



# Electrical Contracting

INDUSTRY MARKET UPDATE



ACQUISITIONS  
DIVESTITURES  
FINANCINGS  
RESTRUCTURINGS

## Key Statistics

Industry revenue is expected to expand at a **CAGR of 1.5 percent to \$251 billion** over the next five years to 2028 <sup>(2)</sup>

U.S. multi-family construction starts are forecast to **increase ~14.0%** as mortgage rates stabilize, and supply remains in a shortfall of ~3.3M units <sup>(3)</sup>

The Construction **Confidence Index closed the year at 58.9 and 61.1 for Sales and Staffing**, respectively. These levels remain steady with year-end 2022 indicating continued expectations for growth <sup>(4)</sup>

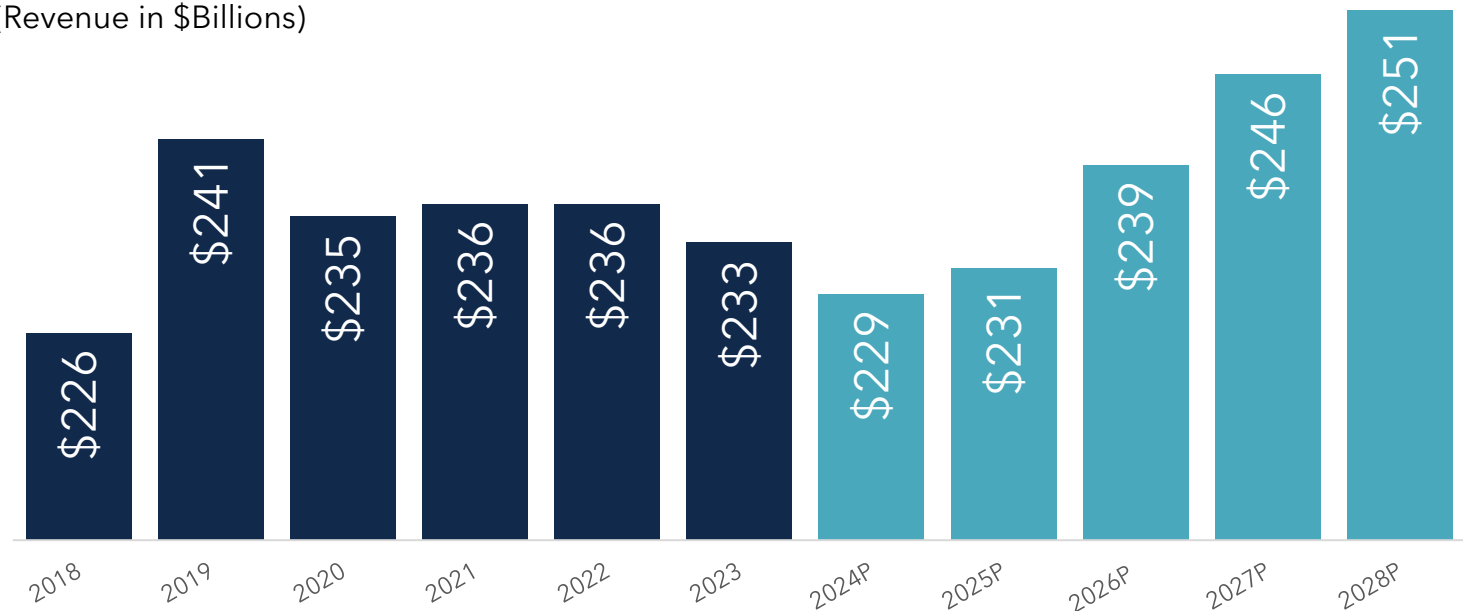
The Southeast and Mountain regions lead the U.S. in **Non-Residential Construction growing at 24.3% and 56.7%**, respectively in 2022 <sup>(1)</sup>

## Industry Overview

Through 2026, electrical contracting industry revenue is expected to grow modestly as the broader construction industry will benefit from stabilized interest rates and input costs such as 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.

## Electrical Contracting Market Size <sup>(2)</sup>

(Revenue in \$Billions)



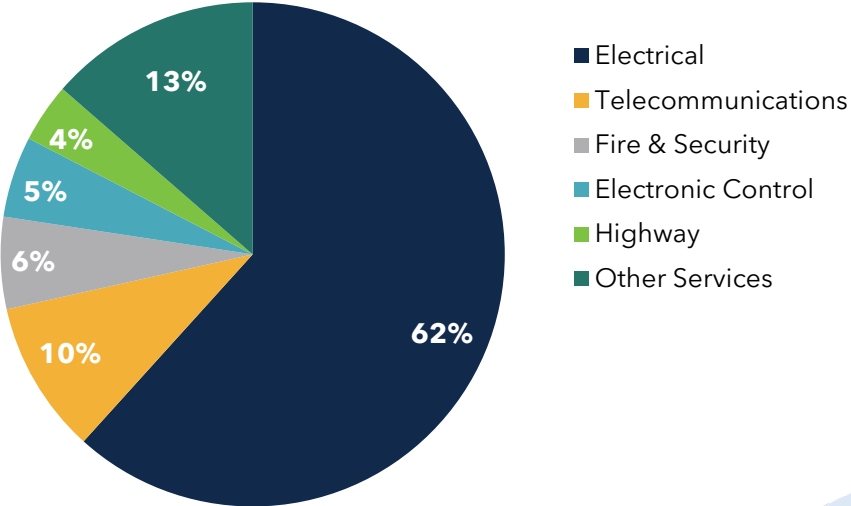
Sources: (1) US Census Bureau, (2) IBISWorld, (3) Dodge Construction Network (4) Associated Builders and Contractors

## Key Trends

- » Total construction spending grew throughout 2023 but was dragged down by a lack of new infrastructure projects along with a continuing slide in homebuilding. <sup>(2)</sup>
- » Construction spending during November 2023 was estimated at an adjusted annual rate of \$2,050.1 billion, 0.4 percent above the October estimate \$2,042.5 billion. The November figure is 11.3 percent above the November 2022 estimate of \$1,842.2 billion. <sup>(1)</sup>
- » Skilled labor has become increasing difficult to acquire, causing a significant labor shortage. Skilled labor is needed to operate any machine and knowledge is paramount to this industry. These factors have been driving wage increases over the last 12 months. <sup>(3)</sup>
- » The electrical contracting industry continues to be very fragmented, as no player accounts for more than 5.0% of total industry revenue. <sup>(3)</sup>

Sources: (1) US Census Bureau, (2) Associated General Contractors of America, (3) IBISWorld

# 2023 Revenue by Segment



Source: IBISWorld

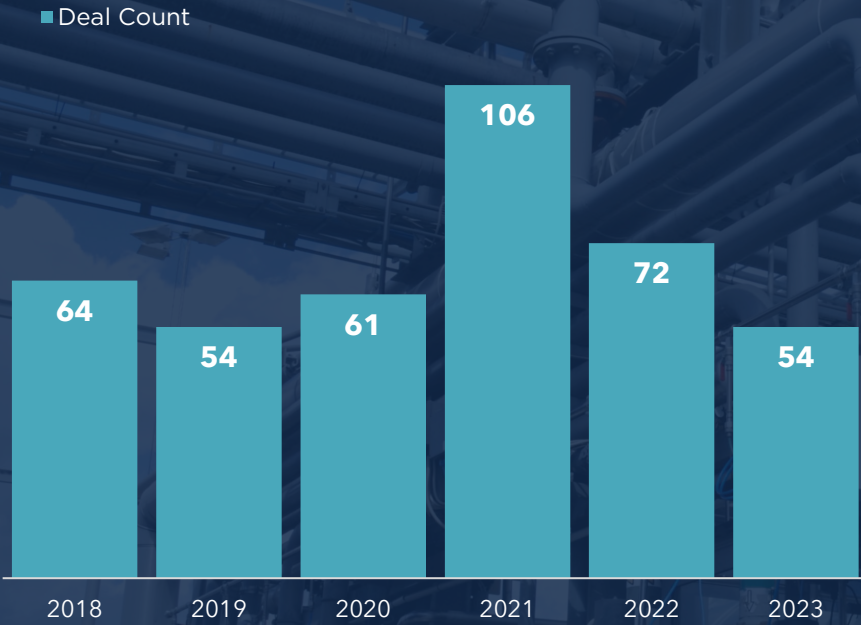


## M&A Driver and Valuation Considerations

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

# Electrical Contractor M&A Activity



# Select Private Equity Groups

Ridgmont Equity Partners

Huron Capital Partners

Crete Mechanical Group

RK Electric

Hastings Equity Partners

Main Street Capital Corporation

MKD Electric

Colonial Electric Co. Inc.

Westview Capital Partners

One Rock Capital Partners

Prime Electric


Arch Key Solutions

## Recent M&A Activity


DATE	TARGET	ACQUIRER
1/16/24	CRD Electrical Service, LLC	Southern Home Services, Inc.
12/12/23	Total Electric, Inc.	ArchKey Solutions, LLC
11/27/23	Lowy & Donnath Inc.	E-J Electric Installation Co, Inc.
11/13/23	S&W Contracting Company, Inc.	Crete Mechanical Group, Inc.
11/1/23	Tietjen Technologies, Inc.	Norlee Investments LLC
10/10/23	R.K. Electric, Inc.	Huron Capital Partners, LLC
8/7/2023	Colwill Engineering Electrical, Inc.	Norlee Investments LLC
8/1/23	APIC Solutions, Inc.	Tower Arch Capital, L.P.
7/18/23	Hillard Electric, Inc.	Crete Mechanical Group, Inc.
5/4/23	Bird Electric Enterprises, LLC	Black & Veatch Holding Company

# Select Transactions


**Sell-Side Advisor**



has been acquired by




a portfolio company of




Learn more about the transaction here.

**Financing**



PACIFIC POWER & SYSTEMS

has completed a minority recapitalization and acquisition financing with



Learn more about the transaction here.

**Financing & Buy-Side Advisor**



NORLEE GROUP

has acquired



Learn more about the transaction here.

# About Cascade Partners

Cascade Partners is a boutique investment banking firm focused on middle-market businesses in industrials, healthcare, business services and manufacturing. Manufacturing and related business services are passions and specialties at Cascade Partners.

With more than 250 years of combined experience, we work with business owners and shareholders to achieve their objectives and explain the impact and opportunity of their options. Our experience extends beyond just being transaction advisors, too. We have been operators, served on boards and made personal investments in services firms. From buy-side and sell-side advisory services to securing growth financing, restructurings or recapitalizing your business, our expertise and insight goes deeper than the economic factors of a deal.

We recognize and respect the long-term impacts of a transaction on our clients' company, employees, family, wealth and personal lives and are committed not only to creating long-term value for companies but to creating transformative solutions for people.

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