



Industry Insights

Current Landscape for Energy Deals and Impact on Purchase Price Allocations

May 2026



Executive Summary

We will examine and evaluate current market trends and M&A activity across the oil and gas industry as a whole and by subsectors, including upstream, midstream, downstream and oil field services.

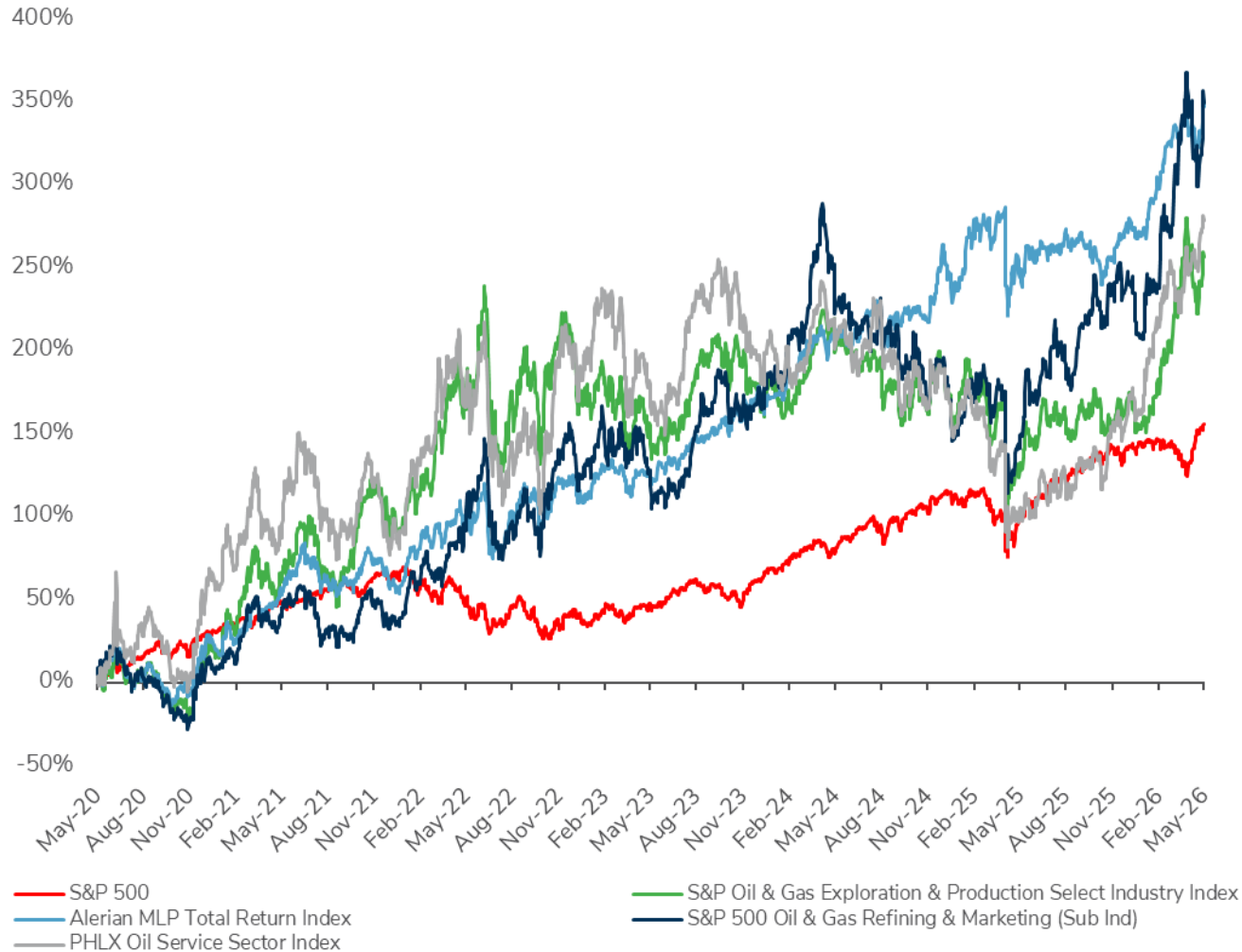
Our top insights for this edition are detailed below:

- Benchmarking performance of Oil and Gas subsectors against S&P 500 over the last 6 years
- Assessing current valuation multiples across several groups of companies' representative of varying value chains in the Oil and Gas industry
- Assessing historical commodity prices and futures price signals
- Examine the M&A markets activity over the last 6 years and assess strategic vs. financial buyers
- Discuss the typical make up of transaction considerations being paid for assets and implications of this on the overall outlook for subsectors
- Breakdown the key differences between Price and Value in a deal context
- Examine the impact of pre-acquisition and post-acquisition activities companies can take to ensure long-term value from deals is delivered

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Oil and Gas Performance by Subsector



Source: Capital IQ as of May 1, 2026/ Kroll analysis

Explanatory Note:

* The return showed in selected stocks is calculated by taking May 1, 2020, as the starting point and tracks the percentual change until May 1, 2026.

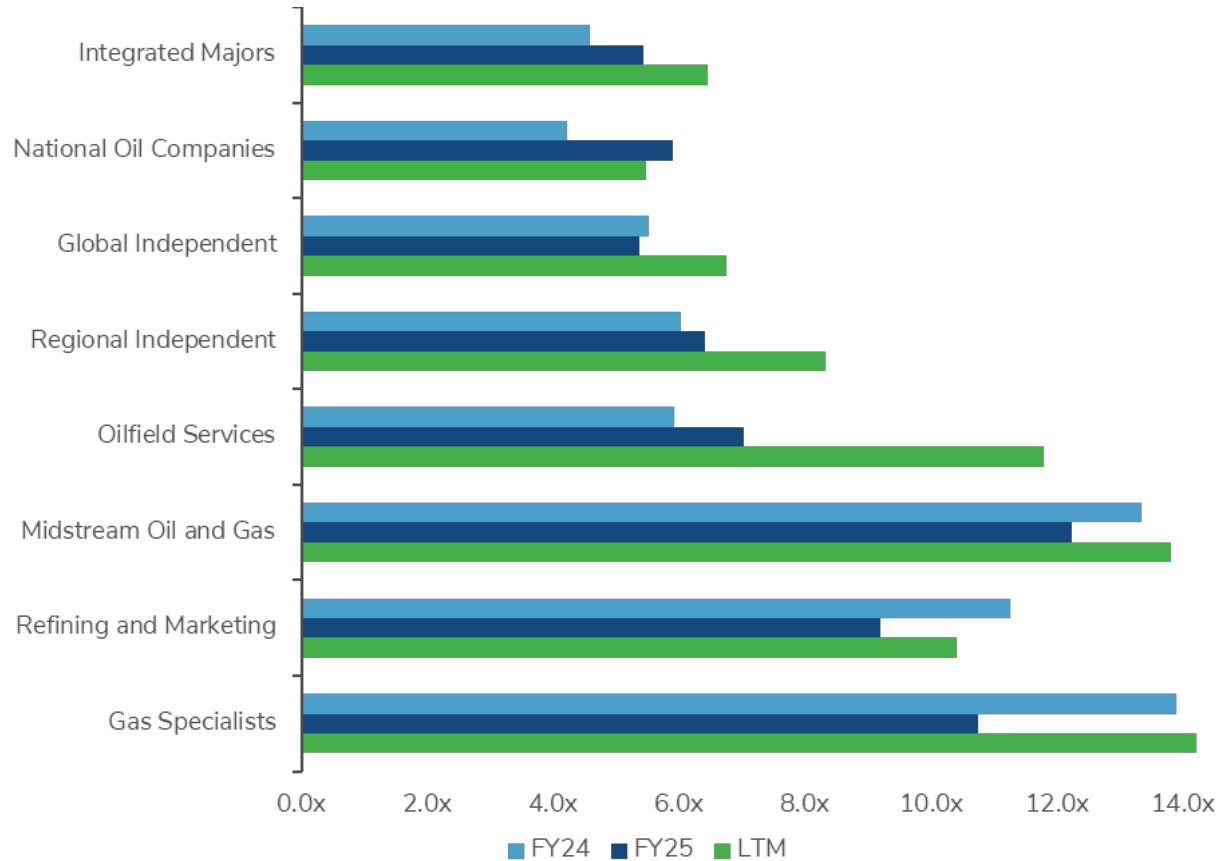
Key Considerations

- As per chart to the right, every sub-sector of the Oil and Gas industry has outperformed S&P 500 from 2020 to date.
- Contributing factors to outperformance are: A) up cycle in commodity prices; B) stringent capital discipline (especially upstream); C) outsized interest from investors vs. other sectors in the S&P 500.
- If compared to prior decade, when the focus was on growth at all costs as a vehicle for creating “value”, current decade is defined by Oil & Gas sector creating value for shareholders by fundamentally changing the business model.
- Discipline in capital is manifested in both avenues for growth – organic and inorganic. Especially in the latter, where investor skepticism has been high.
- Earnings calls for companies across the entire sector are heavily centered around “total shareholder returns”, while any M&A activity is viewed through the lens of “accretion”, “cash flow” and “value”.

Oil and Gas Multiples by Subsector

EV/EBITDA

Oil and Gas Subsector Medians (LTM, FY25 and FY24)



Source: Capital IQ as of May 1, 2026

Explanatory Note:

Subsector average consider the available EV and EBITDA values of public companies in each category. The spotlight considers the most representative companies by capitalization (as of May 1, 2026) with available data for calculation (LTM EV/EBITDA, FY25 EV/EBITDA and FY24 EV/EBITDA).

Definitions:

EV/EBITDA: Enterprise Value/Earnings Before Interest, Taxes, Depreciation & Amortization.

LTM: last 12 months.

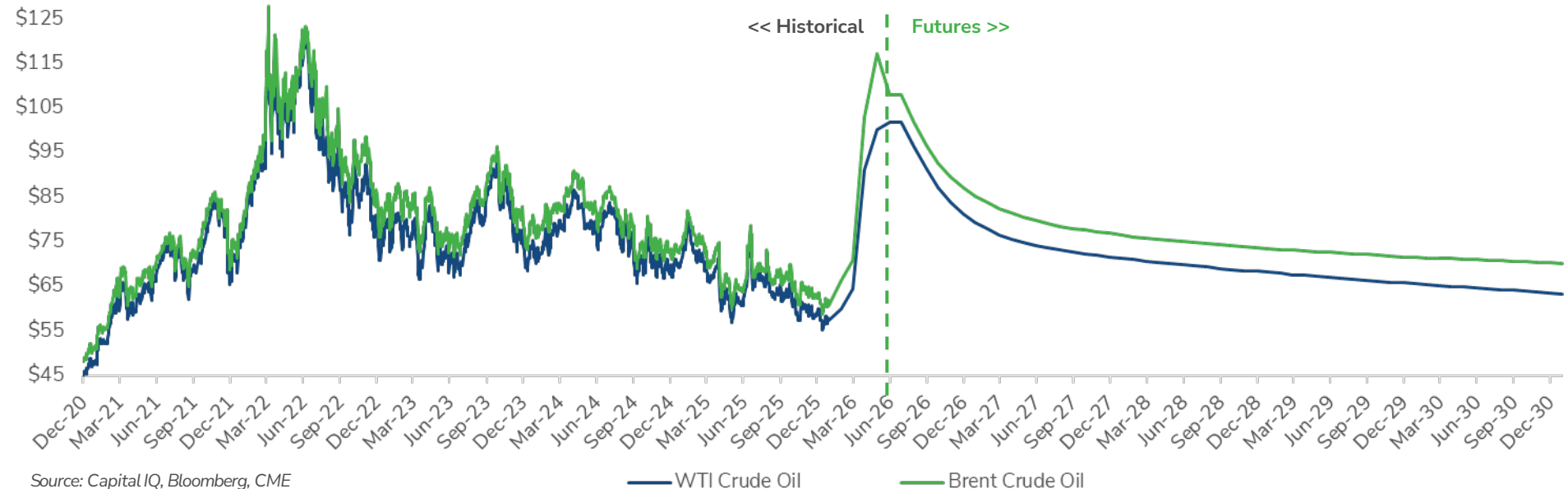
Key Considerations

- Overall LTM valuation multiples across the subsectors are above both FY25 and FY24, buoyed by recent run up in commodity prices and strong investor return fundamentals
- Equity markets have rewarded disciplined consolidation with larger companies trading at higher multiples and attracting lower cost of capital
- Upstream dominated by large corporates with valuation multiples varying greatly across sizes and portfolio profiles
- Midstream has a mix of players now with public corporates and large-scale infrastructure funds
- OFS is a standout considering almost a decade of lackluster valuation multiples and anemic M&A activity. Subsector is still relatively fragmented, and all indications are it is prime for consolidation, which we understand is getting underway
- Downstream somewhat more balanced as it has performed steadily at peak capacity rates with ample access to export markets

Commodity Prices: Historical and Outlook

Global Crude Oil Price, Historical Spot and Futures

USD/Bbl



Source: Capital IQ, Bloomberg, CME

Key Considerations

- Leading up to February 2026, crude oil prices were on a downwards trajectory due to concerns about reduced demand from China, ample spare capacity in the OPEC block and record-breaking production out of the US.
- Futures for Brent and WTI benchmarks signal that that market expects reversion of crude oil prices to a familiar range of \$65 to \$75/bbl within 12 to 18 months. This also applies to the “normalization” of the spread between both benchmarks. This may prove optimistic given political and logistical challenges of reopening supply out of the Middle East as well as lack of material alternative sources of production to replace approx. 10 mln bbl/day.
- Long-term crude oil prices still indicate structural global oversupply, while some industry experts discuss long-term supply being at risk due to decades long underinvestment in exploration globally and paired with US based production subject to scrutiny in the long-term.

Definitions:

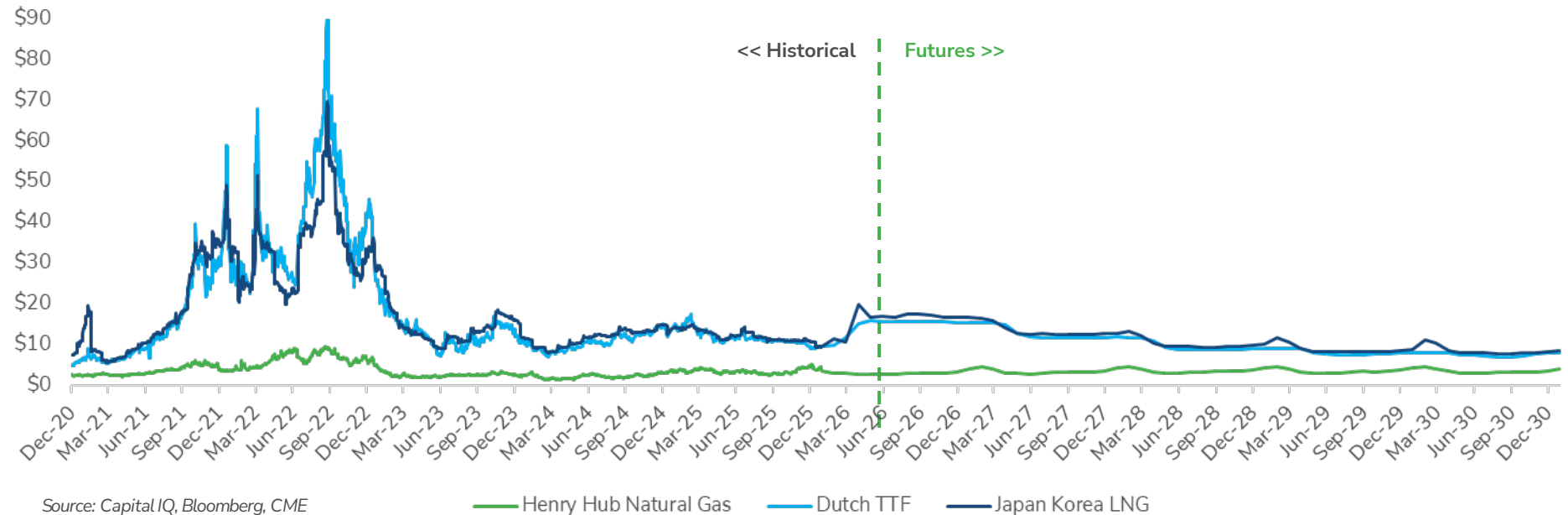
WTI: West Texas Intermediate.

Bbl: oilfield barrel, a volume of 42 Gal.

Commodity Prices: Historical and Outlook

Global Natural Gas and LNG prices, Historical Spot and Futures

USD/MMBtu



Source: Capital IQ, Bloomberg, CME

— Henry Hub Natural Gas — Dutch TTF — Japan Korea LNG

Key Considerations

- Global LNG markets prior to February 2026 have already experienced turmoil due to supply concerns (e.g., Russia-Ukraine war, Nord Stream pipeline explosion) amid rapidly growing demand for natural gas in Asia and Europe switching from Russian pipeline gas. Futures are indicating “normalization” of supply and thus key pricing benchmarks in 12 to 18 months.
- Natural gas prices in US remained largely unaffected by turmoil in the global LNG markets due to record breaking domestic production coping with supporting both – domestic demand and LNG exports. Futures indicate either lack of concern with US supply backfilling of LNG export capacity doubling by 2030 and growing domestic power demand or lack of ideas on how this will play out.
- US LNG operators realized robust netbacks and will continue to do so in the mid-term due to global LNG disruptions out of the Middle East, namely Qatar. Based on LNG futures, the netbacks persist until 2030, which is viewed as an inflection point for US LNG export capacity.

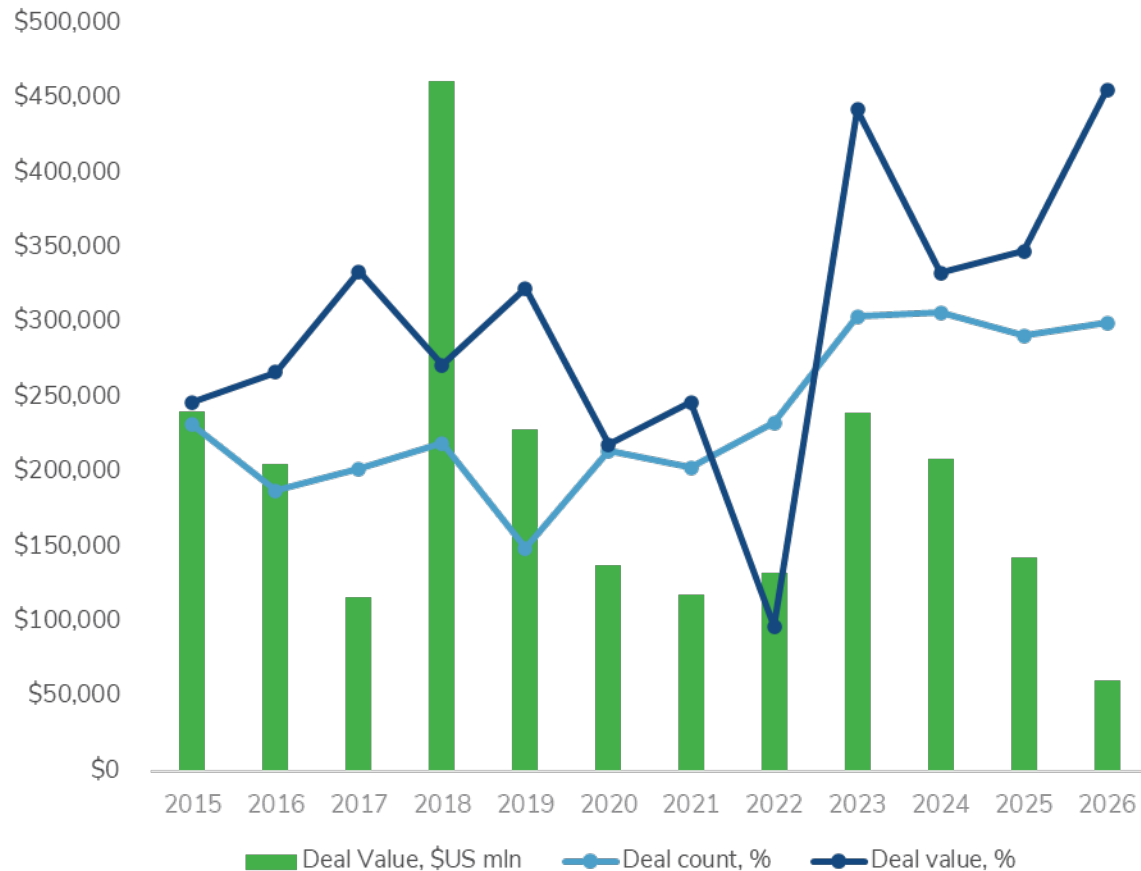
Definitions:

TTF: Title Transfer Facility.
MMBtu: metric million British thermal units.

JKM: Japan-Korea Marker.

Strategic buyers are increasingly dominating

US Oil and Gas Industry Transactions, % Executed by Public Companies

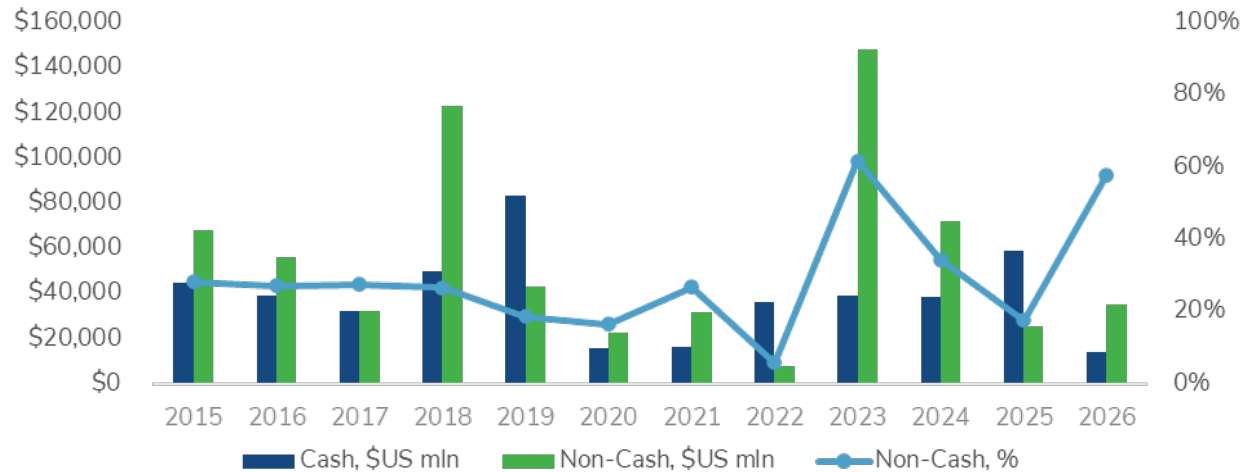


Key Considerations

- M&A markets are increasingly dominated by public companies, from deal value to deal count, especially across upstream and OFS
- Evidence suggests private capital is realizing exit strategies, which were somewhat delayed from initial plans for fund lives
- Public companies are entering M&A markets to execute on long-term strategies, which include reserve replacement, portfolio realignment or increasing scale
- As compared to prior decade, private capital is less dominant in executing new investments in sub-sectors due to scarcity of top tier assets and wide capital availability
- Large corporate transactions have resulted in robust M&A activity for “non-core” assets subject to portfolio rationalization post-acquisition
- Continuous search for long-term value is a marquee of current M&A markets, creating intense competition among private and public capital, further putting pressure on bid-ask gap

Structure of Considerations Paid

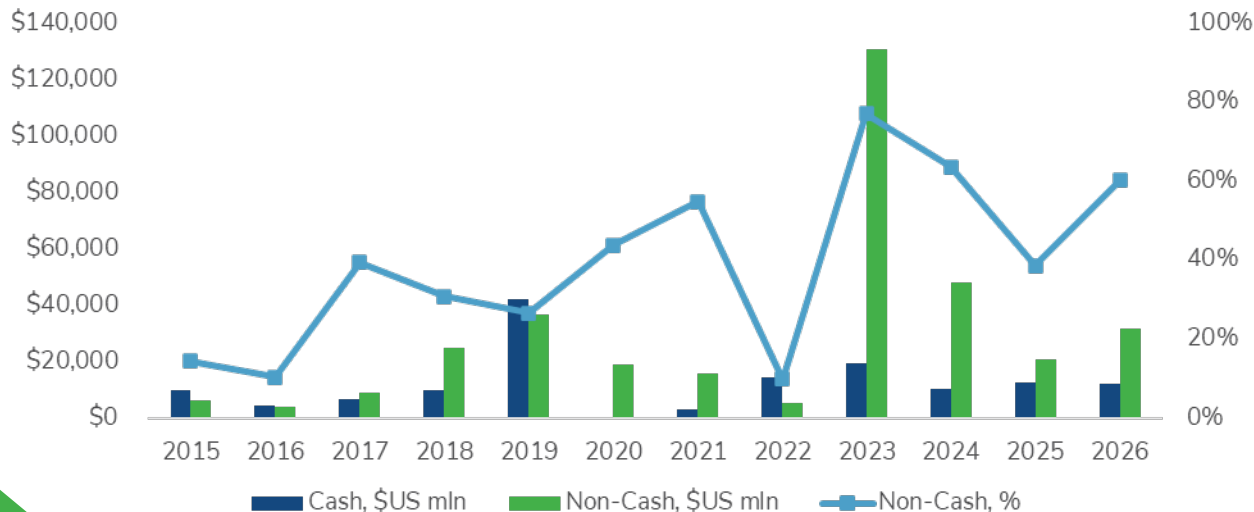
US Oil and Gas Transactions by Type of Consideration



Key Considerations

- Acquisitions are increasingly funded through non-cash considerations (i.e., shares) due to continued investor confidence in underlying equities
- Debt plays minor role due to persistent aversion to overleveraging by management teams, rising interest rates and tighter lending environment
- Discretionary use of cash is paramount for management teams when they consider sources of funding for M&A activities (whether for deployment in business or returning to investors)
- Troughs and peaks in the cycles of Oil and Gas sector exhibit favoritism towards equity consideration and contingencies
- Cash is a “fixed” type of consideration but is not dilutive immediately and shows confidence in future value realized
- Stock based consideration allows for sharing in the upside between sellers and buyers bridging the bid-ask gap
- Similarly, stock consideration can result in additional risk based on where in the cycle was deal consummated

US Upstream Transactions by Type of Consideration



Takeaways from M&A Trends with Implications for Pre-deal and Post-close Valuations

- Future outperformance of the Oil and Gas subsectors is not guaranteed, and M&A activity will persist as organic growth opportunities are narrower, albeit somewhat differentiated across sub-sectors
- Current M&A trends point to a more defensive, cycle-aware, long-term focus on consolidation as evidenced by proliferating use of stock as consideration and public companies driving the M&A markets
- High quality assets represent a declining portion of the M&A markets and there is more capital than ever (private and public) bidding for top tier assets
- Competition breeds creativity in bridging seller-buyer gap and closing deals, such as increasing use of deferred or contingent consideration, which allow a buyer to “lock in” the seller to be invested in realizing long-term value
- In this environment successful management teams executing transactions benefit from both: pre-deal and post-close view of long-term value accretion
- Scrutiny on value diligence is high in a pre-deal environment, with a clear objective not only to provide robust support for price paid but also for long term value preservation in a down-cycle
- Furthermore, there is an expectation from investors with regards to realizing stated synergies and value in a post-integration environment, by understanding key value elements, executing on cost takeout and lean management
- **Conclusion:** Managing deal value throughout all stage of a transaction – *pre-deal and post-close* – is critical to ensuring value is created, cash flows and excess returns are delivered to investors

Price – Value: Relationship in a Deal context

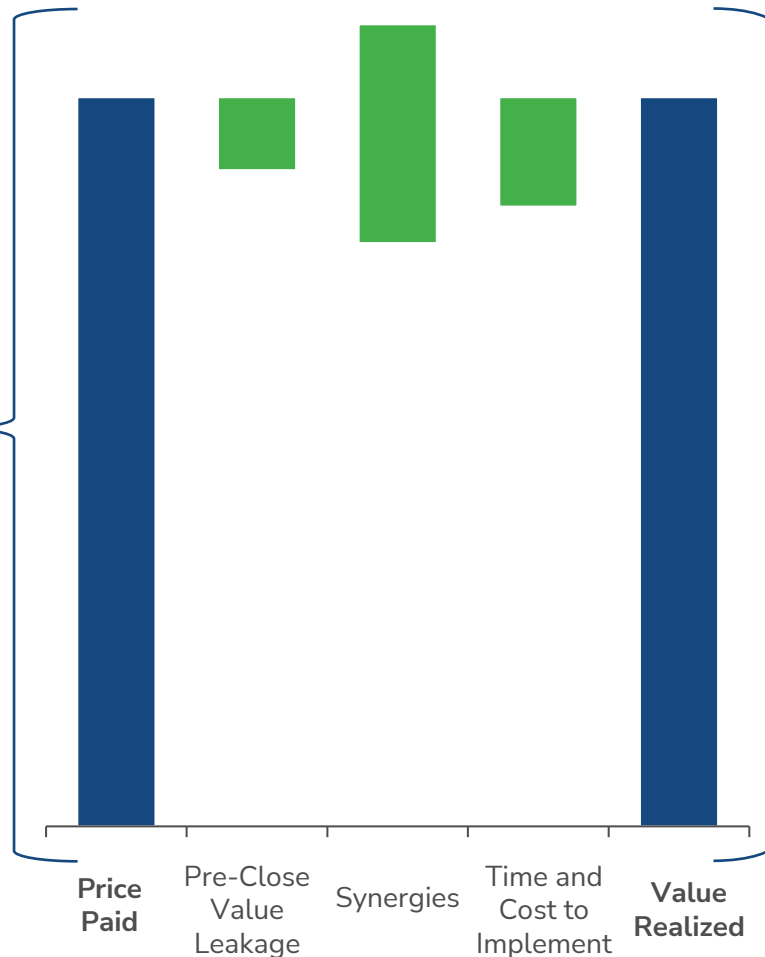
Price Paid

Objective factors

- Price or consideration transferred is typically a “given”, it is an agreed upon number paid for the value received at a certain point
- Market participants would typically agree on price paid
- Elements of price are relatively well understood (cash, non-cash, deferred, contingent)

Subjective factors

- Price is determined under deal specific circumstances (negotiating power, sector cycles, structuring), which may not have anything to do with value
- Price is not always based on intrinsic value of the business / assets acquired



Value Realized

Objective factors

- Value is not a given and will change due to passage of time, macro and micro economic factors, individual company’s actions and market perception
- Key value drivers are based on objective characteristics of the underlying business / asset (e.g., location, IP, scale)
- There is a certain cost associated with achieving value (capital, synergies)

Subjective factors

- Market participants would have a hard time agreeing on value, as it is in the eye of the beholder
- Buyers are “optimistic” about value and underlying expectations once acquisition is complete
- Drivers of future value are not always well understood, pre- or post-deal

Price – Value: Pre-deal and Post-Close considerations



Appropriate Valuation to support M&A activity has implications across the entire functional chain of a buyer – from financial leverage and investor communications on pre-deal; to operational integration and financial, tax reporting post-close

Pre-Deal Considerations

- Cash is a “fixed” component of consideration and comparatively poor mechanism for managing long-term value realization, while non-cash consideration provides for exposure to volatility in value realized post-deal
- As deal structuring and negotiations are ongoing a buyer can perform the following value diligence actions:
 - Price to Value bridge with an explanation of “gaps” based on activity-based drivers
 - Perform “value at risk” analysis using sensitivities around key value drivers
 - Assess risk / return and benchmark to internal or external cost of capital considerations
- If “value diligence” is done correctly it enables:
 - Informed management of the negotiation and price determination process
 - Validation of the acquisition strategy and portfolio management at inception
 - Full understanding of expected synergies and KPI to be tracked post-close
 - Transparent communication to investors and stakeholders
 - Purchase price allocation process is a “breeze” for tax and / or financial reporting purposes

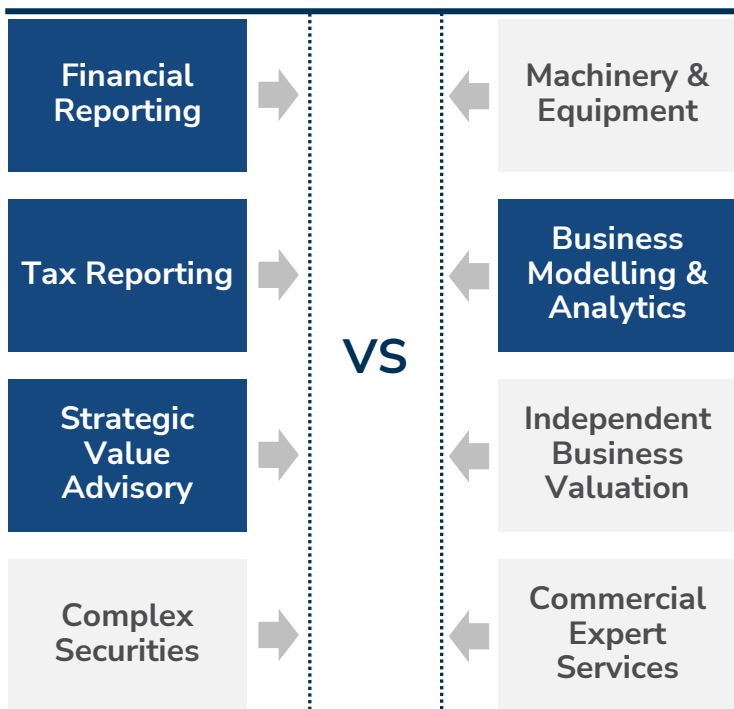
Post-Close Considerations

- Volatility in commodity pricing impacting the fair value of the underlying assets disproportionate to the final purchase price consideration
- Changes in buyer’s share price, impacting final purchase price consideration
- Impact of estimated synergies on future cash flows
- Executing on post-close activities Management teams should be rely on following tools to optimize value capture:
 - Monitor key value drivers real time and track realization of expected synergies
 - Measure the timeline and cost of implementing synergies
 - Enable transparent analysis in the accretion or destruction of Value vs Price paid
 - Communicating internally and externally on critical action items to shift focus as needed
- Key post-deal action item is to refer back to deal strategy at the inception and verify the value premise that underpinned the deal

Valuation Services – Overview

Our Valuation Services (VS) practice provides **valuations and economic analysis** to support our clients with **financial / tax reporting, internal planning, and disputes / investigations**. Our clients range from early-stage to Fortune 100 businesses, both public and private.

CAPABILITIES / EXPERTISE



HOW WE HELP OUR CLIENTS STAY AHEAD

- **Industry Expertise** – We have a deep bench of sector professionals who offer a unique perspective on industry trends and real-time market insights
- **Technical Expertise** – We have a proven ability to support the most complex situations recognized thought leadership across a wide range of valuation disciplines
- **Market Leadership** – We are a leading valuation provider serving over 35% of the Fortune 100
- **Independence** – We are not an audit firm and do not have conflict or independence issues that could dilute the quality of our advice
- **Global Presence** – Our global footprint enables rapid deployment of integrated team resources with local market knowledge to meet client needs
- **Client Focus** – We take pride in being highly responsive to client needs and having a relentless focus on achieving the best client outcomes

With a global presence, in North America alone our Valuation Services Managing Directors have **1,200+** years of collective service and **20+** years of average tenure with Kroll.

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Max is a Director in the Valuation & Modeling practice based in Houston, with 20 years of experience in valuation, business modeling and value diligence. He has worked with a wide range of clients, including S&P 500 firms, private equity funds, large private corporations and sovereign funds.

Max has extensive experience in valuing companies and assets for strategic and business planning, financial reporting, and tax purposes across various industries, including industrial manufacturing and oil field services equipment manufacturing. Types of engagements include business modeling and planning, fair value analysis (ASC 820 and IFRS 13), purchase price allocations (ASC 805, IFRS 3, and IRC 1060), impairment testing (IAS 36, ASC 350 and 360), tax restructuring and planning, reorganizations, and litigation support.

Prior to joining Kroll, Max worked in Big Four accounting firms, including internationally, has been a public speaker at industry conferences and published technical articles focusing on tax and financial reporting valuation in the oil and gas sector. In addition to his consulting career, Max spent 3 years working for Rosneft, an integrated oil and gas major, in a business development and financial planning role.

Max received his BSBA and MBA in Finance and Accounting from the American University, Washington, DC. He is a fellow of the Association of Chartered Certified Accountants (ACCA).

About Kroll

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