

Industry Report Infrastructure Services



Infrastructure spending on water and sewer line construction, maintenance, and repairs is expected to remain steady through 2026, according to IBISWorld. With increasing regulatory pressures and urbanization of mid-size cities, the need for underground infrastructure solutions is at an all-time high. Additionally, municipal and state-level public investment is expected to rise after a drop during the pandemic. These tailwinds, coupled with an existing, aging infrastructure, will drive growth and consolidation in the underground infrastructure services industry.

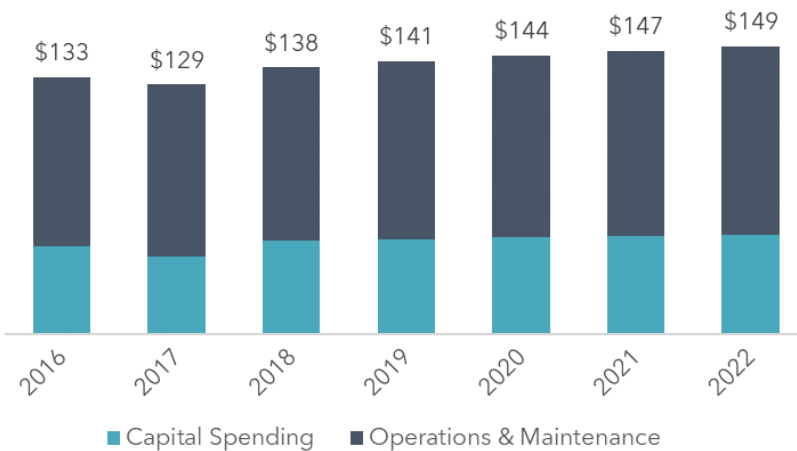
Key Trends

- » The Infrastructure Investment and Jobs Act, passed by Congress in 2021, added \$50 billion to the repair and replacement of aging drinking, waste, and storm-water infrastructure throughout the U.S.
- » 113 EPA-issued consent decrees over the past 10 years have mandated repairs and maintenance of water infrastructure systems
- » Extreme weather events have stretched capabilities of existing storm drainage and mainline sewer systems. Experts predict this will continue due to evolving climate trends
- » An increased level in downstream residential construction (due to migration towards warmer states) has spurred demand for new water and sewer infrastructure capabilities

Annual United States Water Infrastructure Spending

(\$Billions)

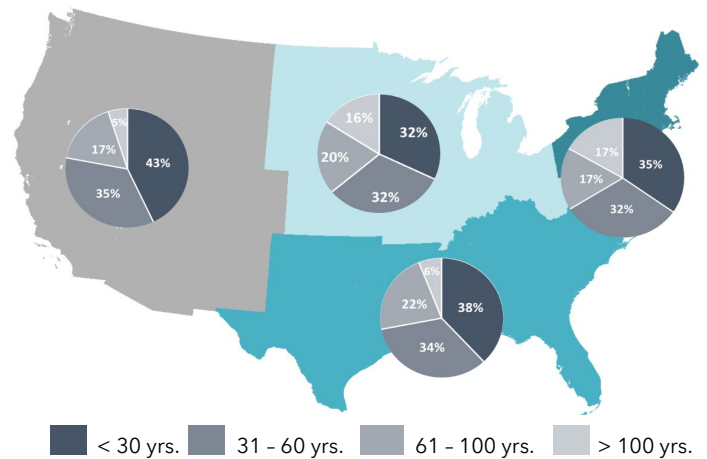
American Society of Civil Engineers



(1) EPA, America's Water Sector Workforce Initiative: A Call to Action
(2) Water Finance & Management, Pipe Market Turns to New Materials to Address Aging Water Infrastructure

Average Age of U.S. Water Infrastructure by Region

ASCE



Key Statistics:



D+, D, and C- were the grades given to waste-water, storm water, and drinking water infrastructure respectively, according to the ASCE in 2021



>80% of water utility providers identified aging infrastructure as their top challenge, according to Black & Veatch



1/3 of the water sector workforce is eligible to retire in the next decade, potentially leading to a shortage of labor ⁽¹⁾



50% of U.S. sewer pipes are past their useful life, with the average age of pipes being 45 years old ⁽²⁾

Select Industry Players



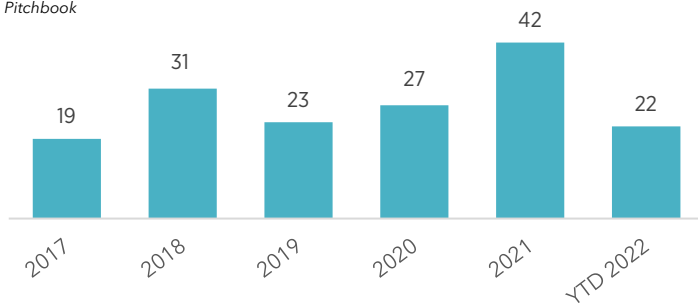
Increased Investor Interest

A historic level of undeployed capital (\$1.7T) coupled a growing number of family offices and private debt funds results in a very competitive M&A environment within the underground infrastructure services industry.

- » Opportunity for consolidation as the market is fragmented with most operators being local or regional, employing fewer than 15 people
- » Favorable tailwinds including urbanization, extreme weather events, tighter regulations, and higher residential construction activity
- » Increasing public-private partnerships representing additional funding and driving investments in water infrastructure

Underground Infrastructure M&A Transactions by Year

Pitchbook






















M&A Driver Considerations

Owners considering an M&A transaction can drive value by focusing on"

- » Diversification to other related services, ensuring protection from seasonality and potential fluctuations in public funding
- » Keeping attrition low by retaining and developing skilled workers while diversifying recruiting approaches
- » Building a backlog and ability to price bids effectively to win and at the same time, ensuring sufficient margins
- » Maintaining a strong reputation to drive referrals and recurring revenues

Select Active Private Equity Groups

Private Equity Fund	Portfolio Company	Add-On Acquisitions
		  Turner Lining Company, LLC 
		 UNDERGROUND UTILITY SOLUTIONS
		  A Plant and Sewer Control Company   A Water & Sewer Control Company
		   PROFESSIONAL PIPE SERVICES

Recent Select M&A Activity

Pitchbook

Date	Target	Acquirer
Jul-22	Rowland	Calvert Street Capital Partners
Jul-22	Graham Utilities Hydrovac Services	Ambipar Holding Canada
May-22	George Plumbing	Concentric Equity Partners
May-22	Bandera Utility Contractors	Argonaut Private Equity
Apr-22	Newman Regency Group	H.I.G. Capital; United Flow Technologies
Mar-22	EcoClean (Maine)	MPK Equity Partners; Zoom Drain
Feb-22	Pro-Vac	Gallant Capital
Jan-22	Utility Resource Group	Partners Group; U.S. Infrastructure Corp.
Dec-21	DrainXpress Sewer and Drain Services	MPK Equity Partners; Zoom Drain

Cascade Partners Select Transactions

Buy-Side Advisor



has acquired



Sell-Side Advisor



has been acquired by



a portfolio company of



Financing



PACIFIC POWER & SYSTEMS

has completed a minority recapitalization and acquisition financing with



Sell-Side Advisor

A large commercial paving and infrastructure company has partnered with



Contact

<p>Dan Walsh 248.430.6266 danw@cascade-partners.com</p>	<p>David Thomas 248.430.6264 davidt@cascade-partners.com</p>
<p>Gary Sandhu 248.213.7421 garys@cascade-partners.com</p>	