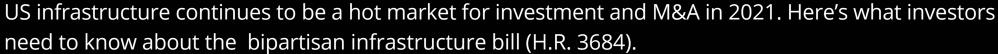
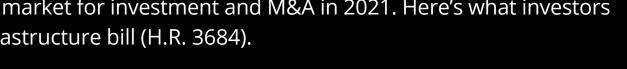
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5x5 series: Insights and actions

US Infrastructure M&A



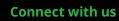


5 insights you should know

- The American Society of Civil Engineers (ASCE) estimates the US infrastructure backlog to be roughly \$2.4 trillion.1 In spite of the massive backlog, project funding will likely continue to be a challenge and may not be addressed in the infrastructure bill.
- The infrastructure bill aims to address backlogs in critical areas of traditional infrastructure, including roads, bridges, ports, and public transit.
- The infrastructure bill also highlights the need for investment in nascent areas of infrastructure, such as EV charging, electric grid modernization, and next generation broadband.
- There was a strong M&A market for infrastructure in 2020 in spite of the pandemic, with more than 370 brownfield transactions and more than \$110 billion of capital deployed.²
 - Private equity has raised about \$90 billion in dedicated infrastructure funds as investors have pivoted from traditional energy-focused funds to infrastructure funds that seek stable cash flows over 10-plus-year hold periods.3

5 actions you can take

- Evaluate where you stand. Corporate investors should take notice and consider how their capabilities align against the infrastructure backlog. They should also consider acquisitions that expand their market share and align to demonstrated revenue models. Lack of a funding solution from Congress may lead to increased competition and downward pressure on internal rate of returns (IRRs).
- Go into planning mode. Traditional infrastructure players should plan for increased demand, as the bill may pull forward critical projects that may outpace current labor and supply shortages.
- Take notice of new opportunities. The "new" infrastructure landscape presents attractive opportunities for investment from private equity and digital enablers, as many of these projects will resemble technology as much as infrastructure.
- Reassess your M&A strategy. As deal making continues at a fevered pitch, corporate investors may want to reassess M&A strategy. Are you an acquiror or target? Do you have noncore assets that might be attractive to a buyer seeking a long-term inflation hedge in its portfolio?
- Act promptly in the market. The shift in private capital from traditional energy to infrastructure has resulted in increased enterprise values as mega funds bid for railways, airport operators, broadband, and logistics providers.



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^{1.} American Society of Civil Engineers (ASCE), "ASCE's Infrastructure Report Card Gives U.S. "C-" Grade, Says Investment Gap Trillion, Bold Action Needed," Civil Engineering Source, March 3, 2021.

^{3.} PitchBook data guery