

ENGINEERING · CONSTRUCTION

THIRD QUARTER

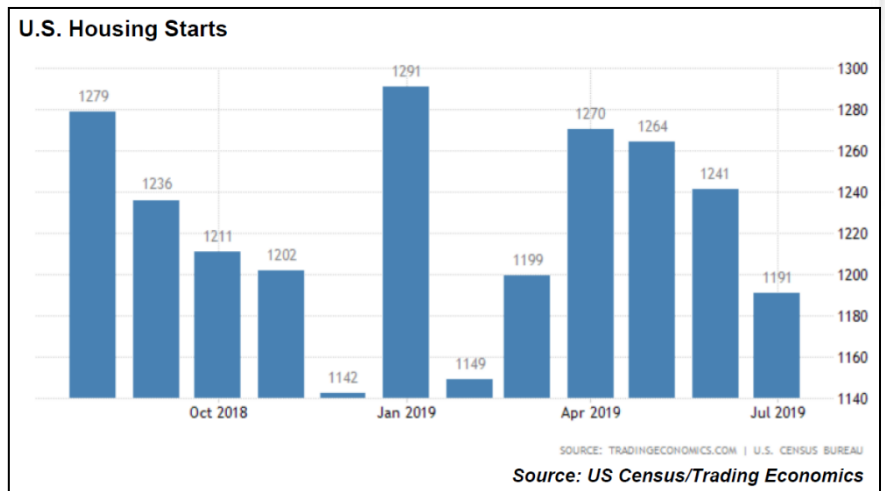
2019

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 Q2 2019 included 113 closed deals, according to data published by industry data tracker *FactSet*.

FirstService Corp acquired a 95% majority stake in Global Restoration Holdings LLC, a portfolio company of Delos Capital LLC, for US\$505 million in cash. The acquisition would be funded through FirstService Corp's cash on hand, new term loan and credit facility. The transaction also includes Interstate Restoration Group, Inc. and FirstOnSite Restoration LP. The acquisition would expand FirstService Corp's scale and capabilities in the property restoration sector and further complements its existing Paul Davis Restoration franchised and company owned operations. Founded in 1998, Global Restoration Holdings is located in Texas and functions as an investment company whose subsidiaries engage in disaster restoration, reconstruction and renovation services.



US housing starts dropped 4.0 percent between June and July to a seasonally adjusted annual rate of 1,191 thousand units.

Transactional Overview

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

April 2019 - Gannett Fleming Affiliates, Inc. acquired Sage Engineers, Inc. for an undisclosed amount. Gannett Fleming Affiliates provides infrastructure solutions with a focus on planning, design, technology and construction management services. Sage Engineers provides engineering and geological services. Its services include engineering geology, civil, structural, geotechnical, earthquake and electrical engineering. The company was founded in 1997 and is headquartered in Roseville, CA.



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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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April 2019 - QualTek USA LLC, a portfolio company of Brightstar Capital Partners LP, acquired Vertical Limit Construction LLC for an undisclosed amount. QualTek USA engages in the provision of turnkey services to the North American telecommunications, infrastructure and power industries. Vertical Limit Construction provides construction and technical services to the telecommunications industry. The firm serves wireless, energy, infrastructure and government industries. The company was founded in 2002 and is headquartered in Wanamingo, MN.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Stonewall Gas Gathering LLC	DTE Birdsboro Pipeline LLC
Shaughnessy & Ahern Co.	Maxim Crane Works LP; Apollo Global Management LLC
Sharp Residential LLC	Toll Brothers, Inc.
AM Engineering, Inc.	Fremont-Wright LLC
Cambridge Construction Management, Inc.	Round Table Capital Management LLC; Anser Advisory LLC
Waterhout Construction Co., Inc.	Tarlton Corp.
Dodd Builders Supply, Inc.	Griffin Lumber & Hardware
Pinnacle West Homes & Development LLC	Landsea Holdings Corp.

April 2019 - Songa Bulk ASA acquired Axxis Geo Solutions, Inc. for US\$47.4 million in stock, via reverse takeover. Songa Bulk Solutions ASA engages in the provision of freight transport services through sea. Axxis Geo Solutions provides global geophysical services. The company was in 2016 and is headquartered in Houston, TX.

Industry Update

Construction costs in the US increased nearly 6% in 2018, according to the first quarter 2019 North American Quarterly Construction Cost report from Rider Levett Bucknall. Cities experiencing the biggest cost increases were Chicago (7.6%), Portland (7.1%), San Francisco (6.7%), Phoenix (6.7%), Washington, DC (6.5%) and Seattle (6.4%). The cost increases included labor, materials, taxes, and overhead. Cities with below-average annual cost increases in 2018 included Las Vegas (5.4%), Honolulu (4.8%), New York (4.5%), Boston (4.4%), Los Angeles (4.4%), and Denver (4%). Cost increases can sometimes lead to project delays or cancellations.

Industry Indicators

- US corporate profits, an indicator of corporate demand for construction services, rose 3.1% in the first quarter of 2019 compared to the same period in 2018.
- The value of US nonresidential construction spending, a demand indicator for heavy construction, rose 5.0% year-to-date in June 2019 compared to the same period in 2018.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, fell 7.5% in July 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.

