



# ENGINEERING · CONSTRUCTION

FIRST QUARTER

2015

This Industry Practice Group was established to draw on the experience of CFA dealmakers, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. 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 construction and engineering sector for Q4 2014 included 80 closed deals according to data published by industry data tracker FactSet, with an average enterprise value of \$144.9 million. In September 2014, U.S. housing starts in were at a seasonally adjusted annual rate of 1,017,000, which was a 6.3% increase over August and a 17.8% increase over the prior year. The growth indicates an increase in construction driving spending and revenue in the sector.

## Transactional Overview

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

**December 2014** - Mattamy Homes Ltd acquired Monarch Development Corp, a subsidiary of Taylor Wimpey Holdings of Canada Corp, which is ultimately owned by Taylor Morrison Home Corp for CAD335 million (US\$288.2 million). Taylor Morrison Home Corp. builds single-family detached and attached homes and develops land, which includes lifestyle and master-planned communities. Mattamy Homes Ltd. provides new home construction and development services with operations across Canada and the United States.

**December 2014** - John Wood Group Plc acquired Swaggart Brothers Inc for US\$36.3 million and undisclosed amount in contingent payout. Under the terms of the transaction, John Wood Group Plc would pay an initial consideration of US\$36.3 million and undisclosed amount in contingent payout in 2017 based on the future performance of Swaggart Brothers Inc. Swaggart Brothers provides civil construction and fabrication services. John Wood Group Plc is an energy service company, engaged in providing engineering, production support, maintenance management and industrial gas turbine overhaul and repair services to the oil and gas and power generation industries.

**November 2014** - NCI Building Systems Inc acquired CENTRIA Corp for US\$245 million in cash. CENTRIA Corp. provides architectural services. The company manufactures architectural, industrial, nonresidential and institutional metal buildings. NCI Building Systems, Inc. manufactures and markets metal products for the nonresidential construction industry.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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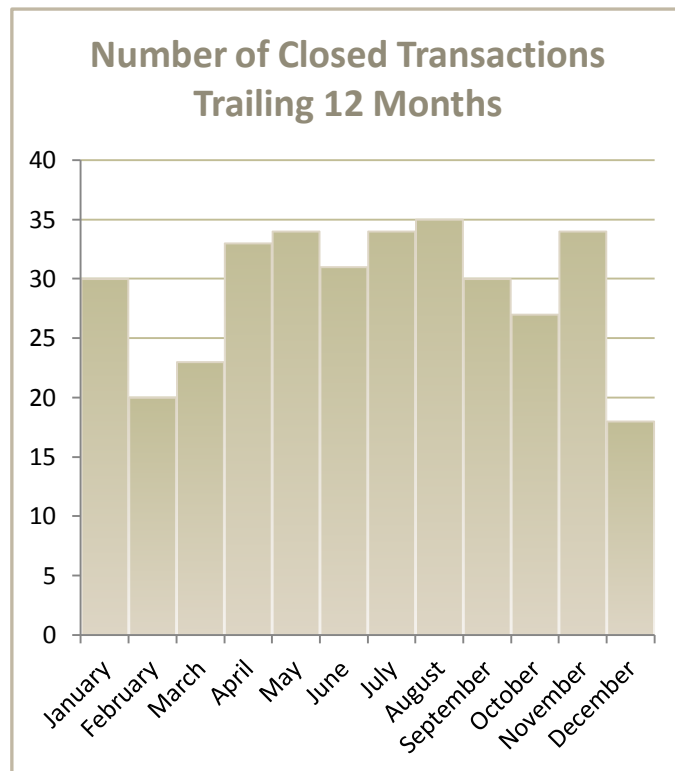
### Selected Q4 Closed Transactions

Target/Issuer	Buyers/Investors
Carolina Gas Transmission Corp.	Dominion Resources, Inc.
Easom Automation Systems, Inc.	Lincoln Electric Holdings, Inc.
Kaiser-Whiting, LLC	NRP Oil & Gas LLC
Independence Oilfield Chemicals LLC	Innospec Oil Field Chemicals LLC
Monarch Development Corp.	Mattamy Homes Ltd.
Swaggart Brothers, Inc.	John Wood Group Plc
CENTRIA Corp.	NCI Building Systems, Inc.
Magnus Pacific Corp.	Great Lakes Dredge & Dock Corp.

## Industry Dynamics

M&A activity in the construction and engineering space has been driven in part by the desire to increase services and trades. General contractors have broadened their capabilities by acquiring specialty contractors but have also acquired design and consultancy firms as they look to offer a full-service value-added solution. A recent global example was Hill International, a global construction company, acquiring Cadogans, a U.K. engineering consultancy company, in November 2014.

According to First Research, an industry research organization, US construction spending was mixed in 2014; spending for publicly funded projects slowed, while spending for many types of privately funded projects improved. Overall, construction spending increased nearly 8 percent in the first half of 2014 compared to the same period a year earlier - led by residential projects which saw spending rise nearly 10 percent. Nonresidential construction spending rose more than 6 percent, but most of the growth was in segments which tend to be privately funded, including lodging (up 21 percent), office (18 percent), commercial (8 percent), amusement and recreation (7 percent), and manufacturing (6 percent). Spending was weaker for projects which are often funded with public money: health care, educational, public safety, sewage and waste disposal, and water supply.



The US is one of the top 10 most attractive national markets for investment in infrastructure, according to a recent report by engineering firm ARCADIS. But while the US needs to rehabilitate \$3.6 trillion in existing infrastructure, government budgets are forecast to fund only about \$2 trillion of this need by 2020, based on estimate by American Society of Civil Engineers. To fill the gap, investors and governments are exploring public-private partnerships (P3s) models that combine public money with private investment to fund needed infrastructure.

### Key Indicators

- The value of US nonresidential construction spending, an indicator of the health of the construction market, rose 6.4 percent year-to-date in November 2014 compared to the same period in 2013.
- The value of US residential construction spending, an indicator of the health of the construction market, rose 4.5 percent year-to-date in November 2014 compared to the same period in 2013.
- Total US revenue for engineering services fell 7.1 percent in the third quarter of 2014 compared to the previous year.

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.

