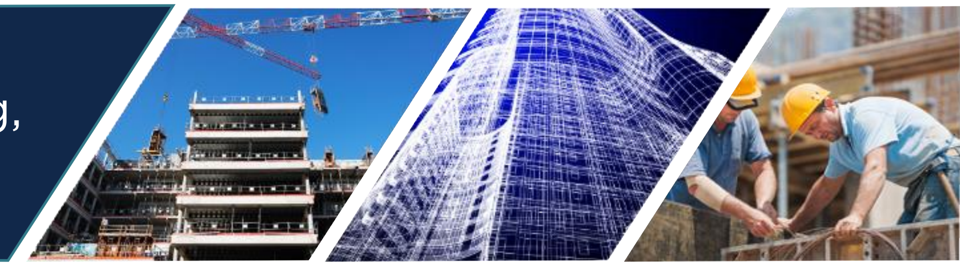
Architecture, Engineering, and Construction (AEC)



The Architecture, Engineering, and Construction (AEC) industry is positioned for continued growth. Non-residential construction, fueled by government investment and aging supply, has seen a significant boost, while single-family residential construction remains stable due to pent-up demand, affordable housing initiatives and increasing demand for luxury homes.

Key Trends

- **Sustainability and Regulatory Compliance:** Firms are embracing green building practices and investing in training to navigate complex regulations effectively. Collaborating with sustainability consultants is becoming popular.
- **Managing Rising Costs:** Companies leverage technologies like Building Information Modeling (BIM) to boost efficiency and reduce waste. Exploring alternative materials and improving business acumen help manage budget fluctuations.
- **Negotiating Appropriate Project Fees:** AEC firms are shifting to value-based pricing models that reflect the true worth of their services. Clear communication of benefits to clients justifies higher fees.
- **Uneven Project Workload:** To combat lumpy demand, firms diversify services and explore new markets, such as infrastructure. Enhanced business development and marketing strategies help to win more projects.
- **Talent Retention and Recruitment:** Companies increase retention by offering flexible arrangements, competitive salaries, and professional development. Mentorship programs help integrate new hires, while strong employer branding attracts talent.

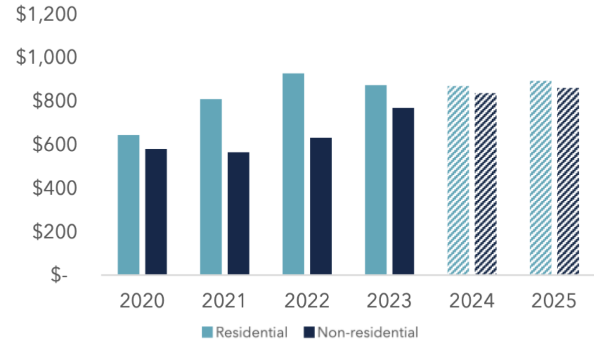
M&A Driver Considerations

Key factors determining the rationale in recent M&A transactions including the following:

- The Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act are injecting over $580 billion into the AEC industry (2022-2026)
- Private equity (PE) continues to drive consolidation in the AEC industry, accounting for 40% of 2024 transactions
- Companies pursue M&A to expand their market share, geographic reach, and service offerings, enhancing their competitive position

Sources: Benchmark International, Deloitte, PwC, The White House

New U.S. Non-residential & Residential Construction Spending



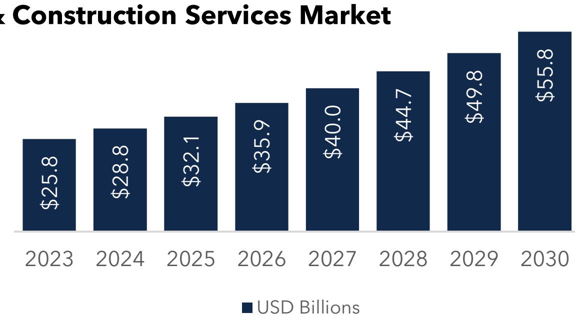
Source: Statista

Key Statistics

- **12.5%** expected CAGR from 2024-2030 in the U.S. AEC services market
- **66%** increase in M&A transactions, year over year
- **9-month** backlog in the non-residential sector

Sources: Grand View Research, Allied Market Research, Market Research Future, FMI Corporation, Deloitte, Associated Builders and Contractors, American Institute of Architects

U.S Architectural, Engineering, & Construction Services Market



Source: Grand View Research, CAGR of 11.6%

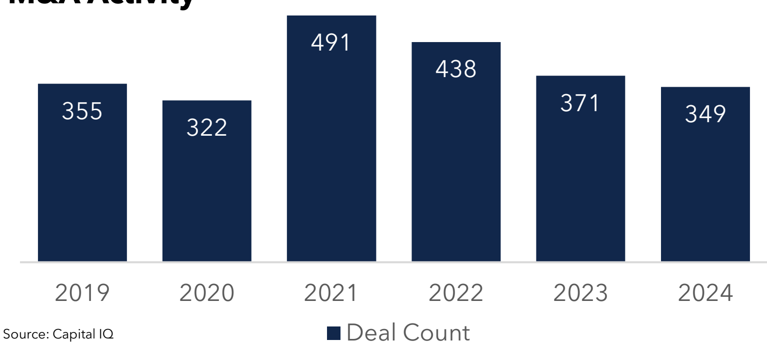
Select Industry Players

MYR GROUP, Gensler, EMCOR, Primoris, FLUOR, HDR

Investor Interest

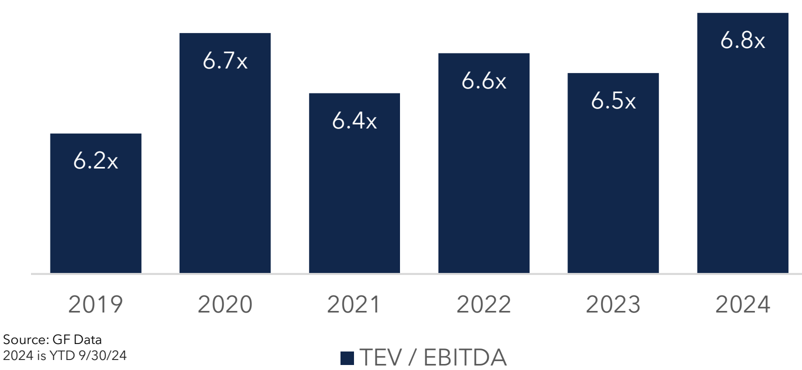
The AEC M&A market remains active, driven by demand for resilient, cash-flow-positive firms amid high interest rates, volatile commodity prices, and supply chain challenges. Buyers favor diversified, ESG-aligned targets, while sellers with strong growth strategies command premium valuations.

M&A Activity



Source: Capital IQ

Valuation Multiples



Source: GF Data
2024 is YTD 9/30/24

Private Equity

Private Equity Groups	Platform
Hidden Harbor Capital Partners	Lathan Architects
Godspeed Capital	Stengel-Hill Architecture
PNC Erieview Capital	mcmillan pazdan smith Architecture
South Oak Capital Partners	The Stonewall Group

Recent M&A Activity

Date	Target	Acquirer	Value ($m)
Jan-25	CDI Engineering Solutions	Tata Consulting Engineers	N/A
Dec-24	Optimized Systems	IMEG Corp.	N/A
Dec-24	VBFA	BNA Consulting	N/A
Dec-24	Coke Consulting	Prime AE Group	N/A
Dec-24	Landmark Structures I, L.P.	Cerberus Capital Management, L.P.	N/A
Dec-24	Civil Engineering Consulting Services, Inc.	CHA Consulting, Inc.	N/A
Nov-24	Meshek & Associates, LLC	WSB & Associates Inc.	N/A
Nov-24	Spartan Mat, LLC	Exchange Income Corporation	119.85

Select Transaction Spotlight

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