

# Industry Report Electrical Contracting



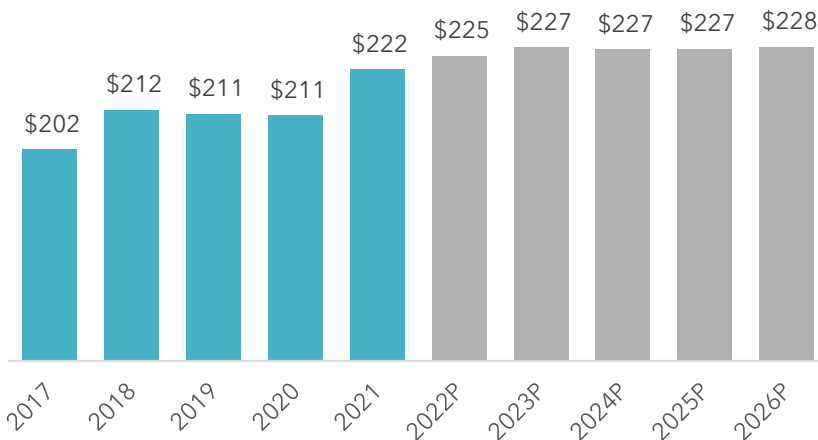
Through 2026, electrical contracting industry revenue is expected to grow modestly as the broader construction industry digests rising interest rates and soaring material & labor costs. Nonresidential construction activity will remain strong through the forecast period, supported by robust corporate earnings and new construction starts. Furthermore, contractors stand to benefit from continued renovation and retrofitting projects, particularly green upgrades, such as energy-efficiency projects and smart home technologies.

## Key Trends

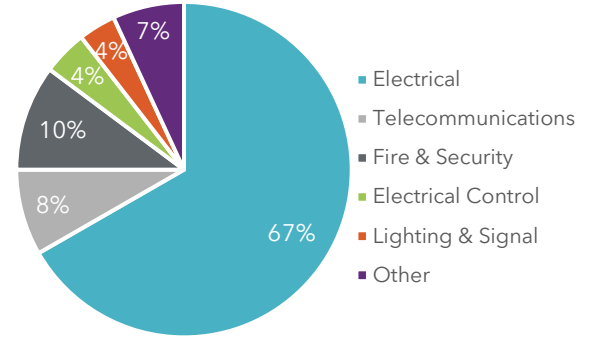
- » Total U.S. construction spending grew 10.9% in the twelve months preceding September 2022, amounting to \$1,811 billion versus \$1,637 billion in 2021<sup>(1)</sup>
- » Strong growth in construction spending was supported primarily by private investment in manufacturing (+43% versus 2021) and public infrastructure projects<sup>(1)</sup>
- » A recent surge in interest rates has dampened demand in the downstream residential construction market, resulting in a projected 0.7% annualized decrease in the residential construction industry<sup>(4)</sup>
- » A tight labor market continues to squeeze many electrical contractors through reduced operating capacity and softened earnings due to wage growth
- » The Infrastructure Investment and Jobs Act (signed into law November 2021) will continue to drive demand for electrical contractors in a variety of verticals, including electrical utility transmission & distribution infrastructure
- » Despite challenging economic developments, contractors generally remain optimistic. According to the Sept. 2022 Construction Confidence Index, less than 5% of survey participants anticipate a material decrease in sales<sup>(3)</sup>

## Electrical Contractor Market Size





(Revenue in \$Billions)



## 2022 Revenue by Segment



## 2022 Key Facts & Figures

-  **50** of the largest U.S. electrical contractors account for less than 20% of industry revenue, with more than 75,000 other establishments<sup>(5)</sup>
-  **5%** growth in nonresidential construction through Aug. '22, driven by robust manufacturing & infrastructure investment<sup>(3)</sup>
-  **83%** of contractors report difficulty finding labor resources; 75% believe labor shortages to remain the same or worsen through the year<sup>(2)</sup>
-  **18%** increase in construction backlog since Sept. 2021, peaking pre-Pandemic levels<sup>(3)</sup>

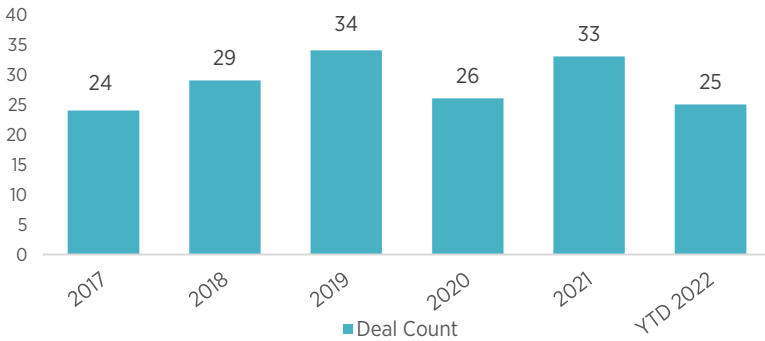
Sources: (1) US Census Bureau, (2) Associated General Contractors of America, (3) Associated Builders and Contractors, (4) IBISWorld, (5) Dun & Bradstreet, CapitalIQ

### Increased Investor Interest

An abundance of capital coupled with the establishment of new private equity and family offices have resulted in a very competitive M&A environment

- » Over \$1.3 trillion of invested capital is available from private equity firms
- » Competition is driving investors to pursue a variety of industries for high quality deals

### Electrical Contractor M&A Activity



### M&A Driver Considerations

Owners considering an M&A transaction can put themselves in a strong position by:

- » Keeping attrition low by retaining skilled labor through attractive benefits and a strong training program
- » Maintaining a strong reputation in their markets resulting in referrals and recurring revenues
- » Adding diversified revenue offerings, which would include recurring service work
- » Displaying a strong and growing backlog, with a rise in bid and win rates
- » Demonstrated ability to price bids effectively to win, while ensuring sufficient margins

### Select Private Equity Platforms

*Kassel Equity Group*



*Oaktree Capital Management*



*Hastings Equity Partners*



*Main Street Capital Corporation*



*Gemspring Capital*



### Recent M&A Activity

Date	Target	Acquirer
Nov-22	SUNation Companies	Pineapple Energy
Nov-22	Front Range Wireless	Undisclosed
Nov-22	Reilly Electrical Contractors	Crete Mechanical Group
Nov-22	Eastern Communications	New England Electrical
Sept-22	Black Electric	SunGrid Solutions
Sept-22	Cochran Electric	Hilscher-Clarke Electric
Aug-22	L&D Electric	Undisclosed
Aug-22	High Energy Electrical Testing	RESA Power
Aug-22	Windward Construction	Independent Power Systems
Aug-22	Gaston Electrical	EMCOR Group
Jul-22	William E. Groves Construction	Quanta Services

### Q4 2022 Transaction Spotlight

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