



UTILITY SERVICES SECTOR BRIEF

Q2 2024

HW Harris Williams

HW MARKET INSIGHTS

Supply



Renewables

- The U.S. added **33.8 GW** of utility-scale renewable energy projects last year, the highest amount on record, bringing the total renewable capacity on the grid to **262 GW**

Demand

Data Centers & Artificial Intelligence



- By 2026, data centers are expected to consume **1,000 terawatt hours of electricity** globally, more than **double 2022 levels**
- The U.S. is experiencing **rapidly growing electricity demand** for the first time in decades, primarily driven by data centers



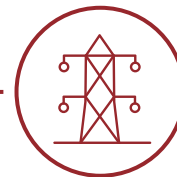
Aging Infrastructure

- U.S. annual cost of power outages due to aging infrastructure is **\$150B**
- Needed infrastructure investment to harden the U.S. grid is **\$637B**

Regulations

Federal Energy Regulatory Commission

- In May of 2024, FERC issued Order No. 1920, requiring the nation's transmission providers to produce regional, **20-year transmission plans** to ensure long-term grid reliability
- Largest demand drivers include data centers, onshoring and industrial electrification, transportation electrification, building electrification, and crypto mining, which will require an additional **~80 GW in capacity by 2030**



Transmission

- An estimated **2.3%** annual increase in transmission capacity is needed to avoid a constrained transmission scenario in which half of the potential emissions reductions from the IRA are unable to be delivered
- By 2035, it is estimated that the U.S. will need to add **~75,000** miles of high-voltage transmission lines

WHAT WE'RE READING

Transmission Planning Reforms Finalized in FERC Order No. 1920

"Historically, incumbent electric utilities subject to FERC oversight have modeled and built transmission in a siloed fashion; long-distance lines were typically eschewed in favor of smaller, local lines that would satisfy short-term reliability requirements and bolster transmission capacity within the footprint of that utility.

"It is important to note that FERC contemplated this rulemaking as an effort to synergize disparate state policies, clarify cost allocation assignments, and improve existing processes to promote cooperation across borders. Stated plainly, the final rule is not a new federal policy mandate or amendment to law; it aims to apply a consistent set of methodologies and principles across the seven regions under its jurisdiction."

Read Here: [White & Case](#)

AI Could Drive a Natural Gas Boom as Power Companies Face Surging Electricity Demand

"AI data centers alone are expected to add about 323 terawatt hours of electricity demand in the U.S. by 2030, according to Wells Fargo. The forecast power demand from AI alone is seven times greater than New York City's current annual electricity consumption of 48 terawatt hours. Goldman Sachs projects that data centers will represent 8% of total U.S. electricity consumption by the end of the decade.

"The primary use of these data centers is big tech, and I believe they're beginning to recognize the role that natural gas and nuclear must play," (Richard) Kinder said. ... Kinder Morgan is the largest natural gas pipeline operator in the U.S. with 40% market share. Natural gas is expected to supply 60% of the power demand growth from AI and data centers, while renewables will provide the remaining 40%, according to Goldman Sachs' report published in April."

Read Here: [CNBC](#)

For AI, a Few Seconds of Power Becomes a Booming Business

"The data-center building boom is underpinned by a basic requirement: never, ever, lose power. The race to power new artificial-intelligence models and keep internet and mobile services humming around the clock is creating a windfall for the makers of the generators and battery systems that are crucial to keeping power flowing through thunderstorms and grid failures.

"The usually staid market for outfitting data centers with generators, batteries, transformers and other electrical gear is being supercharged by the build-out. Companies including electric equipment makers Eaton, ABB, Schneider Electric and generator manufacturers Caterpillar and Cummins attribute rising electrical equipment sales to data centers' expansion."

Read Here: [The Wall Street Journal](#)

Grid Operators Fail to Effectively Use Interregional Ties, Increasing Costs, Hurting Reliability: NREL

"U.S. utilities and grid operators are failing to take full advantage of transmission interconnections between regions, leading to higher electricity costs and potentially reduced grid reliability, according to researchers from the National Renewable Energy Laboratory.

"Long-term, 'transformative' options for improving interregional transmission include conducting nationwide interregional transmission planning and creating a national grid operator to oversee network planning, scheduling and resource adequacy, according to the report.

"While the report focuses on the existing transmission system, it has implications for transmission investments, the researchers said. Among the barriers to fully using interconnections between grid operators, U.S. transmission owners and operators have limited operational awareness to anticipate when large power transfers are needed, according to the report."

Read Here: [Utility Dive](#)

Recent Harris Williams Industry Content

Impact of Presidential Elections on M&A Activity



[Link to Read](#)

"While distractions are a certainty, our analysis shows limited sustained impacts to U.S. M&A from the presidential election cycle.

"The public markets are performing well, interest rates appear to have stabilized, and private equity groups are eager to put money to work in high-quality businesses while returning capital to their investors by exiting mature investments."

SELECT UTILITY SERVICES M&A TRANSACTIONS

Completed June 12, 2024



Pike Corporation has acquired the Power Delivery Group of United Engineers & Constructors

- Pike Corporation, based in Mt. Airy, North Carolina, is a leading provider of infrastructure engineering and construction services including electric distribution, transmission and substation, civil/right of way/vegetation management, renewables and distributed energy resources, telecommunications, and gas distribution services.
- United Engineers & Constructors, based in Laurel, New Jersey, is an industry-leading provider of infrastructure engineering, procurement, construction, and consulting services

Completed June 7, 2024



Leading Infrastructure Fund has acquired GridTek

- GridTek, based in Melbourne, Florida, provides utility maintenance services to investor-owned and municipal utilities, as well as telecom service providers in the Southeast, mid-Atlantic, and Southwest regions.

 Transaction

Announced June 6, 2024



Blackstone will acquire SEDIVER Parent Company SEVES Group

- Blackstone, based in New York, New York, is the world's largest private equity firm that invests across industries and size profiles.
- SEDIVER, headquartered in Île-de-France, supplies and manufactures toughened glass insulators, a mission-critical element of the electric transmission grid.

Announced June 6, 2024



nVent will acquire Trachte

- nVent, based in London, United Kingdom, is a leading global provider of electrical connection and protection solutions and a comprehensive range of enclosures, electrical connections and fastening, and thermal management solutions across industry-leading brands.
- Trachte is a leading provider of easy-deployment, application-engineered protection and control buildings and is based in Sun Prairie, Wisconsin.

 Transaction

Completed May 28, 2024




Asplundh has acquired Voltyx

- Asplundh, based in Willow Grove, Pennsylvania, provides an extensive range of vegetation management, engineering, and utility infrastructure services to utilities, municipalities, and other commercial and industrial customers.
- Based in Nashville, Tennessee, Voltyx specializes in highly technical electric infrastructure services, including design and engineering, testing and commissioning, and repair and maintenance services to customers across utility, renewable energy, data center, and commercial and industrial markets.

 Transaction

UTILITY SERVICES PUBLIC COMPANY OUTLOOK

Company	Key Takeaway	Earnings Call Excerpts
	Dycom cited increased demand for operations and maintenance services as the continued deployment of wireline and wireless networks significantly increase the amount of network that must be maintained	<p><i>"Today, major industry participants are constructing or upgrading significant wireline networks across broad sections of the country. These wireline networks are generally designed to provision gigabit network speeds to individual consumers and businesses either directly or wirelessly using 5G technologies. Industry participants have stated their belief that a single high-capacity fiber network can most cost-effectively deliver services to both consumers and businesses, enabling multiple revenue streams from a single investment."</i></p> <p>— Steven Nielsen, Chairman, President and CEO, May 22, 2024</p>
	MasTec pointed to data centers as a key piece of its growth story, as the necessary load growth and build-out drive the need for its services across business lines	<p><i>"I believe the most successful companies in our space are those that have the scale to meet our customers' demands. Our customers' projects have significantly increased in size, scope, and complexity. And there is no question that our customers want to simplify and work with less partners. ...Our biggest accomplishment has been to position ourselves as one of only a few partners that skewed throughout our industry as a partner whose workforce, size, and scale affords us the capabilities to take on any project."</i></p> <p>— Jose Ramon Mas, CEO and Director, May 3, 2024</p>
	MYR cited increased demand for expanding and upgrading infrastructure as drivers of growth, supported by relationships with core, recurring customers	<p><i>"We continue to focus on long-term MSA customers and supporting their needs. This is evident by a recent renewal of an existing alliance in our Western operations and the award of an exciting new MSA for major utility in the Midwest. Additionally, substation, transmission, and distribution work remains active across the country with numerous subsidiaries being awarded projects. To conclude, our consistent focus on safety and project execution has enabled us to expand our customer relationships while strategically pursuing new opportunities."</i></p> <p>— Richard Swartz, CEO and Director, May 2, 2024</p>
	Primoris outlined its strategy to expand on high-growth markets, such as renewables and power delivery, while maintaining consistent execution in its foundational business lines to prioritize profitable growth	<p><i>"The transition to lower carbon-emitting sources of energy is driving increased adoption of solar power generation, as well as natural gas generation to replace retiring coal plants and help bridge the energy transition. There is also a growing demand for electricity that is being driven by new facility construction, including data centers and chip manufacturing, which are supporting emerging technologies, and we're adding critical component production capacity closer to the U.S."</i></p> <p>— Tom McCormick, CEO, President and Director, May 9, 2024</p>
	Quanta underscored that its capabilities and strategic approach help prime the company to benefit from powerful market tailwinds.	<p><i>"Utilities across the United States are experiencing and forecasting meaningful increases in power demand for the first time in many years, driven by the adoption of new technologies and related infrastructure, including artificial intelligence and data centers, as well as federal and state policies that are designed to accelerate the energy transition, and policies intended to strategically reinforce domestic manufacturing and supply chain resources... Our collaborative solution-based approach is valued by our clients more than ever."</i></p> <p>— Duke Austin, President and CEO, May 2, 2024</p>

UTILITY SERVICES PUBLIC COMPANY VALUATIONS

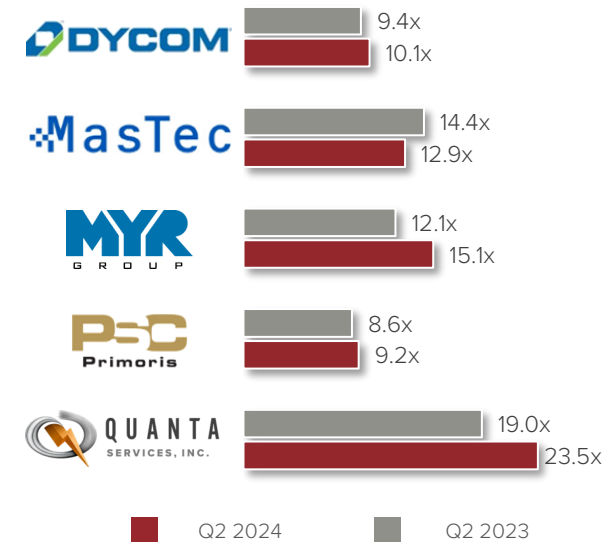
LTM EV / EBITDA MULTIPLE

(Median of Dycom Industries, MasTec, MYR Group, Primoris Services, and Quanta Services)

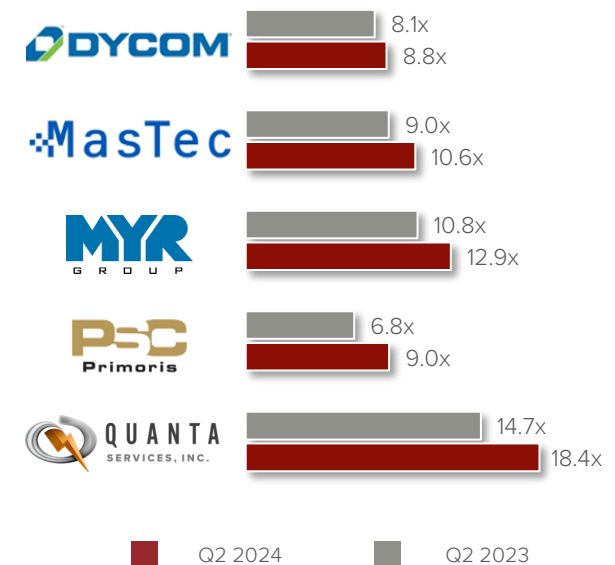


Source: CapIQ Consensus Estimate

EV / LTM EBITDA MULTIPLE

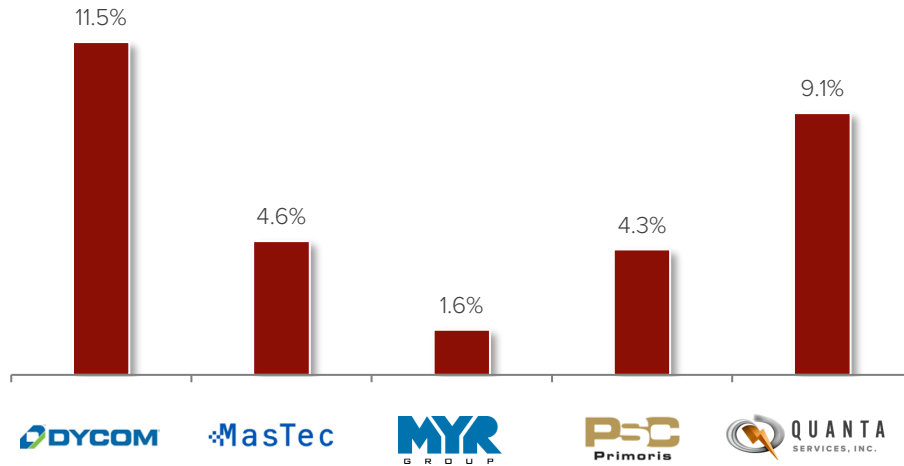


EV / NTM EBITDA MULTIPLE

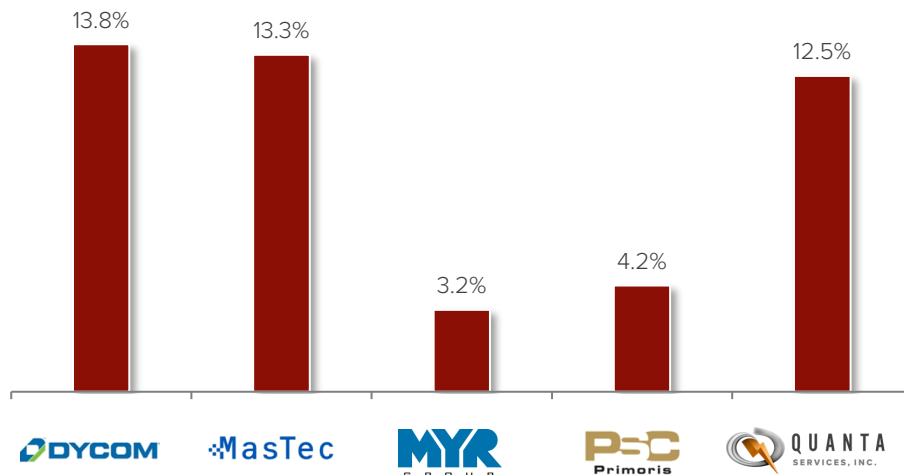


UTILITY SERVICES PUBLIC COMPANY BENCHMARKING

NTM REVENUE GROWTH FORECAST

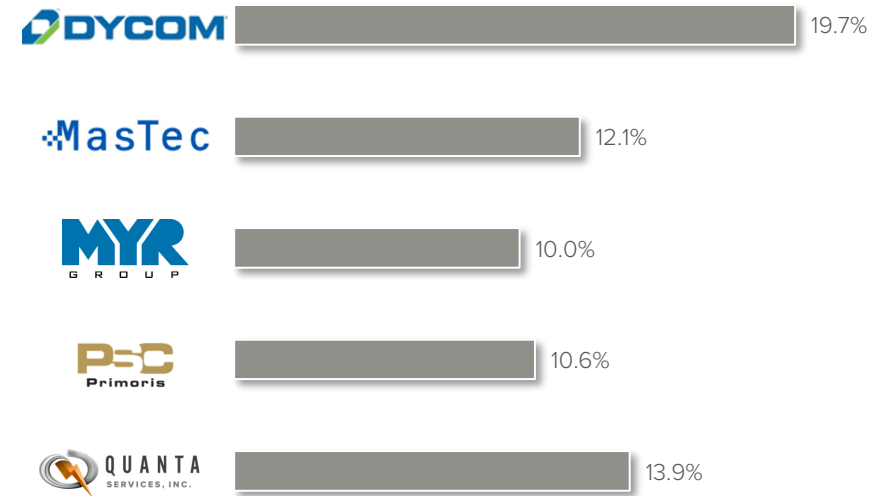


NTM EBITDA GROWTH FORECAST

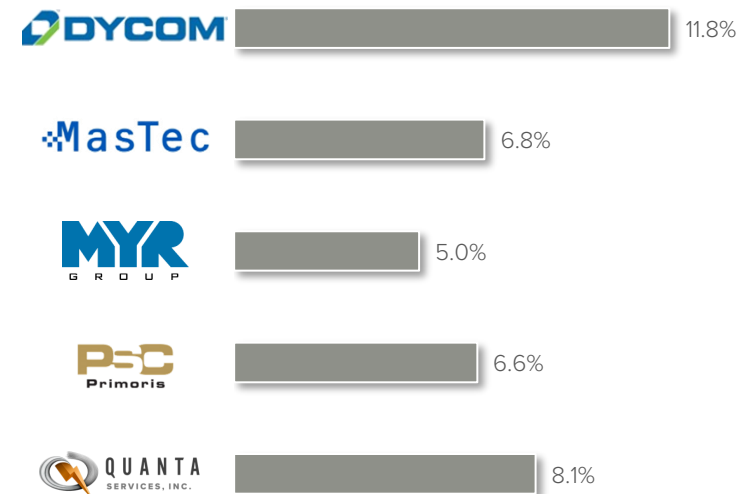


Source: CapIQ Consensus Estimate

LTM GROSS PROFIT MARGIN



LTM EBITDA MARGIN



ENERGY, POWER & INFRASTRUCTURE GROUP

Sector Coverage Areas

- Utility Services
- Testing, Inspection, Compliance & Certification
- Environmental Services
- Energy Management
- Renewables & Distributed Energy
- Infrastructure Services
- Oil Field Services
- Power, Equipment & Technology
- Engineering & Construction
- Telecommunications

Utility Services Focus Areas

- Electric Transmission & Distribution
- Gas Transmission & Distribution
- Substation Construction, Maintenance & Testing
- Distributed & Renewable Energy
- Power Products
- Telecommunication

Additional Recent Content

- [Power Components White Paper](#)
- [Vegetation Management White Paper](#)
- [Utility T&D White Paper](#)

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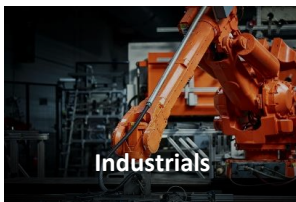
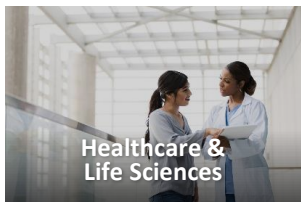
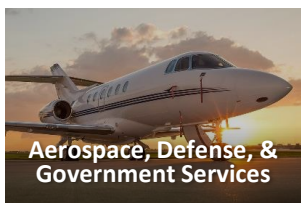
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Managing Directors promoted from within

30+

Year history

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