



ENGINEERING · CONSTRUCTION

FIRST QUARTER

2014

This Industry Practice Group was established to draw on the experience of CFA dealmakers, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. 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 in the North American Construction and Engineering sector for Q4 2013 through February 1, 2014 included 86 deals announced or closed according to data provided by S&P Capital IQ. According to data published by global consulting firm Ernst and Young, 2014 could show a significant uptick in M&A for a sector that has been negatively impacted since the global recession in 2008. According to data from the US Census Bureau, privately-owned housing units authorized by building permits in December 2013 were at a seasonally adjusted annual rate of 986,000. This is 3.0% below the revised November rate of 1,017,000, but is 4.6% above the December 2012 estimate of 943,000. Privately-owned housing starts in December were at a seasonally adjusted annual rate of 999,000. This is 9.8% below the revised November estimate of 1,107,000, but is 1.6% above the December 2012 rate of 983,000. The numbers marked the highest level of housing starts since February 2008, with permits also near a five-year high, indicating an increase in activity will likely continue through 2014.

Public works projects are also projected to increase this year. A report from the American Road & Transportation Builders Association, Washington, D.C., expects modest growth for paving work (1.9%) in 2014 but relatively strong growth for bridge construction (5.6%) as the economy continues to recover.

According data published by industry research group First Research, the overall value of US new public and private construction spending is forecast to grow at an annual compounded rate of 8% between 2013 and 2017.

Transactional Overview

December 2013 - Matrix Service Company (NasdaqGS:MTRX) signed a definitive agreement to acquire Kvaerner North American Construction, Ltd. and Kvaerner North American Construction Inc. from Kvaerner ASA (OB:KVAER) for \$80.3 million in cash on December 8, 2013. In 2012, Kvaerner North American Construction, Ltd. and Kvaerner North American Construction Inc. delivered revenues of about \$280 million and an EBITDA margin of approximately 5%. The transaction is net of cash acquired and other adjustments. The purchase price will be paid by utilizing a combination of cash on hand and borrowings under Matrix Service's senior credit facility.



MERGERS, ACQUISITIONS, AND
CAPITAL RESOURCES SINCE 1956

FOR MORE INFORMATION CONTACT

Corporate Finance Associates
24461 Ridge Route, Suite A200
Laguna Hills, CA 92653

For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

info@cfaw.com
www.cfaw.com

Selected Q4 Transactions

Target/Issuer	Buyers/Investors
Commonwealth Engin and Const	Zachry Holdings, Inc.
Alliance Steel, Inc.	Associated Steel Group, LLC
FMHC Corporation	Jacobs Engineering Group Inc. (NYSE:JEC)
Willbros Group Inc., Hawkeye Bus	Elecnor SA (CATS:ENO)
Utility Support Systems, Inc.	TRC Companies Inc. (NYSE:TRR)
Compass Technology Services, Inc.	Jacobs Engineering Group Inc. (NYSE:JEC)
Salof Companies Inc.	GE Oil & Gas Inc.
Kvaerner North American Const, Ltd.	Matrix Service Company (NasdaqGS:MTRX)

Figure 1

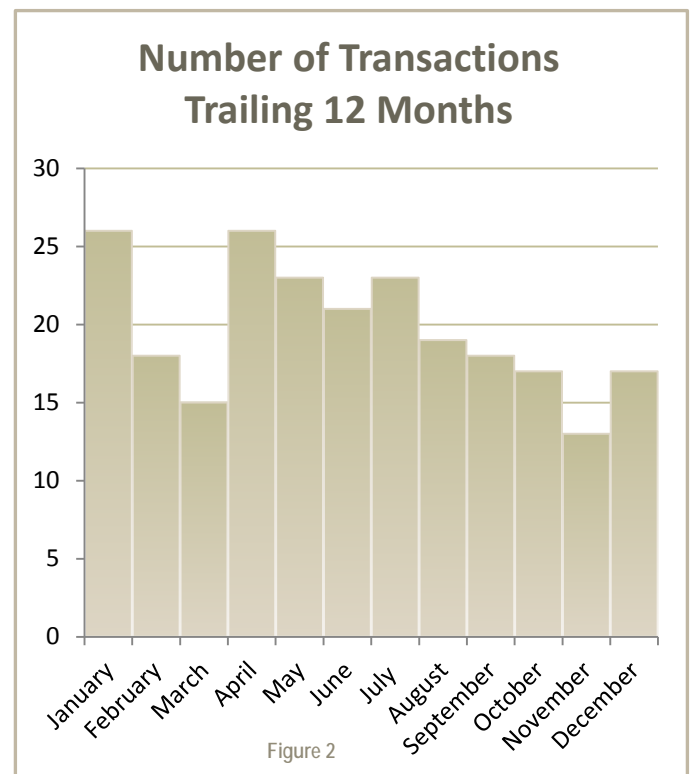
November 2013 - Solar3D, Inc. (OTCPK:SLTD) signed a stock purchase agreement to acquire Solar United Networks, Inc. from Emil Beitpolous, Abe Emard, Richard Emard and Mikhail Podnesbesnyy for \$2.8 million on October 31, 2013. Under the terms of the agreement, Solar3D agreed to acquire 1000 shares of common stock for Solar United and pay \$1 million in cash at the closing and \$1.8 million in installments over a period of five years after the closing pursuant to convertible promissory notes bearing simple interest the rate of 4% per annum. The notes are convertible at any time after issuance into shares of fully paid and non-assessable shares of the common stock of S3D.

October 2013 - Cardno Limited (ASX:CDD) acquired Haynes Whaley Associates, Inc. for \$22.3 million on October 8, 2013. As a part of consideration, Cardno shall pay approximately 10% of the purchase price based on performance targets achieved over the next 12 months, with an additional 15% of the purchase price deferred for 24 months. The acquisition will be funded by an approximate mix of 75% cash and 25% shares. Approximately 0.55 million shares will be issued and cash component will be funded from available cash and debt facilities. Haynes Whaley will become a part of Cardno's American operations and will operate as Cardno Haynes Whaley, Inc.

Industry Dynamics

Global construction industry revenue surpasses \$7 trillion annually, according to data from international consulting firm PricewaterhouseCoopers. The industry is highly fragmented and demand is typically driven by demographics and the health of the economy. As the population grows, demand for housing, infrastructure, and natural resources also increases.

The largest construction markets are the US and China. Other key markets include Japan, Germany, Spain, France, and Italy. Emerging markets such as India and Brazil are growing quickly as a result of increased urbanization, rising populations and the expanding middle class. Construction in some mature economies has been constrained by large public deficits and austerity measures. The US construction industry includes more than 660,000 establishments with combined annual revenue of about \$1.3 trillion.



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.

