

ELECTRICAL CONTRACTING INDUSTRY REPORT



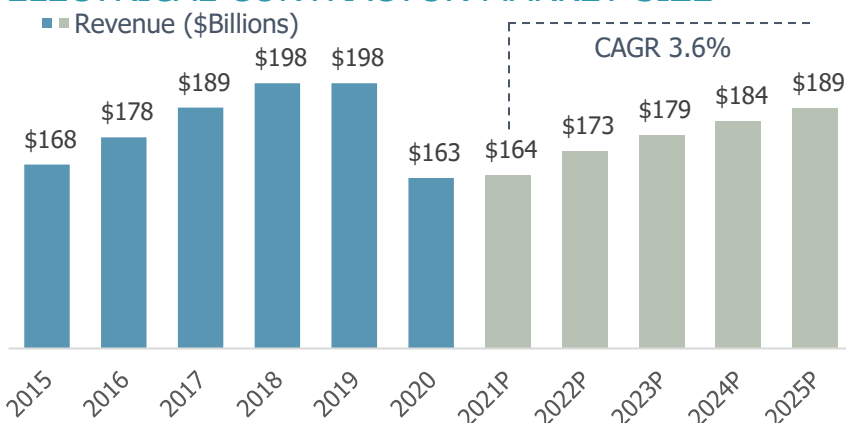
Acquisitions | Divestitures | Financings | Private Investment

Through 2025, industry revenue is expected to grow largely as a result of pent-up demand. As the economy recovers, the value of construction and per capita disposable income are both anticipated to increase and contribute to industry revenue growth. In addition, the industry is projected to benefit from continued renovation and retrofitting activity, particularly green upgrades, such as energy-efficiency projects and smart home technologies.

KEY TRENDS

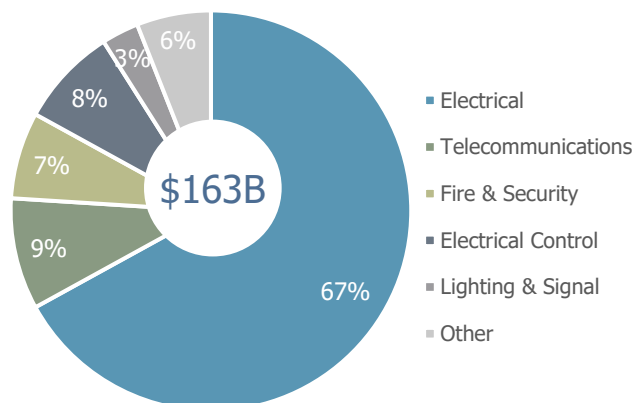
- During the first six months of 2021, total construction spending amounted to \$737 billion, 5.4% above the \$698 billion for the same period in 2020⁽¹⁾
- According to a report by the U.S. Census Bureau and U.S. Department of Housing and Urban Development, the sales rate of new single-family houses was up a blazing 41.5% from October 2020 compared to 2019⁽¹⁾
- The supply of labor is a constraint to electrical contractors' ability to keep up with the strong construction demand
- Broader supply-chain disruptions have caused delays and logistical challenges in securing materials, leading to significant material price swings and spikes
- Significant infrastructure spending resulting from the proposed legislation will stimulate the entire construction industry, serving as a catalyst to the electrical contracting sector. This surge in construction will cause additional strain on skilled labor and material prices
- The improvement in the economy is helping contractors' attitudes. The U.S. Chamber of Commerce Commercial Construction Index climbed to 65, which is 9 points higher than a year ago

ELECTRICAL CONTRACTOR MARKET SIZE



Sources: (1) US Census Bureau, Q2 2021 U.S. Chamber of Commerce Commercial Construction Index, Pitchbook, IBISWorld

2020 REVENUE BY SEGMENT



Sources: IBISWorld and Dun & Bradstreet FirstResearch – Electrical Contractors

KEY STATISTICS: Q2 2021



89% of contractors report favorable confidence in sufficient new business over the next year, +3 points from Q1



39% of contractors in Q2 expect their revenue to increase in the next year, +3 points from Q1 2021

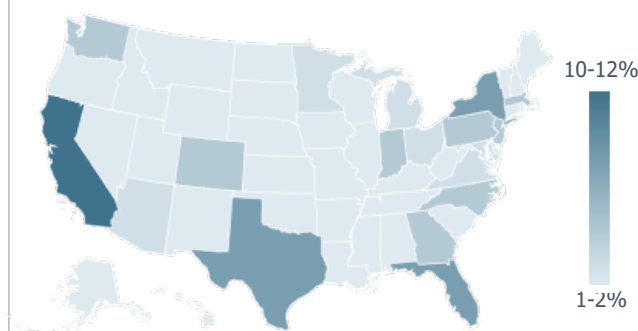


35% of contractors report turning down work due to skilled labor shortages



88% Contractors still report moderate to high levels of difficulty finding skilled workers

U.S. ELECTRICAL CONTRACTOR CONCENTRATION



Sources: IBISWorld and Dun & Bradstreet FirstResearch – Electrical Contractors

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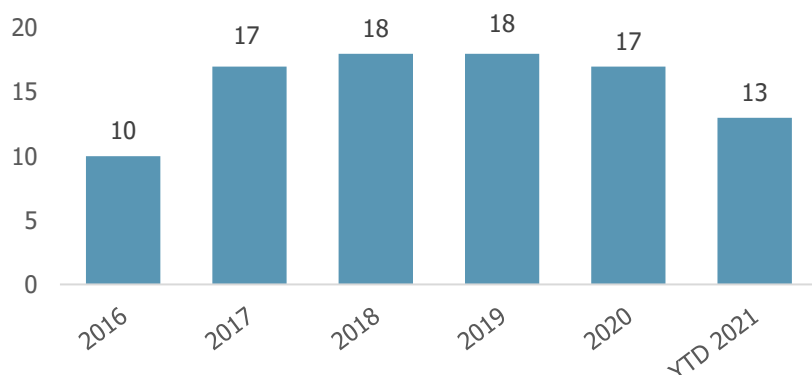


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INCREASED INVESTOR INTEREST

- An overabundance of capital coupled with the establishment of new private equity and family offices has resulted in a very competitive M&A environment
- Increased spending on infrastructure, modernization and retrofit construction and amplified focus on alternative and renewable energy upgrades are driving the need for contractors in the foreseeable future

ELECTRICAL CONTRACTOR M&A ACTIVITY



Sources: Pitchbook, Cascade research ■ Deal Count

KEY VALUE DRIVERS

Owners considering an M&A transaction can put themselves in a strong position by:

- Keeping attrition low by retaining skilled labor through attractive benefits and an effective training program
- Maintaining a strong reputation in their markets resulting in referrals and recurring revenues
- Displaying a robust and growing backlog, with a rise in bid and win rates
- Demonstrated ability to price bids effectively to win, while ensuring sufficient margins

SELECT PRIVATE EQUITY GROUPS

Kassel Equity Group



Oaktree Capital Management



Hastings Equity Partners



Main Street Capital Corporation



RECENT M&A ACTIVITY

Date	Target	Acquirer
Aug-21	Quebe Holdings	Emcor Group
Aug-21	Amteck	Comfort Systems
Jul-21	Millennium Enterprises	Pacific Power & Systems
Jul-21	CEL Electric	Cassiar Partners
Jun-21	Sachs Electric Company	One Rock Capital Partners
Jun-21	Innovative Electric	Gryphon Investors
May-21	Seaport Electric	HomeSquare
May-21	Edmonson Electric	IES Holdings
Apr-21	Berwick Electric	Geco Engineering Corporation
Mar-21	Colonial Electric Co.	Main Street Capital
Feb-21	MKD Electric	Hastings Equity Partners

Sources: Pitchbook, Cascade research

CASCADE TRANSACTION SPOTLIGHT

<p>Financing</p> <p>has completed a minority recapitalization and acquisition financing with</p>	<p>Sell-Side Advisor</p> <p>has been acquired by</p> <p>Daboosh Investments, LLC</p>	<p>Sell-Side Advisor</p> <p>was acquired by</p>
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