



Engineering & Construction

ANNUAL UPDATE | 2022





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Insights and Observations

Stout is pleased to present our Engineering and Construction Industry Update for 2022. Through our team's ongoing dialogue with top industry participants and analysis of subsector performance, we have outlined key takeaways below:

- ❖ M&A activity remained strong and highly competitive in the first half of 2022, with engineering, industrial services, and utility-related firms seeing strong activity. Financial sponsors and hybrids (sponsor-owned companies) were the most active as several consolidation-focused strategies continued to be busy. Purchase price multiples were above long-term averages in these segments as well.
- ❖ The second half of the year showed a decline in activity, and year-over-year activity was down slightly as a result. Rising costs of capital, inflationary pressures, and uncertainty in forecasting contributed to this decline.
- ❖ We believe that multiples will remain elevated in certain company types, end markets, and geographies, but a return to more of a "buyer's market" is certainly possible. Larger strategics and employee-owned companies (including ESOPs) should be active and can represent a viable solution for sellers.
- ❖ While single family residential, lodging, and office starts are projected to decline in 2023 per the AGC, spending on public infrastructure, the grid, and technology (EV, battery, and chip plants) is expected to see increased activity due to government-funding programs and long-term conversion to electric vehicles.

We hope that you find this edition helpful and that it serves as a valuable resource in staying up to date on the market. Please contact us directly if you would like to discuss our perspectives on current industry trends, M&A opportunities, or our relevant experience.

Macroeconomic Update

RECENT MACRO PERFORMANCE

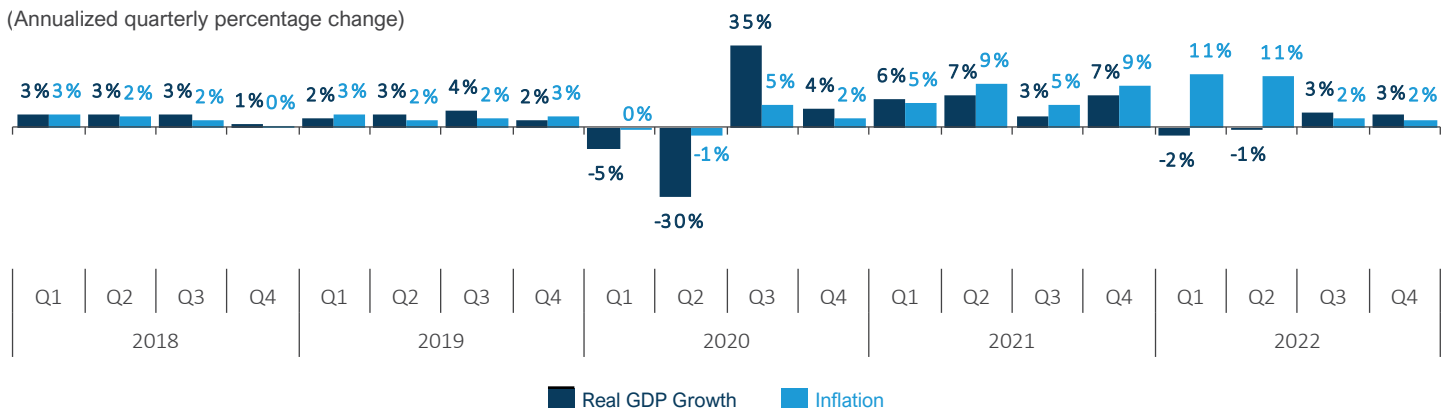
The U.S. and global economy endured high levels of uncertainty and speculation throughout 2022. Over the past year, the largest story was the concerning inflation rate in the first two quarters of 2022 and the government's subsequent monetary policy actions to combat it.

Domestically, the U.S. experienced low GDP growth along with high inflation rates in the first half of the year, with both metrics normalizing in Q3 and Q4. Inflation eased in December for the sixth straight month after a peak in mid-2022, likely in response to the Federal Reserve aggressively increasing interest rates. Inflation in 2022 closed with an annual reading of 6.5%, as reported by the U.S. Bureau of Labor Statistics.

As mentioned, monetary policy, specifically a hike in the federal funds rate, played a key role in slowing inflation. The effective rate increased from 0.1% in January to 4.1% in December, representing a 12-month increase of 4.0%. However, rate increases continue to adversely affect most lending markets and will continue to do so until rates slow and revert to historical levels.

Real GDP Growth and Inflation

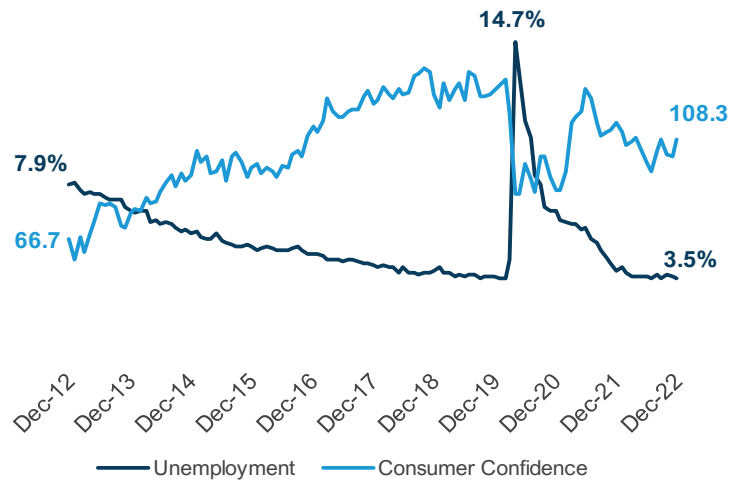
(Annualized quarterly percentage change)



Source: FRED Economic Data; Bureau of Economic Analysis

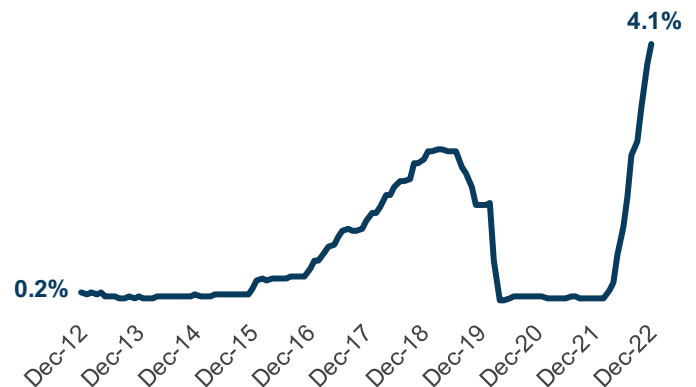
Unemployment and Consumer Confidence

(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: Board of Governors of the Federal Reserve System

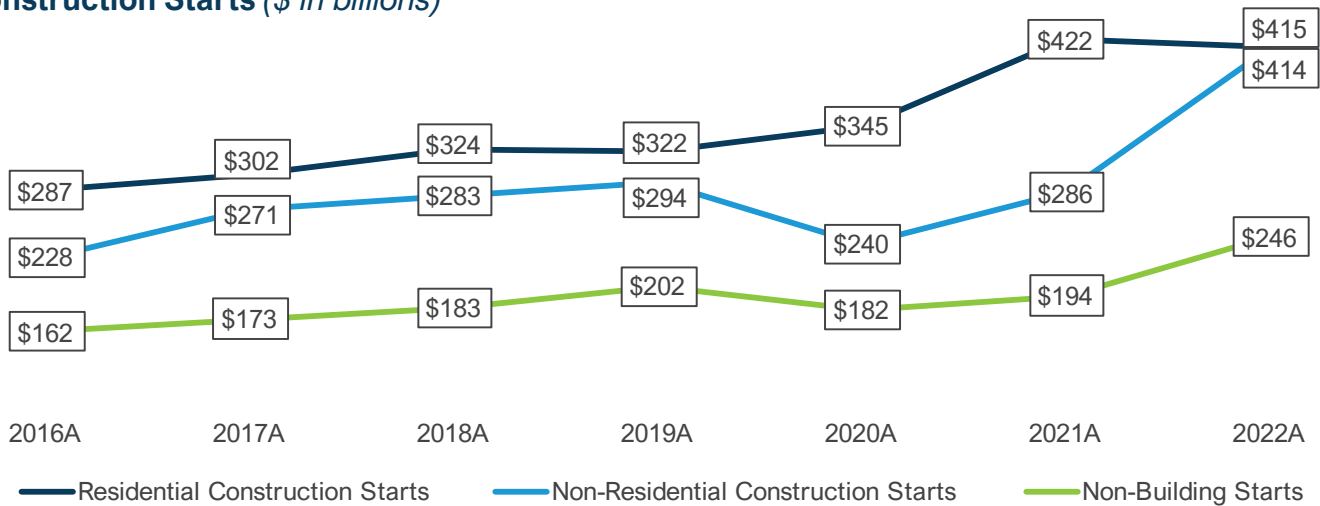
Macroeconomic Update

CONSTRUCTION STARTS AND MATERIAL COST TRENDS

From 2020 to 2021, total construction starts saw a year-over-year increase of 17.6% as the economy rebounded from the pandemic. In 2022, the upward trend continued, with non-building starts increasing 26.9%, non-residential starts increasing 45.3%, and residential starts slightly decreasing by 1.7%. Nevertheless, total construction starts increased 19.4% since 2021 despite economic headwinds. Dodge Construction projects total starts to slow but slightly increase in 2023.

Crude oil prices increased throughout the first half of 2022 due to geopolitical tension with Russia, followed by a subsequent decrease in the second half of the year as fears of a recession decreased demand. The construction materials PPI remained largely consistent from 2021 to 2022.

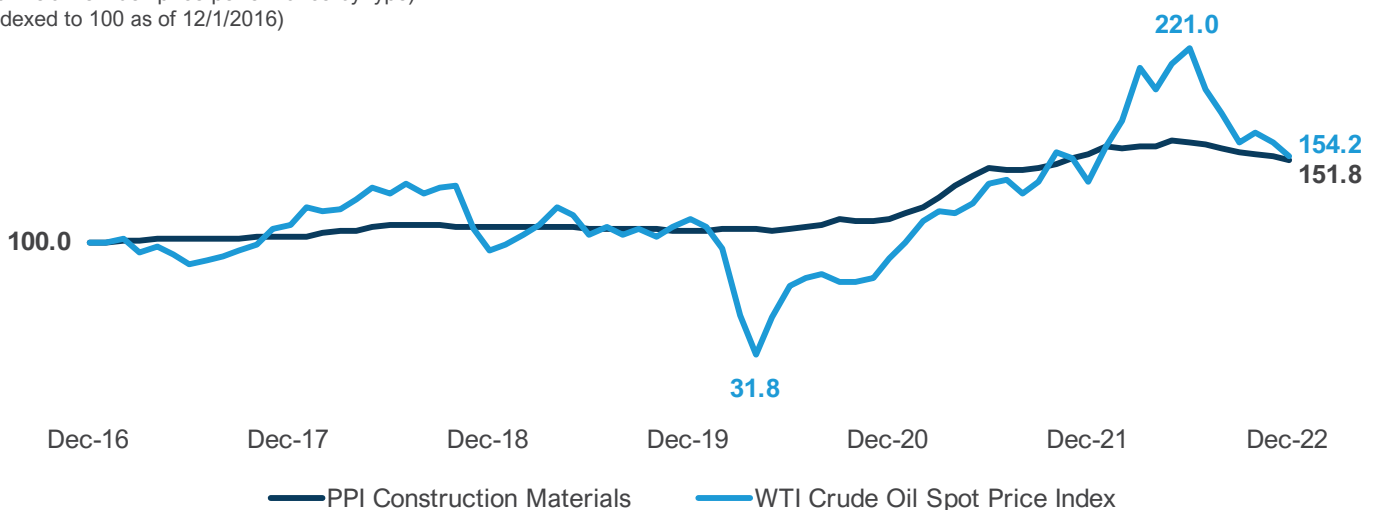
Construction Starts (\$ in billions)



Source: Dodge Construction Network

Construction Materials Producer Price Index vs. Crude Oil Spot Price Index

(L6Y relative index price performance by type)
(Indexed to 100 as of 12/1/2016)



Source: U.S. Bureau of Labor Statistics; U.S. Energy Information Administration

Industry Statistics

INDUSTRY INDEXES

Engineering Services



Industrial Contracting Services



Infrastructure Services

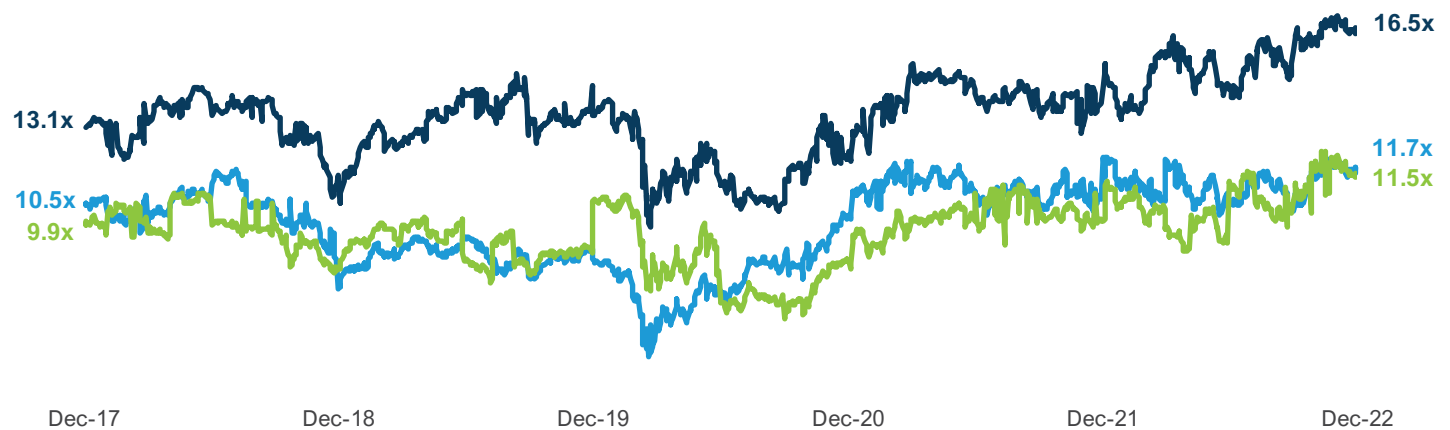


5-YEAR HISTORICAL ENTERPRISE VALUE / LTM EBITDA MULTIPLES

Engineering Services
5-Year Δ 25.7%

Industrial Contracting Services
5-Year Δ 11.3%

Infrastructure Services
5-Year Δ 17.0%

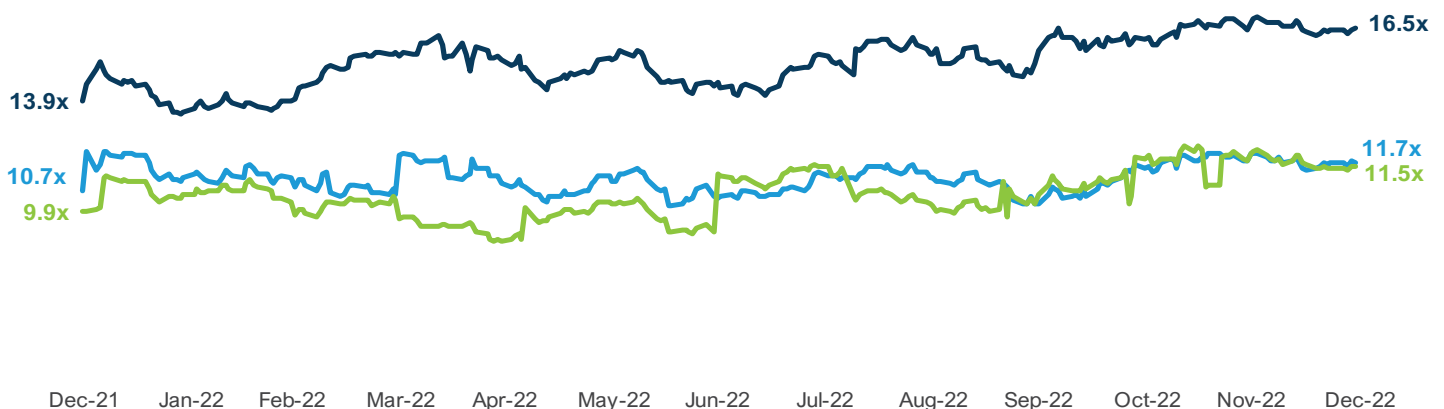


1-YEAR HISTORICAL ENTERPRISE VALUE / LTM EBITDA MULTIPLES

Engineering Services
1-Year Δ 18.5%

Industrial Contracting Services
1-Year Δ 9.5%

Infrastructure Services
1-Year Δ 16.3%

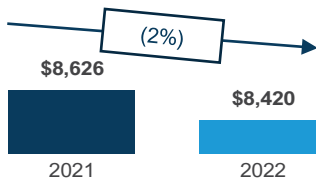
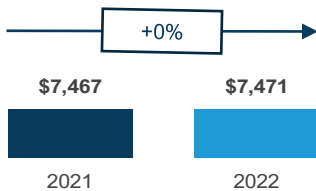
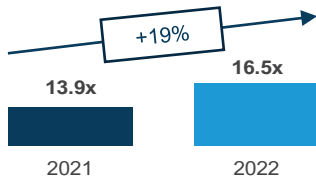
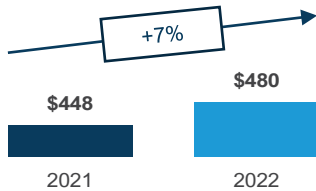


Source: S&P Capital IQ and Stout Proprietary Database

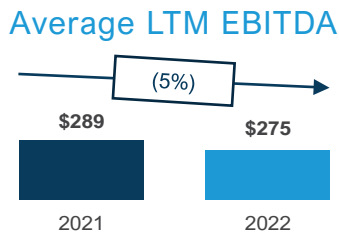
Public E&C Company Year-Over-Year Changes

Average EV / LTM EBITDA increased year over year for engineering, infrastructure services, and industrial contracting firms. However, although valuation metrics increased for all sectors, industrial contracting and infrastructure service firms saw decreases in their LTM EBITDA margins. This decrease in profitability can likely be attributed to construction material price increases and other global supply chain challenges.

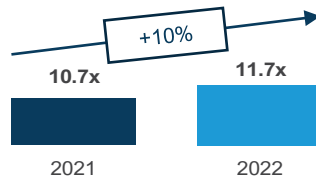
Engineering Services



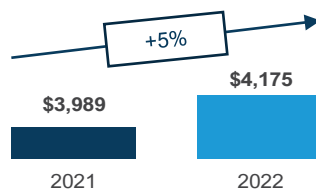
Industrial Contracting Services



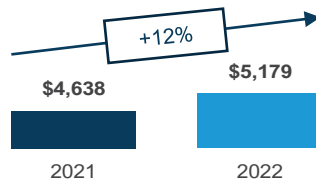
Average EV / LTM EBITDA



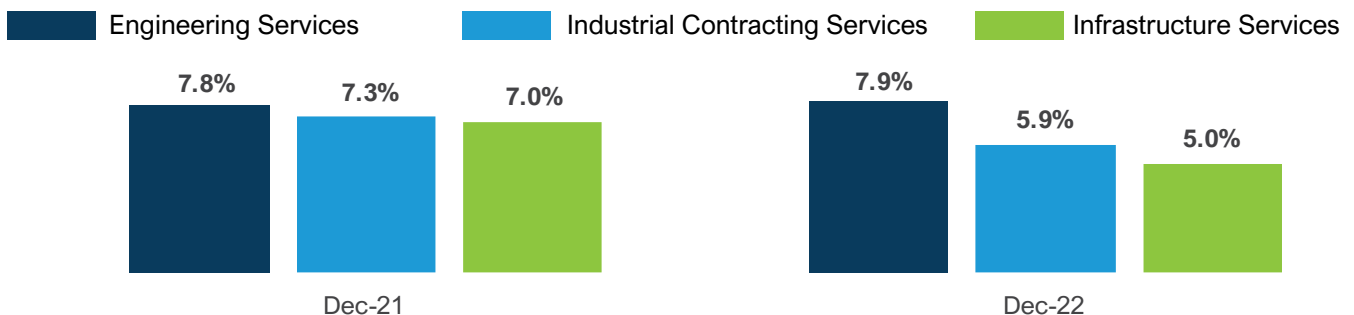
Average Market Cap



Average Enterprise Value



LTM EBITDA Margin



Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

ENGINEERING SERVICES

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Dec-22	Dempsey Surveying Company	Land survey	Atwell
Dec-22	Allnorth Consultants	Engineering / project delivery	Long Point Capital
Dec-22	Tri Sage Consulting	Utility engineering	Qualus Power Services (New Mountain Capital)
Dec-22	Greeley and Hansen	Water engineering	TY Lin
Dec-22	Armstrong Consultants	Airport engineering/planning	H. W. Lockner
Dec-22	Boston Government Services, LLC and Sterling Engineering & Consulting Group	Government engineering	Bernhard Capital Partners
Nov-22	Urban Engineering and Urban Civil	Public works design/consulting	DCCM (White Wolf Capital)
Nov-22	Delta Engineering and Inspection	Commercial/residential engineering/inspections	Ramkus Consulting (Century Equity Partners)
Oct-22	Magellan Advisors	Fiber network planning/design	ENTRUST Solutions Group (fka EN Engineering)
Oct-22	Echezabal & Associates	Public works survey/mapping	Survey and Mapping, LLC (SAM; Peak Rock Capital LLC)
Oct-22	Matthews Design Group	Public works engineering/design	DCCM (White Wolf Capital)
Oct-22	GAI Consultants	Power/energy/government engineering/planning	Comvest Partners
Oct-22	Overland, Pacific & Cutler	Transportation engineering/design	TranSystems (Sentinel Capital Partners)
Sep-22	T-O Engineers, Inc.	Aviation/transportation engineering	Ardurra Group (RTC Partners)
Sep-22	Grace Hebert Curtis Architecture	Architectural services	Bernhard Capital Partners
Aug-22	RPS Group plc	Engineering/architecture/consulting	WSP Global Inc.
Aug-22	Fulcrum, LLC	Real estate CM/consulting	The VERTEX Companies (Wind Point Partners)
Jul-22	LJB Inc.	Engineering/consulting/geospatial	Copley Equity Partners, LLC
Jul-22	The Mannik & Smith Group, Inc.	Transportation engineering/environmental/geospatial	Trilon Group (Alpine Investors)
Jul-22	300 Engineering	Water/wastewater engineering	Ardurra Group (RTC Partners)
Jul-22	IBI Group (TSX:IBG)	Architectural/engineering/landscape	Arcadis NV

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

ENGINEERING SERVICES

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Jul-22	Blue Oak Energy	Renewables engineering	TRC Companies (Warburg Pincus)
Jul-22	The Atlantic Group, LLC	Engineering / landscape design	WGI, Inc.
Jul-22	Zyscovich	Education / transportation architectural / interior design	Godspeed Capital Management LP
Jul-22	The Integration Group of Americas (TIGA)	Water/wastewater process automation	Tetra Tech, Inc. (NASDAQ:TTEK)
Jul-22	EYP Group Holdings	Graphic design / interiors / landscape design	Page
Jun-22	Ramey Kemp Associates (RKA)	Transportation engineering	Trilon Group (Alpine Investors)
Jun-22	CPH	Transportation architectural/engineering/planning	Trilon Group (Alpine Investors)
Jun-22	GL Planning & Design	Science/technology architectural/lab planning	Stantec Inc.
May-22	Alliance Transportation Group	Transportation architectural/engineering/planning	DCCM (White Wolf Capital)
May-22	Armstrong-Douglass Structural Engineers	Commercial/multi-family architectural/engineering	Salas O'Brien Engineers, Inc. (Caltius Structured Capital)
May-22	Draper Aden Associates (DAA)	Public works engineering/consulting	TRC Companies (Warburg Pincus)
May-22	GEI Consultants, Inc.	Permitting/design/engineering/CM	Global Infrastructure Solutions, Inc. (GISI)
May-22	Aztec Technologies	Life sciences process automation system integration	Trinity Consultants (Oak Hill Capital)
May-22	Resilient Analytics	Public works resiliency consulting	Stanley Consultants
May-22	Geosyntec Consultants	Public works engineering/planning/consulting	Blackstone Energy Partners
May-22	Nelson Engineering Company	Government / commercial design / facility engineering	Salas O'Brien Engineers, Inc. (Caltius Structured Capital)
May-22	DRMP Inc.	Transportation engineering	Trilon Group (Alpine Investors)
May-22	ESI Consultants	Infrastructure engineering	Trilon Group (Alpine Investors)
May-22	Traffic Engineering Data Solutions, Inc. (TEDS)	Transportation engineering/planning	Stanley Consultants
May-22	Rachlin Partners	Education architectural/engineering/CM-PM	Huckabee Architects Inc. (Godspeed Capital)
Apr-22	Atlantic Design Group	Government / healthcare / commercial architectural / engineering	JS Global, LLC (White Wolf Capital)

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

ENGINEERING SERVICES

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Apr-22	PGH Petroleum & Environmental Engineers LLC	Oil & gas / power consulting/planning/engineering	GAI Consultants
Apr-22	CPM Associates	Transportation engineering/CM-PM	CONSOR Engineers, LLC (Keystone Capital)
Apr-22	Miller Surveying	Transportation survey/planning	DCCM (White Wolf Capital)
Mar-22	TranSmart Technologies, Inc.	Transportation engineering/consulting	Atlas Technical Consultants (Nasdaq:ATCX)
Feb-22	ESS Group	Power/renewables engineering/consulting	TRC Companies (Oak Hill Capital)
Feb-22	Waggoner Engineering	Transportation engineering/design/planning	Trilon Group (Alpine Investors)
Jan-22	SPF Water Engineering	Water/wastewater engineering	HDR, Inc.
Jan-22	PM Environmental, Inc.	Environmental consulting/engineering	Keystone Capital Management

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

CONSTRUCTION AND INDUSTRIAL SERVICES

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Dec-22	GridSource	Utility services	Hastings Equity Partners, LLC
Dec-22	Concrete Construction Services of Arizona LLC	Residential foundations	Sterling Infrastructure, Inc. (NasdaqGS:STRL)
Dec-22	Industrial Services Solutions (JZ Capital Partners; Edgewater Services)	Industrial maintenance/repair	Wynnchurch Capital LLC
Dec-22	East Coast Mechanical	Mechanical contracting	Air Pros USA (Peak Rock Capital)
Nov-22	Core Roofing Systems, LLC	Roofing contracting	Shoreline Equity Partners
Nov-22	U.S. Waterproofing	Waterproofing services	Rotunda Capital Partners
Nov-22	Reilly Electrical Contractors, Inc.	Electrical contracting	Crete Mechanical Group (Ridgemont Equity Partners)
Nov-22	Vac-One Services	Hydro-excavation services	Pro-Vac (Gallant Capital Partners)
Nov-22	Aegion - Energy Services Business (New Mountain Capital)	Maintenance and turnaround services	Brock Group (American Industrial Partners)
Oct-22	Eskola Roofing & Waterproofing	Roofing services	Eagle Merchant Partners
Oct-22	The Basement Doctor	Residential foundations	Tecum Capital
Oct-22	Weeks Marine Inc.	Dredging services	Kiewit Corp.
Oct-22	Hess Broadband	Fiberoptic splicing and construction services	TriStruX (Huron Capital)
Sep-22	USA Environment LP	Environmental services	ENTACT (J.F. Lehman & Company)
Sep-22	BHI Power Delivery (Westinghouse Electric Company)	Utility services	United Utility Services (Bernhard Capital Partners)
Aug-22	LaFata Contract Services (IMB Development)	Construction management	ANSER Advisory (Sterling Investment Partners)
Aug-22	Highland Construction	Restoration and construction	BMS CAT (AEA Investors, LP)
Aug-22	Hill International, Inc.	Construction/program management	Global Infrastructure Solutions, Inc. (GISI)
Aug-22	USIC (Partners Group; 50% stake)	Utility locating services	Kohlberg & Company, LLC
Aug-22	Gaston Electric	Electrical contracting	EMCOR Group Inc.
Aug-22	Linear Roofing & General Contractors	Roofing contracting	Capital Construction (O2 Investment Partners)

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

CONSTRUCTION AND INDUSTRIAL SERVICES

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Aug-22	Superior Service	HVAC and plumbing	Wrench Group, Inc. (Leonard Green & Partners)
Jul-22	JG Companies	General contracting	Bullseye Builders, Inc.
Jul-22	Infrastructure and Energy Alternatives, Inc. (NASDAQ:IEA)	Energy and heavy civil contracting	MasTec, Inc. (NYSE:MTZ)
Jul-22	Ardent Environmental Services Group	Environmental services	Enercon Services, Inc. (AE Industrial Partners)
Jul-22	Directional Services, Inc.	Solar and utility construction	Rising Point Capital
Jul-22	T.D. Williamson, Inc.	Pipeline integrity	SCF Partners LP
Jun-22	PLH Group (Energy Capital Partners)	Utility / Oil & Gas transmission	Primoris Services Corporation (NASDAQ:PRIM)
May-22	NexGen Air Conditioning & Plumbing	HVAC and plumbing	Wrench Group (Leonard Green & Partners)
May-22	Tower Engineering Solutions	Telecomm services	Congruex (Crestview Partners)
May-22	Sorensen Companies	Tree/storm solutions	Congruex (Crestview Partners)
May-22	Fire Systems Inc.	Fire suppression systems	Altus Fire and Life Safety (AE Industrial Partners)
May-22	Bandera Utility Contractors	Telecomm services	Argonaut Private Equity
Apr-22	Patuxent Roofing & Contracting	Roofing construction and maintenance	New State Capital
Apr-22	American Integrity Restoration	Restoration and construction	BluSky Restoration (Partners Group; Kohlberg & Company)
Apr-22	North Valley Barricade	Road safety services	RoadSafe Traffic Systems (Investcorp. & Trilantic NA)
Apr-22	BHI Energy (AE Industrial Partners)	Nuclear power generation services	Westinghouse Electric Company LLC (Brookfield Asset Management, Inc.)
Apr-22	R.C. Stevens Construction Co.	Commercial construction	Cianbro
Apr-22	Tri-City Paving & Sealcoating, LLC	Paving services	Energy Services of America Corp. (NASDAQ:ESOA)
Apr-22	Brandt Companies	Mechanical and electrical services	Southland Industries
Mar-22	Carr & Duff	Electrical contracting	IMB Partners / Gemspring Capital
Mar-22	Anser Advisory, LLC	Construction/program management	Sterling Investment Partners

Source: S&P Capital IQ and Stout Proprietary Database

Transaction Highlights

CONSTRUCTION AND INDUSTRIAL SERVICES

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Feb-22	Alure Home Improvements	Residential construction/ remodeling	Audax Private Equity Group
Feb-22	Miller Contracting	Mining and civil construction	Argonaut Private Equity
Feb-22	Inliner business (Granite Construction)	Pipe rehabilitation services	Inland Pipe Rehabilitation, LLC (J.F. Lehman & Company)
Jan-22	Petillo Incorporated	Site development	Sterling Construction Co. (NASDAQ:STRL)
Jan-22	JTI Electrical & Instrumentation	Electrical testing and maintenance	Gemspring Capital Management LLC

Source: S&P Capital IQ and Stout Proprietary Database

Recent Stout Transaction Spotlight



Stout Advises UCC Environmental on the Sale to Clavis Capital Partners & Green Hills Partners

CLIENT PROFILE

- ❖ Headquartered in Waukegan, IL, UCC Environmental is a provider of precision-engineered, turnkey environmental solutions for power generation and industrial applications worldwide
- ❖ Key solutions include process solids handling, air pollution control systems, and industrial wastewater solutions

BUYER PROFILES

- ❖ Clavis Capital Partners, founded in 2013 and headquartered in Dallas, TX, is a private equity firm focused on control investments in the industrial sector
- ❖ Green Hills Partners is a private investment platform based in Nashville, TN

PROCESS SUMMARY AND OUTCOME

- ❖ Serving as the financial advisor to UCC Environmental, Stout ran a broad process generating interest from both strategic and financial sponsors
- ❖ The process ultimately led to a successful sale to Clavis Capital Partners and Green Hills Partners in April 2022

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

Subsector 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

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

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