



## **Loenbro Wires, Acquires Data Center Contracting Base**

*Braemont's Eliza Calihan discusses the firm's investment in Loenbro, the fragmented market for data center electrical contracting and M&A.*

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Generating enough power to keep data centers running AI models is a much-publicized problem for the industry, municipalities and power companies.

Even wiring the electrical systems for the power-hungry infrastructure is a critical challenge that sponsors such as Braemont Capital are pursuing.

"Labor has become a limiting factor in recent years," Braemont principal Eliza Calihan said.

Braemont portfolio company Loenbro LLC provides power systems and a range of construction and maintenance services for data centers and other industries. While the industry has a shortage of skilled electricians, she said, Loenbro has more than 2,000 employees.

"They are sitting at this critical chokepoint in the industry," Calihan said.

Westminster, Colo.-based Loenbro expanded its reach from the Mountain West region with the April purchase of founder-owned Stewart Electric of Henderson, Nev., in April and the purchase of Chandler, Ariz., company Revolution Industrial in January.

"It's a highly fragmented market and we see value in acquisitions," she said.

Meanwhile, Braemont isn't the only sponsor at work in the sector. Advent International Corp., Blackstone Energy Partners LP, Kohlberg & Co. LLC and others have backed peers.

### **Keeping up With the LLMs**

About half of Loenbro's clients are data center operators. The company also serves semiconductor outfits, food and beverage companies, water and wastewater businesses and many other end markets.

Data centers are measured by their power capacity.

Meta Platforms Inc. (META), OpenAI LP's Stargate joint venture and other hyperscale operators are building dozens of mega-campus with a capacity of 1 gigawatt or more, Moody's Investors Service Inc. analyst John Medina wrote in a May 7 report. Kevin O'Leary of "Shark Tank" fame is looking to make Wonder Valley in Canada's Alberta province the world's largest campus with 5.6 GW of IT capacity.

For reference, a 5 GW data center campus with multiple tenants could consume enough power to serve a city with more than 8 million people, Medina wrote, roughly the size of New York City.

The growing dimensions of data centers place an emphasis on scale.

"The scale of data center campuses has increased so dramatically it's hard to win work if you're a small regional business," she said.

Braemont hasn't disclosed terms of the February 2024 acquisition of Loenbro or follow-on acquisitions. However, the firm typically writes equity checks between \$25 million to \$200 million, either up front or invested over time.

Aside from acquisitions, Loenbro can grow by maintaining relationships with operators throughout the lifecycle of a data center.

"When we perform the initial build and do a great job we stay nested at that campus and do the subsequent retrofits and upgrades," she said.

#### Electrical Contractors

The electrical and industrial services markets run the gamut from independent operators to sponsored outfits that serve data centers and other industrial clients:

Kohlberg & Co. LLC purchased Resa Power LLC from Investcorp SA in April 2024.

Advent International Corp. carved INNIO Jenbacher GmbH & Co OG out of General Electric Co. (GE) in November 2018. The business serves data centers through its Jenbacher unit.

Independent operator Alpine Power Systems of Redford, Mich., marked its 60th anniversary in 2023.

VarcoMac Electrical Construction Co. sold to Blackstone Energy Partners LP portfolio company Therma Holdings LLC in September 2019.

Cache Valley Electric, based in Logan, Utah, is run by third-generation descendants of founder Henry Frederick Laub, who started the business in 1915.

Rosendin Electric of San Jose, Calif., is employee-owned.

#### Tracking Demand Cycles

Despite the outsized growth projections, some data center investors have gotten the jitters in recent months on reports that Microsoft Corp. (MSFT) has paused data center spending and that Chinese AI group DeepSeek developed large language models using a fraction of the infrastructure that other projects required.

"From the Loenbro perspective in particular we're really not seeing a slowdown," Calihan said. "There is still a tremendous backlog."

Loenbro sees demand from hyperscalers and from other sectors, she said.

"Even before all of this excitement around AI there was double-digit growth expected," she said, pointing to digitization of businesses and processes, cloud services, autonomous vehicles and other trends.

Meanwhile, the development cycle is long.

"It takes 12 to 18 months to build a 50 megawatt to 100 MW building," she said, noting that an entire campus with multiple buildings takes several years to construct.

"Given those long timelines to build we're still relatively early in the buildout of AI infrastructure and expect significant additional investment," she said.