

# ENERGY, POWER, AND INFRASTRUCTURE

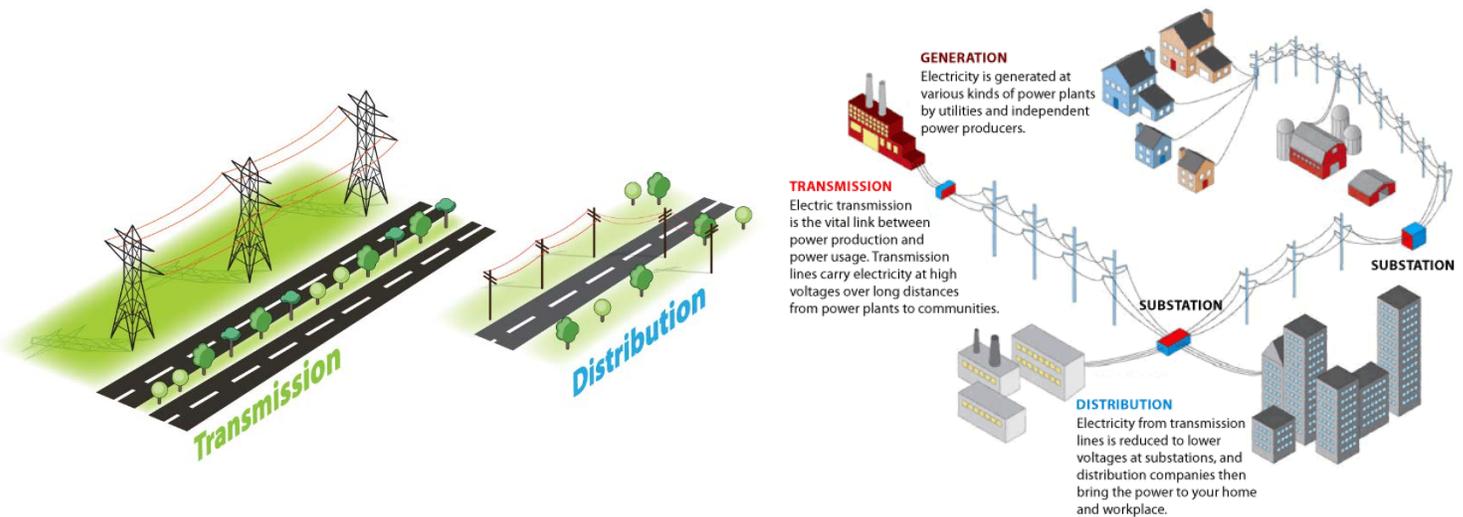
## SUMMARY REPORT

2<sup>nd</sup> Quarter 2021 Outlook



### TRANSMISSION & DISTRIBUTION INDUSTRY OVERVIEW

- Transmission and distribution (“T&D”) refers to the different stages of carrying electricity over poles and wires from generators to a home or a business. The primary distinction between the two is the voltage level at which electricity moves in each stage.
- After electricity has been generated, a system of electrical wires carries the electricity from the source of generation to our homes and businesses. These lines can be found overhead or sometimes in the ground – combined transmission and distribution lines make up what is commonly called “the grid.”
- The initial stage in the process is converting power from a generation source (coal, nuclear, wind, etc.) into a high voltage electrical format that can be transported using the power grid, either overhead or underground. This “transformation” occurs very close to the source of the power generation.
- The second stage occurs when this high-voltage power is “stepped-down” by the use of switching gears and then controlled by using circuit breakers and arresters to protect against surges. This medium voltage electrical power can then be safely distributed to urban or populated areas.
- The final stage involves stepping the power down to useable voltage for the commercial or residential customer.
- In short, while power generation relates to the installed capacity to produce energy from an organic or natural resource, the T&D space involves the follow up “post-power generation production” as systems and grids are put in place to transport this power to end users.
- The T&D market supplies equipment, services and production systems for energy markets.



Source: Photos: PFJ.com, INContext; RCO Research



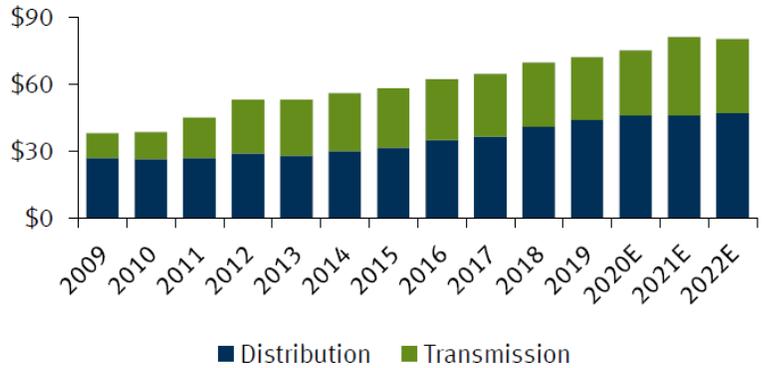
The broader infrastructure services market was highly resilient through COVID-19 as most segments were deemed essential. Those service providers that were impacted due to shutdowns and work stoppages were more heavily impacted, with industrial end markets the most severe.

The utilities market fared better than others and investment is expected to increase significantly as utilities are making considerable investments to replace, upgrade, and expand new and existing T&D infrastructure, primarily driven by the need to improve the reliability and capacity of the North American T&D network and by long-term regulatory requirements and incentives.

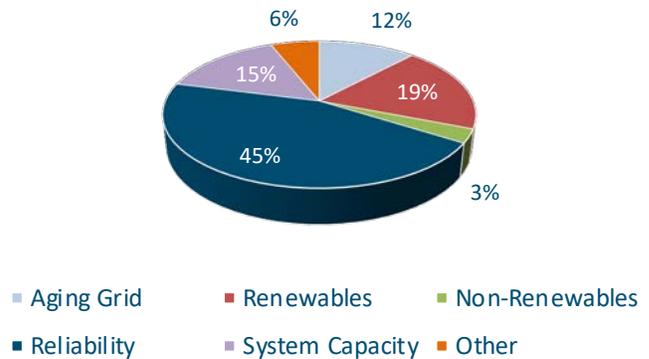
**This prolonged investment cycle is in its very early stages and will continue its robust growth as a result of several expected factors, including:**

- Clean energy transition
- Fire/Storm Hardening
- Smart grid and security initiatives
- Population migration
- Electric vehicle trends
- Aging infrastructure

## Utility End Market Forecast (\$ in billions)



## Primary Drivers of Transmission Line Build



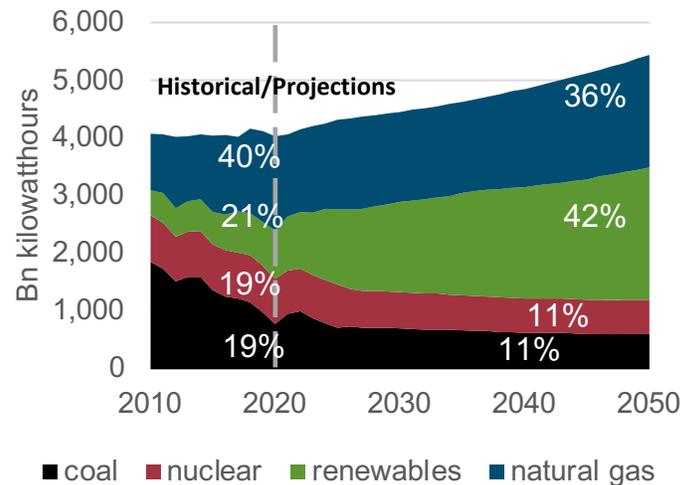
Source: MasTec Q1 2021 Corporate Presentation; Stifel Infrastructure Services Market Update December 2020

# T&D INDUSTRY GROWTH DRIVERS

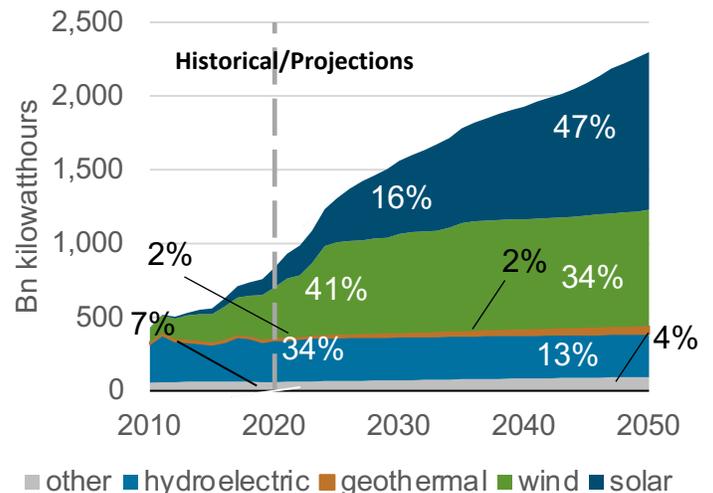


- **Increased demand for grid reliability**
- **Aging and inadequate T&D infrastructure** - majority of the nation's grid is aging, with some components over a century old — far past their 50-year life expectancy — and others, including 70% of T&D lines, are well into the second half of their lifespans. Decades of underinvestment and neglect in the US are now requiring non-discretionary maintenance, repairs and upgrades from various infrastructure service providers, especially in the T&D sector
- **Increased Demand for outsourced service providers** - electrical utilities currently outsource over 90% of their transmission work and 35% of their distribution work, or approximately 50% of total T&D work
- **Regulatory Tailwinds** - Federal Energy Regulatory Commission ("FERC") Order 1000: Establishes transmission planning and cost allocation requirements for public utility transmission providers; Federal Solar Investment Tax Credit (ITC) that is available to project developers is driving some of the anticipated solar growth; Biden Administration infrastructure bills and push for clean energy initiatives
- **Shift to renewable energy assets** - Renewables' share of electricity generation may more than double from 2020 to 2050

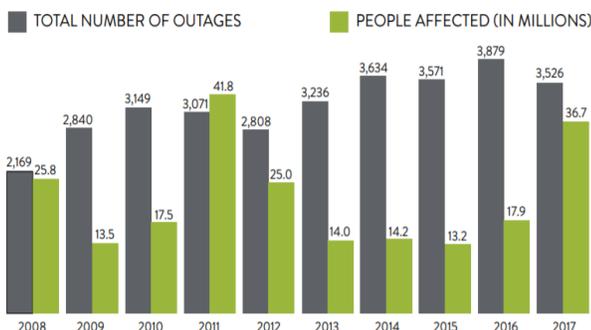
US Electricity Generation from Selected Fuels



US Renewable Electricity Generation



Number of Outages Over Time



EIA, 2021 Infrastructure Report Card; Stifel Infrastructure Services Market Update December 2020

# TEXAS INVESTING IN SOLAR



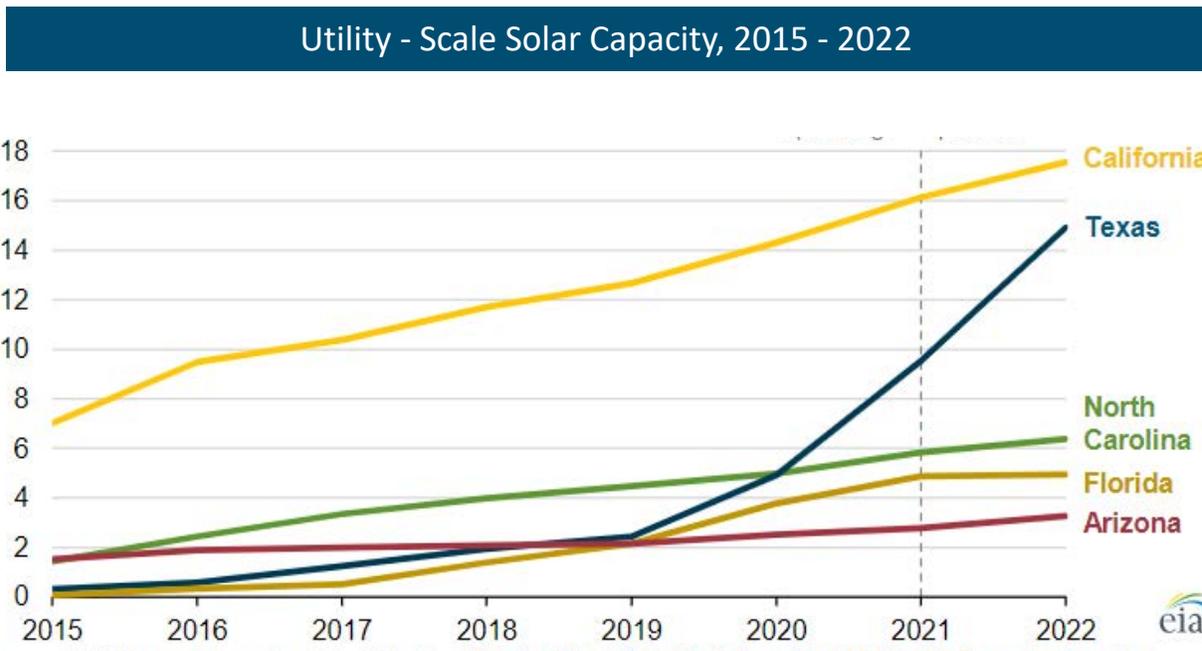
Texas, already the U.S. state with the most wind energy capacity, is catching up to California in utility-scale solar capacity. Access to high-voltage transmission lines is key for the development of utility-scale solar power projects, as transmission lines are what move the power from where the electricity is generated to where it is consumed.

Texas will add 10 gigawatts (GW) of utility-scale solar capacity by the end of 2022, compared with 3.2 GW in California. One-third of the utility-scale solar capacity planned to come online in the United States in the next two years (30 GW) will be in Texas.

The federal solar Investment Tax Credit (ITC) that is available to project developers is driving some of the anticipated solar growth. Other factors driving solar investment in Texas include lower solar technology costs and plentiful sunlight.



There are now 17 solar facilities in Texas, including 13 that can produce at least 100 megawatts of power.



EIA, Duke Energy, Solar Energy Industries Association

# T&D MERGERS & ACQUISITIONS ENVIRONMENT



While M&A activity declined during the pandemic, the second half of 2020 rebounded to pre-COVID levels as debt financing returned, restrictions were lifted, companies were better able to forecast, and the market adapted with virtual meetings and other technology to progress deals along.

The strength of the market has driven significant interests from both strategic and financial buyers.

Deal activity in this market is expected to remain strong for the foreseeable future.

## U.S. M&A Activity – 2020 vs 2019



Electric Power Generation, Transmission & Distribution Deal Multiples 2012-Present	TEV Range	EBITDA Margin %	TEV/EBITDA
	\$25-250M	21%	7.9x

## RECENT T&D/INFRASTRUCTURE TRANSACTIONS

Recent Transactions	Date	Target Description
 Acquired by 	4/21/2021	Headquartered near Orlando, Florida, North American Substation Services is the largest independent provider of installation, repair, and maintenance services powering mission-critical high voltage substation equipment throughout the United States.
 Acquired by 	4/21/2021	Headquartered in St. Louis, Missouri, EPS provides a full suite of electrical testing and engineering services for demanding customers in the utility, renewable energy, data center, and commercial markets.
 Acquired by AN ARTERA COMPANY	1/28/2021	DD Grid, LLC is a full-service electrical substation utility contractor. The company is equipped to handle projects of all sizes with 50 years of combined experience in the industry. Volt Power is a leading provider of overhead and underground utility services and installs, repairs, maintains, and replaces electrical transmission and distribution power lines.
 Acquired by 	1/27/2021	James Power Line Construction is a leading infrastructure construction and maintenance company specializing in overhead and underground distribution for the electric utility industry primarily in central, south and west Texas. The Company also provides emergency storm restoration services throughout the United States. James Power Line Construction has over 175 employees and is headquartered in Boerne, Texas.

EIA, PR Newswire, GF Data, RCO Research

# RECENT T&D/INFRASTRUCTURE DEALS, CONT.



Recent Transactions	Date	Target Description
 Acquired by 	1/12/2021	Western Utilities provides testing, assembly, repair, rewinding and oil processing services for utility substation and industrial transformers in the western region of the USA.
 Acquired by 	12/21/2020	Founded in 1945, Pike Corporation is a leading integrated provider of construction, repair and engineering services for distribution and transmission power lines and substations, fiber, telecommunications and gas, along with a growing portfolio of turnkey and renewable generation and storage projects. Lindsay Goldberg is a private investment firm.
 Acquired by 	12/1/2020	Power Corporation of America constructs and maintains energy infrastructure systems for the power utility industry, supporting the delivery of energy including transmission lines, distribution systems, substations, drilled pier foundations and other electrical installations across the Southeast and mid-Atlantic regions of the United States and Texas.
 Acquired by 	11/16/2020	Founded in 1985, Lee Electrical Construction is a utility service provider offering power line construction and maintenance services primarily in the Southeastern and Mid-Atlantic United States. Headquartered in Aberdeen, NC, the company offers services in the areas of overhead and underground distribution, transmission and substation, horizontal directional boring, and storm restoration to a diversified group of utility cooperatives, investor-owned utilities, and municipalities.
 Acquired by 	8/11/2020	Headquartered in Flomaton, AL, Coastal Electrical Construction is a leading a provider of substation, transmission, and distribution construction and maintenance services to major utilities in the Southeastern United States. The Company offers transformer and substation installation and construction-related activities, as well as high-voltage transmission and maintenance services, electrical consulting and plant maintenance services.
 Acquired by 	7/2/2020	Echo Powerline, LLC, is a leading utility and infrastructure contractor. Headquartered in Bunkie, Louisiana, the Company serves approximately 15 utility and government customers across Louisiana and Texas.
 Acquired by 	11/13/2019	Based in Amarillo, Texas, Plaska specializes in installation, repair and maintenance services on overhead electrical power lines for utilities and industrial companies, as well as storm response. The Company also performs electric distribution construction work. Plaska's senior management team remains with the Company.
 Acquired by 	6/5/2018	kV Power is a specialized electrical construction and maintenance services company focused principally on the electrical transmission infrastructure and the oil and natural gas services industries and provides transmission, distribution, substation and electrical automation & instrumentation services to regional utilities and oil and gas operators.
 Acquired by 	6/5/2018	Shermco provides electrical testing, maintenance, commissioning, and repair services to a wide range of utility, industrial, energy, and other end markets across North America. With more than 400 NETA (InterNational Electrical Testing Association) technicians and more than 90 utility protection & control ("P&C") technicians, Shermco serves a diversified blue-chip customer base throughout the U.S.
 Acquired by 	11/30/2017	Mesa operates as an electrical infrastructure services company. The Company offers transmission, energized, substation, distribution and underground services. Mesa serves engineering firms, power companies and developers in the Southwest U.S.

# ROMANCHUK & CO. FIRM CAPABILITIES



Romanchuk & Co. is a boutique investment banking firm providing strategic advisory services to our clients across the lower middle-market, including sourcing, initiating, structuring and negotiating mergers and acquisitions raising capital, as well as providing valuation and restructuring services. We specialize in advising owners and investors of privately-held businesses, private equity firms and corporations on the preparation and sale of

their company, facilitating mergers and acquisitions, guiding companies through capital raises, and assisting in identifying and executing upon strategic opportunities. Our team of licensed investment bankers provides sell-side M&A advisory services to lower middle-market companies with enterprise values ranging from \$15 million to \$250 million. For more information, please visit our website at [www.romanchukco.com](http://www.romanchukco.com).

## RECENT EXPERIENCE

Our most recently closed deals showcase our firm's unique ability to execute transactions across the diversified industrials sectors, while maximizing value for our clients in the lower middle-market. Drawing on our collective industry experience and strengths, Romanchuk & Co. is focused on providing creative, impactful M&A strategies to our clients.



## INDUSTRY RECOGNITION



Romanchuk & Co. was selected as the Boutique Investment Banking Firm of the Year for 2018. Over 230 nominees, representing over 600 companies, became finalists for the awards. An independent judging committee of 29 top M&A industry experts determined the ultimate recipients of the awards.

In addition, Romanchuk & Co. was named a finalist in the following categories: Energy Deal of the Year, Industrials Deal of the Year (\$10MM-\$50MM), M&A Deal of the Year (\$10MM-\$25MM), and M&A Deal of the Year (\$50MM-\$75MM).

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