

Executive Summary

Delancey Street Partners is pleased to present our Utility Services Sector Review. Utility companies have increasingly leveraged external vendors as they strive to contain costs, realize efficiencies, and enhance customer service. Utility Services companies have benefited from this trend, capturing a growing share of the functions that large utility companies now seek to outsource.

Topics of Discussion

- Segmenting the Utility Services Sector
- Utility Services Sector Investment Themes
- DSP Spotlight Trend: The Evolving Utility Services Model
- Review of Public Company Stock Performance
- Notable M&A activity



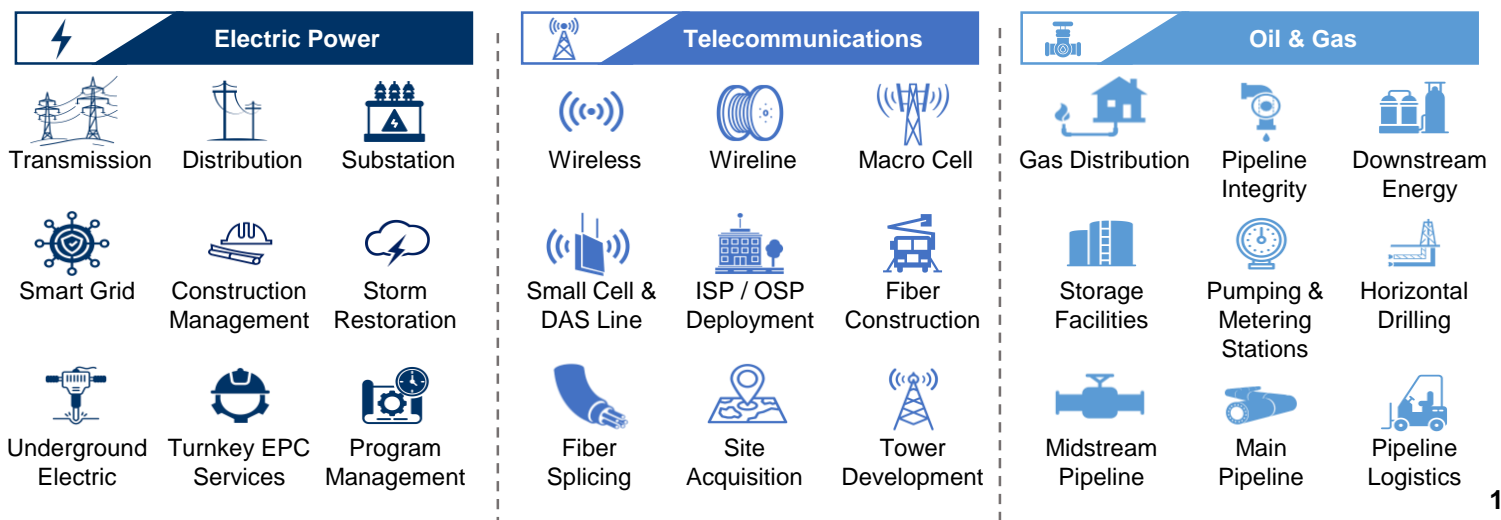
Segmenting the Utility Services Sector

In this sector review, we segment the broader utility services industry into three distinct subsectors to reflect that industry operators generally specialize in a subset of the U.S. infrastructure network.

Electric Power: Service providers in this subsector specialize in the electric power end markets. Services include design, procurement, new construction, upgrade, repair, and maintenance services for overhead and underground transmission & distribution (“T&D”) infrastructure and substation facilities. Other capabilities include engineering and technical services to support the implementation of upgrades by utilities to modernize and harden the electric power grid.

Telecommunications: Service providers in this subsector are engaged in design and construction services to wireline and wireless communications companies and cable multi-system operators. Typical services include planning, design, construction, maintenance, and repair of aerial, underground, buried fiber optic, copper, and coaxial cable systems. Operators also plan and design wireless networks in connection with the deployment of macro cell sites and new small cell sites. Construction and maintenance services often include excavating trenches to place cables and related structures, such as poles, anchors, conduits, manholes, cabinets, and closures. Other providers may specialize in tower construction, lines and antenna installation, foundation & equipment pad construction, and site testing services.

Oil & Gas: Service providers in this subsector are engaged in the design, engineering, procurement, construction, upgrade, repair, and maintenance of natural gas systems for gas utility customers. Operators often also serve the midstream & downstream industrial energy markets. Services include pipeline protection, integrity testing, rehabilitation and replacement services, high-pressure and critical-path turnaround services, instrumentation, piping, fabrication, and storage tank services. Operators also provide engineering and construction services for pipeline systems, storage systems, and compressor and pump stations.



Utility Services Sector Investment Themes

Delancey believes there is a compelling investment thesis for the utility services sector supported by the convergence of several industry tailwinds. Strategic buyers and financial investors have been drawn to a number of these attributes that make the space attractive for building platforms of scale. These attributes include:

Long-Term Electric and Gas Infrastructure Needs

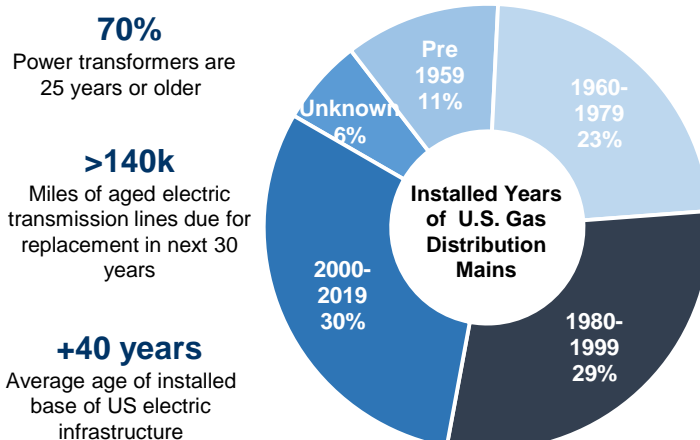
The U.S. has an aging gas and electric infrastructure system that connects homes and businesses to needed sources of power. With these old, and sometimes failing, systems there is a growing need to inspect and upgrade these systems to improve reliability, safety, and reduce carbon emissions. Several major natural gas and electrical incidents have occurred in recent years (Columbia Gas and PG&E), which have drawn the public's attention to the need to improve the nation's infrastructure. Electric utilities are in the early stages of hardening transmission and distribution systems to better withstand catastrophic damage caused by increased hurricane, winter storm, and wildfire activity. To keep up with the increased energy demand, utilities are relying more on outsourced service providers to accelerate the repair, rehabilitation, and replacement of the infrastructure systems.

In response to the growing needs of the U.S. infrastructure system, investor-owned utilities ("IOUs") have increasingly expanded their capex budgets over the past decade to support the long-term energy transition. From 2009 to 2021, revenue generated from electricity sales remained flat, while, up until recently, the sourcing costs for power decreased moderately. This trend provided utility companies with additional cash to spend on upgrading and replacing old infrastructure. In addition, private investment in energy infrastructure has increased over the past decade, providing incremental capital for upgrading, retrofitting, and constructing energy infrastructure.

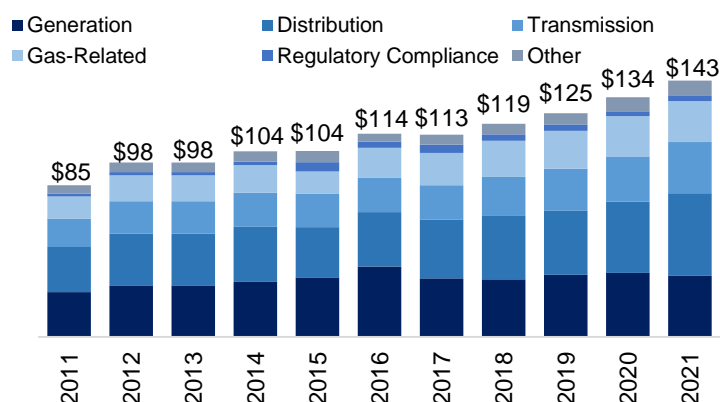
Regulatory Tailwinds

Since the early 2000s, the federal government has incentivized modernization and hardening of the grid by passing several key pieces of legislation. Key policies enacted include the Energy Policy Act of 2005, FERC Order 1000, the American Reinvestment and Recovery Act of 2009, and the Rapid Response Team for Transmission. These policies have set mandatory grid reliability standards, bolstered government spending on clean energy investments, established planning and cost allocation requirements for public utility providers, and improved the quality and timeliness of the electric transmission infrastructure permitting and review process. In November of 2021, the Biden administration signed the Infrastructure Investment and Jobs Act ("IIJA") into law, a \$1.5 trillion infrastructure bill that marks the largest infusion of federal investment into infrastructure projects. The legislation will allocate hundreds of billions of dollars to repair aging public works including roads, bridges, power grids, and communication networks. These tailwinds are expected to fuel large market opportunities for utility services companies into the foreseeable future.

U.S. Infrastructure Key Statistics ^{(2) (3) (4)}



Investor-Owned Utilities Capex (\$ in billions) ⁽⁵⁾



Regulatory Overview ⁽⁶⁾

Energy Policy Act of 2005

- Establishes mandatory electric grid reliability standards
- Allows ROE on transmission projects 100 to 150 basis points higher than on other investments, spurring utility transmission spending

FERC Order 1000

- Establishes transmission planning and cost allocation requirements for public utility
- Encourages transmission infrastructure investment and development of regional plans

American Reinvestment and Recovery Act of 2009

- Loan guarantees and tax credits to support investment in renewable energy and grid improvements

Rapid Response Team for Transmission

- Improves the overall quality and timeliness of electric transmission infrastructure

Infrastructure Investment and Jobs Act

- Largest spending bill in U.S. history focused on investment in infrastructure projects including public works, electrical grids, and telecommunication networks

Utility Services Sector Investment Themes (continued)

Aging Workforce

The average age of US utility workers is over 50, several years older than the national average. In the coming years, a large percentage of the utility workforce will approach retirement without a sufficient number of younger, skilled craft laborers to fill the talent gap. Specifically, 25.7% of the electric utility workforce is approaching retirement within the next 10 years. The looming loss of knowledge faced by utility companies and the pending difficulty replacing skilled labor will lead utility providers to outsource functions as a means of obtaining key knowledge and skills.

Outside Threats Drive Need for Technology Enhancements

Recent cyberattacks have highlighted growing concerns that the nation's infrastructure is at risk of a crippling cybersecurity breach. In May of 2021, a ransomware attack impacted computerized software used to manage the Colonial Pipeline, the largest pipeline in the U.S. The disruption resulted in widespread energy shortages across the east coast. These attacks are accelerating the refurbishment of the nation's information technology infrastructure. Tied to these efforts is the development of "smart grids", part of which entails automating and upgrading system technology to combat security breaches. Utility service providers are expected to play an important role in the necessary infrastructure improvements required to ensure safety from outside technology attacks.

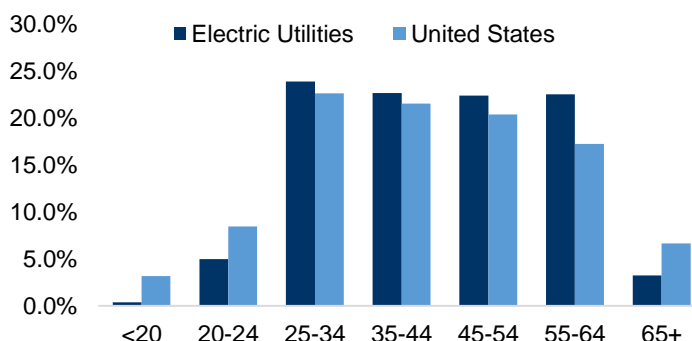
Emergence of a Utility Services Ecosystem

Over the past two decades, public utility companies have focused on outsourcing a greater share of their overall workload to third party contractors. This strategy began in the 1990s when deregulation of power markets increased market competition and price transparency. This shift forced utility companies to focus on preserving margins by cutting costs and divesting non-core assets. Cost cutting, outsourcing, and layoffs at these utility companies combined to thin these organizations of internal capabilities. As a result, an ecosystem of former utility service employees emerged, who initiated contracting and construction companies to meet the ongoing needs of utility companies.

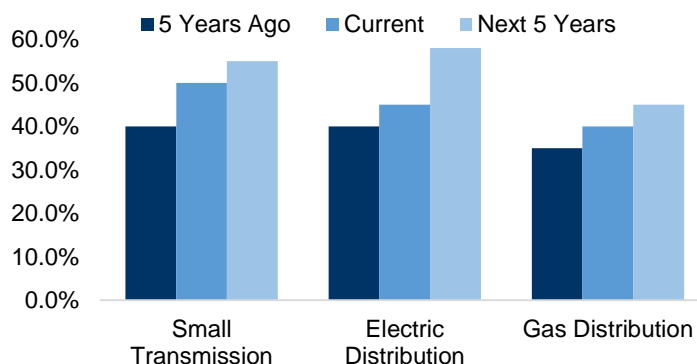
What This Means

DSP expects both strategics and private equity platforms to continue to actively seek acquisitions of smaller utility services providers to expand geographically, reduce customer concentration, increase the amount of self-performed work, and bolster capabilities. Utility companies will look to these organizations for their wide-ranging expertise and ability to upgrade the country's aging infrastructure. As a result of the competition for these assets, valuation multiples will likely continue to trend upward.

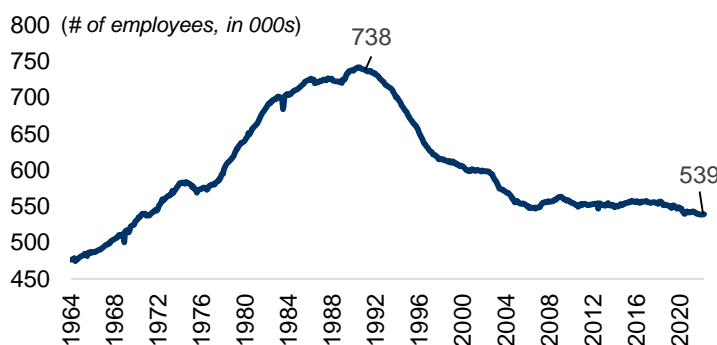
% of Workforce by Age (2020) ^{(7) (8)}



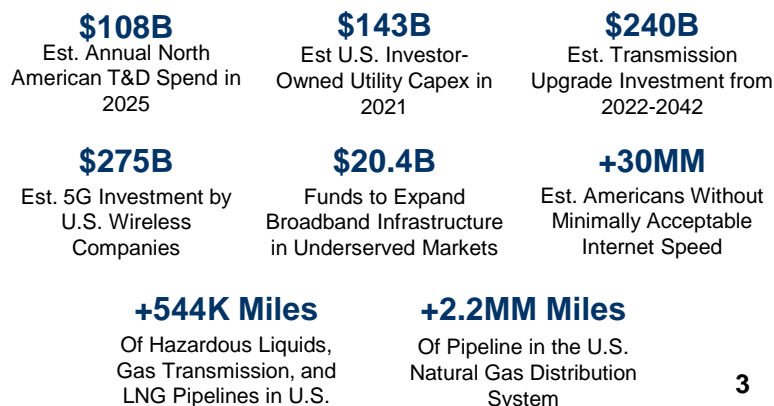
% of Utility Workload Outsourced ⁽⁹⁾



Decades Long Decline in Utilities Employee Count ⁽¹⁰⁾



Infrastructure Market Opportunities ^{(6) (11) (12) (13) (14) (15)}



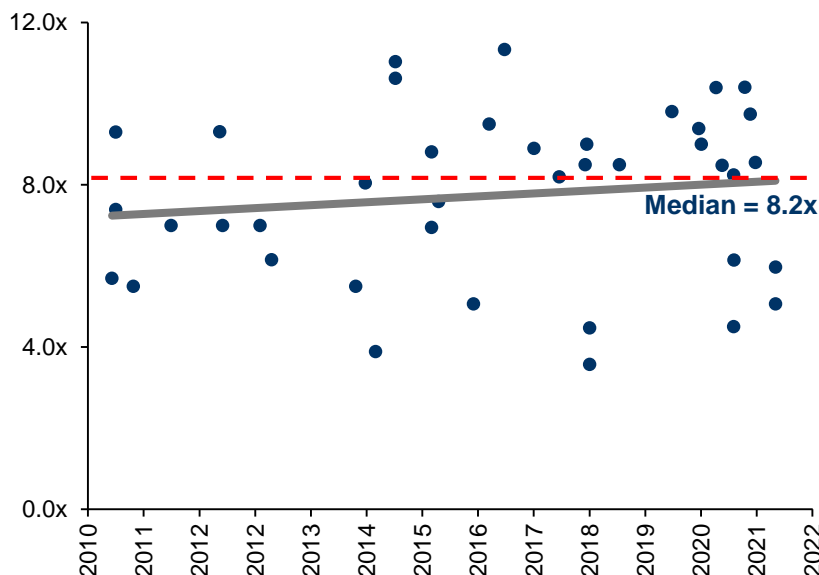
UTILITY SERVICES SECTOR REVIEW

Utility Services M&A Transactions ⁽¹⁾ (16)

As a result of the competition between both strategics and private equity platforms to acquire utility services companies, valuation multiples have trended upward over the past decade. The median EV / LTM EBITDA multiple for 40 utility services transactions compiled from 2010 to 2022 was 8.2x. We note the scale of EBITDA is an important variable to consider when analyzing sector multiples. Of the 40 transactions included in the DSP data set, 30 had EBITDA less than \$100M. The median EV / LTM EBITDA for companies with \$10M to \$100M of EBITDA was 8.7x, while the median for companies with less than \$10M of EBITDA was 5.1x.

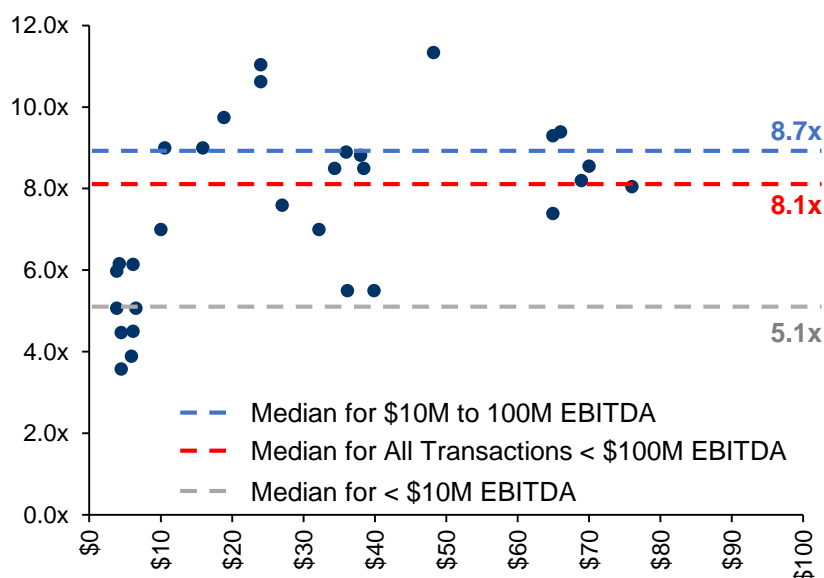
40 Transactions (2010-2022): All Transactions Regression Analysis

Metric	Mean	Median
EV	\$804	\$306
EV / LTM Revenue	1.1x	1.1x
EV / LTM EBITDA	7.7x	8.2x
LTM Revenue	\$1,114	\$342
LTM EBITDA	\$98	\$37



30 Transactions (2010-2022): < \$100M in EBITDA

Metric	Mean	Median
EV	\$248	\$219
EV / LTM Revenue	1.2x	1.1x
EV / LTM EBITDA	7.5x	8.1x
LTM Revenue	\$233	\$180
LTM EBITDA	\$30	\$24



DSP Spotlight Trend: The Evolving Utility Services Model

The Traditional Approach to Infrastructure Projects

DSP sees a pronounced trend of utility services companies expanding their traditional capabilities to include turn-key services across the infrastructure project lifecycle. This strategy has altered the dynamic of how utility companies partner with service providers to plan, execute, and maintain their long-term investments in infrastructure.

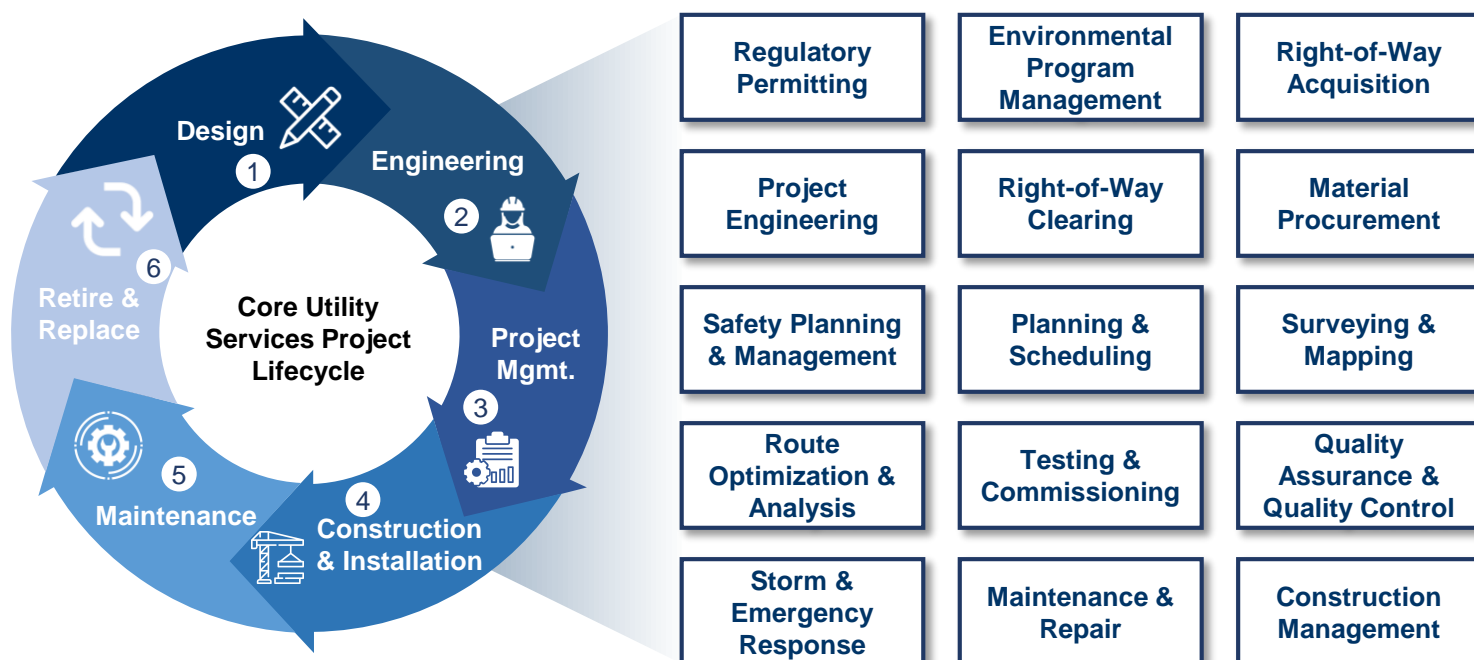
Historically, utility companies would identify the need for an infrastructure project and often choose an engineer-led firm with limited construction expertise to design and plan the assignment. After completing the initial planning and design phase, the engineering firm would then select contractors and construction firms to execute the build-out of the project. This bifurcated approach resulted in a range of suboptimal project outcomes including: i) higher total costs due to utilizing multiple vendors; ii) mismatches between work required and the construction capabilities hired, iii) frequent change order disputes; and iv) unforeseen remedial work. The total effect of this approach burdened utility companies with multiple costs and greater execution risk across the infrastructure project lifecycle.

Pursuing M&A to Bolster Turnkey Capabilities

As the utility services sector has expanded in both size and complexity, both public companies and private equity-backed platforms have increasingly pursued strategic acquisitions as a means to augment their construction capabilities. For example, industry participants have focused on creating end-to-end solutions by acquiring in-house, front-end services to properly scope, design and execute projects through all phases. The development of self-performed, turnkey capabilities has enabled these providers to exert greater control over the planning and execution of projects with improved visibility, quality of work, predictability, and reduced costs for utility customers. In addition, utility services providers have leveraged M&A to diversify their geographic footprint and grow their customer base across new markets. As a result, service providers have increased the share of total revenue across the project lifecycle while strengthening relationships with customers to support repeat business.

Higher levels of competition and pressure to deliver efficient, low-cost power have motivated utility companies to place a premium on service providers who can deliver projects on time and within budget. This transformation in the business model has altered the relationship between utility companies and their vendors. Rather than being viewed as “contractors and construction companies”, these vendors are now viewed as strategic partners that can programmatically plan and execute multi-year infrastructure investment programs. Platforms with synergistic services leveraging customer relationships and the ability to engage early in the design & engineering phases to establish incumbency will be better positioned to support growth.

Phases and Activities in the Infrastructure Project Lifecycle



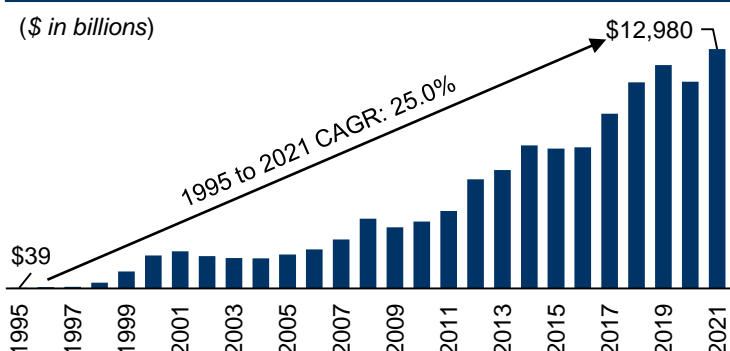
UTILITY SERVICES SECTOR REVIEW

Quanta Services Case Study: Building a Comprehensive Utility Services Platform Through M&A

1998 ⁽¹⁾		 250+ acquisitions	2021 ⁽¹⁾	
Market Cap:	\$453.6mm		Market Cap:	\$16,339.0mm
LTM Revenue:	\$319.3mm		LTM Revenue:	\$12,980.2mm
LTM EBITDA:	\$43.0mm		LTM EBITDA:	\$1,052.8mm
Stock Price:	\$7.5		Stock Price:	\$114.6

- Quanta (NYSE:PWR) has historically been acquisitive, and provides a useful case study in examining the strategy of a large utility services provider leveraging M&A to (i) achieve growth; (ii) solidify its geographic presence and customer footprint; (iii) expand into new strategic markets to win new customer relationships with investor-owned utilities ("IOUs"), electric cooperatives, and municipalities; (iv) broaden its front-end solutions and enhance its portfolio of capabilities across its electric power, renewable energy, and underground utility segments; and (v) add unique technology to further differentiate its turnkey offerings. Today, Quanta offers a comprehensive platform of end-to-end infrastructure construction services from initial design & engineering through ongoing maintenance and replacement.
- Quanta has stated that strategic acquisitions will continue to play a role in differentiating the Company in the marketplace and contributing to profitable long-term growth. Quanta has a track record of executing on its value-added M&A strategy and has completed 250+ add-on acquisitions since its founding in 1995. From 2012 to 2021, Quanta deployed \$5.7 billion in capital for acquisitions and investments.
- As shown in our analysis, the market has largely rewarded this long-term strategy, with Quanta's stock price up more than 199% over the past three years.








Historical Revenue Growth ⁽¹⁾



Historical Trading Performance ⁽¹⁾



Select Acquisition History

Date	Target	Description	Rationale
Oct 2021		Front-end engineering, procurement, project management and construction services	Scaled renewable infrastructure capabilities through a high growth, pure-play platform
Aug 2020		Power line construction and maintenance services in the Southeast and Mid-Atlantic	Expanded relationships with IOUs, electric cooperatives & municipalities in the Southeast
Jul 2020		Infrastructure engineering and design services for utilities and communications companies	Enhanced turnkey engineering capabilities in Quanta's core utility markets
Sep 2019		Distribution contracting and construction services for electrical and gas utilities	Acquired a leading gas services presence in the New York metro market
Jan 2019		Aerial power line inspection, maintenance, repair and construction support services	Added unique capability to provide electric live-line services via utilization of helicopters
Jul 2017		Specialized high pressure & critical path services to downstream and midstream energy markets	Provided access to the strategic Gulf Coast market via industrial oil & gas services
Nov 2014		Mainline oil and gas pipeline construction and maintenance services	Bolstered large pipeline capabilities in Canada including gathering, fabrication, and facilities

UTILITY SERVICES SECTOR REVIEW

Representative Strategies & Private Equity Platforms Building Capabilities Across End Markets

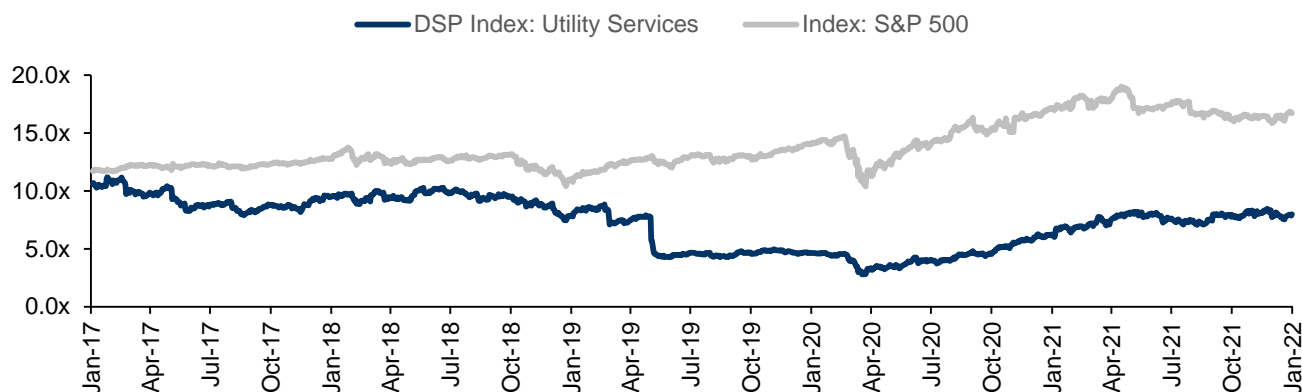
Strategic / Platform	Ticker / Sponsor	Electric Power	Telecommunications	Gas & Oil
		✓	✓	
		✓	✓	✓
		✓		✓
		✓	✓	✓
		✓	✓	✓
			✓	
		✓		✓
			✓	
	Not Applicable	✓	✓	
	NYSE: DY		✓	
		✓	✓	
		✓	✓	
	NYSE: MTZ	✓	✓	✓
	NASDAQ: MTRX	✓		✓
	NASDAQ: MYRG	✓		
	NASDAQ: OEG	✓	✓	✓
		✓		
		✓		✓
	LINDSAY GOLDBERG	✓	✓	✓
	NASDAQ: PRIM	✓	✓	✓
	NASDAQ: QTEK		✓	
	NYSE: PWR	✓	✓	
		✓	✓	
	WARBURG PINCUS	✓	✓	✓
			✓	

UTILITY SERVICES SECTOR REVIEW

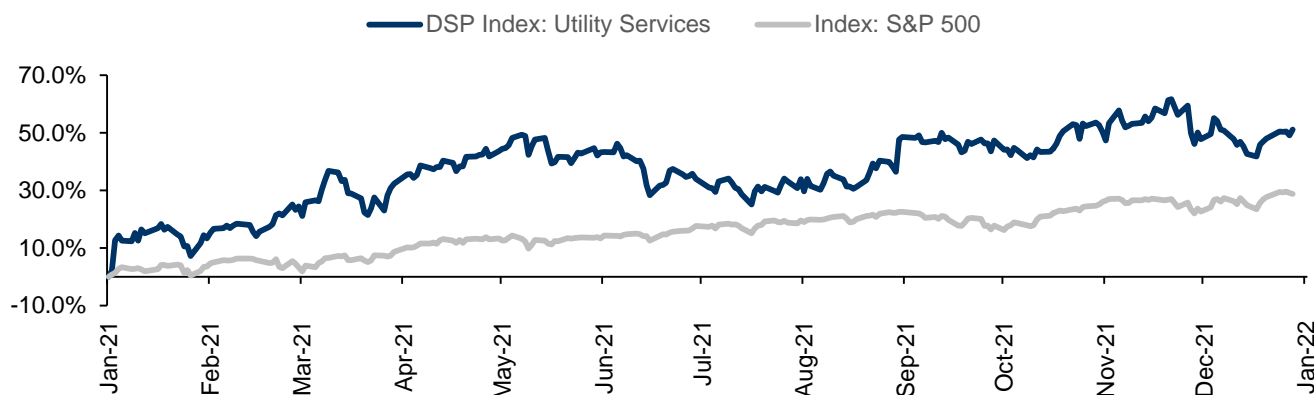
Review of Public Company Stock Performance ⁽¹⁾

Utility Services stocks posted gains in 2021 with an average annual return of 38%, outperforming the S&P, which returned 28%. Primary factors driving the performance of the sector included: (i) robust spending environment from utilities companies; (ii) increasing end customer electricity sales; and (iii) an uptick in government funding as a result of the allocations for the Infrastructure Investment and Jobs Act.

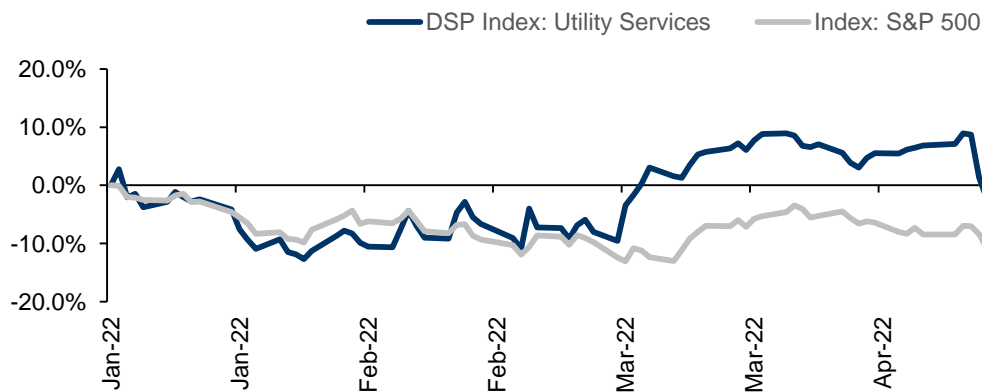
5-Year EV / LTM EBITDA Multiple



2021 DSP Utility Services Index Performance



2022 YTD DSP Utility Services Index Performance



UTILITY SERVICES SECTOR REVIEW

Comparable Company Analysis: 2021 Performance ⁽¹⁾

COMPANY	STOCK PERFORMANCE AND COMPANY DATA				MARGINS		VALUATION DATA						
	Price	2021	Market Value	Enterprise Value	Gross Profit	EBITDA	EV / Rev	EV / EBITDA				P / E	
Company	12/31/2021	% Change	(\$mm)	(\$mm)	% Margin	% Margin	LTM	2019	2020	2021	2022	2021	2022
Dycom Industries, Inc.	93.76	24.2%	2,829.7	3,454.41	15.9%	7.8%	1.1x	9.7x	9.7x	14.1x	14.0x	35.4x	65.8x
MasTec, Inc.	92.28	35.3%	6,685.2	8,167.48	14.4%	11.7%	1.0x	7.3x	7.6x	8.8x	8.5x	16.7x	21.2x
MYR Group Inc.	110.55	83.9%	1,865.0	1,818.45	13.0%	6.6%	0.7x	10.7x	8.2x	11.1x	10.6x	22.7x	21.3x
Primoris Services Corporation	23.98	(13.1%)	1,290.6	1,951.70	11.9%	8.5%	0.6x	7.4x	6.6x	6.6x	6.4x	9.0x	9.5x
Quanta Services, Inc.	114.66	59.2%	16,339.0	17,840.72	15.0%	9.7%	1.4x	12.0x	10.7x	14.2x	11.2x	24.0x	18.3x
Overall Group Mean		37.9%	5,801.9	6,646.6	14.0%	8.9%	1.0x	9.4x	8.6x	10.9x	10.1x	21.5x	27.2x
Overall Group Median		35.3%	2,829.7	3,454.4	14.4%	8.5%	1.0x	9.7x	8.2x	11.1x	10.6x	22.7x	21.2x
Overall Group Max		83.9%	16,339.0	17,840.7	15.9%	11.7%	1.4x	12.0x	10.7x	14.2x	14.0x	35.4x	65.8x
Overall Group Min		(13.1%)	1,290.6	1,818.4	11.9%	6.6%	0.6x	7.3x	6.6x	6.6x	6.4x	9.0x	9.5x

Company

Comparable Company Performance Commentary - Key Takeaways



- **Stock return of 24.2%** due to revenue growth, led by its fiber construction segment, which experienced a year-over-year increase of 37.2% during Q4. Dycom's top customers are constructing significant wireline networks across broad sections of the country. Dycom's largest customer, AT&T, grew organically for four consecutive quarters
- Dycom expanded gross margins via improved utilization of existing assets / talent in geographic footprints where multiple customers deployed overlapping fiber projects



- **Stock return of 35.3%** due in part to a positive response from both its customers and investors to the acquisition of Henkels & McCoy and INTREN. These acquisitions will diversify MasTec's broader service offering and bolster its power delivery segment
- MasTec experienced revenue growth across its power delivery, oil & gas, and clean energy & infrastructure segments of 101.0%, 42.0%, and 22.0%, respectively. Acquisitions accounted for 62.0% of 2021 growth, primarily attributable to its power delivery segment



- **Stock return of 83.9%** supported by revenue in its transmission & distribution and commercial & industrial segments, which increased by 12.8% and 9.5% growth, respectively
- MYR expanded gross margins from 12.3% in 2020 to 13.0% in 2021 through better-than-anticipated productivity on projects and favorable change-order adjustments
- Backlog of \$1.79 billion, representing an 8.5% increase over 2020, reflecting a robust pipeline of infrastructure & energy projects with key customers to support future growth



- **Stock return of (13.1%)** due to follow-on offering of 4.5 million shares of common stock issued at \$35.0 per share, representing 12.5% of the Primoris' issued shares
- Net proceeds from the offering were used for general corporate purposes, including repayment of a portion of outstanding debt
- Primoris' revenue remained flat as a result of a (51.9%) decrease in its pipeline segment. Management cited a decline in customer demand and challenges in permitting new pipelines





- **Stock return of 59.2%** due to double digit revenue growth across all segments, including its electric power infrastructure, underground utility & infrastructure, and renewable energy infrastructure solutions segments
- Quanta received positive investor response to the \$2.7 billion acquisition of Blattner. Blattner's leading position in renewable energy infrastructure will further entrench Quanta's customer relationships and enhance turnkey capabilities in a fast growing subsector


UTILITY SERVICES SECTOR REVIEW

Other Public Utility Services Companies Considered ⁽¹⁾

DSP considered but ultimately excluded the following public companies from the utility services sector compset. We excluded these companies due to several factors including (i) size; (ii) profitability; and (iii) maturity. Below is an overview of each company and the rationale for exclusion. DSP will continue to monitor these companies and incorporate them into the compset when deemed appropriate.

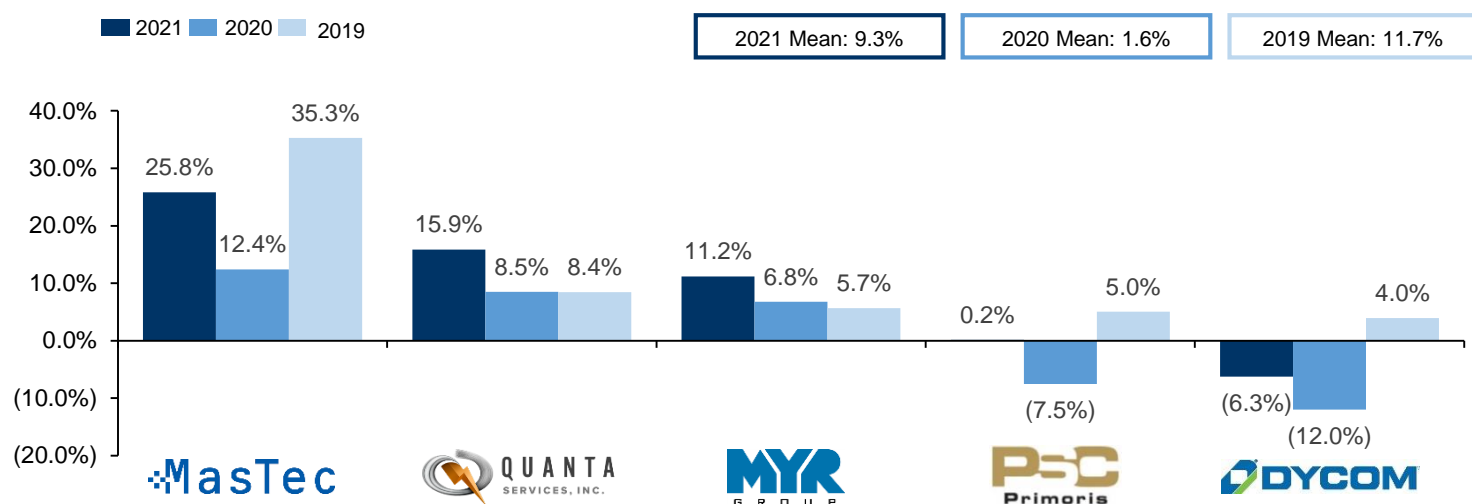
Stats		<ul style="list-style-type: none"> • Orbital Energy Group ("OEG") provides infrastructure design, installation, upgrade, repair, and maintenance services to the electric power, renewable energy, telecommunications, and oil & gas end markets • CUI Global (legacy parent company) rebranded as OEG in May 2020 to reposition its focus on infrastructure services • Market capitalization currently less than \$100mm • Operated at a loss in 2020 and 2021 • Integrating multiple acquisitions made over the past two years to bolster its three operating segments
Stock Price:	\$0.97	
Sales:	\$82.9mm	
EBITDA:	(\$41.4mm)	
EBITDA %:	(49.8%)	
Market Cap:	\$90.4mm	
'21 Stock %:	2.3%	
YTD May '22 Stock %:	(59.5%)	

Stats	 MATRIX SERVICE COMPANY	<ul style="list-style-type: none"> • Matrix Service Company provides engineering, fabrication, infrastructure, construction, and maintenance services primarily to the oil, gas, power, petrochemical, industrial, agricultural, mining, and minerals markets • Operated at a loss in 2020 and 2021 • Currently undergoing an organization redesign to streamline management structure, review Matrix's operating model, and identify potential administrative efficiencies • Market capitalization less than \$150mm • Utility & power infrastructure segment only makes up 31% of the overall 2021 business mix
Stock Price:	\$5.35	
Sales:	\$673.0mm	
EBITDA:	(\$8.9mm)	
EBITDA %:	(1.3%)	
Market Cap:	\$144.5mm	
'21 Stock %:	(29.7%)	
YTD May '22 Stock %:	(31.2%)	

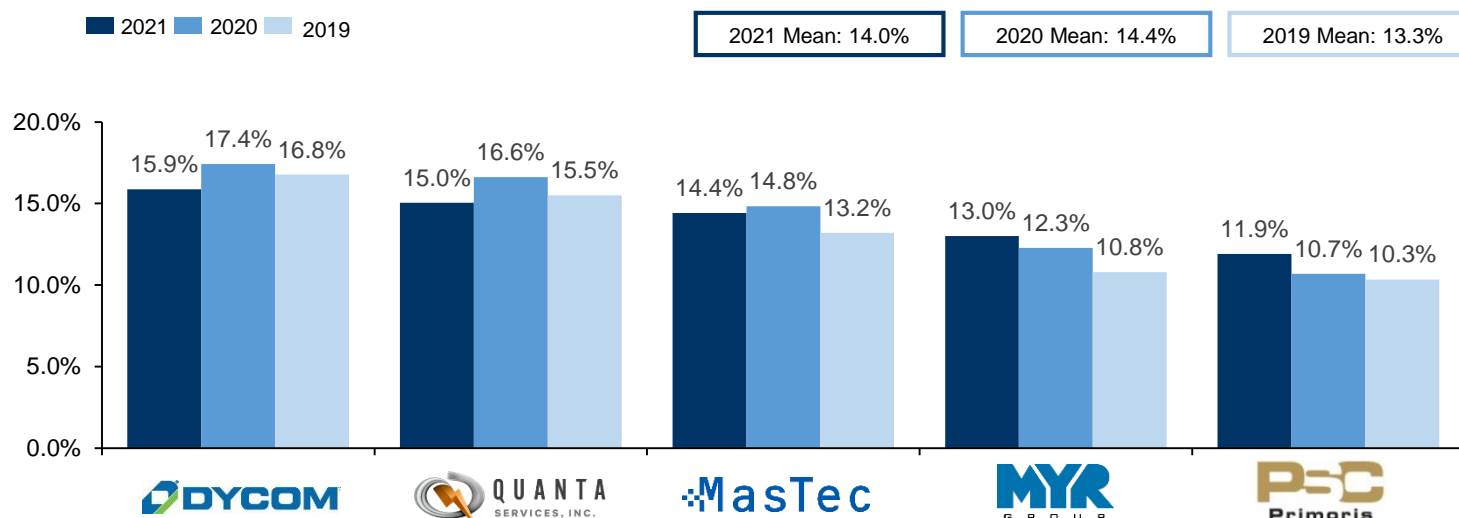
Stats		<ul style="list-style-type: none"> • QualTek Services provides communications infrastructure, power grid modernization, and renewable energy solutions to the telecommunications and utility end markets • Announced SPAC with Roth CH Acquisition III Co. on June 16, 2021; began trading on NASDAQ under ticker QTEK on 2/16/2022 • Market capitalization less than \$36mm • Acquired four regional telecom and electric utility service providers in 2021 to expand into new markets; recently finalized integration • COVID-19 related challenges caused major project delays in several key markets during 2021; QualTek expects to ramp up projects through 2022 into 2023
Stock Price:	\$1.45	
Sales:	\$612.0mm	
EBITDA:	\$60.0mm	
EBITDA %:	9.8%	
Market Cap:	\$35.7mm	
'21 Stock %:	-	
YTD May '22 Stock %:	(76.8%)	

UTILITY SERVICES SECTOR REVIEW

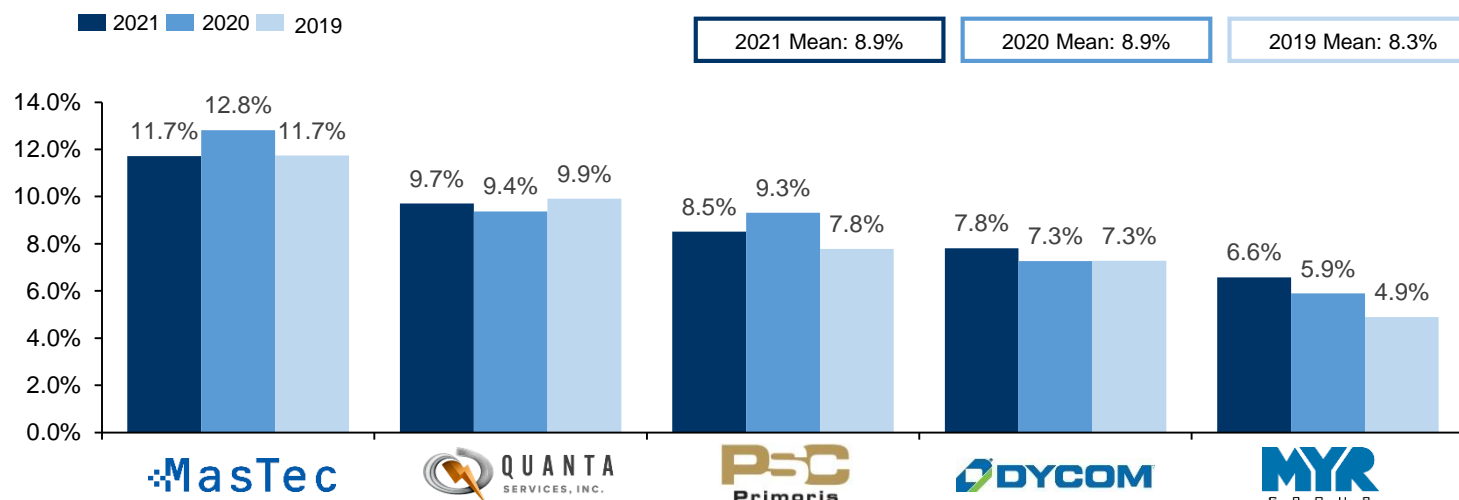
Revenue Growth of Utility Services Companies ⁽¹⁾



Gross Margins of Utility Services Companies ⁽¹⁾

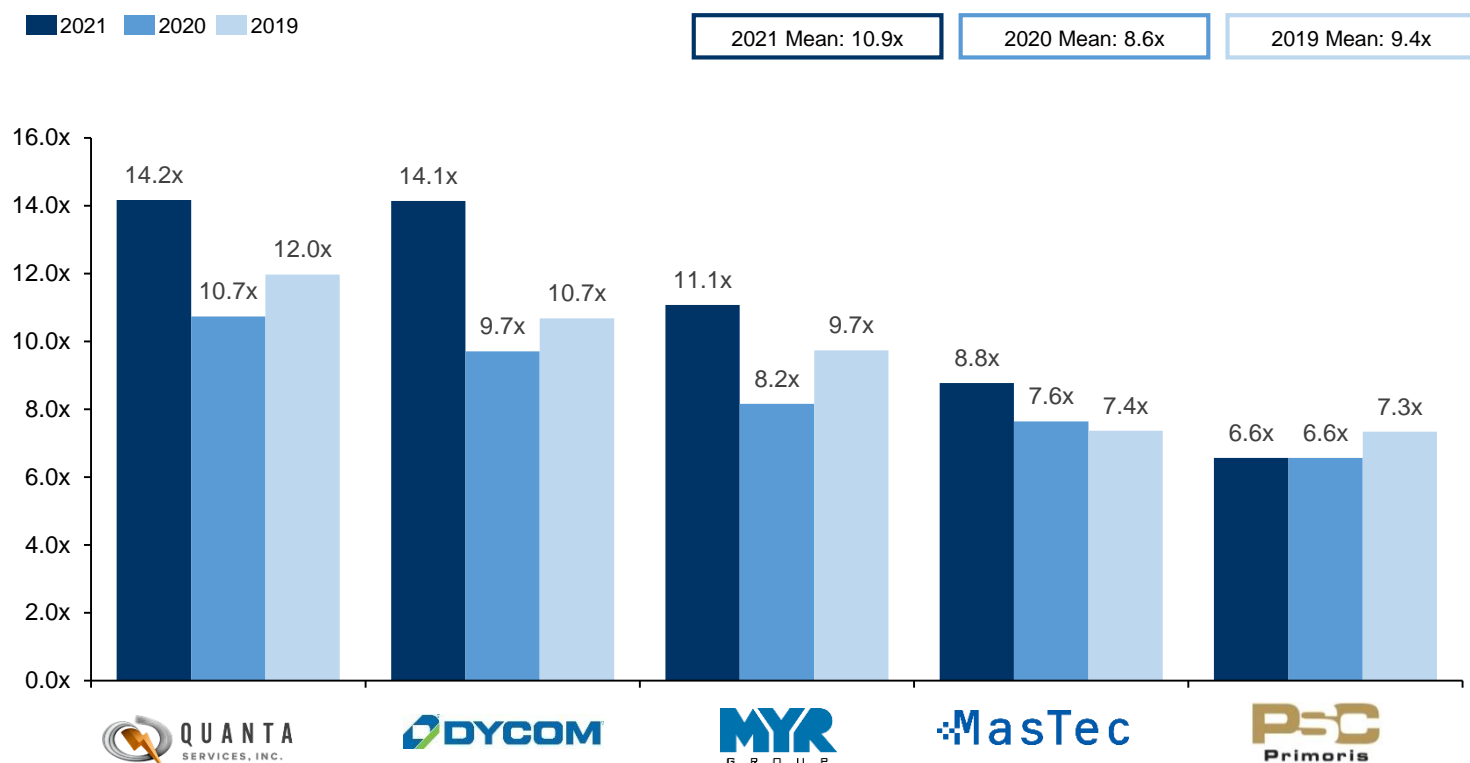


EBITDA Margins of Utility Services Companies ⁽¹⁾

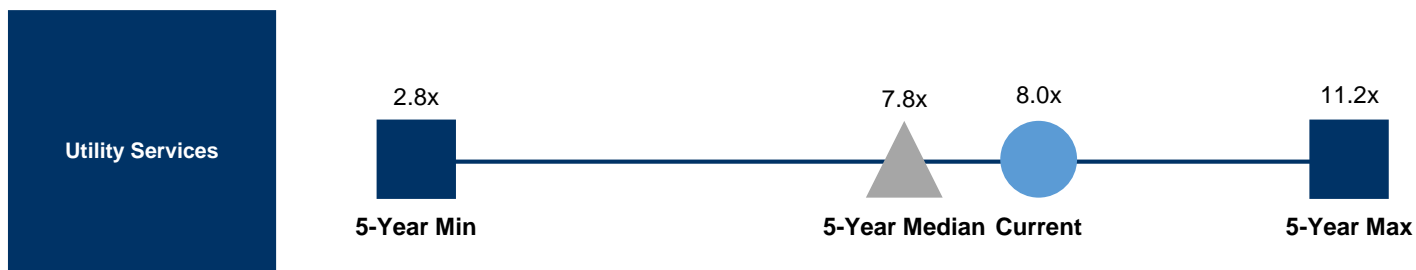


UTILITY SERVICES SECTOR REVIEW

EV / EBITDA of Utility Services Companies ⁽¹⁾



5-Year Trading Statistics: 2017 to 2021 (EV / EBITDA) ⁽¹⁾



UTILITY SERVICES SECTOR REVIEW

Notable M&A Activity ⁽¹⁾

Over the past few years, public Utility Services companies have utilized M&A to acquire additional capabilities. Representative transactions that were made by each of these companies in 2021 are detailed below:

Company Name	# of 2021 Transactions	Description
	-	<ul style="list-style-type: none"> No identified disclosed acquisitions in 2021
	4	<ul style="list-style-type: none"> Henkels & McCoy Group, Inc. (\$600.0 million) – project management, construction, engineering & design, maintenance, and emergency services for the power, oil & gas, and communications markets INTREN (\$420.0 million) – electrical distribution network services to the nation's largest utilities, municipalities, and cooperatives Shade Tree Service – vegetation management services to the electric and telecommunication industries FNF Construction - heavy-highway construction, contracting services and engineering services as a general contractor
	1	<ul style="list-style-type: none"> Powerline Plus Ltd. – engineering and procurement services along with providing civil construction, utilities contracting, and design solutions
	2	<ul style="list-style-type: none"> Pride Utility Construction Company – installation and upgrade services of underground utility infrastructure for regulated natural gas service providers Future Infrastructure (\$620.0 million) – non-discretionary maintenance, repair, upgrade, and installation services to the telecommunication, regulated gas utility, and infrastructure markets
	1	<ul style="list-style-type: none"> Blattner Holding Company, Inc. (\$2,700.0 million) – front-end engineering, procurement, project management, and construction services to leading renewable energy developers for wind, solar, and energy storage projects

Recent M&A and Strategic Commentary ⁽¹⁾



"We always think about acquisitions, first and foremost about acquiring good relationships and good management teams. However, revenue with AT&T is up about \$80 million year-over-year. If you annualize that, there's not a lot of M&A opportunities that would be attractive to us at that level. We've done lots of M&A over the years, but we always think about capital as an opportunity to invest in our customers or invest in ourselves." (Steven E. Nielsen, President & CEO, 11/23/21)



"We've been active on the M&A front. It's an incredibly active market and we think there's a lot of good assets out there, so I think you'll continue to see us be active in that market. We're in the advantageous position of being a really good cash flow generator, I think we've done a great job with cash this year relative to the growth that we've had. After really investing in INTREN and our employees we will focus on potentially looking at where we are from a value perspective to invest capital. If you look at us historically, we've always been one to buy our stock at what we think are very attractive levels." (Jose Ramon, Director & CEO, 11/05/21)



"On the acquisition front, we continue to see what's out there and explore. There's companies we'd like to have. But can you get them at the right price? Can you get a good company at the right price? That's the unknown side. So the good news is we don't have to do anything. I'd like both segments, and I've said that for years that we're in, both the T&D and the C&I. So I would like to add to both segments. It's really dependent on what opportunities are out there and how many good companies can we find. We're not looking to buy a broken company. We're looking to find a good company that's additive to what we do. Hopefully can find something in the next year or so." (Richard S. Swartz, President & CEO, 04/30/21)




"It is clear that the acquisition of Future Infrastructure is already bringing us opportunities as demand for data bandwidth continue to grow. We expect billions of dollars – actually we expect tens of billions of dollars of further investment in 5G and fiber networks to be required in order to keep up with the demand. We will continue to create synergies between Future Infrastructure and our other business units that will help create growth for our overall business." (Thomas E. McCormick, President and CEO, 11/09/21)



"Capital deployment for strategic acquisitions has always been a key part of our strategy. But as we've discussed in the past, our first priority for capital allocation remains supporting the working capital and equipment needs of our existing operations. While the debt issued to support the Blattner acquisition moved our leverage profile above our target range, it remains well below the financial covenant requirements in our credit facility, and we believe we can efficiently delever while continuing to create shareholder value through our dividend and repurchase programs as well as strategic acquisitions. We'll continue to evaluate potential acquisitions that fit our strategic objectives." (Derrick A. Jensen, CFO, 11/04/21)

2021 Private Equity Utility Services: New Private Equity Backed Platforms

In addition to strategic M&A activity, a number of privately-held utility services companies attracted first-time institutional capital from private equity investors resulting in the formation of new platforms. The following are examples of companies that received private equity capital for the first time in 2021

Financial Sponsor	Portfolio Company	Business Description
		Pipeline startup, rehabilitation, corrosion protection, structural reinforcement, and facility services for the oil and gas, water, wastewater, and other markets
		Engineering, inspection, GIS, and consulting services for the utilities, oil and gas, water, and pipeline infrastructure markets
		Design, installation, automation, instrumentation, emergency response, and ongoing maintenance services for complex electrical systems for the utility grade solar, industrial manufacturing, and chemical processing markets
		Telecommunication and utility infrastructure solutions intended to install, maintain, and operate telecommunication and power infrastructure, including fiber-optic cable networks, wireless cell towers and equipment, power lines, and in-building hardware and technology
		Provider of construction, maintenance, installation, and project management services for the telecommunications, water / wastewater, and power industries for commercial and government customers
		Development, construction, and financing of renewable energy projects. The company partners with commercial, industrial, public, utility, and residential clients for developing solar energy projects
		Herbicide-based vegetation management services to utilities, municipalities and other operators of infrastructure rights-of-way
		Telecom infrastructure services including cable installation, removal, decommissioning and faults, and maintenance. The company also does adjacent work in the electrical utility field

2021 Private Equity Utility Services: Existing Private Equity Platforms

In addition to newly formed platforms that received first-time institutional capital, private equity firms have also invested in existing utility services platforms as they continued to grow and gain critical scale. The following are examples of private equity owned platforms that were acquired by other financial sponsors in 2021.

Prior Financial Sponsor	Current Financial Sponsor	Portfolio Company	Business Description
 OAKTREE	 ONE ROCK CAPITAL PARTNERS	 ArchKEY SOLUTIONS	Electrical construction, maintenance, and other technology services to a wide variety of markets including utility & line construction, waste & waste water, heavy industrial, and others
 CFFI VENTURES INC.	 PILOTWAVE HOLDINGS	 CORMORANT UTILITY SERVICES	Comprehensive portfolio of solutions to the utility power sector including transmission and distribution engineering, substation engineering, underground cable engineering, electrical testing and maintenance, substation design, and tracked vehicle manufacturing
 IGP®	 ARCLINE INVESTMENT MANAGEMENT	 EPS SYSTEMS NASS NORTH AMERICAN SUBSTATION SERVICES	EPS: Testing, substation, engineering, and insulating fluid & gas services for the utilities, oil and gas, and other markets NASS: Installation, repair, and maintenance services for mission-critical high voltage substation equipment
 MASON WELLS	 NMC NEW MOUNTAIN CAPITAL LLC	 QUALUS POWER SERVICES	Engineering and technical field services for transmission & distribution assets across the power grid and power equipment at commercial & industrial sites, including data centers
 COTTON CREEK CAPITAL	 GRAIN MANAGEMENT	 Y-COM	Construction services serving telecommunications, utility, and power infrastructure customers in Florida and the southeast United States
 BLUE SEA CAPITAL	 INVESTCORP	 RESA POWER	Power systems electrical testing, circuit breaker repair, and transformer services for the utilities, water, power, engineering, government, and other markets

2021 Private Equity Utility Services: Existing Private Equity Platforms (*continued*)

In addition to newly formed platforms that received first-time institutional capital, private equity firms have also invested in existing utility services platforms as they continued to grow and gain critical scale. The following are examples of private equity owned platforms that were acquired by other financial sponsors in 2021.

Prior Financial Sponsor	Current Financial Sponsor	Portfolio Company	Business Description
			Construction and maintenance services to the electric utilities sector including distribution, transmission, vegetation management, right of way clearing, erosion control, and collective strategic resource services
			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
			End-to-end outsourced field and professional services for utility and industrial customers through its subsidiaries
			Designer of highly-engineered, mission-critical overhead steel poles, towers, battery storage solutions, and related services for electrical utility and telecom end markets
			Provider of telecom services throughout the U.S., offering a range of installation, construction, and maintenance capabilities including wireless construction, fiber construction, and decommissioning

UTILITY SERVICES SECTOR REVIEW

Select 2021 Utility Services M&A Transactions

In addition to the strategic M&A activity and private equity platforms highlighted previously in this report, we have included a representative sample of other notable transactions that occurred in 2021.

Date	Target	Acquirer	Date	Target	Acquirer
December 2021	 G2 INTEGRATED SOLUTIONS	 EN Engineering	September 2021	 Williams Electric Company SHELBY, NC	 United Utility
December 2021	 CROWN UTILITIES, LLC	 REVIVE INFRASTRUCTURE & ENERGY	August 2021	 PPE	 QUALUS POWER SERVICES
December 2021	 ESC engineering	 EN Engineering	August 2021	 CONCURRENT	 QUALITEK
November 2021	 PHOENIX engineering and consulting, inc.	 QUALUS POWER SERVICES	August 2021	 DRY CREEK Critical Battery Solutions	 Exponential™ POWER
November 2021	 FRONT LINE POWER CONSTRUCTION, LLC	 ORBITAL ENERGY GROUP	August 2021	 RIGGS DISTLER Electrical-Electrical Utility	 CENTURI
November 2021	 ROCK POWER CONNECTIONS	 mitie	August 2021	 Storti Quality	 MAGNOLIA RIVER WARREN ELECTRIC
October 2021	 PCE POWER CONSULTING ENGINEERS	 AMPIRICAL	August 2021	 EPIC ENERGY SOLUTIONS	 RESA POWER SOLUTIONS
October 2021	 Static Power Response Matters	 Exponential™ POWER	July 2021	 SPECTRUM ENGINEERS	 EN Engineering
October 2021	 SPX TRANSFORMER SOLUTIONS	 prolec 	July 2021	 POWERCOR	 MKD ELECTRIC

UTILITY SERVICES SECTOR REVIEW

Select 2021 Utility Services M&A Transactions (continued)

Date	Target	Acquirer	Date	Target	Acquirer
July 2021			February 2021		
June 2021			January 2021		
June 2021			January 2021		
June 2021			January 2021		
June 2021			January 2021		
June 2021			January 2021		
April 2021			January 2021		
March 2021					
March 2021					

Recent DSP Utility Services Transactions



Delancey Street Partners is pleased to announce that we served as exclusive financial advisor to Storti Quality Services, LLC (“SQS” or the “Company”) on its sale to Magnolia River (“Magnolia”), a portfolio company of Warren Equity Partners (“Warren”).

About Storti Quality Services

SQS (<https://stortiservices.com>) is a provider of gas service line inspection, gas leak detection, natural gas pipeline inspection, quality assurance, project management, and related consulting services for natural gas and electric utilities. SQS, based in Fort Washington, PA, services customers primarily in the Northeast. SQS was founded in 2004 and is led CEO Dan Wagner and COO Joel Hutwelker.

About Magnolia River

Founded in 2000 and based in Decatur, AL, Magnolia River (<https://www.magnolia-river.com>) provides inspection, engineering, GIS, and technology solutions for utility and natural gas pipeline infrastructure and operations. Utility, municipality, and industrial customers across the Southeast, Southwest, and Midwest rely on Magnolia River for their pipeline replacement,

deployment, and maintenance requirements. Magnolia River also offers a suite of proprietary technology solutions within its GeoCurrent business unit to empower utility and pipeline operators through value-based technology to reduce costs, make field work more efficient, and meet regulatory needs.

About Warren Equity Partners

Warren Equity Partners (<https://www.warrenequity.com>) is a private equity firm that invests in small and middle market operating companies primarily in North America. The firm invests in established companies where additional capital and operating resources can accelerate growth, targeting companies in the industrial services, industrial products, business services, and distribution sectors. Warren Equity invests in the form of buyouts, growth equity, and recapitalizations.

Recent Transaction Experience

Business Services & Technology

 has been acquired by Advisor to Seller	 has completed growth equity financing with Advisor to GLOBO	 has been acquired by Advisor to Seller	 has completed a recapitalization and growth equity financing with Advisor to Seller
 a portfolio company of has completed a majority growth recapitalization with Advisor to RIVS	 has been acquired by a portfolio company of Advisor to Seller	 has completed a majority recapitalization and growth equity financing with Advisor to Seller	 has been acquired by Advisor to Seller

Healthcare

 has received an investment from Advisor to Herspiegel	 has acquired Advisor to Buyer	 has received an investment from Advisor to Deerfield	 has been acquired by a portfolio company of Advisor to Seller
 has merged with a portfolio company of Advisor to Pyxa	 has completed a majority recapitalization with Advisor to Emmes	 has been acquired by Advisor to Seller	 has been acquired by Advisor to Seller

Industrial & Industrial Technology

 a portfolio company of has completed a senior debt financing with Advisor to FST Technical Services	 has divested Seven D - Southern Division to Advisor to Seller	 has completed a senior debt financing with Advisor to Crystal Steel Fabricators Inc.	 a portfolio company of has been acquired by Advisor to Seller
 Majority Recapitalization with Special Advisor to Company	 has been acquired by Advisor to Seller	 Advisor to Seller	 has divested RELIABILITY TEST PRODUCTS to Advisor to Seller Fairness Opinion

Infrastructure

 has been acquired by a portfolio company of Advisor to Seller	 a portfolio company of has been acquired by an entity formed by Advisor to Seller	 a portfolio company of has been acquired by Advisor to Seller	 has been acquired by Advisor to Seller
 has been acquired by BRANFORD CASTLE PARTNERS Advisor to Seller	 has completed a debt recapitalization with Advisor to Easton Coach Company	 has been acquired by Advisor to Seller	 has divested certain assets of to Advisor to Seller

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All other transactions effectuated through Delancey Street Partners, LLC

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