



ENGINEERING · CONSTRUCTION

FIRST QUARTER

2017

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 2016 included 86 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$47 million.

Robert Murray, Dodge Data & Analytics Chief Economist, has stated that the construction industry will grow gradually in 2017 leading up to a modest slowdown in 2018 and 2019. Sales growth is projected to be spurred by increased investment in the nation's infrastructure under the new administration.

Dodge tracks construction starts figures and expects the majority of subsectors to increase in 2017.

Transactional Overview

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

December 2016 - Apogee Enterprises, Inc. acquired Sotawall, Inc. for CAD177.1 million (US\$135 million) in cash and CAD59 million (US\$45 million) in assumed liabilities. Apogee Enterprises engages in the design and development of glass solutions for enclosing commercial buildings. It transforms plain glass to create distinctive solutions for architects, building owners, contractors and others. Sotawall offers full-service design and installation of proprietary unitized curtain wall systems.

December 2016 - Matrix PDM Engineering, Inc., a subsidiary of Matrix Service Co acquired Houston Interests, LLC for US\$46 million in cash. The acquisition is in line with Matrix PDM Engineering, Inc.'s strategic plan to enhance its engineering division and also add product line to the offerings of Matrix applied technologies. Matrix Pdm Engineering provides engineering services. It specializes in aboveground storage, material handling, terminals, liquid gas storage and cryogenic services.



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THE PATTERN OF U.S. CONSTRUCTION STARTS							
Billions of Dollars							
	2011	2012	2013	2014	2015	2016	2017
Total Construction	441.5	492.9	547.3	601.0	667.7	676.4	712.9
	+1%	+12%	+11%	+10%	+11%	+1%	+5%
Single Family Housing	97.3	125.8	159.2	163.8	186.2	203.5	227.1
	-3%	+29%	+27%	+3%	+14%	+9%	+12%
Multifamily Housing	29.7	40.8	51.7	68.9	84.0	86.8	86.6
	+34%	+37%	+27%	+33%	+22%	+3%	0%
Commercial Buildings	48.4	55.3	67.7	83.1	88.0	98.9	105.1
	+15%	+14%	+22%	+23%	+6%	+12%	+6%
Institutional Buildings	100.3	91.8	92.1	104.4	105.2	108.1	118.5
	-11%	-8%	-0-	+13%	+1%	+3%	+10%
Manufacturing Buildings	17.3	13.1	19.4	35.6	24.1	17.0	18.1
	+82%	-25%	+48%	+83%	-32%	-29%	+6%
Public Works	106.9	112.3	127.3	121.3	123.7	120.1	127.5
	-11%	+5%	+13%	-5%	+2%	-3%	+6%
Electric Utilities/Gas Plants	41.5	53.8	29.9	23.9	56.6	42.0	30.0
	+45%	+30%	-44%	-20%	+137%	-26%	-29%

Source: Dodge Data & Analytics

November 2016 - Toll Brothers, Inc. acquired Coleman Homes LLC for US\$85.2 million in cash. The acquisition would allow Toll Brothers to enhance its existing business offerings and also further to expand its market presence in Boise and to broaden its customer base. Toll Brothers, engages in the design, building, marketing, and arranging of financing for detached and attached homes in residential communities. It operates through the Traditional Home Building and City Living segments. Coleman Homes builds single family and multifamily homes. It also specializes in land development. The company was founded by Thomas Coleman and Thomas Coleman, Jr. in 2007 and is headquartered in Eagle, ID.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Heyl & Patterson, Inc. /Renneburg	Carrier Process Equipment Group
RESTORx of Texas LLC	Interstate Restoration Group, Inc.
Ray L. Hellwig Plumbing & Heating	Total Facility Solutions, Inc.
The Hanna Group, Inc.	NV5 Global, Inc.
MEI Group LLC	Brown & Root Industrial Services LLC
Architectural Computer Services, Inc.	Alpine Investors
Environmental Compliance Services	ATC Group Services LLC
Low's Ready Mix, Inc.	Clements Concrete Co.; Sunroc Corp.

Industry Update

New US infrastructure projects such as repaving roads, shoring up bridges, and expanding busy highways with toll roads - a key source of demand for contractors - are predicted to rise in value in 2017 compared to the year before, according to Dodge Data & Analytics. The value of new public works construction projects, which include highway, street, and bridge construction as well as natural gas and oil pipelines and environmental work, is expected to rise 6%. The forecast represents improvement over 2016, when the value of new public works projects fell by 3% year over year. Demand is being driven in part by highway and bridge work funded by the new federal transportation bill.

New US regulations make it easier for companies that construct highways, streets, and bridges to begin or expand their use of drones. The FAA in mid-2016 issued commercial drone regulations that allow construction companies to begin using drones within days, rather than weeks or months. The infrastructure sector, along with the construction sector, leads in the number of exemption applications since the FAA began granting exceptions to its ban on the commercial use of drones. According to the Association for Unmanned Vehicle Systems International, nearly 40% of FAA-approved exemptions so far have come from these sectors.

Industry Indicators

- The value of US nonresidential construction spending, a demand indicator for builders, rose 4.1% year-to-date in November 2016 compared to the same period in 2015.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, rose 8.7% in December 2016 compared to the same month in 2015.
- The spot price of crude oil, which affects highway construction costs for asphalt, bituminous concrete, plastic pipe products, and for running equipment fleets, rose 50.3% in the week ending January 13, 2017, compared to the same week in 2016.

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.

