



Engineering & Construction

ANNUAL UPDATE 2021

Record-Breaking Engineering & Construction M&A Activity in 2021

Buyer Demand & Access to Capital Driving 2022 Momentum

Construction Starts Projected to Rise in 2022



2021 Markets and Momentum Build

As 2020 ended, COVID was still impacting many segments of the economy and construction markets. The industry saw projects being pushed, and the year started gradually as construction clients were slow to restart projects. Into the second quarter, conditions improved and outlooks were more positive. The year ended on a positive note, with construction starts for 2021 projected to increase 12% over 2020 to \$893 billion.

Residential starts led the way in 2021 with an expected 17% increase. This trend is expected to continue in 2022 as homeowners seek more open space and can work virtually from almost anywhere. Somewhat surprisingly, commercial starts are expected to increase 15% in 2021, though not enough to offset the 20% decline seen in 2020. Manufacturing was hit very hard in 2020, with a decline of 54%. 2021 should see an improvement of 46% in 2021 due to pent-up demand. 2022 is expected to be flat, and challenges remain in production and distribution networks. Non-building construction starts are expected to increase slightly by 1%. This includes improvements in public works and electric power/utility markets created by the infrastructure bill and need to strengthen the U.S. power grid.

For the M&A markets, 2021 was a boom year. Potential increases in capital gains taxes, pent-up demand from 2020, and liquid capital markets contributed to both strategic and financial buyers being extremely active. Multiples for sellers, especially in the “hot” end markets of utilities, telecom, and water/wastewater, increased significantly. Private equity again played a major role as new platforms were created or existing ones executed a high volume of add-on acquisitions. The second half of 2021 was one of the busiest the industry has ever seen, and this pace shows no signs of slowing down as we enter 2022.

The industry and the M&A markets within the sector are positioned for growth. Strategics continue to seek diversification via entry into new markets, new services, and new geographies. Private equity continues to raise record fund amounts, and lenders are ready to support transactions. ESG factors are impacting deals, with many strategics and fund managers taking environmental impacts of target companies into consideration. Inflation and demand for labor will be governors on growth for the sector during the year. Hot end markets will be those that are technology driven, infrastructure related (especially water and transportation), and telecom/utility focused.

Key Takeaways

- 2021 started slowly as markets recovered from 2020 and facilities were slow to open.
- There was a strong rebound in all three major start types: residential, non-residential, and non-building.
- M&A markets rebounded strongly, with the second half of 2021 extremely robust.
- Utilities, telecom, infrastructure, and technology-oriented end markets are particularly strong.
- Inflation and demand for labor could be governors on growth.

Industry Statistics

INDUSTRY INDEXES

Engineering Services



Industrial Contracting Services



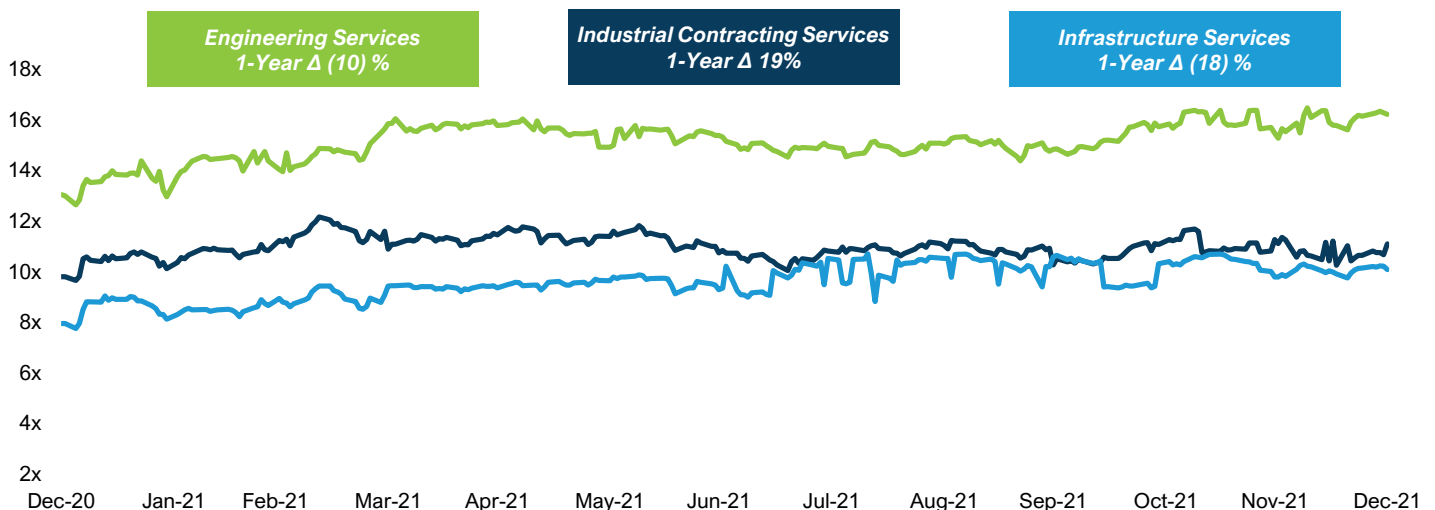
Infrastructure Services



5-YEAR HISTORICAL ENTERPRISE VALUE / LTM EBITDA MULTIPLES



1-YEAR HISTORICAL ENTERPRISE VALUE/LTM EBITDA MULTIPLES



Source: S&P Capital IQ and Stout Proprietary Database

Macroeconomic Update

RECENT MACRO PERFORMANCE

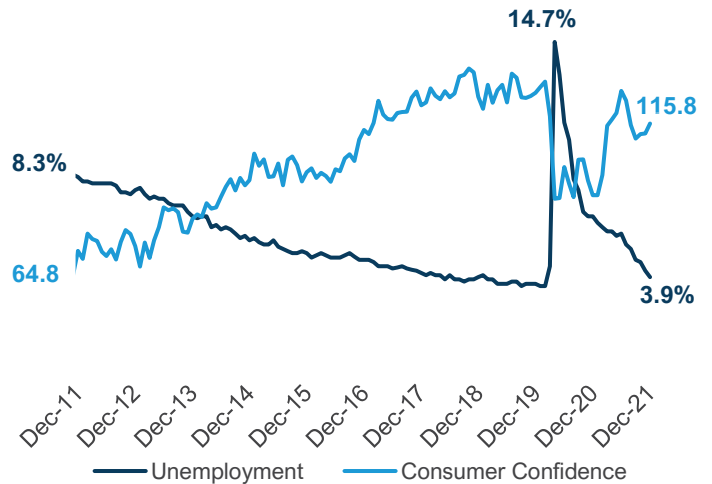
The global economy has proven to be remarkably resilient even as COVID-19 cases have remained at elevated levels. Over the past year, the unemployment rate and unemployed persons measures fell by 2.8% and 4.5 million, respectively, as vaccines became widely available and many in-person events resumed. Real U.S. GDP growth was strong in 2021 as the economy reached new all-time highs.

In 2021, U.S. inflation hit its fastest pace in nearly four decades as pandemic-related supply chain shortages, along with government stimulus checks, pushed prices up at a 7% annual rate. December marked the third straight month in which inflation exceeded 6%.

Real GDP has been rebounding and growing at an extremely high rate since the pullback in 2020 relative to its historical growth rate. Quantitative easing and government stimulus have contributed to the continued growth of the economy.

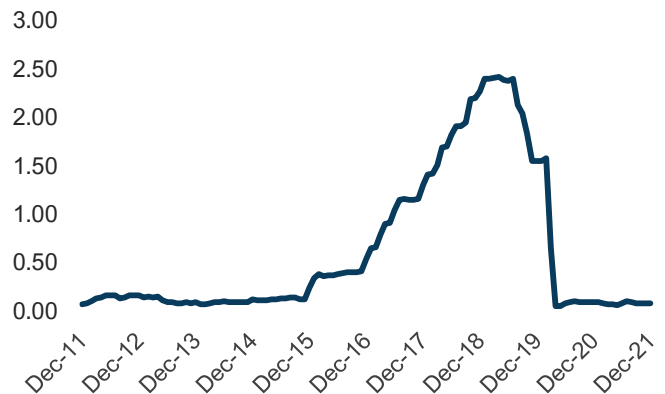
Unemployment and Consumer Confidence

(Percentage of unemployed persons in the U.S. labor force)
(Index of consumer sentiment; long-term average = 100)



Source: Bureau of Labor Statistics; University of Michigan Consumer Confidence Report

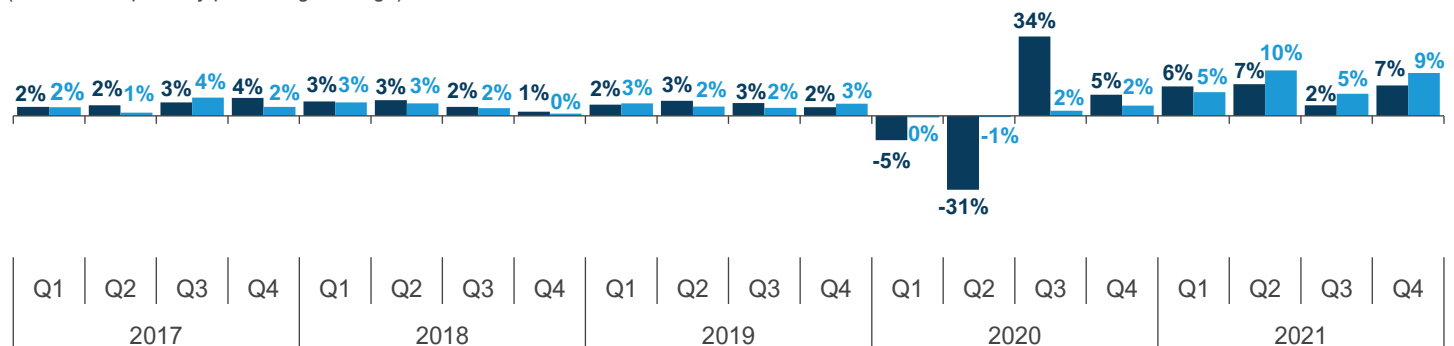
Federal Funds Effective Rate



Source: U.S. Bureau of Labor Statistics

Real GDP Growth and Inflation

(Annualized quarterly percentage change)



Source: FRED Economic Data

(1) Q4 2021 real GDP growth is based on Federal Reserve Bank of Atlanta's: GDPNow estimate

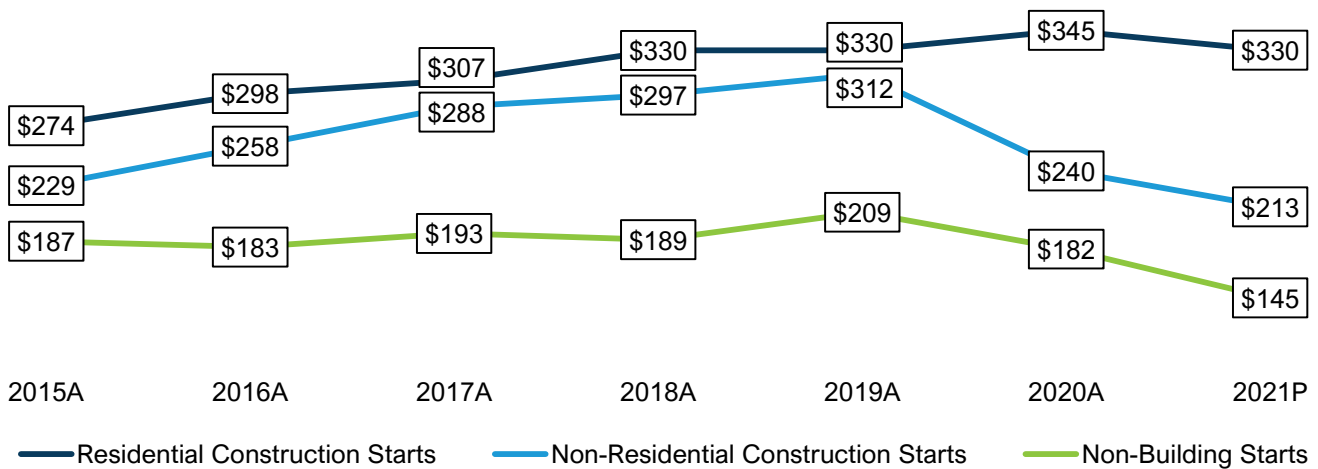
Macroeconomic Update

CONSTRUCTION STARTS AND MATERIAL COST TRENDS

2020 saw declines in non-residential and non-building construction starts, while residential construction starts rose slightly. 2021 construction starts are projected to decline across all three categories. Industry participants have had to manage through significant material cost increases, supply chain disruptions, and labor pressures. Supply chain issues and a potential decrease in inflation are expected to help with a return to a more normal operating environment.

Crude oil prices increased toward the end of 2021 and into 2022 due to global demand, supply side limitations in the U.S., and international relation issues. Spending in the sector increased as production ramped up and petrochemical projects started.

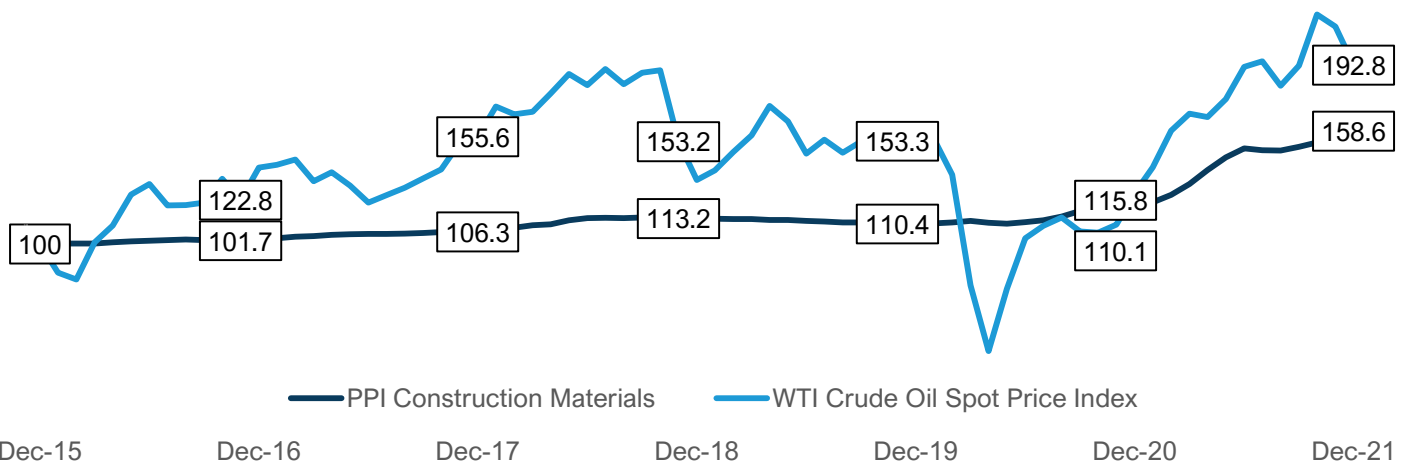
Construction Starts (\$ in billions)



Source: Dodge Construction Network

Producer Pricing Index: Construction Materials and Crude Oil

(L6Y relative index price performance by type)
(Indexed to 100 as of 12/1/2015)



Source: U.S. Bureau of Labor Statistics

Public E&C Company Year-Over-Year Changes

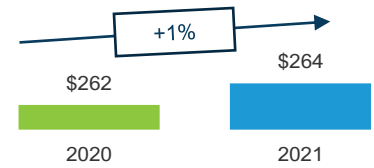
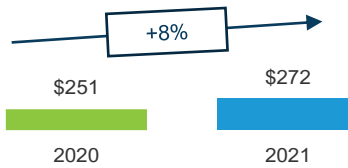
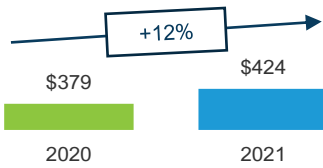
Average LTM EBITDA improved YoY for Engineering, Infrastructure Services, and Industrial Contracting firms. Firms across the industry have experienced a dramatic bounce back following any downturns experienced due to COVID-19 in 2020. Average EV / LTM EBITDA has increased for all three categories, and Average Market Cap has increased substantially for all three categories. This indicates positive sentiment for the sector.

Engineering Services

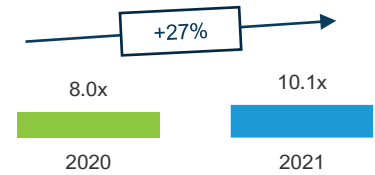
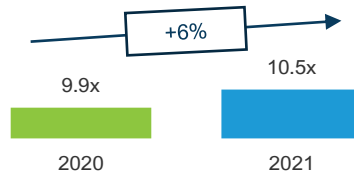
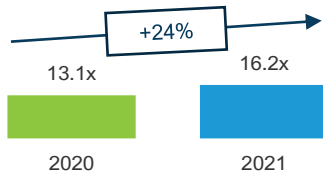
Industrial Contracting Services

Infrastructure Services

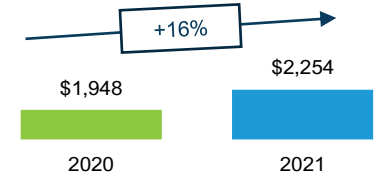
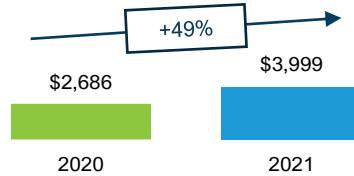
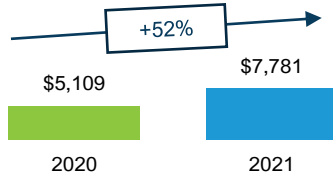
Average LTM EBITDA



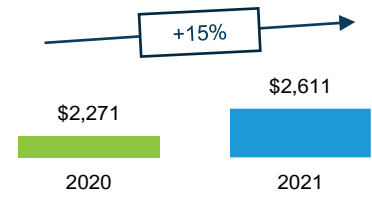
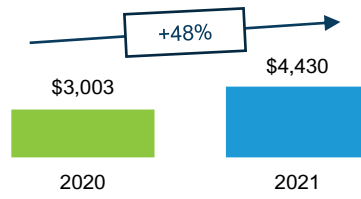
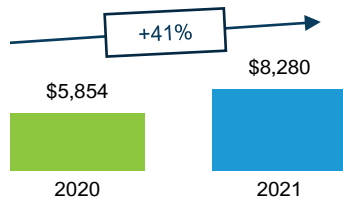
Average EV / LTM EBITDA



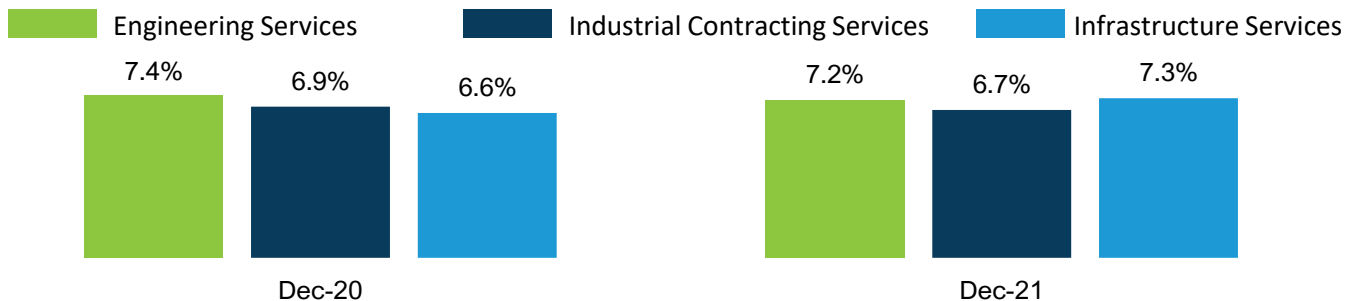
Average Market Cap



Average Enterprise Value



LTM EBITDA Margin



Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

RECENT CONSTRUCTION TRANSACTION

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Dec-21	Chemex Global	Modular and renewable diesel refining	The Shaw Group
Dec-21	TriStruX	Telecommunications and electrical contracting	Huron Capital
Dec-21	Midwest Cooling Tower Services (Dorilton Capital)	Diversified support services	Specialty Welding & Turnarounds, LLC ("SWAT"; Orix Capital Partners)
Dec-21	Henkels & McCoy Group, Inc.	Utility services	MasTec, Inc.
Dec-21	Alpha Foundations	Foundation repair	Groundworks (Cortec Group)
Dec-21	RESA Power, LLC (Blue Sea Capital)	Heavy electrical equipment	Investcorp
Dec-21	Odin Construction Solutions	Geotechnical and environmental services	ORIX Capital Partners, LLC
Dec-21	RMS Mechanical Services	Diversified support services	Tech24 (HCI Equity Partners)
Dec-21	Frontline Concrete, Inc.	Concrete construction	Lithko Contracting (The Pritzker Organization)
Dec-21	Crown Utilities	Utility services	Revive Infrastructure Group (fka Excel Utility Contractors; Sileo Capital)
Dec-21	Darrah Contracting	Utility services	Revive Infrastructure Group (fka Excel Utility Contractors; Sileo Capital)
Dec-21	Jake Marshall, LLC	Mechanical contracting	Limbach Holdings, Inc.
Nov-21	Herbst Electric Company	Industrial electrical contracting	The State Group Inc. (Blue Wolf Capital)
Nov-21	Adkins Electric	Electrical contracting	Pacific Power & Systems (White Wolf Capital)
Nov-21	Ferrovial Services (TIMEC Oil & Gas)	Oil & gas construction and maintenance	Architect Equity Holdings
Nov-21	IMIA Group Holdings, LLC (J.F. Lehman & Company)	Marine and offshore services	The Carlyle Group and Stellex Capital Management
Nov-21	Global Mechanical, Inc.	Diversified support services	American Refrigeration Company (Southfield Capital)
Nov-21	Midwestern Electric	Infrastructure services	CAI Capital Partners
Oct-21	Barricade Services & Sales	Trading companies and distributors	RoadSafe Traffic Systems (Investcorp. & Trilantic NA)
Oct-21	PrimeTech Communications	Utility services	ADB Companies (Warren Equity)
Oct-21	Southern HVAC (MSouth Equity Partners)	Plumbing, heating & cooling services	Gryphon Investors

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

RECENT CONSTRUCTION TRANSACTION (cont.)

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Sep-21	RailWorks. Corp. (Wind Point Partners)	Rail transportation infrastructure	Bernhard Capital Partners
Sep-21	Mellott Company	Rock crushing and screening	MFG Partners
Sep-21	Ironwood Power Services	Electrical contracting	Cyprium Partners
Sep-21	Fosler Construction Company, Inc.	Solar energy construction services	Babcock & Wilcox Enterprises
Sep-21	L&S Mechanical	Plumbing, heating & cooling services	The Sterling Group L.P.
Sep-21	Blattner Energy	Electrical contracting	Quanta Services, Inc.
Sep-21	Tecta America Corp. (minority investment)	Commercial roofing contractor	Leonard Green & Partners, L.P.
Aug-21	Brace Industrial Group	Commercial and industrial services	BrandSafway (CD&R/ Brookfield Partners)
Aug-21	Able Services	Engineering and facility maintenance solutions	ABM
Aug-21	Quebe Holdings, Inc.	Electrical contracting	EMCOR Group Inc.
Aug-21	HydroChemPSC	Utility services and specialty maintenance	Clean Harbors
Aug-21	Kane Communications	Technology infrastructure	Aterian Investment Partners
Jul-21	Environmental Infrastructure Solutions (O2 Investment Partners)	Environmental and infrastructure solutions	Sun Capital Partners
Jul-21	Environmental Management Alternatives	Environmental services	HEPACO, LLC (Gryphon Investors)
Jul-21	Recon Services, Inc.	Construction debris	Keller Group plc
Jul-21	TRP Infrastructure Services, LLC	Transportation infrastructure	Arlington Capital Partners
Jun-21	Amteck, LLC	Electrical contracting	Comfort Systems USA, Inc.
Jun-21	Finley Asphalt & Concrete, LLC	Transportation infrastructure	Pavement Partners Holdings, LLC (Shoreline Equity Partners)
Jun-21	Riggs Distler & Company	Utility services	Centuri Construction Group, Inc. (Southwest Gas)
Jun-21	Woodson, Inc.	Forestry services	Gunnison Company (Warren Equity Partners, LLC)
Jun-21	Qualtek USA, LLC	Infrastructure services	Roth CH Acquisition III Co

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

RECENT CONSTRUCTION TRANSACTION (cont.)

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Jun-21	Gold Landscape (Trinity Private Equity Group)	Environmental and facility services	Outworx Group (Mill Point Capital LLC)
Jun-21	ArchKey Solutions	Electrical and instrumentation solutions	One Rock Capital Partners, LLC
Jun-21	ClearWater Solutions LLC	Utility services	Keystone Capital
May-21	Full-Tilt Constructors, Inc.	Concrete solutions	Lithko Contracting (The Pritzker Organization)
May-21	Feeney Utility Services Group	Diversified infrastructure services	Artera Services, LLC (CD&R)
May-21	DCK Worldwide LLC	Diversified services	Arena Investors, LP
May-21	Great Lakes Mechanical	Mechanical contracting	FM Sylvan, Inc. (Bluepoint Capital)
May-21	Edmonson Electric LLC	Residential homebuilding	IES Holdings Inc.
May-21	INTREN, LLC	Civil and utility services	MasTec, Inc.
May-21	Prescient Co., Inc.	Commercial development	Eldridge Industries, LLC and JE Dunn Construction
Apr-21	North American Substation Services (NASS) (Industrial Growth Partners)	Transformer and substation installation	Arcline Investment Management
Apr-21	Bradley Construction Management	Construction management	Bureau Veritas SA
Apr-21	Truesdell Corporation (Woodlawn Partners, Peninsula Capital Partners)	Concrete solutions	Strength Capital Partners
Apr-21	RoadSafe Traffic Systems (Orix Capital Partners)	Traffic safety	Investcorp and Trilantic
Mar-21	Anser Advisory, LLC	Research and consulting services	Sterling Investment Partners
Feb-21	Aegion Corporation	Infrastructure services	New Mountain Capital
Feb-21	Oscar W. Larson Company	Contracting services	Trive Capital Management LLC
Jan-21	Barriere Construction Co., LLC	Transportation infrastructure	CRH Materials Americas, Inc.

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

RECENT ENGINEERING TRANSACTION

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Dec-21	Global Realty Services Group, LLC	Real estate due diligence	NV5 Global, Inc.
Dec-21	Giuliani & Kull, Inc.	Civil engineering and land surveying	Ardurra Group (RTC Partners)
Dec-21	NuScale Power (new symbol: SMR; Fluor)	Nuclear small modular reactor technology	Spring Valley Acquisition Corp. (SPAC)
Dec-21	GSI Engineering	Environmental consulting and geotechnical engineering	Universal Engineering Sciences, LLC (Palm Beach Capital)
Dec-21	Cumming Group (Tailwind Capital)	Project and construction management	New Mountain Capital, LLC
Nov-21	Phoenix Engineering Services	Electric power field services	Qualus Power Services Corporation (New Mountain Capital)
Nov-21	Century Engineering	Multidisciplinary engineering	The Kleinfelder Group (Wind Point Partners)
Nov-21	BlackLynx, Inc.	Cyber intelligence software and services	Jacobs (NYSE:J)
Oct-21	Enterprise Automation	IT consulting	Tetra Tech, Inc. (NASDAQ:TTEK)
Oct-21	TRC Companies, Inc.	Environmental consulting and facilities services	Warburg Pincus LLC
Sep-21	SAM Companies (Austin Ventures)	Geospatial services	Peak Rock Capital
Sep-21	MNS Engineers, Inc.	Service infrastructure consulting	Long Point Capital
Sep-21	Forge Engineering, Inc.	Forensic, geotechnical, and construction consulting	SOCOTEC
Sep-21	CP&Y, Inc.	Architectural and engineering consulting	STV Group, Inc. (The Pritzker Organization)
Sep-21	HALIS	LiDAR and imagery acquisition	SAM Companies (Austin Ventures)
Sep-21	Waldrop Engineering	Land development consulting	Atwell Group
Sep-21	The Vertex Companies, Inc.	Multidisciplinary engineering	Wind Point Partners
Aug-21	Patterson Power Engineers	Engineering services	Qualus Power Services Corporation (New Mountain Capital)
Aug-21	Sage Renewable Energy Consulting, Inc.	Project management and energy consulting	NV5 Global, Inc.
Aug-21	The Whiddon Group	Transportation, engineering, and utility services	SAM Companies (Austin Ventures)
Aug-21	Paleo Solutions	Paleontological resource impact evaluations	Stantec Inc.

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

RECENT ENGINEERING TRANSACTION (cont.)

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Aug-21	WRECO	Civil engineering and environmental	HDR, Inc.
Aug-21	Griffith Engineering, Inc.	Multidisciplinary engineering	TLC Engineering Solutions, Inc.
Aug-21	Spectrum Engineering Corporation	Electric power and telecommunication services	EN Engineering (Kohlberg & Co.)
Jul-21	Universal Engineering Sciences (UES - Palm Beach Capital)	Environmental consulting and geotechnical engineering	BDT Capital Partners, LLC
Jul-21	Alliance Technical Group (Align Capital Partners)	Source testing and emission monitoring	Morgan Stanley Capital Partners
Jul-21	Pacific Groundwater Group	Environmental and water resources	Mott MacDonald
Jul-21	Bibb Engineers	Multidisciplinary engineering and construction	S&B Engineers
Jul-21	O'Neill Service Group	Quality assurance and environmental services	Atlas Technical Consultants (Nasdaq:ATCX)
Jul-21	Environmental Intelligence, LLC	Environmental and facilities services	Montrose Environmental Group (Oaktree; NYSE: MEG)
Jun-21	Trinity Consultants (Levine Leichtman Capital Partners)	Environmental consulting	Oak Hill Capital
Jun-21	Environmental Services Business Unit - Black & Veatch	Environmental services	Versar, Inc.
Jun-21	PCI Skanska	Civil construction	Salas O'Brien Engineers, Inc. (Caltius Structured Capital)
Jun-21	Horizon Air Measurement Services, Inc.	Emission testing services	Alliance Holdings, LLC (Align Capital Partners)
Jun-21	Quatric Solutions	IT consulting and other services	TRC Companies, Inc. (New Mountain Capital, LLC)
Jun-21	Milestone Solutions	Road usage charging and pricing	CDM Smith
Jun-21	WKE	Multimodal transportation engineering	HDR, Inc.
Jun-21	Qualus Power Services Corporation (Mason Wells)	Electric power engineering and field services	New Mountain Capital, LLC
May-21	M&E Engineering Consultants	Mechanical, electrical, and structural consulting	Rimkus Consulting (Century Equity Partners)
May-21	Infrastructure Engineering Corporation	Engineering, construction, and environmental consulting services	Ardurra Group, Inc. (RTC Partners)
May-21	Prime Engineering, Inc.	Engineering, surveying, and construction services	Godspeed Capital Management LP
Apr-21	O'Brien & Gere (Ramboll Group)	Multidisciplinary engineering	Alliance Holdings, LLC (Align Capital Partners)

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

RECENT ENGINEERING TRANSACTION (cont.)

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Apr-21	Robert Sillman Associates Structural Engineers	Structural engineering services	T.Y. Lin International
Mar-21	TranSystems	Transportation infrastructure	Sentinel Capital Partners
Mar-21	Woolpert, Inc. (Long Point Capital)	Architectural, engineering, and geospatial consulting services	MSD Partners, L.P.
Feb-21	Earth Consulting Group	Research and consulting services	WSP Global
Feb-21	Gibbs & Cox, Inc.	Ship engineering and design services	Leidos Holdings, Inc.
Feb-21	TerraTech Engineers, Inc.	Geotechnical engineering and environmental consulting	NV5 Global, Inc.
Feb-21	Millennium Engineering and Integration Company	Electronic Manufacturing Services	QuantiTech LLC (Sagewind Capital)
Feb-21	Reiss Engineering	Engineering and consulting	CHA Consulting
Feb-21	UniversalPegasus International	Multidisciplinary engineering	PMC Capital
Feb-21	Enercon Services Inc.	Architectural engineering and management services	AE Industrial Partners LLC
Jan-21	Murraysmith, Inc. and Quincy Engineering, Inc.	Civil engineering	CONSOR Engineers, LLC (Keystone Capital)

Source: S&P Capital IQ and Stout Proprietary Database

Stout E&C Investment Banking Team

ABOUT

For more than 30 years, Stout has exclusively focused on serving the unique M&A transaction advisory needs of middle-market clients. Our firm is a trusted advisor to leading organizations due to our deep industry knowledge, senior-level attention, process expertise, and relentless focus on delivering unparalleled results.

The Stout Engineering and Construction team has deep experience and expertise across numerous industry subsectors, processes, and end markets.

FOCUS AREAS

Sub-Sector Coverage Areas

- Architecture & Engineering
- Construction/Program Management
- Facilities Services
- General/Specialty Contracting
- Industrial Services
- Test & Measurement Services
- Utility Services

End Markets

- Buildings
- Energy
- Facilities
- Infrastructure
- Manufacturing
- Utilities

SELECT TRANSACTIONS

 <p>has been acquired by</p>  <p>SELL-SIDE ADVISOR</p>	 <p>has been acquired by</p>  <p>SELL-SIDE ADVISOR</p>	 <p>The integrity maintenance platform of EMS USA, Inc., has been acquired by</p>  <p>SELL-SIDE ADVISOR</p>
 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>SELL-SIDE ADVISOR</p>	 <p>Hill International</p> <p>has completed a \$165,000,000 refinancing of senior debt facilities</p> <p>FINANCIAL ADVISOR</p>	 <p>The Heavy Civil division of Layne has been acquired by Management and other investors</p> <p>SELL-SIDE ADVISOR</p>
 <p>has merged with</p>  <p>SELL-SIDE ADVISOR</p>	 <p>has acquired</p>   <p>BUY-SIDE ADVISOR</p>	 <p>has been acquired by</p>  <p>SELL-SIDE ADVISOR</p>

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ABOUT STOUT INVESTMENT BANKING

Stout's Investment Banking group provides mergers and acquisitions (M&A) advisory, capital market financing, and other financial advisory services to portfolio companies of private equity firms, closely held or family-owned businesses, and divisions of large corporate parents. Learn more about our [Investment Banking services](#).

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