

Electrical Contracting INDUSTRY REPORT

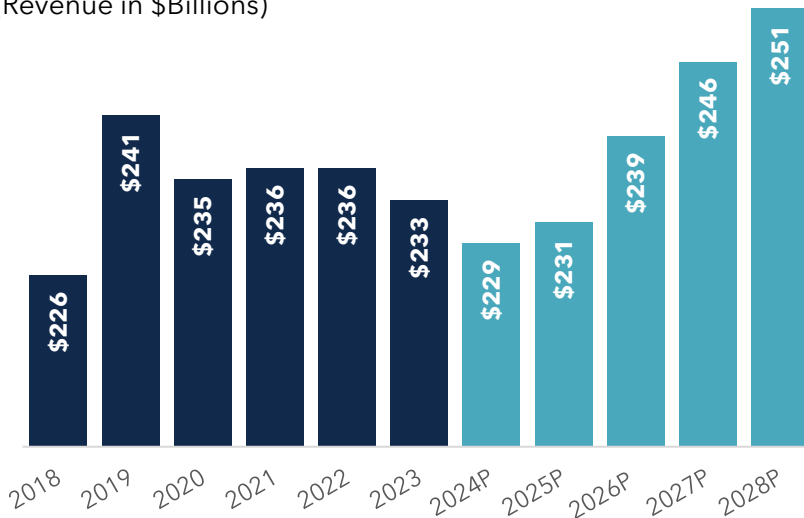


Through 2026, electrical contracting industry revenue is expected to grow modestly as the broader construction industry will benefit from stabilized interest rates and input costs such as material & labor costs. Nonresidential construction activity will remain strong through the forecast period, supported 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.

Key Trends

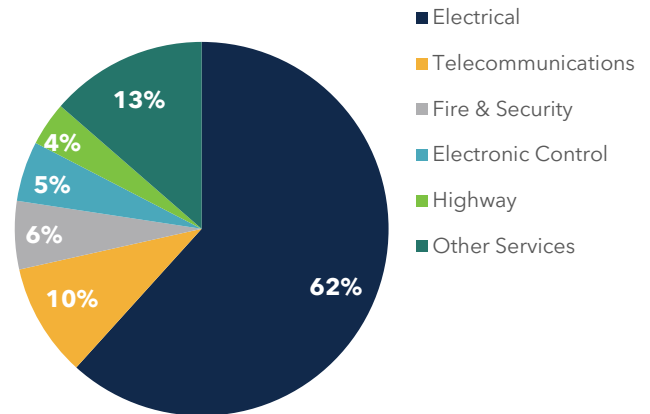
- » Total construction spending grew throughout 2023 but was dragged down by a lack of new infrastructure projects along with a continuing slide in homebuilding.⁽²⁾
- » Construction spending during November 2023 was estimated at an adjusted annual rate of \$2,050.1 billion, 0.4 percent above the October estimate \$2,042.5 billion. The November figure is 11.3 percent above the November 2022 estimate of \$1,842.2 billion.⁽¹⁾
- » Skilled labor has become increasingly 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.⁽⁴⁾
- » The electrical contracting industry continues to be very fragmented, as no player accounts for more than 5.0% of total industry revenue.⁽⁴⁾

Electrical Contracting Market Size⁽⁴⁾ (Revenue in \$Billions)




Sources: (1) US Census Bureau, (2) Associated General Contractors of America, (3) Associated Builders and Contractors, (4) IBISWorld, (5) Dodge Construction Network (6) Associated Builders and Contractors

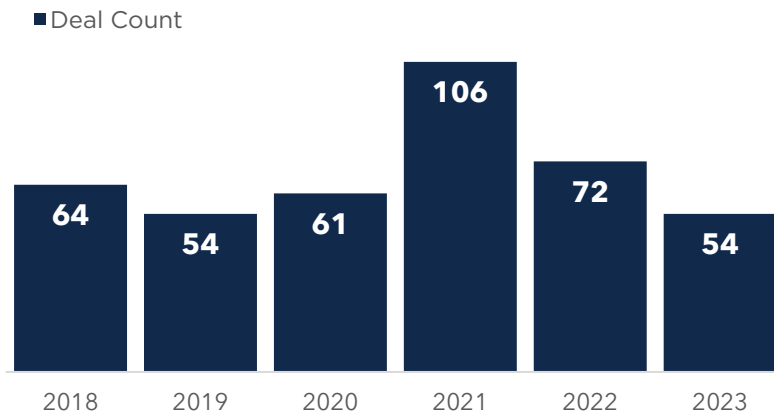
2023 Revenue by Segment⁽⁴⁾



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⁽⁴⁾
-  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⁽⁵⁾
-  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⁽⁶⁾
-  The Southeast and Mountain regions lead the U.S. in Non-Residential Construction growing at 24.3% and 56.7%, respectively in 2022⁽¹⁾

Electrical Contractor M&A Activity



Source: S&P Capital IQ

M&A Driver and Value 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-Backed Acquirers

RIDGEMONT EQUITY PARTNERS



HURON CAPITAL PARTNERS



HASTINGS EQUITY PARTNERS



MAIN STREET CAPITAL CORPORATION



WESTVIEW CAPITAL PARTNERS



ONE ROCK CAPITAL PARTNERS










Select 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

Source: S&P Capital IQ, Cascade Partners Proprietary database

Select Transaction Spotlight

Sell-Side Advisor	Financing	Financing & Buy-Side Advisor
 has been acquired by  a portfolio company of 	 PACIFIC POWER & SYSTEMS has completed a minority recapitalization and acquisition financing with 	 NORLEE GROUP has acquired 

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