

## WHAT IS DRIVING THIS MARKET?

- Climate change is a fact.
- Climate change must be addressed at all levels:
  - Municipal government
  - State government
  - Corporations
- Currently the major focus is on risk and sustainability.

## WHAT ARE THE CURRENT MARKET BARRIERS?

- All infrastructure is challenged by climate change.
- Barriers to change for infrastructure is change itself.
- Markets need to move to the view that climate change is an opportunity.

## WHO WILL WIN OUT?

- Those who make climate change a leg in their business plan.
- Those whose boards embrace new ideas to maximize value.
- Those companies who value their employees' support/pride.

## WATER & WASTEWATER INFRASTRUCTURE BY THE NUMBERS

- 2 trillion: Gallons of treated water lost annually.
- \$300 billion: Investment forecast in needed water & wastewater infrastructure in next 10 years.
- 1.6 million: Miles of water & wastewater pipelines in the US.
- 100 years: Age of much of the water & wastewater infrastructure in US.
- 2 minutes: Frequency of water main breaks in US.

## MARKET OUTLOOK

1. For water infrastructure: Never-ending.
2. For corporate board support: Only increasing.
3. For increasing value: Never-ending.

Infrastructure Services Group LLC featured in *Business North Carolina*, the state's leading business publication for 35+ years

# BUSINESS NORTH CAROLINA

## PIPE DOWN

A water main breaks somewhere in the United States every two minutes, according to the U.S. Water Alliance, a nonprofit advocacy group for managing water resources. That's because in many places, America's water and sewer infrastructure is in dire need of repair or replacement — in some large northeastern cities, some pipes, manholes and other structures date to before World War II.

"In the United States, there [are] 1.6 million miles of buried water and wastewater pipelines and associated manholes," says Tom Barr, chief executive officer of the newly formed Asheville-based Infrastructure Services Group. "The infrastructure is old, it's aged and it requires constant repair."

In March, ISG announced it had bought two companies, Vermont-based Green Mountain Pipeline Services and Pennsylvania's Mr. Rehab Sewer System Rehabilitation, that do that kind of repair work. Combined, the two firms have about \$32 million in annual revenue.

They are the first of a series of planned acquisitions of water and sewer service companies. ISG is backed by Dallas-based Juniper Capital Management and ORIX Mezzanine & Private Equity and Barr's own LionsWing Capital Partners.

Barr, who has decades of experience in the water infrastructure and environmental lab industries, has done this before. From 1996 to 2007, he was CEO of TestAmerica Laboratories, an environmental-testing company he grew from \$250,000 to \$350 million in revenue through acquisitions and mergers.

His investment thesis hinges in part on the notion that climate change is leading to more frequent, violent weather, which creates overflowing storm sewers and further degrades aging municipal lines.

"I think with climate change, there will be more and more work that's required," he says.

To that end, Barr has a list of 25 to 30 additional potential acquisitions.

His goal is two acquisitions a year, mostly east of the Mississippi and north of North Carolina, and about \$100 million in revenue.

"Below [\$100 million] you won't maximize the value opportunity," he says. "I expect we'll go beyond that." Margins in the industry, he says, tend to be in the midteens.

The goal is to help existing companies grow within their markets by providing capital and sharing best practices between them. There may be some savings in insurance costs and purchasing power as ISG grows, but Barr expects existing owners and managers of the acquired companies to continue to operate them. In fact, owners keep at least a 20% stake even after ISG steps in.

ISG is now the largest company headquartered at Asheville's Collider, a coworking space and entrepreneurial hub focused on businesses related to climate change.



— Mark Tosczak