parry analysis

BATTERY ENERGY STORAGE

NOTABLE DEALS



Target: Constantine Energy Storage **Buyer:** AIMCo **EV:** £266m

- Constantine Energy Storage, the UK-based battery energy storage portfolio, was acquired by Alberta Investment Management, the Canada-based investment management company
- This acquisition strengthens AIMCo's global portfolio of high-quality infrastructure assets



Target: Hero Future Energies **Buyer:** KKR **EV:** £388m

- Hero Future Energies, the UK-based operator of an independent power plant, including battery energy storage systems, was acquired by Kohlberg Kravis Roberts, the US-based private equity firm
- This deal positions Hero Future Energies for continued growth, expanding its renewable energy capacity and capabilities across a range of functions, including battery energy storage



Target: RAW Charging
Buyer: Antin Infrastructure Partners **EV:** £250m

- RAW Charging, the UK-based provider of smart EV charging infrastructure, was acquired by Antin Infrastructure Partners, the France-based infrastructure investor
- This acquisition will accelerate the delivery of RAW's pipeline of charging points



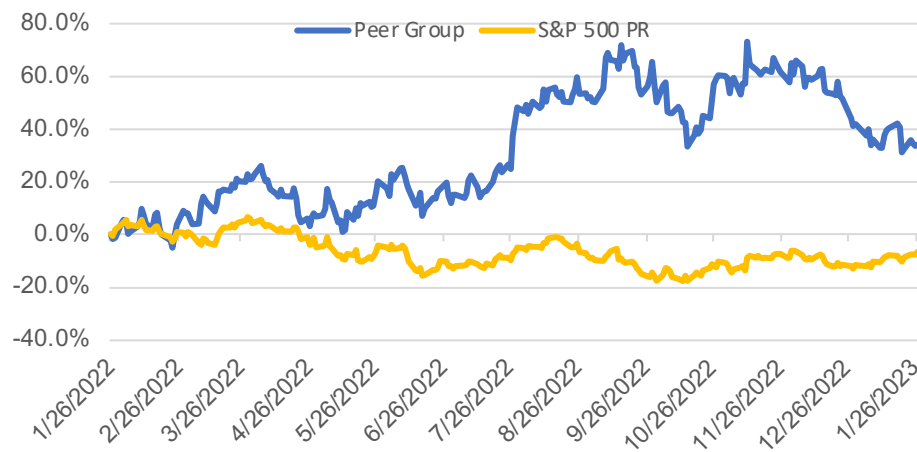
Target: Johnson Matthey **Buyer:** EV Metals Group **EV:** £70m

- EV Metals, the Australia-based producer of battery chemicals and technology, acquired the Battery Systems business from Johnson Matthey, a UK-based global transition company
- This acquisition strengthens vertical integration for EVM, adding to their upstream and midstream offerings in the expanding electric battery market.

Source: Pitchbook, Cooper Parry analysis

BATTERY ENERGY STORAGE

PUBLIC COMPARABLES



Listed peer group – stock price changes

- Stock performance relating to a selected energy storage provider peer group that represent leaders in the market is up by 35% in the last 12 months, comparing to a 6.5% decline for the wider market
- At this time, listed energy storage players continue to perform strongly as new projects become operational and are thus re-valued upwards
- However, as the market matures, competition will increase and we expect to see an increase in IPOs which is likely to soften performance vs. the rest of the market

Selected Peer Group	Financials – local currency (m)				TTM	
	Market Cap	Enterprise Value	Total Revenue	EBITDA	EV / Revenue	EV / EBITDA
ABB Group	51,539.72	56,681.68	22,865.50	4,775.36	2.5x	11.9x
AES	14,634.58	36,191.06	9,656.48	745.76	3.7x	42.6x
Albemarle	25,751.45	27,738.71	4,381.59	1,527.59	6.3x	18.2x
Brookfield Renewable Partners	6,527.47	44,223.54	3,608.16	2,108.81	12.3x	21.0x
Energy Vault	528.27	306.05	45.55	-20.49	n/d	n/d
Enphase Energy	23,189.28	23,077.50	1,581.54	315.46	14.6x	74.8x
Eos Energy Enterprises	91.11	208.04	14.38	-146.29	14.5x	n/d
ESS	279.72	136.31	0.69	-182.63	n/d	n/d
Fluence Energy Storage	2,092.15	1,848.99	938.94	-218.32	n/d	n/d
ITM Power	544.81	186.07	5.63	-43.27	n/d	n/d
NextEra Energy Partners	5,035.78	18,737.45	921.23	799.81	19.1x	22.8x
QuantumScape	2,790.18	1,852.25	n/d	-270.11	n/d	n/d
Solaredge Technologies	13,625.65	13,491.33	2,171.08	199.06	6.2x	62.5x
Peer Group - Median					9.3x	22.8x

30% – 40%
TYPICAL MULTIPLE DISCOUNTS FOR PRIVATE COMPANY VALUATION

- Applying the usual discounts for private company valuations to Peer Group median EV/EBITDA multiples suggests a median valuation around 15x EBITDA level in the private market

Source: Pitchbook, Cooper Parry analysis

CONTACT US

WHO WE ARE



TOM SUMMERS

Director

Tom joined Cooper Parry Corporate Finance in 2017 and has over 5 years' experience working in corporate finance, advising on private equity transactions, management buy-outs and sales to domestic and overseas trade buyers.

Tom is a Chartered Accountant originally training in audit with a BA in Physics from the University of Oxford.

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LOREN DOCKSEY

Senior Analyst

Loren joined Cooper Parry Corporate Finance in 2020 as an analyst, reviewing market behaviour, trends and analysing M&A activity within our sector specialisms.

Loren is a Trainee Chartered Accountant and holds a first-class honours degree in Economics from The University of Derby.

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JACK CLEMMY

Analyst

Jack joined Cooper Parry Corporate Finance in July 2022 as an Analyst, undertaking a year in industry as part of his BSc (Hons) Finance and Management degree at Loughborough University.

Jack has experience mapping markets, creating valuation pieces, originating acquisition targets and assessing buyer pools.

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