

ENGINEERING · CONSTRUCTION

FOURTH 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.

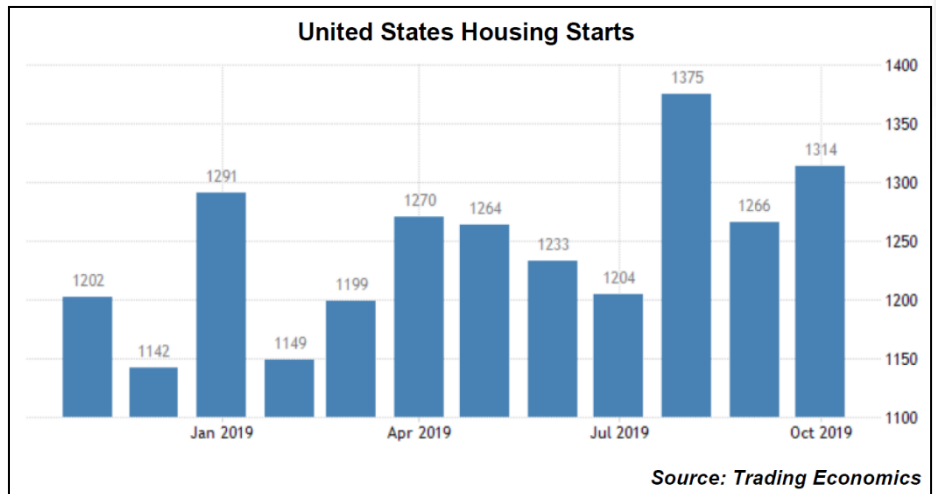
Engineering & Construction M&A

M&A activity for North American based target companies in the Engineering & Construction sector for Q3 2019 included 76 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions in the sector was announced in August when Sterling Construction Co., Inc. acquired Plateau Excavation Inc for US\$400 million in cash, stock and seller notes. Plateau Excavation is located in Austell, Georgia and provides construction services. Plateau Excavation full-year 2018 revenues were approximately US\$290 million.

US housing starts rose 3.8 percent from a month earlier to a

seasonally adjusted annual rate of 1,314 thousand units in October 2019, compared to market expectations of 1,320 thousand and following a revised 7.9 percent slump in September.



Transactional Overview

Notable closed lower middle market transactions for the period in the Engineering & Construction Sector include:

September 2019 - Restoration Builders, Inc. acquired Mid America Exteriors, Inc. for an undisclosed amount. Restoration Builders, Inc. engages in the provision of construction and maintenance services. Mid America Exteriors, Inc. engages in providing exterior general contracting space. Its services include roofing, siding, gutters and windows restoration work. The firm also provides water and fire damage restoration and mold removal services. The company is headquartered in Aurora, IL.



MERGERS, ACQUISITIONS, AND
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July 2019 - MYR Group, Inc. acquired CSI Electrical Contractors, Inc. for US\$79.7 million. MYR Group is a holding company that engages in the provision of electrical construction services. CSI Electrical Contractors provides electrical construction solutions. Its services include engineering, pre-construction, pre-fabrication, building management systems, service maintenance, system integration, structured cabling, wireless, solar and alternative energy services. The company was founded in 1990 and is headquartered in Santa Fe Springs, CA.

July 2019 - DLP Real Estate Capital, Inc. acquired Brite Homes of Florida LLC for US\$22 million. DLP Real Estate Capital engages in the single and multi-family real estate sectors. Brite Homes of Florida operates as a house building company. It offers new homes, contemporary, net zero and energy efficient affordable homes. The company is headquartered in Orlando, FL.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Innovative Power Systems, Inc. (Minnesota)	Smartpitch Ventures LLC
Evercon Energy LLC	Lineal Star Holdings LLC
APi Group, Inc.	J2 Acquisition Ltd.
Heritage Interests LLC	BMC Stock Holdings, Inc.
Plateau Excavation, Inc.	Sterling Construction Co., Inc.
CSI Electrical Contractors, Inc.	MYR Group, Inc.
Alabama Controls, Inc.	Huron Capital Partners LLC; Albireo Energy LLC
Environmental Energy Corp.	Huron Capital Partners LLC; Albireo Energy LLC

Industry Update

A third of the major urban roadways in the US are in poor condition, and a significant increase in road maintenance is needed to improve them, according to a report from transportation research group TRIP. The report, titled "Bumpy Roads Ahead: America's Roughest Rides and Strategies to Make Our Roads Smoother," evaluated pavement conditions in the nation's large (500,000+ population) and mid-sized (200,000-500,000 population) urban areas and calculated that driving on rough roads costs drivers up to \$1,049 annually through increasing needed repairs, maintenance, fuel consumption, tire wear, and accelerating vehicle deterioration. The nationwide annual cost to motorists of driving on deteriorated roads totals \$130 billion. The current backlog needed in road and highway rehabilitation is about \$419 billion, according to the US Department of Transportation. TRIP recommends increasing the nation's current \$41 billion annual investment in road maintenance by 33% to \$61 billion.

Industry Indicators

- US personal income, which drives consumer spending on home construction, rose 4.9% in September 2019 compared to the same month in 2018.
- The value of US residential construction spending, an indicator of the health of the residential construction market, dropped 7.9% year-to-date in September 2019 compared to the same period 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.

