Houlihan Lokey





Power, Utilities, and Renewables Group

Thermal and Renewable Markets

Q3 2026 Update

Introduction

Power, Utilities, and Renewables Group

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Power, Utilities, and Renewables Market Snapshot for the quarter ended September 30, 2026.

We have included recent M&A transaction announcements, capital markets performance, and other industry insights to help you stay ahead in this evolving sector. We hope you find this update to be informative and that it serves as a valuable resource for you in staying abreast of the market. If there is additional content you would find useful for future updates, please don't hesitate to call or email us with your suggestions.

We look forward to staying in touch with you.

Regards,

Houlihan Lokey's Power, Utilities, and Renewables Group

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Our Service Offerings

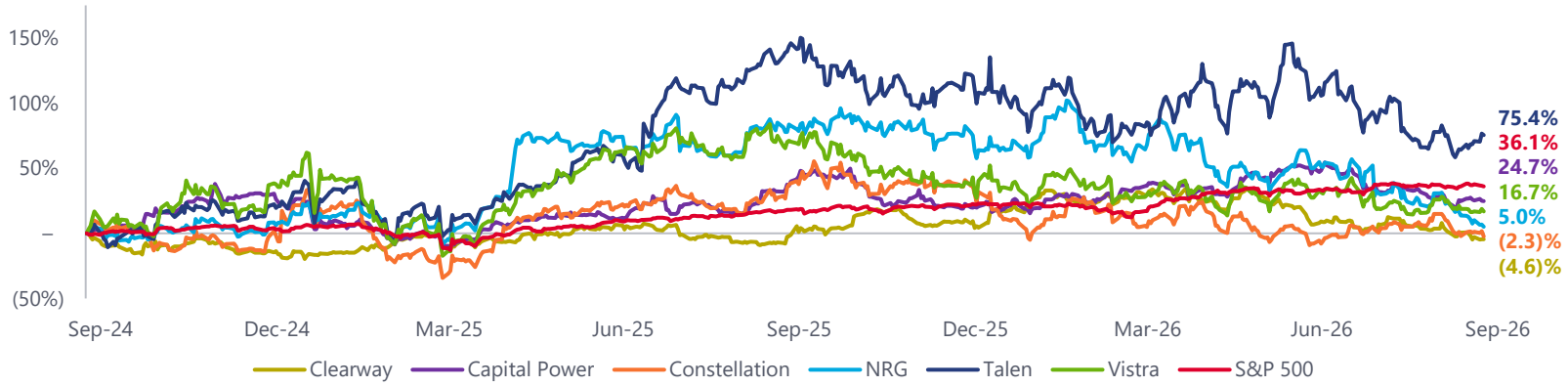
- Mergers and Acquisitions
- Corporate Valuation Advisory Services
- Capital Solutions
- Transaction Advisory Services
- Board Advisory Services
- Dispute Resolution Services
- Financial Restructuring
- Transaction Opinions
- Portfolio Valuation
- Fund Opinions

U.S. Thermal Power Market Landscape

	Where Are We Now?	Stakeholder Takeaways
 Unprecedented Load Growth Forecast	• Forecasted AI-driven data center build-out continues to expand expected energy needs over the next decade. • Supply and demand balance remains tight; PJM's 2028/29 capacity auction (July 2026) cleared at the $325/MW-day cap and fell 6.8 GW short of the reliability requirement, the second consecutive shortfall.	• Sustained long-term load growth expected to require a significant amount of new generation capacity. • Grid reliability heavily dependent on existing thermal generation assets.
 Lack of Thermal New Builds	• Sustained input cost and labor inflation have massively increased new build combined-cycle gas turbine costs to ~$2,500/kW, approximately 3x 2021 levels. • Build time for a new facility is more than five years due to supply chain delays and limited availability of key inputs restricting new thermal capacity additions.	• Operational assets command a "scarcity premium" by bypassing high construction costs and five-plus-year lead times. • Increased prevalence of "bring your own generation" strategies via co-located, behind the meter (BTM) power to support rapid electricity demand growth.
 Resource Adequacy Concerns	• Recent extreme weather events have exposed razor-thin supply and demand balances in various independent system operators driven by generator retirements outpacing new supply. • ISOs have announced capacity market and other reforms to incentivize new builds and increase supply ahead of expected load growth.	• Dispatchable thermal generation with reliable fuel expected to outperform in extreme weather conditions. • Near-term capacity pricing for existing generation remains supportive, but long-term market design faces policy risk and is uncertain.
 Accelerating M&A Activity	• 2026 has continued the robust thermal M&A activity seen in 2025, with average U.S. gas generation valuations exceeding $1,400/kW - more than double the 2020 to 2024 average. • Assets with energy transition or data center investment angles have commanded a premium valuation.	• Tight supply and demand dynamics drive robust investor appetite and high valuations for thermal assets. • Buyer universe is expanding to include digital infrastructure firms and hyperscalers seeking reliable power.

Equity Market Performance
Publicly Traded Thermal Generation IPPs

Two-Year Public IPP Share Price Performance[1] (%)



Selected Publicly Traded IPP Statistics ($M)

Selected Public IPPs		Market Metrics			EBITDA		EV/EBITDA	
Company Name	Ticker	Market Cap	Debt Outstanding	Enterprise Value	2026P	2027P	2026P	2027P
Capital Power	*TSX:CPX*	$6,781	$5,037	$12,025	$1,176	$1,269	10.2x	9.5x
Clearway Energy	*NYSE:CWEN*	6,008	9,901	19,371	1,401	1,586	13.8x	12.2x
Constellation Energy	*NASDAQ:CEG*	90,001	24,700	114,349	8,723	9,422	13.1x	12.1x
NRG Energy	*NYSE:NRG*	20,107	23,467	44,062	5,514	6,051	8.0x	7.3x
Talen Energy	*NASDAQ:TLN*	14,982	9,574	24,347	2,135	2,728	11.4x	8.9x
Vistra Corp.	*NYSE:VST*	46,435	20,508	68,996	7,270	8,050	9.5x	8.6x
Minimum		**$6,008**	**$5,037**	**$12,025**	**$1,176**	**$1,269**	**8.0x**	**7.3x**
Median		**17,544**	**15,205**	**34,204**	**3,825**	**4,389**	**10.8x**	**9.2x**
Average		**30,719**	**15,531**	**47,192**	**4,370**	**4,851**	**11.0x**	**9.8x**
Maximum		**90,001**	**24,700**	**114,349**	**8,723**	**9,422**	**13.8x**	**12.2x**

Sources: Company announcements and press releases; trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of 9/30/26.
(1) Reflects current market capitalization as of 9/30/26.

Key Highlights

STRUCTURAL SHIFT TO GROWTH
The IPP sector has shifted focus from traditional utility stability to meeting rising demand. This transition is primarily driven by the increasing power requirements of AI and data center infrastructure, driving a step-change in future demand expectations.

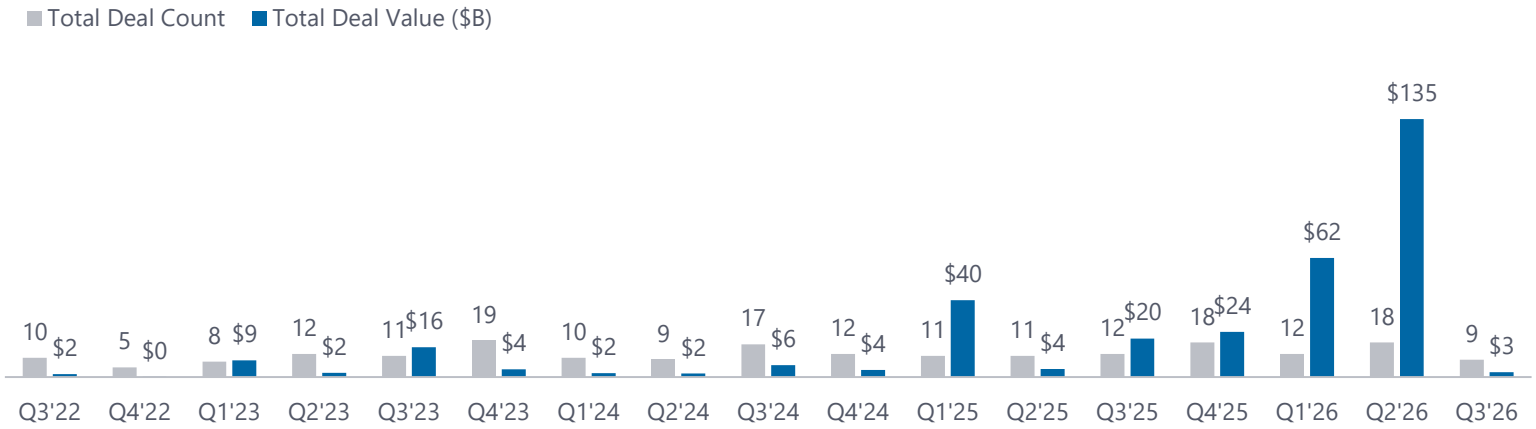
EMERGENCE OF BEHIND THE METER
Onsite power has moved from a bridge solution to a prerequisite as part of a multi-sourced power strategy for large-load developers. Most recently, the NextEra-backed Project Star development includes 6.5 GW of new generation capacity in Texas to support a 5 GW data center campus and improve grid reliability by sending excess power to the grid.

SECURING ELECTRONS AND EXPERTISE
As power emerges as a binding constraint, digital infrastructure investors are integrating vertically to secure generation and expertise. Recent examples include DigitalBridge's ~$1 billion acquisition of ArcLight and KKR's $10 billion+ acquisition of Helix Digital Infrastructure, which named Vistra its preferred power partner.

FINANCIAL OUTLOOK
The sector demonstrates robust fundamental momentum, with projected EBITDA growth driven by these new demand sources. The Middle East conflict has tightened domestic gas supply, prompting sponsors to re-mark gas assets to higher forward price assumptions and supporting near-term margin expansion.

M&A Activity
Thermal

U.S. Thermal M&A Transactions Announced by Quarter



Notable Deals[1][2]

Acquirer	Constellation.	equinor	LS Power	LS Power	TALEN ENERGY	VISTRA
Target	Rhode Island State Energy Center	Lackawanna Energy Center	Brazos Valley Energy Center	Constellation Energy Facilities	Cornerstone Generation	Cogentrix Portfolio[3]
Date Announced	Sep-26	Aug-26	Aug-26	Mar-26	Jan-26	Jan-26
Generation	609 MW	1.5 GW	606 MW	4.4 GW	2.6 GW	5.5 GW
Purchase Price	$1,174/kW	$723/kW[4]	$1,419/kW	$1,142/kW	$1,362/kW	$855/kW
Valuation	*Undisclosed*	*Undisclosed*	*Undisclosed*	*Undisclosed*	6.6x *(2027P EBITDA Multiple)*	8.5x *(2027P EBITDA Multiple)*

Sources: S&P Capital IQ as of 9/30/26 and company announcements.
(1) Includes reported generation and purchase price metrics.
(2) Recent transaction multiples per company announcements or Wall Street industry research reports.
(3) Reflects $2.3 billion cash, $0.9 billion stock, and $1.5 billion assumed debt.
(4) Reflects a $940 million purchase price for 87.71% of Class A shares, which carry preferential dividend rights; not equivalent to an 87.71% economic interest in the facility.

Key Highlights

2026: ROBUST M&A ACTIVITY CONTINUES
The trend of robust thermal M&A has continued into 2026. The $67 billion NextEra–Dominion merger, the largest regulated utility transaction ever announced, signals a new phase of large-scale consolidation alongside ongoing thermal platform M&A.

ESTABLISHMENT OF A $1,000/KW VALUATION FLOOR
Marquee transactions have reset pricing expectations for high-quality thermal assets. Average U.S. gas generation valuations since the start of 2025 have exceeded $1,400/kW, more than double the 2020 to 2024 average, reinforcing a durable valuation floor for operating assets in constrained markets.

EXPANDING BUYER UNIVERSE, SHRINKING ASSET POOL
Recent acquisitions of large generation portfolios by strategics leave a limited pool of quality thermal generation assets available to transact. Public strategics (e.g., Talen Energy, Vistra, Constellation) face increased competition for high-quality assets from private equity and infrastructure funds as well as newer entrants (e.g., Equinor, MARA) seeking to add dispatchable supply.

THE RELIABILITY PREMIUM
Buyers are underwriting significant value beyond simple energy margins. The notable premiums paid, particularly Talen's ~$1,362/kW acquisition of Cornerstone Generation, indicate that the market is pricing in the long-term scarcity value of dispatchable generation required to firm intermittent renewables and support hyperscaler load growth.

U.S. Renewable Markets (Past, Present, Future)

Where Were We?

- ESG mandates from federal, state, and private markets.
- Large pools of capital chasing ESG.
- Near-zero interest rates.
- SPAC boom with public renewable names trading at all-time highs.
- Develop/flip companies receiving all-time high valuations.
- Unlimited growth prospects.

Where Are We Now?

- Tariff risks and cost inflation.
- OBBBA guts wind and solar tax credits, while largely retaining credits for storage, nuclear, geothermal, and hydropower.
- FEOC rules and foreign-equipment restrictions.
- Pullback in ESG investing.
- Higher interest rates for longer.
- Interconnection logjam.

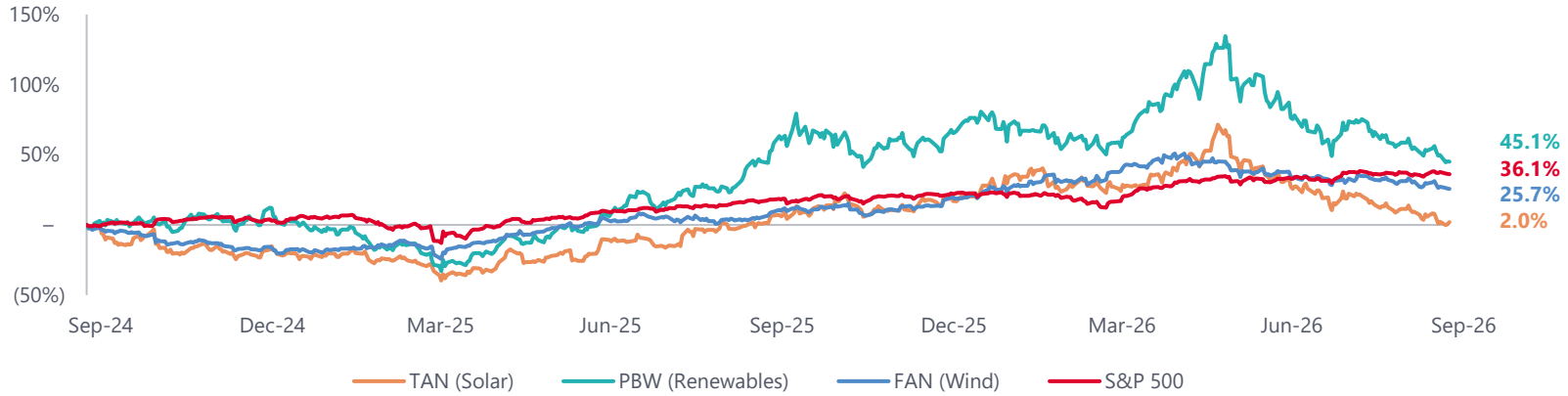
Where Do We Go From Here?

- Cash flow and liquidity focus for developers.
- Potential distress in the renewables value chain.
- Industry consolidation.
- Clean tech companies face deeper challenges with supply chain concerns.
- Emerging technologies face existential risk.
- Investor appetite limited to derisked renewables.

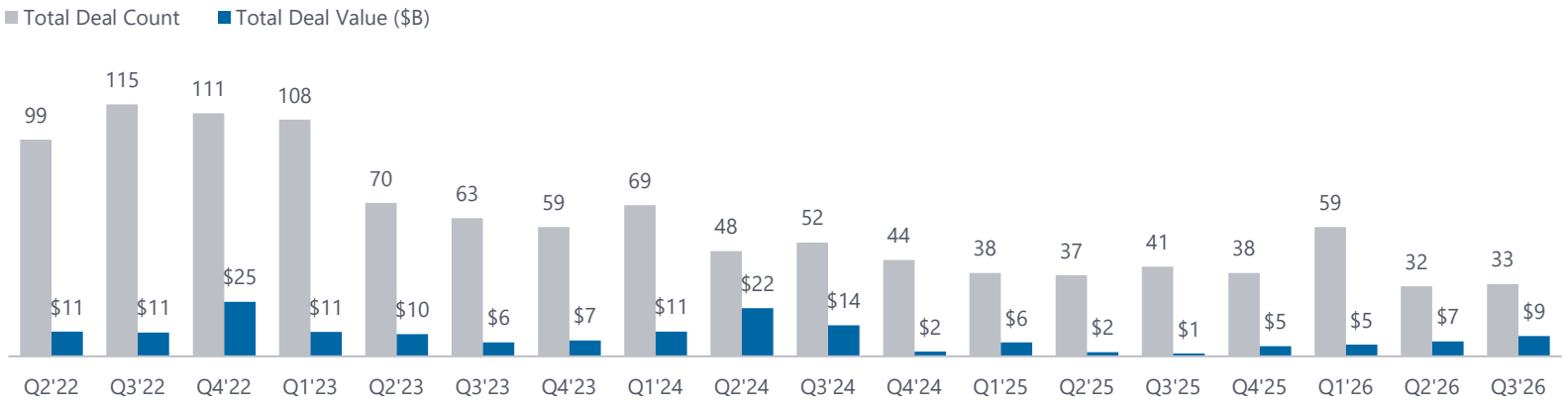


Equity Market Performance and M&A Activity
Renewables

Two-Year Share Price Performance[1] (%)



U.S. Renewables M&A Transactions Announced by Quarter[2]



Sources: S&P Capital IQ and Enerdatics as of 9/30/26.
Note: TAN (Solar) refers to Invesco Solar ETF, PBW (Renewables) refers to Invesco WilderHill Clean Energy ETF, and FAN (Wind) refers to First Trust Global Wind Energy ETF.
(1) Pricing as of 9/30/26 and represents market cap-weighted average.
(2) Excludes acquisition of AES Corp. announced in Q1 2026 for a total enterprise value of ~$33.4 billion, and the NextEra Energy/Dominion Energy transaction announced in Q2 2026 for a total transaction value of ~$67 billion.

Key Highlights

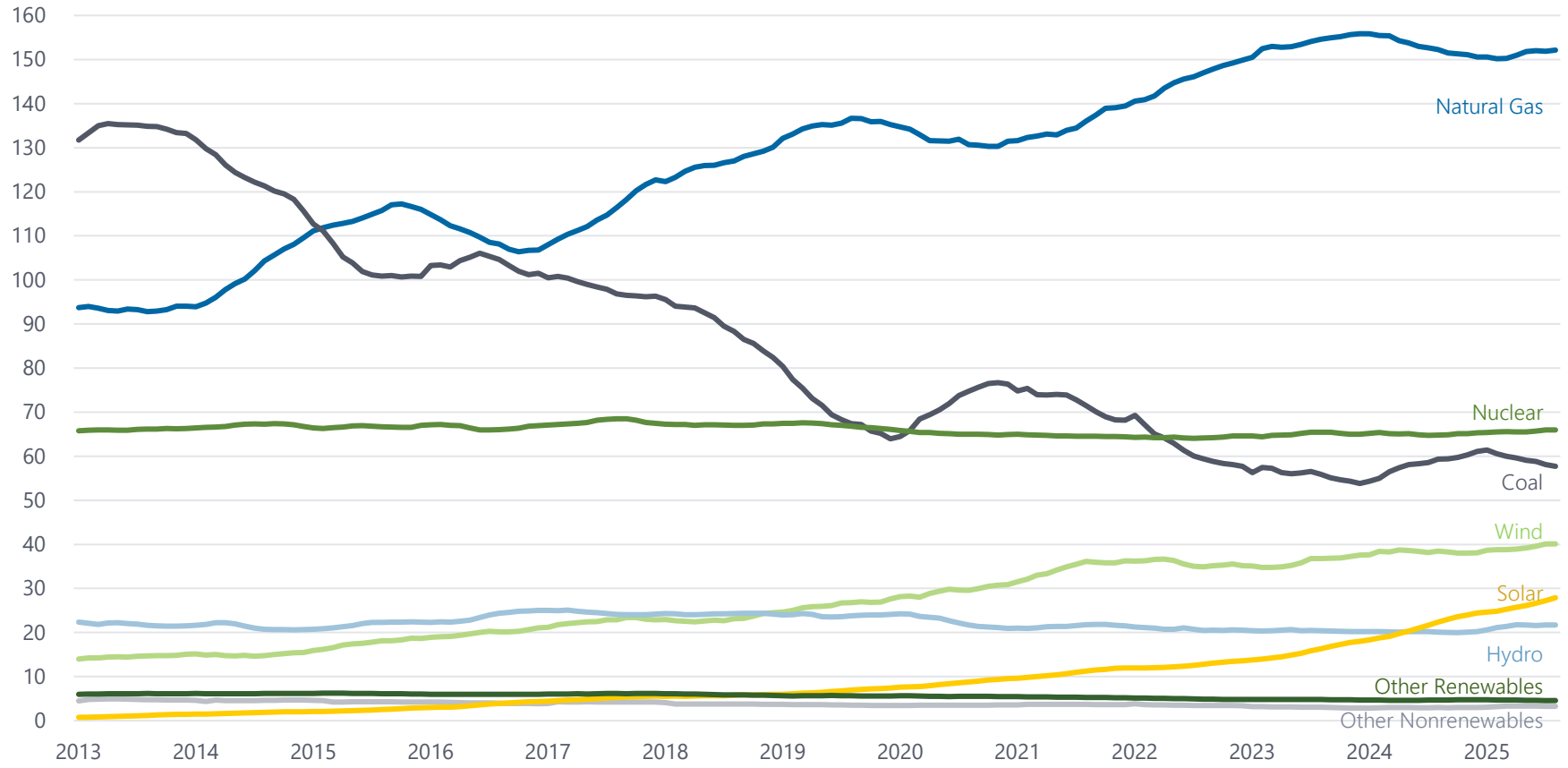
NEW MARKET PARADIGM
The renewables sector continues to recalibrate to the post-OBBBA landscape, following the closing of the begin-construction window on July 4, 2026, while FEOC and domestic content provisions add supply chain complexity to ongoing interconnection delays. Developers are now focused on completing wind and solar projects ahead of the December 31, 2027, in-service deadline to receive the PTC and ITC.

ROBUST BATTERY STORAGE DEMAND
Largely spared from OBBBA headwinds, battery storage capacity continues to expand on the back of sustained ITC availability through 2033, stepping down in 2034 to 2035. Battery storage is expected to play an increasing role in grid reliability as the AI-driven data center build-out fuels significant electricity demand.

DIVERGENCE IN SOLAR STRATEGIES
The solar market is showing a distinct split in business models. While high-growth platforms continue to expand aggressively, established industry leaders face a complex landscape defined by potential policy shifts and competitive pressures. This highlights the varying degrees of exposure to regulatory environments within the solar value chain.

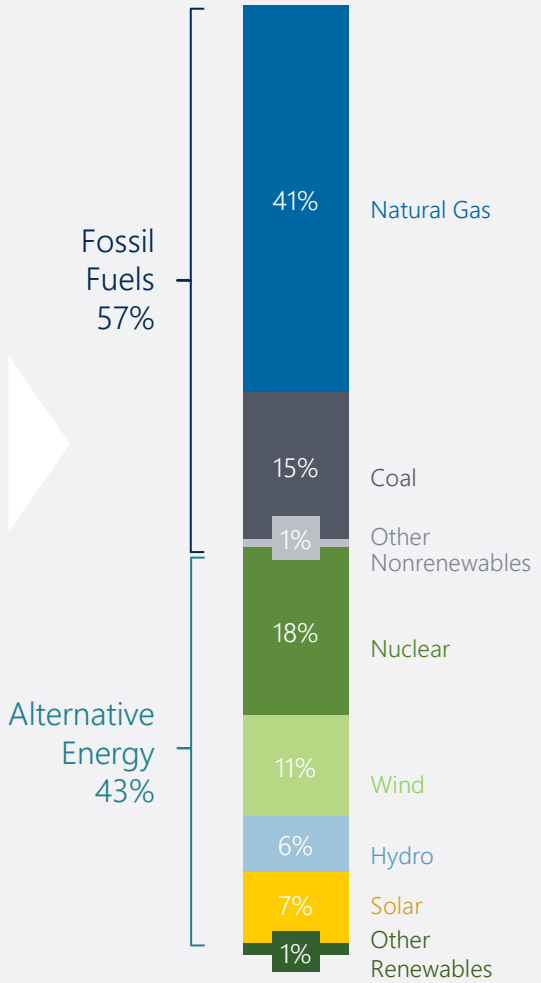
U.S. Generation

Historical Annual U.S. Generation by Fuel Type (as of 7/31/26) (Million MWh, 12-Month Rolling Average)



Source: U.S. Energy Information Administration.
Notes: As of September 30, 2026. "Other Renewables" includes wood, black liquor, other wood waste, biogenic municipal solid waste, landfill gas, sludge waste, agriculture byproducts, other biomass, geothermal, and hydroelectric pumped storage. "Other Nonrenewables" includes petroleum liquids, petroleum coke, blast furnace gas, manufactured and waste gases derived from fossil fuels, nonbiogenic municipal waste, batteries, hydrogen, purchased steam, sulfur, tire-derived fuel, and other miscellaneous energy sources.

Production by Source LTM 7/31/26



Featured Power, Utilities, and Renewables Transaction Experience

Houlihan Lokey has extensive experience advising on M&A and financings across the power, utilities, and renewables space.

Rockland Capital, LP, has sold 100% of its interest in the 677 MW Lee County Generating Station and the 586 MW Tait Electric Generating Station to Hull Street Energy, LLC

Sellside Advisor

Frontera Energy Center, a 540 MW natural gas-fired combined-cycle power plant in Mission, Texas, has sold a majority stake to Strategic Value Partners

Sellside Advisor

Blackstone has acquired Hill Top Energy Center, a 620 MW gas-fired CCGT in Western Pennsylvania, from Ardian

Buyside Advisor

Potomac Energy Center, a 774 MW natural gas-fired combined cycle power plant in Loudoun County, Virginia, has been acquired by Blackstone

Sellside Advisor

Cricket Valley Energy Center has completed an out-of-court restructuring

Creditor Advisor

Frontera Energy Center, a 540 MW natural-gas-fired combined-cycle power plant in Mission, Texas, has successfully raised a new First Lien Term Loan to refinance its existing debt facilities

Exclusive Placement Agent

Lumio Holdings, Inc. has sold substantially all its assets, pursuant to Section 363 of the U.S. Bankruptcy Code, to Zeo Energy

Company Advisor

RWE has completed the sale of an unsecured claim during the Chapter 11 proceedings of Enviva

Unsecured Creditor Advisor

Olympus Power, LLC has completed the sale of 100% interest in Lanyard Power, a 1.9 GW portfolio of gas-fired peaking assets in PJM, to a private equity investor

Sellside Advisor

Lanyard Power has completed an out-of-court restructuring

Creditor Advisor

Mainstream Renewable Power has completed the restructuring of its 1.4 GW Andes Renovables wind and solar platform via a Judicial Reorganization Proceeding in Chile

Mezzanine Debt Advisor

PG&E Fire Victim Trust, a trust created pursuant to the Chapter 11 Plan of Reorganization of PG&E has successfully monetized its equity securities at greater than plan value

Fire Victim Trust Advisor

Atlas Holdings, LLC has completed the sale of 100% interest in the 598 MW Bastrop Energy Partners facility and 257 MW Paris Generation facility, both of which are natural gas-fired CCGT power plants located in Texas, to Hull Street Energy, LLC

Sellside Advisor

Atlas Holdings, LLC has completed the sale of 100% interest in the 310 MW coal-fired Twin Oaks Power Station facility in Texas to Panamint Capital

Sellside Advisor

Newark Energy Center has amended and extended its credit agreement resulting in the sale of the Company

Secured Creditor Advisor

Cube District Energy, a portfolio company of I Squared Capital, has been acquired by Fiera Infrastructure

Sellside Advisor

INGENCO, an affiliate of CCI, has been acquired by Archaea Energy

Sellside Advisor

Maxeon Solar Technologies, Ltd.

7.5% Senior Secured Convertible Notes due 2027

$207,000,000

Exclusive Placement Agent

Salem Harbor Power Development LP has confirmed a Chapter 11 Plan of Reorganization

Company Advisor

Pacific Investment Management Company, LLC has completed an acquisition pursuant to proceedings under the Companies' Creditors Arrangement Act (CCAA) of Just Energy Group, Inc.

Creditor Advisor

EIG Global Energy Partners, LLC has completed the sale of its 50% indirect interest in a 1,740 MW portfolio of two combined cycle natural gas-fired power plants to The Carlyle Group

Sellside Advisor

Project Odyssey has completed the sale of a 100% interest in the 600 MW Altura Cogeneration facility and a 50% interest in the 550 MW Cedar Bayou 4 facility, both of which are natural gas-fired CCGT power plants located in Texas, to The Carlyle Group

Sellside Advisor

Coso Geothermal Power Holdings, LLC has been acquired by Atlantica

Sellside Advisor

Macquarie has completed the sale of an undivided interest in Antelope Valley Station Unit 2 to a leading alternative asset manager

Sellside Advisor

Tombstones included herein represent transactions closed from 2017 forward.

Featured Power, Utilities, and Renewables Valuation and Opinion Experience

Houlihan Lokey has advised a variety of stakeholders on dozens of transactions spanning the power, utilities, and renewables sector.

ALLETE has been acquired by Global Infrastructure Partners and CPP Investments

Fairness Opinion

James M. Gavin Power Plant has been acquired by an investor group led by certain funds managed by ECP

Fairness Opinion

White Oak Global Advisors has sold its equity interests in Atlantic Carbon Group to BUMA International

Fairness Opinion

General Electric has completed the spin-off of GE Vernova

Financial Opinion

Funds managed by Quinbrook Infrastructure Partners have sold certain ownership interests in Gemini solar-plus-storage project and the Valley of Fire Growth Portfolio to a new investment vehicle Gemini Industries

Valuation Opinion

Castlelake has sold Peregrine Energy Solutions and CL Energy Transition Holdings, LLC to AB CarVal

Financial Opinion

Element Markets, LLC, a portfolio company of TPG Capital, L.P., has acquired Bluesource

Fairness Opinion

iSolar, LLC has been acquired by Arcadia Power, Inc.

Fairness Opinion

Funds managed by Kinderhook Industries, LLC, have entered into an agreement to combine Circon Environmental, Chemtron Corporation, and KilnDirect

Fairness Opinion

CS Energy has been acquired by American Securities

Valuation Advisor

Danimer Scientific has merged with Live Oak Acquisition Corp.

Fairness Opinion

PBF Energy has sold five steam methane reformer hydrogen production plants to Air Products

Financial Opinion

Atlas Corp. has acquired APR Energy Limited

Fairness Opinion

Hydrogenics Corporation has been acquired by Cummins, Inc.

Sellside Advisor & Fairness Opinion

Panasonic North America has completed a strategic review of their investment in Coronal Energy

Financial Advisor

GridLiance Holdco, LP, received a goodwill impairment valuation analysis and valuation of management units

Valuation Advisor

Hanwha Q CELLS has been acquired by a wholly owned subsidiary of Hanwha Chemical

Sellside Advisor & Fairness Opinion

JA Solar has been acquired by a consortium led by JA Solar's Chairman & CEO and his affiliated entity of Jinglong Group Co., Ltd.

Sellside Advisor & Fairness Opinion

Hanwha SolarOne has combined with Q CELLS to form Hanwha Q CELLS Co.

Fairness Opinion

Sino Gas has been acquired by a consortium led by Sino Gas' Chairman and CEO, Morgan Stanley Private Equity Asia and Zhongyu Gas Holdings Ltd.

Sellside Advisor & Fairness Opinion

China Hydroelectric Corporation has been acquired by a consortium led by NewQuest Capital Partners

Sellside Advisor & Fairness Opinion

Invenergy Wind Power LLC has completed a term loan financing at its wind power subsidiary

Financial Opinion

Atlantic Power Corporation has completed a conversion from an IPS structure to a traditional common share structure

Financial Opinion

Florida Public Utilities has merged with Chesapeake Utilities Corporation

Financial Advisor & Fairness Opinion

Tombstones included herein represent transactions closed from 2009 forward.

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