



## **I Utility T&D Sector Trends**

## Utility T&D Industry Growth Drivers

Per the US Department of Energy, over \$1.1 trillion will be needed to replace, expand, and upgrade the electric grid through 2040

Aging Utility Infrastructure

Evolving Utility Infrastructure

Skilled Labor Constraints

Fiber Infrastructure

Wireless Capacity

- **Primary drivers of transmission and distribution investment include the replacement of aging infrastructure, reliability improvements, and fundamental O&M to meet evolving compliance standards**

  - A large portion of the electrical T&D system is approaching the end of its useful life (~70% of transmission lines and transformers are over 25 years old and ~50% of distribution poles are 30 – 50 years old)<sup>(1)</sup>
  - As of 2016, nearly 450,000 miles of natural gas distribution main pipeline was installed prior to 1970

---

- **Interconnection of new sources of variable renewable and natural gas power generation**
- **Rise in O&M expenses as distribution systems experience stress from increasing customer demand, customer-sited variable generation, smart grid technology deployment, and inclement weather**
- **Population growth and the trend toward electrification will require incremental T&D infrastructure**

  - The US population will add 100 million people by 2050; assuming per capita electricity use remains constant (due to falling energy intensity) total power sales will need to increase by over 33%

---

- **Utilities are outsourcing infrastructure services to a greater extent due to internal capacity constraints—diminishing / aging skilled labor forces that they have been unable to adequately retain or replace**

  - The construction industry’s labor shortage stems from the 2 million+ skilled laborers that left the industry during the Great Recession that have not returned or since retired
  - Given the current demand for outsourced services, industry firms are looking to M&A to access additional talent

---

- **Fiber infrastructure spend by carriers / telcos over the next decade could exceed \$200 billion to adequately support FTTH and 5G initiatives driven by increased data consumption and low levels of fiber penetration<sup>(3)</sup>**

  - While the majority of internet traffic terminates on a wireless device, 95% of that traffic relies on nearby wireline infrastructure; in addition to the need for fiber to address wireless capacity growth, strong demand exists for increased wireline bandwidth to support symmetric content delivery that is on-par with other developed countries
  - The build-out of FirstNet (a dedicated high-speed broadband network for public safety use) will also drive spend

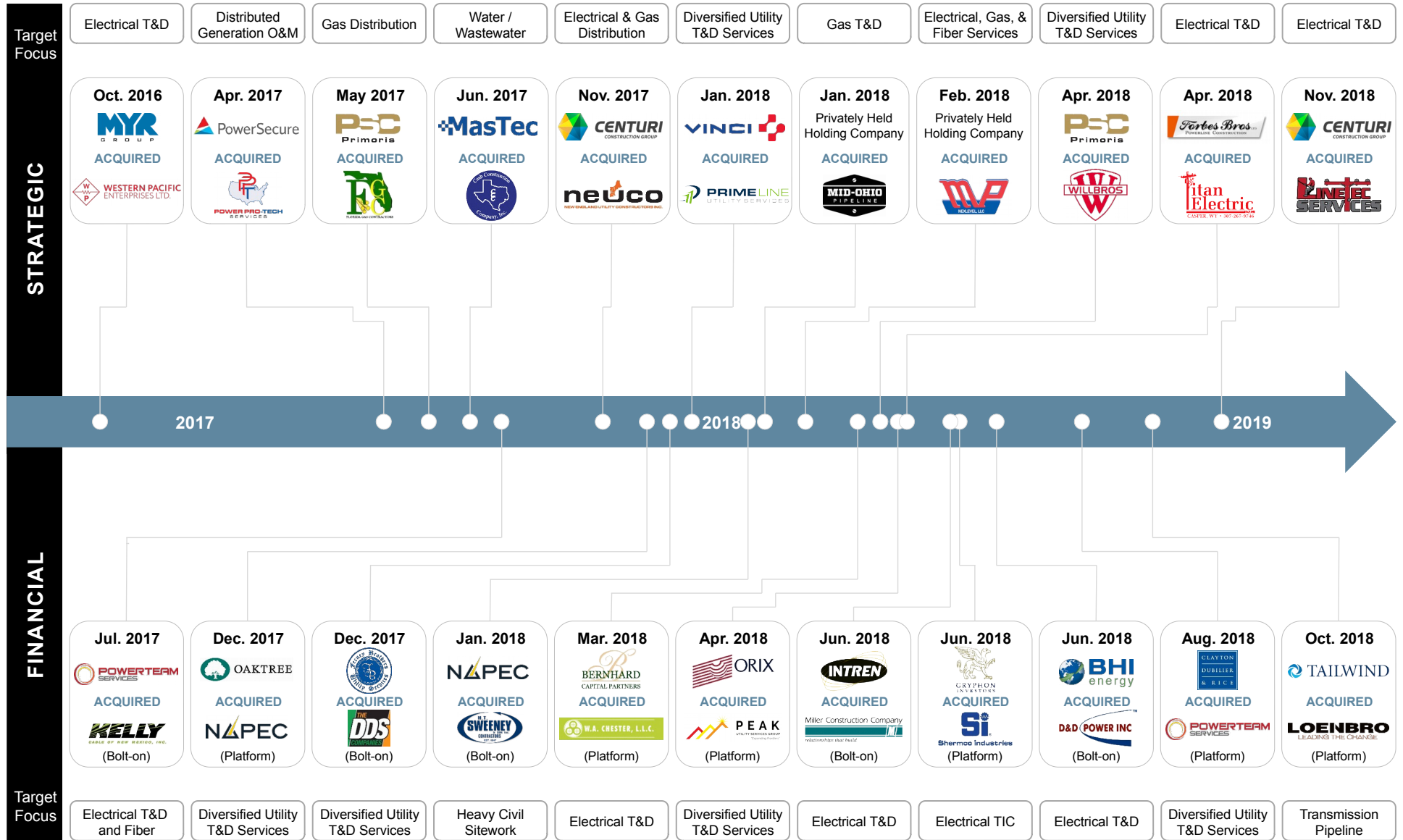
---

- **5G infrastructure spend is expected to accelerate in 2019 and could reach \$20 – 30 billion over the next 5 – 7 years—unlike the 4G spending cycle, 5G will require greater use of backhaul / front haul fiber (copper cable cannot handle the requisite transport capacity) and the need to deploy millions of micro cell facilities<sup>(3)</sup>**













  - The proliferation of mobile video (which requires much more transmission capacity than voice / email) and wireless connections to the IoT have contributed to the data traffic explosion over the past decade

# M&A Trends – Select Utility T&D Transactions

Numerous PE-backed platforms are executing consolidation strategies across T&D end markets to capitalize on favorable industry tailwinds while established, diversified strategics continue to utilize M&A to expand geographic reach / capabilities to better serve existing customers / acquire new ones




# Utility T&D Competitive Landscape – Sponsor-backed

COMPANY	OFFERING			END MARKETS											GEOGRAPHIC PRESENCE								
	Engineering	Construction	Maintenance	Gas Transmission	Gas Distribution	Electric Transmission	Electric Distribution	Wireline / Fiber	Wireless / Tower	Site Acquisition	Water / Sewer	Industrial	Site Work	Emergency Response	Southeast	Southwest	West	Great Lakes	Mid-Atlantic	Plains	Rocky Mountain	New England	Canada
		✓	✓			✓	✓					✓		✓	✓	✓	✓	✓	✓	✓		✓	✓
	✓	✓	✓					✓	✓	✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
	✓	✓	✓					✓	✓	✓					✓	✓	✓	✓	✓	✓	✓	✓	
	✓	✓	✓				✓	✓	✓		✓		✓			✓	✓	✓	✓	✓		✓	
		✓	✓	✓	✓		✓				✓					✓	✓			✓			
		✓	✓	✓	✓	✓	✓				✓		✓	✓	✓			✓	✓			✓	✓
		✓	✓		✓	✓	✓	✓	✓				✓	✓	✓	✓					✓		
		✓	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓	✓	✓	✓				✓
		✓	✓	✓	✓	✓	✓	✓					✓	✓	✓			✓		✓			
	✓	✓	✓					✓	✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	✓	✓						✓	✓					✓	✓			✓			✓		
	✓	✓	✓					✓		✓					✓			✓	✓	✓		✓	

## M&A Trends – Recent Utility T&D Transactions

Date	Seller	Buyer	Target Description
Feb-19	PowerTown Line Construction	Entregado Group (AEA Investors)	US-based provider of electrical transmission and distribution infrastructure services
Nov-18	Linetec Services	Centuri Construction Group (Southwest Gas)	US-based provider of electrical transmission and distribution infrastructure services
Oct-18	Loenbro Inc.	Tailwind Capital	US-based provider of industrial and pipeline infrastructure services
Sep-18	Culy Contracting	Midas Companies (Palm Beach Capital)	US-based provider of water and wastewater construction services
Aug-18	PowerTeam Services	Clayton, Dubilier & Rice	US-based provider of infrastructure services to natural gas and electrical utilities
Jun-18	D&D Power	BHI Energy (AE Industrial Partners)	US-based provider of electrical transmission and distribution infrastructure services
Jun-18	Shermco Industries	Gryphon Investors	US-based provider of TIC services for electrical power infrastructure
Jun-18	Miller Construction Company	Intren, Inc. (One Equity Partners)	US-based provider of electrical transmission and distribution infrastructure services
Apr-18	Peak Utility Services Group	ORIX Capital Partners	US-based provider of electric power, natural gas, and telecom infrastructure services
Apr-18	Titan Electric & 307 Electric	Forbes Brothers Utility Services	US-based provider of electrical transmission and distribution infrastructure services
Apr-18	Willbros Group, Inc.	Primoris Services	US-based provider of electric power, natural gas, and O&G infrastructure services
Mar-18	Scott Contracting	W.W. Clyde & Company	US-based provider of heavy civil and utility construction services
Mar-18	W.A. Chester	Bernhard Capital Partners	US-based provider of electrical transmission and distribution infrastructure services
Feb-18	MP Nexlevel, Inc.	Privately Held Holding Company	US-based provider of utility and telecommunications construction services
Feb-18	Layne Christensen	Granite Construction	US-based provider of global water management, infrastructure, and drilling services
Jan-18	Mid-Ohio Pipeline Services, Inc.	Privately Held Holding Company	US-based provider of natural gas transmission and distribution infrastructure services
Jan-18	H.T. Sweeney & Son, Inc.	NAPEC Inc. (Oaktree Capital Management)	US-based provider of heavy civil and utility construction services
Dec-17	PrimeLine Utility Services	Vinci SA	US-based provider of electric power, natural gas, and telecom infrastructure services
Dec-17	DDS Companies, Inc.	Feeney Brothers Excavation (CAI Private Equity)	US-based provider of electric power, natural gas, and telecom infrastructure services
Dec-17	NAPEC Inc.	Oaktree Capital Management	Canada-based provider of infrastructure services to natural gas and electrical utilities
Nov-17	New England Utility Constructors, Inc.	Centuri Construction Group (Southwest Gas)	US-based provider of construction services to gas and electric distribution utilities
Jul-17	Kelly Cable of New Mexico	Peak Utility Services Group (CIVC Partners)	US-based provider of electric power, natural gas, and telecom infrastructure services
Jun-17	Cash Construction	MasTec	US-based provider of water and wastewater construction services
May-17	Florida Gas Contractors	Primoris Services	US-based utility contractor specializing in underground natural gas infrastructure
Apr-17	Power Pro-Tech Services, Inc.	PowerSecure (Southern Company)	US-based provider of distributed power system services
Nov-16	PCT Contracting	NAPEC Inc.	US-based provider of natural gas infrastructure services
Oct-16	Western Pacific Enterprises	MYR Group	Canada-based provider of electrical transmission and distribution infrastructure services
Aug-16	Safeway Construction	Primeline Utility Services	US-based provider of infrastructure services to natural gas and electrical utilities
Apr-16	Sitewise Corporation	Peak Utility Services Group (CIVC Partners)	US-based provider of electric power, natural gas, and telecom infrastructure services
Apr-15	E.S. Boulos Company	MYR Group	US-based provider of utility and telecommunications construction services

 Indicates deals on which FMI served advisory role



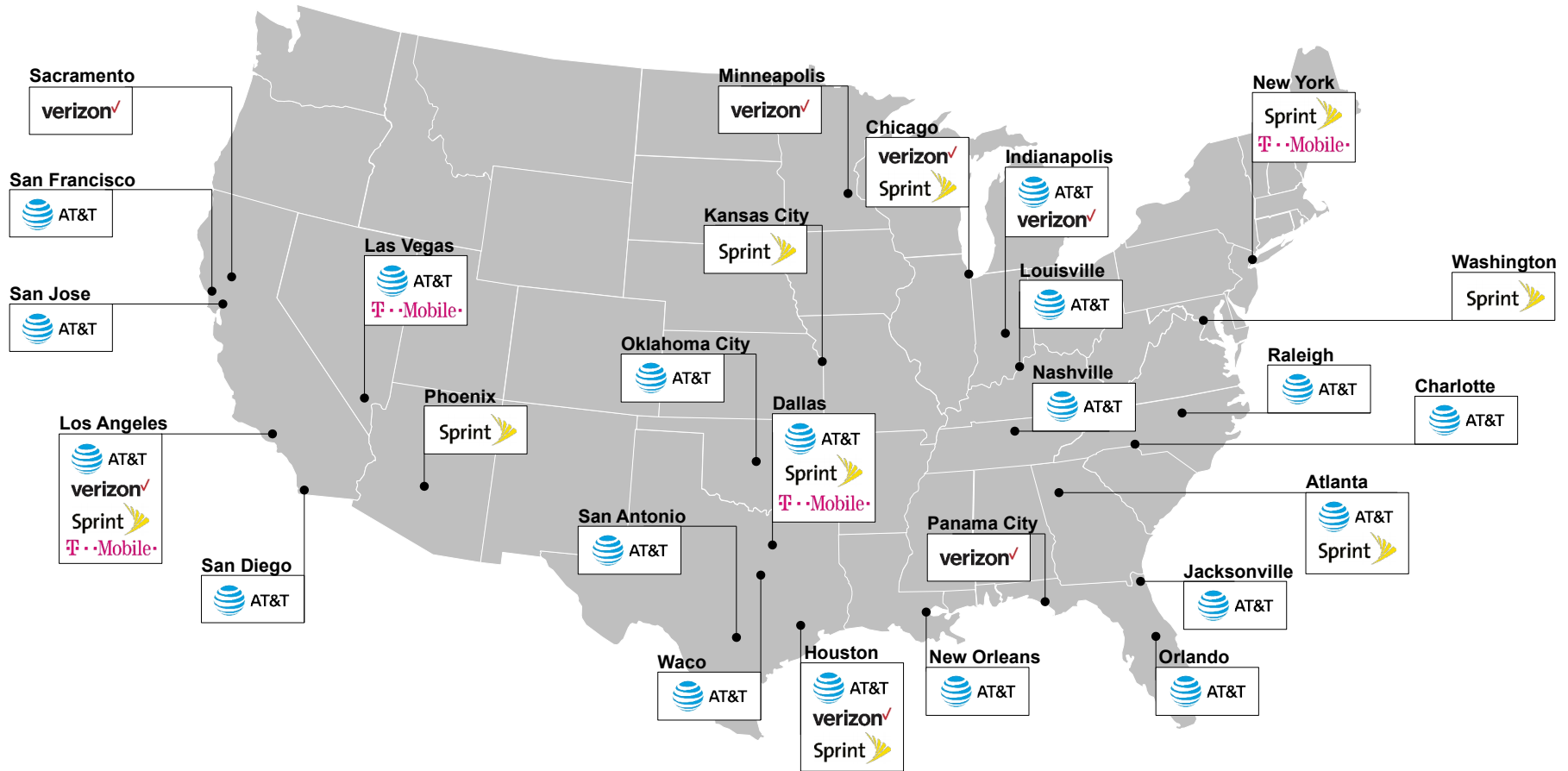
## II Communication Sector Trends





# Industry Trends – Wireless Carrier Race to Nationwide 5G

## INITIAL 5G MARKETS BY EARLY 2019



AT&T deployed 5G mobility services in twelve markets in 2018; it plans to reach nineteen by early 2019



Verizon deployed a 5G home broadband solution in four markets in 2018; it plans to launch 5G mobility services in early 2019



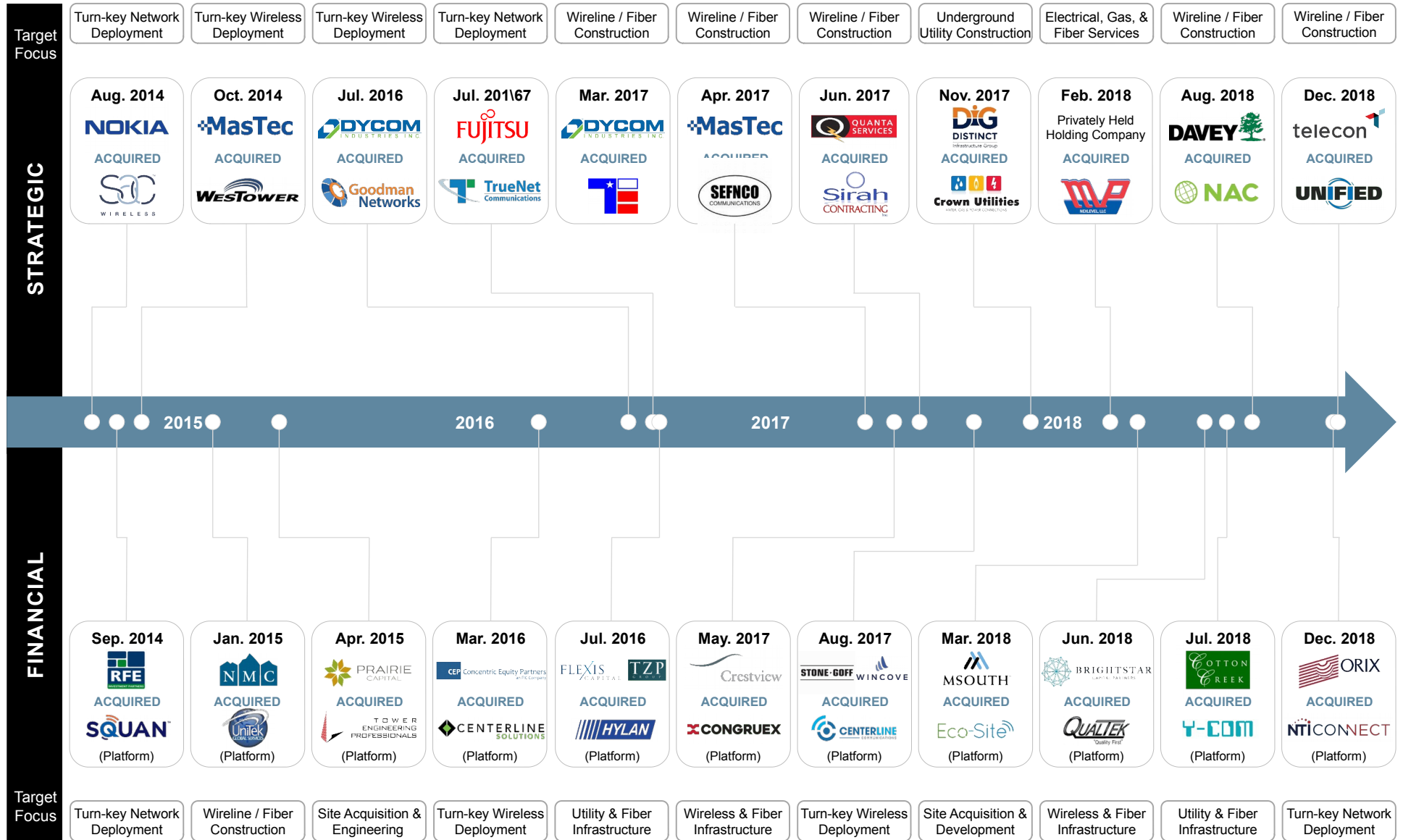
Sprint plans to launch 5G mobility services in the first half of 2019, targeting nine initial markets



T-Mobile plans to launch 5G mobility services in multiple markets in 2019, but only four have been publicly announced

# M&A Trends – Select Telecom Transactions

Consolidation across the fragmented telecom infrastructure services sector will continue as the size of carrier customer 5G / fiber capex programs and corresponding working capital requirements favor contractors of scale that have historically utilized M&A to expand service offerings / geographic reach





## M&A Trends – Recent Telecom Transactions

Date	Seller	Buyer	Target Description
Dec-18	Unified Systems Group	Telecon	Canada-based provider of telecommunications infrastructure services
Dec-18	NTI Connect LLC (O2 Investment Partners)	ORIX Capital Partners	US-based provider of telecommunications network implementation services
Dec-18	Utilis Engineering	Tower Engineering Professionals (Prairie Capital)	US-based provider of fiber engineering and infrastructure services
Nov-18	White Construction	Congruex (Crestview Partners)	US-based provider of telecommunications infrastructure services
Oct-18	Southern Diversified Technologies	UniTek Global Services (New Mountain Capital)	US-based provider of telecommunications infrastructure services
Oct-18	Recovery Logistics / Site Resources	QualTek USA (Brightstar Capital Partners)	US-based providers of telecommunications infrastructure and storm restoration services
Aug-18	NTP Wireless	System One Holdings (Thomas H. Lee Partners)	US-based site acquisition company
Aug-18	Graycliff Enterprises	UniTek Global Services (New Mountain Capital)	US-based provider of telecommunications engineering and construction services
Jul-18	Young's Communications	Cotton Creek Capital	US-based provider of telecommunications infrastructure services
Jul-18	Western Utility / Tetra Tech Utility	Hylan Datacom & Electrical (Flexis, TZP Group)	US-based providers of telecommunications and utility construction services
Jun-18	NX Canada	QualTek USA (Brightstar Capital Partners)	Canada-based provider of wireline and telecommunications engineering services
Jun-18	Premier CC	QualTek USA (Brightstar Capital Partners)	US-based provider of cable and network installation services
Jun-18	QualTek USA	Brightstar Capital Partners	US-based provider of telecommunications engineering and construction services
May-18	Tower Resource Management	Centerline Communications (Stone-Goff, Wincove)	US-based provider of telecommunications infrastructure services (tower-oriented)
Mar-18	Eco-Site Inc.	MSouth Equity Partners	US-based company that builds, owns, and operates wireless towers
Feb-18	MP Nexlevel, Inc.	Privately Held Holding Company	US-based provider of utility and telecommunications construction services
Feb-18	Down Under Construction, Inc.	Hylan Datacom & Electrical (Flexis, TZP Group)	US-based provider of telecommunications and utility construction services
Feb-18	Arcturus Telecom	Hylan Datacom & Electrical (Flexis, TZP Group)	US-based provider of network engineering and project management services
Jan-18	Technology Associates EC	Optimal Investment Group	US-based provider of site acquisition and tower engineering services
Dec-17	CHC Consulting	Congruex (Crestview Partners)	US-based provider of telecommunications engineering and consulting services
Dec-17	FDH (Wireless turf and Site Safe Business)	QualTek USA	US-based provider of telecommunications infrastructure services
Nov-17	Crown Utilities	Distinct Infrastructure Group	Canada-based provider of telecommunications infrastructure services
Nov-17	C.C.L.D. Technologies	Congruex (Crestview Partners)	US-based provider of telecommunications infrastructure services
Aug-17	Centerline Communications	Stone-Goff Partners, Wincove	US-based provider of telecommunications infrastructure services (tower-oriented)
Jul-17	Communications Specialists, Inc. ("CSI")	SQUAN (RFE Investment Partners)	US-based provider of aerial and underground fiber construction services
Jun-17	Sirah Contracting, Inc.	Quanta Services	US-based provider of telecommunications infrastructure services
Jun-17	GW Communications	UniTek Global Services (New Mountain Capital)	US-based provider of telecommunications engineering and construction services
May-17	Congruex	Crestview Partners	US-based provider of telecommunications engineering and construction services
Apr-17	SEFNCO Communications	MasTec	US-based provider of telecommunications infrastructure services
Mar-17	Texstar Enterprises	Dycom Industries	US-based provider of telecommunications infrastructure services



Indicates deals on which FMI served advisory role



### **III Valuation Considerations**



## Publicly Traded Comparable Companies (Trading Statistics and Operating Metrics)

(\$ in millions, except per share) as of 3/11/2019	Stock Performance									
	TEV	Stock Price		Change from		TEV / LTM EBITDA as of			Avg. EBITDA Margin	
		Current	Dec-18	Current	Prior Month	Prior Year	Jun-17	Dec-17	Current	'14-16
<b>Infrastructure Services</b>										
Utility Services										
MDU Resources Group, Inc.	\$7,160	\$26.01	\$26.00	(0.0%)	(4.0%)	10.8x	11.1x	11.5x	13.9%	14.4%
Quanta Services, Inc.	6,004	31.33	35.19	11.0%	(0.8%)	9.2x	10.0x	7.7x	7.3%	7.1%
MasTec, Inc.	4,823	40.86	46.02	11.2%	(12.8%)	8.6x	8.4x	6.7x	7.7%	9.2%
Dycom Industries, Inc.	2,214	56.18	47.20	(19.0%)	(143.2%)	8.3x	10.7x	7.5x	12.4%	11.7%
Primoris Services Corp.	1,348	22.71	22.19	(2.3%)	(18.2%)	10.2x	8.5x	6.0x	7.1%	7.1%
MYR Group, Inc.	674	28.42	35.39	19.7%	(3.0%)	7.5x	9.0x	8.1x	7.9%	5.8%
<b>Median</b>						<b>8.6x</b>	<b>9.0x</b>	<b>7.5x</b>	<b>8.1%</b>	<b>8.3%</b>
Large and Mid-Cap Construction Services										
VINCI SA	\$71,625	\$82.84	\$94.85	12.7%	(5.3%)	9.4x	10.2x	8.9x	14.9%	15.8%
Ferrovial, S.A.	22,667	20.38	23.09	11.8%	7.4%	19.4x	16.2x	NM	6.6%	8.6%
Bouygues SA	18,977	37.60	35.80	(5.0%)	(40.9%)	6.0x	6.6x	4.8x	5.4%	5.8%
ACS Group	15,861	36.59	43.15	15.2%	12.0%	6.8x	6.3x	5.9x	10.2%	8.9%
Obayashi Corporation	8,602	9.66	9.88	2.2%	(14.7%)	7.2x	7.4x	6.0x	7.1%	6.9%
Kajima Corporation	7,698	13.45	14.46	7.0%	(32.4%)	5.6x	5.8x	5.3x	6.3%	3.3%
Skanska AB (publ)	7,193	15.24	17.42	12.5%	(18.1%)	7.7x	9.5x	8.8x	7.9%	6.0%
SNC-Lavalin Group Inc.	6,803	35.39	26.24	(34.8%)	(65.6%)	14.4x	17.7x	16.4x	5.8%	7.9%
LendLease Group	6,571	8.85	8.86	0.1%	(58.5%)	11.0x	10.7x	NM	4.3%	3.8%
John Wood Group Plc	6,346	8.00	7.09	(12.9%)	(25.9%)	10.7x	NM	14.3x	5.8%	4.0%
Fluor Corporation	4,961	36.53	36.52	(0.0%)	(58.4%)	7.7x	9.6x	6.6x	5.6%	9.4%
KBR, Inc.	3,239	16.73	19.03	12.1%	11.9%	NM	16.2x	7.5x	1.6%	5.8%
Salini Impregilo S.p.A.	2,833	1.97	2.29	13.7%	(30.6%)	4.6x	5.3x	9.0x	9.4%	5.2%
Balfour Beatty plc	2,719	3.01	3.72	19.1%	(4.1%)	NM	NM	14.2x	(2.6%)	0.7%
Granite Construction Incorporated	2,032	45.49	46.87	2.9%	(31.7%)	12.9x	15.9x	8.6x	5.9%	6.1%
<b>Median</b>						<b>7.7x</b>	<b>9.6x</b>	<b>8.6x</b>	<b>7.3%</b>	<b>8.0%</b>
Small-Cap Construction Services										
Tutor Perini Corp.	\$1,546	\$17.24	\$18.40	6.3%	(24.5%)	7.7x	8.3x	6.5x	5.0%	5.2%
Aecon Group, Inc.	839	13.53	13.70	1.2%	(6.1%)	8.3x	10.1x	5.9x	4.2%	4.8%
Great Lakes Dredge & Dock Corp.	819	7.05	8.30	15.1%	39.8%	9.0x	11.6x	7.5x	10.7%	13.6%
Construction Partners, Inc.	597	9.00	12.25	26.5%	100.0%	NM	NM	8.6x	NM	10.5%
Infrastructure and Energy Alternatives	379	8.61	5.79	(48.7%)	100.0%	NM	NM	10.7x	1.5%	8.1%
Sterling Construction Company, Inc.	364	11.30	13.81	18.2%	5.8%	NM	13.5x	6.0x	0.8%	2.9%
Orion Group Holdings, Inc.	205	4.22	3.81	(10.8%)	(82.7%)	8.7x	NM	5.8x	6.5%	5.9%
<b>Median</b>						<b>8.5x</b>	<b>10.9x</b>	<b>6.5x</b>	<b>5.0%</b>	<b>6.0%</b>