



ENGINEERING · CONSTRUCTION

FOURTH 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 Q3 2016 included 63 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$383 million.

One of the largest deals of the quarter occurred in July when KBR, Inc. (NYSE: KBR) announced it had completed the acquisition of Wyle, Inc. for \$570 million, after adjustments for approximately \$30 million of acquired tax benefits, and subject to other customary adjustments, including for net working capital, net cash and indebtedness of Wyle. Wyle will now operate under the new company brand "KBRwyle." Wyle Inc. provides specialized engineering, professional, scientific, and technical services to the federal government. KBR, Inc. is a global technology, engineering, procurement and construction company serving the hydrocarbons and government services industries, employing approximately 22,000 people worldwide with customers in more than 80 countries and operations in 40 countries.

Nonresidential construction and heavy engineering activity continued along an upward path during the quarter and funding for government infrastructure projects continues to be strong.

Transactional Overview

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

September 2016 - KBR, Inc. acquired Honeywell Technology Solutions Inc., a subsidiary of Honeywell International, Inc., for US\$300 million in cash and other payments. Under the terms of the transaction, KBR, Inc. would pay US\$266 million and it would also pay US\$34 million for net working capital of Honeywell Technology Solutions Inc. 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. Honeywell Technology Solutions Inc. operates as an integral



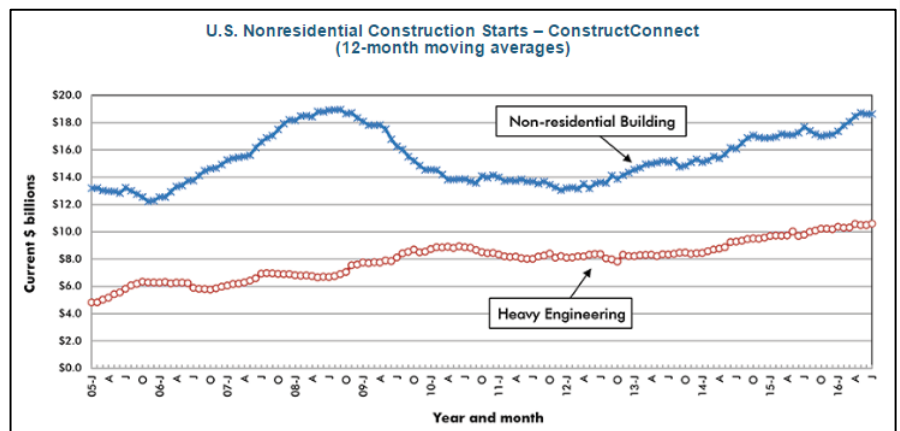
MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

FOR MORE INFORMATION CONTACT

Corporate Finance Associates
24461 Ridge Route, Suite A200
Laguna Hills, CA 92653

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.

info@cfaw.com
www.cfaw.com



technology development and engineering company.

August 2016 - ONCAP Management Inc., a subsidiary of Onex Partners and ultimately owned by ONEX Corp, acquired Tecta America Corp, a portfolio company of Oaktree Capital Management Private Equity for US\$280 million. Founded in 2003, Onex Partners is a private equity firm located in Toronto, Ontario. Tecta America Corp. provides commercial roofing services. It offers government services, national account services, green roofing expertise, roofing disaster recovery, roof replacement, new construction, repairs and services, customer service, emergency response, preventative maintenance, roof asset management, historic restoration, skylight and smoke hatch, and snow removal.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
C&A Paving Co.	Clements Concrete Co.; Sunroc Corp. (Utah)
Allied Restoration Corp.	Greenwood Industries, Inc.
Advanced Power Control, Inc.	Huron Capital Partners LLC; Albireo Energy LLC
Energy Systems Technologies, Inc.	Huron Capital Partners LLC; Albireo Energy LLC
Meridian Ocean Services LLC	Oceaneering International, Inc.
Applied Polymerics, Inc.	RPM International, Inc.
JPM EOC Opal LLC	SM Energy Co.
Kings Ready Mix, Inc.	U.S. Concrete, Inc.

August 2016 - ONCAP Management Inc., a subsidiary of Onex Partners and ultimately owned by ONEX Corp, acquired Tecta America Corp, a portfolio company of Oaktree Capital Management Private Equity for US\$280 million. Founded in 2003, Onex Partners is a private equity firm located in Toronto, Ontario. Tecta America Corp. provides commercial roofing services. It offers government services, national account services, green roofing expertise, roofing disaster recovery, roof replacement, new construction, repairs and services, customer service, emergency response, preventative maintenance, roof asset management, historic restoration, skylight and smoke hatch, and snow removal.

Industry Update

As demand for new homes rises, builders nationwide are struggling to find workers at all levels, according to the National Association of Home Builders. The association estimates that 200,000 US construction jobs are unfilled, 81% more than just two years ago. Some states, including Arizona, California, Georgia, and Missouri, are seeing 20% fewer people working in construction than at the market peak, according to the Associated General Contractors of America. The ratio of construction job openings to hiring, a measurement maintained by the Department of Labor, is at its highest level since 2007. In the meantime, the persistent lack of skilled trades has spurred companies to increase pay for hourly workers, ramp up in-house training, and add more overtime hours.

Industry Indicators

- The value of US nonresidential construction spending, a demand indicator for builders, rose 5.1% year-to-date in July 2016 compared to the same period in 2015.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, rose 0.3% in August 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.

