



UTILITY SERVICES

QUARTERLY SECTOR REVIEW, Q3 2021

 Harris Williams

SELECT UTILITY SERVICES M&A TRANSACTIONS

--- Deals where Harris Williams served as an advisor

Announced September 2, 2021



Quanta Services acquires Blattner Holding Company

- Blattner is a U.S.-based utility-scale renewable energy infrastructure solutions provider
- Quanta is a leading provider of specialized contracting services and delivers comprehensive infrastructure solutions to the utility, communications, pipeline, and energy industries

Closed August 27, 2021



Centuri Group, Inc. acquires Riggs Distler

- Riggs Distler is one of the largest utility contractors in the Northeast and Mid-Atlantic regions of the U.S. Riggs has established itself as a leading provider of turnkey network and infrastructure maintenance, repair, and upgrade solutions
- Centuri is a comprehensive utility infrastructure services enterprise dedicated to delivering a diverse array of solutions to North America's gas and electric providers

Closed July 13, 2021



Incline Equity Partners acquires Edko

- Edko assists its customers in planning and implementing comprehensive and effective herbicide-based treatment programs that are both environmentally friendly and cost efficient
- Incline Equity Partners is a private equity firm based out of Pittsburgh, Pennsylvania, that invests in manufacturing, distribution, and business services companies

Closed July 1, 2021



NextEdge, a portfolio company of Bow River Capital Partners, acquires Tachyon

- Tachyon is a U.S.-based turnkey wireless and wireline telecommunications services provider
- NextEdge provides innovative solutions and capital for the deployment of wireless infrastructure, related fiber transport, and data aggregation. As a strategic partner to wireless providers and building owners, NextEdge facilitates upgrades and deployment of wireless infrastructure which supports the next generation of wireless services

Closed June 30, 2021



One Rock Capital acquires ArchKey Solutions

- ArchKey Solutions is one of the largest electrical and technology construction firms in the United States
- One Rock is a private equity firm based out of New York which makes controlling investments in companies with potential for growth and operational improvement using a rigorous approach that utilizes highly experienced operating partners to identify, acquire, and enhance businesses in select industries

SELECT UTILITY SERVICES M&A TRANSACTIONS

--- Deals where Harris Williams served as an advisor

Closed June 25, 2021



Artera Services, a portfolio company of Clayton, Dubilier, & Rice, acquires Feeney Utility Services Group

- Feeney Utility Services Group is a U.S.-based maintenance, repair, and upgrade services provider to natural gas end-markets
- Artera is a maintenance and construction firm serving the energy, utilities, and infrastructure sectors as well as municipalities and cooperatives across the U.S.



Announced June 16, 2021

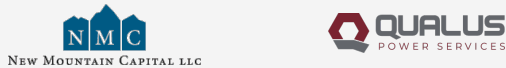


Roth CH Acquisition III is acquiring QualTek

- QualTek is a U.S.-based infrastructure services provider to 5G wireless, telecom, and renewable energy sectors
- Roth CH Acquisition III is a special purpose acquisition company ("SPAC") owned by Roth Capital Partners, a financial services firm based out of Newport Beach, California



Closed June 1, 2021



New Mountain Capital acquires Qualus Power Services, a portfolio company of Mason Wells

- Qualus is a leading provider of engineering and specialized technical field services to utility and private power grid infrastructure
- New Mountain Capital is a private equity firm based out of New York which focuses on building businesses and growth strategies rather than financial engineering in order to achieve returns



Closed April 21, 2021

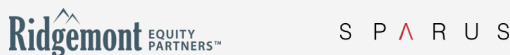


Arcline acquires North American Substation Services and Electric Power Systems

- NASS is the largest independent provider of installation, repair, and maintenance services powering mission-critical high-voltage substation equipment throughout the United States, and EPS provides a full suite of electrical testing and engineering services for demanding customers in the utility, renewable energy, data center, and commercial markets
- Arcline is a growth-oriented private equity firm based out of San Francisco that seeks to invest in thriving middle-market businesses with structurally recurring revenue streams in high value industries



Closed March 2021



Ridgemont Equity Partners acquires Sparus Holdings

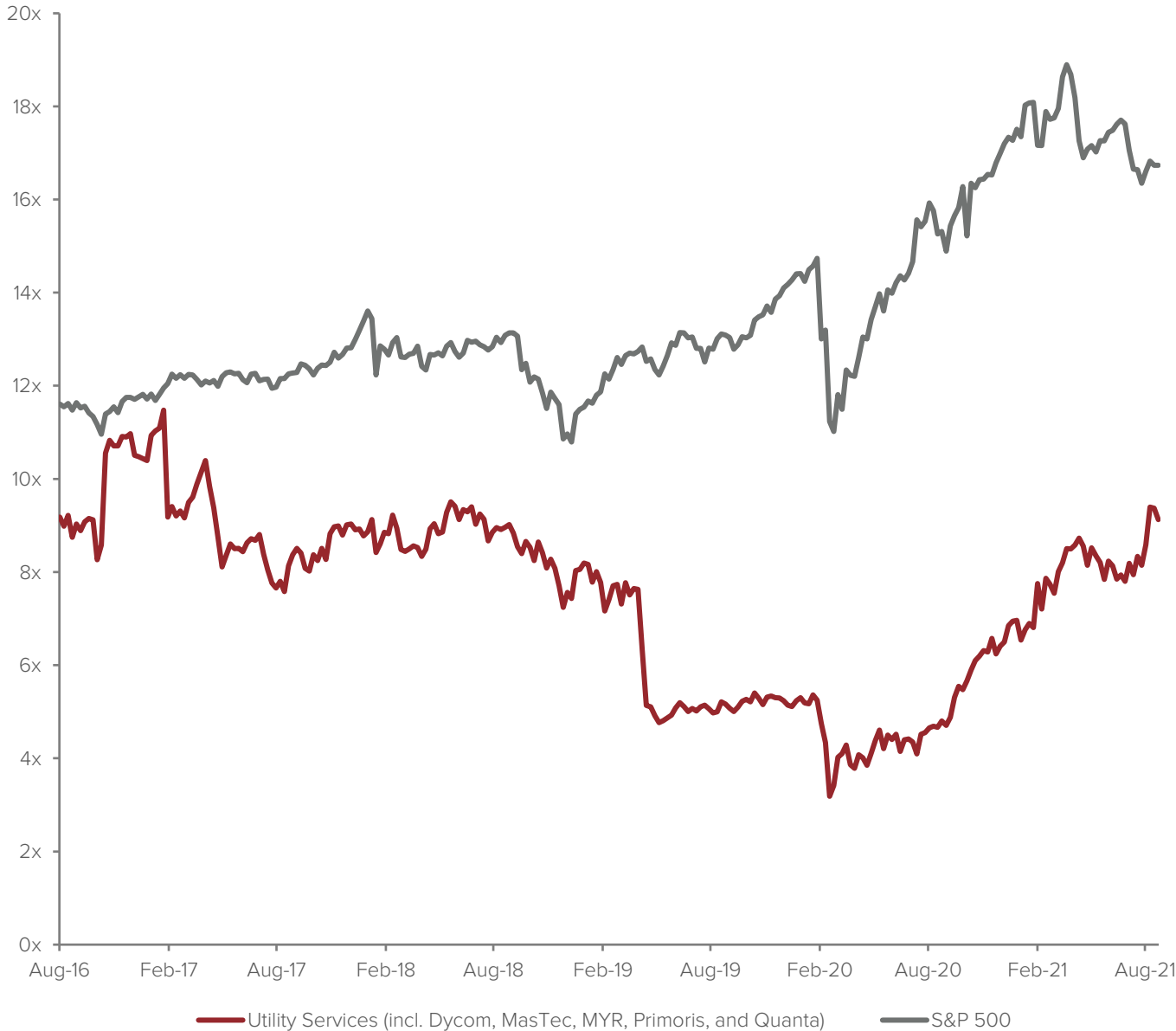
- Sparus is a leading provider of end-to-end outsourced field and professional services for utility and industrial customers
- Ridgemont Equity Partners is a Charlotte-based middle-market buyout and growth equity investor that utilizes a proven, industry-focused investment approach and repeatable value creation strategies



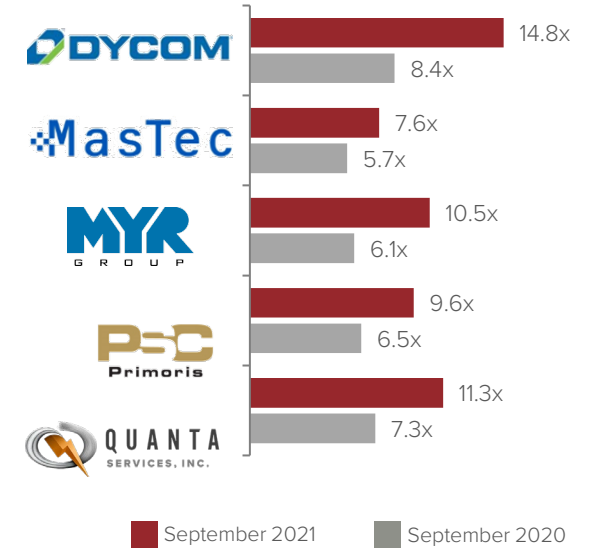
UTILITY SERVICES PUBLIC COMPANY VALUATIONS

LTM EV / EBITDA MULTIPLE

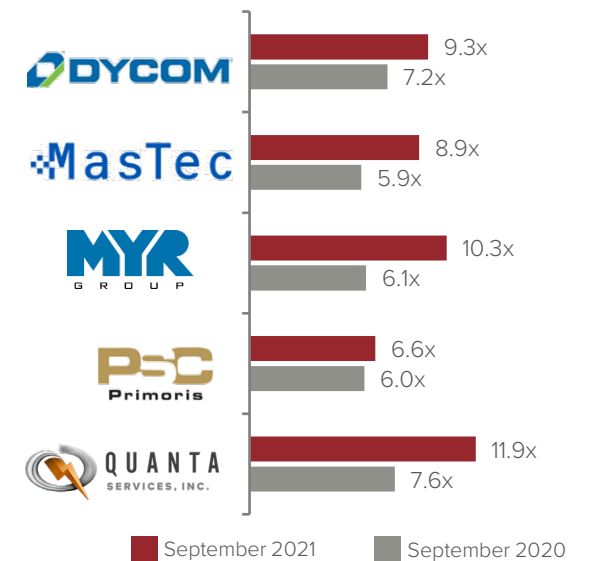
(Median of Dycom Industries, MasTec, MYR Group, Primoris Services, and Quanta Services)



EV / LTM EBITDA MULTIPLE



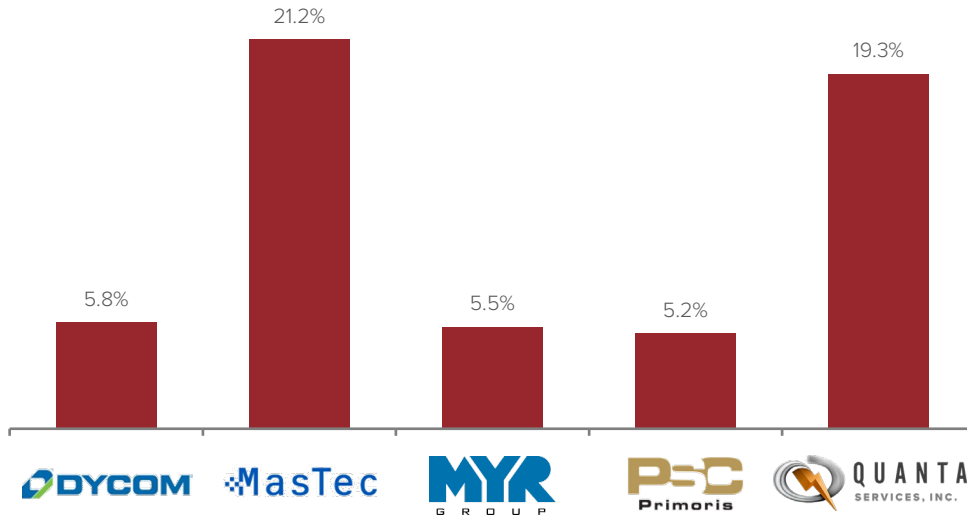
EV / NTM EBITDA MULTIPLE



1) CapIQ Street Consensus Estimate

UTILITY SERVICES PUBLIC COMPANY BENCHMARKING

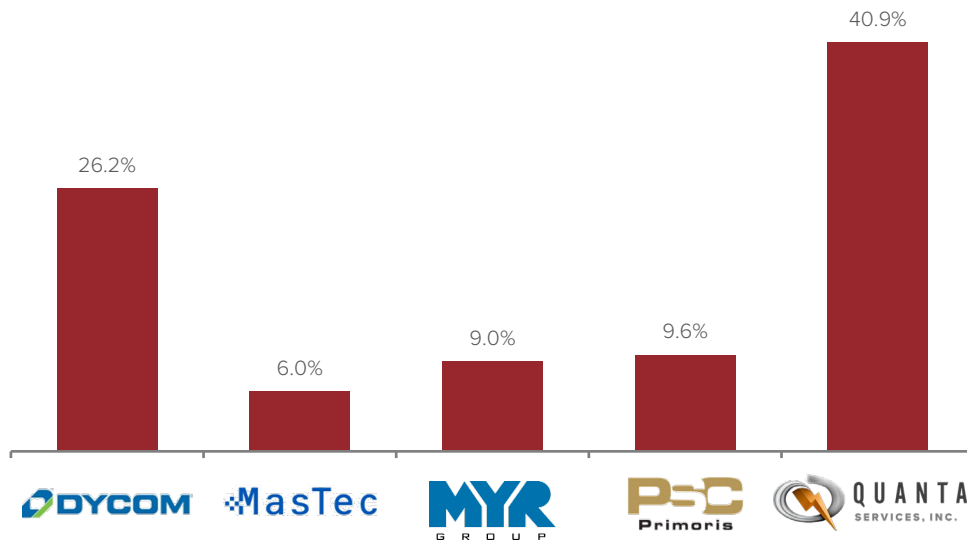
NTM REVENUE GROWTH FORECAST¹



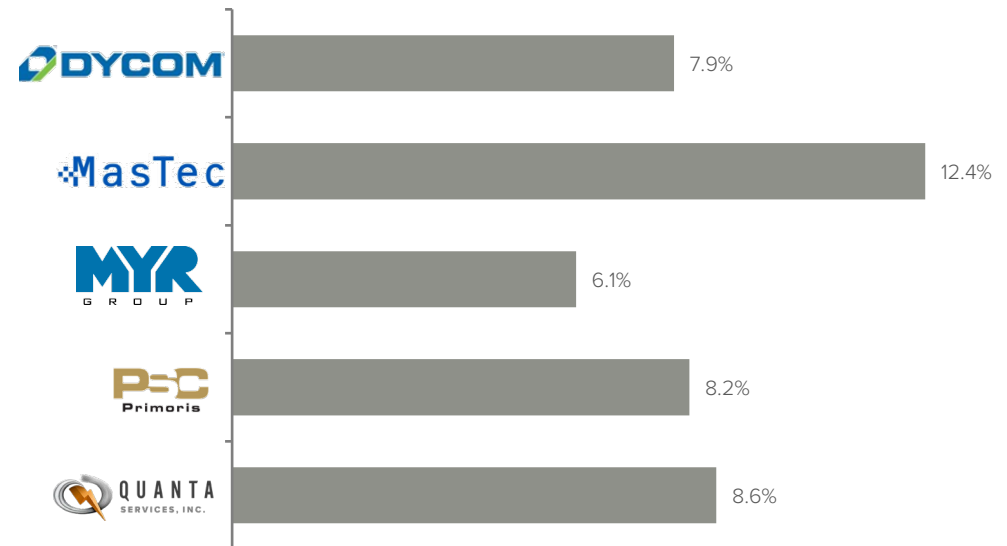
GROSS PROFIT MARGIN



NTM EBITDA GROWTH FORECAST¹



LTM EBITDA MARGIN



¹) CapIQ Street Consensus Estimate

WHAT WE'RE READING

Senate Passes \$1 Trillion Infrastructure Bill, Handing Biden a Bipartisan Win

“WASHINGTON — The Senate gave overwhelming bipartisan approval on Tuesday [August 10] to a \$1 trillion infrastructure bill to rebuild the nation’s deteriorating roads and bridges and fund new climate resilience and broadband initiatives, delivering a key component of President Biden’s agenda.”

“The measure faces a potentially rocky and time-consuming path in the House, where Speaker Nancy Pelosi and a majority of the nearly 100-member Progressive Caucus have said they will not vote on it unless and until the Senate passes a separate, even more ambitious \$3.5 trillion social policy bill this fall. That could put the infrastructure bill on hold for weeks, if not months. ”

[New York Times](#)

Hurricane Ida Exposes Grid Weaknesses as New Orleans Goes Dark

“But this was an outage that was never supposed to happen. The utility company Entergy opened a new natural gas power plant in the city last year, pledging that it would help keep the lights on — even during hot summer days and big storms. It was one of two natural gas plants commissioned in recent years in the New Orleans area, the other one hailed by Gov. John Bel Edwards last year as a “source of clean energy that gives our state a competitive advantage and helps our communities grow.”

“The storm raises fresh questions about how well the energy industry has prepared for natural disasters, which many scientists believe are becoming more common because of climate change. This year, much of Texas was shrouded in darkness after a winter storm, and last summer, officials in California ordered rolling blackouts during a heat wave.”

[The Wall Street Journal](#)

Voltage Optimization Speeds Progress Toward Decarbonization

“The clock is ticking to decarbonize the power system. Many utilities have already made ambitious commitments to become carbon neutral. As utilities rally to meet these ambitious goals and rising mandates for decarbonization, they face important choices. The challenge is to decide which measures to implement, and in what order, to accelerate the reduction of emissions while also honoring resource constraints and operational requirements.”

“Voltage optimization (VO) is one of the most measurable, affordable, and speedy ways for utilities to accelerate progress toward decarbonization. This playbook highlights two North American utilities that have deployed advanced VO alongside smart meters.”

[Utility Dive](#)

Trial by Fire: Co-ops Apply Lessons Learned from Catastrophic Wildfires

“Nearly 60,000 western wildfires destroyed more than 10 million acres in 2020, making it one of the worst fire seasons on record. As another begins, battle-tested electric cooperatives are readying strategies to prepare and mitigate damage.”

“Every natural disaster is different—our response plan provides a starting point and must remain flexible,” said John Bowerfind, chief operating officer at Poudre Valley REA. “We were planning for the restoration and rebuilding efforts before facilities were destroyed by the fire.”

[NRECA](#)

Electrifying 97% of the Federal Fleet by 2030 Could Save Billions: Report

“President Joe Biden signed an executive order in January that, in part, directed federal agencies to ‘produce carbon pollution-free electricity and clean, zero-emission vehicles.’ According to a new report from [Atlas Public Policy](#), the Federal Government could save more than \$1 billion by replacing nearly all of its light-duty vehicles and buses (the Postal Service being the largest portion of that) with electric vehicles by the end of the decade. This will require significant investment in EV charging infrastructure, which the \$1 trillion infrastructure bill contemplates. Approximately \$7.5 billion is allocated to charging stations alone.”

“This aligns with top public utility services provider sentiment who are actively preparing to support the buildout of the U.S. EV charging station infrastructure. The Federal Government will be an important player to lead the way: ‘The Federal Government, especially USPS, can “demonstrate to the public what is possible with the electrification of vehicles” by modeling the use of EVs and chargers across the country.’”

[Utility Dive](#)

UTILITY SERVICES PUBLIC COMPANY OUTLOOK

Company	Key Takeaway	Earnings Call Excerpts
	<p>Dycom highlighted significant demand from key players in the industry for fiber networks as a driver for growth moving forward, particularly in rural America, which remains underserved</p>	<p><i>“Today, major industry participants are constructing or upgrading significant wireline networks across broad sections of 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 our industry’s set of opportunities.”</i></p> <p>- Steven Nielsen, CEO, September 1, 2021</p>
	<p>MasTec cited a highly fragmented market as an opportunity for significant M&A activity in order to achieve scale, while also highlighting MasTec’s receptivity to acquisitions moving forward</p>	<p><i>“There’s lots of small, medium, and large-sized businesses that are out there. I think our M&A funnel’s never been as full as it is today. So, we’ve got to find the right mix of opportunity and value that we think increases shareholder value. We think it’s out there...we do think we’ll be more active in the second half of the year.”[...] “I’m personally of the belief that we’re going to see an unbelievable amount of consolidation within our peer group and within what we do. And I ultimately think it’s important, because I think the name of the game is going to be scale, and those that have scale are going to be extremely successful,”</i></p> <p>- Jose Ramon Mas, CEO & Director, August 6, 2021</p>
	<p>Record Q2 performance as customers spend to meet electrification demands to build electric vehicle charging infrastructure, upgrade T&D utilities, and renovate large business facilities and transportation hubs—trends MYR expects to continue for the next 3 to 5 years</p>	<p><i>“Trends in utility CapEx budgets show utilities expect to invest heavily in T&D transformation and upgrades.” [...] “Numerous energy executives anticipate electric vehicle charging infrastructure would represent the largest shift in infrastructure spend in the next 3 to 5 years for their companies [...] and will require significant investments in [T&D] facilities to support the changing landscape of transportation, presenting growth opportunities for MYR Group Companies.”</i></p> <p>- Richard Swartz, President, CEO & Director; Tod Cooper, Senior VP & COO of Transmission & Distribution, July 29, 2021</p>
	<p>PSC has successfully refocused their model to limit risk and drive growth by targeting reoccurring life cycle maintenance through MSAs and lump sum projects within PSC’s expertise; a shift that has generated a record first half despite inclement weather delaying projects</p>	<p><i>“We have worked hard to diversify and de-risk our portfolio by creating reoccurring revenue streams with different end markets. We’re concentrating on an ongoing transition into higher-growth end markets, including telecom, renewables, electrical transmission and distribution, and regulated gas distribution.” [...] “We are focusing on life cycle solutions for our clients from engineering through maintenance. This includes a heavy emphasis on projects with either MSA, recurring revenue type work, or projects which have some type of reimbursable component.”</i></p> <p>- Tom McCormick, CEO, President & Director, August 4, 2021</p>
	<p>Quanta increased its financial expectations for the year due to strong second-quarter results, healthy end market drivers, and recent project wins. Leadership continues to believe Quanta is in a multiyear upcycle with tremendous opportunity for continued organic and profitable growth</p>	<p><i>“We believe our business is strong, and we continue to have a favorable outlook for the rest of this year. As a result, we raised our 2021 guidance.” [...] “Our markets continue to evolve and strengthen, driven by longer-term favorable trends, including modernization, system hardening, electrification, carbon neutrality initiatives, and the adoption of new technologies” [...] “We believe the infrastructure investment necessary to support these initiatives is still in the early stages of deployment, which provides us with years of visibility and growth opportunities.”</i></p> <p>- Duke Austin, President, CEO, COO & Director, August 5, 2021</p>

RECENT HARRIS WILLIAMS PUBLICATIONS

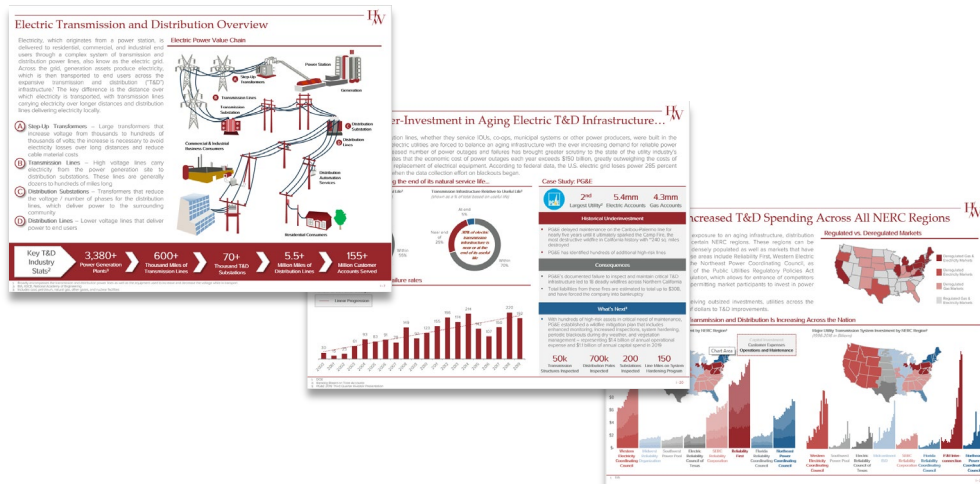
Utility Services Whitepaper: Transmission & Distribution Infrastructure

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
- 415+ professionals across eight offices globally
- 170+ closed transactions in the last 24 months
- 10 dedicated industry groups



HW UTILITY SERVICES SECTOR FOCUS AREAS

ELECTRIC TRANSMISSION & DISTRIBUTION

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

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

POWER PRODUCTS

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

TELECOMMUNICATIONS

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

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RECENT PUBLICATIONS

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

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SELECT HARRIS WILLIAMS UTILITY SERVICES TRANSACTIONS



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Sources

1. CapIQ

Disclosures

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