

# Utility Transmission & Distribution

## INDUSTRY MARKET UPDATE



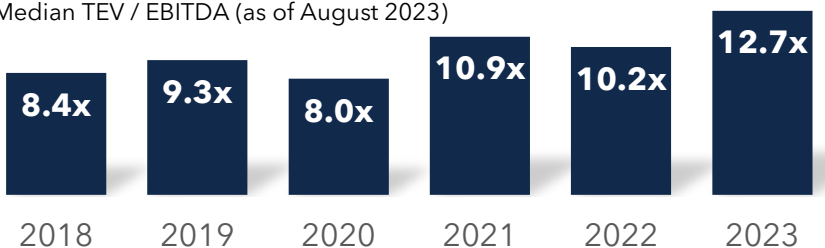
Electrical Transmission and Distribution (T&D) networks in the U.S. require significant improvement to enhance reliability and accommodate an increasingly complex energy ecosystem. Climate goals will be more difficult and expensive if the U.S. modernizes its electric grid and updates regulatory processes governing such network assets.

### Key Trends

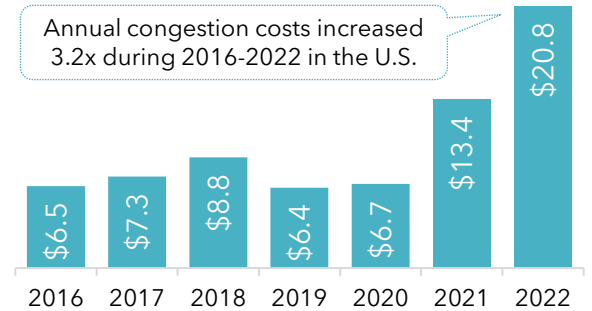
- » Utilities are deploying grid-enhancing technologies and smart grid frameworks for network management to reduce and complement transmission infrastructure development. One example is the smart meter rollout that reached ~124 million units in 2022<sup>(1)</sup>, roughly twice the units in 2014.
- » An evolving energy transmission ecosystem, which includes clean energy sources, entails a massive change in the existing bulk power transmission network. Modernizing existing assets is a priority.
- » Increasing U.S. electric vehicle (EV) penetration, projected at over 50% of all sales by 2030<sup>(2)</sup>, creates network reliability and stability issues. Significant upgrades and reinforcements are needed for sub-transmission and distribution network systems to support the number of charging stations required.
- » The U.S. has sustained over 370 weather and climate disasters since 1980, where damages exceeded \$1B.<sup>(4)</sup> With power grid improvement investment, or grid hardening, repair costs, and downtime can be drastically reduced, as demonstrated in Florida after Hurricane Ian, which bordered Category 5. 4M lost power in the state. Within two weeks, only 100,000 (.025%) were still without power.<sup>(5)</sup>
- » The U.S. Department of Energy estimates the domestic electricity transmission network requires a 60% expansion by 2030. To support this effort, the federal government announced the \$13B<sup>(3)</sup> Bipartisan Infrastructure Law for grid modernization, with an additional \$2.3B allocated to fund grid resilience investments for states and municipalities to mitigate impacts of extreme weather events.

### Valuation Trends for Select Public Companies

Median TEV / EBITDA (as of August 2023)



### Estimated Transmission Congestion Cost<sup>(6)</sup> (\$Billions)



### Key Statistics



**70%+** of the US electricity grid is over 25 years old, making it vulnerable to disruptions<sup>(7)</sup>



**\$260-350B** expected investment to upgrade and build transmission infrastructure between 2023 and 2030<sup>(8)</sup>

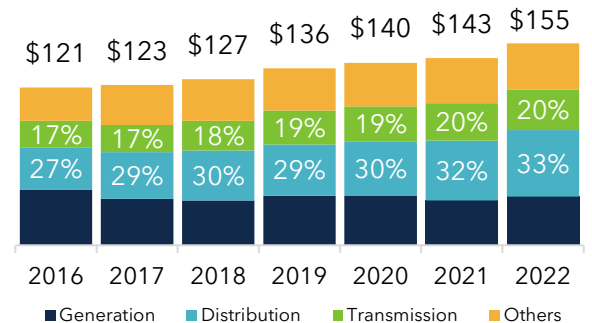


**\$500B** investment is required for U.S. electric utilities to build in resilience to extreme weather impacts by 2050<sup>(9)</sup>

### Functional CapEx<sup>(10)</sup>

(\$Billions)

U.S. Investor-Owned Electric Utilities

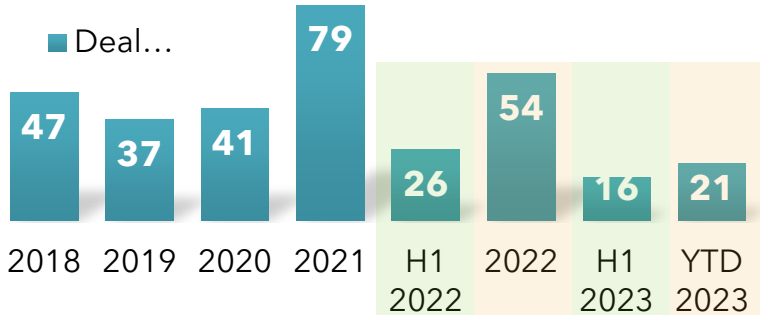


(1) Utility Dive; (2) CNBC; (3) The US Department of Energy; (4) National Centers for Environmental Information - National Oceanic and Atmospheric Administration; (5) National Environmental Satellite, Data, and Information Service (Department of Commerce); (6) Grid Strategies Report on Transmission Congestion Costs in the U.S. - July 2023; (7) POWERGRID International; (8) Deloitte; (9) Wilson Quarterly; (10) The Edison Electric Institute (EEI)+

## Investor Interest

Recent transactions indicate that established players are eager to grow revenue and add capabilities. Electrification will continue to drive interest in contractors and service providers with proven capabilities in energy infrastructure projects.

## US Utility Transmission & Distribution M&A Activity



Note: includes 1: "Power and Communication Transmission Lines" and 2: "Construction and Engineering" transactions with electricity included in the target's business description. YTD refers to January through August.

## M&A Driver Considerations

Key factors determining the rationale in recent M&A transactions include the following:

- » The acceleration of development and deployment of complex energy management systems is highlighting the need for partnerships that combine complementary services to meet growing demands
- » New investment focus areas such as electric vehicle charging infrastructure, distributed generation, and energy forecasting are presenting opportunities for competitive differentiation
- » T&D capacity expansion encompassing engineering, procurement, and construction capabilities is driving T&D acquisitions for companies seeking to build a more comprehensive suite of services

## Active Private Equity Groups

2021		2022	
Acquirer	Target	Acquirer	Target
WESTVIEW CAPITAL PARTNERS	PRIME ELECTRIC	COTTON CREEK CAPITAL	BOBCAT POWER
THE STERLING GROUP	PowerGrid SERVICES	IMB PARTNERS	CARR & DUFF, INC.
HURON CAPITAL	TriStruX	Pillsman Partners	STRAIN ELECTRIC
COMVEST PARTNERS	DUKE'S ROOTED IN INNOVATION	Pillsman Partners	STRAIN ELECTRIC

## Recent M&A Activity

Date	Target	Acquirer	Value (\$M)
Aug-23	Colwill Engineering	The Norlee Group	-
Aug-23	CMY Solutions, LLC	ICF International, Inc.	32.6
Jul-23	Bath Group, Inc.	Saber Power Services, LLC	-
May-23	Bird Electric Enterprises, LLC	Black & Veatch Holding Company	-
Apr-23	RA Electric, Inc.	SunGrid Solutions	-
Jan-23	Station Electric, Inc.	KVP Holdings, LLC	-
Jan-23	Borton-Lawson Engineering	Verdantas LLC	-
Dec-22	SGC Engineering	Magnolia River Services, Inc.	-
Oct-22	Infrastructure and Energy Alternatives, Inc.	MasTec, Inc.	1,060.6
May-22	American Power, LLC	GridTek Utility Services	-

## Select Transaction Spotlight



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