ENRON 2.0®

Ethical Energy Investing

Team Introductions

Etash Chandran – Junior from Dallas majoring in Advertising and Business Analytics

LBO Experience: 0 years

Rui Zhu – Sophomore from Allen majoring in Finance

Finance classes taken: 0

Arun Kandasamy – Sophomore from Boston

Executive Summary

We propose the acquisition of Powell Industries, Inc. (NASDAQ:POWL).

- Deal Size: $ 2,116 million
- Targeted IRR: 33.2% | MOIC: 4.2x

Investment Thesis:

- Key Value Drivers:
  - Improvement to operational efficiencies
  - Expansion into new markets
  - Strategic acquisitions
- Market Opportunity:
  - Electrical Equipment Manufacturing Industry is growing, with several trends with room for improvement
- Exit Strategy:
  - Exit via public listing or strategic sale in 5 years (2029)

Company Introduction

Powell Industries - Company Overview

Powell Industries Inc (POWL) is a global electric equipment manufacturing company founded in 1947 and headquartered in Houston, Texas. The company designs, develops, and manufactures custom-engineered products and systems for the distribution, control, and monitoring of electrical energy. Powell's offerings include utility switches, metal-clad switchgear, motor control systems, and bus ducts, catering to various industries such as petrochemicals, oil and gas, mining, and electric utilities. With a strong commitment to safety, innovation, and customer satisfaction, Powell has grown from a small metal-working shop to a strategic supplier of complex electrical infrastructure solutions. The company operates globally, focusing on developing innovative technologies for the future of electrical infrastructure. Powell Industries is publicly traded and employs over 2,300 people.

Powell Industries shows strong potential for growth in emerging markets and technologies, but faces challenges related to market cyclicality and maintaining its growth trajectory.

Powell Industries - Industry Overview

The Electrical Equipment Manufacturing industry in the US designs, develops, and manufactures a wide range of products including power distribution systems, transformers, electric motors, generators, switchgear, and industrial controls. This industry serves various sectors such as oil and gas, mining, electric utilities, and petrochemicals.

Market Size and Growth

• The US market size for this industry is estimated at $57.1 billion in 2024.
• The industry has been growing at a compound annual growth rate (CAGR) of 2.7% between 2019 and 2024.
• Globally, the electrical equipment market was valued at $1.04 trillion in 2022, with significant growth projected for the next decade.

Trends
• Increasing adoption of smart factories and digital transformation
• Focus on energy-efficient designs and sustainability
• Supply chain reorganization and reshoring efforts

Challenges:
• Skilled labor shortages
• Evolving regulatory compliance requirements
• Economic uncertainties, including inflation and interest rates
• Supply chain disruptions and visibility issues

Opportunities:

• Growth in data center and AI-related investments
• Expansion in clean energy and electrification projects
• Government initiatives supporting domestic manufacturing, such as the CHIPS Act and Inflation Reduction Act

Powell Industries: Opportunities

Areas of Competitive Advantage:

1. Specialization – While many companies in the electrical equipment manufacturing industries are large conglomerates like Hubbell Incorporated, Powell Industries' narrow focus allows it to better serve customer needs.

2. Integrated Services – Powell Industries provides custom electrical engineering solutions to clients, as well as post-purchase services including training, leading to a holistic client experience.

3. Strong Financial Position – Powell Industries' strong financial position allows it to make the investments necessary to stay ahead of competitors and gives the company flexibility when pursuing diversification.

Key Areas For Growth:

1. Data center & AI infrastructure – Powell is already benefitting from an increase in data center demand

2. Rising energy demand – AI related energy demand is projected to rise to 4% of global use by 2030, leading to the creation of new energy infrastructure such as nuclear power plants

3. CHIPS Act and US reshoring – the US's pivot to rebuilding a domestic manufacturing base, especially chip fabrication

Key Challenges:

1. Capacity – Powell currently has a backlog of orders, but capacity issues can limit Powell's flexibility in accepting new orders or adapting to potential shifts in market demand

2. Concentrated Industry – Powell relies on a small number of clients, which could increase earnings variability.

3. Regulation – The Biden administration temporary pause on new U.S. LNG exports to non-FTA countries highlights how regulation could impact the business of Powell's clients and Powell itself.

While Powell faces important challenges, we believe that the good management currently running Powell Industries is well-equipped to handle these hurdles. Furthermore, Powell is well positioned to take advantage of the rising tide that is AI, specifically the enormous amount of energy demanded to train LLMs. In terms of financials, Powell is a stable business without any significant debt and great free cash flow that can be used to pay down the LBO expenses.

Powell Industries Management

Seasoned leadership with a commitment to innovation and strong vision of the future

Brett A. Cope

- President and Chief Executive Officer
- Joined Powell in 2011 as VP of Sales and Marketing
- Promoted to COO in 2015
- Promoted to President and CEO in October 2016
- Guided company to strong financial position – $374M cash on hand
- Expanded manufacturing capacity and pursued diversification into high-growth markets
- Owns 0.98% of the company

Management Team

- Recognized as one of the best manufacturing companies to work for by U.S. News
- Investments in employee development and training programs
- Long average tenure of management of around 8 years
- Focus on differentiation through custom electrical system solutions has made the company a leader in the industry
- Large increases in revenue over the past 3 years

Michael W. Metcalf

- Executive Vice President, Chief Financial Officer, Secretary, Treasurer
- Joined the company in 2018
- 30 year career in power generation, construction, and oil and gas industries
- Managed Powell Industries' strong financial performance – during his tenure, the company has hit record highs in terms of market cap.

Impact on Acquisition

Enron 2.0 believes that keeping the Powell Industries management team during the acquisition is essential to ensure the investment is a success. We believe that giving the management greater incentives for company growth post-acquisition will help align our vision and compensate the management team for their experience and deep industry knowledge. Therefore, we will begin by engaging with management and the board, as discussed later in this investment memo.

Per Powell Governance and Leadership: https://powellindustriesinc.gcs-web.com/corporate-governance

Trading Comparisons

Trading Comparisons

	Powell Industries	PLPC	Acuity Brands	nVent Electric	EnerSys	Atkore Inc.	Plug Power	Vicor Corp	Total	Median
Equity Value	$1,531	560	7,736	10,337	3,853	2,981	1,653	1,164	27,725	2,981
Net Debt	(373)	(0)	(350)	1,616	553	617	916	(244)	3,108	553
Enterprise Value	**1,158**	**560**	**7,387**	**11,953**	**4,406**	**3,598**	**2,569**	**920**	**30,833**	3,598
Revenue										
TTM	95	586	3,840	3,470	3,530	3,284	684.49	370	15,764	3,284
2025	$1,085		4,190	3,820	3,900	3,070	1,220	381.33	16,581	3,445
EBITDA										
TTM	160	71	644	804	503	831	-1050	45	1,847	503
2025	190		703	885	556	776	229	46	3,195	629
EV / EBITDA										
TTM	7.3x	7.9x	11.5x	14.9x	8.8x	4.3x	-2.4x	20.7x	16.7x	8.8x
2025	6.1x		10.5x	13.5x	7.9x	4.6x	11.2x	20.1x	9.7x	10.9x

Comparable companies trade at 8.8x TTM EBITDA. Powell is undervalued compared to the electrical equipment industry and can be acquired at a fair value.

Data per Yahoo Finance and SeekingAlpha, as of [9/10/24]

CapEx Comparisons

Company	Powell Industries	PLPC	Acuity Brands	nVent Electric	EnerSys	Atkore Inc.	Plug Power	Vicor Corp
CapEx (LTM, M of $)	7.59	25.80	64.00	73.30	106.48	201.45	562.40	—

Data per FactSet

Trading Statistics (9/10/2024)

Powell Industries is trading at $156.09 a share and an 8x multiple

Array Technologies is trading at $5.69 a share and a 7.3x multiple

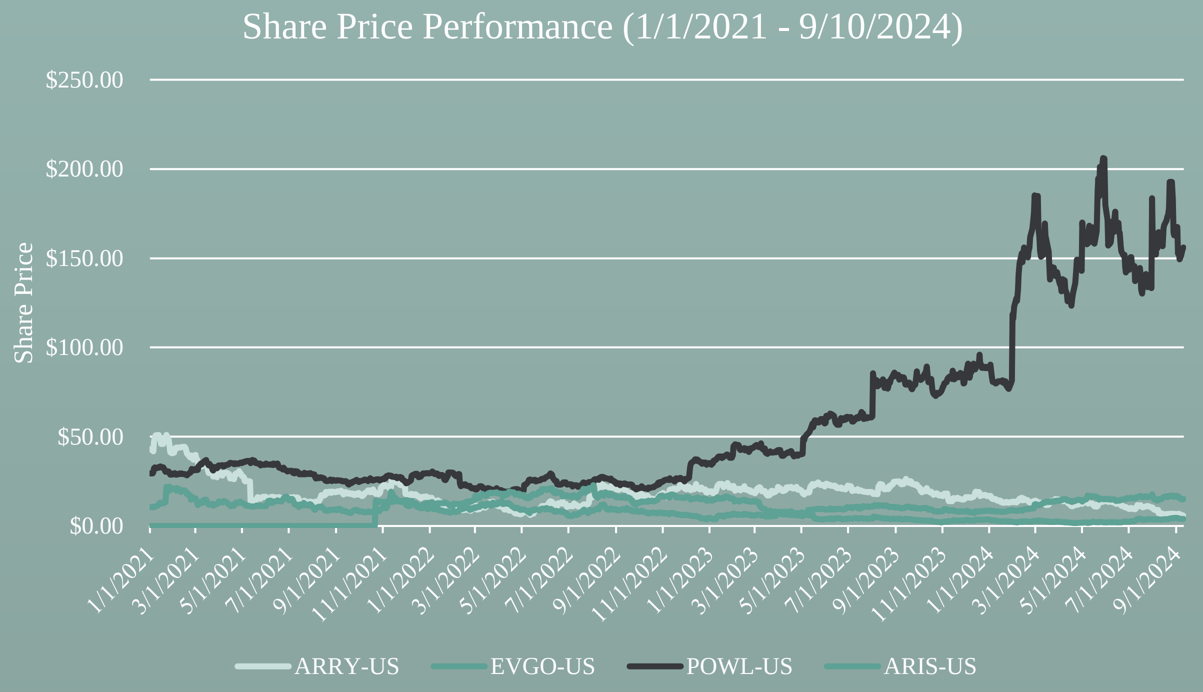
Aris Water Solutions is trading at $15.07 a share and a 6.3x multiple

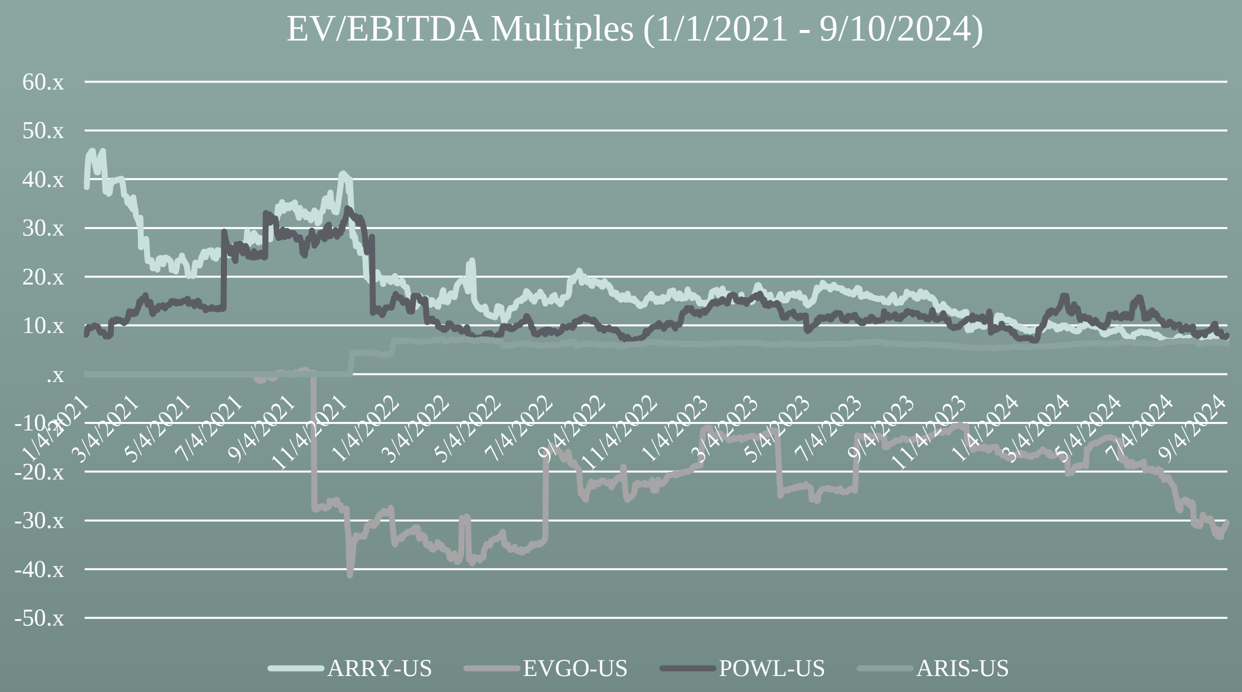
EVgo is trading at $4.07 a share and a -31.4x multiple

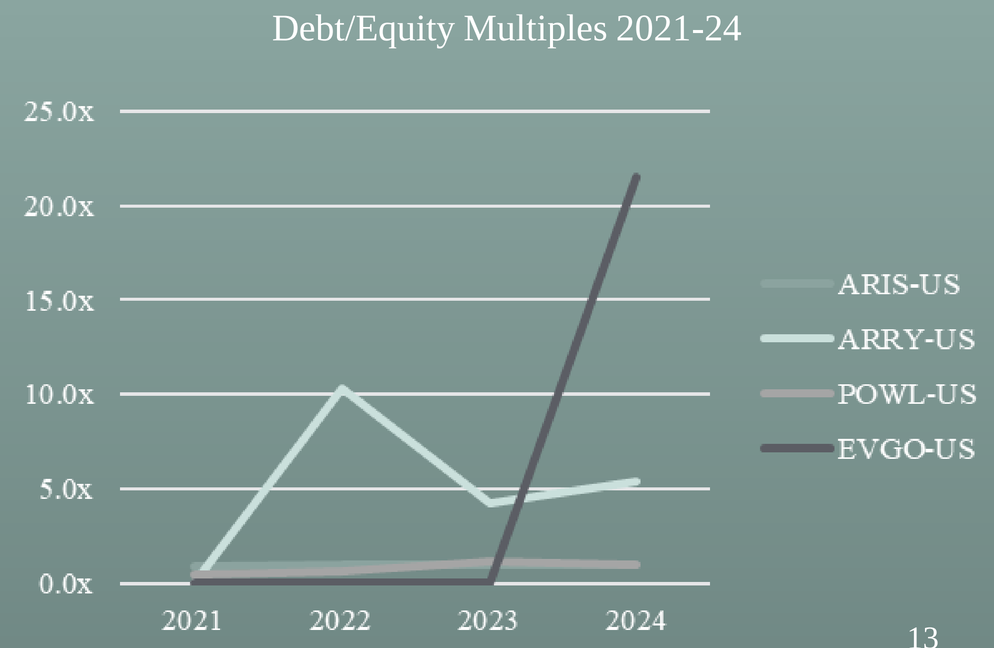
Data per Greenbelt Case Addendum, as of [9/10/24]

Company Performance Over Time

- POWL is up since 2021, while the rest of the companies' stocks are flat to down over the same period.
- ARRY, POWL, and ARIS are trading between a 6-8x EV/EBITDA multiple. EVGO is not currently profitable, and thus shows a negative multiple.
- ARRY and POWL demonstrate the potential for growth with falling multiples, while ARIS has been in the same range for around 2 years.
- ARIS and EVGO are much younger companies than POWL and ARRY. Older companies could provide more stable cash flows, especially with experienced management.
- Both POWL and ARIS have low debt/equity ratios, meaning they could handle the debt load of the LBO.







Our Thoughts On The Other Companies

- EVgo – Based on provided projections, EVgo will have negative FCF throughout the deal lifespan, making it a bad target for a take-private acquisition. Furthermore, the EV market has stagnated in the US, meaning there is not much potential for growth
- Array Technologies – Competition from China and high interest rates have impacted Array's potential growth in the future.
- Aris Water Solutions – Faces competition with many larger companies that have significantly greater financial and personnel resources, and they may be able to devote greater resources to research and development of technologies than Aris.

LBO Model

Powell Industries LBO Model.xlsx

Financial Projections

($ in millionss)	2024E	2025E	2026E	2027E	2028E	2029E
Revenue	$1,024	$1,085	$1,112	$1,157	$1,203	$1,251
YoY Growth (%)		*6.0%*	*2.5%*	*4.0%*	*4.0%*	*4.0%*
EBITDA	$184	$195	$200	$208	$216	$225
Margin (%)	*18.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*
Net Income	$147	$152	$161	$167	$174	$181
Margin (%)	*14.4%*	*14.0%*	*14.4%*	*14.4%*	*14.4%*	*14.4%*
Cash Flow from Operations	$107	$112	$82	$85	$88	$92
Capital Expenditures	$8	$8	$8	$8	$8	$8
FCF (CFFO - Capex)	$99	$104	$74	$77	$80	$84

Valuation Assumptions

- Purchase Price: For the LBO Model, we assumed a 10% purchase premium, leading to an implied entry multiple of 10.7x
- Sources: $1,055M of debt, $1061M of sponsor equity. Enron 2.0 wanted to have higher leverage due to several factors, including the large backlog of orders that demonstrates Powell will continue to be viable even in a down case scenario. Furthermore, we intend to increase capital expenditures during ownership, leading to increased value and a higher exit multiple. Putting in less sponsor equity will lead to a higher IRR. This expansion into new markets will offset cyclical nature of the energy business, another reason others may be hesitant to have higher leverage.
- Margin Expansion: Modest target margin expansion of 1%, given that Powell Industries' margin has been relatively stable for many years. Margin expansion would be a function of post-acquisition value creation.

Valuation Assumptions (cont.)

- Revenue Growth: As demonstrated by the table below, Powell Industries has recently seen a massive fluctuation in revenue growth. Because of this, we have assumed a modest target revenue growth of 4% coming because of our post-acquisition value creation: clearing the backlog through operational efficiencies and capacity expansion, among other strategies.

Financial Projections (2021 – 2029E)

($ in millions)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenue	471	533	699	1,024	1,085	1,129	1,174	1,221	1,270
YoY Growth (%)		13%	31%	46%	*6.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
EBITDA				184	195	203	211	219	228
Margin (%)				*18.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*
Net Income	1	14	55	147	152	161	167	174	181
Margin (%)				*14.4%*	*14.0%*	*14.2%*	*14.2%*	*14.2%*	*14.2%*
CFO	(30)	(4)	183	107	112	82	85	88	92
CapEx	(3)	(2)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
FCF	(33)	(6)	175	99	104	74	77	80	84

Base Case

Model Assumptions

Assumptions	Millions

Entry ($MM)	
NTM EBITDA	$ 192
EBITDA Multiple	10.8x
Enterprise Value	$ 2,066
Existing Net Debt	$ (373)
Equity Value	$ 2,439
Fees & Expenses	$ 50

Exit ($MM)	
EBITDA Multiple	12.0x

Financials	
NTM Financials	
Revenue	$ 1,085
EBITDA	$ 192
D&A	$ 1
Capex	$ 8
NWC	$ 432
Operating Assumptions	
Revenue Growth	4.0%
YoY margin expansion	1.0%
Tax Rate	21.0%

Capital Structure	Amount	Cost
Bank Debt	3.0x	6.0%
Senior Notes	2.5x	12.0%

For Reference	
IRR	18.7%
MOIC	2.4x

Entry Multiple	
Current Share Price	$156.09
Tender Offer Premium	10%
Tender Offer Price	**$171.70**
Dilluted Shares Outstanding (MM)	12.03
Equity Purchase Price	**$2,065.54**
2025 EBITDA	$192
Implied Entry Multiple	**10.8x**

Sources and Uses

Sources and Uses						
Sources				**Uses**		
	Amount	**xEBITDA**			**Amount**	**xEBITDA**
Bank Debt	$ 575	3.0x		Equity Payment	$ 2,439	12.7x
Senior Notes	$ 480	2.5x		Less: Target Cash	$ (373)	NM
Total Debt	$ 1,055	**5.5x**				
				Fees & Expenses	$ 50	0.3x
Sponsor Equity	$ 1,061	5.5x				
Total Sources	$ 2,116	**11**		**Total Uses**	$ 2,116	**11**

Financials: Operating Model

Operating Model	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	$ 1,024	$ 1,085	$ 1,113	$ 1,157	$ 1,203	$ 1,251
% growth		*6.0%*	*2.5%*	*4.0%*	*4.0%*	*4.0%*
EBITDA	$ 184	$ 190	$ 199	$ 219	$ 240	$ 262
% sales	*18.0%*	*17.5%*	*17.9%*	*18.9%*	*19.9%*	*20.9%*
D&A		$ 8	$ 8	$ 8	$ 8	$ 8
EBIT	$ 184	$ 182	$ 191	$ 211	$ 232	$ 254
% sales		*16.7%*	*17.2%*	*18.2%*	*19.3%*	*20.3%*
Interest		$ 92	$ 89	$ 85	$ 80	$ 74
EBT		$ 90	$ 102	$ 126	$ 151	$ 180
% sales		*8.3%*	*9.2%*	*10.9%*	*12.6%*	*14.3%*
Taxes		$ 19	$ 21	$ 26	$ 32	$ 38
% tax rate		*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*
Net Income	$ 147	$ 71	$ 81	$ 99	$ 120	$ 142
% sales		*6.5%*	*7.2%*	*8.6%*	*9.9%*	*11.3%*

Financials: Cash Flow Items

Cash flow Items	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
D&A		$ 8	$ 8	$ 8	$ 8	$ 8
% sales		*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.6%*
Net Working Capital	$ 432	$ 458	$ 469	$ 488	$ 508	$ 528
% sales	*42.2%*	*42.2%*	*42.2%*	*42.2%*	*42.2%*	*42.2%*
Change in Net Working Capital		$ 26.00	$ 11.46	$ 18.77	$ 19.52	$ 20.31
CapEx	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8
% sales	*0.8%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.6%*

Financials: Levered Cash Flow

Levered Cash Flow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Net Income		$ 71	$ 81	$ 99	$ 120	$ 142
D&A		$ 8	$ 8	$ 8	$ 8	$ 8
CapEx		$ 8	$ 8	$ 8	$ 8	$ 8
Change in NWC		$ 26	$ 11	$ 19	$ 20	$ 20
Levered Cash Flow		**$ 45**	**$ 69**	**$ 81**	**$ 100**	**$ 122**

Debt Schedule

Debt Schedule						
	Year 0	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Bank Debt						
Beginning Balance		$ 575	$ 531	$ 461	$ 381	$ 281
Interest		$ 35	$ 32	$ 28	$ 23	$ 17
Paydown		$ 45	$ 69	$ 81	$ 100	$ 122
Ending Balance	**$ 575**	**$ 531**	**$ 461**	**$ 381**	**$ 281**	**$ 159**
Sr. Notes						
Beginning Balance		$ 480	$ 480	$ 480	$ 480	$ 480
Interest		$ 58	$ 58	$ 58	$ 58	$ 58
Paydown		$ -	$ -	$ -	$ -	$ -
Ending Balance	**$ 480**	**$ 480**	**$ 480**	**$ 480**	**$ 480**	**$ 480**
Total Debt						
Beginning Balance		$ 1,055	$ 1,010	$ 941	$ 860	$ 760
Interest		$ 92	$ 89	$ 85	$ 80	$ 74
Paydown		$ 45	$ 69	$ 81	$ 100	$ 122
Ending Balance	**$ 1,055**	**$ 1,010**	**$ 941**	**$ 860**	**$ 760**	**$ 639**

IRR and MOIC

IRR		
EBITDA at Exit	$	262
Exit Multiple		12.0x
Enterprise Value	$	3,143
Net Debt	$	639
Sponsor Equity Value	**$**	**2,504**
Sponsor Equity at Entry	$	1,061
MOIC		**2.4x**
IRR		**18.7%**

Growth Case

Valuation Assumptions

- Capital Expenditure: For our growth case, we have increased the capital expenditure to $50M, and are growing it by 10% every year. Compared to similar companies, Powell has a much lower CapEx. Furthermore, Powell’s Total Debt to EBITDA ratio is 1/10 of its competitors. Investing in expanding manufacturing capabilities is an important reason we believe we can produce growth in Powell, which lead to revenue growth and margin expansion.

Company	Powell Industries	PLPC	Acuity Brands	nVent Electric	EnerSys	Atkore Inc.	Plug Power	Vicor Corp
CapEx (LTM, M of $)	7.59	25.80	64.00	73.30	106.48	201.45	562.40	—

Model Assumptions

Assumptions	Millions

Entry ($MM)		
NTM EBITDA	$	192
EBITDA Multiple		10.8x
Enterprise Value	$	2,066
Existing Net Debt	$	(373)
Equity Value	$	2,439
Fees & Expenses	$	50

Exit ($MM)	
EBITDA Multiple	16.0x

Financials		
NTM Financials		
Revenue	$	1,085
EBITDA	$	192
D&A	$	1
Capex	$	50
NWC	$	432
Capex Growth		10%
Operating Assumptions		
Revenue Growth		8.0%
YoY margin expansion		2.0%
Tax Rate		21.0%

Capital Structure	Amount	Cost
Bank Debt	3.0x	6.0%
Senior Notes	2.5x	12.0%

For Reference	
IRR	33.2%
MOIC	4.2x

Entry Multiple	
Current Share Price	$156.09
Tender Offer Premium	10%
Tender Offer Price	**$171.70**
Dilluted Shares Outstanding (MM)	12.03
Equity Purchase Price	**$2,065.54**
2025 EBITDA	$192
Implied Entry Multiple	**10.8x**

Sources and Uses

Sources and Uses

Sources		Amount	xEBITDA
Bank Debt	$	575	3.0x
Senior Notes	$	480	2.5x
Total Debt	$	1,055	**5.5x**
Sponsor Equity	$	1,061	5.5x
Total Sources	$	2,116	**11**

Uses		Amount	xEBITDA
Equity Payment	$	2,439	12.7x
Less: Target Cash	$	(373)	NM
Fees & Expenses	$	50	0.3x
Total Uses	$	2,116	**11**

Financials: Operating Model

Operating Model	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	$ 1,024	$ 1,085	$ 1,113	$ 1,202	$ 1,298	$ 1,402
% growth		*6.0%*	*2.5%*	*8.0%*	*8.0%*	*8.0%*
EBITDA	$ 184	$ 190	$ 199	$ 239	$ 285	$ 335
% sales	*18.0%*	*17.5%*	*17.9%*	*19.9%*	*21.9%*	*23.9%*
D&A		$ 8	$ 8	$ 8	$ 8	$ 8
EBIT	$ 184	$ 182	$ 191	$ 231	$ 277	$ 327
% sales		*16.7%*	*17.2%*	*19.3%*	*21.3%*	*23.4%*
Interest		$ 92	$ 92	$ 91	$ 90	$ 88
EBT		$ 90	$ 99	$ 140	$ 186	$ 239
% sales		*8.3%*	*8.9%*	*11.7%*	*14.3%*	*17.1%*
Taxes		$ 19	$ 21	$ 29	$ 39	$ 50
% tax rate		*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*
Net Income	$ 147	$ 71	$ 78	$ 111	$ 147	$ 189
% sales		*6.5%*	*7.0%*	*9.2%*	*11.3%*	*13.5%*

Financials: Cash Flow Items

Cash flow Items	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
D&A		$ 8	$ 8	$ 8	$ 8	$ 8
% sales		*0.7%*	*0.7%*	*0.7%*	*0.6%*	*0.6%*
Net Working Capital	$ 432	$ 458	$ 469	$ 507	$ 547	$ 591
% sales	*42.2%*	*42.2%*	*42.2%*	*42.2%*	*42.2%*	*42.2%*
Change in Net Working Capital		$ 26.00	$ 11.46	$ 37.55	$ 40.55	$ 43.80
CapEx	$ 50	$ 55	$ 61	$ 67	$ 73	$ 81
% sales	*4.9%*	*5.1%*	*5.4%*	*5.5%*	*5.6%*	*5.7%*

Financials: Levered Cash Flow

Levered Cash Flow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Net Income		$ 71	$ 78	$ 111	$ 147	$ 189
D&A		$ 8	$ 8	$ 8	$ 8	$ 8
CapEx		$ 55	$ 61	$ 67	$ 73	$ 81
Change in NWC		$ 26	$ 11	$ 38	$ 41	$ 44
Levered Cash Flow		**$ (2)**	**$ 14**	**$ 15**	**$ 41**	**$ 73**

Debt Schedule

Debt Schedule

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Bank Debt						
Beginning Balance		$ 575	$ 578	$ 563	$ 549	$ 507
Interest		$ 35	$ 35	$ 34	$ 33	$ 30
Paydown		$ (2)	$ 14	$ 15	$ 41	$ 73
Ending Balance	**$ 575**	**$ 578**	**$ 563**	**$ 549**	**$ 507**	**$ 435**
Sr. Notes						
Beginning Balance		$ 480	$ 480	$ 480	$ 480	$ 480
Interest		$ 58	$ 58	$ 58	$ 58	$ 58
Paydown		$ -	$ -	$ -	$ -	$ -
Ending Balance	**$ 480**	**$ 480**	**$ 480**	**$ 480**	**$ 480**	**$ 480**
Total Debt						
Beginning Balance		$ 1,055	$ 1,057	$ 1,043	$ 1,028	$ 987
Interest		$ 92	$ 92	$ 91	$ 90	$ 88
Paydown		$ (2)	$ 14	$ 15	$ 41	$ 73
Ending Balance	**$ 1,055**	**$ 1,057**	**$ 1,043**	**$ 1,028**	**$ 987**	**$ 914**

IRR and MOIC

IRR	
EBITDA at Exit	$ 335
Exit Multiple	16.0x
Enterprise Value	$ 5,366
Net Debt	$ 914
Sponsor Equity Value	**$ 4,452**
Sponsor Equity at Entry	$ 1,061
MOIC	**4.2x**
IRR	**33.2%**

LBO Strategy

Approach

Seamless Integration with Board Approval, with focus on Maintaining and Flourishing Synergies

Key Considerations

- Shareholder Value Proposition: Highlight expected premium on stock price and potential for long-term value appreciation.
- Management Alignment: Emphasize a partnership approach to maintain and leverage existing management expertise.

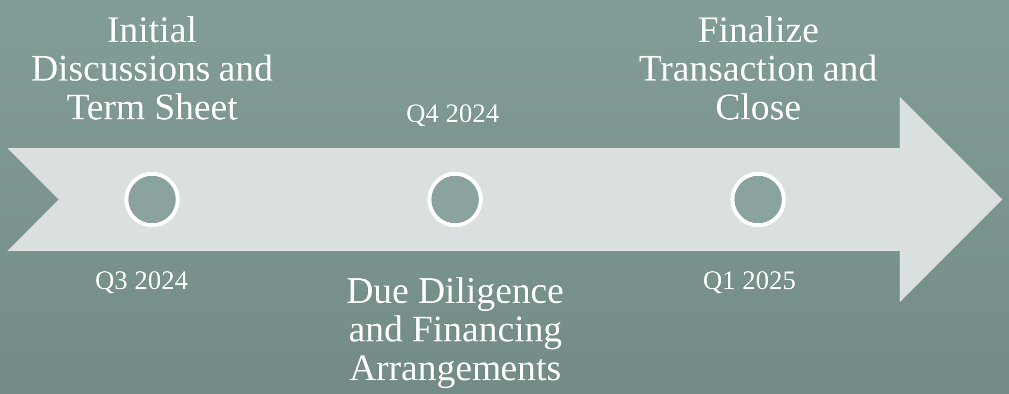
Acquisition Strategy

- Initial Approach: Engage with the Board and senior management through banker, focusing on Powell's growth strategy and synergies.
- Offer Structure: Suggest a cash offer with a reasonable premium, (10% Premium) above current trading price. Discuss potential for earn-outs tied to achieving post-acquisition goals.

Stakeholder Engagement

- Outline a communication plan for employees and customers, emphasizing business continuity and opportunities for growth.
- Present a clear strategy to initiate and execute the acquisition, targeting both shareholders and management.

Acquisition Timeline



Post-Acquisition Value Creation

Focus on Operational Efficiencies/Synergies, Entry into High-Growth Markets, While Keeping Exit in Mind

Operational Efficiencies

- **Streamlining Production**
  - *Issue*: Powell currently faces a significant backlog due to capacity constraints.
  - *Solution*: Invest in automation and capacity expansion to alleviate production bottlenecks.
  - *Impact*: Reduces order lead times by up to 30%, improving customer satisfaction and freeing up capacity for higher-margin products.
- **Lean Manufacturing Implementation**
  - Introduce lean principles to eliminate waste and optimize production processes.
  - Expect reduction in COGS, boosting overall margins.

Market Expansion Initiatives

- **Entry into High-Growth Markets**
  - Target Sectors: Data centers, renewable energy, and smart grid technology.
  - Strategy: Leverage Powell's expertise in electrical distribution systems to develop tailored solutions for high-demand sectors.
  - Focus on nuclear and hydrogen infrastructure, which are expected to grow significantly due to rising clean energy investments.
- **Geographical Expansion**
  - Expand presence in emerging markets in Southeast Asia and the Middle East, where infrastructure investments are increasing.
  - Establish strategic partnerships with local firms to penetrate these markets efficiently.

Product Innovation & R&D

- **R&D Investments**
  - Allocate additional capital to R&D for developing next-generation switchgear and control systems with a focus on digitalization.
  - Explore energy storage solutions and EV charging technology as adjacent product lines.
- **Technology Integration**
  - Enhance existing product portfolio with IoT and AI capabilities for smarter, real-time monitoring and predictive analytics.
  - Develop energy-efficient solutions that meet evolving industry standards and environmental regulations.

Exit Strategy

- **Potential Exit Options**
  - Relist on the NASDAQ: Consider taking Powell public to capitalize on its enhanced market position and growth story.
  - Strategic Sale: Position Powell as a prime acquisition target for larger industrial firms or infrastructure funds.
- **Value Drivers**
  - Demonstrated revenue growth through new markets and product lines.
  - Improved margins from operational efficiencies and strategic acquisitions.
  - Enhanced valuation multiples due to strengthened ESG credentials and leadership in high-growth sectors.

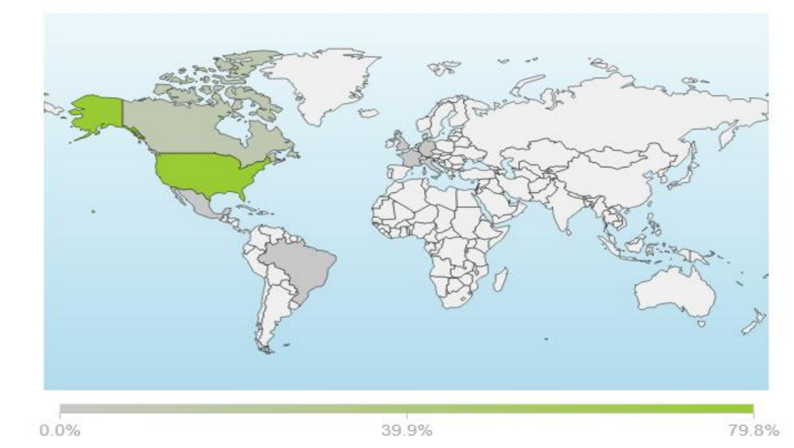
Post-Acquisition Value Creation Cont.

Bringing in New Management

Benefits of Hiring New Management

- New management would bring fresh perspectives.
- Industry expertise is crucial for implementing growth in specific segments, such as the AI market, or expansion in new geographic areas.
- Experienced leaders who specialize in operational efficiency, cost reduction, and growth strategies may be more adept at handling aggressive changes.

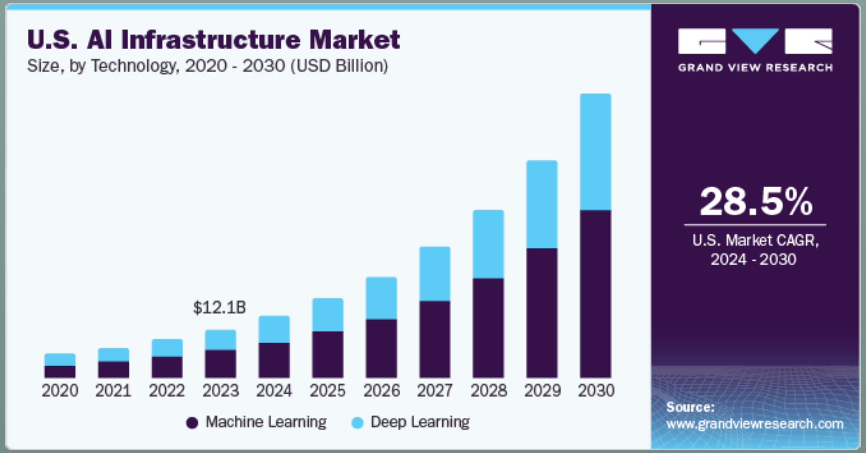
Country/Region Map of Revenue Exposure



Gaps in the Current Management Team

- Digital Transformation – AI infrastructure; experts can effectively utilize AI to optimize operations and predict demand fluctuations
- Customer Experience – Backlog reflects strong demand, but capacity constraints pose challenge to timely delivery and operational efficiency
- Strategic Market Positioning – timeliness and adaptability drive customer loyalty and competitive advantage, so hiring industry experts may improve operations and make changes to follow trends

Projected Growth in AI Infrastructure Market



Exit Strategy Expanded

Pathways to Maximizing Return

Public Re-Listing on NASDAQ

Approach: After achieving operational improvements and growth in high-demand sectors, Powell Industries could re-list on the NASDAQ. This option would involve selling shares on the public market to capture value from its expanded market presence and increased EBITDA among other factors.

Value Drivers:

- **Enhanced Margins**: Margin expansion through lean manufacturing and automation initiatives, positioning Powell with improved profitability.
- **Sector Growth**: Strong market position in data center infrastructure, renewable energy, and smart grid technology, sectors with high investor interest.
- **R&D-Driven Innovation**: Investments in IoT-enabled switchgear and control systems, which align with trends in smart infrastructure and energy efficiency.

Outcome: This strategy would provide flexibility in share sell-down and could attract institutional investors looking for exposure to energy infrastructure, given Powell's strategic pivot toward growth areas.

Strategic Sale to Industrial or Electric Equipment Manufacturers

Approach: Position Powell Industries for acquisition by large companies seeking to enhance their portfolio in electric distribution, infrastructure, or clean energy technologies. Potential acquirers could be multinational equipment manufacturers, electric utility suppliers, or companies focused on industrial electrification.

Potential Buyers:

- **Siemens**: As a leader in electrical and automation solutions, Siemens could integrate Powell's product lines to expand their U.S. market share.
- **Schneider Electric**: Known for its focus on sustainable and digital energy solutions, Schneider could benefit from Powell's offerings in electrical distribution systems and control solutions.
- **ABB Group**: With strong investments in industrial automation and electrification, ABB might see Powell as a strategic fit for its North American expansion and clean energy ambitions.
- **Eaton Corporation**: As an American multinational in power management, Eaton could leverage Powell's expertise in customized electrical solutions for sectors like oil & gas and renewables.

Outcome: This route could yield a high exit multiple by aligning with companies looking to strengthen their energy infrastructure portfolios and capitalize on growth in electrification and renewable energy.

Sensitivity Tables: Revenue Growth

As demonstrated by the sensitivity tables, while revenue growth would have an impact on the IRR and MOIC of the leveraged buyout, the greater driver of value would be the expansion of the exit multiple. Based on our post-acquisition strategies of operational efficiency, expansion of markets served, and product innovation, Enron 2.0 is confident that Longhorn Capital Partners could exit Powell Industries at a multiple in the high teens, as outlined by CDC in the case brief. Furthermore, as outlined in the valuation assumptions, Powell Industries has experienced massive revenue growth in the recent past and could see the same revenue growth during course of the deal.

Bear Case: 0% growth at an 8x multiple
Base Case: 4% growth at a 12x multiple
Bull Case: 10% growth at a 16x multiple

IRR Sensitivity Table

Revenue Growth	Exit Multiple				
	8.0x	10.0x	12.0x	14.0x	16.0x
0%	3.6%	10.9%	16.7%	21.6%	25.7%
2.0%	5.5%	12.7%	18.5%	23.3%	27.5%
4.0%	7.3%	14.5%	20.3%	25.1%	29.3%
6.0%	9.0%	16.2%	22.0%	26.8%	31.0%
8.0%	10.7%	17.9%	23.6%	28.5%	32.7%
10.0%	12.4%	19.5%	25.3%	30.1%	34.4%

MOIC Sensitivity Table

Revenue Growth	Exit Multiple				
	8.0x	10.0x	12.0x	14.0x	16.0x
0%	1.2x	1.7x	2.2x	2.7x	3.1x
2.0%	1.3x	1.8x	2.3x	2.9x	3.4x
4.0%	1.4x	2.0x	2.5x	3.1x	3.6x
6.0%	1.5x	2.1x	2.7x	3.3x	3.9x
8.0%	1.7x	2.3x	2.9x	3.5x	4.1x
10.0%	1.8x	2.4x	3.1x	3.7x	4.4x

Sensitivity Tables: Margin Expansion

As demonstrated by the sensitivity tables, even a modest expansion of margin over the course of the deal would have a large impact on the IRR and MOIC of the leveraged buyout,. Based on our post-acquisition strategies of operational efficiency, expansion of markets served, and product innovation, Enron 2.0 is confident that Longhorn Capital Partners could expand the margin of EBITDA of Powell Industries.

Bear Case: 0% growth at an 8x multiple
Base Case: 3% growth at a 12x multiple
Bull Case: 5% growth at a 16x multiple

IRR Sensitivity Table — Margin Expansion

	Exit Multiple				
	8.0x	10.0x	12.0x	14.0x	16.0x
0%	0.9%	8.6%	14.7%	19.6%	23.9%
1.0%	7.3%	14.5%	20.3%	25.1%	29.3%
2.0%	12.4%	19.4%	25.0%	29.7%	33.9%
3.0%	16.8%	23.5%	29.1%	33.8%	37.9%
4.0%	20.6%	27.2%	32.7%	37.4%	41.5%
5.0%	23.9%	30.5%	36.0%	40.7%	44.8%

MOIC Sensitvity Table — Margin Expansion

	Exit Multiple				
	8.0x	10.0x	12.0x	14.0x	16.0x
0%	1.0x	1.5x	2.0x	2.5x	2.9x
1.0%	1.4x	2.0x	2.5x	3.1x	3.6x
2.0%	1.8x	2.4x	3.0x	3.7x	4.3x
3.0%	2.2x	2.9x	3.6x	4.3x	5.0x
4.0%	2.5x	3.3x	4.1x	4.9x	5.7x
5.0%	2.9x	3.8x	4.6x	5.5x	6.4x

Sensitivity Tables: Offer Premium

As demonstrated by the sensitivity table, a deal with an offer premium above 20% (11.7x) would drastically decrease returns, and we would walk away from any deal above 25% (12.2x) because even with stellar performance and great exit multiple, the returns are not enough to justify the price.

IRR Sensitivity Table

Implied Entry Multiple	Offer Premium	Exit Multiple 8.0x	10.0x	12.0x	14.0x	16.0x
9.8x	0%	11%	18%	23%	28%	32%
10.3x	5%	9%	15%	21%	26%	30%
10.8x	**10%**	7%	13%	19%	23%	27%
11.3x	15%	5%	11%	17%	21%	25%
11.7x	20%	3%	10%	15%	19%	23%
12.2x	25%	2%	8%	13%	18%	21%
12.7x	30%	0%	7%	12%	16%	20%
13.2x	35%	-1%	5%	10%	15%	18%

MOIC Sensitvity Table

Implied Entry Multiple	Offer Premium	Exit Multiple 8.0x	10.0x	12.0x	14.0x	16.0x
9.8x	0%	1.7x	2.3x	2.9x	3.5x	4.1x
10.3x	5%	1.5x	2.0x	2.6x	3.1x	3.7x
10.8x	**10%**	1.4x	1.9x	2.4x	2.9x	3.3x
11.3x	15%	1.3x	1.7x	2.2x	2.6x	3.1x
11.7x	20%	1.2x	1.6x	2.0x	2.4x	2.8x
12.2x	25%	1.1x	1.5x	1.9x	2.3x	2.6x
12.7x	30%	1.0x	1.4x	1.7x	2.1x	2.5x
13.2x	35%	1.0x	1.3x	1.6x	2.0x	2.3x

Sensitivity Tables: Total Debt (xEBITDA)

Although 5.5x is a high leverage multiple for debt, Enron 2.0 believes that going lower would unnecessarily impact returns, since Powell has demonstrated that it is a stable business and deliver returns even in a down case.

IRR Sensitivity Table

Total Debt (xEBITDA)	Exit Multiple				
	8.0x	10.0x	12.0x	14.0x	16.0x
4.0x	2%	8%	13%	18%	21%
4.5x	3%	10%	15%	19%	23%
5.0x	5%	11%	17%	21%	25%
5.5x	7%	13%	19%	23%	27%
6.0x	9%	15%	21%	26%	30%
6.5x	11%	18%	24%	28%	33%
7.0x	14%	21%	27%	31%	36%

MOIC Sensitvity Table

Total Debt (xEBITDA)	Exit Multiple				
	8.0x	10.0x	12.0x	14.0x	16.0x
4.0x	1.1x	1.5x	1.9x	2.2x	2.6x
4.5x	1.2x	1.6x	2.0x	2.4x	2.8x
5.0x	1.3x	1.7x	2.2x	2.6x	3.1x
5.5x	1.4x	1.9x	2.4x	2.9x	3.3x
6.0x	1.5x	2.1x	2.6x	3.1x	3.7x
6.5x	1.7x	2.3x	2.9x	3.5x	4.1x
7.0x	1.9x	2.6x	3.2x	3.9x	4.6x

Sensitivity Tables: Capital Expenditures

Reflecting on growth case, capital expenditures of over $100M would be risky if the sale was for a lower exit multiple than predicted. Although the proposed capex is in the low range when compared to similar companies, it is important to balance risk and company size against investments in the business. Having a capex of $0 and letting the company continue as is would lead to better returns, but it also leaves Powell vulnerable to competition and industry shifts.

IRR Sensitivity Table — Capital Expenditures

Capital Expenditures	Exit Multiple 8.0x	10.0x	12.0x	14.0x	16.0x
$ -	7.2%	13.8%	19.2%	23.7%	27.7%
$ 25	5.1%	12.2%	17.8%	22.6%	26.7%
$ 50	2.9%	10.5%	16.5%	21.4%	25.6%
$ 75	0.5%	8.7%	15.0%	20.2%	24.6%
$ 100	-2.2%	6.8%	13.5%	18.9%	23.5%
$ 125	-5.2%	4.7%	11.9%	17.6%	22.4%

MOIC Sensitvity Table — Capital Expenditures

Capital Expenditures	Exit Multiple 8.0x	10.0x	12.0x	14.0x	16.0x
$ -	1.4x	1.9x	2.4x	2.9x	3.4x
$ 25	1.3x	1.8x	2.3x	2.8x	3.3x
$ 50	1.2x	1.6x	2.1x	2.6x	3.1x
$ 75	1.0x	1.5x	2.0x	2.5x	3.0x
$ 100	0.9x	1.4x	1.9x	2.4x	2.9x
$ 125	0.8x	1.3x	1.8x	2.2x	2.7x

Exit Multiple

Based on the strong fundamentals of the company, including the management team, as well as our strategies for post-acquisition value creation, Enron 2.0 is confident that the goal of an exit multiple in the high teens as outlined in the case brief by CDC is well within reach. Our base case exit multiple is 12x, which already delivers a great IRR of 18.7% and a MOIC of 2.4x. However, our target exit multiple of 16x, which we believe is easily within reach given the reasons outlined throughout the memo, would result in a stellar IRR of 33.2% and a MOIC of 4.2x.

Risks and Mitigants

Risk	Mitigant
Small Customer Base	Expansion to new segments opens opportunities for more customers.
Capacity Constraints	Implementing capacity initiatives and closing projects may increase capacity.
Operational Disruptions such as Hurricane Beryl	Ensure a disaster recovery plan is in place and diversify distribution of operations geographically.

Conclusion

- Take-private acquisition of Powell Industries with a deal size of $2,109 million and a targeted IRR of 29.3% (MOIC 3.6x)
- Strong financial position, great management, and high potential for growth post-acquisition
- Engagement with board and management to align incentives and take advantage of deep industry expertise
- Revenue growth and margin expansion as key drivers of value
- Manageable risks of small customer base, geographic concentration, and capacity constraints tackled with out post-acquisition strategy

Thank you

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