



ENGINEERING · CONSTRUCTION

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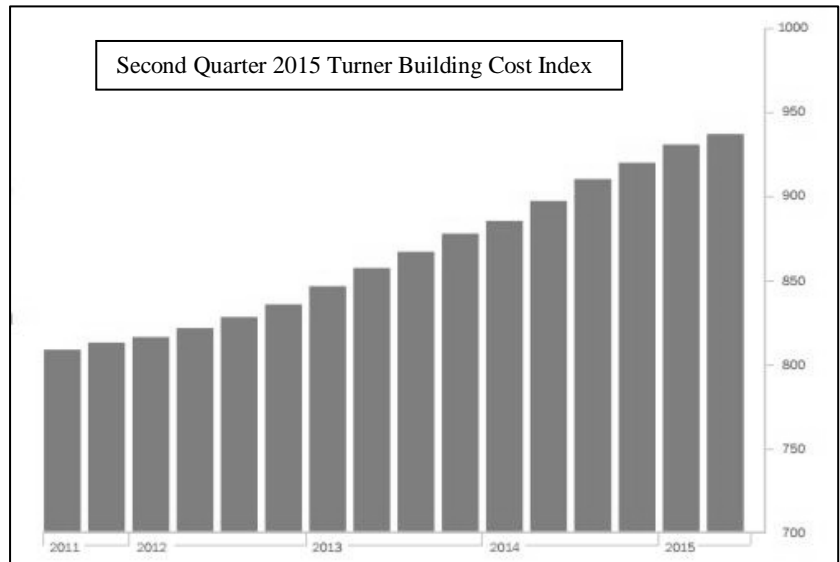
2015

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 the Engineering & Construction sector for Q2 2015 included 89 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$149 million. While the steadiness of the US economy has kept new construction projects active stateside, less than ideal economic conditions in Europe - especially Southern Europe - and Asia weighed heavily on the global construction sector. However, as oil prices remain relatively low and interest rates follow suit, funding for public infrastructure products in the US remains steady.

The Q2 2015 Turner Building Cost Index - which measures costs in the non-residential building construction market in the United States - increased to a value of 938 reflecting a 1.19% increase from the Q1 2015 and a 4.69% increase from the Q2 2014. This rising trend is a strong indicator of a strong economy.



Transactional Overview

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

April 2015 - Taylor Morrison Home Corp acquired JEH Homes LLC for US\$64.6 million in cash. Taylor Morrison Home Corp. builds single-family detached and attached homes and develops land, which includes lifestyle and master-planned communities. JEH Homes builds and develops entry-level and luxury homes.

April 2015 - D.R. Horton, Inc. acquired all the business and assets of Homebuilding operations from Pacific Ridge Homes for US\$72 million in cash. D.R. Horton, Inc. is a national homebuilder that is engaged in the construction and sale of single-family housing. Pacific Ridge Homes engages in construction and sale of single family homes.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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April 2015 - MYR Group, Inc. acquired ES Boulos Co from Northeast Utilities Enterprises, a unit of Eversource Energy for approximately US\$11.4 million in cash. The acquisition will allow MYR Group to enhance its Transmission and Distribution footprint in the northeast region while also establishing a Commercial and Industrial presence in the region. MYR Group, Inc. operates as a holding company, which provides specialty electrical construction services. Eversource Energy is a public utility holding company which engages primarily in the energy delivery business through its wholly-owned utility subsidiaries.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
Worldwide Restoration, Inc.	BNY Mellon-Alcentra Mezzanine
TFC, Inc. (Ohio)	MK Power Solutions, Inc.
Royal Window Films, Inc.	Solar Art Window Film, Inc.
X-Line, Inc.	TRC Cos., Inc.
JEH Homes LLC	Taylor Morrison Home Corp.
Cornerstone Environmental Group	Tetra Tech, Inc.
Utica East Ohio Midstream LLC	The Williams Cos., Inc.
Carolina Gas Transmission Corp.	Dominion Midstream Partners LP

M&A Trends

Consolidation in the crowded mid-sized engineering and construction segment is inevitable as smaller companies look to compete with their larger counterparts on larger, more complex projects and build-out capabilities. The industry is continuing on a path toward full-service integration and mid-size firms have to increase capabilities to compete.

Industry Update

Commercial and heavy construction contractors may see more opportunities to bid on projects in the southern US in the second half of 2015. Several southern US states with growing populations and rejuvenated economies are expected to serve as hotbeds of activity for the construction sector, according to Associated Builders and Contractors. Metropolitan areas like Houston, Dallas, Oklahoma City and Atlanta have experienced strong economic turnarounds since the late-2000s recession. Many southern states are logging rapid population growth, a leading indicator for demand in the industry, and seeing gains in both residential and commercial construction. As an example, Louisiana has received significant industrial investment, bolstered by the energy business, rebounding residential real estate, and the widening of the Panama Canal.

Construction firms stand to gain business as Canadian infrastructure projects, particularly work on public transit in and around its largest urban areas, and receive funding through a newly approved federal budget. A Public Transit Fund, recently rolled out as part of a new federal budget, offers a permanent source of funding for Canadian infrastructure projects that aim to alleviate problematic congestion across many of the country's largest cities. According to the Canadian Construction Association, which represents more than 20,000 member firms, the transit fund allows municipalities to proceed with long-term public transit planning. Available in 2017, the allocated funding is intended for public-private partnerships and includes \$750 million doled out over two years with \$1 billion a year thereafter. The budget also maintains a \$53-billion program that extends through 2024 to enhance provincial and municipal infrastructure.

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.

