Kenan–Flagler Business School

ALPHA CHALLENGE

The University of North Carolina

December 5, 2025

Team Number: 13

Long: Centuri (NYSE: CTRI)

Current Price: \$20.87 | **3Y Price Target: \$40** (23% IRR, 92% upside)

Centuri Overview

Building, maintaining, and modernizing critical electric and gas utility infrastructure across North America

Company Description

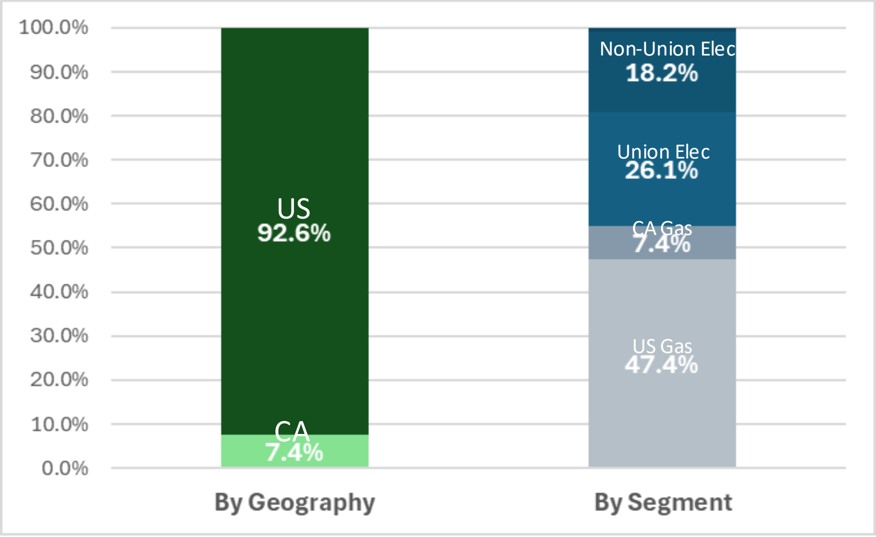
- **North American utility infrastructure services leader:** specializing in energy grid modernization and resiliency
- **Two primary segments:** Gas and Electric Utility Services, partnerships across 400+ blue-chip regulated utilities
- **12,500 employees** and 87 service centers spanning 43 U.S. states and 2 Canadian provinces—achieving national reach with local execution
- **Founded in 2014**, HQ in Phoenix, AZ; benefitting from powerful secular tailwinds in electrification, energy transition, and AI infrastructure investment

Key Financials

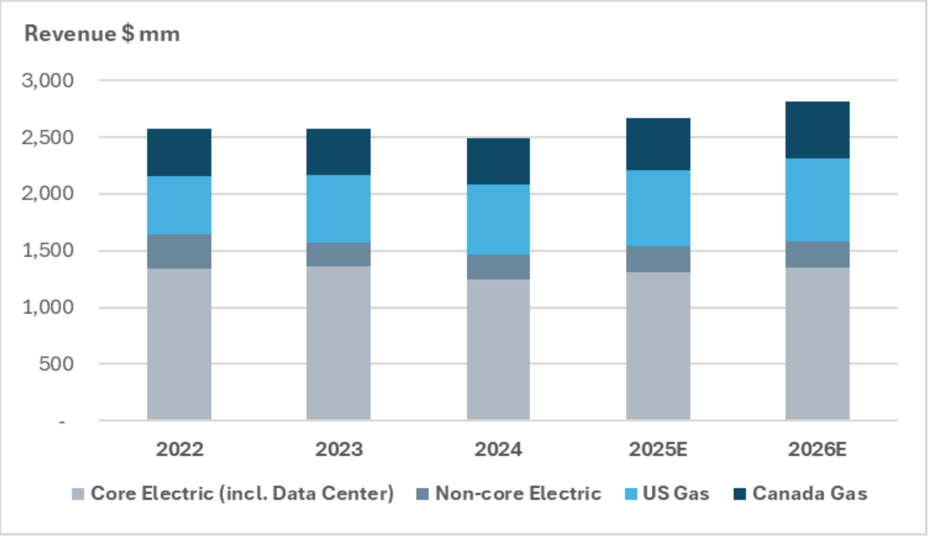
($ in millions, unless otherwise stated)

Current Price	$20.87	52 Week Range	$14 - $25
Market Cap	$1,962	NTM EV/EBITDA	8.9x
Enterprise Value	$3,008	Net Leverage (x)	2.5x
ROIC (%)	4.0%	Avg. Volume (mm)	48.4
EBITDA Margin (%)	9.4%	Short Interest (%)	1.9%

Revenue Mix



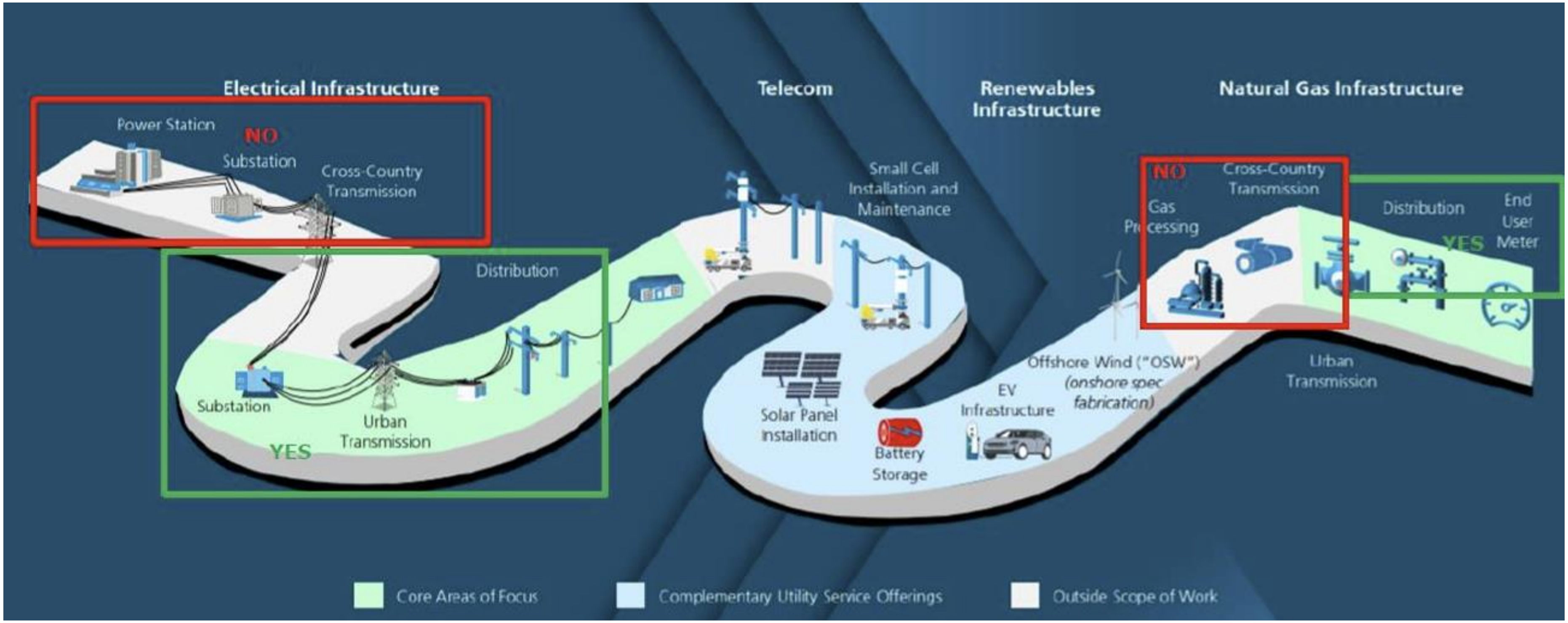
Revenue Trending



Note: Market data as of 11/14/2025 close.

Centuri's Core Strength: The Last Mile of Power Delivery

Building and maintaining critical substations and urban transmission infrastructure that connects data centers to the grid



- **Substations & Urban Transmission:** CTRI specializes in the distribution infrastructure that delivers power from the main grid directly to high-demand facilities like data centers
- **Mission-Critical Work Zone:** Every data center requires new substations, transformers, and distribution lines to handle massive power loads (50-200 MW per facility)
- **$1.3B Data Center Pipeline** within $6.6B electric opportunity, positioned at the intersection of AI infrastructure expansion and grid modernization
- **Recurring Revenue Model:** Initial construction work transitions into long-term maintenance contracts as datacenters require ongoing upkeep and capacity upgrades

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Centuri Overview

Building, maintaining, and modernizing critical electric and gas utility infrastructure across North America

Investment Theses

Thesis 1 – Underappreciated Datacenter Exposure (310bps growth above consensus)

- CTRI is the "Data center company you've never heard of" driven by hyperscale buildouts and CTRI's entrenched utility-partner relationships.
- CTRI's growing data-center pipeline positions the company to capitalize on the U.S. infrastructure boom, with management identifying $1.3B in data-center opportunities within its $6.6B electric backlog.
- AI-driven demand supports strong industry fundamentals: U.S. data-center capacity is projected to grow 22% annually through 2030, driving sustained expansion in power-delivery construction (McKinsey, 2024).

Thesis 2 – Pipeline Replacement Creates Long Term Growth Runway (450bps growth above consensus)

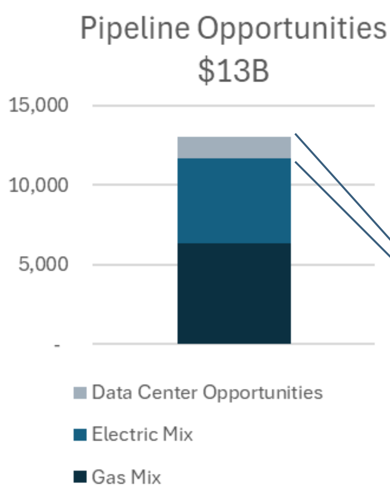
- Aging gas pipes require decades of replacement, creating a large, recurring structural demand cycle.
- Channel checks confirm urgent need and heavy utility spend, with industry experts calling the network "50+ years old, with cost of failure to utilities and local communities very high."
- CTRI set to outperform low expectations, supported by record backlog strength, improving execution now that the business is standalone, and renewed growth focus from refreshed management team.

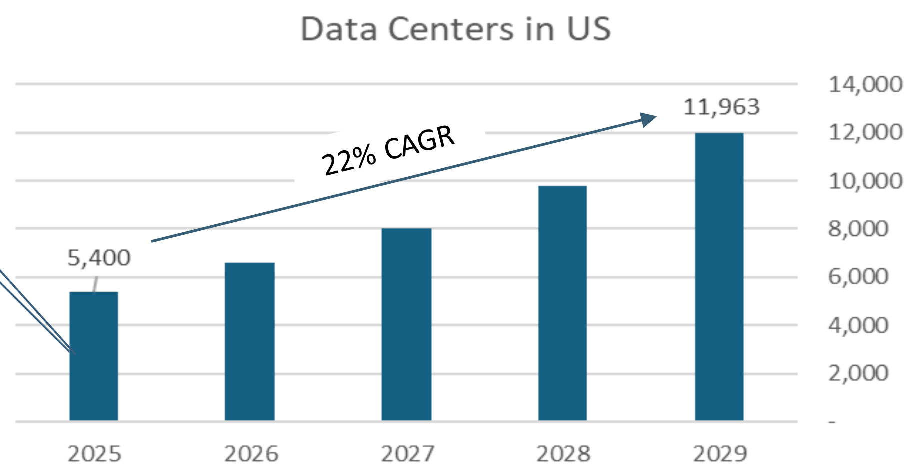
Thesis 3 – Multiple Uplift and a Compelling Entry Point (rerate to 10.5x, vs street's ~8.9x today)

- Valuation dislocation stemmed from post-spinoff turmoil—CEO turnover immediately following IPO, missed guidance out of the chute, and SWX's 50% overhang pushed CTRI well below peer multiples.
- Leadership reset improves visibility: new CEO Chris Brown brings deep utility-infrastructure experience and credibility to drive disciplined growth.
- Icahn support + SWX exit remove major overhangs: full SWX sell-down eliminates structural selling pressure, while Icahn's $75M investment reinforces confidence and balance-sheet strength.

Thesis 1: Underappreciated Data Center Exposure

Centuri's data center pipeline offers substantial growth, capitalizing on US data center infrastructure boom





CTRI Supports US Data Center electric grid build-out and maintenance by providing all of the grid infrastructure between the long-haul lines and the data center buildings themselves

Channel Checks Support Substantial Growth

CTRI sees $1.3B data center pipeline within $6.6B electric opportunity—a quantified exposure to the AI infrastructure boom driving near-term growth
(Nate Tetlow - CTRI IR)

Global data center capacity projected to grow 22% annually through 2030, to reach an annual demand of 171 to 219 gigawatts
(McKinsey, 2024)

"The utility services businesses in this country are seeing earnings and customer growth, market growth that they may never have experienced in any of the Executive Leadership tenure."
(C. Krummel, Chairman BOD)

Vs. Consensus

We assume 12.8% Core Electric (excl. Storm / Wind) Growth versus Consensus 9.7% (310bps above consensus)

Thesis 2: Pipeline Replacement – Transition to Plastic

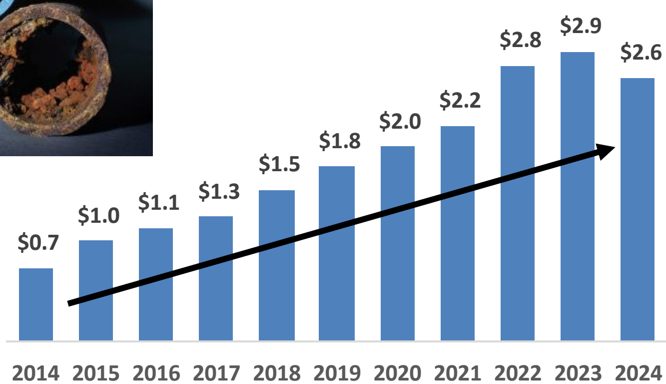
As a standalone company with refreshed management team, Centuri is well positioned to revert to historical growth

Today's NA Pipe Repair Opportunity

- Gas pipeline replacement accounts for ~37% of total revs
- ~409,000 miles of gas main in the US aged 50+
- US DOE & ARPA-E cite $1-10 mm cost per mile for main replacements, with typical range $2-5 mm

10%+ LT Historical Organic Growth Rate

LT Historical Revenue



We believe Chris Brown (newly appointed CEO) is a change agent at Centuri capable of refocusing the business to achieve near historical 10y 10%+ growth CAGR. We conservatively assume 8.5% growth is highly achievable

Channel Check Findings

"There are still lots of bare steel pipe in the US, which is more prone to leaks. Gas facilities are moving toward plastic pipes, which are cheaper to operate because they require lower inspection frequency. So, for players like Centuri who are in the business of replacing pipes, this is an interesting, underrated growth area."

-- McKinsey, Energy/Utilities Specialist

"US Gas pipe infrastructure is completely screwed. These pipes are rusting and clogged, 50+ years old, and frequently break risking huge emergency costs to the utilities when leaks occur. For me, it's great for business because I can charge almost any price I want given how much demand there is for conversion to plastic or other materials."

-- Colton Bingham, Project Manager, Summit Line Construction (A Quanta Services Company)

Conversation with industry expert highlights untapped potential for CTRI

Vs. Consensus

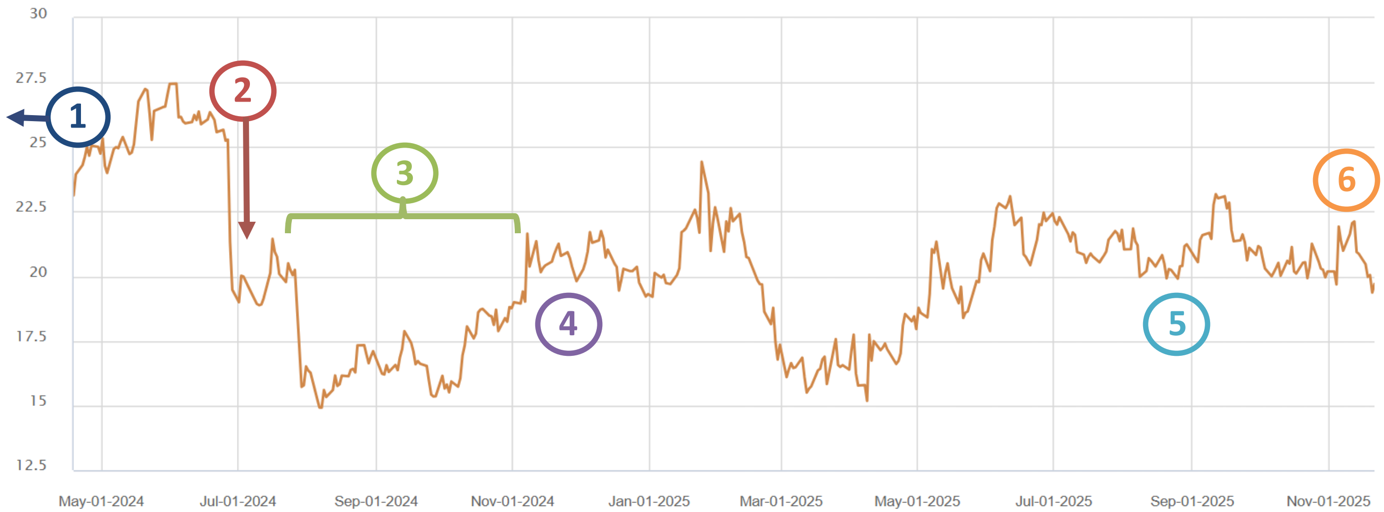
We assume 8.5% Gas Growth versus Consensus ~4% (450bps above consensus)

Thesis 3: Multiple Uplift & Why the Opportunity Exists

Post-spinout turmoil created valuation discount to peers

Stabilized leadership, strengthened balance sheet, and Icahn backing offer compelling entry point…

Carl Icahn writes letter to Southwest Gas suggesting management was pursuing value destructing activities and should consider strategic alternatives including divestiture of CTRI. – Oct, 2021



1 **SWX spins out Centuri, appointing "Celebrity CEO" Bill Fehrman**
(ann. Dec. 21, 2023 / eff. Jan. 12, 2024)
Fehrman was previously CEO of Berkshire Hathaway Energy and known for deep sector expertise.

2 **Bill Fehrman resigns**
(ann. Jun. 26, 2024)
"We do not fault Bill for making the decision to leave Centuri (< $3 billion EV) in order to make $10+ million annually as the CEO of a ~$100 billion EV company (AEP). It is worth noting that Bill bought 20,000 shares of CTRI in the open market in July 2024 on his way out door." – Chris Krummel, CTRI Chairman of the Board

3 **Missteps out of the gate**
(H2 2024)

- IR missteps following missed earnings driven by CEO turnover
- Investors were guided to ~$270mm 2024 EBITDA on IPO, came in at ~$240mm EBITDA

4 **New CEO, Chris Brown, appointed**
(eff. Dec. 3, 2024)

- Brings deep global utility infra experience as a former CEO of NV Energy and senior advisor at Berkshire Hathaway Energy.
- Praised by BoD for driving success and for his ability to guide CTRI's growth at a pivotal moment in utility and AI-driven infrastructure demand.
- **Our view: Given the company's earlier challenges,** we think the current management team has taken a much more conservative and thoughtful approach to guidance going forward (as of March 2025, 90% of the work required to hit the 2025 budget was already under contract).

5 **SWX sells its remaining 50% stake in CTRI**
(eff. Sep. 5, 2025)
Investors hesitant to lean in on valuation given major shareholder an uneconomic seller, instead simply looking to sell-down stake to repay debt

6 **Icahn Group buys additional $75m in private placement**
(ann. Nov. 12, 2025)
CTRI to issue additional $160m worth of stock in a public offering alongside the private placement. CTRI will grant underwriters a 30-day option to buy another $24 million in stock, it said.

Thesis 3: Multiple Uplift – A Deep Dive on Comps

…and the peer valuations support this multiple re-rate. Investors have overreacted (rightly so) to a succession of bad news. However, the company is now at an inflection point and this will translate into a re-rate

	CENTURI	QUANTA	MYR GROUP	Primoris	MasTec	EVERUS CONSTRUCTION GROUP
End Markets	Gas utility services; electric T&D; data centers	Electric power, renewables, pipelines, T&D, gas	T&D, substation, utility, renewables	Utilities, renewables, heavy civil, gas, power	Power deliver, oil/gas, telecom, renewables	Electrical & mechanical, T&D
% of "Re-Occurring" revenue (MSA's)	~80%	~65%	60-65%	~55%	~60%	~56%
Rev $ mm	2,777	28,035	3,580	7,517	14,072	3,599
2y Hist. / Fwd. Growth	(2.1%) / 8.4%	17.6% / 11.6%	0.5% / 8.1%	14.4% / 8.2%	8.4% / 9.4%	/ 6.5%
EBITDA %	9.4%	9.3%	4.0%	8.8%	13.6%	7.6%
FCF Conversion %	20.3%	84%	8%	68%	58%	54%
EV/ EBITDA	8.9x	22.1x	12.1x	11.9x	13.2x	14.4x
P/E Multiple	24.6x	35.8x	23.8x	21.9x	25.1x	22.0x
Net Debt / EBITDA	2.5x	2.2x	0.2x	0.8x	1.2x	1.3x

At exit CTRI will have **LDD** Hist. / Fwd. Growth and **>10%** EBITDA margin

CTRI is the cheapest peers, even excluding the high multiple Quanta, average of peers is **~12.9x**

We therefore justify a 10.5x exit multiple and ~1.5x of multiple uplift in our base case at exit

Note: Market data as of 11/14/2025 close.

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Financial Summary

Centuri is the data-center business you've never heard of with exciting road ahead as a standalone business

Total Company Financial Projections

$ in USD millions	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Core Electric (incl. Data Center)	$930.7	$1,006.1	$941.8	$1,187.3	$1,340.9	$1,511.9	$1,713.3	$1,952.1
Non-core Electric	164.6	301.0	237.0	126.5	100.0	100.0	100.0	100.0
US Gas	1,345.0	1,357.4	1,260.6	1,248.6	1,298.6	1,409.0	1,528.7	1,658.7
Canada Gas	319.9	234.8	197.9	214.9	223.5	242.5	263.2	285.5
Total Revenue	**$2,760.3**	**$2,899.3**	**$2,637.2**	**$2,777.4**	**$2,963.0**	**$3,263.4**	**$3,605.2**	**$3,996.3**
Core Electric (incl. Data Center)	$54.4	$72.9	$85.6	$114.0	$129.1	$151.6	$178.6	$211.2
Non-core Electric	32.6	43.1	34.3	29.1	34.8	35.7	36.6	37.5
US Gas	86.7	123.6	69.5	75.6	110.5	119.9	130.1	141.1
Canada Gas	41.0	33.9	31.3	40.0	41.1	44.6	48.4	52.5
Total Gross Profit	**$214.6**	**$273.4**	**$220.7**	**$258.7**	**$315.5**	**$351.8**	**$393.7**	**$442.5**
EBITDA	**$237.9**	**$291.1**	**$251.1**	**$260.5**	**$311.4**	**$303.1**	**$355.0**	**$415.6**

Memo

	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Core Electric (incl. Data Center)		*8.1%*	*(6.4%)*	*26.1%*	*12.9%*	*12.8%*	*13.3%*	*13.9%*
Non-core Electric		*82.8%*	*(21.3%)*	*(46.6%)*	*(20.9%)*	*0.0%*	*0.0%*	*0.0%*
US Gas		*0.9%*	*(7.1%)*	*(0.9%)*	*4.0%*	*8.5%*	*8.5%*	*8.5%*
Canada Gas		*(26.6%)*	*(15.7%)*	*8.6%*	*4.0%*	*8.5%*	*8.5%*	*8.5%*
Revenue Growth %		***5.0%***	***(9.0%)***	***5.3%***	***6.7%***	***10.1%***	***10.5%***	***10.8%***
Core Electric (incl. Data Center)	*5.8%*	*7.2%*	*9.1%*	*9.6%*	*9.6%*	*10.0%*	*10.4%*	*10.8%*
Non-core Electric	*19.8%*	*14.3%*	*14.5%*	*23.0%*	*34.8%*	*35.7%*	*36.6%*	*37.5%*
US Gas	*6.4%*	*9.1%*	*5.5%*	*6.1%*	*8.5%*	*8.5%*	*8.5%*	*8.5%*
Canada Gas	*12.8%*	*14.4%*	*15.8%*	*18.6%*	*18.4%*	*18.4%*	*18.4%*	*18.4%*
Gross Margin %	***7.8%***	***9.4%***	***8.4%***	***9.3%***	***10.6%***	***10.8%***	***10.9%***	***11.1%***
EBITDA Margin %	***8.6%***	***10.0%***	***9.5%***	***9.4%***	***10.5%***	***9.3%***	***9.8%***	***10.4%***

Commentary

1 **Under-appreciated Core Electric business data center infrastructure tailwinds - impressive 22%+ Growth Opportunity (310bps growth above consensus):**

- ✓ Conversations with Nate Tetlow, Centuri IR confirm Street is not giving credit for exposure to data center infrastructure build out
- ✓ Based on conversations with McKinsey research validates 22% YoY growth of data center utilization

2 **Historical volatility in Non-core Electric:**

- Driven by storm response business which is weather dependent and includes renewables (wind) which Trump Administration has reduced spending

3 **2024 US Gas**: decline driven by delayed or unfavorable regulatory decisions at key utility customers

4 **Refreshed executive team and greater business execution in Gas (450bps growth above consensus):**

- ✓ Reversion to historical USD growth in Gas slightly below historical 10y 10% CAGR
- ✓ Greater business execution as a standalone business with better resource allocation and under refreshed CEO leadership

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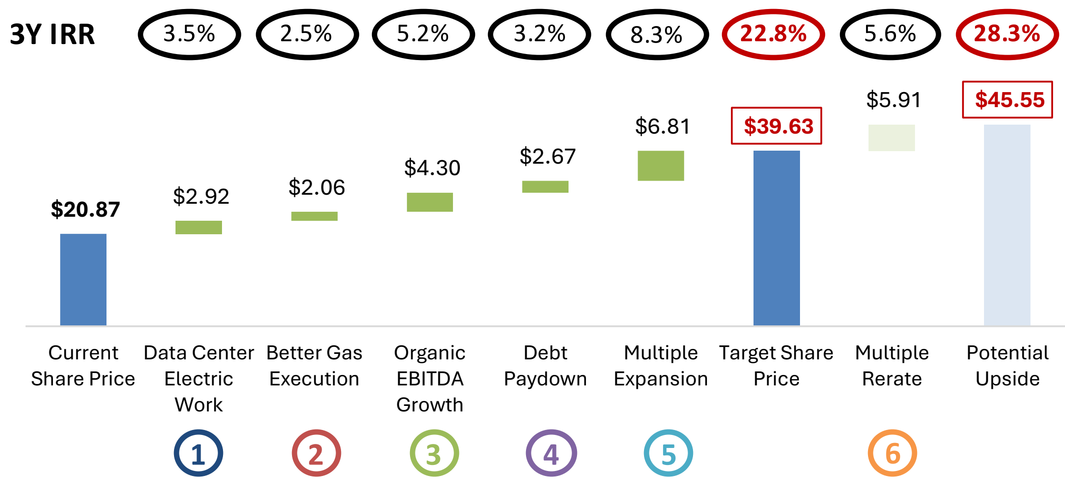
Value Creation Bridge

Target share price of $40 / share implies 23% 3Y IRR based on 10.5x EV / NTM EBITDA exit multiple with upside to 28% IRR

Value Creation Bridge



2028 Exit Proceeds ($mm)

2028 NTM EBITDA	$415.6
EV / NTM EBITDA	*10.5x*
Exit TEV	**$4,363.8**
(-) Net Debt	(417.1)
Equity Value	**$3,946.7**
(/) Shares Outstanding (mm)	99.579
Price / Share	**~$40**

Note: Market data as of 11/14/2025 close.

DCF Valuation

Discount Rate	*8.0%*
Terminal Growth Rate	*4.0%*
Enterprise Value	**$4,845.2**
2029 EBITDA (x)	*11.7x*
(-) Net Debt	(683.5)
Equity Value	**$4,161.8**
Diluted Share Count	99.579
Implied Share Price	**$41.79**
Upside	*100.3%*
IRR	*24.9%*

Commentary

1 **Data Center Electric Work (Thesis Pillar 1):**

- ✓ We assume 12.8% Core Electric (excl. Storm / Wind) Growth versus Consensus 9.7% (310bps above consensus)

2 **Improved business execution in Gas Business (Thesis Pillar 2)**

- ✓ We assume 8.5% Gas Growth versus Consensus ~4% (450bps above consensus)

3 **Organic EBITDA Growth**

- ✓ Assumes no growth in Non-Core Electric business (Storm / Offshore)
- ✓ Assumes moderate <100bps margin improvement as CTRI right-sizes business post-spin

4 **Debt Paydown:** $266mm of FCF generation from improved leverage profile

5 **"Street Forgiveness":** 8.9x (Today) -> 10.5x EV/EBITDA (~40% discount to peers) in-line with historical trading multiple prior to spin missteps (CEO churn, missed guidance, etc)

6 **Full "Fair" Valuation:** 12.5x EV / EBITDA

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Appendix

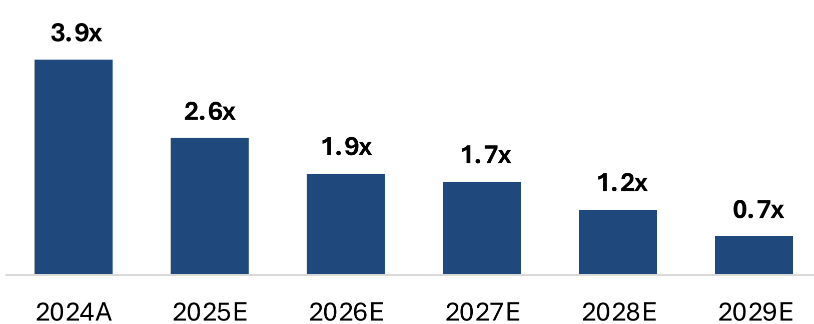
Leverage Summary

Recent share issuance along with improved FCF yield unlock re-rate potential from improved leverage profile

Leverage Profile

$ in USD millions	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	**$2,637.2**	**$2,777.4**	**$2,963.0**	**$3,263.4**	**$3,605.2**	**$3,996.3**
Growth %	*(9.0%)*	*5.3%*	*6.7%*	*10.1%*	*10.5%*	*10.8%*
EBITDA	**$251.1**	**$260.5**	**$311.4**	**$303.1**	**$355.0**	**$415.6**
Margin %	*9.5%*	*9.4%*	*10.5%*	*9.3%*	*9.8%*	*10.4%*
(-) Maintenance Capex		(125.0)	(133.4)	(146.9)	(162.3)	(179.9)
(-) Taxes		(20.0)	(32.9)	(29.7)	(39.0)	(50.0)
(-) Change in NWC		(16.8)	(19.9)	(26.1)	(29.7)	(34.1)
(-) Interest		(45.7)	(33.4)	(28.2)	(21.8)	(14.0)
(+) Share Issuances		235.0	–	–	–	–
LFCF (incl. share issuances)		**$288.0**	**$91.9**	**$72.3**	**$102.2**	**$137.6**
Cash	($49.0)	($46.3)	($50.0)	($50.0)	($50.0)	($50.0)
Financial Debt	1,020.5	729.8	641.6	569.3	467.1	329.5
Net Finacial Debt	**$971.5**	**$683.5**	**$591.6**	**$519.3**	**$417.1**	**$279.5**
Total Leverage	***4.1x***	***2.8x***	***2.1x***	***1.9x***	***1.3x***	***0.8x***
Net Leverage	***3.9x***	***2.6x***	***1.9x***	***1.7x***	***1.2x***	***0.7x***

Net Leverage



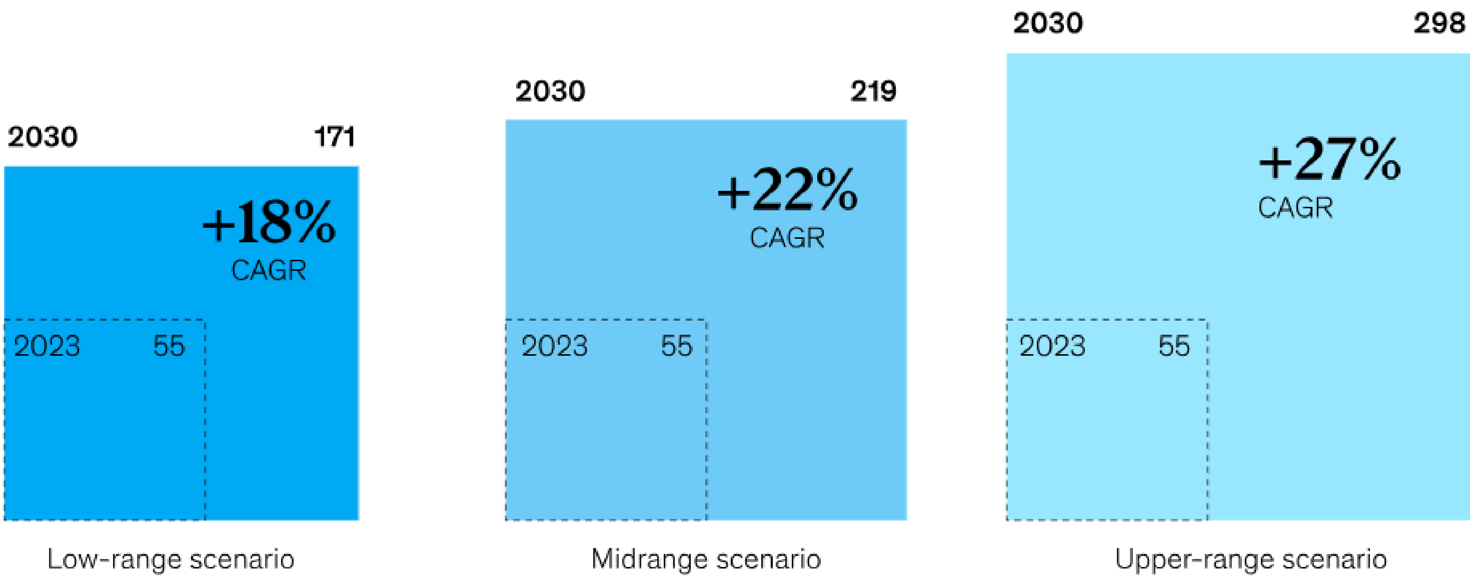
Commentary

- ✓ **$235mm Share Issuance:**
  - ✓ $75mm Icahn Group investment – Carl Icahn has been pushing for 2 years+ for SWX to spin out Centuri and is now the largest shareholder in Centuri and has made another $75mm investment
  - ✓ Based on discussions with Chris Krummel, Chairman Centuri BOD – after the SWX Spin, Centuri was left highly levered. Now that SWX has fully exited their 50% ownership position, management issued $160mm of additional equity in order to de-lever the business perhaps opening the door for rerate based on improved leverage following the SWX Spin
- ✓ **Strong FCF Generation with clear path to <1x net leverage by 2029 and shareholder value creation from debt paydown**

Data Center Capacity Expansion (McKinsey)

Global demand for data center capacity could more than triple by 2030.

Demand for data center capacity,[1] gigawatts



[1]Three scenarios showing the upper-, low-, and midrange estimates of demand, based on analysis of AI adoption trends; growth in shipments of different types of chips (application-specific integrated circuits, graphics processing units, etc) and associated power consumption; and the typical compute, storage, and network needs of AI workloads. Demand is measured by power consumption to reflect the number of servers a facility can house.
Source: McKinsey Data Center Demand model

McKinsey & Company