



UTILITY SERVICES

QUARTERLY SECTOR REVIEW, Q1 2022

HW Harris Williams

SELECT UTILITY SERVICES M&A TRANSACTIONS

Announced January 1 – March 3, 2022



Centerline Communications has agreed to acquire STC Netcom, Leaf Communications, J5 Infrastructure, and Maicom

- STC Netcom provides construction, implementation, and maintenance on antenna structures and towers
- Leaf provides site acquisition and A&E design, small cell, construction management, and inbuilding network services
- J5 provides turnkey deployment services to top wireless carriers across the Western U.S.
- Maicom provides development and maintenance services for critical network facilities and network infrastructure

Completed February 22, 2022



Thayer Power and Communication has acquired Heartland Solutions Corp.

- Heartland Solutions Corp. offers a range of communications construction and contracting services
- Thayer Power and Communication is a leading provider of repair, maintenance, and infrastructure upgrade services for the electrical utility and telecommunications industries

Completed January 11, 2022



Audax Group has acquired Centerline Communications

- Centerline Communications provides turnkey wireless telecommunications infrastructure services to carriers, equipment suppliers, and tower operators
- Audax Group is a private equity firm based in Boston, MA, that invests across a broad spectrum of industries and is known for scaling its investments through acquisitions

Completed January 4, 2022



MYR Group has acquired Powerline Plus

- Powerline Plus is a full-service electrical distribution construction company headquartered in Toronto, Ontario
- MYR Group is a leading specialty contractor of services for the electric utility infrastructure, commercial, and industrial construction markets in the U.S. and Canada

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Recent Publications
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[HW Telecom White Paper](#)

SELECT UTILITY SERVICES M&A TRANSACTIONS

Closed December 30, 2021

MasTec



MasTec has acquired Henkels & McCoy

- Henkels & McCoy is a provider of infrastructure construction, design, and engineering services to the power, oil & gas pipeline, gas distribution, and communications markets
- MasTec is a provider of infrastructure engineering and construction services internationally, based out of Coral Gables, FL

Closed December 16, 2021

INVESTCORP



Investcorp has acquired Resa Power

- Resa Power is a premier provider of national solutions to address critical requirements for power system safety, reliability, operability, and efficiency
- Investcorp is a leading global manager of alternative assets focusing on private equity, real estate, absolute return investments, infrastructure, credit management, and strategic capital



Completed December 3, 2021



H.I.G. Capital has acquired Time Manufacturing Company

- Time Manufacturing Company manufactures bucket trucks, digger derricks, cable placers, truck bodies, buckets, and other specialty equipment for the telecommunications, infrastructure, bridge inspection, tree care, and other fleet-supported industries
- H.I.G. Capital is a leading alternative investment firm with offices across the globe and over \$45 billion in capital under management, providing debt and equity to middle-market companies

Completed December 1, 2021



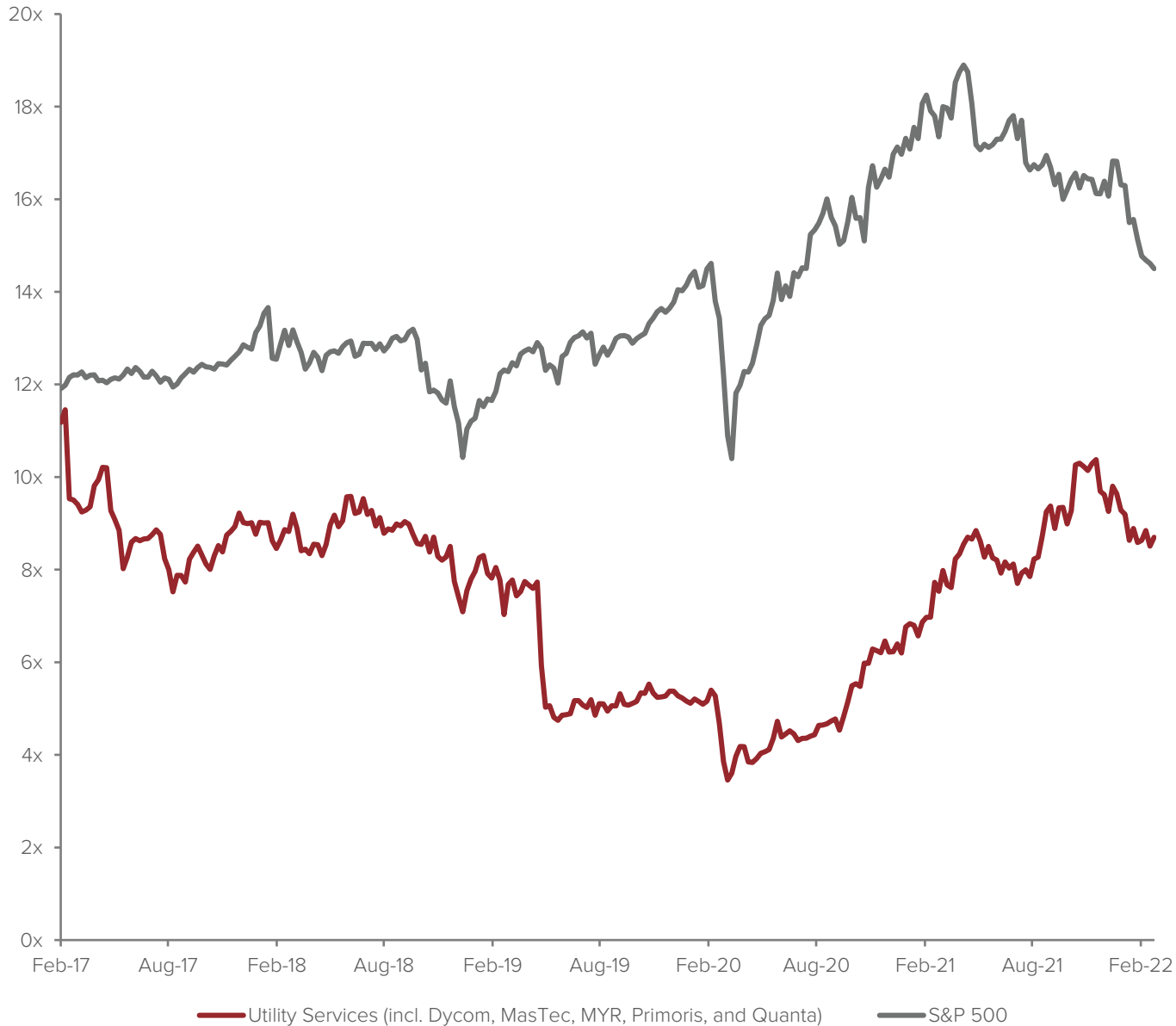
Windjammer Capital has acquired Paragon Energy Solutions

- Paragon Energy Solutions is a U.S.-based provider of critical parts and services for existing utility nuclear power generation facilities
- Windjammer Capital is a private equity firm that focusses on investing in high-quality middle market companies in the niche manufacturing, business services, and value-added distribution industries

UTILITY SERVICES PUBLIC COMPANY VALUATIONS

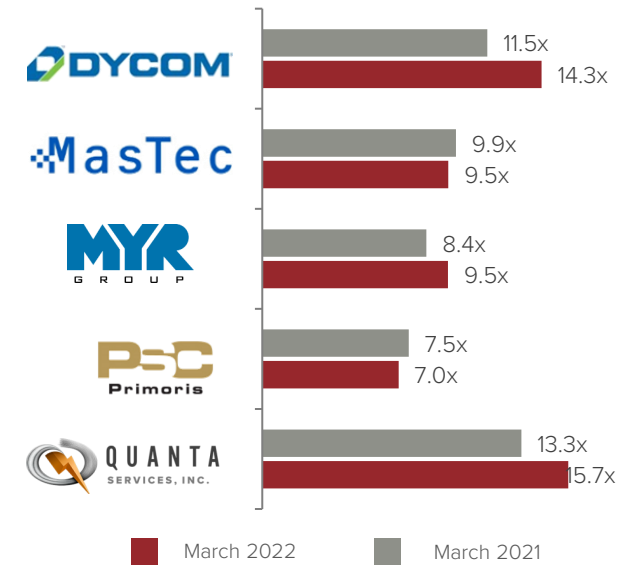
LTM EV / EBITDA MULTIPLE

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

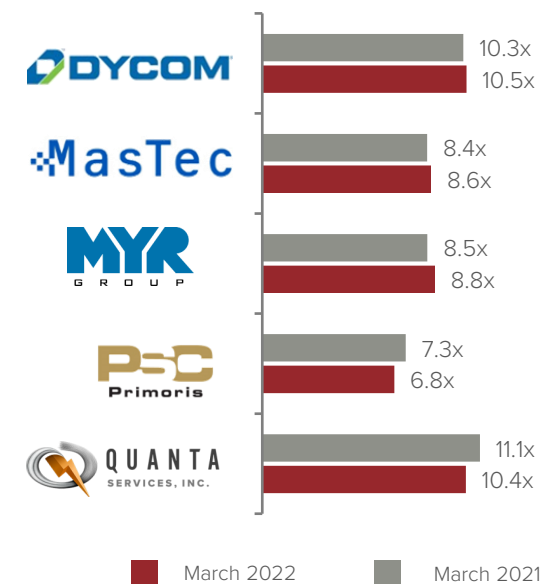


Source: CapIQ Consensus Estimate

EV / LTM EBITDA MULTIPLE

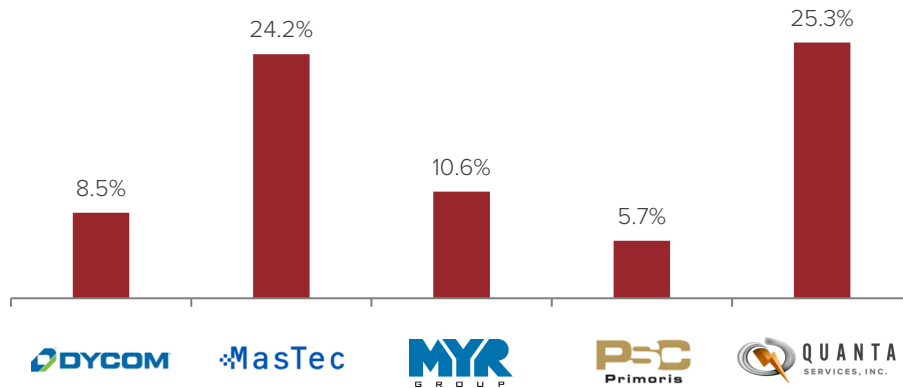


EV / NTM EBITDA MULTIPLE

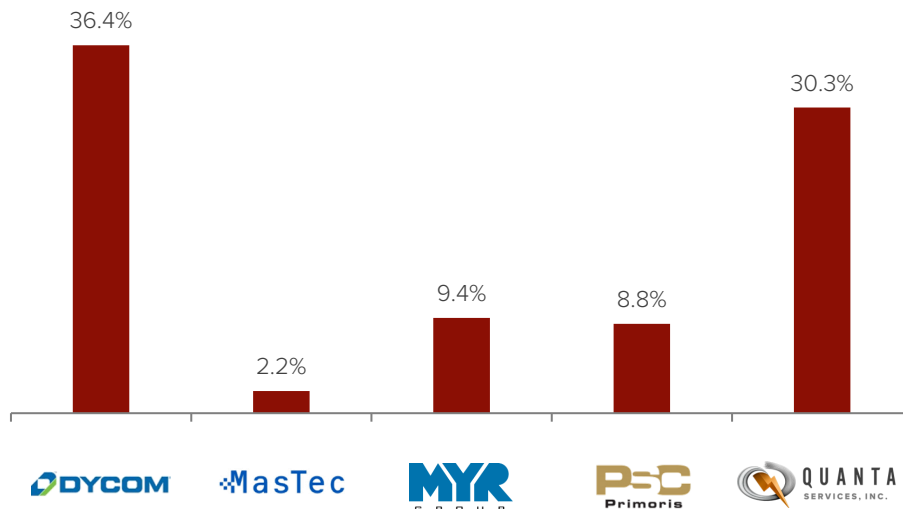


UTILITY SERVICES PUBLIC COMPANY BENCHMARKING

NTM REVENUE GROWTH FORECAST



NTM EBITDA GROWTH FORECAST

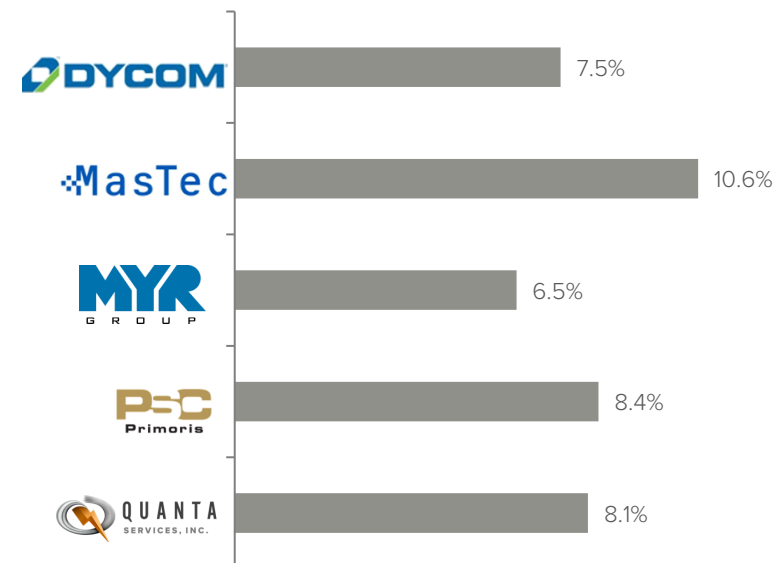


Source: CapIQ Consensus Estimate

GROSS PROFIT MARGIN



LTM EBITDA MARGIN



WHAT WE'RE READING

How Utilities Can Improve Their Decarbonization Strategies for 2022 and Beyond

"Utilities are increasingly placed on the front lines of climate change. As the U.S. government forges federal policy and program solutions to address climate, many utilities are working with state regulators and stakeholders to reduce greenhouse gas emissions, even as they are forced to navigate climate change impacts through extreme wildfire, hurricane, heat, flood and drought conditions. The term 'decarbonization' has evolved to embrace the range of strategies utilities are developing in this context."

"There is no 'silver bullet' solution to decarbonizing the massive and complex U.S. economy or its energy systems; no single strategy can accommodate all interests while providing affordable, reliable and resilient energy services for all. Yet, there are promising options that a given utility can tailor into portfolios that meet decarbonization goals and make sense for their customer mix, their geography, and their policy environment."

Read Here: [PowerGrid International](#)

Are Transmission Cost Allocation Rules Keeping Low-Cost Renewable Power off the Grid?

"In its January 2021 Executive Order, Tackling the Climate Crisis at Home and Abroad, the Biden administration established a 15-year timeframe to clean the U.S. energy grid. However, major stakeholders—including large utilities and independent power producers—refer to the goal of achieving 100% clean energy by 2035 as overly ambitious. There seems to be a consensus that technological breakthroughs may not materialize in time to meet the 2035 timeline. An equally formidable challenge will be to get the right policy, planning, and cost allocation mechanisms in place to enable deployment of large-scale transmission necessary to reliably move clean energy from places where it's produced to places where it's needed most."

Read Here: [ICF](#)

Can Quebec's Dams Power New York City? Blackstone Is Betting \$4.5 Billion on It.

"Construction is expected to begin this spring on one of the largest renewable energy projects in New York since Niagara Falls was harnessed for hydropower more than a half-century ago."

"By late 2025, a 339-mile high-voltage transmission line is expected to deliver enough hydropower from Quebec's remote forests to supply about 20% of New York City's needs. The first electricity will finally flow 17 years after developers set out to bury a power line along the bottoms of Lake Champlain and the Hudson River, assuming they clear one last regulatory hurdle and encounter no further challenges. Opponents still have concerns about the project's environmental impacts."

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

Along Those Lines: How Electric Co-ops Are Navigating the Energy Transition

"The electric industry is facing one of the most challenging and disruptive times in its history as changes in policy, energy markets and consumer expectations drive fundamental changes in how utilities generate and deliver electricity."

"Electric cooperatives recognized this trend more than a decade ago and have been adding wind and solar to their generation portfolios as well as leading innovation in the development of microgrids and carbon capture and sequestration. Today, increasing social, economic and political pressure to accelerate the timeline for this transition is causing concern among electric co-ops and other utilities over how it will affect their ability to reliably and affordably provide electricity."

Read Here: [NRECA](#)

Southwest Gas Holdings Announces Decision to Separate Centuri, Creating Two Focused, Independent Companies to Unlock Value for Stockholders

"LAS VEGAS, March 1, 2022 /PRNewswire/ -- Southwest Gas Holdings, Inc. (NYSE: SWX) ('Southwest Gas' or the 'Company') today announced that its Board of Directors has unanimously decided to separate its wholly-owned subsidiary, Centuri Group, Inc. ('Centuri'), from the Company. The separation is expected to occur within the next 9 to 12 months."

"As a standalone, independent company, Centuri, an unregulated utility services platform diversified across the U.S. and Canada, will be an industry leader at the forefront of infrastructure modernization. Centuri is positioned to support the energy transition given its extensive infrastructure capabilities and attractive blue-chip customer base comprised of a diverse range of utilities. The separation will transform Southwest Gas into a fully regulated natural gas business, distributing natural gas to customers and communities across its growing service areas in Arizona, Nevada and California."

Read Here: [PRNewswire](#)

UTILITY SERVICES PUBLIC COMPANY OUTLOOK

Company	Key Takeaway	Earnings Call Excerpts
	<p>Dycom cited the influx of capital to be provided by the Infrastructure Investment and Jobs Act as a key tailwind for the industry</p>	<p>“Increasing access to high-capacity telecommunications continues to be crucial to society especially in rural America. The Infrastructure Investment and Jobs Act includes over \$40 billion for the construction of rural communications networks in unserved and underserved areas across the country. This represents an unprecedented level of support. In addition, an increasing number of states are commencing programs that will provide funding for telecommunications networks, even prior to initiation of funding under the Infrastructure Act.”</p> <p>- Steven Nielsen, Chairman, President & CEO, March 2, 2022</p>
	<p>In spite of a record year for both revenue and EBITDA, MasTec referenced supply chain disruptions and inflation as headwinds that held back what could have been an even stronger performance</p>	<p>“With that said, we were impacted by both inflation and supply chain issues in our business. Revenue would have been higher and was impacted by delayed material availability causing project delays, primarily in our Communications and Clean Energy segments. I'd also like to point out that our fourth quarter EBITDA was achieved despite a year-over-year Oil and Gas EBITDA reduction of nearly \$115 million.”</p> <p>- Jose Ramon Mas, CEO & Director, February 25, 2022</p>
	<p>MYR acknowledged the challenges of a tight labor market right now, but also that it felt given its status as an employer of choice, and the longer duration of jobs, it has been able to manage the challenges of employee turnover</p>	<p>“It's competitive out there right now. But a majority of our projects being in that 3- to 6-month range with the acceptance of some of the medium-sized and large-sized projects, we're able to price in what it takes to be competitive as well as to make sure that our employees are satisfied. But I don't want anyone to think that it's not something we worked on constantly. Recruiting, employee retention are 2 big drivers for us, and that's why our focus on safety and training is so important. Our employees really appreciate that, and it tends to curb some of that jumping around from contractor to contractor at least for us.”</p> <p>- Todd Cooper, Senior VP & COO of Transmission & Distribution, February 24, 2022</p>
	<p>PSC cited strong secular tailwinds as drivers for the Company's ongoing shift in revenue mix from conventional energy and civil infrastructure to renewable energy, electric grid transformation, and communications</p>	<p>“Wood Mackenzie reports that solar continues to make up the largest share of new generation capacity in the U.S. It accounted for more than 50% of all new electricity-generating capacity additions in the first 3 quarters of 2021. Utility-scale solar should continue to grow at double digits under the current policy environment. And we are already beginning to feel the future potential of this. Fiber broadband has an equally strong outlook. The Fiber Broadband Association predicts that we will see the largest fiber CapEx cycle in history as the number of potential fiber customers more than double over the next 5 years.”</p> <p>- Tom McCormick, CEO, President & Director, March 1, 2022</p>
	<p>Quanta highlighted acquisitions as a key opportunity to help grow, advance strategic initiatives, and increase self-performance capabilities</p>	<p>“In addition to the acquisition of Blattner, we invested approximately \$350 million in strategic acquisitions of 9 high-quality companies, which primarily support our electric power and front-end service solutions. We believe the acquired companies are additive to our base business, advance our strategic initiatives and enhance our self-perform capabilities, which typically accounts for approximately 80% of our work and are key to providing cost certainty to our customers.”</p> <p>- Earl C. Austin, President, CEO & Director, February 24, 2022</p>

RECENT HARRIS WILLIAMS PUBLICATIONS

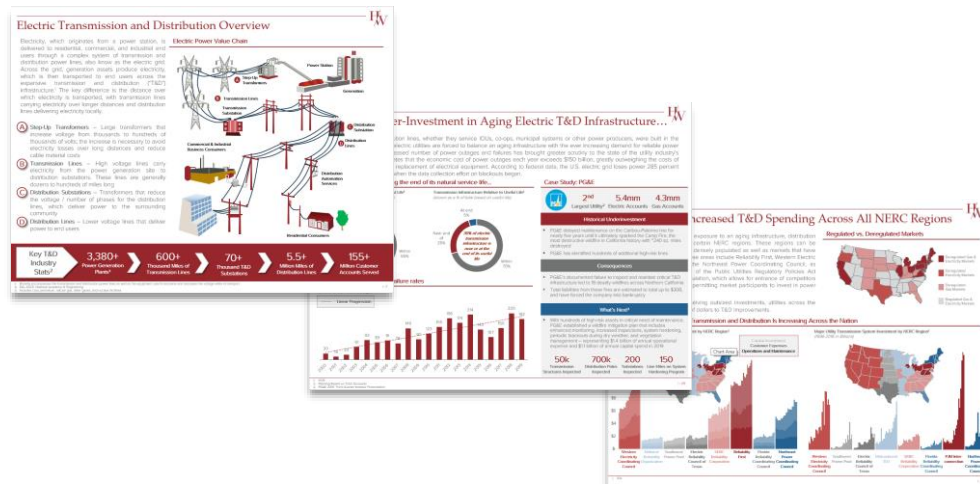
Utility Services Whitepaper: Transmission & Distribution Infrastructure

The North American Transmission & Distribution (“T&D”) industry is the backbone of the power system and is characterized by significant recurring investment in infrastructure. Fueled by the need to improve the reliability and capacity of the North American T&D network and by long-term regulatory requirements and secular tailwinds, utilities are making substantial investments to replace, upgrade, and expand new and existing T&D infrastructure. Outsourced utility service providers stand to benefit from the significant planned investment in electric and gas infrastructure.

Utility Services Whitepaper (View Article Here)

- The Current State of Electric & Gas Infrastructure
- Addressable Market Size, Key Growth Drivers and Outlook
- Public and Private Companies in Market Landscape
- Services Overview & Descriptions
- Key Considerations for Investors

Date Published: June 2020



Whitepaper: The Impact of 5G on Telecom

The telecommunications (“telecom”) industry is experiencing strong growth, primarily a result of the ongoing rollout of 5G. 5G mobile networks represent the next major phase of mobile telecom standards beyond the current 4G Long-Term Evolution standards. The technology associated with 5G is expected to usher in new service opportunities for mobile network operators as well as act as a catalyst that turns mobile into a robust and pervasive platform, one that fosters the emergence of new business models and transforms industries and economies around the globe.

Telecom Services Whitepaper (View Article Here)

- The Current State of Telecom Infrastructure
- Overview of 5G and Its Impacts on Broadband
- The Economic Impact of 5G and Outlook for Service Providers
- Segment Taxonomy and M&A History

Date Published: June 2020



HARRIS WILLIAMS OVERVIEW

GLOBAL ADVISORY PLATFORM

- Founded in 1991
- 10 dedicated industry groups
- 8 Global Offices



HW ENERGY, POWER & INFRASTRUCTURE GROUP: UTILITY SERVICES SUBSECTOR FOCUS AREAS

ELECTRIC TRANSMISSION & DISTRIBUTION

- Overhead Infrastructure Construction & Maintenance
- Underground Infrastructure Construction & Maintenance
- Substation Protection & Control Services
- Substation NETA Maintenance
- Electric Infrastructure Testing & Inspection

POWER PRODUCTS

- Component Manufacturing
- Power Product Distribution
- Equipment Refurbishment and Resale
- Customized Product Design and Manufacturing Services

GAS TRANSMISSION & DISTRIBUTION

- Gas Transmission Construction & Maintenance
- "Last Mile" Gas Distribution Construction & Maintenance
- Construction Management & Project Management Services
- Nondestructive Testing & Inspection Services
- Regulatory Compliance Services

TELECOMMUNICATIONS

- Tower Planning & Design Services
- Telecom Infrastructure Testing & Inspection
- Fulfillment & Installation Services
- Data Center Construction & Maintenance

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SELECT HARRIS WILLIAMS UTILITY SERVICES TRANSACTIONS

QUALTEK
a portfolio company of

BRIGHTSTAR
CAPITAL PARTNERS

has merged with

ROTHCH
Acquisition III Co.

INVESTCORP

has acquired

RESA POWER

RIGGS DISTEL
MECHANICAL-ELECTRICAL-PLUMBING

has been acquired by

CENTURI

tachyon

has been acquired by

NextEdge
NETWORKS

ArchKey
SOLUTIONS

has been acquired by

ONE ROCK
CAPITAL PARTNERS

ARTERA

has acquired

TRIPLE B
UTILITY SERVICES

QUALUS
POWER SERVICES

has been acquired by

NMC
NEW MOUNTAIN CAPITAL LLC

ARCLINE
INVESTMENT MANAGEMENT

has acquired

NASS **EPS**
NORTH AMERICAN SUBSTATION SERVICES Eastern Power Division

S P A R U S

has been acquired by

Ridgemont EQUITY PARTNERS™

AWP
AREA WIDE PROTECTIVE

has been acquired by

KOHLBERG
& COMPANY

ADB
COMPANIES

a subsidiary of

KEELEY

has been acquired by

WARREN
EQUITY PARTNERS

VEREGY

has been acquired by

COURT SQUARE

ARTERA

has acquired

M
MVERGE

FRANKLIN
ENERGY

has been acquired by

abry partners

SOLOMON
CORPORATION

has been acquired by

SUNBELT
Transformer

Osmose

has been acquired by

IEQT

POWERTEAM
SERVICES

has been acquired by

CLAYTON
DUBILIER
& RICE

PEAK
UTILITY SERVICES GROUP
"Expanding Frontiers"

has been acquired by

ORIX

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& INFRASTRUCTURE

SPECIALTY
DISTRIBUTION

TRANSPORTATION
& LOGISTICS

BUILDING PRODUCTS
& MATERIALS

CONSUMER

HEALTHCARE
& LIFE SCIENCES

INDUSTRIALS

TECHNOLOGY

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Sources

1. CapIQ

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