



ENGINEERING · CONSTRUCTION

THIRD 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.

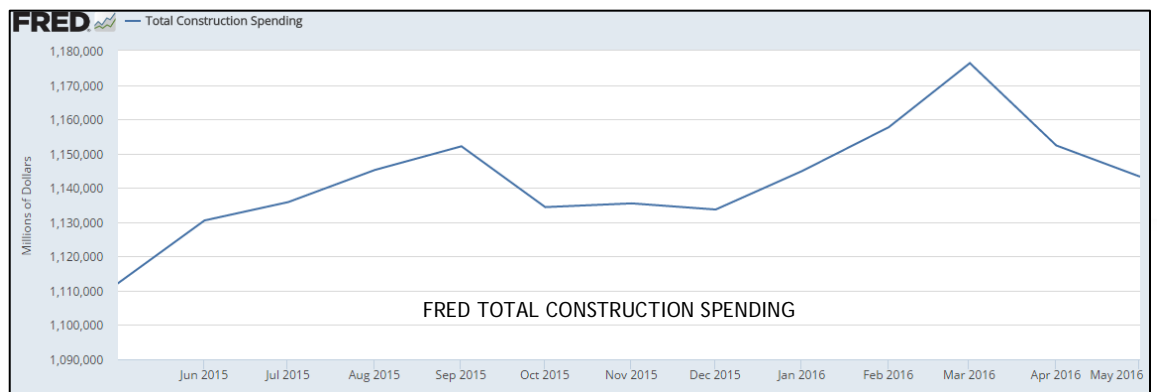
Engineering & Construction M&A

M&A activity for North American based target companies in the Engineering & Construction sector for Q2 2016 included 135 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$71 million.

One the most significant transactions in the sector was announced during the last week of Q1 when Stantec, Inc. announced that it entered

into a definitive merger agreement to acquire MWH Global, Inc., a Broomfield, Colorado-based global engineering, consulting and construction management firm focused on water and natural resources for built infrastructure and the environment, for \$793 million. The transaction closed on May 6, 2016.

Total U.S. construction spending declined in the quarter after spiking in March.



Transactional Overview

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

June 2016 - TC Infrastructure Services Ltd, a subsidiary of Quanta Services Inc., acquired TC Backhoe & Directional Inc., from Enterprise Group Inc. for CAD16.9 million (US\$13.3 million) in cash. Part of Quanta Services, Inc., TC Infrastructure Services Ltd. is an American company that operates as investment holding company. T.C. Backhoe & Directional, Inc. provides pipeline construction and oilfield maintenance services.

May 2016 - KBR Inc. acquired Wyle Inc., from Wyle Laboratories Inc., a subsidiary of Wyle Services Corp (California), for US\$570 million. KBR, Inc. offers a portfolio of proprietary technology and consulting services which includes engineering, construction, procurement and asset maintenance services, base operational, logistics, life support and asset management services. Wyle, Inc. provides engineering, professional, scientific and technical services.



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 2016 - Lyons Roofing Inc. acquired the business and assets of the roofing division operations of TIP Maintenance Inc., a subsidiary of Turken Industrial Properties Inc., for an undisclosed amount. Lyons Roofing, Inc. owns & operates full service roofing company. It includes residential, commercial roof and inception cleaning services. TIP Maintenance provides roofing solution.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
Pepper-Lawson Construction LP	Webber LLC
Jure Roofing & Solar, Inc.	Solar Integrated Roofing Corp.
TIP Maintenance, Inc. /Roofing Div/	Lyons Roofing, Inc.
Goodall Homes	Clayton Homes, Inc.
Current Environmental Solutions	TerraTherm, Inc.; Cascade Drilling LP
Road Infrastructure Investment Holdings LLC	Olympus Advisors LLC
MGS Mfg. Group, Inc.	Mason Wells, Inc.
McDaniel Process Engineering Consultants, Inc.	KP Engineering LP

Industry Update

Construction companies reliant on business from energy producers may consider shifting their bidding efforts to other sectors. While 44 US states and the District of Columbia added construction jobs between March 2015 and March 2016, five energy-producing states logged construction employment declines, according to Associated General Contractors of America. Job gains were concentrated in California, Florida, New York, and Massachusetts, states that altogether added 100,400 construction jobs year-over-year. Two of the nation's smallest states, Hawaii and Rhode Island, saw the highest percentage increases in new construction jobs. Due to declining prices for coal, oil, and other fuels, demand for construction is waning in states that rely on energy extraction for economic stability. North Dakota and Alaska, big producers of coal and natural gas, suffered the highest percentage of construction job losses during the year, along with Wyoming, Kansas, and West Virginia.

Engineering services firms that specialize in infrastructure projects should anticipate rising requests to bid on tunneling projects as more big cities turn to underground development. Creating demand for specialized engineering services, more cities worldwide are extending their reach underground rather than building up, thanks to new technologies, analytical tools, and materials. Urban centers are tunneling at a record pace, according to The Wall Street Journal, as subterranean development has grown highly technical and surprisingly less expensive. Digging manually can cost nearly \$1 million per foot as compared to about \$19,000 per foot using a giant boring machine.

Industry Indicators

- The value of US nonresidential construction spending, an indicator of the health of the construction market, rose 7.1% year-to-date in May 2016 compared to the same period in 2015.
- The value of US residential construction spending, an indicator of the health of the construction market, rose 9.8% year-to-date in May 2016 compared to the same period in 2015.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, fell 4.6% in June 2016 compared to the same month in 2015.

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.

