

ENGINEERING · CONSTRUCTION

FOURTH QUARTER

2018

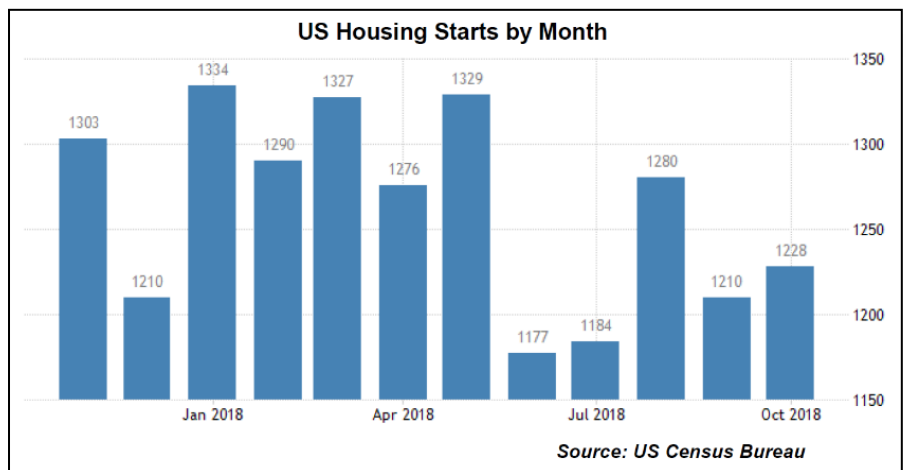
The Engineering & Construction Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Engineering & Construction category. Working with 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 Q3 2018 included 97 closed deals, according to data published by industry data tracker FactSet.

One of the notable middle market transactions was closed in September when Infrastructure & Energy Alternatives, Inc. acquired American Civil Constructors, Inc., a portfolio company of Insight Equity Holdings LLC, for US\$145 million. Included in the transaction is American Civil's subsidiary Saiia Construction Co. LLC. The acquisition would expand Infrastructure & Energy's capabilities in the engineering sector. American Civil Constructors is located in Phoenix, Arizona and provides construction services and supplies construction materials.

Housing starts in the US increased 1.5 percent from September to an annualized rate of 1,228 thousand in October of 2018, compared with market expectations of a 1.6 percent rise.



Transactional Overview

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

September 2018 - Altamont Capital Management LLC acquired The Bayou Cos, LLC from Aegion Corp. for US\$50 million in cash, contingent payout and debt notes. Founded in 2010 Altamont Capital Management is a private equity firm located in Palo Alto, California. The Bayou Cos provides pipe coating, concrete weight coating and insulation services. It offers three-layer coating, InnerGrad, insulated coating, multi-layer polypropylene and ID flow efficiency coating. The company was founded in 1942 and is headquartered in New Iberia, LA.



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September 2018 - LARK Industries, Inc., a subsidiary of Select Interior Concepts, Inc. and a portfolio company of DBI Capital, LLC acquired Summit Stoneworks for US\$19.5 million. Founded in 2004, DBI Capital is a private equity firm located in Carlsbad, California. Summit Stoneworks specializes in fabrication and installation of countertops and flooring. The firm also specializes in design center selections and the installation of countertops, flooring and other products for residential and commercial applications. The company was founded by in 2006 and is headquartered in Austin, TX.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
AndersonPenna Partners, Inc.	Ardurra Group LLC
Concrete Specialties Co.	CRH Plc
Infra Pipe Solutions Ltd.	Wynnchurch Capital LLC
American Civil Constructors, Inc.	Infrastructure & Energy Alternatives, Inc.
Wynn Construction, Inc.	LGI Homes, Inc.
Venture Homes, Inc.	Beazer Homes USA, Inc.
Huen Electric, Inc.	MYR Group, Inc.
Tetra Tech, Inc. /Subsidiaries (2)/	Hylan Datacom & Electrical LLC

August 2018 - LGI Homes, Inc. acquired Wynn Construction, Inc., trading as Wynn Homes for US\$80 million, subject to certain post-closing adjustments. LGI Homes engages in the design, construction, marketing and sale of new homes. Wynn Construction engages in the provision of residential construction services. The company was founded in 2008 and is headquartered in Raleigh, NC.

Industry Update

US builders are struggling to expand their workforces to meet growing construction demand. Contractors, including heavy construction companies, are reporting difficulty finding qualified workers for both salaried and hourly positions, according to a report released by the Associated General Contractors of America in September 2018. Employment in the US heavy and civil engineering construction industry rose 2.9% in July 2018 compared to the same month in 2017. Employment growth was highest in the utility construction sector, which rose 4.6% year-over-year in July 2018, with gains in water and sewer systems (+5.2%), oil and gas pipeline (+3.4%), and power and communications systems (+5%). Highway, street, and bridge construction employment grew 2.4% during the same period.

Industry Indicators

- US corporate profits, an indicator of corporate demand for construction services, rose 7.7% in the second quarter of 2018 compared to the same period in 2017.
- The value of US nonresidential construction spending, a demand indicator for heavy construction, rose 5.0% year-to-date in September 2018 compared to the same period in 2017.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, rose 18.2% in October 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.

