



Capstone Headwaters

ENERGY MANAGEMENT SERVICES Q1 2019

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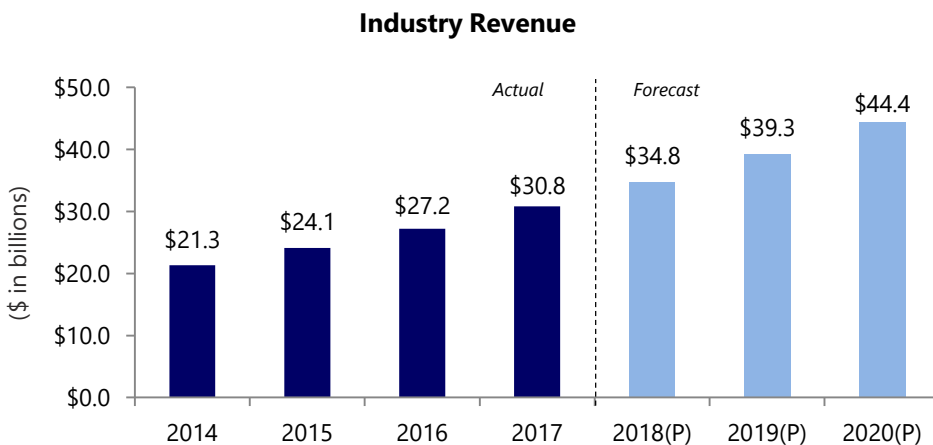
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INDUSTRY OVERVIEW

Market usage of Energy Management Services (EMS) has grown steadily over the past five years. Growth within this industrial industry segment is attributed to its success in helping companies reduce one of their largest costs; energy. Advancing methods of data analytics and utilities management consulting have delivered a monumental benefit for businesses operating in deregulated environments. EMS not only helps companies monitor energy consumption, but also aids organizations in making data-driven decisions and enhances enterprise-level operations and financial decisions. Valued at approximately \$27.2 billion in 2016, the EMS market is expected to surpass \$44 billion by the end of 2020, reflecting a CAGR of 13%, according to *Grand View Research*.¹

EMS is anticipated to gain greater significance in the next few years given the benefits to multiple commercial and industrial sectors, especially in power and manufacturing enterprises, for real-time energy monitoring and assessment of consumption patterns. The continued commercialization of innovative products coupled with technological advancements in areas like supervisory control and data acquisition (SCADA) systems and software are expected to steer additional investments in this sector and extend the reach of EMS to all the assets of an organization, regardless of their location.



Source: *Grand View Research*



INDUSTRY OVERVIEW (CONTINUED)

Numerous best practices are driving the growth in demand for EMS. Energy management is increasingly viewed as an essential tool for helping industries, businesses, and households become more energy efficient and reduce their overall energy spend. Some key factors include the following:

- » **Energy Procurement** – an essential component of energy management is its ability to help businesses purchase energy in a more sophisticated manner. Group purchasing programs and demand response programs are examples of initiatives that can greatly help companies reduce their utility-related costs.
- » **Energy-Price-Volatility** - energy prices constantly fluctuate because of changes in supply and demand, extreme weather conditions, and economic conditions. Effective use and monitoring of energy use is a necessity to combat fluctuations.
- » **Stringent Government Policies** - governments and organizations set new rules and regulations for different energy-related perspectives. As subsidies and benefits continue to be provided for businesses that implement efficient or green consumption strategies involving alternative energy, demand for EMS is expected to increase.

MERGER & ACQUISITION OVERVIEW

Over the past few years, M&A activity in the EMS industry has been vibrant. Largely, energy suppliers have sought to broaden their solutions to both improve internal operations and, in turn, provide more comprehensive and efficient services to customers. Among the largest deals of the year in the space was the October acquisition of EnerCare Inc. (TSX:ECL), one of North America's largest home and commercial services and energy solutions companies, by Brookfield Infrastructure Partners (NYSE:BIP) for ~\$3.2 billion.

With a significant knowledge base in Europe and multiple US subsidiaries of large investor-owned utility companies or major industrial conglomerates in this space, there is a plethora of smaller, niche companies that have emerged as attractive M&A opportunities. Within the middle market, the November acquisition of Taylor Consulting & Contracting (a CSHW led transaction highlighted on the following page) by Albireo Energy, a portfolio company of Huron Capital, stands out as one of the most prominent deals. Also in November, Lime Energy, a designer of

energy efficiency programs for utilities in the US, was acquired by Willdan Energy Solutions for \$120 million. The transaction marked Willdan's fifth acquisition in the space since 2015.

Overall, companies that have proven to be attractive M&A targets are those that have garnered superior reputations in the industry due to a history of introducing innovation to the market and employing technology to streamline activities such as customer energy procurement, compliance, budgeting, and ongoing management.

Despite the consistent degree of consolidation in recent years, the industry remains highly fragmented, rendering an atmosphere conducive to continued M&A activity. There remains numerous companies with niche capabilities and attractive investment considerations. Corporations will continue to acquire smaller, specialized operators as a means to supplement growth through operational synergies by combining technical capabilities and adding new offerings, geographies, and customers.

Key Investment Considerations



Tech-Enabled Solutions

Companies with advanced technology infrastructures and data driven solutions are viewed as innovative targets and have received premium valuations.



Diverse, Loyal Client Base

Buyers are increasingly seeking opportunities to expand their customer bases. Targets with established and loyal blue-chip customers are highly desirable.



Deep Bench of Rising Management

An experienced management team, with a deep bench of rising talent, that is committed to the ongoing growth of the company is an important KPI.



Recurring Revenue Model

Targets with recurring revenue models and clear visibility into future revenues are viewed as highly attractive relative to companies with transactional based models.



CAPSTONE HEADWATERS TRANSACTION



“ We greatly appreciated Capstone Headwaters’ efforts to help us navigate the selling process and to find such a fitting strategic partner. ”

- Scott Stiner, COO,
Taylor Consulting and Contracting
November 2018 Press Release

Capstone Headwaters Advises Taylor Contracting and Consulting on its sale to Albireo Energy (November 2018, undisclosed)

Capstone Headwaters successfully advised Taylor Consulting and Contracting (“TCC” or the “Company”) on its sale to energy management company Albireo Energy, LLC (“Albireo”), a portfolio company of Huron Capital. Terms of the deal were not disclosed.

- ▶ Founded in 2004, TCC offers innovative and customized management and optimization solutions to the energy marketplace utilizing its exclusive technology platforms, including *UtilityModule* and *EnergyAuctions*.
- ▶ TCC’s systems-based approach to energy procurement and management is unique and leading edge within the deregulated energy market. Notably, the Company has also won endorsements from the city of Boston and Philadelphia and serves over 30,000 commercial accounts including Independence Blue Cross and Dunkin’ Donuts.
- ▶ “We are thrilled to join Albireo Energy and Huron Capital,” said Scott Stiner, COO of TCC, “and we very much look forward to our new collective future. Taylor has been a significant energy brokerage and data collection firm for years and this merger with Albireo Energy will allow our collective customers to connect the smart building with strategic procurement, budgeting and compliance services.”
- ▶ Albireo is a leading energy management company headquartered in Edison, New Jersey. This deal marked the ninth transaction for Albireo, an ExecFactor® initiative launched by Huron Capital to provide smart building automation and energy services to commercial and institutional customers throughout the US. The partnership with TCC expands Albireo’s suite of energy efficiency and automation services to include energy management and procurement, with significant cross selling opportunities expected to result from this transaction. According to Albireo CEO Phil Rogers, “This combination fulfills a long-held ambition of Albireo to offer our customers best-in-class procurement services.”
- ▶ Ted Polk, Managing Director at Capstone Headwaters, noted, “This transaction represents a textbook strategic acquisition. The addition of energy procurement services to Albireo’s strong energy efficiency presence has the potential to significantly increase Albireo’s wallet share with its customers.”





SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
12/17/18	Battson Heat & Air	AGES Consulting	Offers heating, cooling, air conditioning service repair, and installation duct cleaning services.	-	-	-
12/06/18	CMS Mechanical Services	Service Logic Acquisitions	Provides heating and cooling systems contractual services.	-	-	-
12/06/18	Shawsheen Services	Service Logic Acquisitions	Provides cooling and heating installation and repair services.	-	-	-
12/03/18	Edwards Heating & Cooling	Sutherlin HVAC	Provides residential and commercial heating, cooling, and air conditioning installation services.	-	-	-
11/29/18	Point Six Wireless	Mesa Laboratories	Comprises RF and IR technology wireless temperature sensors, dataloggers, and monitoring sensors.	-	-	-
11/29/18	Cpower	LS Power Development	Delivers energy management services and solutions.	-	-	-
11/27/18	Taylor Consulting and Contracting	Albireo Energy	Provides energy management, consulting, and optimization services.	CF	CF	CF
11/08/18	Sharp Electronics Corporation	NantEnergy	Offers development services for energy management products.	-	-	-
10/16/18	EnerCare	Brookfield Infrastructure	Provides home and commercial services, and energy solutions.	\$3,216.3	3.2x	14.3x
10/15/18	ECS AeroSeal	CMC Energy Services	Operates as an energy conservation contractor for commercial and residential properties.	-	-	-
10/03/18	Lime Energy	Willdan Energy Solutions	Offers direct install energy efficiency solutions.	\$120.0	0.9x	19.3x
09/04/18	WegoWise	AppFolio Utility Management	Offers solutions for monitoring and benchmarking water and energy usage.	-	-	-
09/10/18	Advanced Control Systems	Indra Sistemas	Provides smart grid solutions to the electric power industry worldwide	\$46.0	2.0x	-
08/08/18	Kailo Energy	ClearFoundation	Manufactures residential solar batteries and energy management solutions for home owners.	-	-	-
08/01/18	Aegis Energy Services	Dalkia France	Designs combined heat and power systems for commercial, industrial, and residential customers.	-	-	-
07/26/18	Draker	AlsoEnergy	Provides cloud-based software solutions that enables energy monitoring.	-	-	-
07/03/18	The CTS Group	Bow River Capital Partners	Develops and implements energy efficiency projects.	-	-	-
06/18/18	CLEARresult Consulting	TPG Growth	Implements technology-enabled energy efficiency solutions.	-	-	-
05/29/18	HTS New England	Control Technologies	Provides custom HVAC solutions for commercial, institutional, and industrial sectors.	-	-	-
05/07/18	EMEX	O2 Investment Partners	Facilitates the brokerage of electricity and natural gas procurement for end customers.	-	-	-
05/01/18	Axiom Energy Solutions	CoolSys	Installs and manages energy management solutions.	-	-	-
04/25/18	Energy Mgmt. Control	Albireo Energy	Provides engineering and project management services.	-	-	-
03/13/18	Total Energy Concepts	SmartCool Systems	Offers energy efficiency solutions.	\$0.9	0.5x	-

Note: CF = confidential; highlighted deals are Capstone Headwaters' transactions
Source: Capital IQ, Pitchbook, FactSet, and Capstone Headwaters Research



SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
02/27/18	InSite	Impala Ventures	Provides business intelligence solution for real estate and facilities management.	-	-	-
02/05/18	EdgePower	Just Energy Group	Operates a cloud based platform that integrates energy data into a single interface.	\$18.7	-	-
01/31/18	Vcct	Bitzer US	Provides energy efficiency solutions to commercial, institutional, and industrial end-users.	-	-	-
01/29/18	Utility Solutions, ENGIE Insight	CLEARresult Consulting	Develops an energy efficiency software solution.	-	-	-
01/29/18	R&R Mechanical Associates	IT Landes	Operates as a contractor of commercial heating and cooling systems.	-	-	-
01/03/18	MCW Dimax	Kontrol Energy	Develops specialized solutions in the application of energy software.	\$0.8	1.0x	-
12/26/17	Meter Readings Holdings	Hubbell Power Systems	Provides smart infrastructure solutions to water, gas, and electric utilities worldwide.	\$1,100.0	-	-
11/24/17	Integrated Comfort	Seeley International	Manufactures air conditioning and cooling systems.	-	-	-
10/10/17	Williams Electric Company	Parsons	Engages in the design and maintenance of large-scale monitor and control systems.	-	-	-
09/25/17	CASA	Energy Professionals	Provides energy management solutions.	-	-	-
09/18/17	Silver Spring Networks	Itron	Provides IoT solutions to help global utilities and cities connect, optimize, and manage smart energy.	\$838.8	1.9x	-
08/23/17	Energate	Tantalus Systems	Develops interactive energy management solutions and products for utilities and their customers.	-	-	-
07/31/17	Service Logic	Warburg Pincus	Operates as an energy and HVAC/mechanical services company.	-	-	-
07/10/17	Business Advisory Service	Smarter Business	Operates as an energy consultancy that helps businesses manage and monitor their energy costs.	-	-	-
07/07/17	eCap Network	Cpower	Provides energy management and project development services.	-	-	-
07/06/17	Project Performance	Data Systems Analysts	Provides knowledge and information management, energy management, and environmental solutions.	-	-	-
07/05/17	Apleona Efficiency	GETEC heat & power	Provides energy contracting, analysis, and consulting services to industrial and commercial facilities.	-	-	-
06/29/17	Choose Energy, Inc.	Red Ventures	Operates a website that enables customers to shop for energy rates.	~\$100.0	-	-
06/29/17	Horizon Energy Group	Inspired Energy	Offers energy procurement consultancy services to industrial and commercial businesses.	\$17.1	3.8x	8.8x
06/22/17	EnerNOC	Enel Green Power North America	Provides demand response solutions and energy intelligence software (EIS) solutions.	~\$250.0	0.7x	-
06/19/17	American Utility Management	RealPage	Provides energy and utility management services for residential customers, property owners and managers.	\$70.0	2.3x	-
05/08/17	Comverge	Itron	Provides intelligent energy management solutions for utilities, commercial, and industrial customers.	~\$100.0	1.7x	-
05/04/17	Residential Control Systems	Universal Electronics	Designs and manufactures energy management and controlling products.	\$18.9	-	-

Source: Capital IQ, Pitchbook, FactSet, and Capstone Headwaters Research



SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
04/20/17	Flexible Energy Management	Inspired Energy	Operates as an energy consultancy company.	\$3.5	3.4x	4.7x
4/18/17	Mainstream Software	CBRE Group	Develops enterprise facility and maintenance management software solutions.	-	-	-
4/3/17	Colliers International	Welsh Companies	Provides commercial real estate services including facility services, and property management.	-	-	-
3/17/17	Tri-Cor Mechanical	TOTAL Mechanical	Provides commercial and industrial HVAC specialty services.	-	-	-
2/10/17	GoodCents Concepts	Franklin Energy Services	Provides energy efficiency, demand response, and education services.	-	-	-
1/12/17	Demand Energy Networks	Enel Green Power North America	Develops a cloud-based platform needed to manage distributed energy storage resources.	-	-	-
12/28/16	Raymond E. Moser	Energy Management	Provides engineering consulting services.	-	-	-
12/19/16	Utility Funding	Foresight Metering	Owns, manages, and rents smart electricity, gas, and water meters.	-	-	-
12/5/16	Whisker Labs	Earth Networks	Develops home energy monitoring and sensing devices and related cloud-based software solutions.	-	-	-
11/30/16	Wipro Ecoenergy	Chubb Alba Control Systems	Provides solutions for enterprise-wide energy operations and efficiency management.	\$70.0	6.9x	-
11/10/16	EnSite Solutions	Cushman & Wakefield	Provides system maintenance, repair, and facility management services.	-	-	-
11/7/16	Soteica Visual Mesa	Yokogawa Electric	Provides energy management and optimization solutions and services.	-	-	-
11/1/16	Rex Electric & Technologies	Chugach Alaska	Provides electrical and technology services as well as energy management services.	-	-	-
10/26/16	ZENO Controls	Blue Diamond Ventures	Provides energy saving and management solutions to the hospitality industry,	-	-	-
10/26/16	JBA Consulting Engineers	NV5 Global	Provides acoustical design consulting, engineering, technology, and energy management services.	\$20.2	0.6x	-
9/22/16	VERISAE	Accruent	Provides cloud-based maintenance, energy, and sustainability management software solutions.	-	-	-
9/19/16	EFT Energy	Koch Minerals	Provides Software-as-a-Service solutions in the fields of industrial and commercial energy management.	-	-	-
9/15/16	A2Z Powertech	A2Z Infra Engineering	Develops technology solutions in smart grid, smart metering, and billing solutions.	-	-	-
8/31/16	EnSync, Inc.	Melodious Investments	Develops, manufactures, licenses, and sells energy management systems solutions.	-	-	-
8/11/16	Callenberg Technology	Trident Maritime Systems	Designs, supplies, and installs insulation, HVAC, and electrical energy management solutions.	\$64.0	-	-
8/4/16	EDCM Building Services	BWB Consulting	Operates as a building services consultancy.	-	-	-
8/3/16	CakeSystems	Renovate America	Provides software solutions for contractors and energy efficiency programs.	-	-	-

Source: Capital IQ, Pitchbook, FactSet, and Capstone Headwaters Research

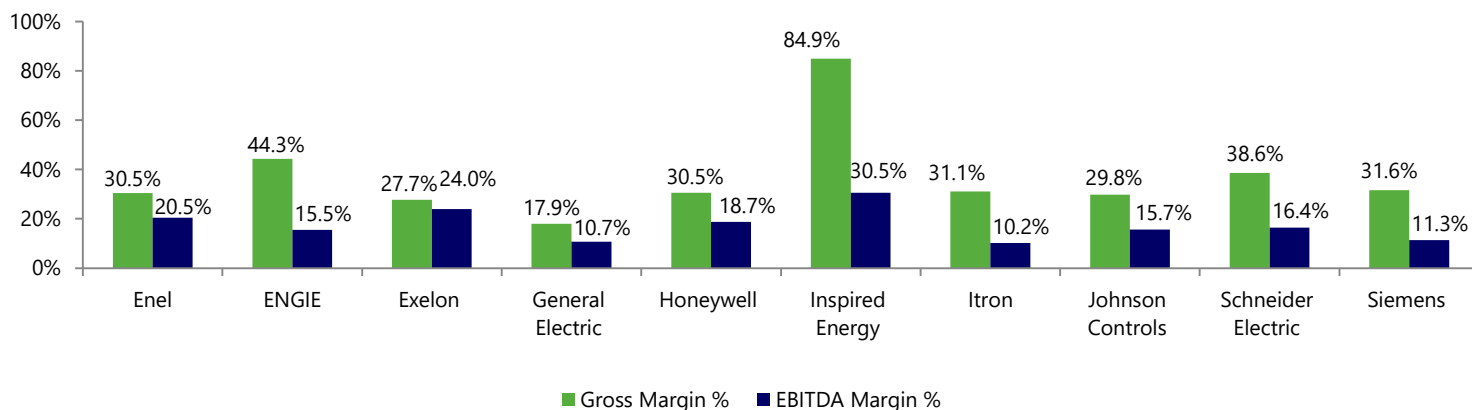


PUBLIC COMPANY TRADING & OPERATING DATA

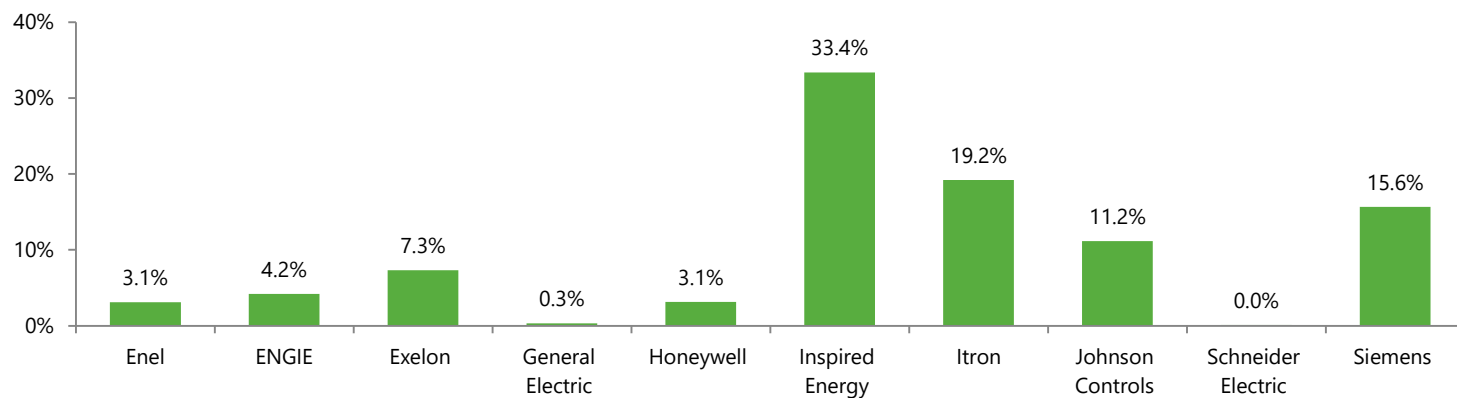
Company	Price 02/05/19	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
Enel	\$5.90	95.6%	\$60,000.5	\$122,909.1	\$86,126.4	\$17,618.2	20.5%	1.4x	7.0x
ENGIE	\$16.08	95.2%	\$38,413.2	\$67,734.5	\$75,896.6	\$11,789.8	15.5%	0.9x	5.7x
Exelon	\$47.34	98.8%	\$45,778.2	\$82,742.2	\$35,985.0	\$8622.0	24.0%	2.3x	9.6x
General Electric	\$10.21	65.5%	\$88,807.8	\$198,707.8	\$121,615.0	\$13,049.0	10.7%	1.6x	15.2x
Honeywell	\$147.93	88.2%	\$109,510.8	\$114,821.8	\$41,802.0	\$7,821.0	18.7%	2.7x	14.7x
Inspired Energy	\$0.23	80.5%	\$165.4	\$190.9	\$41.5	\$12.7	30.5%	NM	15.1x
Itron	\$56.21	72.6%	\$2,215.6	\$3,153.8	\$2,339.8	\$238.1	10.2%	1.3x	13.2x
Johnson Controls	\$33.82	83.9%	\$30,868.0	\$43,789.0	\$31,559.0	\$4,954.0	15.7%	1.4x	8.8x
Schneider Electric	\$72.52	80.9%	\$39,512.2	\$48,109.2	\$29,036.3	\$4,768.4	16.4%	1.7x	10.1x
Siemens	\$13.90	75.2%	\$4,949.7	\$4,428.4	\$1,763.8	\$199.3	11.3%	2.5x	22.2x

EV = enterprise value; LTM = last twelve months \$ in millions, except per share data NM = Not Meaningful	Mean	17.8%	1.8x	15.0x
	Median	16.1%	1.6x	11.7x
	Harmonic Mean	15.6%	1.6x	10.3x

Last Twelve Month Margin Performance



Last Twelve Month 1-Year Revenue Growth



Source: Capital IQ as of February 5, 2019



CITATIONS

1. Grand View Research, "Energy Management Systems Market Analysis By Product, By Component, By Vertical, By End-Use and Segment Forecasts to 2024," <https://www.grandviewresearch.com/industry-analysis/energy-management-systems-market>, accessed February 7, 2019.

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Ted is a Managing Director at Capstone Headwaters, based out of Chicago. Previously, Ted was also a Managing Director in Morgan Stanley’s Capital Strategies Group and with Citi Capital Strategies. He has over 25 years of transactional experience in various industrial categories, including HVACR. Transactions he has led have been the recipient of multiple industry awards including Cross-Border Middle-Market Deal of the Year, Middle-Market M&A Financing Deal of the Year, Middle-Market Deal of the Year, Professional Services Deal of the Year, Corporate M&A Deal of the Year and USA Recapitalization Deal of the Year. Previously, Mr. Polk worked at Valuometrics, Inc. and in the Corporate Banking Group at The Bank of New York. Ted received his BSBA degree from Georgetown University and MBA from the University of Chicago. He is a Chartered Financial Analyst (CFA), a Series 7 and 63 Registered Securities Representative, and a Series 24 Registered Securities Principal.



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Lisa has over 18 years of experience in the investment banking industry, primarily focused on advising middle market private business owners in liquidity related transactions. As a Director based in Capstone Headwaters’ Chicago office, she works closely with clients to advise and execute domestic and cross-border M&A transactions, recapitalizations and capital raises.

Prior to Capstone Headwaters, Lisa worked in the Capital Strategies Group at Morgan Stanley Smith Barney and also spent 10 years working for the middle market investment banking arm of Citigroup, where she was involved in the evaluation, marketing and closing of numerous transactions involving private businesses and corporate divestitures. Over her career, Lisa has developed M&A expertise in several industry sectors including industrials, infrastructure, and technology-enabled business services. Lisa received her BA on academic scholarship from Illinois State University and is a Series 7 and 63 Registered Securities Representative.



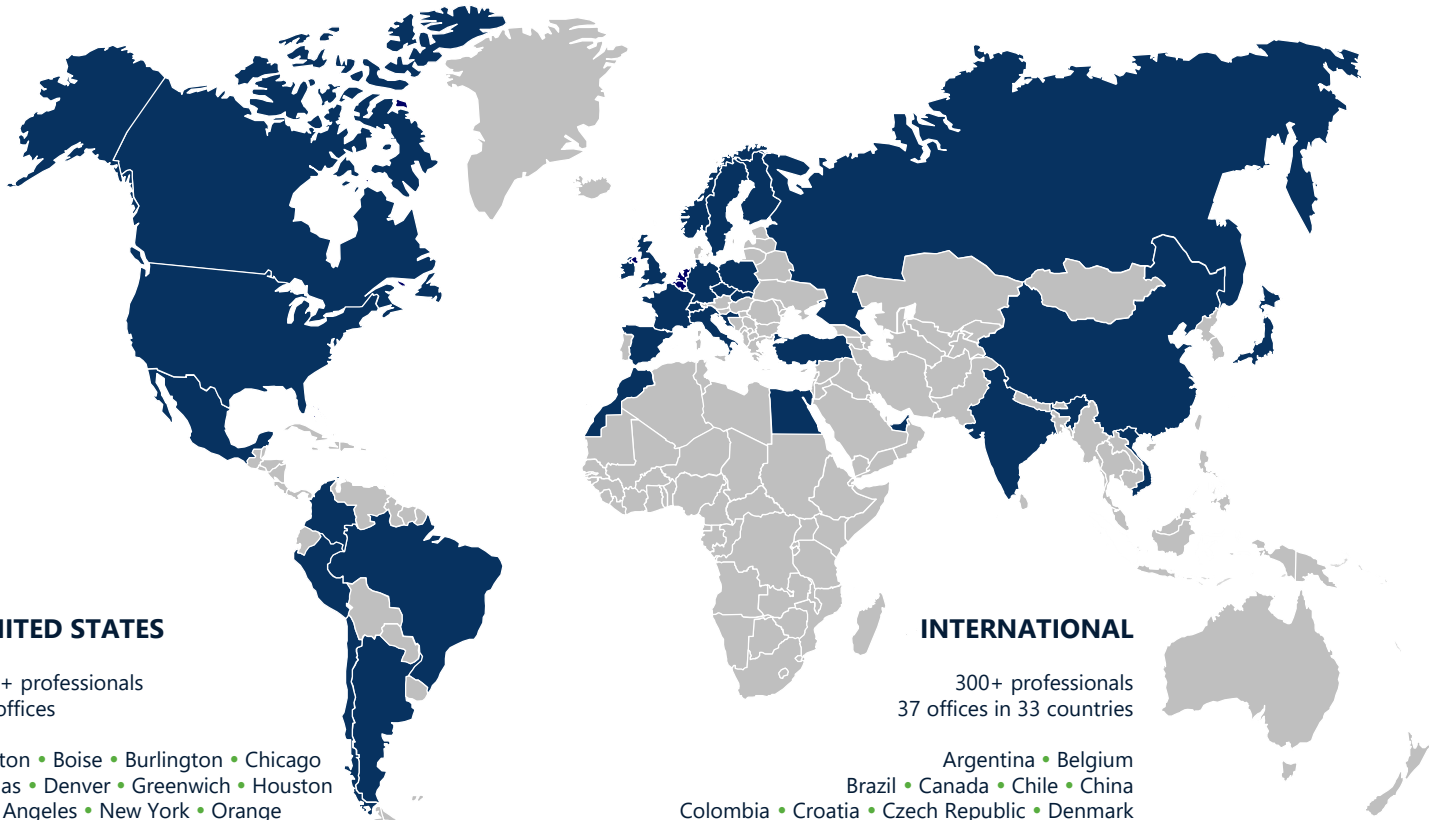
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Brianna is an Associate in the firm’s Chicago office, working closely with private business owners to advise and execute mergers, acquisitions and strategic capital raises. Prior to joining Capstone Headwaters, Brianna was an Analyst at PwC Corporate Finance on their M&A team where she focused on healthcare provider and services sell-side transactions. Brianna graduated with honors from Indiana University’s Kelley School of Business with a major in Business Economics and Public Policy. She holds her Series 7, 63 and 79 licenses.





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