Quanta Services (PWR): Overcharged Electric Grid

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Data Cut-off Date: All underlying data and market observations in this thesis are as of **February 21, 2025**. Subsequent events and price actions (Feb 22 – Mar 18, 2025) were not available at the time of drafting and lie outside the scope of the original analysis.

My investment research integrates macro, political, and structural signals into narrative-driven judgments aligned with asset-level valuation. Each thesis contains numbers but primarily comprises structural analysis of institutional logic and public policy inertia.

> Originally, my research sought to identify long-term investment opportunities for PWR, a prime beneficiary of the Fourth Industrial Revolution. Contrary to my initial idea, the research led me to conclude a tactical underweight call on PWR. Imminent macroeconomic and political risks, compounded by the exuberant and complacent sentiment dominating the market, demand caution.

I. Recommendation & Summary Dashboard

RECOMMENDATION: UNDERWEIGHT | TACTICAL

Key Metrics		*Valuation Multiples*	**PWR**	Peers Avg
Price (2025-02-21)	$269.36	**P/E (TTM)**	43.88x	34.11x
52W High (2025-01-22)	$358.03	**P/E (FY25E)**	36.95x	25.25x
Price Target	$237.73	**PEG**	1.97x	0.96x
Downside	11.74%	**EV/EBITDA (TTM)**	20.58x	12.62x

Key Metrics		*Valuation Multiples*	**PWR**	Peers Avg
Market Cap	$39.58Bn	**EV/EBITDA (FY25E)**	15.81x	14.96x

Source: FactSet

I recommend a **Tactical UNDERWEIGHT** on Quanta Services (PWR). Its valuation reflects unsustainable short-term exuberance, as it trades at a significant premium to its peer group, based on a too optimistic outlook. A 25-month bull market without a major correction of 15%+, combined with ongoing political uncertainty and fundamental risks from weakening consumer spending, further warrants a potential reversal.

II. Investment Thesis

Thesis Summary

My Tactical UNDERWEIGHT recommendation on Quanta Services rests on the conclusion that the stock's overvaluation persists even under my most optimistic 'strong bull' scenario, bolstered by the three pillars of my analysis. Despite a recent 26.38% drop from its all-time high of $365.88 on January 22, 2025, the stock still trades at $269.36, which implies a further 11.74% downside to my fair value estimate of $237.73. This valuation assumes the upper end of peer EV/EBITDA multiples and fully embeds my most favorable outlook for the electric grid infrastructure industry.

While management is likely to maintain guidance for 14–24% annual growth, I view the current bout of overextension—fueled by both the data-science megatrend and the political tailwinds from the new, putatively pro-business administration—as unsustainable. Given that the stock market has not undergone a major correction in the past 25 months, PWR's stretched peer-relative multiples (*e.g.*, EV/EBITDA 20.58x vs. peer 12.62x) heighten the risk of sharp price compression should this sentiment unwind.

Three Pillars of the Thesis

Pillar 1: Market-level Overextension Creates Fragility The U.S. stock market, both the S&P 500 and Nasdaq 100, has advanced for 25 consecutive months without a drawdown greater than 15%. This rare rally has fostered investor complacency. In such an environment, assets like PWR—whose valuation leans heavily on future growth narratives despite its large-scale infrastructure and utility profile—can overreact to even minor shifts in market sentiment or macro conditions; its 3-year adjusted beta stands at 1.12 (as of Feb 22, 2025). If the last week's 2.26% drop in NDX signals the beginning of the long-overdue major correction, my technical analysis projects NDX to experience a significant downturn, potentially an additional downside of approximately 23% from the Friday's close of 21,614.08p. The detailed ranges are in Appendix.

Pillar 2: Stock-specific Overvaluation At a PEG of 1.97x and a 28% P/E premium to its peers, PWR leaves little margin for execution risk. Even when applying my most bullish growth projections and granting a further 20% forward P/E premium, both trailing and forward prices remain difficult to justify, underscoring the disconnect between market price and fundamentals.

Pillar 3: Excessive Enterprise Value Premium While sector leaders typically command a 20–30% premium, PWR trades at a 63% EV/EBITDA premium to peers—well beyond what fundamentals support. Current pricing fails to adequately discount the inherent cyclicality of large-scale electricity grid infrastructure projects, where even minor scope changes or execution delays threaten to undermine the elevated consensus forecasts needed to sustain present valuations.

III. Valuation

Valuation Summary

My target price for PWR is **$237.73**, indicating an **11.7% downside** from the current price. This target represents the Base Case estimate from my comparable company analysis, where **14.96x forward EV/EBITDA multiple** is applied to the projected FY25E EBITDA assuming a growth of **+24.8% YoY.**

This EBITDA projection is the anchor of four distinct scenarios developed for this analysis. Each scenario translates a projected growth in U.S. electricity consumption into a corresponding EBITDA figure for PWR, with projection coefficients derived from proprietary OLS regression models that quantify historical correlations (2014–2025) between U.S. electricity consumption, PWR's EBITDA, and its Diluted EPS.

The football-field chart below visualizes the valuation ranges from my primary analysis (Comps), a fundamentals-based DCF, and the proprietary IVE model used for a sanity check. The gaps highlight the exuberance embedded in the current stock price.

> The `DCF-FCFF (IV&E)` range in the chart is derived from my proprietary IVE (Intrinsic Value & Expectation) model, which serves as a final sanity check. This framework deconstructs equity value into its fundamental *Intrinsic Value* (from DCF) and a market-driven *Expectation Premium* (from forward peer multiples).

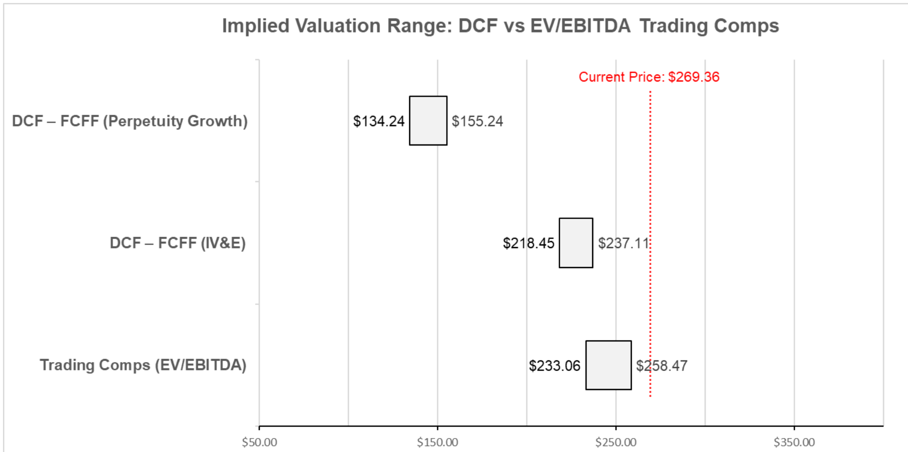

Figure 1: PWR_FootballField_Chart

The IVE model finalizes my primary conclusion. Even its Strong Bull case—which stress-tests the market's optimism by applying a 30% premium to the peer multiple—yields a value of **$237.11**. This result still implies a ~12% downside, reinforcing the UNDERWEIGHT recommendation.

Fundamental & Quantitative Analyses (DCF & Comps Valuations)

My DCF analysis yields a fair value of **$138.35 per share**. This is materially below comps-based outcomes, highlighting that the market is detached from long-term cash flow fundamentals. As the market is heavily predicated on sentiment-driven dynamics, I anchor my valuation on the comps-based Base Case (**$237.73 per share**) for my Tactical UNDERWEIGHT call, which still demonstrates that PWR is overvalued even by the market's own optimistic standards. > *This target reflects an end-of-period valuation. Discounting it to present value would imply a still lower price target, further strengthening the UNDERWEIGHT thesis.*

- **Key Assumptions**
  - ***2014A-30E U.S. Electricity Consumption Growth*:** Bear Case (10.4%), Base Case (13.8%), Bull Case (25.0%), Strong Bull Case (29.7%); rationale for each case is elaborated in Scenario Analysis.
  - ***PWR's Fundamentals***: PWR is assumed to maintain its current market share and operational leverage, allowing its revenue and EBITDA to grow proportionally with the overall expansion of the U.S. electric grid infrastructure industry.
  - ***WACC (9.99%)*:** Cost of Equity of 10.73% and After-Tax Cost of Debt of 3.46%.
  - ***Perpetual Growth (3.0%)*:** U.S. electricity demand is expected to

grow by 2% in 2025 and 3% in 2026 according to the U.S. Energy Information Administration, and a growth of +3% YoY in utility-scale power generation was observed in September 2024 (Source: EIA, Deloitte). > *Net Debt is assumed constant across all scenarios at 2024A level of $3,734.31Mn, reflecting a stabilized capital structure following five years of elevated CAPEX (Source: FactSet); reliable forward-looking balance sheet consensus data is also unavailable. The comprehensive valuation table and assumption details are provided in Appendix.*

Scenario Analysis

The comps-based scenarios are designed to test sensitivity across consensus exuberance and conservative downside assumptions. Each scenario translates the projected annual growth in U.S. electricity consumption into a corresponding EBITDA growth for PWR, reflecting the company's operational leverage and market share assumptions.

1. Strong Bull Case ($258.47/share; FY25E diluted EPS of $7.09) Stress-tests my thesis against the most aggressive market expectations, using FactSet consensus FY25E EBITDA of $2,800.5Mn (YoY +34.7%). Holding every other factor constant, this is equivalent to supposing **4.43%** annual increase in U.S. electricity consumption. **This assumption exceeds my Bull Case assumptions** (YoY +3.79%; ICF) **by ~17% even though my Bull Case *already* assumes a growth rate 74% higher than the Base Case** (YoY +2.17%). Applying the peer forward EV/EBITDA multiple of 14.96x to this consensus figure yields an implied equity value of $38,170.50Mn, or **$258.47** per share. This means that the valuation still remains **4.0% lower** than the current share price of $269.36 even under these market's most optimistic inputs, reinforcing my **UNDERWEIGHT** view.

2. Bull Case ($252.59/share; FY25E diluted EPS of $6.94) Assumes 25.0% cumulative increase (*i.e.*, **3.79%** annual increase) in U.S. electricity consumption by 2030. Applying the same peer forward multiple to the projected FY25E EBITDA (YoY +31.9%) yields an implied equity value of $37,301.76Mn, or **$252.59** per share (**6.2% downside**).

3. Base Case ($237.73/share; FY25E diluted EPS of $6.55) Assumes 13.8% cumulative increase (*i.e.*, **2.17%** annual increase) in U.S. electricity consumption by 2030. The Base Case aligns most closely with long-term electricity demand forecasts from EIA and Deloitte, providing a balanced view between consensus exuberance and conservative downside. Applying the same peer forward multiple to the projected FY25E EBITDA (YoY +24.8%) yields an implied equity value of $35,107.52Mn, or **$237.73** per share (**11.7% downside**).

4. Bear Case ($233.06/share; FY25E diluted EPS of $6.43) Assumes 10.4% cumulative increase (*i.e.*, **1.66%** annual increase) in U.S. electricity consumption by 2030. Applying the same peer forward multiple to the projected FY25E EBITDA (YoY +22.6%) yields an implied equity value of $34,417.51Mn, or **$233.06** per share (**13.5% downside**).

Equity Value Table

Scenario	Cumulative U.S. Electricity Consumption Growth (~2030E)	EBITDA Growth (YoY, FY25E)	Multiples Applied (EV/EBITDA)	Implied Equity (*Mn*)|*Share Price*()	Downside vs Current	
Strong Bull Case	29.7%	+34.7%	14.96x	38,170.50	258.47	4.0%
Bull Case	25.0%	+31.9%	14.96x	37,301.76	252.59	6.2%
Base Case	13.8%	+24.8%	14.96x	35,107.52	237.73	11.7%
Bear Case	10.4%	+22.6%	14.96x	34,417.51	233.06	13.5%
> **FY25E diluted EPS Forecast**: Bear $6.43	Base $6.55	Bull $6.94	Strong Bull $7.09			

Peer Group & Rationale The peer group for this analysis was sourced from the FactSet-provided list. For analytical precision, **FirstEnergy was excluded from the original list for final calculation**, as its regulated asset-ownership model makes it a client, not a competitor. The peer group now comprises companies across the infrastructure services value chain, including:

- **Direct Competitors** in specialty contracting (*e.g.*, EMCOR, MasTec).
- **Larger, Diversified E&C Firms** against which Quanta competes for major projects (*e.g.*, Jacobs, AECOM).

Peer Comps Table

Company	Mkt Cap (Bn)	Rev Growth (TTM)	EBITDA Margin (TTM)	P/E (TTM)	P/E (FY25E)	EV/EBITDA (TTM)	EV/EBITDA (FY25E)	P/CF (TTM)	PEG Ratio
Quanta Services	**$39.7**	**13.4%**	**8.8%**	**43.88x**	**36.95x**	**20.58x**	**15.81x**	**19.42x**	**1.97x**
Jacobs Solutions	$15.2	32.7%	9.4%	25.25x	24.40x	12.38x	16.92x	14.62x	1.27x
AECOM	$12.8	12.0%	6.9%	25.30x	22.80x	12.48x	14.52x	15.73x	1.45x
EMCOR Group	$17.7	15.8%	10.2%	17.55x	24.70x	11.05x	16.24x	12.85x	1.44x
Primoris Services	$3.5	11.4%	6.5%	21.36x	23.70x	9.03x	14.27x	6.83x	1.03x
MasTec	$9.6	2.6%	7.7%	48.33x	29.20x	12.21x	14.75x	8.55x	0.49x
MYR Group	$2.0	-7.7%	3.3%	66.88x	26.70x	18.60x	13.08x	23.59x	0.10x
Peer Average	***$10.1***	***11.1%***	***7.3%***	***34.11x***	***25.25x***	***12.63x***	***14.96x***	***13.70x***	***0.96x***

Source: FactSet

IV. Catalysts & Signposts

Catalysts & Signposts Summary

This section outlines the rationale for my **tactical underweight** call on PWR, focusing on a confluence of near-term catalysts: **(1) Geopolitical Risk** from tariff uncertainty (Feb-Apr), **(2) Domestic Headwinds** from stubborn inflation (Mar-May), and **(3) the Risk of a Confirmed Economic Slowdown** (Apr-May). My recommendation for *tactical* underweight is predicated on a 1-2 month horizon, arguing for portfolio rebalancing, not a structural sell thesis. The following summary details the key catalysts poised to challenge the optimism dominating the market.

1. Geopolitical Risk: Tariff War Uncertainty (Feb–Apr 2025)

- The Trump administration's tariff threats pose a greater risk through their **unpredictability** than their direct economic impact.
- This could directly impact PWR's procurement costs for raw materials (*e.g.*, steel, electrical components) and disrupt project timelines.

- The **April 2**, which Trump proclaims "Liberation Day": eadline for additional tariffs targeting Asian manufacturing countries is expected to become the **key inflection point for the U.S. stock market.**
- *Key Dates*
  - **Feb 26:** Deadline for 25% tariff on EU products.
  - **Mar 4:** Deadline for 25% tariff on Canadian and Mexican products.
  - **Apr 2:** Deadline for additional 10–25% 'Reciprocal' tariffs on Asian manufacturing countries.

2. Domestic Headwinds: Stubborn Inflation & ESG Policy Risk (Mar–May 2025)

- Core inflation (especially in food and rent) remains elevated, creating a disconnect with market expectations for Fed rate cuts.
- While PWR has been a prime beneficiary of the IRA, the new administration's uncertain stance on green initiatives poses a significant risk to future subsidies and project pipelines.
- The high-interest-rate and high-commodity-price environment, particularly for key materials like copper, will continue to pressure PWR's margins. Key events to monitor are the **CPI releases** and **FOMC meetings**.
- *Key Events*
  - **CPI Releases:** Mar 12, Apr 10, and May 13.
  - **FOMC Decisions:** Mar 19 and May 7.

3. Risk of Confirmed Economic Slowdown (Apr–May 2025)

- Despite a 100% surge in the Nasdaq over the past two years, the real economy has not demonstrated commensurate growth, suggesting a potential market dislocation.
- On-the-ground indicators—including rising layoffs, weakening consumer spending, and increased visa sponsorship rejections—signal a cooling economy.
- The **1Q25 GDP release** will be a critical catalyst. A confirmed contraction would significantly increase downside pressure on cyclically sensitive stocks like PWR.
- *Key Events*
  - **1Q25 Advance GDP Release**: Apr 30.

The Narrative: Three Headwinds to PWR Stock Price

1. Tariff Uncertainty: The Unpriced "What-If" Risk (Feb–Apr 2025)
Tariffs on imported steel and electrical components—where the U.S. heavily

relies on South Korea, Japan, and China—directly threaten PWR's input cost stability. This risk appears unpriced, compounded by the uncertainty over the scope and magnitude of goods targeted. This is the main rationale for my recommendation of a **tactical underweight** on PWR. Exuberance pervades both the market at large and PWR's share price, leaving valuations stretched and fragile against even marginal sentiment reversals.

Trump's tariff threat itself—not necessarily its immediate economic effect—is a significant market overhang. Given the frothy sentiment prevalent in the market, it matters little whether the action is a negotiating tactic or a precursor to actual implementation. What matters is uncertainty born of his unpredictability, for which the market always exacts the highest risk premium. The constant threat of ambush proclamations broadcast live on his personal social media is sufficient to make the market paranoid, regardless of the eventual size of the tariff.

From my perspective, this resembles the outflows of foreign capital from the Korean stock market each time North Korea launches a missile. To foreign investors, it is a terrifying *what-if* possibility. To South Koreans—especially men, most of whom have mandatorily served in the military for about two years—it is a routine political theater; we have learned over 30 years that this is posturing designed to beg for rice. In the same context, reflecting on Trump's first term and his temperament, I see these threats of protean numbers more as political rhetoric than substantive diplomatic initiatives—be it a 60% or 6,000% tariff.

The real problem, however, extends beyond mere unpredictability. A tariff **WILL** be imposed as was in his first term; that much is certain. The true uncertainty lies in its scope and consequences. It will be bad—but, *how bad*? This precludes businesses and investors from preparing for *what* is coming, let alone *how much*. It is akin to pushing a surgeon into an operating room without informing him on where or how much to cut. He knows a procedure is required, but is it a minor ablation, a significant excision, or a radical resection? Here comes **the true, more dangerous uncertainty: the unhedgeable yet inevitable risk** we face.

Given these, conventional hedges should offer little protection. Bonds are facing a headwind from stubborn inflation pressures, and defensive stocks—mathematically speaking—offer a scant refuge when the whole market is exposed to a greater systematic risk. For such a turmoil, however, there is a very simple strategy proven consistently valid throughout history: *Cash is King*, as always. Reducing exposure to cyclicals like PWR and waiting for the tempest to subside is not a passive move, but the most active one in this case.

2. The Squeeze from Within: Stubborn Inflation and Policy Headwinds (Mar–May 2025) After the pandemic, there have been claims of the "This time is different" variety, alleging that the enormous amount of US dollars printed would not cause inflation—a misconception that has never been proven true. Inflation has not been and will not be eased in the near future, a conclusion supported by my personal research on the necessities—food, housing, and apparel—inflation with a proprietary DSGE model on its disproportionate impact across income quintiles (drafted in Dec 2024). **I am unusually certain that inflation, particularly this necessities inflation *common people* perceive, will persist stronger and longer than the U.S. government's claim and the market's hope**—both of which look wishes to me—which will be separately discussed over other several articles.

This view is grounded in my observations since returning to the U.S. after a six-year absence, where I have perceived the stark discrepancy between official indicators and on-the-ground reality. For instance, Nonfarm Payrolls suggest that the job market is holding up reasonably well, but the reality I face—as a college senior entering the job market—is horrendous. I struggle to reconcile so-called claims—perhaps better described as wishes—of a successful soft landing with what I actually see: dining prices up 70%+, rents up 60–80%—even though it is not a downtown in CA or NY but a small suburban campus town in the Midwest!—and wages up only 25~30% compared to August 2018, when I stayed in the U.S. last time.

Beyond inflation, a second domestic headwind emerges on the policy front. I remain skeptical whether the benefits granted to ESG-related companies like PWR will be preserved at the same scale, even if not entirely abolished. Even Tesla—another interesting company I recommended BUY in May 2015—whose CEO enjoys a publicly staged rapport with Mr. President, could not be immune. PWR has been an exemplary beneficiary of the Inflation Reduction Act in the Biden administration, but will such merits survive under the Trump administration that has demonstrated scant regard for green initiatives?

These factors, combined with a new tariff-induced inflationary shock, should force the Fed into a more hawkish—or at least less dovish—stance. While another rate hike seems unlikely, this environment will prevent the anticipated easing the market looks forward to, tightening financial conditions in an already fragile market. For PWR, these persistent inflationary pressures are not an abstract threat but a substantial risk to the core of its business model in two primary ways:

- PWR's main business model is centered on electricity grid infrastructure E&C, with most of its contracts being long-duration and fixed-price. Should the current interest rate persist longer than the financial market's wish, PWR's clients could defer or cut their capital expenditures.
- The price of copper—a primary input commodity for PWR—is near its 52-week high, approaching its record high from Feb 2022. This rally is primarily driven by strong physical demand, but the Trump administration's policy stance favoring a weaker dollar risks exacerbating the pressure. A weaker currency alone does not dictate copper's trajectory, but it could amplify the demand-driven upward momentum as commodities

are USD-denominated. In effect, the combination of demand-pull and monetary inflation may push nominal copper price even higher. While some of PWR's long-duration projects may include escalation clauses that partially hedge input-cost volatility, these provisions are unlikely to fully offset the broader and sustained cost-push pressures. Taken together, the net result underscores a structural vulnerability in PWR's margin profile, particularly on its fixed-price contracts.

3. The Reality Check: Awaiting Economic Confirmation (Apr–May 2025) There have been disproportionate inflows into the US tech and its related sectors since 2018, further amplified by the outsized performance of a handful of mega-cap stocks like the Magnificent Seven. Given this imbalanced concentration and the economy grappling with stubborn price pressures, can the stock market still be considered a leading indicator of the real economy? Considering inflationary pressures tend to manifest first and foremost in financial markets, I assume that the current rally is less a reflection of economic health and more a consequence of the radical increase in monetary supply during the pandemic.

Holding a view that the U.S. economy remains robust—at least more so than its peers like the UK or Germany—I question whether the market built on fragile optimism can withstand endogenous shocks, such as weakening consumer spending. For years, valuations have been inflated by hype for exogenous factors, such as ESG initiatives that cannot survive without subsidies and quantum computing that has yet to deliver on its promises.

Furthermore, as mentioned in the First Pillar of this thesis, the U.S. stock market has doubled without a major correction of 15%+ since January 2023; have the economy's fundamentals doubled in lockstep? What I have observed firsthand since late 2023 is a wave of mass layoffs—*e.g.*, Microsoft and Wells Fargo—and a sharp rise in refusals to sponsor international students in the tech and finance sectors.

This fundamental analysis is corroborated by the technical analysis—the Elliott Wave Theory in particular—which suggests that the stock market has likely topped out, facing a significant overhead resistance. My research finds no evidence to support the prevalent optimism in the market, and a long-overdue correction appears imminent. An economic contraction, if confirmed, would not only lead PWR's key clients to defer capital expenditure but also directly strike the valuation of cyclical stocks like PWR. This can challenge both the double-digit revenue growth embedded in PWR's valuation and the excessive premium currently awarded to PWR's share price.

Therefore, until the fog of these near-term uncertainties clears, a tactical underweight position on PWR represents the most prudent course of action.

V. Key Risks & Mitigants

Risks & Mitigants Summary

This section explores the key risks to my tactical underweight thesis, primarily focusing on two possibilities: **(1) Trump's tariff threats prove to be merely a political theater**, and **(2) the market's optimism is fundamentally justified** by the long-term growth trends of a data-driven economy. Examining these mitigating factors to PWR's stock price explains why my recommendation is a tactical underweight rather than a structural sell call.

1. Merely a Catchphrase?

- Mr. Market could already have correctly interpreted Trump's tariff threats as a negotiating tactic rather than a rigid policy goal and fully priced them in the valuations.
- The tariff figures—which no one understands where they originate from—can change at any point.
- *Mitigants*
  - I am very uncertain if the market was ever given enough time to comprehensively estimate the risk and fully reflect it. The tariff on imports is one of Trump's long-time political slogans since his first campaign, but the announced numbers deviate much from expectations, both in timing and scale.
  - The prevailing myth before the recent presidential election was that Kamala Harris was the top dog—which still remains very perplexing because, at least to me as an international student, a Trump victory was so obvious that I had been telling this since even 2–3 years before the election. Even though the election result—unsurprisingly—turned out to be opposite to the alleged wish, the market has since moved only upward, with no sign of a fundamental rethink—this demands caution for a long-due major correction.

2. Is the Slogan of the Fourth Industrial Revolution Valid?

- Contrasting with past manias in financial history, there is a high likelihood that the data science megatrend is not an imagination.
- If not, PWR will continue to benefit from the significant deficit in the U.S. electricity grid infrastructure.
- *Mitigants*
  - While the tax tariff is imminent and strong inflation is ongoing, the maturity of data science related industries has yet to come. In the short-run, timing matters more than direction. Benjamin Graham

recorded a -50.5% in his early career because of the Great Depression, and Michael Burry and John Paulson struggled for months to manage the monthly premium payments for CDS. Their investments all culminated in stupendous profits in the long-run, but none of them knew when their predictions would be realized.

- Even if the revolution and its byproducts are authentic, it is self-evident that the market is excessively overvaluing related sectors at the moment, which was manifested last month through a 40%+ plunge of quantum computing stocks. This happened a day after Jensen Huang from Nvidia and Sundar Pichai from Google briefly commented on the commercial viability timeline of quantum computing, wiping out a total of $8Bn in market value (Business Insider). At this juncture, the market is evidently dictated by sentiments not fundamentals, corroborating my *tactical* underweight call on PWR.

The Narrative: Two Tailwinds for PWR's Stock Price

1. The U.S. Policy: Political Rhetoric *vs* Government Initiatives The core risk to the underweight thesis is that Trump's political actions have already been reflected in the market. While it is highly probable that the tariff will be imposed, the final figures will likely be negotiated from 25–60% down to some ranges dissatisfactory yet ultimately acceptable to trading partners, much like the outcome of his first-term trade disputes.

Trump is a political businessman, not an economist or a priest; his goal is leverage, not economic orthodoxy or sincerity. The announced numbers are bound to change through forthcoming negotiations. If he had already confirmed numerics and intended to enforce them at any cost, he might have used a different term, *e.g.*, declaration or doctrine, than *negotiation*. Again, he is a businessman; he is just running the most 'monopolitic' enterprise in the world.

Furthermore, the seriousness of Mr. President or the U.S. government should not be underestimated, simply because initiatives were announced via social media than traditional solemn channels. Given that he fulfilled 45% of his first campaign promises during his first term (PolitiFact), I predict that a certain amount of his second ones—without regard to how they sound—will also be kept. Following observations are based on my analysis of his first campaign promises listed on PolitiFact:

Discarded promises (53%) include: (1) Enact a lifetime ban on White House officials lobbying for foreign government; (2) Bring back manufacturing; (3) Reverse China's entry into the WTO.

This record suggests that **he will unlikely dismantle trade relationships with manufacturing countries**, particularly China. Instead, I expect him to leverage Xi Jinping's vulnerability—with his leadership now under strain from within the CCP—to press for advantage in the tariff *negotiations*.

Compromised promises (22%) include: (1) Dramatically scale back the IPA; (2) Save the coal industry; (3) Enact a temporary ban on new regulations.

This record suggests that pro-ESG initiatives seem unlikely to be overturned, a view buttressed by an advisor to the Department of Energy on energy efficiency standards: "Overall, **the amount of federal regulations is roughly unchanged** since President Trump took office" (PolitiFact). Strengthening the traditional energy pipeline during his term does not necessarily mean eliminating the alternative energy one supported by previous administrations—especially when legal protocols are already in action.

Promises achieved (23%) include: (1) Raise tariffs on goods imported into the U.S.; (2) Use U.S. steel for infrastructure projects; (3) Withdraw from the Trans-Pacific Partnership.

This record reinforces my view that the tariff will be imposed, leading to cost-push pressure on PWR.

His political approach is rhetorical to some extent. The consistent hard-line messaging effectively amplifies his *STRONG America* kind propaganda. Whether higher tariffs will substantially contribute to the U.S. economy is ambiguous, but his actions—like the famous slogan *MAGA*—have proven to elicit political support.

Considering the majority of his political advocates, however, I doubt that the Trump administration will risk inflicting severe damage on the domestic economy, undermining its political capital. While the tariff is to be imposed, the announced numbers will be negotiated down to some range trading partners can accept—which does not imply that the U.S. economy suffering from stubborn inflation will also be able to endure it; I will discuss this in a separate posting.

In the same context, uprooting environmental initiatives already in operation is unlikely, either, for it will exacerbate the job market—already looking "horrendous" to me, as mentioned—which should benefit PWR as a turnkey solution provider to solar and wind power plants EPC.

Hence, my tactical underweight recommendation results from a thesis that while a major correction to the market—and a further drop of PWR's stock price—in the short-run is nearing, the expected tariffs or proclaimed ESG-related policies will not ruin PWR's fundamentals in the long-run.

2. Data-Science Megatrend: Transient Breeze *vs* Perpetual Storm

Another substantial risk to my underweight call is that the sentiment surrounding the data science megatrend is beyond a mere optimism. Every industry follows a life cycle of Introduction, Growth, Maturity, and Decline. Along the path, a myriad of technologies and businesses emerge and vanish, which induces winnowing bubbles and crashes that separate the wheat from the chaff.

Data science is currently the foremost business trend of the Fourth Industrial

Revolution, often termed Industry 4.0 or IR4. Data science related industries—or those claiming to be—have rapidly expanded since the advent of smartphones, especially during and after the pandemic with the rise of remote work and online courses. This megatrend is still in its early stages, with a long runway for growth.

Moreover, the data science megatrend differs from historical Panglossian booms and following panics, such as the Tulip Bubble; it *is* delivering technologies that provide *substantial, tangible* utility. These applications are not confined to services—*e.g.*, personalized advertising and recommendation systems now ubiquitous in platform industries—but extended to physical products—*e.g.*, prediction and automation systems in manufacturing industries. Despite anticipated minor peaks and troughs, the long-term upside potential remains enormous for the diverse industries supporting this megatrend.

If it is a true industrial revolution rather than a mere fantasy, this wave is not a ripple but a tsunami. Demand for electricity will consequentially surge in every industry, yet the U.S. is confronted with a significant shortfall in the electricity grid infrastructure to support it—where PWR is an unquestionable leader.

Hence, my tactical underweight call *in the short-run* notwithstanding, I am simultaneously constructive on PWR's long-term prospects as a leader in the electricity grid infrastructure sector, a key beneficiary of the data-driven economy. My final conclusion is to raise cash by derisking and then to re-establish exposure—either directly to PWR or through relevant ETFs—should the forecasted market correction materialize or identified risks fully subside.

VI. Industry & Business Overview

Industry

- **TAM (Total Addressable Market):** The North American addressable market for utility infrastructure services is estimated to be ~**$270Bn annually**, encompassing electric power, renewable generation, and gas utilities. This is part of a multi-trillion dollar capital investment cycle driven by the energy transition (Source: Quanta Services Investor Day Presentation (November 2023)).
- **Key Players & Market Share:** The industry is highly fragmented. PWR is the clear market leader with an estimated ~15% share of the relevant E&C services market. Other key players include MasTec (MTZ), MYR Group (MYRG), and EMCOR Group (EME), though none possess PWR's scale or comprehensive scope.
- **Structural Trends & Characteristics:**
  - **Regulatory Tailwinds:** Driven by government mandates for grid reliability (*e.g.*, North American Electric Reliability Corporation

standards), decarbonization (*e.g.*, Renewable Portfolio Standards), and federal stimulus (*e.g.*, Inflation Reduction Act).
  - **Technological Shift:** The transition from centralized fossil fuel generation to distributed renewable sources (*e.g.*, wind, solar) and the electrification of transport and industry (*e.g.*, Electric Vehicles, heat pumps) are forcing a complete overhaul of the grid.
  - **High Barriers to Entry:** Competition on large-scale, complex projects is limited due to complex requirements for skilled labor, specialized equipment, a strong safety record, and a robust balance sheet.

Business Model

- **Core Revenue Drivers:** Revenue is primarily driven by the **capital expenditures of regulated utilities and renewable energy developers**. A significant and growing portion also comes from **recurring operating expenditures for system maintenance, repair, and upgrades**. Key spending drivers include:
  - Grid Modernization & Hardening
  - Renewable Energy Integration
  - Electrification Infrastructure
- **Competitive Advantage vs. Peers:** Unmatched scale and a comprehensive service portfolio allow PWR to execute the largest and most complex turnkey projects that smaller peers cannot. The company commands the industry's largest pool of highly skilled, unionized labor, creating a formidable competitive moat in a talent-constrained market.

VII. Appendix

Technical Analysis (Elliott Wave Theory)

NDX (Nasdaq 100) Projection

Observed	Value	*Projection*	Value Range
52-week High (Feb 19, 2025)	22,175.60p	Resistance (Upper Bound)	22,124.05p – 22,619.95p
Current (Feb 25, 2025)	**21,614.08p**	Support (Greatest Lower Bound)	16,573.34p

- If the 52W high marks the completion of the upper bound, the potential MDD for NDX is estimated at ~**23%**.

OLS Models

FY25E EBITDA growth

$EBITDA\ Annual\ Growth\ (\%) = \alpha + U.S.\ Electricity\ Annual\ Growth\ (\%) \times \beta + \epsilon, where\ \alpha \approx 0.1534\ and\ \beta \approx$

- The model is based on 2015A–2025E data for U.S. Electricity Consumption annual growth and FY15A–FY24A data for PWR's financial statements (Source: EIA, FactSet). > *The Base Case of 2.17% for the FY25E growth is directly derived from the EIA's 2025E U.S. electricity consumption.*

FY25E diluted EPS for PWR

$$Diluted\ EPS\ (\$) = \alpha + EBITDA\ (\$Mn) \times \beta + \epsilon, where\ \alpha \approx -0.1892\ and\ \beta \approx 0.0026\ (R^2 \approx 0.9031)$$

- The model forecasts Diluted EPS as a function of projected EBITDA, based on the historical relationship observed in FY15A–FY24A data (Source: FactSet). > ***FY25E diluted EPS**: Bear $6.43 | Base $6.55 | Bull $6.94 | Strong Bull $7.09*

DCF & Comps Valuations

Implied Equity Value (FY25E, per share)	Bear Case	Base Case	Bull Case	Strong Bull Case
DCF: Perpetuity Growth Method	$134.24	$138.35	$152.06	$155.24
DCF: IV&E Model	$218.45	$221.88	$232.79	$237.11
Trading Comps: Peer Avg (EV/EBITDA)	$233.06	**$237.73**	$252.59	$258.47
Upside/Downside	-13.48%	-11.74%	-6.24%	-4.04%

> *Upside/Downside is calculated based on the Trading Comps estimate versus the current market price.*

Assumptions

WACC

Component	Value	Notes
Risk-Free Rate (R_f)	3.93%	10-Year U.S. Treasury Yield
Expected Market Return (R_m)	10.00%	Expected S&P 500 Return in 2025 (Source: Goldman Sachs)
Market Risk Premium (R_p)	6.07%	\(R_p = R_m - R_f\)
Levered Beta (β_L)	1.12	3-Year Adjusted Beta (Source: FactSet)
Cost of Equity (R_e)	**10.73%**	**CAPM: \(R_e = R_f + ×R_p\)**

Component	Value	Notes
Pre-Tax Cost of Debt (R_d)	4.53%	2024A Interest Expense / Total Debt
Effective Tax Rate	23.49%	2024A Income Taxes / Pretax Income
After-Tax Cost of Debt	**3.46%**	**\(R_d ×(1 - Tax Rate)\)**

Capital Structure	Value	Notes
Weight of Equity (E/V)	89.87%	Based on Market Capitalization
Weight of Debt (D/V)	10.13%	Based on Book Value of Debt
WACC	**9.99%**	**\((E/V) ×R_e + (D/V) ×\{R_d ×(1 - Tax Rate)\}\)**

Growth Rate

Assumption	Value	Rationale
Short-Term Growth Rate (2025–2030)	2.17%	Base Case annual growth; aligns with projected U.S. electricity demand of 2–3% (Source: EIA)
Perpetual Growth Rate (Post-2030)	3.00%	Slightly above long-term inflation and GDP growth; supported by recent trends in utility-scale generation

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