



# UTILITY SERVICES

QUARTERLY SECTOR REVIEW, Q2 2022

**HW** Harris Williams

# RECENT HARRIS WILLIAMS PUBLICATIONS

## Whitepaper: Vegetation Management

Utility Vegetation Management (UVM), an essential non-discretionary service within the utility services sector, is now receiving around \$8 billion in annual funding—a total that keeps growing each year.<sup>1</sup>

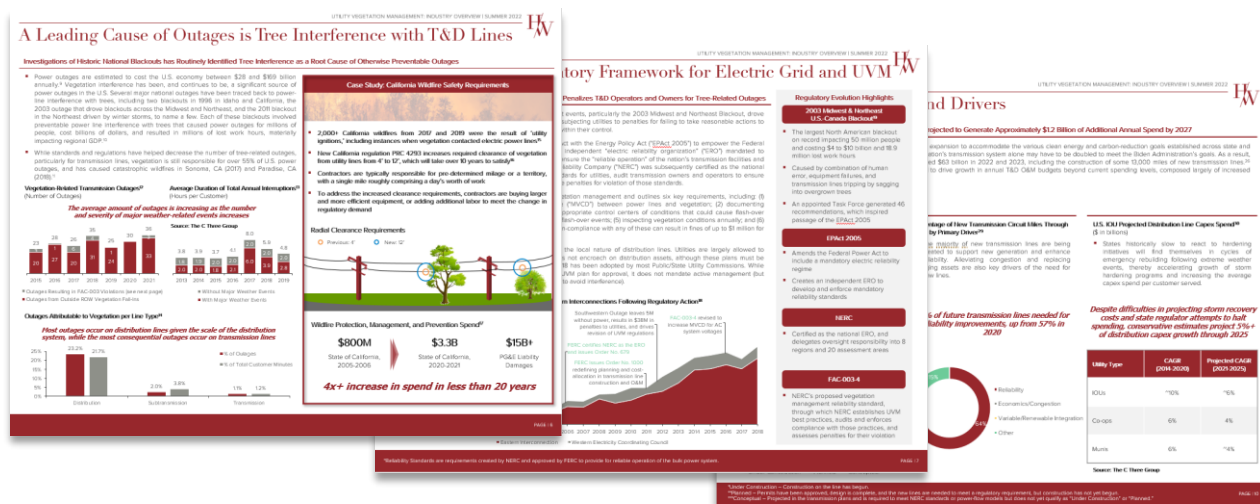
This rising spend on UVM is tied directly to the expanding transmission and distribution (T&D) infrastructure, which relies heavily on UVM services to protect its assets and stay in compliance with evolving regulations. From 2007 to 2020, T&D investments shot up from approximately \$39 billion to \$90 billion, an estimated 130% jump at a CAGR of ~7%.<sup>2</sup>

This trend signals long-term, dependable demand for UVM services. Additionally, due to its substantial downside protection and reliable recurring revenue, the UVM market will likely maintain its growth trajectory through economic cycles.

### Veg. Management Whitepaper (View Report)

- Why UVM is often the largest line item in utilities' annual operating budgets
- How increasing spend in the sector is generating further UVM growth
- The most important drivers of continued demand for UVM
- M&A trends that make this area so promising for investors
- Which qualities to look for in UVM service providers

Date published: Summer 2022



1. North American Electric Distribution Market Forecast, C3 Group (2021)  
2. FERC and Oxford Economics Data

# RECENT HARRIS WILLIAMS UTILITY SERVICES TRANSACTIONS

**BHI**  
energy  
a portfolio company of

**ae** | Industrial Partners

has been acquired by

**Westinghouse**

**Southwire**

has acquired

**NOVINIUM**  
UNDERGROUND

**QUALTEK**  
a portfolio company of

**BRIGHTSTAR**  
CAPITAL PARTNERS

has merged with

**ROTHCH**  
Acquisition III Co.

**INVESTCORP**

has acquired

**RESA**  
POWER

a portfolio company of

**BLUE SEA CAPITAL**

**ALCO DISTEE**  
a portfolio company of funds managed by

**OAKTREE**

has been acquired by

**CENTURI**  
a wholly-owned subsidiary of

**SOUTHWEST GAS**

**QUALUS**  
POWER SERVICES  
a portfolio company of

**MASON** | **WELLS**

has been acquired by

**NMC**  
NEW MOUNTAIN CAPITAL LLC

**ARTERA**  
a portfolio company of

**CLAYTON**  
DUBILIER  
& RICE

has acquired

**Feeney**  
UTILITY SERVICES GROUP

**tachyon**  
a portfolio company of

**MSOUTH**  
has been acquired by

**NextEdge**  
NETWORKS  
a portfolio company of

**B & W RIVER**  
CAPITAL

**A DB**  
COMPANIES  
a subsidiary of

**KEELEY**

has been acquired by

**WARREN**  
EQUITY PARTNERS

**ArchKEY**  
SOLUTIONS  
a portfolio company of

**GFI Energy Ventures**

**OAKTREE**

has received a significant investment from

**ONE ROCK**  
CAPITAL PARTNERS

**S P A R U S**  
a portfolio company of

**SourceCapital | LLC**

has been acquired by

**Ridgemont** EQUITY PARTNERS™

**ARCLINE**  
INVESTMENT MANAGEMENT  
has acquired

**NASS** | **EPS**  
NORTH AMERICAN SUBSTATION SERVICES | Electric Power Systems

portfolio companies of

**INDUSTRIAL GROWTH PARTNERS**

☐ — Buy-side transaction

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- [U.S. MARKET OUTLOOK](#)

## Recent Publications

- [HW UTILITY T&D WHITE PAPER](#)
- [HW TELECOM WHITE PAPER](#)

# WHAT WE'RE READING

## 'More, more, more': Biden's clean grid hinges on power lines

"With its signature climate legislation roadblocked in Congress, the Biden administration is seeking an unprecedented expansion of high-voltage electric lines to open new paths to wind and solar energy."

"We obviously need more, more, more transmission to run on 100 percent clean energy ... and handle all the buildings and the cars and the trucks that we're working to electrify,' Energy Secretary Jennifer Granholm said in February."

"For example, 80,000 megawatts of new wind farms could be built on open lands in Montana, Wyoming and the Dakotas, the Energy Systems Integration Group (ESIG) noted at a DOE webinar in March. But today, there's only enough existing high-voltage transmission to export one-tenth of that amount, according to ESIG, a nonprofit organization of grid experts."

Read Here: [Energywire](#)

## Utilities Plan Huge Electric Grid Upgrades, Adding to Power Bills

"American utilities are planning their biggest spending increases in decades to upgrade aging grids, prepare for electric vehicles and make the transition to renewable energy—moves poised to further boost power costs as consumers face historic inflation."

"The plans propose tens of billions of dollars in spending in the coming years to reduce carbon emissions, partly in response to state and federal mandates, and to replace aging infrastructure that has become more prone to failure. Edison Electric Institute, an industry trade group, expects that utilities will invest roughly \$140 billion each year in 2022 and 2023, substantially more than any year since 2000, when the group began tracking spending."

Read Here: [WSJ](#)

## Global Decarbonization Is a More Than \$50 Trillion Opportunity for Private Capital: Blackstone

"Global decarbonization efforts over the next three decades will require a \$100 trillion investment, generating a massive opportunity for private equity to deploy capital and drive the energy transition, according to Rob Horn, a senior managing director and global head of the sustainable resources group at Blackstone Credit."

"Frankly, every kind of capital is going to be needed,' Horn said Wednesday at the BNEF Summit. 'But credit is going to be required for well-north of half of that capital.'"

"Private investment will play a vital role, along with public funds and good tax policies, said John Morton, climate counselor to the U.S. Department of the Treasury. In some markets where clean energy options are cost-competitive 'it's no longer a case that public funds or public development finance institutions need to be funding the renewable buildout,' he said."

Read Here: [Utility Dive](#)

## FERC Proposes Expanded State Role in Effort to Spur Transmission Development

"States are going to be at the heart of the planning,' FERC Commissioner Mark Christie said during the agency's monthly meeting Thursday. 'States are going to get the opportunity to agree to the criteria, and they're going to get the opportunity to agree to the cost allocation.'"

"The proposal requires a regional planning and cost allocation process, but doesn't dictate specific outcomes, according to Christie. 'We're giving maximum flexibility to the states and the regional planning entities in working out these arrangements,' he said."

Read Here: [Utility Dive](#)

## Southwest Gas (SWX) Enters Settlement with Carl Icahn

"Southwest Gas Holdings, Inc. (NYSE: SWX) today announced that it has entered into a settlement agreement (the "Agreement") with Carl Icahn ("Mr. Icahn") and his affiliated entities. Pursuant to the Agreement, at least three, and up to four, new directors will join the Southwest Gas Board of Directors (the "Board"). Following the 2022 Annual Meeting of Stockholders (the "Annual Meeting"), the Board will continue the previously announced review of a full range of strategic alternatives to maximize stockholder value including a sale of the Company, a separate sale of one or more of its business units and/or the spin-off of Centuri, which is expected to be tax-free to stockholders."

Read Here: [StreetInsider](#)



# SELECT UTILITY SERVICES M&A TRANSACTIONS

**Announced June 27, 2022**



Primoris Services Corporation has agreed to acquire PLH Group

- Primoris, based in Dallas, Texas, provides specialty contracting services to the utility, energy/renewables, and pipeline services industries
- PLH Group, based in Irving, Texas, provides energy related construction, engineering, and specialty contracting services

**Completed May 31, 2022**



Thayer Power and Communication has acquired J Lee Associates

- Thayer Power and Communication, based in Columbus, Ohio, provides repair, maintenance, and infrastructure upgrade services for the electrical utility and telecommunications industries
- J Lee Associates, based in Marlborough, Massachusetts, provides wireless communications construction services

**Completed May 19, 2022**



**Borecomm  
Solutions**

Young's Communications (Y-COM) has acquired Borecomm Solutions

- Y-COM, based in Melbourne, Florida, provides telecommunications, utility, and power infrastructure services
- Borecomm, based in New Port Richey, Florida, provides underground telecommunications construction focusing on fiber-to-the-home construction

**Completed May 3, 2022**



Congruex has acquired Tower Engineering and Sorensen Companies

- Congruex, based in Boulder, Colorado, provides broadband network construction and engineering services
- Tower Engineering Solutions, based in Dallas, Texas, provides structural engineering services focused primarily on wireless tower infrastructure
- Sorensen, based in Syracuse, Utah, provides turnkey solutions for the fiber and wireless infrastructure markets

# SELECT UTILITY SERVICES M&A TRANSACTIONS

**Completed April 30, 2022**



GridTek has acquired Valiant Energy Services (VES) and American Power

- GridTek, based in Melbourne, Florida, provides electrical transmission, distribution, maintenance, repair, and upgrade services
- VES, based in Allentown, Pennsylvania, provides outsourced maintenance, upgrade, and installations services across critical transmission, distribution, and substation infrastructure
- American Power, based in Phoenix, Arizona, provides transmission, substation, and distribution construction services

**Completed April 26, 2022**



Sterling Investment Partners has acquired Kendall

- Sterling Investment Partners, based in Westport, Connecticut, makes private equity investments in middle market businesses focusing on the distribution and business services sectors
- Kendall, based in Lawrenceville, Georgia, provides critical vegetation management services, including utility line clearing, ground clearing and mowing, and emergency storm response

**Completed April 14, 2022**



Westinghouse Electric Company has acquired BHI Energy

- Westinghouse Electric, based in Pittsburgh, Pennsylvania, provides clean and safe smart home appliances and energy solutions
- BHI, based in Weymouth, Massachusetts, provides industry-leading specialty services to the power generation and electric transmission and distribution end markets

**Completed March 25, 2022**



Southwire has acquired Novinium

- Southwire, based in Carrollton, Georgia, produces wire, cables, tools, and other products for utility, transit, data center, power/renewables, commercial, and other industries
- Novinium, based in Kent, Washington, provides cable reliability and rejuvenation solutions to utility customers

# UTILITY SERVICES PUBLIC COMPANY VALUATIONS

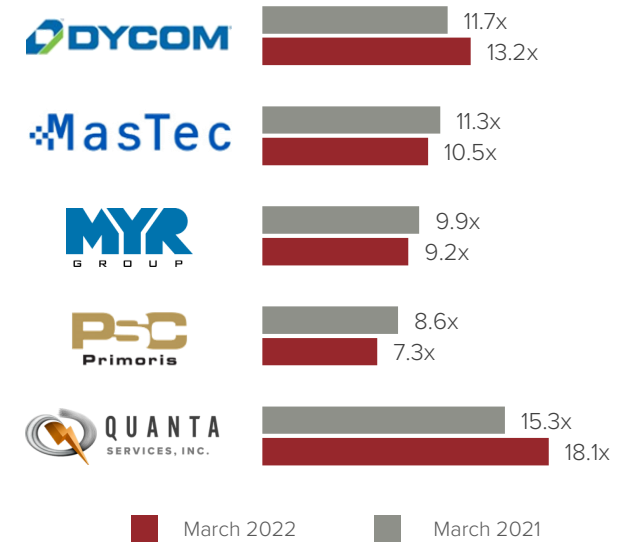
## LTM EV / EBITDA MULTIPLE

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

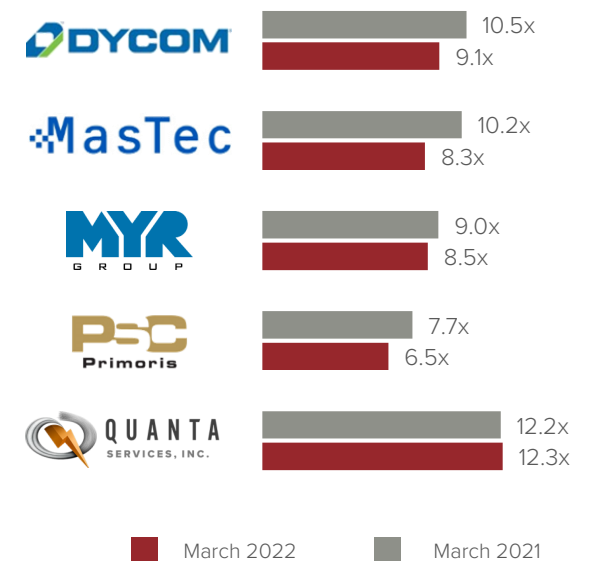


Source: CapIQ Consensus Estimate

## EV / LTM EBITDA MULTIPLE

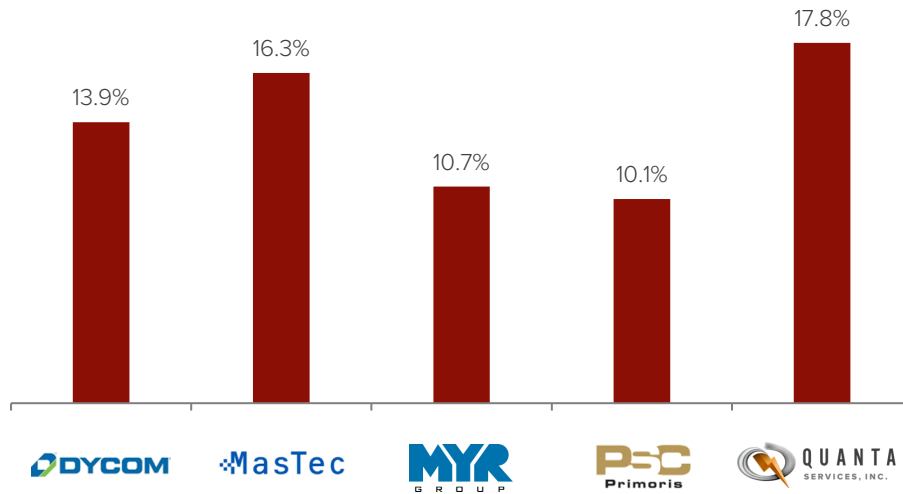


## EV / NTM EBITDA MULTIPLE

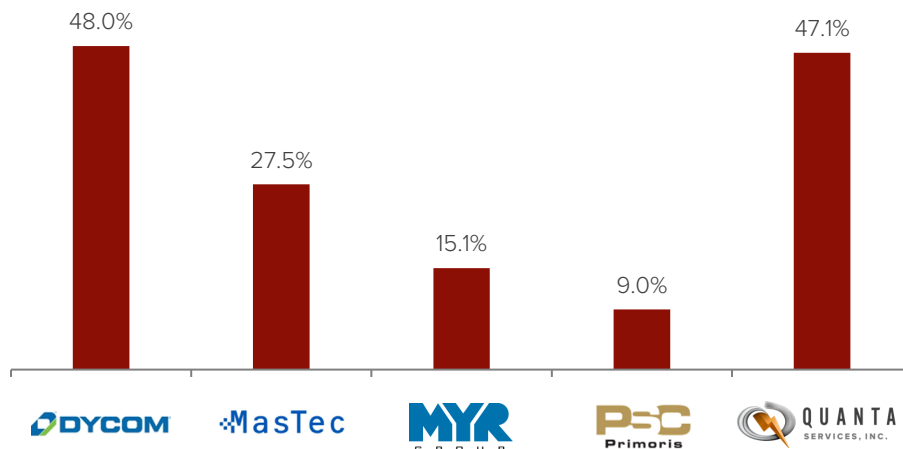


# UTILITY SERVICES PUBLIC COMPANY BENCHMARKING

## NTM REVENUE GROWTH FORECAST



## NTM EBITDA GROWTH FORECAST

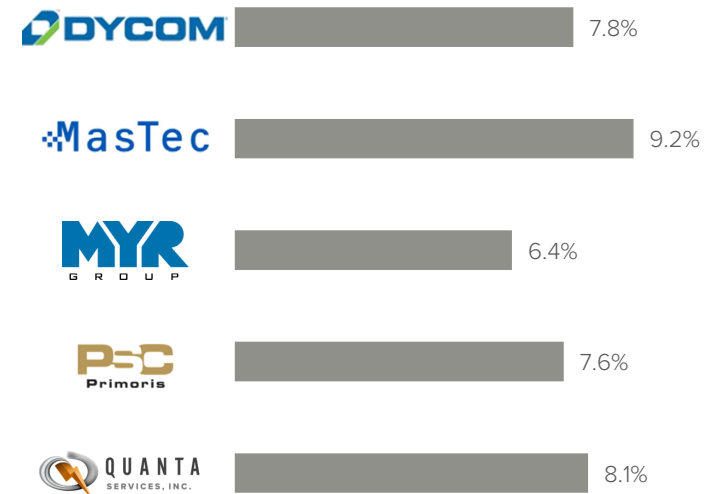


Source: CapIQ Consensus Estimate

## GROSS PROFIT MARGIN



## LTM EBITDA MARGIN





# UTILITY SERVICES PUBLIC COMPANY OUTLOOK

Company	Key Takeaway	Earnings Call Excerpts
	Dycom cited the growing demand for access to high-capacity telecom infrastructure and funding from the IIJA as key tailwinds supporting the business	<p>“Increasing access to high-capacity telecommunications continues to be crucial to society, especially in rural America. The Infrastructure Investment and Jobs Act included 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 the initiation of funding under the Infrastructure Act.”</p> <p>- Steven Nielsen, Chairman, President &amp; CEO, May 25, 2022</p>
	MasTec noted that a string of recent acquisitions are expected to drive growth and diversification for the business in both the near and long term	<p>“In addition to our organic initiatives, we made a number of acquisitions in 2021 that repositioned MasTec and enhanced our service offerings. Based on these investments, we expect significant revenue growth and diversification in 2022 and beyond. As an example, non-oil and gas revenue totaled \$4.5 billion for full year 2020. In 2022, we expect these revenues to approach \$7.8 billion, on over 70% anticipated growth rate in 24 months.”</p> <p>- Jose Ramon Mas, CEO &amp; Director, May 5, 2022</p>
	MYR cited an uptick in conversations with clients surrounding funding from the IIJA while caveating that it may take some time for the full benefit of the act to be realized by the industry	<p>“We are also starting to engage in discussions with customers around the newly passed Federal Infrastructure Investment and Jobs Act. We know the effect to our industry will take time to realize. However, we may see industry investments begin within the next few years. This includes keeping our eye on the funding earmarked for transportation specifically related to electric vehicle charging infrastructure. The bill also includes funding for energy and power with the purpose of expanding transmission lines to allow for clean energy growth and support for grid hardening.”</p> <p>- Todd Cooper, Senior VP &amp; COO of Transmission &amp; Distribution, April 27, 2022</p>
	PSC maintained optimism around the development of the hydrogen market as the “third leg to the renewable energy stool”	<p>“Hydrogen can solve many of the difficult challenges of energy storage as it can be produced and used at its point of utilization. Recently, we extended our involvement in developing sustainable green hydrogen for residential and commercial use in North America. We are participating in the hydrogen pilot home project as part of a proof-of-concept demonstration with a large utility in Southern California.”</p> <p>- Tom McCormick, CEO, President &amp; Director, May 10, 2022</p>
	Quanta reiterated its belief that EV charging infrastructure and grid modernization opportunities are in their early stages and on the cusp of becoming a major growth lever for the company	<p>“Our conversations about Quanta’s EV charging program management solutions continues to advance with companies throughout the electric vehicle ecosystem. Our revenues from EV charging infrastructure work are relatively small but are expected to increase significantly this year and beyond. We believe EV charging infrastructure opportunities are on the cusp of accelerating and are only just beginning. Additionally, we believe the need to modernize and enhance the power grid, to enable higher levels of load growth and continuous power demand caused by growing EV penetration could create significant opportunities for Quanta.”</p> <p>- Earl C. Austin, President, CEO &amp; Director, May 5, 2022</p>

# HARRIS WILLIAMS OVERVIEW

## GLOBAL ADVISORY PLATFORM

- Founded in 1991
- 10 dedicated industry groups
- 8 global offices



## HARRIS WILLIAMS 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
- Electric Vehicle Infrastructure
- Renewable & Distributed Energy
- Line Planning and Construction

### 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
- Wireless & Wireline Services
- Installation & Fulfillment Services

### POWER PRODUCTS

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

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## Industry Group Expertise

AEROSPACE, DEFENSE &  
GOVERNMENT SERVICES

BUSINESS  
SERVICES

ENERGY, POWER  
& 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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