



ENGINEERING · CONSTRUCTION

THIRD QUARTER

2018

The Engineering & Construction Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Engineering & Construction category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Engineering & Construction M&A

M&A activity for North American based target companies in the Engineering and Construction sector for Q2 2018 included 98 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in June when Gutridge Plumbing, Inc., a portfolio company of Kassel Equity Group, LLC, acquired Titan Electrical Construction & Design, Inc. for an undisclosed amount. The acquisition would enhance Gutridge Plumbing's service capabilities. Titan Electrical Construction & Design is located in Ohio and provides electrical contracting services.

Building permits were on the rise in quarter, which bodes well for the construction sector. Privately-owned housing units authorized by building permits in July were at a seasonally adjusted annual rate of 1,311,000. This is 1.5 percent (±1.3 percent) above the revised June rate of 1,292,000 and is 4.2 percent (±1.7 percent) above the July 2017 rate of 1,258,000.

Transactional Overview

Notable closed lower middle market transactions for the period in the Engineering and Construction sector include:

May 2018 - Construction Partners, Inc. acquired The Scruggs Co for US\$51.1 million in cash. The transaction was funded through Construction Partners' US\$29.1 million in existing cash and US\$22 million in credit facilities. The acquisition would allow Construction Partners to expand its existing Southeastern United States road construction and maintenance operations. Construction Partners engages in construction of roadways and highways. The Scruggs Co. engages in the concrete, masonry and sand business. Its projects include asphalt roadway resurfacing, intersection improvements, passing lanes, reconstruction and paving of dirt roads, major road widening improvements and new road construction. The firm owns and operates a fleet of heavy trucks. The company was founded in 1964 and is headquartered in Hahira, GA.



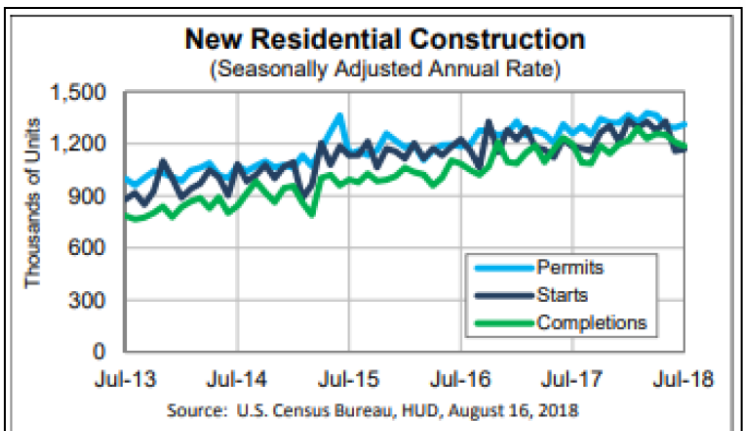
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Source: US Census Bureau

May 2018 - GSE Systems, Inc. acquired True North Consulting LLC for US\$9.8 million in cash, subject to customary pre- and post-closing working capital adjustments. GSE Systems provides real-time high-fidelity simulation. True North Consulting provides specialty engineering solutions to the nuclear power industry. It offers engineering programs, thermal performance and power services. The company was founded in 1999.

April 2018 - Olgoonik Development LLC, a subsidiary of Olgoonik Corp, acquired FPM Group Ltd for US\$15 million. Olgoonik Development provides residential housing construction services. FPM Group engages in the provision of environmental remediation and construction management services. It offers hydrogeology and environmental engineering. The company is headquartered in Ronkonkoma, NY.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Cruickshank Construction Ltd.	Coco Paving, Inc.
The Dwyer Group, Inc.	Harvest Partners LP
AECOM /Canadian Industrial Services Division/	Mullen Group Ltd.
Anders Electric	Waterford Electric Co. Ltd.
Maui Roofing, Inc.	Petersen Dean, Inc.
Titan Electrical Construction & Design, Inc.	Kassel Equity Group LLC; Gutridge Plumbing, Inc.
BCI Construction, Inc.	The Pike Co., Inc.
All American Stone & Turf No. 4 LLC	SiteOne Landscape Supply, Inc.

Industry Update

A growing number of heavy construction companies are launching data science initiatives and investing in technology to boost productivity. Boston-based Suffolk, for example, has launched several software projects aimed at improving its operations, according to MIT Technology Review. The company's technologists are developing a tool that scans photos from job sites to detect safety hazards and generate risk ratings, as well an algorithm that forecasts project delays by analyzing old scheduling records and other data sources. The company is also engaged in "internet of things" development, looking at ways to increase efficiency by collecting data from sensors. Technology investments by companies like Suffolk have risen dramatically over the last decade, and heavy financing and acquisition activity in the construction software market suggests growing demand for third-party applications as well. Oracle bought construction project software maker Aconex for \$1.2 billion late in 2017, and Trimble announced its intention to acquire construction management software maker Viewpoint for \$1.2 billion in April 2018.

Industry Indicators

- US corporate profits, an indicator of corporate demand for construction services, rose 4.3% in the first quarter of 2018 compared to the same period in 2017.
- The value of US nonresidential construction spending, a demand indicator for builders, rose 2.9% year-to-date in June 2018 compared to the same period in 2017.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, rose 12.4% in July 2018 compared to the same month in 2017.

Collectively, the Engineering and Construction Practice Group provides M&A advice to public and private companies in all sectors of the engineering and construction industries, including general contractors, electrical contractors, landscape contractors, concrete, drywall and installation contractors, engineering and architecture, HVAC and plumbing contractors and excavation contractors. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

