

ENGINEERING · CONSTRUCTION

FIRST QUARTER

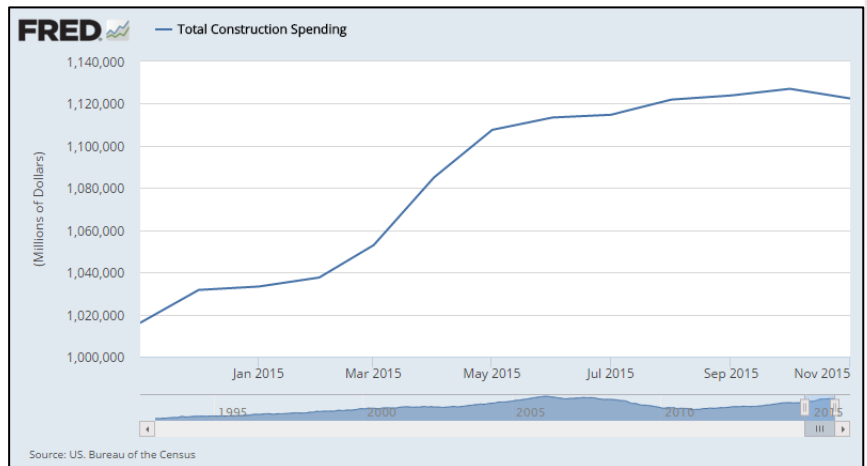
2016

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 and Construction sector for Q4 2015 included 54 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$94 million.

The push toward improving infrastructure across the U.S. has sparked M&A activity. In December Jacobs Engineering Group Inc. (NYSE:JEC) announced it completed its acquisition of J.L. Patterson & Associates (JLP), headquartered in Orange, California. JLP is a consulting and professional services engineering firm specializing in rail planning, environmental permitting, design and construction management. JLP's design concentration in the West Coast combined with Jacobs' national systems resources enables Jacobs to bid for full service programs in the growing U.S. West Coast rail markets, providing additional capacity to pursue the anticipated \$17 billion commuter rail/transit capital programs. Total construction spending in the U.S. grew in the first half of 2015 and began to level off in the fourth quarter as the year came to a close.



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Transactional Overview

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

December 2015 - John Wood Group Plc acquired Infinity Construction Services LP for US\$192 million in cash. Under the terms of transaction, John Wood Group Plc would pay US\$150 million in cash and up to US\$42 million in contingent payout to Infinity Construction Services LP. 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. Infinity Construction Services LP provides mechanical construction services. It specializes in structural steel erection, piping fabrication and erection, rigging and equipment setting painting, scaffolding and insulation, specialty welding/furnace and boiler retubing.

October 2015 - USD Partners LP acquired Casper Crude To Rail LLC from Stonepeak Partners LP, Cogent Energy Solutions LLC and Granite Peak Industries LLC for amended US\$225.3 million in cash and stock. USD Partners LP is a fee-based, growth-oriented master limited partnership formed to acquire, develop and operate energy-related rail terminals and other complementary midstream infrastructure assets and businesses. Casper Crude to Rail LLC develops, constructs, and operates crude oil rail infrastructure in Casper, Wyoming.

October 2015 - Westinghouse Electric Co LLC, a subsidiary of Toshiba Corp, acquired CB&I Stone & Webster Inc., a subsidiary of Chicago Bridge & Iron Co NV, for US\$229 million in cash and contingent payout. Westinghouse Electric Co. LLC operates as a nuclear energy company. It supplies nuclear plant products and technologies to utility companies. CB&I Stone & Webster Inc. engages in nuclear construction and integrated services businesses. The company was founded on October 24, 2000 and is headquartered in Baton Rouge, LA.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Biofoam of North Carolina LLC	Installed Building Products, Inc.
Lenox Hill Construction, Inc.	Mack Construction Corp. /Hill
Shanahan Mechanical & Electrical	IES Commercial, Inc.
Petroamerica Oil Corp.	Gran Tierra Energy, Inc.
CB&I Stone & Webster Inc	Westinghouse Electric Co. LLC
Wilkinson Construction Co., Inc.	Geneva Rock Products, Inc.
Wolfe Roofing & Sheet Metal, Inc.	Tecta America Corp.; Oaktree Capital
American Galvanizing Co.	Valmont Industries, Inc.

M&A Trends

Larger buyers are continually seeking smaller acquisitions of companies with specific capabilities to provide greater services to the market. This is especially true in the area of infrastructure based engineering with a focus on rail and transportation.

Industry Update

A larger percentage of US construction firms are paying their bills sooner and receiving better credit ratings, according to The Wall Street Journal. Weather woes and shortages of labor or materials often contribute to later bill payments by companies in the construction industry than by companies in other industries. But that is changing, according to a Creditsafe study that compared data generated between July 2014 and July 2015. US construction companies paid their bills 9.5 days past due on average, compared to an average of 11.5 days past due the previous year. The business-credit company also found that roughly 250,000 construction firms, or 6%, are no longer considered to be high-credit risks as compared to a year earlier. The Associated General Contractors of America, whose members focus primarily on commercial projects, attributes the credit upswing to steadily growing demand for construction services nationwide. Also helping to improve the financial health of construction companies are double-digit increases in home-construction starts and high US construction employment.

- The value of US nonresidential construction spending, an indicator of the health of the construction market, rose 9.3% year-to-date in November 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 13.1% year-to-date in November 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.

