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# Q&A:

## Peter Egge on Industrials Industry Dynamics

**Peter Egge**
Managing Director
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### Q: What factors are shaping the industrials sector?

**A:** The "electrification of everything" and AI are driving unprecedented investments in datacenters and digital infrastructure. This high demand for supporting products and services necessitates more power and related infrastructure to sustain the energy-intensive operations of datacenters. Onshoring is also a significant trend, with companies relocating manufacturing closer to consumers. This shift started with COVID-related supply chain stress and government initiatives like the CHIPS Act and is now further supported by tariffs. We believe diversified industrials will be substantial beneficiaries of these trends in the long term.

### Q: How is the industrials industry responding to the uncertainty around tariffs?

**A:** We're witnessing a highly dynamic environment, and the market's reaction has prompted a deeper reflection on the broader economic implications. We can break it down into two parts; one being businesses affected by tariffs and whether they are exporting or importing. In this scenario, the M&A market becomes challenging, making it more difficult to execute acquisitions. On the other hand, there are segments of the industrial sector that are more insulated from global trade and tariffs, such as service verticals, especially those supporting strong macro themes like grid and data center infrastructure, environmental services, and roadway infrastructure. We believe that the ability to drive M&A and secure financing in these sectors remains strong.

### Q: How are you seeing AI transform the industry?

**A:** AI is influencing several macro trends in the industrial sector beyond just technological advancements. Most meaningfully, it's driving infrastructure and data center development, which in turn increases the demand for electrical equipment, construction services, heating and cooling services, and more. It's also boosting power consumption, necessitating new infrastructure to support the power requirements of data centers. These changes are having a ripple effect across the industry. The rise of the e-commerce economy is reshaping transportation logistics and warehousing, which in turn affects how services are delivered.

### Q: How are current market trends impacting current investment opportunities?

**A:** Investors are always looking for recurring revenues and high-margin repeatability. We're focusing on markets driven by growth, such as the data center market, onshoring, and semiconductor markets, where growth can sometimes supersede or offset repeatability. We're seeing some markets more leveraged to construction or new infrastructure installation, where macro trends are so strong that, despite the work being less repeatable, these trends are driving growth more meaningfully.

### Q: What aspects of the infrastructure space keep you engaged?

**A:** One thing that excites me is the presence of durable macro trends that are independent of the broader economy. This includes areas like electric utilities, data centers, roadways, and water and wastewater infrastructure. Even during turbulent times, niche products and services with strong non-cyclical demand drivers will always attract investor interest. Additionally, emerging trends are continually driving new infrastructure needs and demand for key inputs. This dynamic environment fosters enthusiasm and opportunity, which is why I remain excited about this sector.

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