The Revolution Is Inside the Factory

We bought a profitable 60-year-old electrical contractor to ride the AI buildout. We got something much bigger.

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Lark electricians working on manufacturing equipment on a food processing plant floor.

The company we bought

Lark Electric is a commercial and industrial electrical contractor founded in Owensboro, Kentucky in 1963. Sixty-plus years in the same region, under CEO Ross Hyland.

Two years before we bought it, Lark acquired May Electric, another 60-plus-year-old Owensboro contractor and one of the most trusted names in industrial automation in that market. It later added Patterson-Westbrook. Three generational electrical businesses, consolidated.

Sixty days into running all three, the work is what you would expect. Electrical modernization, power upgrades, fiber and communications, controls, utility

infrastructure, facility retrofits and resiliency, performed for schools, hospitals, airports, municipalities, commercial buildings and industrial facilities. Steady, bondable, relationship-driven work in a market where the same families have been doing it for decades.

And then a piece we underwrote as a side business: manufacturing automation and industrial maintenance inside operating plants.

That piece is the reason I am writing this.

We knew what we were buying. We did not know how big of an opportunity it was.

The opportunity is to install and maintain the physical systems that support AI computing.

Building the AI is one part of it. Deploying it inside a factory takes physical infrastructure and skilled labor.

A manufacturer introducing advanced robotics may require additional electrical capacity, new distribution equipment, industrial controls and modifications to existing production lines. An increasingly automated warehouse could require robotics infrastructure, intelligent inventory systems, advanced electrical distribution, sensors, communications networks and autonomous material-handling equipment. The building becomes more than a place to store goods. It becomes an increasingly sophisticated operating environment.

After we acquired Lark, we uncovered that our crews were already doing that work. Five recurring contracts with food, automotive and materials manufacturing plants across Kentucky, staffing those plants and their machinery around the clock with our own electricians. We knew how important industrial electricians would be to the next industrial revolution. We underestimated the size of the market sitting inside the factory itself, and those contracts are what paved the way to it. This is how we are doubling down on it.

This is not a contractor pulling up for a job and leaving. We have our own offices and trailers on these sites. Our people badge in every day, work alongside the plant's own maintenance teams, sit in management meetings and help scope projects before the

projects exist. We are functionally an extension of the plant, fixing and upgrading machines, motors, drives and panels around the clock, billing north of $100 an hour to do it.

That alone is a five million dollar plus annual revenue business and it grows on its own.

Serious capital is already positioned on the other side of that shift. Travis Kalanick raised $1.7 billion for Atoms to automate labor-intensive industries starting with food preparation, mining and transportation, on the view that once machines do the work, the physical assets they operate from are what is worth owning. Fifth Wall and firms like it are backing companies developing intelligent machines and the infrastructure needed to operate them in the physical world, across robotics, software, real estate and industrial equipment. That is a bet on how facilities get built and operated, not on software for managing buildings that already exist.

Both are right and one layer short. Capital can fund the machine. It cannot pull the wire.

What we uncovered is the problem standing between that capital and the factory floor, and it comes in two parts.

The buildings cannot take it.

We see this every day in the plants we work in. The average U.S. warehouse is 43 years old and nearly 28 percent of the industrial stock is over 50. Most of the manufacturing base went up between 1950 and 1985, wired for lights, motors and a few conveyors. A plant built in the 1980s might have 1,000-amp service when modern automation needs two or three times that. Automation then got bolted on one project at a time, so the plants we walk into hold multiple generations of machinery and controls, undocumented modifications and equipment from vendors that no longer exist. Somebody has to rebuild all of it, in a building that will not shut down to let them.

There is nobody to do the work.

Amazon, Microsoft, Alphabet and Meta plan to spend roughly $725 billion on infrastructure this year and not a dollar of it can pull wire. Microsoft's president has publicly named the electrician shortage as the number one thing slowing their U.S. expansion. There are about 819,000 electricians in this country, roughly 81,000 openings and 20,000 retirements a year, and a four to five year apprenticeship in between. The decade shortfall is near 300,000.

> *Those facilities will require significantly more electrical capacity, controls, connectivity and supporting infrastructure as they prepare for the next generation of manufacturing and automation.*
>
> ROSS HYLAND, CEO, LARK ELECTRIC

Put those together and a manufacturer in Kentucky is now bidding for the same crews as a hyperscaler. That is the problem we are solving, and we are solving it from a position almost nobody else holds. When trades labor is the binding constraint on a trillion-dollar buildout, the scarce asset is not the technology. It is a trained crew already inside the plant.



A Lark electrician servicing the controls on a robotic palletizing cell.

How we are capitalizing on what we found

We are launching an Industrial Automation and Physical AI division inside Lark.

> *Right now we keep the machines running. Next we make them talk.*

What we are selling is the full stack, from the dirt to the data. Power, distribution and switchgear. Sensors, smart devices, controls and drives. Fiber, industrial networking and the plant's IT. Cybersecurity over all of it. One contract, one number, self-performed by our own crews, and a monthly agreement that keeps all of it current for as long as the plant runs.

These plants want their equipment reporting. Sensors on motors, pumps, lines and tanks, feeding dashboards that tell them what is running hot, what is about to fail and where they are losing throughput. Our electricians already install those sensors. What we do not own is the part that makes them worth installing. The sensor selection, the controls programming, the network they report over, the software that reads them and the security around all of it goes to an outside firm, usually one flown in from out of state, on the same job, in the same building, after our crews have done the hard part.

That work pays better than ours, it repeats every month instead of ending at closeout, and the plant would rather buy it from the people already on site.

So we are taking it. Same plants, same crews, a much larger scope of work.

Today a plant patches this together across four vendors and carries the coordination risk itself, because nobody in the industry is offering it whole. The software and automation firms do not own electricians. The electrical contractors own the crews and stop at the wall, where the wire ends and the software begins. The handful of firms that have put both together are national, they travel on per diem, and they price like it. None of them have an office on the plant site.

We think this is the difference between Lark being a hundred million dollar business and a three to four hundred million dollar business.

The workforce is still the most important asset

For all the talk about software layers and recurring revenue, the thing we bought and the thing we are protecting is the same as it was on day one. The people.

The demand is not speculative. The World Economic Forum describes Physical AI changing manufacturing through more intelligent robotics, advanced sensors, computer vision and automated production systems. Traditional industrial robots perform predefined tasks. Physical AI introduces machines that interpret changing environments and adapt what they do. Where it has been deployed the payoff is real. Amazon runs more than a million robots across 300 fulfillment centers with a 25 percent efficiency gain. Foxconn improved cycle times 20 to 30 percent and cut error rates 25 percent.

But the Forum is clear this is not a product purchase. It takes “a layered automation strategy that integrates various types of robotics to achieve system-level intelligence,” and it takes people, because “a skilled workforce will be essential to realizing this transition.”

A caged robot running a fixed program could be installed and walked away from. A machine that perceives and adapts cannot. It needs power, a network that does not drop, controls that stay current and security around all of it, for as long as the plant runs. Every one of those lands on a person in boots, standing in a building that is short of them.

Nobody can prompt a switchgear lineup into existence. Capital cannot pull wire, and neither can a model. So we are training controls and automation technicians through the regional community college and apprenticeship pipeline rather than waiting on a market short 300,000 electricians. We are pairing junior techs with veteran plant engineers who know these facilities cold. We are acquiring automation integrators as much for their benches as their customers. And through Lark's Employee Stakeholder Program, our field staff hold equity in what they are building.

The Forum calls this a transition rather than a disappearance. Operators become robot technicians, logistics teams coordinate mobile robots, maintenance shifts to predictive work. Somebody has to train and employ those people. In our corridor, that is going to be us.

There will be enormous money made on models and robots. Those are winner-take-most markets with capital requirements I have no interest in matching. I would rather own the layer underneath, and more than that, I would rather own the workforce that layer runs on.

We went looking for an electrical contractor riding an industrial tailwind. We found the workforce that the next industrial revolution physically cannot happen without.

The intelligence may be in the loop. The loop runs on copper, and copper runs on electricians.

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