



ENGINEERING · CONSTRUCTION

THIRD 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 Engineering and Construction sector for the United States based target companies in Q2 2014 included 54 closed deals according to data provided by *S&P Capital IQ*. The *ENR Construction Industry Confidence Index* survey has shown that despite lower-than-expected growth in in the construction industry most executives believe the recovery will continue, and possibly accelerate, throughout the rest of the year. A minor surge in demand has been tempered by the soft pricing for materials, limiting fears from a year ago when prices spiked with the housing recovery.

Transactional Overview

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

June 2014 - RLMcCall Capital Partners, LLC and Dos Rios Partners, L.P acquired Case Drilling & Pump Service, LLC for \$15 million. Case Drilling & Pump Service, based in Stanton, Texas, provides water well drilling and maintenance services to contract drilling firms, E&P operators, agri-businesses, residential consumers, and municipalities.

May 2014 - May 2014 - HC2 Holdings, Inc. (OTCPK:HCHC) entered into a stock purchase agreement to acquire 59.48% stake in Schuff International, Inc. (OTCPK:SHFK) from SAS Venture LLC for \$78.8 million in cash. Schuff International, Inc., together with its subsidiaries, operates as a steel fabrication and erection contractor primarily in the United States. The company provides its services for projects in a range of markets that comprise industrial, public works, bridges, healthcare, gaming and hospitality, convention centers, stadiums, mixed-use and retail, and transportation.

April 2014 - Comfort Systems USA Inc. (NYSE:FIX) entered into an agreement to acquire DynaTen Corporation from Scott Brady and Mark Nyquist for \$41.5 million. DynaTen Corporation provides engineering, mechanical contracting, and maintenance services in North Texas. The company specializes in design build/design assist projects.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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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.

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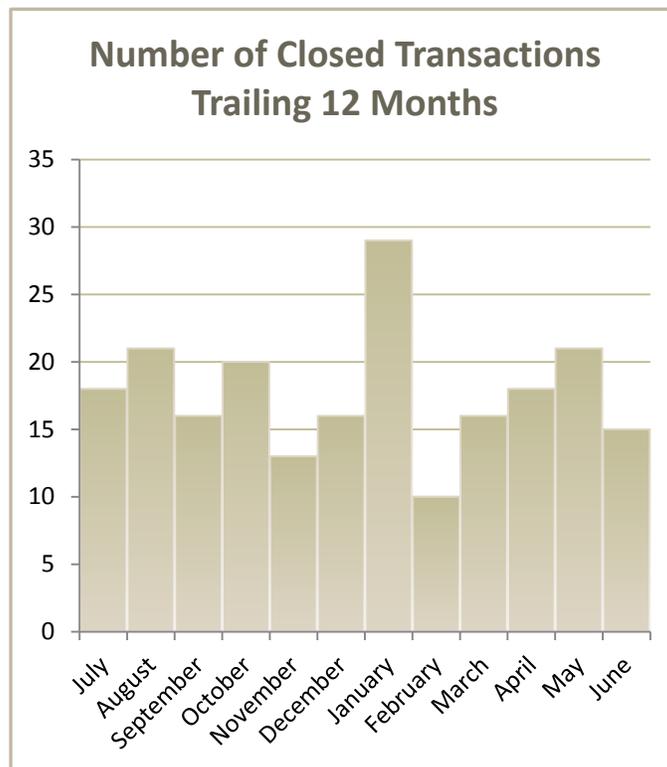
Selected Q2 Closed Transactions

Target/Issuer	Buyers/Investors
Rev1 Power Services, Inc.	Ethos Distributed Solutions
Case Drilling & Pump Service, LLC	Dos Rios Partners/RLMcCall Capital
Acree Daily Integrated Systems, Inc.	Xentry Systems Integration, LLC
Burns & Roe Enterprises Inc.	POWER Engineers, Inc.
C&D Insulation, Inc.	Barkwood, Inc.
Prince Contracting, LLC	Dragados Construction USA, Inc.
David Hood Roofing Co.	Burns & Scalo Roofing Company, Inc.
KBS Building Systems, Inc.	Aetrium Inc. (Nasdaq:CMATRM)

Industry Dynamics

According to a report from *PricewaterhouseCoopers (PWC)*, an international consulting firm, the second quarter of 2014 saw a rush of transactions in the engineering and construction sector as the economy continues to improve resulting in more projects breaking ground. The industry has been marked by big acquisitions such as Aecom Technology's acquisition of URS Corp and SNC-Lavalin Group's acquisition of Kentz Corp. Both acquisitions enabled the acquirer to expand its exposure beyond infrastructure to oil and gas customers. As engineering and construction firms continue to strive for a diversified geographic reach and new market share, transaction activity is expected to remain strong.

According to a report from global financial data company *Thomson Reuters*, M&A activity involving U.S.-based targets represented 43 percent of the total global M&A deal value in 2013. With continued interest from international buyers looking to acquire U.S. companies in 2014, the engineering and construction industry is ripe with targets able to give foreigners a footprint on American soil. A broad range of major infrastructure projects in the U.S. has caused a pent up M&A demand among foreign companies.



Construction Industry Highlights:

- US corporate profits, an indicator of corporate investment in new construction, fell 3 percent in the first quarter of 2014 compared to the same period in 2013.
- The value of US nonresidential construction spending, an indicator of the health of the construction market, rose 6.7 percent year-to-date in May 2014 compared to the same period in 2013.
- US personal income, which drives consumer spending on residential construction, rose 3.5 percent in May 2014 compared to the same month in 2013.
- US steel mill product prices, an indicator of commodity steel product costs used in construction, rose 4.1 percent in June 2014 compared to the same month in 2013.

Engineering Industry Highlights:

- US corporate profits, an indicator of corporate demand for engineering services, fell 3 percent in the first quarter of 2014 compared to the same period in 2013.
- Total US manufacturers' shipments, an indicator of demand for engineering services used in the manufacturing process, rose 2.2 percent year-to-date in May 2014 compared to the same period in 2013.
- The value of US nonresidential construction spending, a demand indicator for engineering services used in construction, rose 6.7 percent year-to-date in May 2014 compared to the same period in 2013.
- Total US revenue for engineering services fell 6.7 percent in the first quarter of 2014 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.