



UTILITY SERVICES

SECTOR BRIEF, Q4 2023

HW Harris Williams

Recent Harris Williams Publications

Power Components White Paper

The North American and European Transmission & Distribution (T&D) industry supplies equipment, services, and systems to help meet the growing need for reliable and affordable energy. Power components and equipment are the essential building blocks of the electrical grid. As utilities strive to enhance grid resiliency and support the rapid growth in electrification, the energy transition, and substantial growth in connectivity, they will invest billions of dollars annually to meet the increasingly complex needs of the grid.

Strong secular tailwinds support long-term, recession-resilient demand to maintain and upgrade existing electrical infrastructure, creating an expanding set of opportunities for investors.

Power Components White Paper (View Report)

- Significant capital requirements are necessary to support the rapidly evolving energy mix
- Unprecedented capital spending plans are playing out across the U.S. utilities landscape
- Increasingly complex grid dynamics centered around decentralization, bidirectional power, and generation variability drive continued demand
- An array of components are needed across the entire grid landscape, from generation to delivery

Published September 2023



Transformers: Industry Overview

The North American electricity grid's vast network of critical infrastructure is supported by millions of transformers, resulting in a highly stable transformer market. This market is poised for significant growth, particularly as federal investments in the development and implementation of renewable sources of energy increase, underpinning the ongoing support to create better and more efficient electricity infrastructure.

Several key market trends are expected to continue driving growth, including aging electrical infrastructure, grid hardening and modernization initiatives, expanding renewable distributed energy, and increasing demand from high-growth sectors, among many others.

Transformers: Industry Overview (View Report)

- Transformers are a fundamental part of the grid, and the market remains highly stable
- Market forces are accelerated by the energy transition
- Demand and supply imbalances emerged and will intensify
- New clean energy policies at the state and federal levels require new investments in infrastructure

Published March 2023



WHAT WE'RE READING

Utilities Investors Charge Up for Vegetation Management

"The utility vegetation management sector is fragmented, innovative, and facing surging demand. Dealmakers have an opportunity to invest in keeping the lights on and preventing wildfires."

"Severe weather knocks down power lines with alarming frequency, and vegetation management, grid hardening, and regular inspection of utility assets will remain top priorities for utilities and municipalities around the world for the foreseeable future." – [Thomas Saunders](#)

"Effective UVM is table stakes for utilities, particularly as public and government scrutiny mounts over energy companies' role in deadly wildfires."

Read Here: [Middle Market Growth](#)

Wildfire Risks in the U.S. Are Soaring. Here's What Utilities Can Do

"Aging assets, compounded by climate change, elevate wildfire risks. Diverse power systems complicate risk identification. Varied ownerships and regulations across jurisdictions further challenge standardized risk management, with many standards bypassing explicit wildfire mitigation."

"Grid hardening focuses on upgrading high-risk components, with higher-cost strategies like undergrounding used selectively. Investments can reduce PSPS frequency, scope, and duration, with technologies like emergency generators and microgrids offering localized solutions. Enhanced vegetation management, using tools like LIDAR and machine learning, aligns efforts with risk profiles."

Read Here: [Utility Dive](#)

Startup energyRe Raises \$1.2 Billion for Transmission Development, Renewables

"energyRe's diversified portfolio of renewable assets includes a development pipeline spanning 17 states and comprises more than 500 miles of high-voltage direct current (HVDC) transmission; 10.5 GW of solar, wind, and storage; and more than 155 MW of distributed generation."

"A firm agreement has been reached with Elia Group for the acquisition of a stake in a subsidiary of energyRe: energyRe Giga. The European transmission specialist will be offering its experience in the development, construction, operation, and maintenance of offshore transmission infrastructure; HVDC technology; transmission planning; and congestion management to the partnership."

Read Here: [T&D World](#)

All Hands On Deck Needed to Build IRA-driven Infrastructure, Federal Officials Say

"By 2035 alone, we're going to need to add about 75,000 miles of high-voltage transmission lines," said Jesse Jenkins, head of the ZERO Lab at Princeton University."

"Jenkins said that a 2.3% annual increase in transmission capacity is needed to avoid a constrained transmission scenario where half of the potential emissions reductions from the IRA are unable to be delivered. In contrast, the growth rate of transmission over the last decade has been around 1% per year."

Read Here: [Utility Dive](#)

Proposed Transmission Planning Rule Is a 'Chief' Priority for FERC's Phillips

"[The National Caucus of Environmental Legislators] said a final rule should require grid planners to consider multiple benefits from transmission and should include a mechanism to resolve cost allocation disputes between states."

"Long-range planning that requires project selection to be based on a broad range of estimated benefits across plausible scenarios holds great potential to lower costs for consumers while enhancing grid reliability." – FERC Commissioner Allison Clements

Read Here: [Utility Dive](#)

SELECT UTILITY SERVICES M&A TRANSACTIONS

Completed November 30, 2023



Blackstone has acquired Power Grid Components

- Blackstone, based in New York City, New York, is the world's largest private equity firm that invests across industries and size profiles.
- Power Grid Components, based in Bessemer, Alabama, is a supplier of high-quality products used to build, maintain, and upgrade the North American electric power grid based in Chicago, Illinois.

Transaction

Completed November 2, 2023



Quanta Services has acquired Pennsylvania Transformer

- Quanta Services, based in Houston, Texas, is a leading specialized contracting services company, delivering comprehensive infrastructure solutions for the utility, communications, pipeline and energy industries.
- Pennsylvania Transformer, based in Canonsburg, Pennsylvania, is an established and reliable domestic manufacturer of power transformers and components for the investor-owned electric utility, renewable energy, municipal power, and industrials markets.

Completed November 1, 2023



Greenbelt Capital Partners has acquired Saber Power Services

- Greenbelt Capital Partners, based in Austin, Texas, is a growth-oriented middle-market private equity firm focused on control and significant minority investments across the energy sector.
- Saber Power Services, based in Houston, Texas, is a fully integrated, electrical services firm offering end-to-end design, construction, testing, and maintenance solutions for substations and medium-to-high-voltage infrastructure across a variety of energy end markets.

Transaction

Announced October 30, 2023



SYSTEMS CONTROL

Hubbell Incorporated has acquired Systems Control

- Hubbell Incorporated, based in Shelton, Connecticut, is a publicly traded manufacturer of utility and electrical solutions enabling customers to operate critical infrastructure safely, reliably, and efficiently.
- Systems Control, based in Iron Mountain, Michigan, is a leading manufacturer of substation control and relay panels, as well as turnkey substation control building solutions.

Transaction

Completed July 13, 2023



Golden Gate Capital has acquired DMC Power

- Golden Gate Capital, based in San Francisco, California, is a leading private investment firm with over \$19 billion in cumulative committed capital.
- DMC Power, based in Los Angeles, California, is a leading designer and manufacturer of high-quality connection systems for transmission, distribution, substation, and industrial projects.

Transaction

UTILITY SERVICES PUBLIC COMPANY OUTLOOK

Company

Key Takeaway

Earnings Call Excerpts



Dycom emphasized that while there is economic uncertainty, the company is encouraged by multi-year spending initiatives, including \$40 billion of IIJA funding for the construction of rural communications networks in unserved and underserved areas across the country

“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. This view is increasing the appetite for fiber deployments, and we believe that the industry effort to deploy high-capacity fiber networks continues to meaningfully broaden the set of opportunities for our industry.”

— Steven Nielsen, Chairman, President & CEO, November 21, 2023



MasTec expressed confidence in future opportunity in their end markets – especially clean energy -- and cited strong customer relationships and segment positioning to drive growth following a challenging quarter

“Despite the short-term challenges, our long-term outlook is intact. Our communications, power delivery, and Clean Energy segments give us not only strong revenue growth opportunities, but each segment has the ability for margin improvement. Our long-term margin goals are unchanged and have been more impacted not by pricing but by volume and our ability to absorb costs on higher revenue levels.

— Jose Ramon Mas, CEO & Director, November 1, 2023



MYR cited continued high demand for transmission, substation expansions and upgrades, and their ability to extend several MSAs as signs of continued growth in T&D investments

“Bidding activity remains healthy as we strategically pursue and capture new opportunities that position us for potential future growth. A growing demand for electrification, a continued emphasis on the clean energy sources, and a focus on grid modernization and hardening continue to be strong market drivers and could present opportunities for consistent success across our business.”

— Richard Swartz, CEO & Director, October 26, 2023



Primoris pointed to their investments in renewables, power delivery, and communications as key drivers of future growth

“Our pipeline of solar opportunities remains strong, and we are beginning to make headway in adjacent areas such as battery storage as well as high-voltage transmission and substation work, which will be executed by our power delivery business. We are in an excellent position to continue to grow our renewables business.”

— Tom McCormick, CEO, President & Director, November 8, 2023



Quanta underscored their recent success by pointing to double-digit revenue growth, and the company highlighted favorable outlook with its acquisition of Pennsylvania Transformer, citing significant industry tailwinds across the power equipment landscape

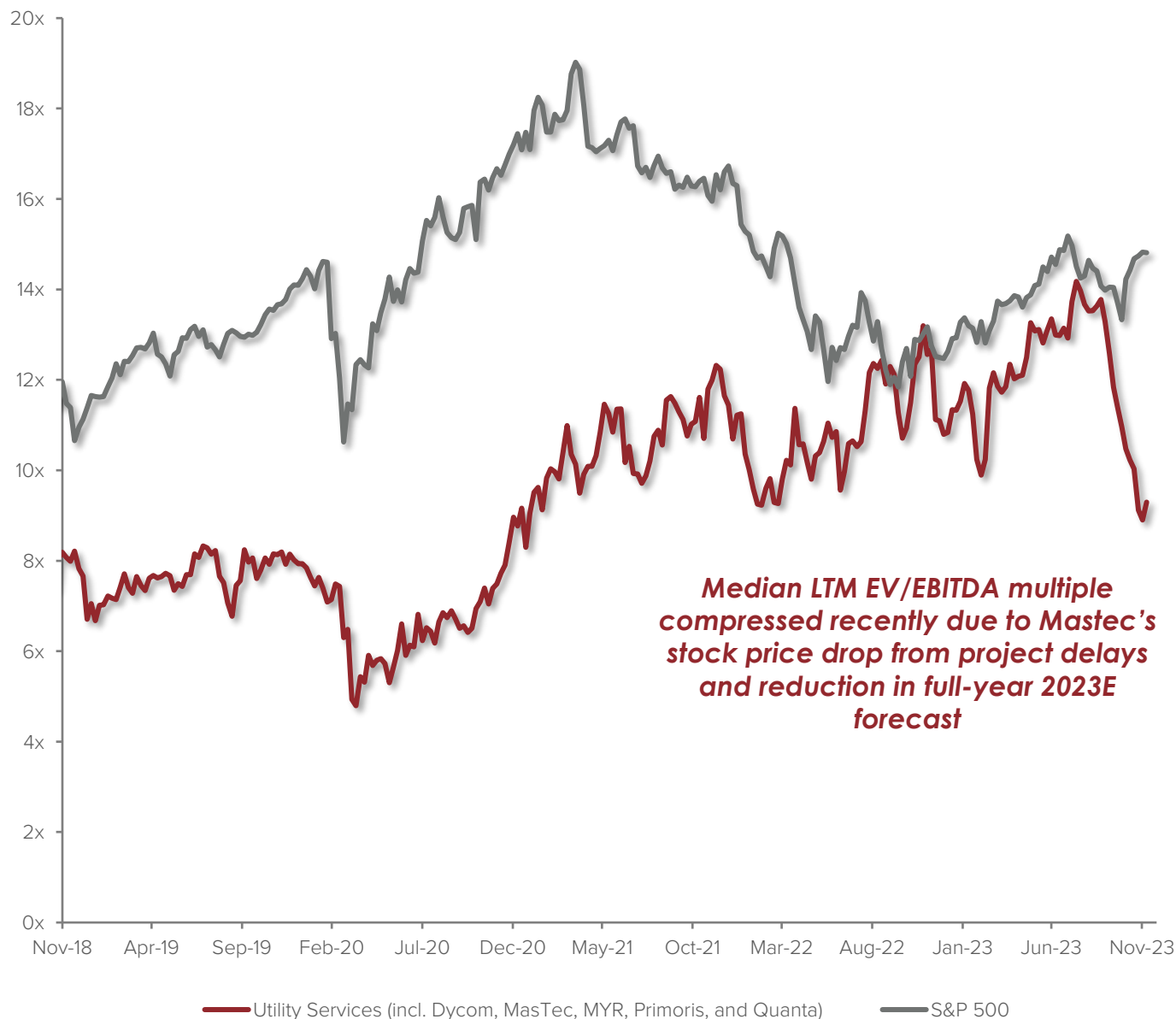
“Total backlog at quarter end was \$30.1 billion, an all-time record high, which we believe reflects value of our collaborative client relationships and indicates momentum for 2024. We are positioning Quanta for decades of expected necessary infrastructure investment and continue to believe our operational portfolio is a strategic advantage that provides us the ability to manage risk and shift resources across service lines and geographies, which we believe will become increasingly important as the energy transition accelerates.”

— Earl C. Austin Jr., President, CEO & Director, November 2, 2023

UTILITY SERVICES PUBLIC COMPANY VALUATIONS

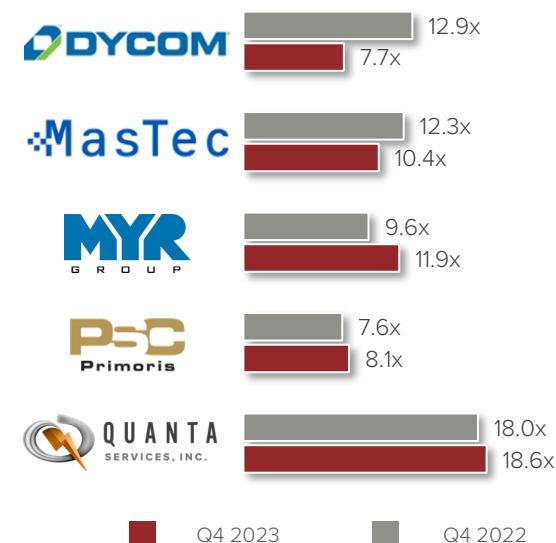
LTM EV / EBITDA MULTIPLE

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

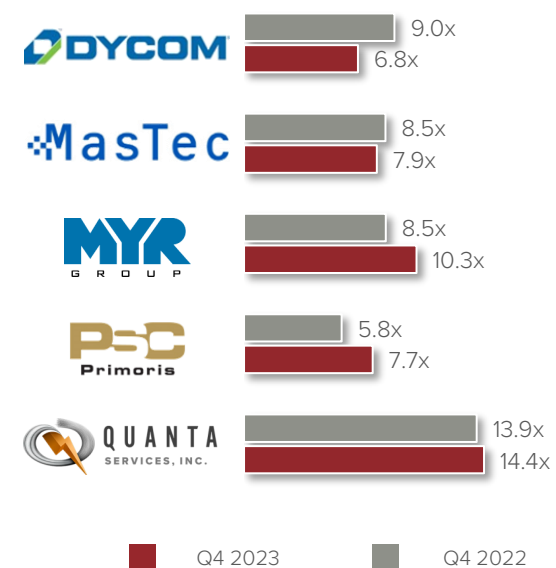


Source: CapIQ Consensus Estimate

EV / LTM EBITDA MULTIPLE

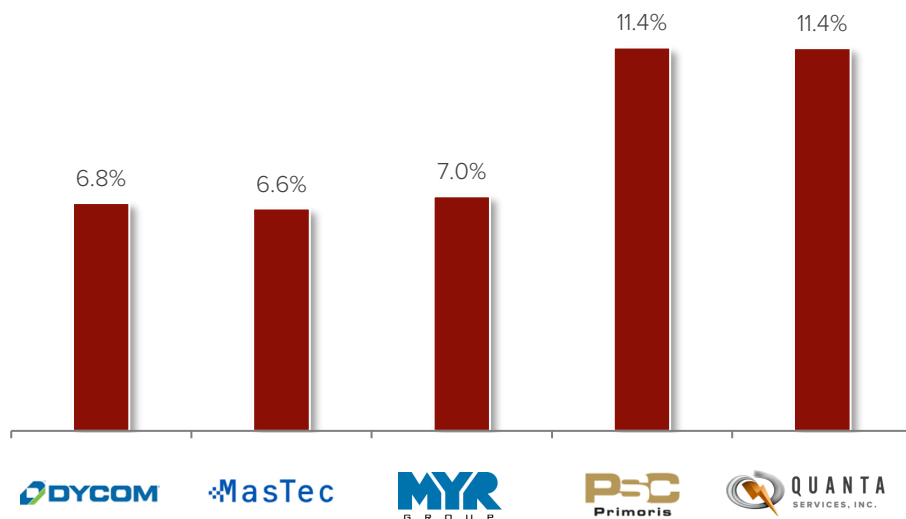


EV / NTM EBITDA MULTIPLE

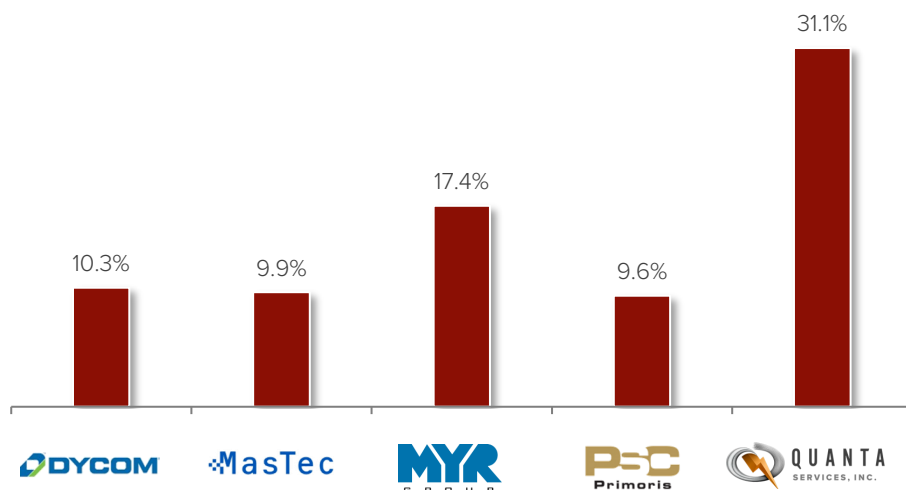


UTILITY SERVICES PUBLIC COMPANY BENCHMARKING

NTM REVENUE GROWTH FORECAST

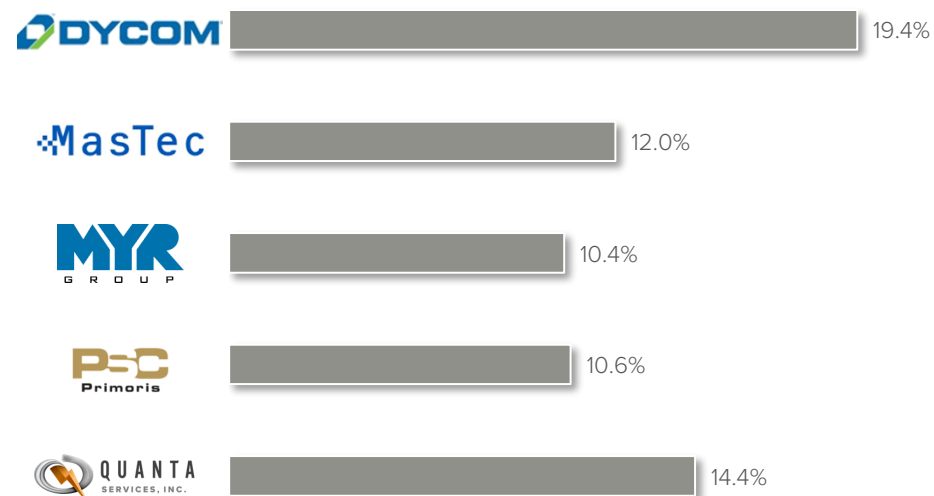


NTM EBITDA GROWTH FORECAST

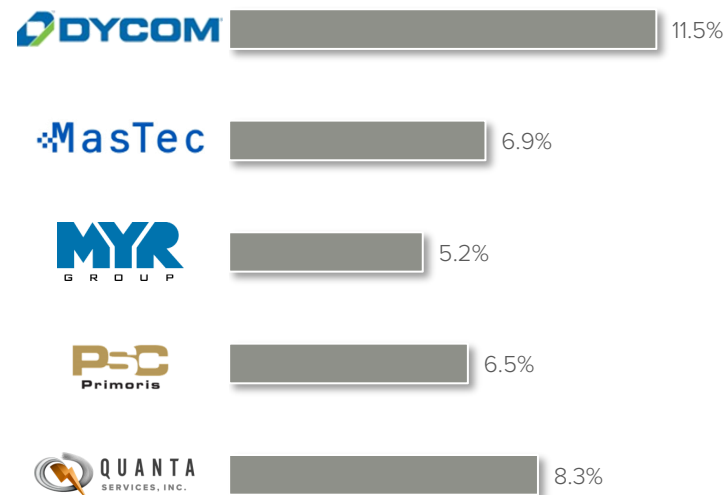


Source: CapIQ Consensus Estimate

GROSS PROFIT MARGIN



LTM EBITDA MARGIN



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](#)

Contact Us

Luke Sample

Managing Director
lsample@harriswilliams.com
Office: (804) 915-0158

Neha Shah

Director
nshah@harriswilliams.com
Office: (804) 887-6036

Drew Spitzer

Managing Director
aspitzer@harriswilliams.com
Office: (804) 915-0174

Greg Waller

Director
gwaller@harriswilliams.com
Office: (804) 887-6138

Matt White

Managing Director
mwhite@harriswilliams.com
Office: (804) 915-0131

Sean Bielawski

Vice President
sbielawski@harriswilliams.com
Office: (804) 915-0176

Thomas Saunders

Director
tsaunders@harriswilliams.com
Office: (804) 915-0143

Patrick Fitzsimmons

Vice President
pfitzsimmons@harriswilliams.com
Office: (804) 528-3565



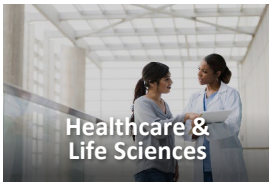
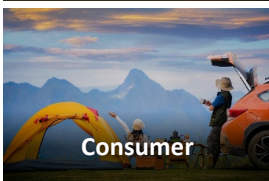
HW Harris Williams / GLOBAL INVESTMENT BANK

Harris Williams is a global investment bank specializing in M&A and private capital advisory services. Clients worldwide rely on us to help unlock value in their business and turn ambitious goals into reality. We approach every engagement with boundless collaboration, pooling expertise and relationships across industries, service offerings, and geographies.

Deep Industry Experience

Proven Expertise

Core Values That Drive Success



MERGERS & ACQUISITIONS

PRIVATE CAPITAL SOLUTIONS

PRIMARY FUND PLACEMENT



75%

Revenue from repeat clients

87%

Managing Directors promoted from within

30+

Year history

HARRIS WILLIAMS

Sources

1. CapIQ

Important Disclosures

Harris Williams ("HW") is a trade name under which Harris Williams LLC, Harris Williams Private Capital Advisory Ltd., Harris Williams & Co. Ltd., and Harris Williams & Co. Corporate Finance Advisors GmbH conduct business. Harris Williams LLC is a registered broker-dealer and a member of FINRA/ SIPC. Harris Williams & Co. Ltd. is a private limited company incorporated under English law with company number 07078852 and its registered office at 13th floor, One Angel Court, London EC2R 7HJ, UK; it is authorized and regulated by the Financial Conduct Authority (the "FCA"). Harris Williams Private Capital Advisory Ltd. is an Appointed Representative of Mirabella Advisers LLP, which is authorised and regulated by the FCA (FCA number 606792). Harris Williams & Co. Corporate Finance Advisors GmbH is registered in the commercial register of the local court of Frankfurt am Main, Germany under HRB 107540 and with VAT No. DE321666994. Harris Williams & Co. Corporate Finance Advisors GmbH's registered address is Bockenheimer Landstrasse 33-35, 60325 Frankfurt am Main, Germany (email: hwgermany@harriswilliams.com); and its Geschäftsführer/Managing Director is Paul Poggi.

HW is an affiliate of The PNC Financial Services Group Inc., which, together with its subsidiaries and affiliates and their agents (collectively, "PNC"), engages in a broad range of businesses. PNC may have had, and may currently or in the future have, business with or ownership in the Company and its related persons, potential parties to the proposed transaction and their related persons, or their competitors, customers, or suppliers. When HW is engaged to provide adviser services in a transaction, HW is acting only for its client in connection with the proposed transaction.

The distribution of this document in certain jurisdictions may be restricted by law, and accordingly, recipients of this document represent that they are able to receive this document without contravention of any registration requirement or other legal restrictions in the jurisdictions in which they reside or in which they conduct business.

This document does not contain all the information needed to assess any transaction. You must conduct your own investigations and analyses. HW does not provide accounting, tax, investment, regulatory, or legal advice to anyone. This document is for discussion purposes only and is not a recommendation, offer, or solicitation for the purchase or sale of any security or an invitation or inducement to engage in any transaction or investment activity. HW obtained the information in this document from Company and/or third-party sources. HW has not independently verified such information and no obligation is undertaken to provide updated or additional information. No representation or warranty, expressed or implied, is made in relation to the fairness, accuracy, correctness, or completeness of the information, opinions, or conclusions expressed herein. All forward-looking statements herein involve assumptions and elements of subjective judgment and analysis and are not facts. Nothing in this document guarantees future results or performance.

This document is only being distributed to, and only made available to, and directed at: (a) persons who are outside the United Kingdom; (b) persons in the United Kingdom who have professional experience in matters relating to investments falling within Article 19(5) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); (c) high net worth entities and other persons to whom it may otherwise lawfully be communicated falling within Article 49(2)(a) and (d) of the Order; or (d) any other person to whom this document may otherwise lawfully be communicated or caused to be communicated (all such persons in [b] to [d] together being referred to as "Relevant Persons"). This document must not be acted on or relied on by persons who are not Relevant Persons. In the U.K., any investment or investment activity to which this document relates is only available to, and will be engaged with, relevant persons.

For documents that pertain to a transaction or potential transaction:

All documents and information HW provides to prospective investors are for information only and may be used solely to evaluate a potential transaction involving the Company. By accepting this document, you agree that, unless provided in a confidentiality agreement between you and HW or the Company or permitted by applicable law, you will: (i) not, and will not allow any person acting on your behalf to, disclose, reproduce, or distribute any of this document without the Company's prior written consent; (ii) keep, and cause anyone acting on your behalf to keep, confidential all non-public information in this document; (iii) use this document only for evaluating a potential transaction involving the Company; and (iv) upon request by HW or the Company, return all materials from the Company or HW and destroy all documents containing information from those materials.

Neither HW nor the Company, nor their respective affiliates, equity holders, directors, officers, managers, employees, contractors, advisors, representatives, or agents (the "Protected Persons"), represent or warrant as to the reasonableness or probability of any forward-looking statements made by any Protected Person. No potential investor should rely on them. To the greatest extent permitted by law, the Protected Persons shall have no liability for any information, opinions, or conclusions expressed herein, any forward-looking statements or assumptions on which they are based, or errors in or omissions from this document.