

CONSTRUCTION & ENGINEERING SUMMARY REPORT

2020 – 3rd QUARTER

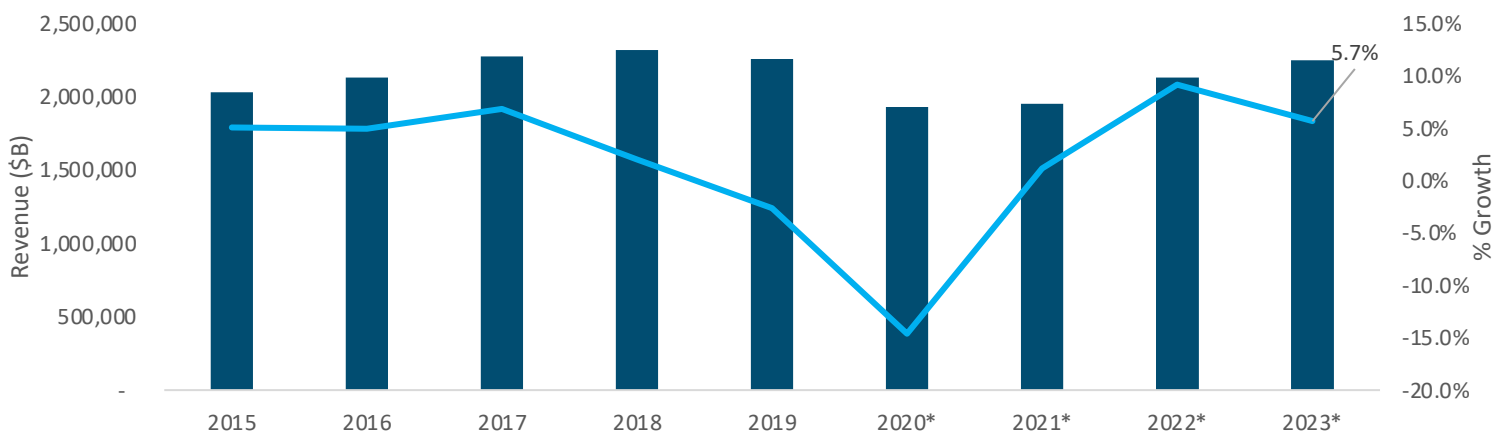


ENGINEERING & CONSTRUCTION OVERVIEW

- The engineering and construction (“E&C”) industry is comprised of operators involved in the preparation, building and engineering of projects and sites, with performance largely tracking fluctuations in macroenvironment conditions. Prior to 2020, the industry benefited from favorable market factors such as low interest rates, heightened consumer spending and eased access to credit and lending standards. As with most industries, however, the COVID-19 pandemic quickly and considerably hindered performance in the sector, with an estimated decline of 14.6% for the year.
- Weakened demand for services caused by reduced business activity, substantial rises in unemployment activity and overall decreased consumer confidence in the year has led to the delay or cancellation of projects in 2020 as well as lowered service pricing throughout the period of economic uncertainty. While not immediate, and with ongoing developments of the virus containment, a rebound in activity is expected as the economy recovers over the next few years, with sector growth anticipated to be largely driven by improvements in commercial and infrastructure construction subsectors, following a period of low building volumes. Increased residential construction activity is also expected to benefit the industry as low housing stock elevates housing prices.
- Federal funding is anticipated to rise over the next few years, with significant growth particularly expected in infrastructure investments. While funding programs such as the FAST Act and BUILD grant are set to expire in 2020, further federal government discretionary grants countering infrastructure upgrades and smart city initiatives are expected to be outlaid, depending on the upcoming election and lawmakers' priorities.
- A decline in deal volume for the industry continued into Q2 2020 as adverse economic conditions led to unfavorable transaction terms, causing parties to delay or call off proposed transactions as operators transitioned their focus on sustaining company operations. Q3 saw a slight increase in deal counts as company performances saw some improvements through the easing of stay-at-home orders, also allowing transaction discussion to resume and for deals to be completed. Buyers remain eager to deploy capital with high dry powder volumes and targets have transitioned to companies that have been able to sustain or accelerate business performance throughout the pandemic, allowing for a period of recovery for those businesses adversely affected. Advantages remain for firms offering technological advancements, with disruptive digital capabilities allowing firms to continue to efficiently operate and innovate in the period of stay-at-home orders and workforce capacity restrictions.

IBISWorld, Congress.gov, RCO Research.

INDUSTRY REVENUE



IBISWorld 2020.

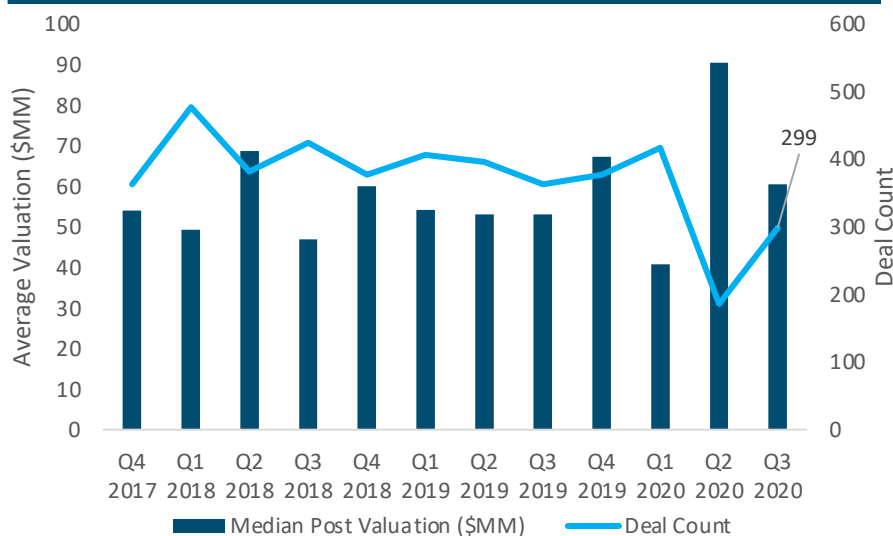
FEATURED SEGMENT: NONRESIDENTIAL CONSTRUCTION



- Nonresidential construction projects, typically associated with longer lead times and larger projects, tend to lag patterns of residential construction by a few years. Historically, poor macroeconomic conditions were felt by the residential construction segment much sooner than that of private, nonresidential, however the coronavirus halted the global demand for goods, hampering the appetite for nonresidential structure investments.
- While investments will continue to remain low in the upcoming year, as vaccine developments progress and cases decline, spending growth is projected to materialize in order to match increasing manufacturing activity and other industrial operations, driving a need for upgrades and new construction of nonresidential structures. This increase in activity is expected to begin in 2022 or 2023, due to the lag in economic recovery as well as corporate profits projecting to remain depressed over the next year, therefore delaying revised spending budgets.
- A greater push to increase domestic production and bring offshore operations back to the US is expected to increase the demand for private nonresidential construction over the next five years, pending decisions in the upcoming election.
 - Manufacturing supply chains are tied to global trade, with costs driven by trade volumes. Potential disruptions could be faced if enacted changes by the USMCA affect trade deals and terms. This may lead to operators investing in new structures in response to changing trade costs.
- An increased push for green buildings and construction will boost industry revenue as operators seek to upgrade and tailor construction projects in an environmentally friendly manner. Further, potential tax credits for following Leadership in Energy and Environmental Design (LEED) standards as well as certifications from the US Green Building Council are expected to drive greater investments in new structures.
- Continued recovery from the coronavirus pandemic over the next few years will drive expansion in downstream market operations, leading to expanded public structures, office buildings, factories and schools. Additionally, commodity price improvements will increase production expansion and storage investments.
- The sector is estimated to rise at a CAGR of 2.3%, reaching a value of \$515bn by 2025.

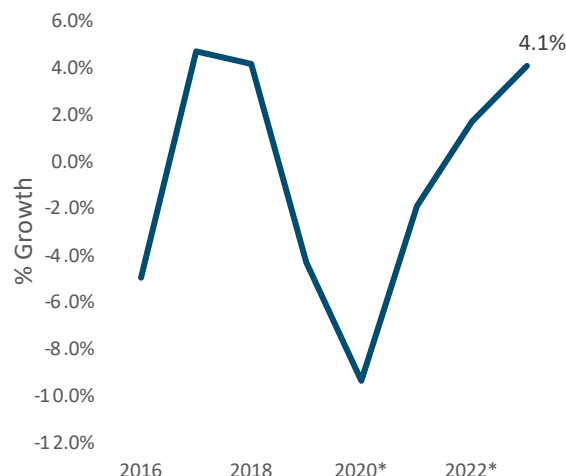
IBISWorld 2020, RCO Research.

NORTH AMERICAN DEAL COUNT & AVERAGE VALUATIONS

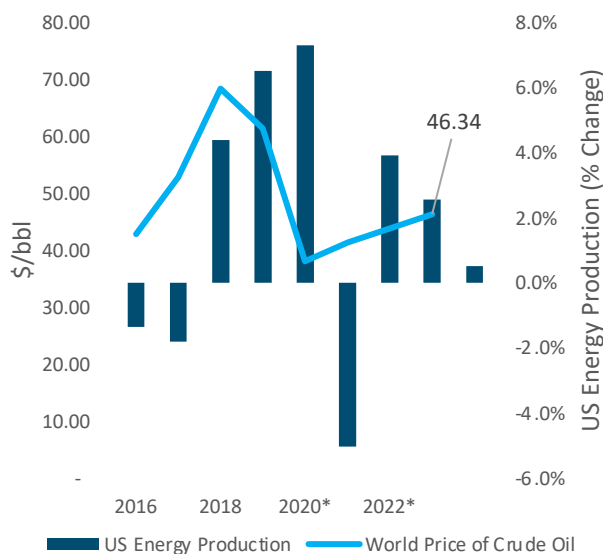


PitchBook data through September 30, 2020.

NONRESIDENTIAL CONSTRUCTION



US PRODUCTION & WORLD PRICE OF CRUDE OIL



IBISWorld 2020.

HEAVY E&C PERFORMANCE AND MULTIPLES

TEV Range (\$MM)	Revenues (\$MM)	EBITDA Margin %	TEV / EBITDA
10-25	\$20.6	23.2%	5.0X
25-50	\$43.3	20.7%	5.6X
50-250	\$95.1	31.3%	5.8x

GF Data® 2003 through September 30, 2020.

FEATURED E&C TRANSACTIONS



Acquired by

ARDIAN

On September 30, 2020, private investment firm Ardian's North American team announced the acquisition of interior systems provider Acousti Engineering Company of Florida.

Acousti is a provider of complex interior systems for commercial and institutional buildings catering to healthcare, education, transportation, entertainment, office and infrastructure-related end markets. The company provides a wide range of general and custom construction applications and interior finish applications for commercial construction customers. Ardian will help facilitate the company's growth through geographic expansion.

Financial terms of the agreement were not disclosed.¹

On September 30, 2020, private investment and equity firm Atlas Holdings, announced the acquisition of construction and engineering firm Permasteelisa Group.

Permasteelisa is a provider of engineering and construction services intended to design and build innovative architectural works. The company's services include project management, manufacture, installation of architectural envelopes and interior systems services, enabling its customers avail advanced technologies and eco-sustainable services in building or infrastructural constructions.

Financial terms of the agreement were not disclosed.²



PERMASTEELISA GROUP

Acquired by

ATLAS | HOLDINGS



Acquired by



On September 29, 2020, Atlas Technical, an Austin-based testing, inspection and engineering firm, acquired engineering group Alta Vista Group.

Alta Vista is a provider of transportation-related testing and inspection services, based in Oakland, California. The company offers engineering, structures inspection and NDT, materials testing, quality management, asset management, and infrastructure services. The acquisition will allow Atlas to expand services into new key regions, targeting increasing priorities in transportation investments.

Financial terms of the agreement were not disclosed.³

PitchBook.

1. Transaction Press Release, dated September 30, 2020. <https://www.businesswire.com/news/home/20200930005245/en/Ardian-North-America-Direct-Buyouts-Team-Announces-Agreement-for-the-Acquisition-of-Acousti-Engineering-of-Florida>
2. Transaction Press Release, dated September 30, 2020. <https://www.businesswire.com/news/home/20200930005357/en/Atlas-Holdings-Acquires-Permasteelisa-Group>
3. Transaction Press Release, dated August 03, 2020. <https://www.globenewswire.com/news-release/2020/08/03/2071983/0/en/Atlas-Technical-Consultants-Announces-Agreement-to-Acquire-Alta-Vista.html>

R&C ENGINEERING & CONSTRUCTION INDEX



E&C INDEX



Peer Group	As of 9/30/2020			TTM 9/30/2020		EV Multiples	
	\$ / share	Market Cap	Enterprise Value	Sales	EBITDA	TTM Sales	TTM EBITDA
D.R. Horton, Inc.	\$ 75.63	\$ 27,506.82	\$ 29,767.82	\$ 18,949.70	\$ 2,670.00	1.6x	11.1x
Aecom Technology Corporation	41.84	6,710.67	8,330.50	19,715.38	341.16	0.4x	24.4x
EMCOR Group Inc	67.71	3,717.68	3,798.29	9,005.53	324.34	0.4x	11.7x
KBR Inc	22.36	3,183.11	3,853.11	5,799.00	218.00	0.7x	17.7x
Fluor Corporation	8.81	1,234.94	1,017.28	14,348.02	(1,086.49)	0.1x	-0.9x
Granite Construction Inc.	17.61	823.11	893.16	3,389.78	8.67	0.3x	103.0x

PitchBook data through September 30, 2020.

ROMANCHUK & CO. FIRM CAPABILITIES



Romanchuk & Co. is a boutique investment banking firm providing mergers and acquisitions (M&A) and financial advisory services to lower middle-market leaders within the diversified industrials sectors. We advise owners and investors of privately-held businesses, private equity firms and corporations on the preparation and sale of their company, assist them in identifying strategic

opportunities, and help them execute upon those strategies. Our team of licensed investment bankers specializes in providing sell-side M&A advisory services to lower middle-market companies with enterprise values ranging from \$15 million to \$250 million. For more information, please visit our website at www.romanchukco.com.

RECENT EXPERIENCE

Our most recently closed deals showcase our firm's unique ability to execute transactions across the diversified industrials sectors, while maximizing value for our clients in the lower middle-market. Drawing on our collective industry experience and strengths, Romanchuk & Co. is focused on providing creative, impactful M&A strategies to our clients across the diversified industrials sector.



INDUSTRY RECOGNITION



Romanchuk & Co. was selected as the Boutique Investment Banking Firm of the Year for 2018. Over 230 nominees, representing over 600 companies, became finalists for the awards. An independent judging committee of 29 top M&A industry experts determined the ultimate recipients of the awards.

In addition, Romanchuk & Co. was named a finalist in the following categories: Energy Deal of the Year, Industrials Deal of the Year (\$10MM-\$50MM), M&A Deal of the Year (\$10MM-\$25MM), and M&A Deal of the Year (\$50MM-\$75MM).

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