

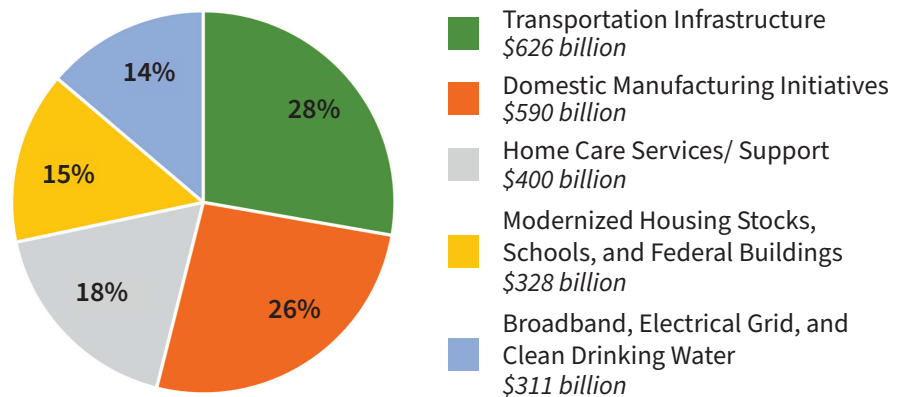
The Convergence of Infrastructure Spending, (Potentially) Increased Taxes, and Abundant Capital

There are a number of factors which we believe will make 2021 an appropriate time for owners of middle-market businesses involved in infrastructure-related markets to consider a liquidity event

Infrastructure Spending

In February, England & Company provided an overview of President Biden’s proposed infrastructure spending plan, which he put forth as a candidate. In late March, he formally outlined a \$2.3 billion proposal as part of “The American Jobs Act”. The breakdown of spending (over a ten-year period) as part of that proposal is shown in the graph at right.

Proposed Initiative Spending Distribution



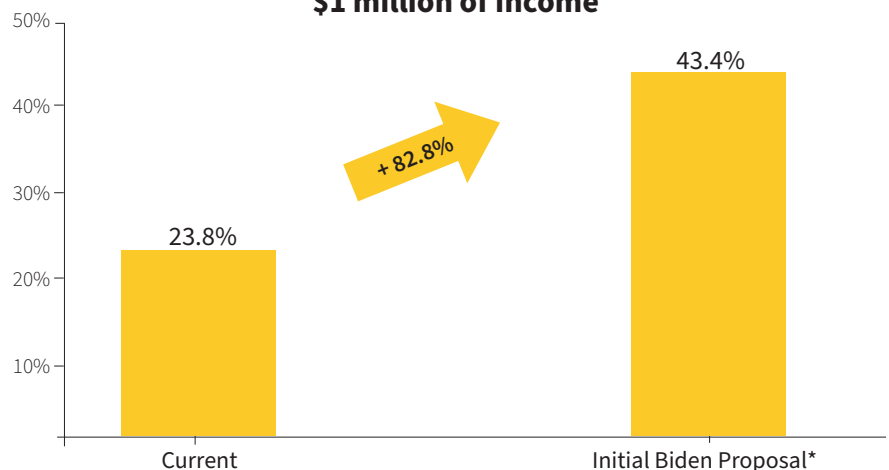
While the scope of President Biden’s plan has been met with a significant amount of resistance among Republican and some conservative Democratic law makers (especially in areas not directly tied to infrastructure), there are indications of bipartisan support for pure infrastructure spending at a level yet to be determined.

The Potential for Increases in Long-Term Capital Gains Taxes

While we, and most political pundits, don’t expect the equalization of long-term capital gains and ordinary income tax rates as President Biden has suggested, there seems to be consensus that a capital gains rate hike is in the offing. As shown in the graph at right, President Biden’s initial proposal nearly doubles the taxes paid on the gains from a sale.

This significant increase would have large impacts on sale and liquidity events throughout the market. We are advising many of our clients to move early to avoid this potential impact.

Capital Gains Rate for Individuals with More Than \$1 million of Income



*Graph data includes the existing 3.8% Net Investment Income Tax, as well as the assumed increase in top marginal rate from 37% to 39.6%

Abundant Capital & Historically Low Interest Rates

Against the backdrop of a potentially significant increase in infrastructure spending, the value of publicly traded companies who manufacture products or provide services focused on hardening the electric grid, upgrading water and waste water infrastructure, and improving the efficiency of buildings has increased significantly over the past four months.

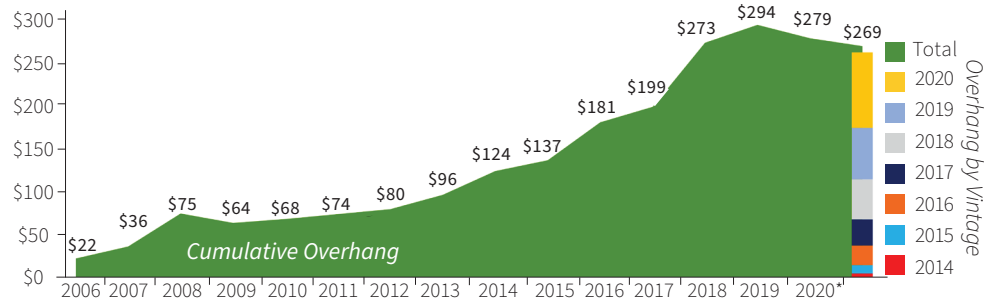
Publicly Traded Company Values



Source: Capital IQ as of 4/30/2021

Meanwhile, private equity investors are flush with capital. Based on our ongoing transactions and general conversations, they appear very interested in partnering with companies who will benefit from increased spending on infrastructure. As shown at right, the amount of capital sitting on the sideline to be invested (“dry powder”) remains near historical highs.

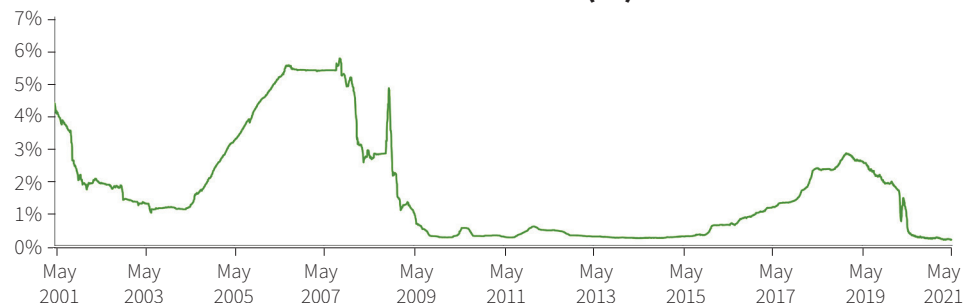
Private Equity Dry Powder Levels in billions



Source: Pitchbook
*2020 data is through 6/30/2020

Furthermore, with the re-opening underway here in the U.S., debt capital providers are stepping back into the fray more aggressively in a rate environment favorable to borrowers.

Three-Month Libor (%)



Source: Federal Reserve Economic Data, as of 4/30/2021

We are in an unprecedented liquidity and interest rate environment.

Our Takeaway

With government support for investment in infrastructure driving sectoral growth and strong valuations, as well as strategic and financial acquirers' interest in participating in the growth of these markets, we believe it is an ideal time to consider a sale or liquidity event of your business-- especially given the potential for some meaningful movement in capital gains tax rates. A financing or sale process generally takes several months to complete, and we are counseling many of our clients and prospects to move early to avoid the risk of closing a transaction in a potentially higher capital gains rate environment in 2022.

Please call or email Glenn Tofil, or another of England's professionals, to discuss our further thoughts on market conditions and how they may impact the value of your business over the near and long-term.

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Recent Transactions

BECKWITH ELECTRIC CO. INC.

has been acquired by

HUBBELL

Sell-side Advisor

KORTICK

has been acquired by

SICAME Group

Sell-side Advisor

LARON

has been acquired by

OTC Ohio Transmission Corporation
Industrial Technology Solutions

Sell-side Advisor

CANTEGA Technologies
and its affiliated entity

RELIAGUARD

have been acquired by

HUBBELL

Sell-side Advisor

IPKeys

has acquired

n-dimension

ENERTECH CAPITAL
ENERGY SERVICES INDUSTRY

Financial Advisor