

ENGINEERING · CONSTRUCTION

SECOND QUARTER

2018

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 Q1 2018 included 81 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was announced in March when TopBuild Corp acquired USI, Inc., formerly known as United Subcontractors, Inc., a portfolio company of Reinet Investments Manager SA and Trilantic Capital Management LP, for US\$475 million in cash. Founded in 1998, USI is located in St. Paul, Minnesota and engages in

the installation of residential and commercial products. It generated revenues of approximately US\$375 million for the year ended 2017. TopBuild Corp. is an installer and distributor of insulation products.

Housing starts continued on an upward curve in the first quarter as the economy remains strong.

Transactional Overview

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

March 2018 - Service Experts LLC, a subsidiary of EnerCare Inc, acquired Cs Newco LLC for US\$15 million. Service Experts engages in the provision of heating and air conditioning products and services. CS Newco provides heating plumbing and air conditioning services. The company is headquartered in Austin, TX.



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February 2018 - Fairfax Financial Holdings Ltd acquired Carillion Canada, Inc. from Carillion Plc CAD154 million (US\$124.5 million). Fairfax Financial Holdings engages in the provision of property and casualty insurance, and reinsurance and investment management. Carillion Canada provides construction services. It offers services in the areas of facility management, road maintenance, energy service, strategic asset management, site service, contracting, public private partnership, transmission and distribution, defense and security projects. The company was founded in 1955 and is headquartered in Concord, Canada.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
American Development Institute	G3W Ventures LLC;
RM Supply, Inc.	Foundation Building Materials
Shelter Modular, Inc.	Horizon North Logistics, Inc.
Infrastructure Corp. of America	Sterling Fund Management
Price Construction Ltd.	Summit Materials, Inc.
Williams Creek Consulting, Inc.	V3 Cos. Ltd.
Foam Applications, Inc.	West Roofing Systems, Inc.
RSI Communities LLC	William Lyon Homes, Inc.

January 2018 - Keller Group Plc acquired Moretrench American Corp from its employee shareholders for US\$90 million in cash. Keller Group operates as an independent ground engineering specialist. It offers foundation solutions to the construction industry. Moretrench American offers construction and geotechnical services. It offers deep foundations, dewatering, earth retention, environmental remediation, ground freezing, grouting, underpinning and industrial construction. The company was founded in 1885 and is headquartered in Rockaway, NJ.

Industry Update

Construction companies are benefiting from a recent boom in US air transportation infrastructure upgrades. The value of private air transportation construction in the US nearly doubled from 2016 to 2017, and spending levels rose more than 200% year-over-year in January 2018. Among the airports undertaking large-scale projects, Los Angeles International Airport (LAX) recently awarded a contract for the design, construction, and maintenance of an automated people mover that will connect parking garages and rental car facilities with LAX's central terminal. A joint venture comprised of Balfour Beatty, Fluor, Flatiron West, and Dragados USA was awarded the design-build portion of the contract, which has a total value of \$1.95 billion. Other air transportation-related contracts awarded during Q1 2018 include projects at Newark Liberty International Airport (Tutor Perini/Parson joint venture, \$1.41 billion), and Denver Airport (Turner/Flatiron joint venture, \$700 million).

Industry Indicators

- US corporate profits, an indicator of corporate demand for construction services, rose 2.7% in the fourth quarter of 2017 compared to the same period in 2016.
- The value of US nonresidential construction spending, a demand indicator for builders, rose 3.8% year-to-date in March 2018 compared to the same period in 2017.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, rose 7.4% in April 2018 compared to the same month in 2017.

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.

