

Overview

Blackstone's \$11.5B Bet on TXNM Energy

Why This Deal?

1. Rising Power Demand

- U.S. electricity needs at record highs (AI/data centers, electrification).
- TXNM's 800K-customer base in growing NM/TX markets.

2. Clean Energy Transition

- Grid modernization requires massive capital—TXNM offers regulated, stable returns.
- Aligns with Blackstone's \$60B infrastructure focus on decarbonization.

3. Long-Term Growth Play

- Premium price (15%) reflects confidence in TXNM's renewable expansion potential.
- \$400M private placement to accelerate investments.



In Relation with Management and Technology Perspective

It's a Risk with a lot of Uncertainty:

Blackstone's acquisition of TXNM Energy is a gamble that can have a lot of Uncertainty and Risk:

- **Soaring U.S. Power Demand:**
 - Driven by AI, crypto data centers, and overall consumption growth.
- **High Cost of Clean Energy & Grid Modernization:**
 - TXNM is well-positioned in a regulated industry that requires high capital investment, and will need constant investment to keep up with the demand.
- **Regulatory Risk:**
 - The deal still needs approval from six regulators, including the NMPRC.

But it has Strong Reasoning and Projections:

But the acquisition is a strategic gamble based on strong fundamentals and future predictions:

- **More revenue due to more demand**
 - With higher demand more revenue can be achieved boosting expected future cash flows.
- **Clean Energy requires Investment :**
 - It's an environment where infrastructure funds like Blackstone can thrive, as they have a lot of cash cows they can take money from and invest.
- **Low Market Risk:**
 - Utilities have low beta (risk) and regulated income, so Blackstone will have Predictable cash flows, exposure to fast-growing electricity markets.

Key Takeaways

- A low WACC for Utilities like TXNM offer predictable cash flows, aligning with Blackstone's long-term infrastructure strategy.
- Capital structure optimization: \$400M pre-closing equity issuance, fully equity-funded to strengthen TXNM's balance sheet ahead of acquisition.
- Shares of TXNM rose as much as 8.3% to \$57.29, an all-time high, which means Blackstone's investment has already started paying off.
- By offering a 15% premium, Blackstone is betting that TXNM's future cash flows, when discounted at WACC, exceed this purchase price — making it a **DCF-positive investment**.

