Enbridge Inc. (TSX:ENB) AND Northland Power Inc. (TSX:NPI)

M&A Strategic Analysis

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*Note: All figures in CAD unless specified

Northland Power Inc. (TSX:NPI)

M&A Strategic Alternatives and Analysis

NORTHLAND POWER

Company Overview

Overview: Northland Power Inc. is a Canadian renewable energy company that develops and operates wind, solar, and natural gas projects worldwide, emphasizing sustainability and clean energy solutions. It primarily operates in North America and Europe, with some presence in Asia, Latin America, and other regions.

Current Strategy: Establishing a significant presence as a sustainable power provider with a primary focus on offshore wind; creating high-quality projects that earn recurring income from long-term sales contracts with creditworthy counterparties.

Operating Performance: NPI's operating performance has worsened in the last 24 months. The firm experienced double-digit decline in quarterly revenue since 2022. Its operating efficiency has also declined, as its quarterly ROA has decreased from 6.8% to 2.9% and quarterly EBITDA margin dropped from 69% to 59.6%.

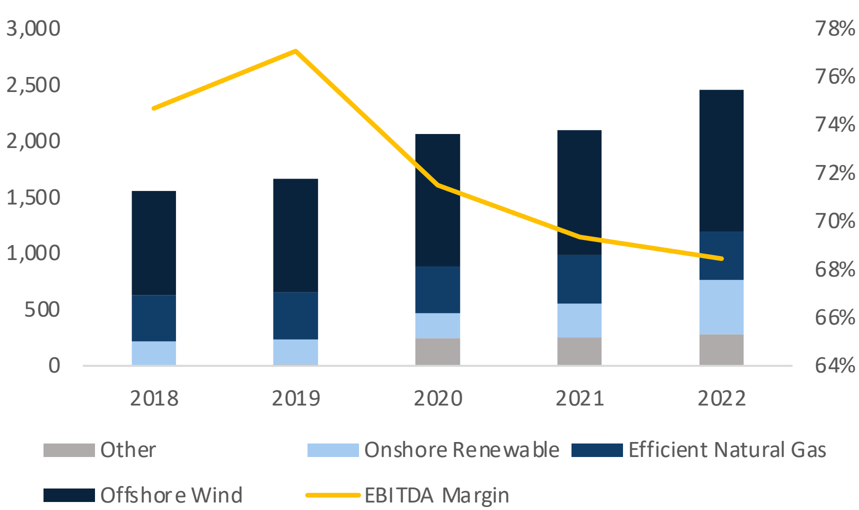
Key Valuation Metrics & Performance

Enterprise value	13.89B	**Revenue (LTM)**	2.25B
Market Cap	6.41B	**EBITDA (LTM)**	1.39B
Cash (3Q23)	0.72B	**EBITDA Margin**	62.0%
Total Debt (3Q23)	7.73B	**EV/Revenue**	6.2x
Debt/Equity	147.4%	**EV/EBITDA**	10.0x
52-Week High	39.21	**P/E**	17.4x
52-Week Low	19.35	**P/CF**	7.0x

* In CAD

** Prices as of 17/01/2024

Revenue Breakdown



Management Overview

Mike Crawley: Mike has been serving as President & CEO since 2018. Over more than two decades, he has played a prominent role in the development of the Canadian independent renewable power sector.

Pauline Alimchandani: Pauline serves as CFO. She has over 18 years of professional experience, and her earlier positions include VP, Corporate Strategy at Dream, and VP, Equity Research at BMO Capital Markets.

Michelle Chislett: Michelle serves as EVP of Onshore Renewables. She oversees all aspects of the onshore business unit globally and has 17+ years of renewable energy experience.

Enbridge Inc. (TSX:ENB)

M&A Strategic Alternatives and Analysis

Company Overview

Overview: Enbridge Inc. operates a vast network of pipelines that transport crude oil, natural gas, and liquids across North America. It owns a diversified portfolio spanning midstream and downstream operations. It also invests in renewable energy projects.

Current Strategy: Focuses on maintaining a diversified energy infrastructure portfolio, emphasizing sustainability through investments in renewable energy, and pursuing growth opportunities while prioritizing financial discipline and community engagement.

Operating Performance: Over the past 24 months, the company's operating performance has fluctuated. ROA ranged from 2.3% to 3.8%. The revenue showed initial positive momentum and occasional declines since 1Q23. The EBITDA margin showed an overall increasing trend from 23.4% to 30.7%, with several fluctuations.

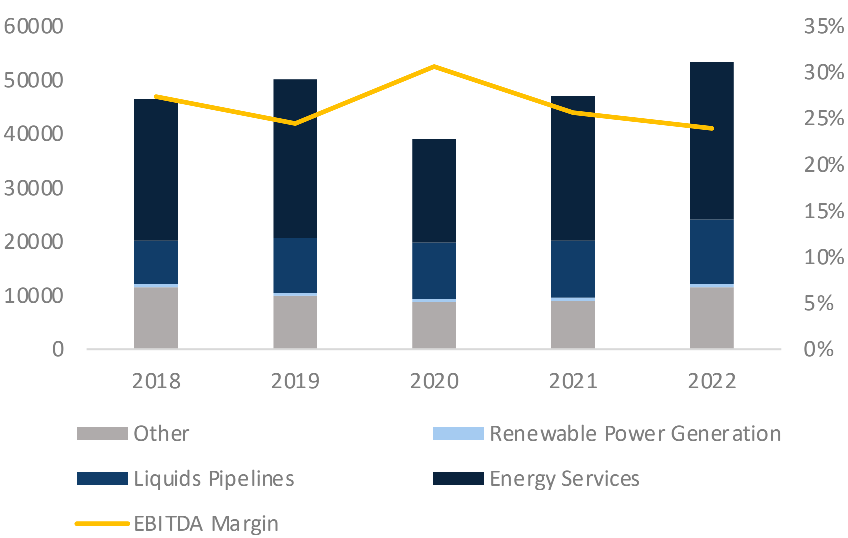
Key Valuation Metrics & Performance

Enterprise value	190.20B	**Revenue (LTM)**	45.78B
Market Cap	105.09B	**EBITDA (LTM)**	13.63B
Cash (3Q23)	2.61B	**EBITDA Margin**	29.8%
Total Debt (3Q23)	77.52B	**EV/Revenue**	4.2x
Debt/Equity	113.2%	**EV/EBITDA**	17.6x
52-Week High	56.32	**P/E**	16.7x
52-Week Low	42.75	**P/CF**	6.8x

* In CAD

** Prices as of 17/01/2024

Revenue Breakdown



Management Overview

Gregory L. Ebel: Greg has been serving as Enbridge's President and CEO since January 2023. With over 20 years of experience in the energy industry, he brings valuable expertise to his role.

Patrick Murray: Pat serves as EVP and CFO. He brings more than 25 years of experience with Enbridge, during which time he has taken on progressively more responsible roles.

Cynthia L. Hansen: Cynthia is EVP and President, Gas Transmission & Midstream. She has a wealth of experience in the natural gas industry and more than 20 years of experience working in leadership roles within Enbridge.

Stock Price Overview: ENB and NPI

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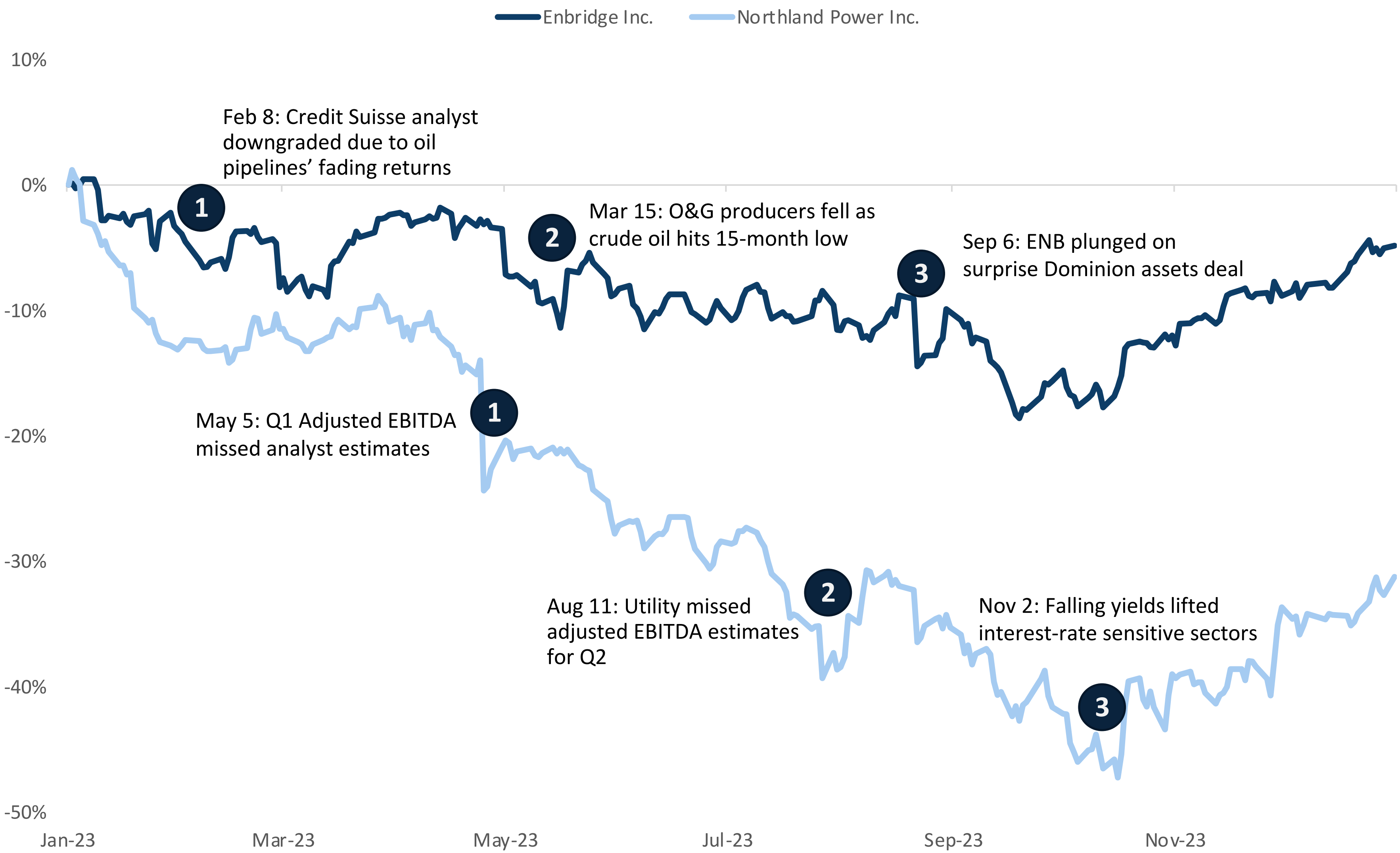

Sources: Bloomberg, Capital IQ, Company Filings

Industry Overview

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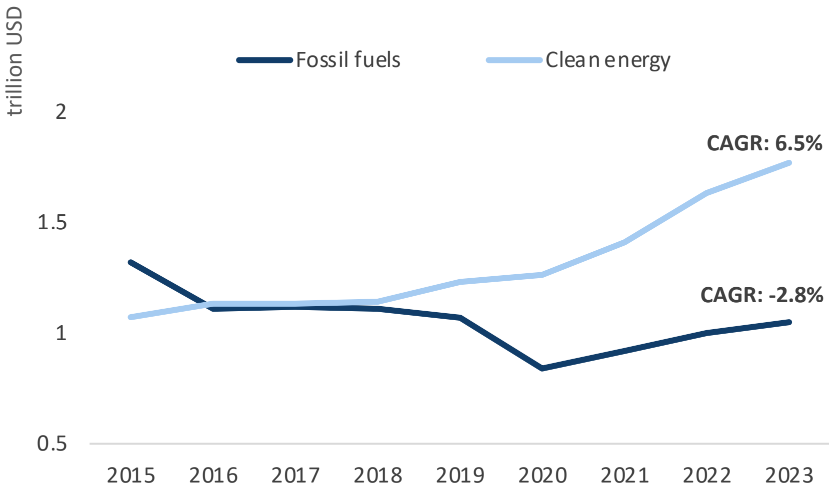
Global Annual Investment in Fossil Fuels and Clean Energy



Key Trends

Transition to clean and renewable energy: The rising global focus on environmental conservation is leading to an increased shift from fossil fuels to renewable energy sources. This shift is challenging the oil and gas industry to innovate and adapt to ensure their sustainability and relevance in the energy sector.

Increased investment in technology: According to IEA World Energy, it's expected to see peak demand for fossil fuels within the next 10-30 years. Reduced demand reinforces the imperative for efficient operation and drives oil and gas companies to invest in technology.

Rising oil and gas demand in emerging markets: BRIC nations, Southeast Asia, and African countries are experiencing rapid industrialization with a significant upsurge in population, thus raising the demand for crude oil, natural gas, and corresponding downstream products.

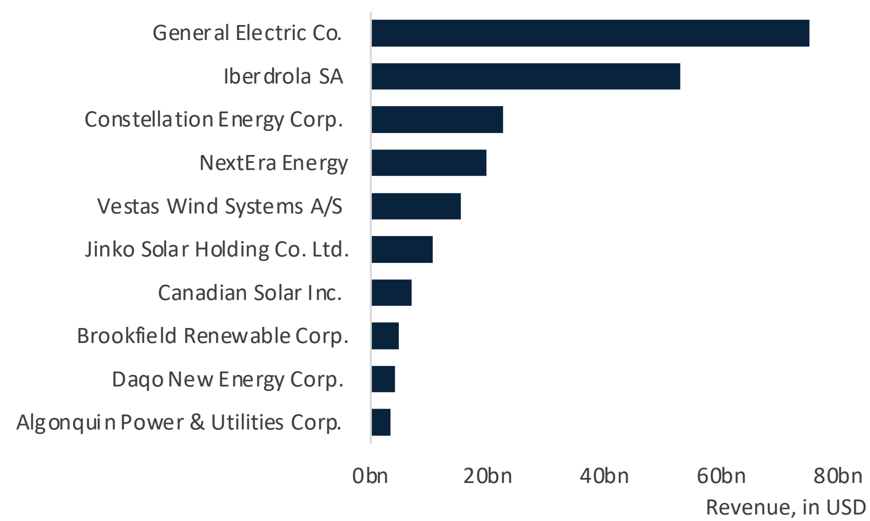
M&A Activity

Falling M&A activities in global O&G sector: From a peak of 10% in 2014, yearly global oil and gas M&A now constitutes only 3% of the industry's market capitalization, falling to the lowest level since 2008. Free cash flows have been directed toward paying dividends and doing buybacks instead.

Energy transition constitutes one of the driving factors: Over the last 2 years, the O&G industry has moved from engaging in M&A to building a new core of low-carbon O&G development and expansion into cleaner energy solutions. In 2022, global O&G companies acquired $32 B worth of clean-energy M&A deals, which the highest ever recorded.

About one-third of JVs by O&G companies are in the clean energy space: From R&D to retailing, O&G companies are expanding their competencies in low-carbon enterprises. Roughly a third of joint ventures (JVs) and strategic alliances by O&G companies are currently focused on clean energy initiatives. The scope of clean energy JVs by O&G firms has expanded from predominantly wind or solar energy projects to encompass a diverse array of energy sources, fuels, and carbon-capture initiatives.

Leading Renewable Energy Companies Worldwide in 2022



M&A Rationale

M&A Strategic Alternatives and Analysis

Enbridge Inc. (TSX:ENB)

Renewable Energy Expansion : Renewable energy is growing rapidly as a cleaner and more environmental-friendly energy alternative. Policy advancements accelerate investment in renewables, and there's a need to meet growing energy needs. ENB has the strategic objective to expand its renewable capacity by 270% to achieve ~1,150 GW by 2035.

Geographical Diversification: ENB's current renewable energy segment is mainly operating the North America and Europe. Acquiring NPI helps ENB enhance its position in North America and Europe, but also diversify its exposure to Asian and Latin American countries.

Natural Gas Consolidation: NPI also operates the efficient natural gas, which consist of 13% of adjusted EBITDA. While ENB operates the natural midstream transportation and downstream distribution, there's a great chance to consolidate the natural gas facilities and achieve cost synergy.

Northland Power Inc. (TSX:NPI)

Significant Renewable Assets: NPI ranked in Top 10 incumbent global offshore winds, with 1.2 GW in operation and 2.2 GW in construction of projects. It also focus on onshore wind and solar, with 1.2 GW in operations and over 2GW of projects across construction and identified growth pipeline. These wind and solar assets making it a great target for ENB to achieve its renewable energy expansion goal.

Diversified Portfolio: NPI has a majority operation in North America and Europe, but also operates in Asia and Latin America. It has 37% pipelines in Asian with presence in Taipei, Tokyo, Seoul. This helps ENB to expand presence in Asian regions.

Low Valuation at the Moment: NPI has consistently fallen short of expectations due to liquidity issues and significant initial investments that have yet to yield profits. The company's P/E ratio is currently at a historically low level, rendering the deal more affordable.

Increasing Gaming Consolidation Makes EA an Attractive Target

	vivint.Solar	SOLAR PACK	cwp Renewables	ARCHAEA ENERGY	conEdison Clean Energy Businesses
Purchase Year	2020	2021	2022	2022	2022
Acquirer	Sunrun Inc	EQT AB	Tattarang Pty Ltd	BP PLC	RWE AG
Purchase Price	2.9bn	1.5bn	2.7bn	3.5bn	6.8bn
Location	USA	Spain	Australia	USA	USA

Sources: Company Filings, Westpeak Analysis, Bloomberg

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Sum-of-Parts Valuation

M&A Strategic Alternatives and Analysis

NORTHLAND POWER

** All expressed in millions CAD*

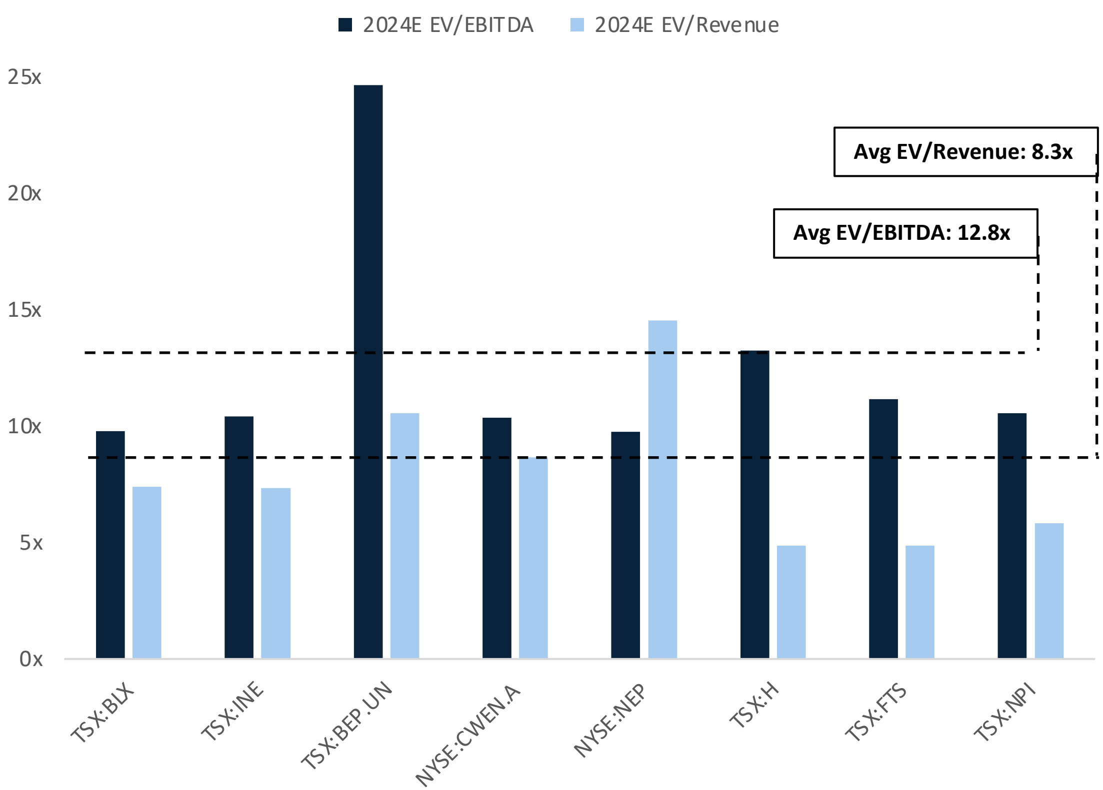
Segment	Adjusted EBITDA	EV/EBITDA	Implied EV	Segment-Level Debt	Segment Equity Value	Equity Val. Discount	Adj. Equity Value
Operating Assets							
Offshore Wind	$ 694.4	10.5x	$ 7,291.5	$ (2,469.3)	$ 4,822.2	0%	$ 4,822.2
Onshore Renewable	$ 333.9	10.5x	$ 3,506.4	$ (1,611.5)	$ 1,894.9	0%	$ 1,894.9
Efficient Natural Gas	$ 200.2	6.5x	$ 1,301.6	$ (847.2)	$ 454.4	0%	$ 454.4
Utilities	$ 112.0	10.0x	$ 1,120.2	$ (518.0)	$ 602.2	0%	$ 602.2
Other	$ (140.0)	3.0x	$ (420.0)	$ -	$ (420.0)	0%	$ (420.0)
	$ 1,200.6		$ 12,799.7	$ (5,446.0)	$ 7,353.7		$ 7,353.7
Assets Under Construction							
Storage	$ 45.0	10.5x	$ 472.5	$ (407.0)	$ 65.5	$ 0.2	$ 55.7
Offshore Wind	$ 530.1	10.5x	$ 5,566.1	$ (4,318.1)	$ 1,248.0	$ 0.2	$ 1,060.8
Onshore Wind	$ 42.0	10.5x	$ 441.0	$ (150.1)	$ 290.9	$ 0.1	$ 276.4
	$ 617.1		$ 6,479.6	$ (4,875.2)	$ 1,604.4		$ 1,392.8
Total	$ 1,817.7		$ 19,279.2	$ (10,321.2)	$ 8,958.0		$ 8,746.5

Less: Corporate-level debt	$ (2,048.7)
Less: Preferred equity	$ (144.8)
Add: Cash	$ 720.9
Residual Equity Value	$ 7,273.9

Shares Outstanding	**254.9**
Implied Price / Share	**$ 28.5**

NPI operates across diverse segments, ranging from wind farms to solar projects, each with its own set of dynamics. The sum-of-parts valuation method is employed to encapsulate the unique risk/return profiles of each individual component. The implied price from the valuation is **$28.5**, reflecting an **18.9%** premium compared to the closing price of $24.0 as of Feb 16, 2024.

Trading Comparables Analysis



Valuation of NPI

Valuation Multiples:

- **EV/Revenue :** 6.1x – 9.6x (avg. 8.3x)
- **EV/EBITDA :** 10.1x – 12.2x (avg. 12.8x)

Current Market Valuation (in CAD): $24.00

- **EV/Revenue:** 6.1x ($ 1,393.0m EBITDA)
- **EV/EBITDA:** 9.8 x ($ 2,247.7m Revenue)

Equity Value from Trading Comps (in CAD):

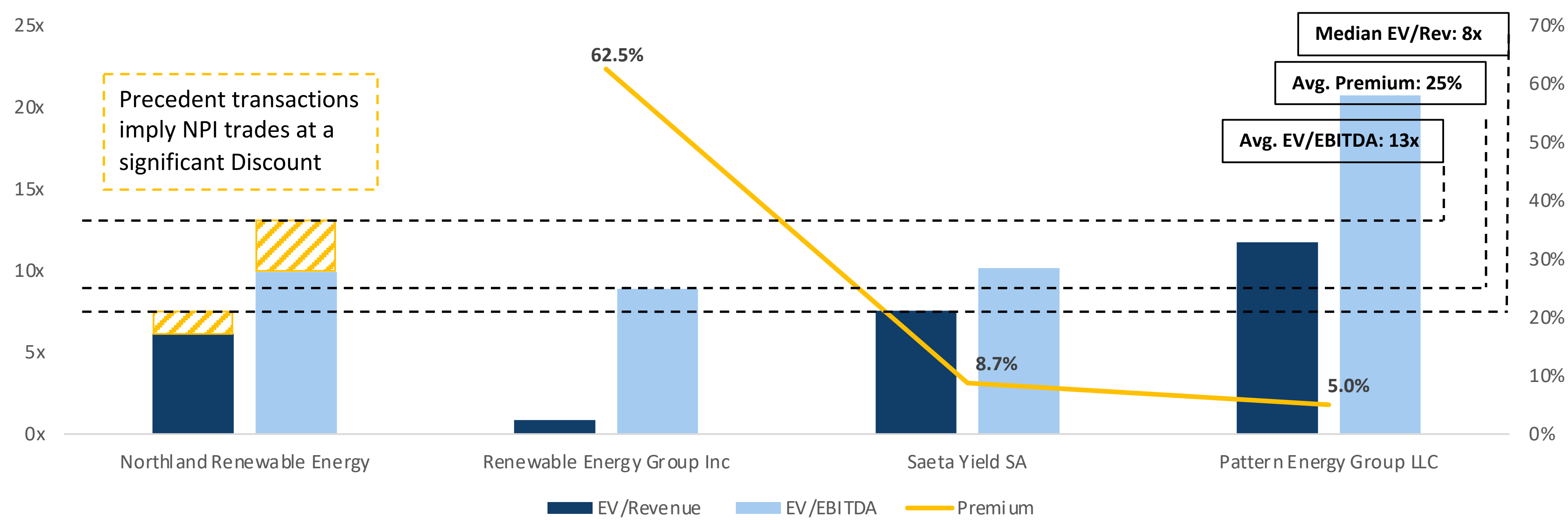
- **EV/Revenue:** $8,723.0m
- **EV/EBITDA:** $11,648.0m

Share Price (in CAD):

- **Using EV/Revenue:** $45.7
- **Using EV/EBITDA:** $34.2

The comparable group is primarily selected from renewable energy companies that operate in North America. The average **EV/EBITDA** from the peer group is **8.3x**, indicating an equity value of $8.72 billion CAD. The implied share price is **$34.2**, implying a **42.6%** premium relative to the current share price of $24.0. The average **EV/Revenue** is **8.3x**, indicating a share price of **$45.7** and a premium of **90.4%**. It is believed that NPI is currently trading at a discount compared to its peer group. With renewable energy becoming an important alternative for the traditional energy industry, NPI is believed to have significant long-term value.

Precedent Transactions Analysis



Target	Renewable Energy Group	saetayield	Pattern
Acquirer	Chevron Corp	TerraForm Power Inc	Canada Pension Plan Investment Board
Deal Size	3.5bn	3.8bn	7.8bn
Date	Feb-22	Feb-18	Nov-19

Precedent transactions average EV / EBITDA of **13x** implies a price of **$32.5** for NPI, representing a **35.5%** premium

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Sources: Bloomberg, Pitchbook

Accretion/ Dilution Analysis

M&A Strategic Alternatives and Analysis

Transaction Structuring

Purchase Premium: The proposed offer price is $32.3, indicating a 34% premium, which considered through various valuation methods. The premium is higher than the average precedent transaction premium, reflecting the potential for the acquisition to significantly strengthen ENB's position in the renewable energy sector—a key strategic fit.

Recommended Financing: The financing recommendation consists of 31.1% debt, 19.7% cash, and 49.2% equity. More equity than debt is used as ENB is already highly leveraged and using stock align the interest of both companies' shareholders. 50% of cash on B/S is used avoid dilution of existing shareholders and additional interest expenses.

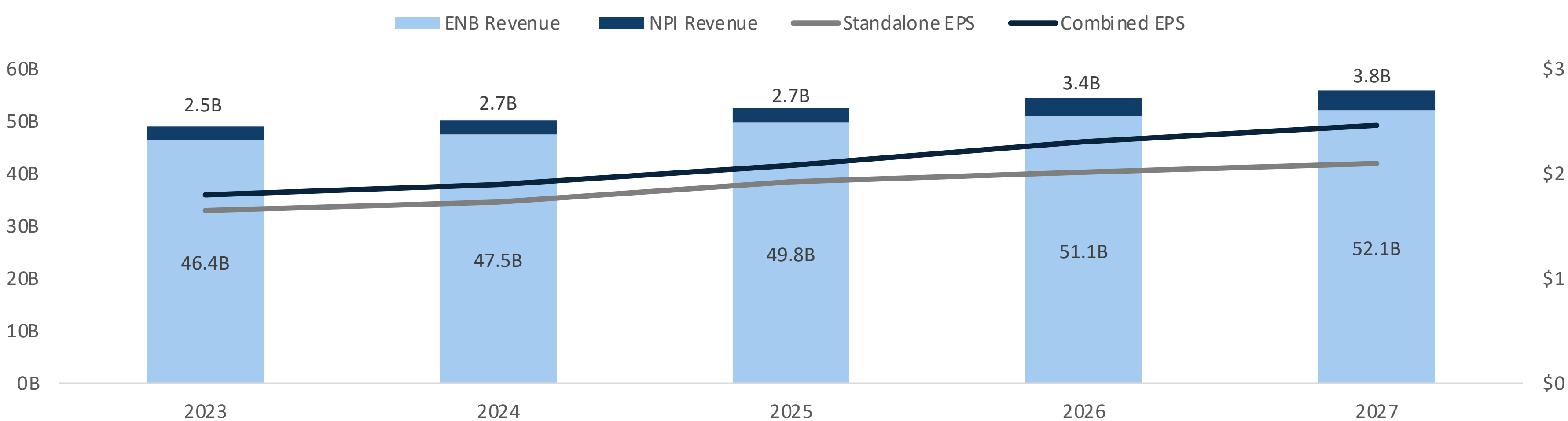
Financing Justification: ENB maintains a high cash balance of 3 billion. Despite a 50% utilization, it leaves a substantial cushion. However, ENB has a high level of leverage, indicated by an Equity/Equity ratio of 128%. Thus, a proposal for issuing more stock is put forth.

Sources and Uses

Sources of Fund		% of Total
Debt Issued to Acquire Target	2,574.62	31.1%
Cash used to Acquire Target	1,636.56	19.7%
Value of Stock Issues to Target Shareholders	4,078.13	49.2%
Total Sources	**8,289.32**	***100%***

Uses of Fund		% of Total
Stock to Target	4,078.13	49.2%
Cash to Target	4,078.13	49.2%
Deal Fees	81.56	1.0%
Finance Fees	51.49	0.6%
Total Sources	**8,289.32**	***100%***

Standalone vs. Combined Entity Performance



Source: Company Filings, Bloomberg, WestPeak Analysis

Midstream Expansion

Recommendation: ENB can acquire an oil and gas pipeline competitor with assets complementary to its existing network.

Rationale: As oil and gas pipelines are Enbridge's main operating segment, expanding the midstream portfolio can enhance ENB's transportation and storage capabilities. This acquisition may strengthen market position by increasing the pipeline network and expanding the customer base. This may also lead to cost savings in operations and maintenance.

Potential Acquisitions:

PLAINS | ENLINK MIDSTREAM | genesisenergy

Vertical Integration

Recommendation: As an alternative, ENB can extend its operation along the value chain by acquiring an O&G upstream or downstream company.

Rationale: Vertical integration can fortify Enbridge's position by mitigating risks, diversifying revenue streams, achieving cost efficiency via streamlined operations, and gaining a competitive edge through comprehensive services. Some potential directions may include gas distribution networks and natural gas production.

Potential Acquisitions:

spire | Southwest Gas HOLDINGS | RANGE RESOURCES

Strategic Assets Acquisition

Recommendation: Instead of acquiring an entire company, ENB can target specific renewable energy projects with high potential.

Rationale: By focusing on individual projects, ENB gains flexibility to tailor its portfolio to emerging market trends and geographical opportunities. This approach allows for more efficient capital deployment, as Enbridge can allocate resources directly to high-yield projects, optimizing returns on investment. It reduces the financial burden associated with acquiring entire companies, allowing Enbridge to strategically build a diverse and scalable renewable energy portfolio.

Potential Acquisitions: Targets may include solar farms like Solar Star project in California, and wind farms like Hornsea Offshore Wind Farm in the UK.

Strategic Partnerships or Joint Ventures

Recommendation: ENB can enhance its renewable energy segment by collaborating with established renewable energy developers, technology innovators, and project operators.

Rationale: By forming alliances with companies specializing in solar, wind, or energy storage solutions, Enbridge can accelerate project development, gain access to cutting-edge technologies, and share risks, ultimately diversifying its renewable energy portfolio and reinforcing its commitment to sustainability.

Potential Partners:

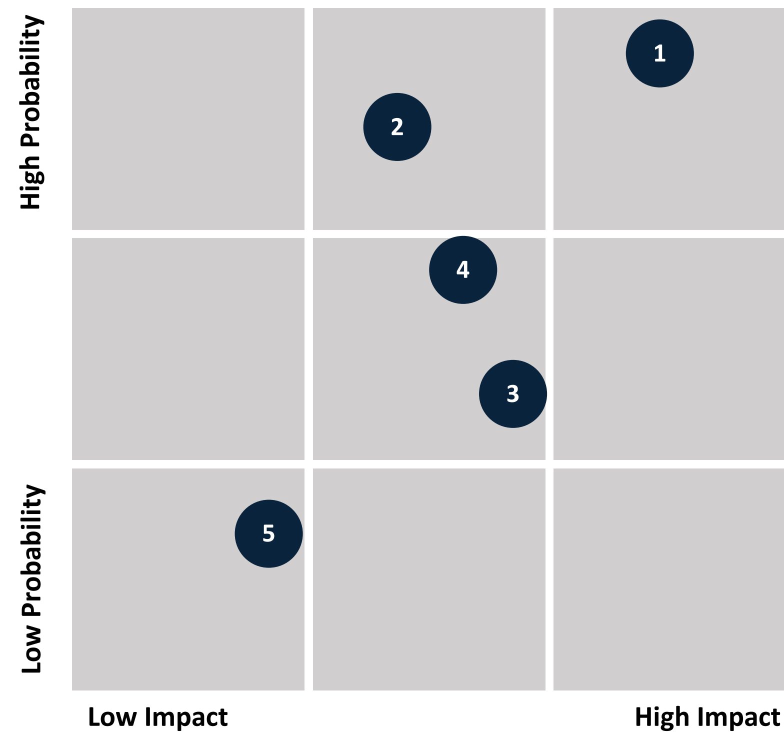
First Solar | NEXTera ENERGY | Invenergy

Risks and Mitigants

M&A Strategic Alternatives and Analysis

Risks	Mitigation Strategies
1 **Sector Conflicts**	To mitigate the risk posed by the growth of the renewable energy sector squeezing traditional businesses, it is essential to implement gradual and stable business transition and expansion, incorporating internal adjustments of labor, capital, and infrastructure resources.
2 **Climate Changes**	To address the potential impact of global warming on shrinking electricity demand and energy supply, steps should be taken to improve forecasts for utility demand and energy supply, while also establishing long-term partnerships with energy suppliers.
3 **Financing Risks**	With the M&A utilizing half of the available cash, posing a risk given Enbridge's worse credit rating, mitigations include conducting lean operations management to alleviate cash flow pressures and reducing short-term investment and dividend expenditure.
4 **Reputation Risks**	Transitioning the business to a renewable energy company may cause confusion among investors. To address this, educating investors about the growth potential of renewable energy and proposing a long-term transition plan can help attract new investors.
5 **Legal Risks**	In anticipation of potential legal and regulatory issues arising from the M&A deal, proactive measures include meeting with government representatives to discuss legal requirements and regulations, as well as attending industry panels for insights and guidance.

Risk Matrix



The acquisition and consequent transition may bring sector conflicts since the demand for oil & gas transportation may be negatively impacted by the growth of renewable energies. Enbridge should avoid aggressive transitions that may cause sector conflicts and associated liquidity & reputation issues.

Sources: Company Filings, WestPeak Analysis