



POWER & INFRASTRUCTURE M&A UPDATE
Engineering & Construction Industry
Q3 2023

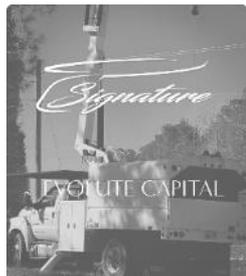
FOUNDERS
ADVISORS

Introduction to Power & Infrastructure Sector



Utilities	Infrastructure	Q3 2023 Spotlight Engineering & Construction	Renewable Energy	Environmental Services
<ul style="list-style-type: none"> ✓ Water ✓ Energy ✓ Telecom ✓ Power 	<ul style="list-style-type: none"> ✓ Rail Transportation ✓ Bridge Services ✓ Road Maintenance 	<ul style="list-style-type: none"> ✓ Construction & Project Management ✓ General & Specialty Contracting ✓ Building Services ✓ Infrastructure Support 	<ul style="list-style-type: none"> ✓ Solar Contractor ✓ Wind Contractors ✓ EV Infrastructure ✓ Operations and Management ✓ Renewable Technology ✓ Battery Storage 	<ul style="list-style-type: none"> ✓ Waterproofing ✓ Remediation and Consulting ✓ Hazardous Waste / Industrial Cleaning

Select Power & Infrastructure Transactions

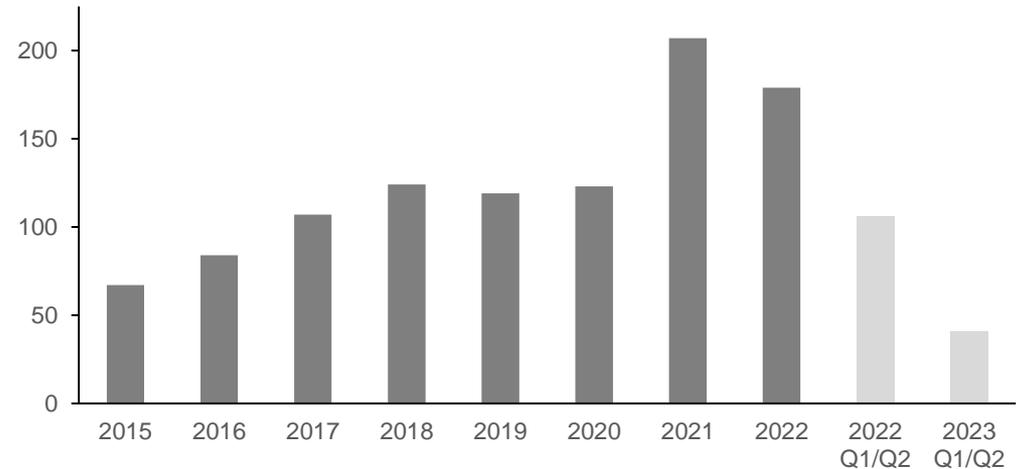


Engineering & Construction M&A Market Activity

Overview

- Engineering and Construction (E&C) M&A transactions have increased from 67 in 2015 to 179 in 2022 U.S. Private Equity firms, referred to hereafter as, 'Financial' buyers, represent ~56% of the M&A activity.
- Buyers have favored industry segments with long-term secular tailwinds such as ongoing federal funding support for the construction sector as well as future residential construction demand from the millennial generation. Furthermore, supply chains look to rebound from previous pandemic delay resulting in an increase in contractor profit and a decline in cost of materials.
- Q1 2023 / Q2 2023 deal volume relative to Q1 2022 / Q2 2022 has been low due to rising borrowing costs and inflation.

Deal Volume, Agnostic of Buyer Type



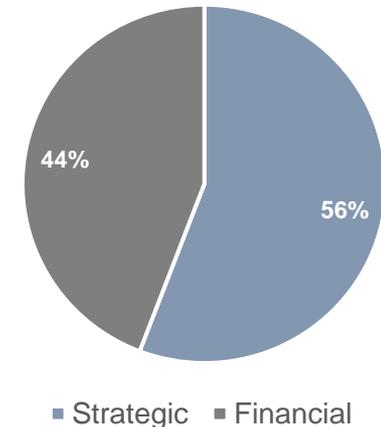
Founders' Recent Power and Infrastructure M&A Deal Spotlight



March 2023

- Founders is pleased to announce that certain principals of Founders Advisors advised Signature Utility Services ("Signature") in its sale to Evolute Capital ("Evolute").
- Signature is a privately-owned turnkey vegetation management service provider that utilizes both conventional and airborne methods for right-of-way trimming. The Company provides construction services for the utility and railroad industry.
- "The Founders team did a phenomenal job guiding us through a process of finding a new home for Signature. With their expertise in our market, we knew that we could trust their judgement and guidance."
- Signature CEO, Todd Burford

2019 – Q3 2023 M&A Activity by Buyer Type

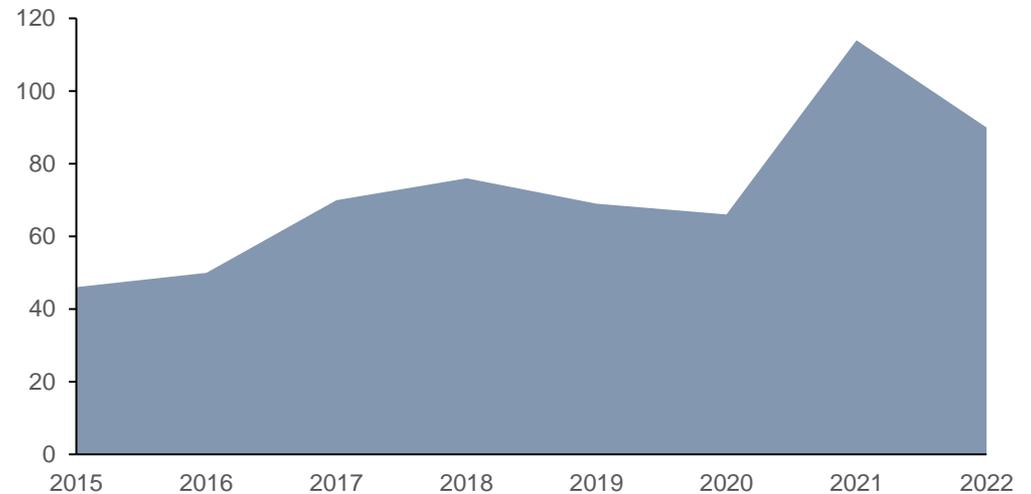


Strategic Market Participants, Industry Outlook and M&A Trends

Overview

- Strategic buyers, also known as companies that acquire other companies, are leveraging durable balance sheets to acquire smaller companies. This strategy within the Infrastructure segment is growing in popularity, which is helping drive M&A activity in the segment.
- The last few years, strategic industry participants, such as Jacobs, STO Building Group, and MasTec are using M&A as a core component of their growth strategies as they look to expand reach in new geographies with both existing and new customers.
- According to earnings calls and channel checks, M&A continues to be at the forefront of management teams' mind. Expectation is that M&A activity from strategic industry participants will continue.

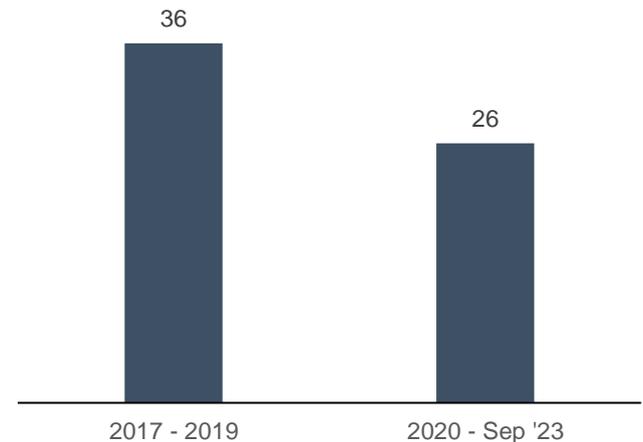
Deal Volume by Strategic Buyers



Select Strategic Transactions

Seller	Acquirer	Transaction Date
 WEEKS	 Kiewit	Jun-23
 IEA	 MasTec	Oct-22
 RC ANDERSEN, LLC Construction & Consulting	 STO BUILDING GROUP	Nov-21

of Acquisitions by Premier Strategic Buyers [1]

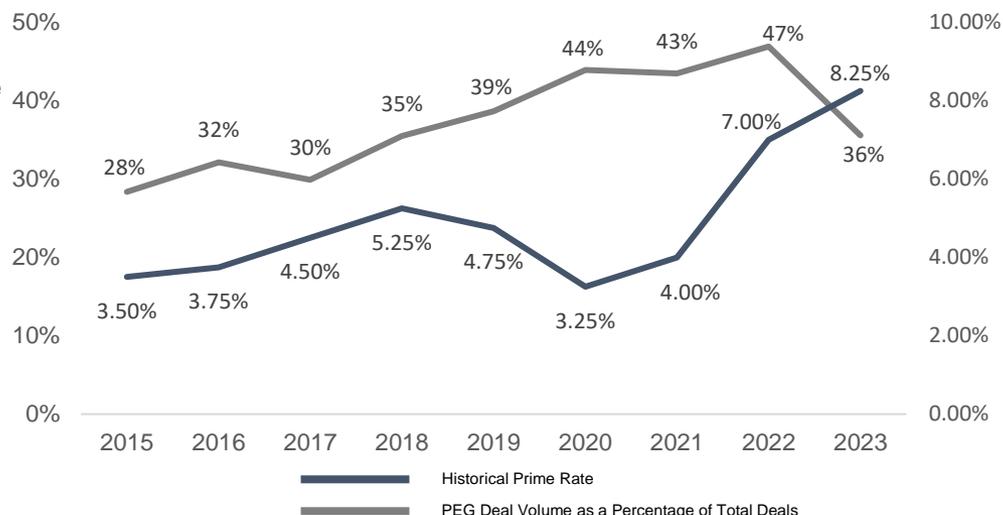


Private Equity (PEG) Market Participants, New Platforms and M&A Activity

Overview

- Dating back to 2020, Financial buyers were about 44% of the transaction volume of E&C companies. Since 2015, the industry has seen growing interest from the buyer category as the revenue outlook for companies servicing the industry has become more predictable.
- Financial buyers will buy larger, more established companies as “Platform” investments, and then bolt-on other complementary business lines as “Add-On” investments. The establishment of new Platform investments will help drive M&A volume for smaller companies offering attractive services or performing services in attractive geographies. Over the last 12-months, transaction volume for Financial buyers leaned towards add-on additions.
- Rising interest rates have an inverted relationship with PEG deal volume due to the impact that interest rates have on a PEG’s ability to finance transactions with debt, giving strategics an advantage.

PEG Deal Volume as a Percentage of Total Deals

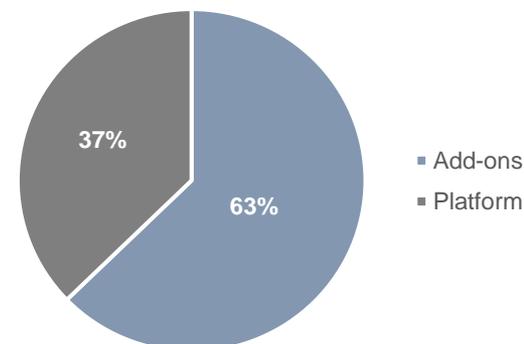


Select Financial Transactions

Seller	Acquirer	Transaction Date
Mill Creek Renewables	Neos	Jun-23
AREALTEK	WATERLAND PRIVATE EQUITY INVESTMENTS	Dec-21
Baukon part of cpc Baulogistik	CONSTELLATION®	Apr-21

Add-on Investments^[1]

Add-ons are companies that PEGs will bolt-on to platform companies. Add-ons are generally smaller but will add accretive attributes to the Platform.



Representative E&C Buyer Landscape

Founders' Power & Infrastructure team has a select focus on E&C companies and, through a myriad of processes, has developed tenured relationships with some of the largest private equity platforms & public companies in the industry

Founders Select Relationships

Public	 	 	 
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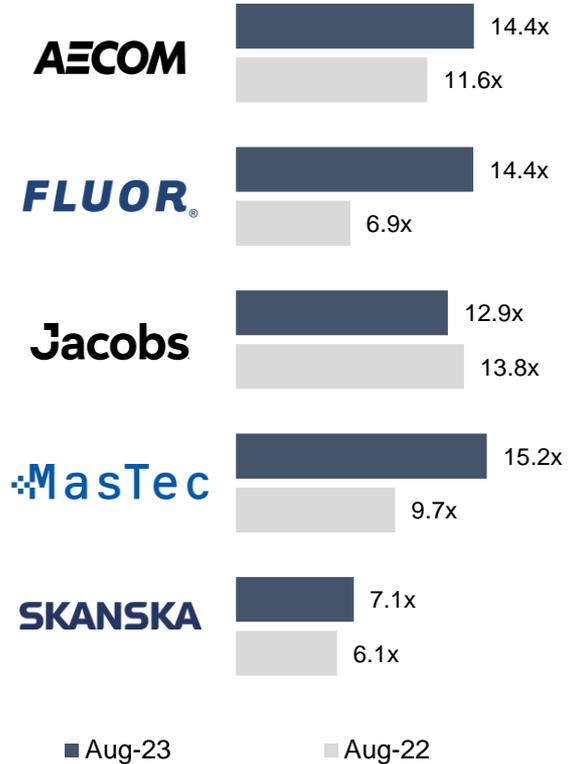
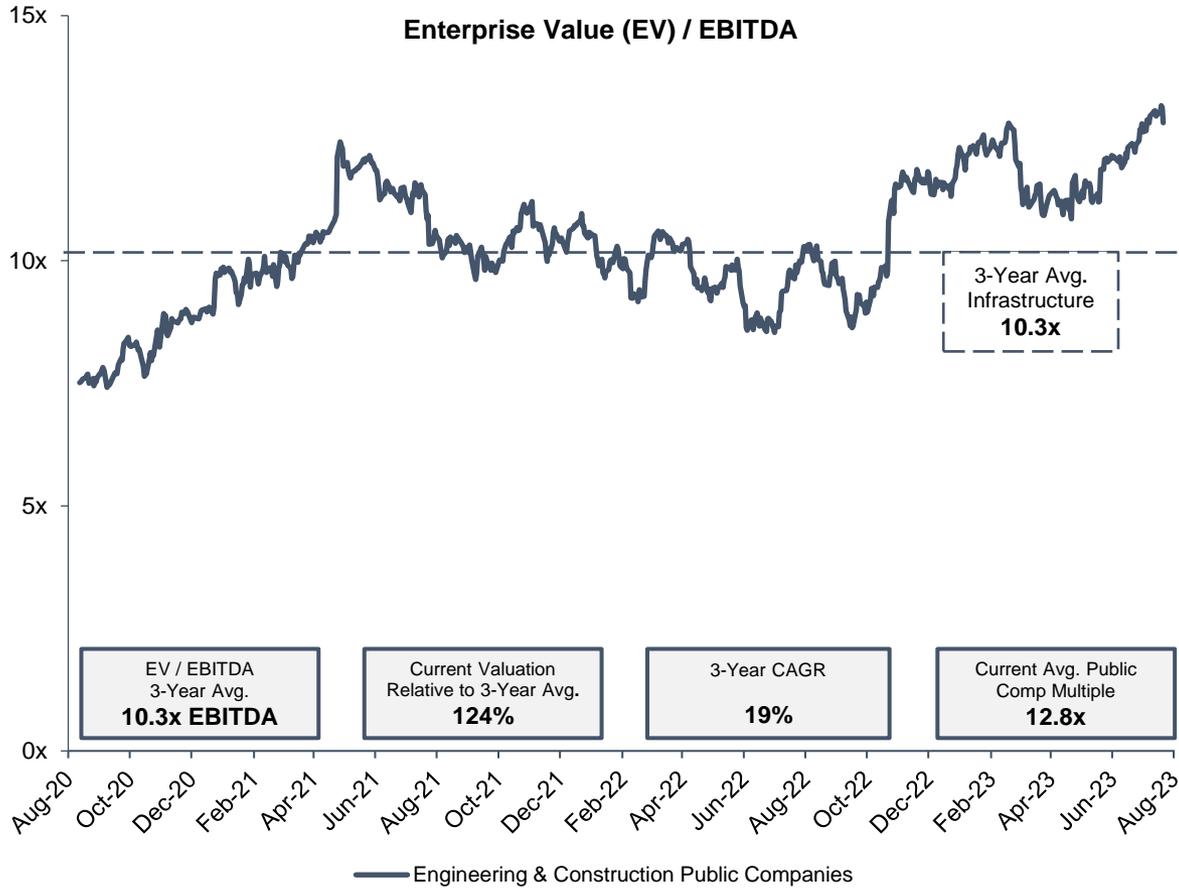
Private	 	 	 	 	 	 	
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Valuation Trends

As the broader macroenvironment continues to improve, E&C public companies have followed suit and seen strong upticks in their EV/EBITDA ratios

Infrastructure Public Company Ratios

EV / LTM EBITDA Multiple

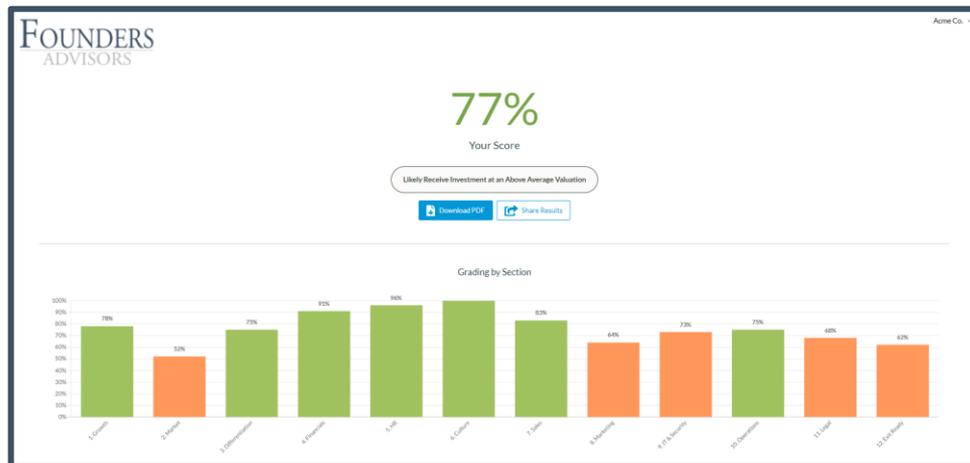


Power & Infrastructure Assessment

Founders has provided a free assessment to identify ways to prepare a business for a potential exit

Is My Company Exit Ready?

Identify Key Areas Maximize Your Company's Enterprise Value in a Sale



1. Growth, Profitability & Financial Health 78%

Summary

Size/Scale is one of the most common reasons that investors pass on an investment opportunity. Scale also impacts valuation potential because investors are willing to pay premiums for companies that have been established as leaders in their space.

How to improve your score

The following action steps are places we recommend you focus to improve your score in this section.

- Look for ways to expand into new geographies, new offerings, or with existing customers.
- Determine if there is an issue with your product-market fit or if customers need more attention to improve retention rates.
- Ensure your cost of goods sold is full-burdened and focus on growing your highest margin revenue streams.

YOUR RESPONSES

Company's last twelve months revenue

- >\$30mm
- ▶ **\$16-30mm**
- \$6-15mm
- \$4-5mm
- \$0-3mm

Feedback

Assuming the large majority of the revenue is recurring, \$16mm-\$30mm in last twelve months revenue would be very attractive to software investors.

Growth

This section is weighted the highest as it is the crux of a healthy business. It is one of the most challenging areas to improve, but we are here to help.

Talk to an Expert



Customized Assessment for E&C Companies



Actionable Advice to Help Maximize Value in a Transaction



~100 Questions



25 Minutes to Complete



14-Page Report Provided With Actionable Insights

Complimentary Coupon

Website: <https://app.foundersib.com/auth/sign-up>

Code: #MU52022

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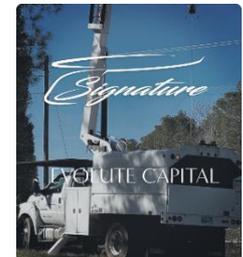
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Recent Transactions



Experience Across a Wide Array of Sectors

- Advanced Manufacturing and Process Equipment
- Advanced Materials
- Automation and IIoT
- Connectors and Electronics
- Construction and Building Materials
- Facility and Industrial Services
- Plastics and Packaging
- **Power and Infrastructure**
- Specialty Distribution
- Test and Measurement

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