

ENGINEERING · CONSTRUCTION

FIRST QUARTER

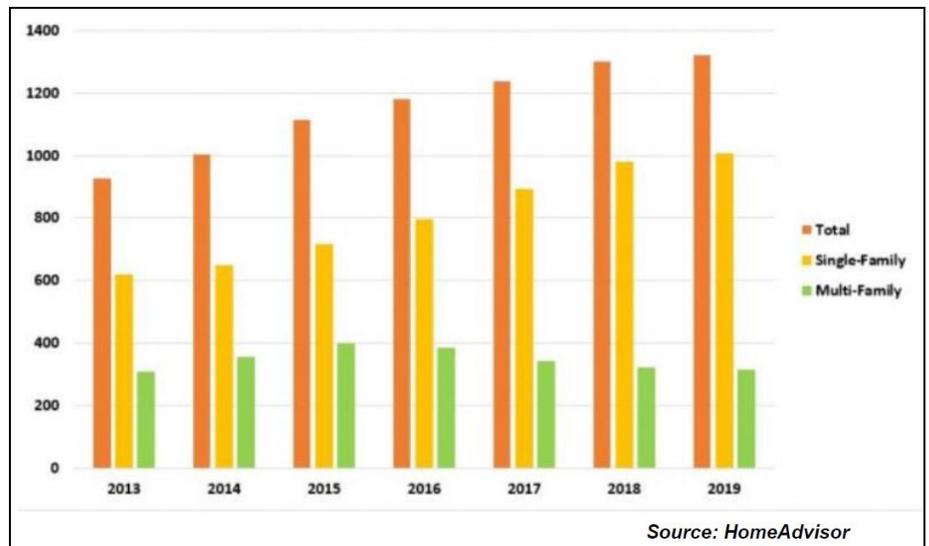
2019

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 Q4 2018 included 61 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in October when MDU Resources Group, Inc. acquired Sweetman Construction Co, doing business as Concrete Materials Co, for an undisclosed amount. The transaction expands the construction materials business of MDU and is expected to be accretive to earnings per share. Following the transaction, Sweetman Construction and all its employees will become part of Knife River Corp, an MDU subsidiary. Sweetman Construction is located in South Dakota and provides construction materials. It employs around 260 people.



Single-family homes are projected to increase in 2019 as a result of moderate-but-steady job growth.

Transactional Overview

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

November 2018 - DBM Global, Inc., a subsidiary of HC2 Holdings, Inc., acquired Graywolf Industrial, Inc., a portfolio company of Charlesbank Capital Partners LLC, for an enterprise value of US\$135 million in cash and assumed liabilities. DBM Global engages in the fabrication and installation of steel structures. Graywolf Industrial provides engineering and fabrication services. Its services include specialty welding, maintenance, civil and mechanical, equipment setting and rigging and fabrication. The firm offers services to the power and refinery industries. The company was founded in 1978 and is headquartered in Owensboro, KY.



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For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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November 2018 - Oaktree Capital Management LP, a subsidiary of Oaktree Capital Group, LLC, acquired the US and UK MWH constructor subsidiaries from Stantec, Inc. for a reported value of US\$102.6 million. Oaktree Capital Group Holdings, a subsidiary of Oaktree Capital Group LLC, is private equity group located in Los Angeles, CA. Part of Stantec, Inc., Stantec, Inc. /UK & US Construction Subs/ is a construction company.

November 2018 - NV5 Global, Inc. acquired CHI Engineering Services, Inc. for US\$55 million in cash and stock. NV5 Global engages in the provision of professional and technical consulting and certification solutions for the public and private sector.

CHI Engineering Services provides engineering and construction services. It offers liquefaction facilities, plant modifications and upgrades, fire protection systems, site assessments and modular system fabrications. The company was founded in 1978 and is headquartered in Portsmouth, NH.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
PetroMar Technologies, Inc.	Nabors Industries Ltd.
Clearwater Solutions LLC	Nuverra Environmental Solutions, Inc.
McMurray Stern, Inc.	Grays Peak Capital LP; McMurray Stern, Inc. / Valore Ventures, Inc.
Graywolf Industrial, Inc.	DBM Global, Inc.
William Charles Ltd. /2 Subsidiaries/	Ragnar Benson Construction LLC; Infrastructure & Energy Alternatives, Inc.
Stantec, Inc. /UK & US Construction Subs	Oaktree Capital Group Holdings LP; Oaktree Capital Management LP
Fairfield Geotechnologies /Seismic Technologies Business/	Magseis ASA
Raba Kistner, Inc.	Construction Sciences Pty Ltd.

Industry Update

International demand for green building activity is expected to grow in the coming years, driven by customers' priorities to reduce both energy consumption and construction costs. The number of green construction projects is growing considerably and may double in some regions over the next three years, according to a new study of green building trends by Dodge Data & Analytics and building technology provider Carrier. The organizations surveyed 2,000 contractors, engineers, architects, and other construction-related professionals in nineteen countries spanning six continents and found nearly half of participants expect more than 60% of their projects will be green by 2021. Less than half of respondents identified the biggest challenge to green building as cost, down from three-quarters in 2012. Green building can result in cost savings of about 8% in the first year, as well as an increase in asset value of 7% for new buildings. Retrofits and renovations see similar benefits after a few years.

Industry Indicators

- US corporate profits, an indicator of corporate demand for construction services, rose 10.3% in the third quarter of 2018 compared to the same period in 2017.
- The value of US nonresidential construction spending, a demand indicator for builders, rose 4.9% year-to-date in November 2018 compared to the same period in 2017.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, rose 18.9% in January 2019 compared to the same month in 2018.

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.

