

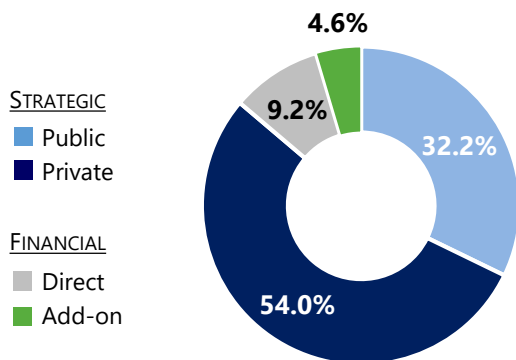


KEY M&A TAKEAWAYS

- ▶ The Energy Management Services (EMS) industry has received strong demand from industries, businesses, and individuals who seek to reduce energy spending and has benefited from the on-going deregulation of the Energy sector under the current White House Administration.
- ▶ Year-to-date (YTD), 87 mergers and acquisitions (M&A) have been announced or closed compared to 64 during the same period in 2018. Buyers have targeted companies with innovative technologies, diverse customer bases and geographies, and significant synergistic opportunities.
- ▶ Following the Capstone Headwaters' advised sale of Taylor Consulting and Contracting in December, private equity-backed Albireo Energy has made two acquisitions in 2019. Albireo acquired Alabama Controls, Inc., a provider of building automation and HVAC control solutions, (July, deal terms not disclosed), and EMS Technologies, Inc. a building automation and network integration solutions provider, (January, not disclosed).

BUYER BREAKDOWN

- ▶ Strategic buyers have dominated the industry YTD, driving 86.2% of M&A activity and \$5.6 billion in total disclosed transaction values.
- ▶ Financial buyers are expected to become increasingly active, attracted to the industry's strong growth and its ability to generate recurring revenue from multi-year energy contracts.



Year-to-date (YTD) ended July 26, 2019
Source: Capital IQ, FactSet, PitchBook, and Capstone Headwaters Research

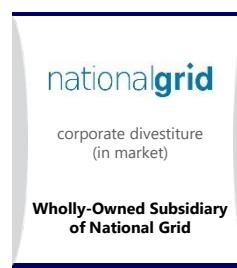
NOTABLE TRANSACTIONS

- ▶ **Align Capital Partners acquires E Source Companies LLC (June, Undisclosed)** – Align has expanded its portfolio of Business Services, Specialty Manufacturing, and Value-Added Distribution companies with the acquisition of utility market intelligence provider E Source (undisclosed). Based in Colorado, E Source offers subscription-based research on energy efficiency, customer experience, and technology.
- ▶ **Centrica Business Solutions UK Ltd. acquires SmartWatt Energy, Inc. (June, \$37 Million)** – Centrica has acquired energy-efficiency solutions firm SmartWatt for \$37 million, expanding its growth in the U.S. and bolstering its integrated energy services. SmartWatt has completed 24,000+ energy projects since founding in 2002 and will be integrated into Centrica's Distributed Energy & Power business.
- ▶ **Willdan Group, Inc. acquires Onsite Energy Corporation (June, Undisclosed)** – Energy consulting firm Willdan (NASDAQ:WLDN) has acquired energy services provider Onsite (OTCPK:ONSE), terms undisclosed. The deal will allow Willdan to expand into the Industrial sector, which represents ~45% of all facility energy use in the U.S., according to the press release.¹ Onsite generated \$20 million in revenue in 2018 and is expected to be accretive to earnings this year.

SEGMENT HIGHLIGHT: HVAC

- ▶ Heating, Ventilation, and Air Conditioning (HVAC) systems consume ~40% of building energy, according to the U.S. Energy Information Administration (EIA), making them a crucial aspect of energy optimization.² To reduce energy usage and to gain government-incentivized tax credits by meeting select energy efficiency ratings (EERs), businesses and households alike have increasingly replaced existing HVAC units with systems with higher EERs and more advanced technological capabilities. The segment has also expanded alongside the vigor of the Construction market. Despite signs of recent softening, national nonresidential construction spending increased 2.3% year-over-year (U.S. Census Bureau³) and maintains a high backlog of activity by historic standards, according to Associated Builders and Contractors.⁴ Demand for smart systems is also a key driver of HVAC revenue and M&A, supporting a projected annualized growth rate of 19% to create a \$28.3 billion Global Smart HVAC Control market by 2025, according to Zion Market Research.⁵ In a recent deal demonstrating this trend, HVAC leader Trane, Inc. acquired EcoFactor Inc.'s cloud-based energy intelligence software (June, undisclosed). Trane will integrate EcoFactor's artificial intelligence (AI) capabilities into its smart home platform to improve energy efficiency and HVAC fault detection.

CAPSTONE HEADWATERS TRANSACTIONS



▶ Corporate Divestiture for National Grid plc (In Market)

Leading provider of energy management services in the New York City metropolitan area, helping customers repair, maintain and operate their energy plants.

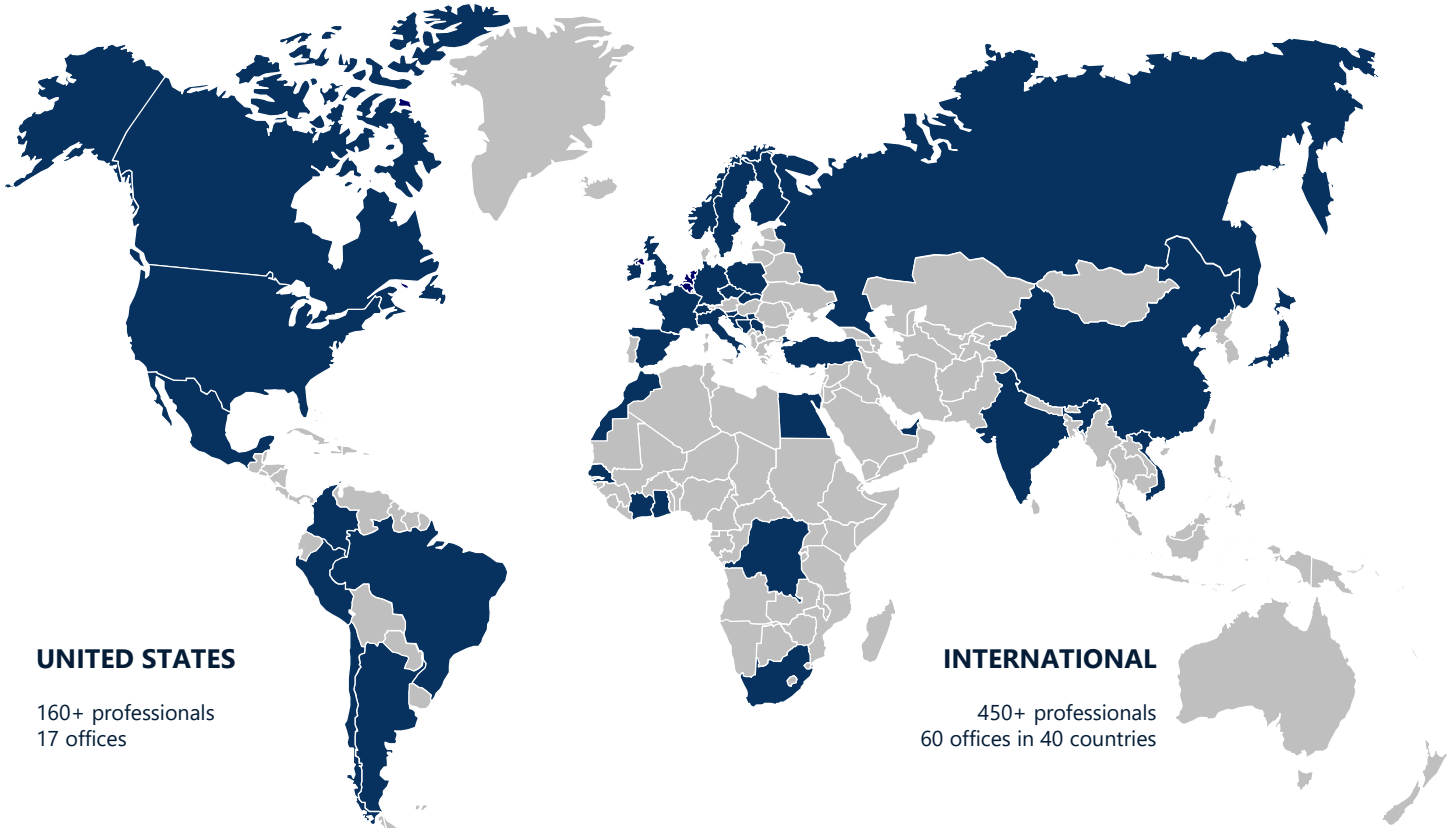


▶ Capstone Headwaters Advised Taylor Consulting and Contracting on its Sale to Albireo Energy, LLC (December 2018, Confidential)

Offers innovative and customized management and optimization solutions to the energy marketplace.



BUILT FOR THE MIDDLE MARKET



UNITED STATES

160+ professionals
17 offices

INTERNATIONAL

450+ professionals
60 offices in 40 countries

CITATIONS

1. Willdan, "Willdan Announces Plan to Acquire Onsite Energy Corporation," <http://www.willdan.com/newsDetail.aspx?NewsID= Willdan-Announces-Plan-to-Acquire-Onsite-Energy-Corporation>, accessed August 8, 2019.
2. U.S. Energy Information Administration, "Use of Energy in the United States Explained: Energy Use in Commercial Buildings," https://www.eia.gov/energyexplained/index.php?page=us_energy_commercial, accessed August 9, 2019.
3. U.S. Census, "Monthly Construction Spending, June 2019," <https://www.census.gov/construction/c30/pdf/release.pdf>, accessed August 9, 2019.
4. Associated Builders and Contractors, "ABC's Construction Backlog Indicator Increases Modestly in May," <https://www.abc.org/News-Media/News-Releases/entryid/16586/abc-s-construction-backlog-indicator-increases-modestly-in-may>, accessed August 2019.
5. Zion Market Research, "Smart HVAC Control Market by Product," <https://www.zionmarketresearch.com/report/smart-hvac-control-market>, August 9, 2019.

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