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Supply Chain + Energy + Artificial Intelligence

EPC Contracting Market Evolution

2018-2025 Investment Insights

Institutional Portfolio Strategy Guide

\$

\$730B

Power EPC Market 2025



5.6%

Power Sector CAGR



\$478B

Oil & Gas EPC 2025



15%

Digital Cost Savings

Institutional Investment Research • August 2025 • Market Intelligence Report



Executive Summary

Key Investment Insights for Institutional Portfolios



Market Growth

Power EPC market expanding from \$550B to \$730B (2018-2025), driven by renewable energy transition and infrastructure modernization



Margin Pressure

Industry margins compressed to 5-10% due to competitive bidding and supply chain inflation



Market Consolidation

Top 10 players control 60% market share. M&A activity accelerating with \$12B+ in transactions annually

Investment Recommendation

Focus on digital leaders and renewable specialists. Avoid pure-play O&G contractors. Target 12-15% allocation to power EPC leaders.



Executive Summary: Investment Themes

Three Critical Opportunities for Portfolio Construction



Power Transition

\$ 180B

Annual renewable EPC market

BUY: Renewable specialists



Digital Leaders

15%

Cost reduction through digital

OVERWEIGHT: Tech adopters



O&G Headwinds

-2%

Annual decline in capex

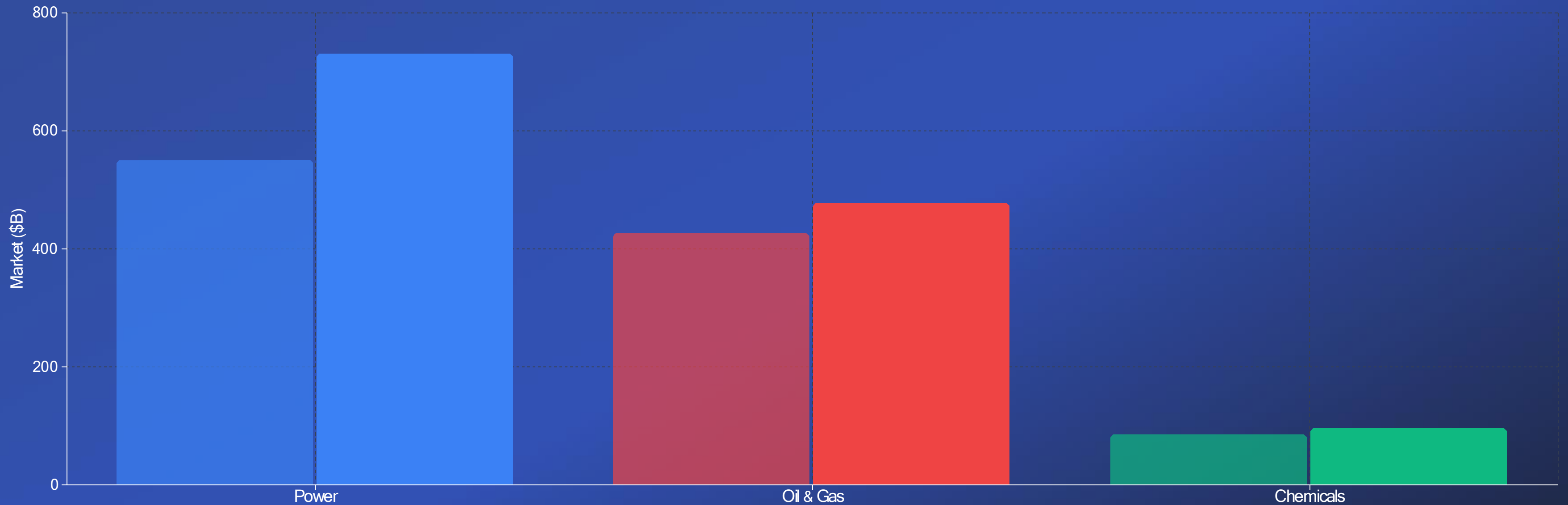
UNDERWEIGHT: Pure O&G

Portfolio Allocation: 40% Power EPC, 35% Diversified Majors, 15% Digital Specialists, 10% Selective O&G



EPC Market Size Evolution

Total Market Growth: \$1.06T → \$1.30T (2018-2025)



Power: +\$180B

Largest growth sector



O&G: +\$53B

Modest expansion



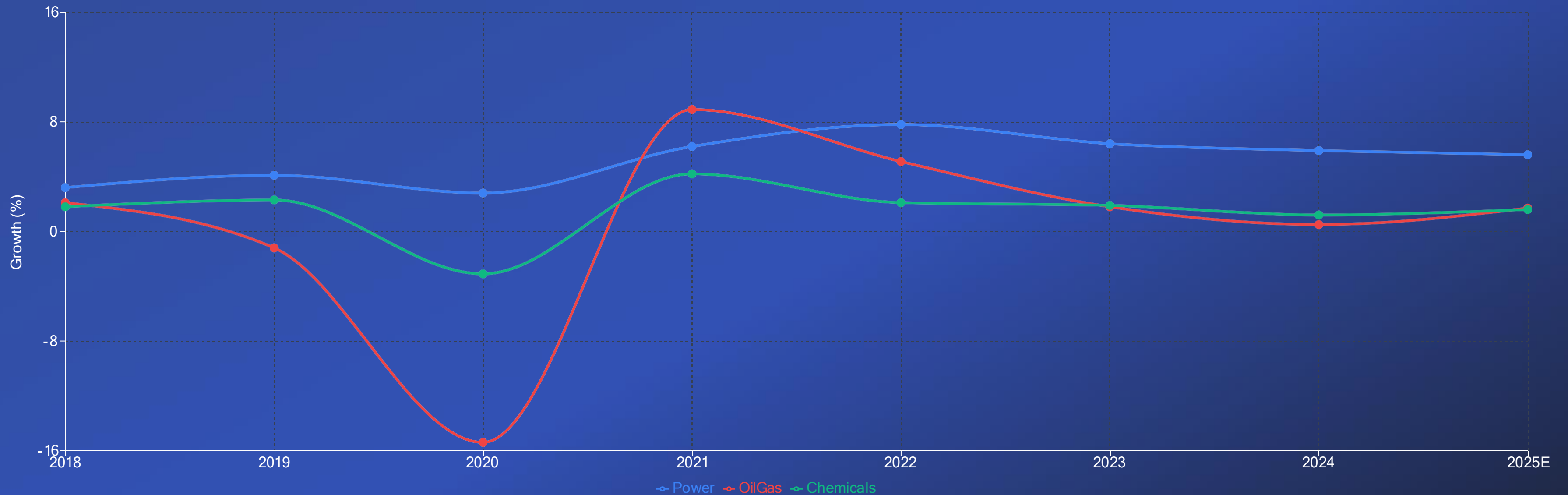
Total: +\$240B

23% market growth



Growth Rate Comparison

Annual Growth Rates by Sector (2018-2025)



Power EPC

Most resilient growth profile



Oil & Gas EPC

High volatility, recovering



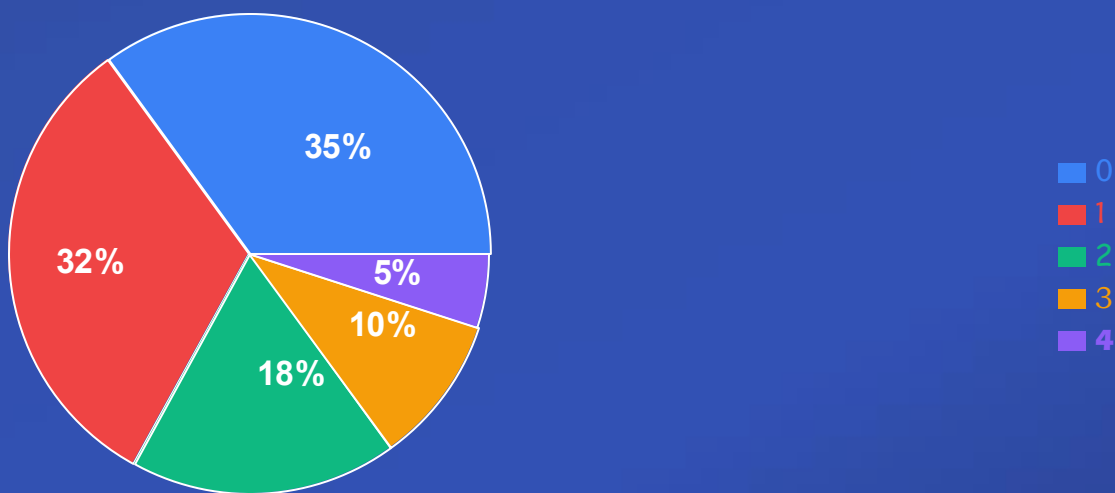
Chemicals EPC

Stable but limited growth



Regional Market Distribution

Global EPC Market Share by Region (2025)



North America (35%)

IRA/IIJA driving \$400B+ power infrastructure investment

Asia-Pacific (32%)

China & India renewable expansion, LNG import facilities

Europe (18%)

Green Deal acceleration, energy security investments

Middle East (10%)

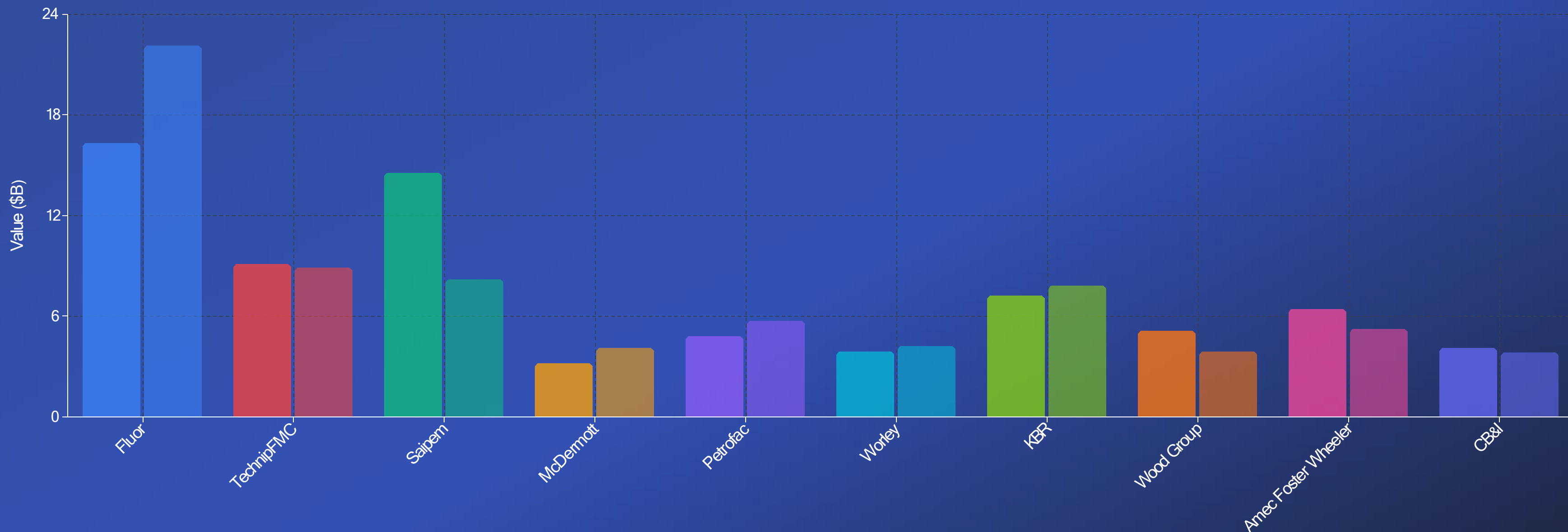
Energy diversification, renewable projects growth

Investment Focus: North America & Asia-Pacific represent 67% of global opportunities



Top 10 EPC Contractors

Revenue & Backlog Analysis (2024 Data, \$B)



Top 5

Control 45% market share



1.4x

Avg backlog-to-revenue ratio



\$78B

Combined revenue of top 10



Competitive Positioning Matrix

Backlog Strength vs. Market Position Analysis



Market Leaders

Fluor Corp: \$22.1B backlog, diversified portfolio

Saipem: Strong LNG/offshore capabilities

TechnipFMC: Subsea technology leader

Investment Rating: **BUY**



Strong Players

KBR: Strong government contracts

Worley: Energy transition focus

Wood Group: Digital transformation

Investment Rating: **HOLD**



Niche Specialists

Renewable EPC: Higher margins, growth focus

Digital Leaders: Technology differentiation

Regional Players: Local market dominance

Investment Rating: **SELECTIVE BUY**



Challenged Players

Pure O&G Focus: Declining demand exposure

Legacy Technology: Digital transformation lag

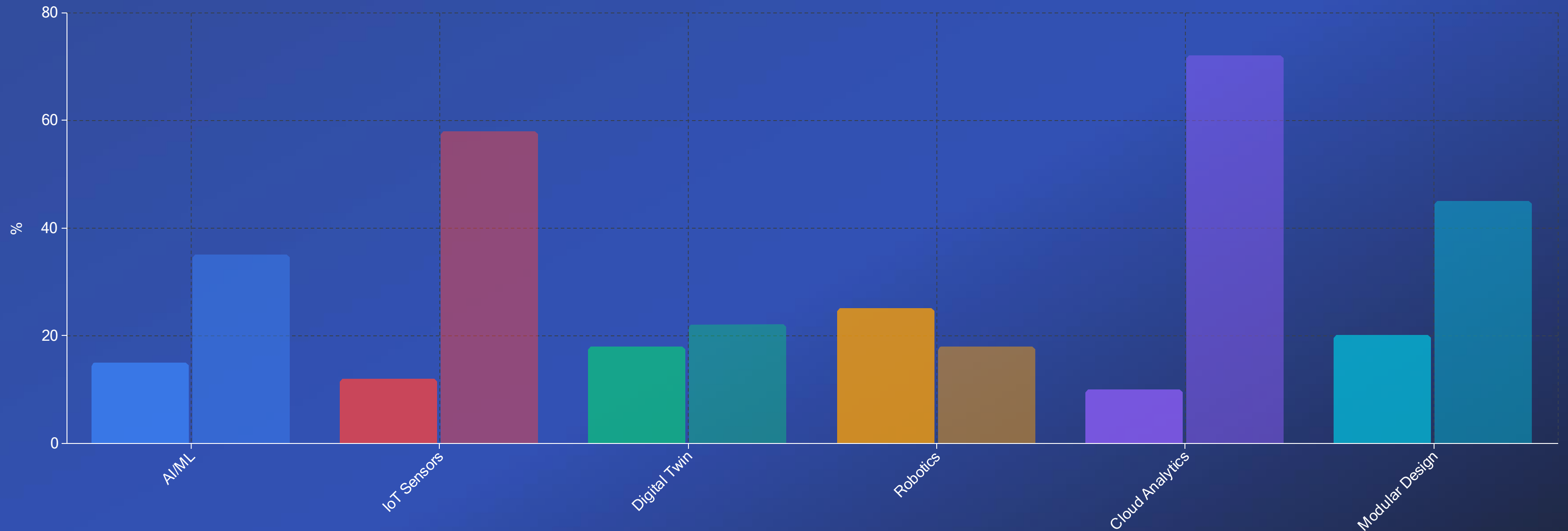
High Leverage: Financial constraints

Investment Rating: **AVOID**



Digital Transformation Impact

Technology Adoption & Cost Savings Potential



25%

Max cost reduction (Robotics)



72%

Highest adoption (Cloud)



\$45B

Annual digital investment



Regulatory & Policy Timeline

Key Policy Changes Impacting EPC Markets



2017-2020: FIDIC Contract Evolution

25%

New FIDIC 2017 conditions introduced enhanced risk allocation, dispute resolution, and sustainability requirements

Impact: Improved contract certainty, reduced disputes by 25%



2021-2025: IRA & IJA Implementation

\$400B

\$1.2T Infrastructure Investment & Jobs Act + \$370B Inflation Reduction Act driving unprecedented power sector growth

Impact: \$400B+ in EPC contracts, 40% renewable capacity increase



2020-Present: Carbon Regulations

\$80

EU Green Deal, US state mandates, and carbon pricing mechanisms reshaping project economics

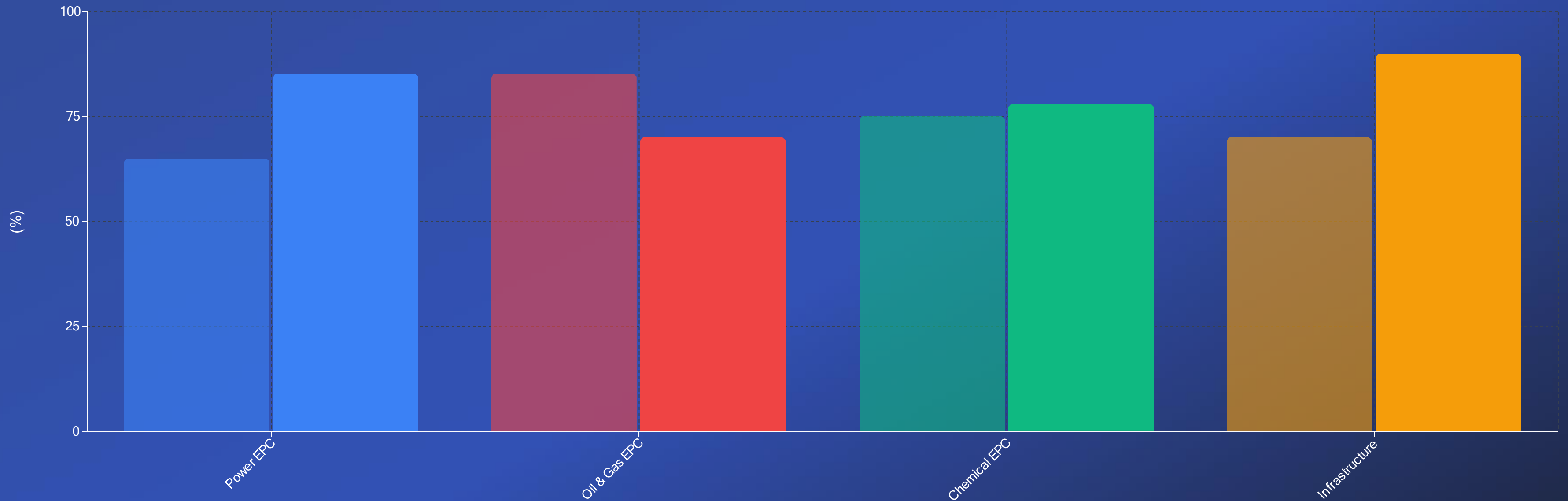
Impact: Accelerating energy transition, \$80/tonne carbon price

Policy Tailwinds: Regulatory support driving 60% of power EPC growth through 2030



COVID-19 Impact Assessment

Project Delays & Recovery Status by Sector



18 mo

Avg. Delay



\$ 120B

Revenue Impact



81%

Avg. Recovery



Supply Chain Resilience Strategies

Post-COVID Risk Mitigation & Recovery Initiatives



Supply Chain Diversification

Geographic Spread: 3+ suppliers per critical component

Local Sourcing: 40% increase in regional suppliers

Inventory Buffer: 90-day safety stock implementation

Risk Reduction: 35%



Digital Supply Chain

Real-time Tracking: End-to-end visibility systems

Predictive Analytics: AI-driven demand forecasting

Automated Procurement: Smart contract implementation

Efficiency Gain: 25%



Workforce Resilience

Remote Capabilities: 60% engineering work remote-enabled

Cross-training: Multi-skill workforce development

Health Protocols: Site safety standard enhancements

Productivity: +15%



Financial Risk Management

Material Hedging: Price volatility protection

Currency Hedging: Multi-currency project coverage

Insurance Coverage: Enhanced pandemic/delay policies

Cost Volatility: -30%

Industry Investment: \$15B+ in supply chain resilience initiatives across major EPC contractors



Key Risk Assessment

Impact vs Probability Matrix for EPC Investment Risks



Critical Risks

Margin Compression: Competitive bidding pressure

Supply Chain Inflation: Material cost volatility

Skilled Labor Shortage: 15% wage inflation

Impact: High | Probability: High



Monitor Closely

Geopolitical Disruption: Project cancellations

Technology Disruption: Obsolescence risk

Regulatory Changes: Policy reversals

Impact: High | Probability: Medium



Manage Actively

Project Delays: Schedule overruns

Currency Fluctuation: FX exposure

Client Credit Risk: Payment delays

Impact: Medium | Probability: High



Acceptable Risks

Interest Rate Changes: Financing cost impact

Minor Regulatory: Administrative changes

Weather Delays: Seasonal impacts

Impact: Low | Probability: Various

Portfolio Risk Management: Diversification across 3+ sectors, focus on companies with strong balance sheets



Portfolio Allocation Strategy

Recommended EPC Sector Allocation for Institutional Portfolios

Core Holdings (70%)

🎯 Power EPC Leaders (40%)

Focus on renewable specialists and grid modernization

Target: Fluor, NextEra Energy Resources, Quanta Services

🛡️ Diversified Majors (30%)

Large-cap, multi-sector exposure with strong balance sheets

Target: Fluor, KBR, Worley, TechnipFMC

Satellite Holdings (30%)

📈 Digital Specialists (15%)

Technology leaders with competitive moats

Target: Wood Group, Aker Solutions, Petrofac

🎯 Selective O&G (10%)

LNG and energy transition specialists only

Target: TechnipFMC (subsea), Saipem (LNG)

🛡️ Emerging Markets (5%)

High-growth regional players

Target: Asia-Pacific infrastructure specialists

Target Portfolio Return: 12-15% | Risk Profile: Medium | Rebalancing: Quarterly



Margin Evolution Analysis

Gross Margins by Sector (2018-2025)




-53%
Power Margin Decline

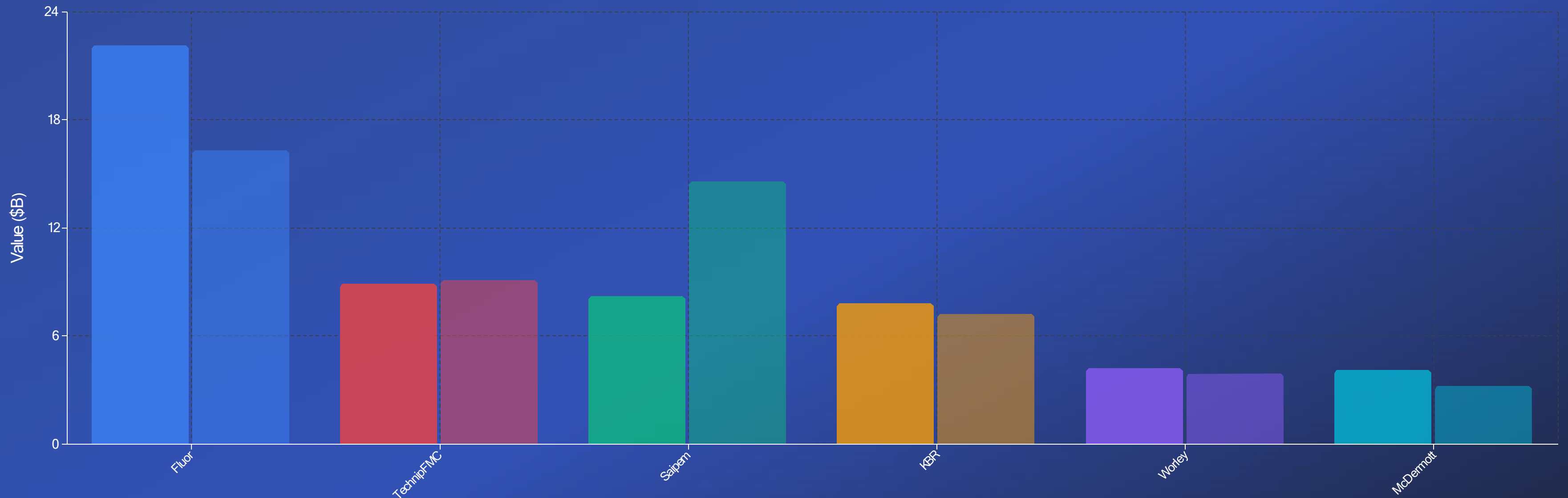

-57%
O&G Margin Drop


5.9%
Est. Power Margin 2025



Revenue Visibility Analysis

Backlog-to-Revenue Ratios & Forward Revenue Coverage



1.35x

Fluor's backlog-to-revenue ratio



16 months

Average revenue coverage



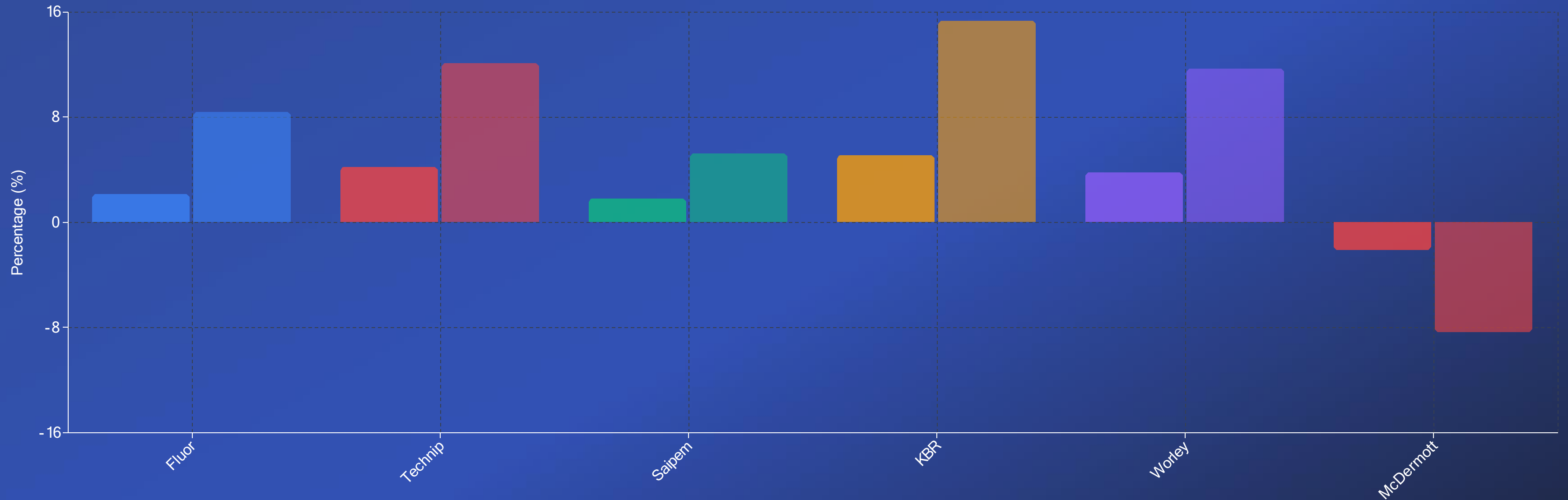
\$65B

Total top-6 backlog value



Profitability Comparison

Net Margins & Return on Equity Analysis (2024)



\$

KBR

Highest profitability leader
5.1% net margin, 15.3% ROE



2.8%

Industry average net margin
Down from 8.2% in 2018



McDermott

Restructuring challenges
-2.1% margin, -8.4% ROE

💡 Emerging Trends Timeline

Key Investment Implications Through 2030

★ **2025-2026: Digital Maturity**
AI/ML adoption reaches 70%+ in major contractors. Modular construction becomes standard practice
Investment Focus: Digital transformation leaders → 15-20% cost advantages

⚡ **2027-2028: Renewable Acceleration**
Battery storage and green hydrogen projects drive 40% of new EPC awards. Grid infrastructure boom
Investment Focus: Storage & grid specialists → \$200B+ annual market

💡 **2029-2030: Market Consolidation**
Top 5 players control 70% market share. Technology-driven acquisitions accelerate consolidation
Investment Focus: Scale leaders with tech moats → Premium valuations

Strategic Imperative: Position in digital leaders and renewable specialists before 2026 inflection point

Sector Deep Dive Comparison

Investment Characteristics: Power vs Oil & Gas vs Chemicals

Power EPC

Market Size

\$730B (2025) → \$1.03T (2030)
CAGR: 7.1%

Key Drivers

- Energy transition mandates
- Grid modernization
- Renewable capacity growth

Investment Profile

Risk: Medium
Return: 14-18%
Margins: 6-8%

OVERWEIGHT →

Oil & Gas EPC

Market Size

\$478B (2025) → \$507B (2030)
CAGR: 1.2%

Key Drivers

- LNG infrastructure growth
- Maintenance & upgrades
- Selective new developments

Investment Profile

Risk: High
Return: 8-12%
Margins: 3-5%

UNDERWEIGHT →

Chemical EPC

Market Size

\$95B (2025) → \$105B (2030)
CAGR: 2.0%

Key Drivers

- Specialty chemicals demand
- Process optimization
- Environmental compliance

Investment Profile

Risk: Medium
Return: 10-13%
Margins: 5-7%

NEUTRAL →

★ Investment Recommendations

Strategic Actions for Institutional Portfolios

Immediate Actions (2025)

✓ Power EPC Allocation

Target 40% allocation to renewable specialists

Focus: Fluor, NextEra Energy Resources, Quanta Services

🎯 Digital Leaders

15% allocation to technology-enabled contractors

Focus: Wood Group, Aker Solutions, KBR

★ Performance Targets

12-15%

Target Annual Return

Medium

Risk Profile

Medium-Term (2025-2027)

↗️ Monitor & Rebalance

Quarterly portfolio reviews and sector rebalancing

Target: Maintain 70% core, 30% satellite allocation

🛡️ Risk Management

Diversify across 3+ sectors, avoid single-point failures

Maximum 10% in pure O&G contractors

✓ Success Factors

- Focus on digital transformation leaders
- Prioritize renewable energy specialists
- Maintain disciplined risk management
- Regular portfolio rebalancing

Action Required: Begin portfolio reallocation immediately to capture the energy transition opportunity