Electrical Transmission & Distribution Services

INDUSTRY REPORT

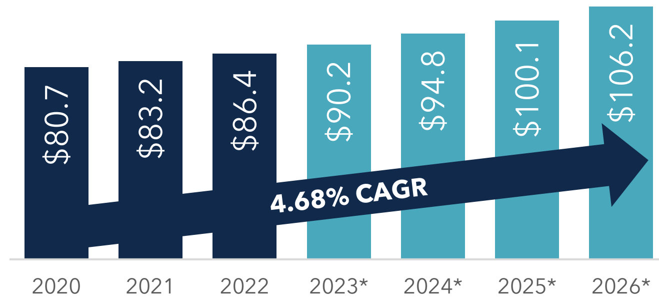
Electrical Transmission and Distribution (T&D) networks in the U.S. require significant improvement to enhance reliability and accommodate an increasingly complex energy ecosystem. Meeting rising demand and emerging climate goals will be more difficult and increasingly expensive if the U.S. does not move quickly to modernize its electricity grid.

Key Trends

- **Expansion Needs:** The U.S. Department of Energy estimates a 60% expansion of the domestic electricity transmission network Is required by 2030.(1) This expansion is essential to handle the expected increase in electricity demand and integrate renewable energy sources. Without this expansion, the current grid infrastructure will be unable to support the projected load, leading to potential blackouts and inefficiencies in energy distribution.(2)
- **Federal Funding:** The Bipartisan Infrastructure Law allocates $13B for grid modernization, with an additional $2.3B for grid resilience investments for states and municipalities.(3)
- **Climate Resilience:** Nearly 30% of the U.S.'s billion-dollar climate and weather disasters since 1980 have occurred in the last five years.(4) As shown in Florida after Hurricane Ian, investment in grid hardening can drastically reduce repair costs and downtime.(5)
- **Long-Term Contracts and Public-Private Partnerships:** Increased prevalence of long-term contracts and public-private partnerships with utilities ensure steady revenue streams and diversified risks. (6)(7)
- **Technological Adoption:** Growing use of drones, AI-driven logistics, and telematics for fleet management improves operational efficiency.
- **Aggregator and Broker Growth:** The number of aggregators and business brokers directing relationships and project-based work to infrastructure services companies is growing. These intermediaries facilitate connections between service providers and clients, helping to streamline project management and improve access to resources. This trend particularly benefits smaller companies seeking to expand their market presence and compete with larger firms.

T&D Market Revenue Forecast(11)

($Billions); *indicates projections



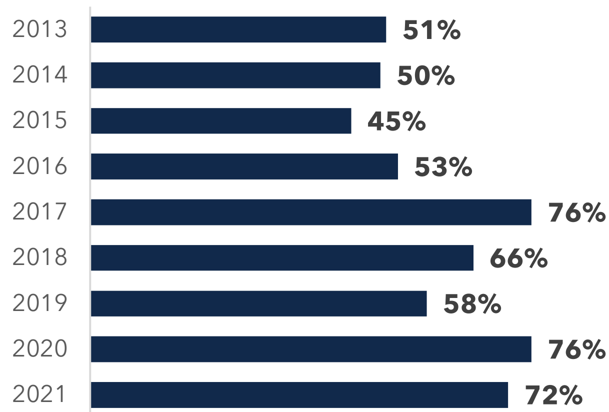
Key Statistics

40+ years, the average age of large power transformers which handle 90% of U.S. electricity flow; lifespan is typically 50 years(13)

$260-350B expected investment to upgrade existing and build new transmission infrastructure between 2023 and 2030(8)

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

Increasing Frequency and Duration of Power Outages (5)

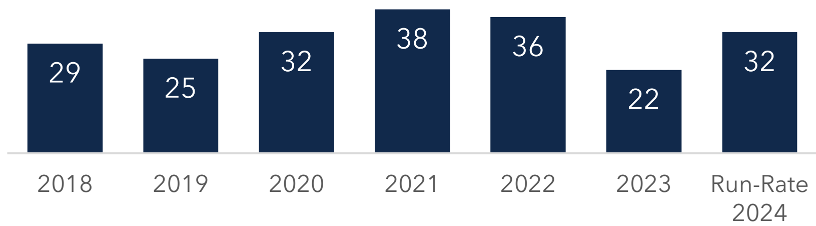


(1) Utility Dive; (2) CNBC; (3) The US Department of Energy; (4) National Centers for Environmental Information – National Oceanic and Atmospheric Administration; (5) EIA; (6) Grid Strategies Report on Transmission Congestion Costs in the U.S. – July 2023; (7) POWERGRID International; (8) Deloitte; (9) Wilson Quarterly; (10) The Edison Electric Institute (EEI)+; (11) Statista; (12) Capital IQ; (13) Reuters

Investor Interest

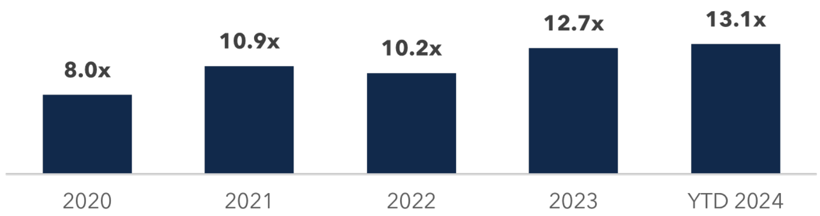
Established players aim to grow revenue and capabilities. Electrification drives interest in energy infrastructure contractors. Strong demand for quality assets boosts valuations. Macroeconomic factors and key trends enhance investor interest and competitive M&A dynamics in the T&D sector.

U.S. T&D M&A Deal Count[12]



All-Time High Valuation Multiples[12]

Median TEV/EBITDA (as of July 2024) for Select Public Companies



M&A Driver Considerations

Key factors driving recent M&A transactions include:

- **Energy Management Partnerships:** Need for complementary services to meet demand.
- **Emerging Investment Areas:** Opportunities in EV charging, distributed generation, and energy forecasting.
- **T&D Capacity Expansion:** Acquisitions to enhance engineering, procurement, and construction capabilities.

Select Private Equity Groups

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	Peninsula Capital Partners L.L.C. / Pillsman Partners	Strain Electric

Select M&A Activity[12]

Date	Target	Acquirer
Jul-24	Xtreme Powerline	Aecon
Jun-24	Unison Energy	Tiger Infra. Partners
Apr-24	Sherman & Reilly	Quanta Services
Feb-24	Evergreen NA Industrial Services	Quanta Services
Jan-24	Rivercrest Power Holdings	Six One Commodities
Aug-23	Colwill Engineering	The Norlee Group
Aug-23	CMY Solutions, LLC	ICF International, Inc.
Jul-23	Bath Group, Inc.	Saber Power Services, LLC
May-23	Bird Electric Enterprises, LLC	Black & Veatch Holding Company

Select Transaction Spotlight

Sell-Side Advisor
Xtreme Powerline Construction has sold a majority interest to Aecon (Aecon Utilities), an Oaktree Capital portfolio company (Oaktree)

Financing & Buy-Side Advisor
NLG Norlee Group has acquired Colwill Engineering

Sell-Side Advisor
Pipetek Infrastructure Services has been acquired by Duke's (Rooted in Innovation), a portfolio company of Comvest Partners

Financing
PPS Pacific Power & Systems has completed a minority recapitalization and acquisition financing with WhiteWolf Capital LLC

Sell-Side Advisor
UIS Underground Infrastructure Services has been acquired by Duke's (Rooted in Innovation), a portfolio company of Comvest Partners

Financing
PPS Pacific Power & Systems has secured follow-on financing for accelerated growth from WhiteWolf Capital LLC

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