

Industry Market Update: Utility Transmission & Distribution



The ~\$29B+ Utility Transmission & Distribution (T&D) industry is expected to grow at a CAGR of 4% from 2021 until 2026. North American utilities are making major capital investments to replace and upgrade aging T&D infrastructure, primarily driven by the need to improve reliability and capacity in the network. To cover the required resources, the industry will need strong balance sheets to identify and deploy capital in the coming years.

“Greater adoption of solar, wind, and other renewable energy sources is changing electricity consumption patterns, subsequently requiring changes to be made across generation, transmission, and distribution physical structures” – ASCE

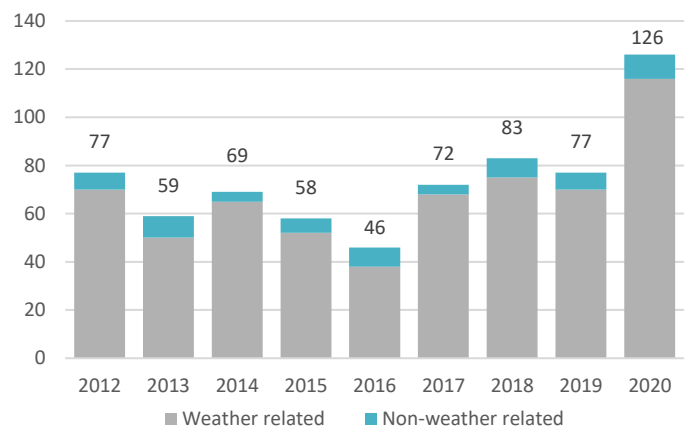
Industry Growth Drivers

Growth in the T&D industry will be driven by several factors that indicate a prolonged period of increasing capital expenditures.

- » **Inadequate Infrastructure:** About 70% of the nation's T&D lines are in the second half of their lifespans and require continuous maintenance to remain in operation. Energy service providers are investing record levels of capital in their networks, while a significant number of their workforce is aging and retiring.
- » **Increasing Climate Events:** The U.S. has sustained over 300 weather and climate disaster since 1980 where damages exceeded \$1B. 2021 is off to a record pace for number of events with losses exceeding \$1B (18 as of September). The number and cost of disasters are expected to increase over time as we apply more pressure on a vulnerable electric grid.
- » **Size & Expected Growth:** The electric infrastructure investment gap (projected trends minus total needs) is projected to grow to \$208B by 2029 and \$338B by 2039 – A result of requirements that a certain share of the supply come from renewables.
- » **Dependent on Regional Requirements & Age:** Growth will occur at different rates throughout the country, largely determined by market and regulatory structures, along with the varying mix of current and future resources supplying customers in different regions.
- » **Federal Investment:** The bipartisan \$1.2T infrastructure bill includes substantial investments in the electric grid. About \$65B is being allocated towards upgrading the country's power infrastructure.

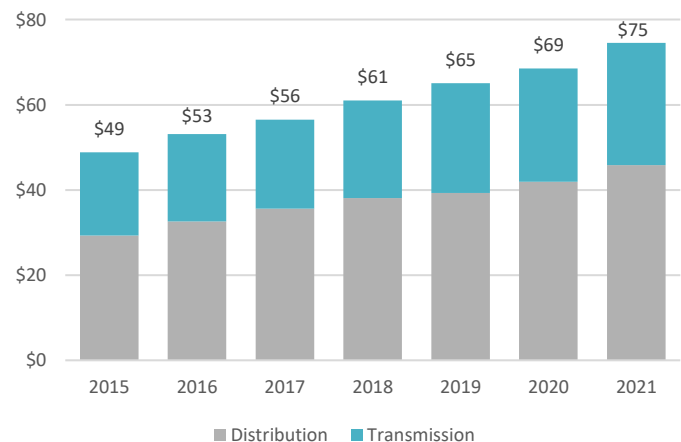
Power Outages in the United States

Number of Power Outages that have affected 50,000+ clients



Functional Capex (\$B)

U.S. Investor-Owned Electric Utility Distribution and Transmission Capex



[†]Based on 2019 data

Sources: 2021 Infrastructure Report Card; Quanta Services; EIA, ASCE, U.S. Department of Energy, For OE-417, The C Three Group; As of Jun 2021, The Express Wire Press Release; As of Nov 2021

Accelerating Investor Interest

Utility Transmission & Distribution has already seen significant investment from private equity as a result of favorable industry characteristics:

- » Outsourced utility service providers are benefitting from the accelerating investment in infrastructure both at the federal and local level
- » Increasing need for technological skills are leading utilities to outsource more services work to independent providers
- » Largely fragmented market that ranges from large platforms focused on construction to niche, regional service providers concentrating on maintenance





Select Private Equity Platforms

Financial Sponsor	Platform	Add-Ons
		13
		10
		8
		3
		2

Select Recent M&A Experience

Date	Acquirer	Target	Location
Feb, 2022	Thayer Power & Communication	Heartland Solutions Corp.	US
Dec, 2021	Charge Enterprises	BW Electrical Services	US
Dec, 2021	MasTec	Alvah Contractors	US
Aug, 2021	QualTek, USA	Concurrent Group	US
June, 2021	Axiom Infrastructure	Upper Peninsula Power	US
Aug, 2021	Southwest Gas Holdings	Riggs Distler & Company	US
Apr, 2021	Arcline	North American Substation Services	US
Mar, 2021	NextEra Energy	GridLiance	US
Jan, 2021	Bernhard Capital	B&B Electrical & Utility Contractors	US
Jan, 2021	MasTec	INTREN	US
Jan, 2021	Alectra Utilities	Holland Power Services	CAN
Dec, 2020	First Reserve	The Goldfield Corporation	US
Aug, 2020	BHI Energy	Coastal Electrical Construction	US
Aug, 2020	Quanta Services	Lee Electrical Services	US
Apr, 2020	Enmax	Versant Power	US

Cascade Partners Select Transactions

<p>Sell-Side Advisor</p> <p>A large commercial paving and infrastructure company has partnered with</p>  <p>HRS MANAGEMENT</p>	<p>Sell-Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell-Side Advisor</p>  <p>has been acquired by</p> <p>Daboosh Investments, LLC</p>
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Contact

Rajesh U. Kothari, CFA
 248.430.7723
 rajk@cascade-partners.com

David Thomas
 248.430.6264
 davidt@cascade-partners.com