

ENGINEERING · CONSTRUCTION

FIRST QUARTER

2018

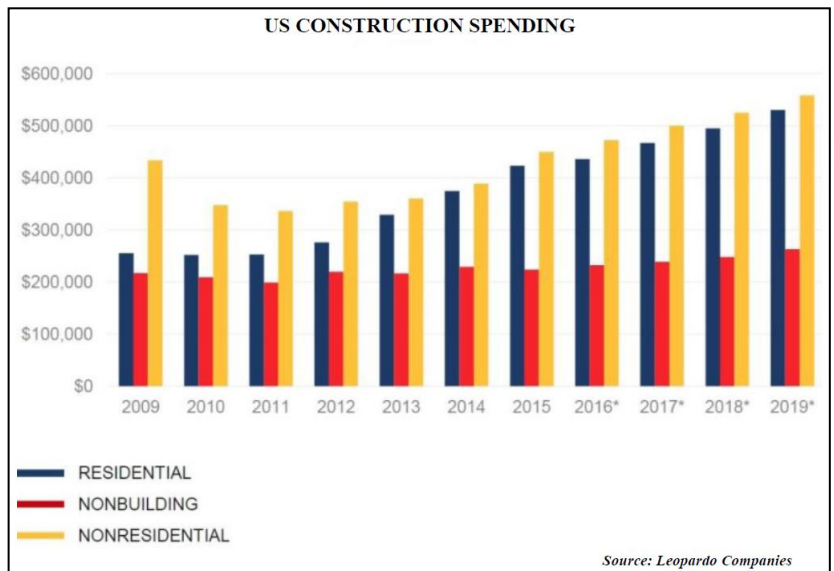
The Engineering & Construction Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Engineering & Construction category. Working with 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 Q4 2017 included 86 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable transactions of the quarter was announced in October when Lennar Corp acquired CalAtlantic Group, Inc. for US\$6.1 billion in cash and stock. The transaction is expected to generate annual cost savings and synergies of approximately US\$250 million, with approximately US\$75 million achieved in fiscal year 2018. Based in Irvine, California, CalAtlantic Group, Inc. provides home building services.

As the economy strengthens, construction spending across all sectors has increased.



Transactional Overview

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

December 2017 - AV Homes, Inc. acquired MMLC Texas Builders, LLC, trading as Oakdale Homes and Hampton Homes, for approximately US\$42 million in cash, subject to customary adjustments. The transaction was in line with growth strategy of AV Homes and enables it to enter into the Dallas/Fort Worth market. AV Homes is a homebuilder company, which engages in the business of homebuilding and community development in Florida, Arizona and the Carolinas. MMLC Texas Builders engages in construction of buildings. The company was founded in 1989 and is headquartered in Farmers Branch, TX.



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November 2017 - Southwest Gas Holdings, Inc. acquired New England Utility Constructors, Inc. for US\$95 million in cash. Southwest Gas Holdings engages in the energy business. It operates through the Natural Gas Operations and Construction Services segments. New England Utility Constructors provides construction services. The company was founded in 1972 and is headquartered in Lawrence, MA.

November 2017 - King Engineering Associates, Inc., a portfolio company of Round Table Capital Management, LLC and Kain Capital, LLC acquired Stouten Cramer, Inc. for an undisclosed amount. King Engineering Associates provides engineering and management services. Stouten Cramer provides engineering and management services. It offers waste and water engineering and resources, disaster management, and land development to the residential, commercial, engineering and development, and environmental industries. The company is headquartered in Cape Coral, Florida.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Allpro Insulation Co.	Installed Building Products, Inc.
West Penn Non-Destructive Testing LLC	MISTRAS Group, Inc.
Home South Communities	CalAtlantic Group, Inc.
PAVETEX Engineering LLC	Bernhard Capital Partners Management LLC
BTP Systems LLC	Serco, Inc.
The Omnicon Group, Inc.	Spectris Plc
Onepath Systems LLC	MSouth Equity Partners LLC
PDT Architects P.C.	Long Point Capital, Inc.; CHA Consulting, Inc.

Industry Update

High IT Professional Turnover Forecast for 2018 - High demand and low supply of IT professionals may lead to turnover in 2018, according to Spiceworks' IT Career Outlook for 2018. The report, cited recently in Tech Republic, surveyed more than 2,100 IT professionals from North America and Europe. About a third of respondents said they plan to search for or take an IT job with a new employer in 2018. Among those seeking to switch employers, 75% said they are seeking higher pay, 70% said they want to advance their skills (particularly in cybersecurity), and 39% said they want to work for a company that better prioritizes IT. Despite more than 80% of IT professionals reporting that cybersecurity expertise is critical, only about 20% reported having advanced cybersecurity knowledge. Millennials said they are most likely to seek new employment (36%), followed by Gen Xers (32%), and baby boomers (23%). Some 68% of millennial IT workers feel underpaid, compared to 60% of Gen X and 61% of baby boomers.

Industry Indicators

- Total US consumer spending, a driver for the IT needs of consumers, rose 1.7%, primarily from services expenditures, in December 2017 compared to the same month in 2016.
- US corporate profits, an indicator for corporate investment in information technology, rose 5.4% in the third quarter of 2017 compared to the same period in 2016.
- Total US revenue for computer systems design and related services rose 2.3% in the third quarter of 2017 compared to the previous year.

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.

