



ENGINEERING · CONSTRUCTION

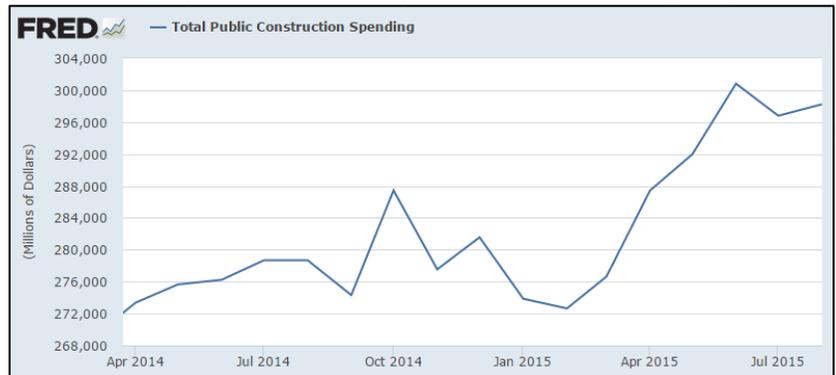
FOURTH QUARTER

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 the Engineering & Construction sector for Q3 2015 included 54 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$23 million. Growth in the industry is expected to be driven by government projects and new regulations. As an example, the U.S. Department of Transportation's Federal Highway Administration (FHWA) is proposing revisions to current program policies to encourage the design of lower-speed roads to be more in line with community and environmental needs. This represents the start of several proposed regulatory and program policy changes at the agency to allow more flexibility for state, city and county engineers in the design of highway projects. Expect the trend to continue as public construction spending increases.



Source: Federal Reserve Bank

Transactional Overview

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

August 2015 - Heritage Insurance Holdings Inc. acquired BRC Restoration Specialists Inc. for US\$8 million in cash and stock. Heritage Insurance Holdings, Inc. operates as a property and casualty insurance holding company which provides personal residential insurance for single-family homeowners and condominium owners. BRC provides building restoration services.

July 2015 - Northern Frontier Corp acquired all the business and assets of the construction services operation from Black Diamond LP, ultimately owned by Black Diamond Group Ltd for CAD10 million (US\$7.9 million) in stock and a promissory note. Northern Frontier Corp. provides civil construction and excavation services to the industrial energy industry, primarily in the in situ Oilsands region south of Fort McMurray, Alberta and on closing of the Acquisition, now provides bulk water and fluids transfer logistic services in western Canada. Black Diamond Group Ltd. is a remote lodging, modular building and energy services company.



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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July 2015 - NV5 Holdings Inc. acquired The RBA Group Inc. for US\$13 million in cash and promissory notes. NV5 Holdings, Inc. engages in the provision of professional and technical consulting and certification solutions for public and private sector. RBA Group, Inc. provides engineering, architecture and planning services. The company renders their architecture services to corporations, schools and hospitals, engineering services for telecommunications, civil and transportation, and planning services like community master plan, corridor analysis and transportation planning.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Maritime International, Inc.	Trelleborg Offshore & Construction
Burtin Polymer Laboratories, Inc.	Accella Performance Materials, Inc.
Halvorson & Partners PC	Parsons Brinckerhoff Group LLC
Brae Burn Construction Co. Ltd.	Welty Building Co. Ltd.
TerraTherm, Inc.	Cascade Drilling LP
Gastler M.P, Inc.	Bouygues Energies & Services
Bridge Design Associates, Inc.	Wantman Group, Inc.
Kestner Electric, Inc.	Egan Co.

M&A Trends

As with other industries the engineering & construction space is continuing to evolve with technology. This trend has had an impact on M&A and technology companies look to get a foothold in the space. As an example, Bentley Systems, Incorporated announced in March that it had acquired the business of Oakland, California based EADOC, LLC, a provider of construction management cloud services. Bentley said that this addition to its MANAGEservices (cloud services) offerings helps construction managers at engineering/construction management firms and infrastructure owner organizations with capital projects to reduce risk and staff hours, improve information quality, and provide owners with real-time visibility into costs. EADOC allows facility owners to increase return on investment through faster project completions, easily monitor project financial performance, and maintain detailed construction records without administrative staff.

Industry Update

US Construction Spending Hits New Post-Recession Peak, US construction spending has hit a new high. Construction spending nationwide rose 0.8% in May to a seasonally adjusted annual rate of \$1.036 trillion. The welcome bump represents the highest level since October 2008, according to the Commerce Department. Spending broke the \$1 trillion mark in March 2015. Reaching the new peak was possible because of private construction spending, the highest since July 2008. The latest milestone can be attributed to spending on private nonresidential building, which inched up 1.5% to \$393 billion, as well as manufacturing spending during the past year. Looking at the latest figures, some economists also anticipate an increase in activity from homebuilders that should help boost the labor market and the overall economy.

- The value of US nonresidential construction spending, an indicator of the health of the construction market, rose 8.7 percent year-to-date in July 2015 compared to the same period in 2014.
- The value of US residential construction spending, an indicator of the health of the construction market, rose 10.4 percent year-to-date in July 2015 compared to the same period in 2014.

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.

