

ENGINEERING · CONSTRUCTION

FOURTH QUARTER

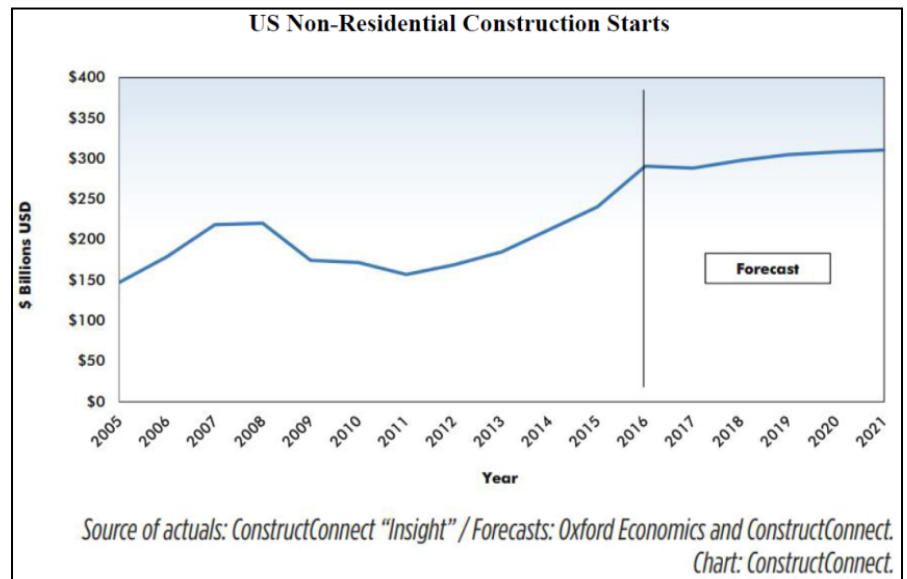
2017

The Engineering & Construction Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Engineering & Construction category. 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 Q3 2017 included 52 closed deals, according to data published by industry data tracker *FactSet*.

The nonresidential building market is expected to be among the weakest-performing segments of the overall US construction market over the next few years, according to a July 2017 forecast by ConstructConnect and Oxford Economics. US nonresidential building construction activity fell nearly 18% in the second quarter of 2017 compared to the same period a year earlier. Second-quarter activity was particularly weak for retail and parking garage segments. Between 2017 and 2021, nonresidential building construction starts are forecast to see annual growth of less than 2%. While starts were weak in the second quarter 2017, construction projects in the manufacturing sector could be a bright spot moving forward amid low energy costs, technical expertise in competitive world markets, and pressure from the Trump administration to keep manufacturing jobs in the US. Manufacturing-related construction starts are expected to drop more than 11% in 2017, then rise more than 9% in 2018. After a slight rise in 2018, commercial starts are forecast to gradually decline through 2021, but institutional projects should see modest annual upticks in activity.



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Transactional Overview

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

August 2017 - Service Experts LLC, a subsidiary of EnerCare Solutions, Inc., ultimately owned by EnerCare, Inc., acquired Aramendia Plumbing Heating & Air Ltd for US\$24 million. The acquisition complements Services Experts' heating and air conditioning services. Service Experts engages in the provision of heating and air conditioning products and services. Founded in 1989 and with over 90 employees, Aramendia Plumbing Heating & Air is located in San Antonio, Texas

August 2017 - Carr's Group Plc acquired NuVision Engineering, Inc. for US\$20 million in cash and contingent payout. Carr's Group operates through the following segments: agriculture and engineering. NuVision Engineering provides technology and engineering services. It offers MSIP, decontamination, engineering design and analysis, power fluidics, robotic services and waste treatment. The company was founded in 1971 and is headquartered in Pittsburgh, PA.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Meritor WABCO Vehicle Control Systems	WABCO Holdings, Inc.
US Power, Inc.	Seaport Capital LLC; Quality Uptime Services LLC
Govmark Testing Services, Inc.	SGS SA
Five Lakes Automation LLC	Jenoptik AG
NuVision Engineering, Inc.	Carr's Group Plc
Ingrain, Inc.	Halliburton Co.
Lockwood Engineers, Inc.	Cude Engineers-Austin LLC
Environmental Science Corp.	Pace Analytical Services, Inc.

July 2017 - Track Utilities LLC, trading as Peak Utility Services Group and a portfolio company of CIVC Partners LP, acquired Kelly Cable of New Mexico, Inc. for an undisclosed amount. Founded in 1970, CIVC Partners LP is a private equity firm headquartered in Chicago, Illinois. Kelly Cable of New Mexico provides water, sewer and utility lines construction services.

Industry Update

Homebuilders are increasingly employing virtual reality (VR) technology to streamline the sales and marketing process and trim operational costs, according to Builder magazine. Using VR headsets, potential home buyers can take virtual tours of homes before construction site prep even begins. Leveraging VR can also help builders cut down on the expenses of building costly model homes. Some home builders use VR in market research to test home features and floor plans with consumer focus groups before new design ideas come to market. In addition to helping customers visualize a home, homebuilders can use VR to present new home designs to zoning officials and architectural review boards to help identify any potential problem issues early in the development process.

Industry Indicators

- US personal income, which drives consumer spending on home construction, rose 2.8% in August 2017 compared to the same month in 2016.
- The value of US residential construction spending, an indicator of the health of the residential construction market, rose 12.3% year-to-date in August 2017 compared to the same period 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.

