



Engineering & Construction

QUARTERLY SECTOR UPDATE | Q2 2023

HW Harris Williams

What We're Reading

Federal Infrastructure Funds Begin to Flow, Mostly to Roadwork



"Local and state government contracts for highway, road and bridge projects dramatically increased between 2021 and 2022, a sign that bipartisan infrastructure funds are starting to have an impact."

"State and local governments began to commit funds in 2021, the year the bipartisan infrastructure law was enacted, and last year started to award contracts."

"Infrastructure, engineering, and construction firms are beginning to see the effects of the 2021 infrastructure law. 'We have already started to see some infrastructure bill funding,' said Carey Smith, CEO of Parsons. 'We've assumed that we're going to see a ramp-up as we approach the end of '23 and going into '24.'"

"Bob Pragada, CEO of Jacobs, said the company has helped its clients secure more than \$1 billion in competitive grants from the infrastructure law since it was enacted. 'With another four years locked in and robust funding, the U.S. infrastructure climate is strong.'"

[Construction Dive](#)

Construction Industry Has Work, Needs More Workers



"Construction activity in the U.S. is getting a boost from new plants for electric vehicles, warehouses for e-commerce and manufacturers deciding to do more work in the U.S. after global supply chains broke down during the pandemic. Construction spending on manufacturing last year was the highest on record."

"There's not enough talent in the market to do all the jobs that are out there," said Ricky Byrd (Caddell). "We say 'no' to projects more than we say 'yes' these days. About one-fifth of construction workers are older than 55 years old and are often the most skilled workers or supervisors on a job site."

"These newer workers are contributing to bigger backlogs and jobs taking longer to finish because they are typically less productive."

"Some contractors said they have raised pay to attract and retain newer workers and started training their own laborers to fill openings for skilled workers."

[Wall Street Journal](#)

DOE 'Road Maps' Aim to Spur Billions in Clean Energy Investments



"The U.S. Energy Dept. kicked off its effort to fast-track commercialization of clean energy technologies, issuing 'road maps' for public and private investors to help advance three promising ones—clean hydrogen, long duration energy storage and advanced nuclear power."

"Long duration battery storage is still maturing as a technology and requires costs to drop by 50% while operational performance is increased."

"Advanced nuclear...one problem is that utilities are afraid of cost overruns and 'abandonment risk,' he said, while noting that engineering, procurement and construction partnerships such as the one between the Tennessee Valley Authority and Ontario Power should help with project delivery issues."

"Production is the first issue hydrogen faces, but reducing costs is critical so the market can be self-sustaining when project tax credits in the IRA expire."

[Engineering News-Record](#)

The Latest Technology Advances in Low-Carbon Construction Are Promising



"Leaps in technology are making it easier to build structures with fewer negative impacts and potentially reduce climate change, but more must be done to accelerate their widespread use. Increasing attention is on embodied carbon—amounts of CO2 emitted during the production and life cycle of building materials."

"[Mass timber] is a renewable, recyclable and biodegradable choice for low-carbon construction because it reduces the energy, resources and emission-heavy impacts of producing concrete or steel."

"Researchers have developed new forms of concrete that absorb more CO2 than they emit during production—what is known as 'carbon-negative' concrete—often by replacing traditional cement with an alternative like bioengineered components."

[Forbes](#)

Select Recent M&A Transactions

Announced February 8, 2023



H&W Advisory

Oaktree Capital Management Acquires Enercon Services, Inc.

- Enercon Services, a leading engineering and environmental services firm, was acquired by Oaktree Capital Management, a leading global investment management firm
- The investment will provide additional resources for Enercon to expand its capabilities in engineering and consulting and continue to offer high standards of excellence to its power and utility clients

Announced February 1, 2023



H&W Advisory

Morgan Stanley Acquires Apex Companies

- Morgan Stanley Capital Partners (MSCP), a leading middle-market private equity platform, has acquired Apex Companies, a leading provider of end-to-end environmental consulting and engineering solutions, from Sentinel Capital Partners
- Partnership with MSCP will provide access to additional resources and capabilities and enable the company to pursue strategic growth opportunities in water, environmental, infrastructure, and ESG

Announced February 1, 2023



H&W Advisory

Littlejohn & Co. Acquires Ardurra Group

- Littlejohn & Co., a middle-market private equity group, has partnered with Ardurra, an engineering and design services firm specializing in water, transportation, and aviation end markets
- The acquisition enables Ardurra's continued growth and supports the company in providing innovative, technically driven solutions for critical infrastructure

Announced January 31, 2023



NV5 Acquires Bromley Cook Engineering

- NV5 Global acquired Bromley Cook Engineering, a provider of forensic, specialty, and structural engineering services
- The acquisition provides NV5 with additional resources for designing weather-resilient structures that can withstand the severe wind, heat, humidity, and hurricane exposure in Florida

Announced January 9, 2023



OceanSound Partners Acquires Gannett Fleming

- Gannett Fleming, a leading engineering and infrastructure solutions provider, received a strategic investment from OceanSound Partners, a growth-oriented private equity firm that invests in technology and technology-enabled services companies
- The partnership will enable Gannett Fleming to continue attracting and retaining the best talent, make significant investments in emerging technologies, expand and deepen our geographic footprint, and support employees so they remain at the top of their field

Recent M&A Transactions

Announced Date	Target	Target Description	Acquirer
03/21/23	CES Engineering (Construction and Engineering)	Engineering and construction services provider for manufacturing companies	S E Minor & Company
03/21/23	Kordt Engineering Group	Design engineering services provider for architects, contractors, owners, and consultants	Read Jones Christoffersen
03/21/23	Kwk Architects	Provider of architectural services for colleges and universities	The Lawrence Group
03/21/23	The Blueline Group	Provider of civil engineering services for construction customers	Atwell
03/20/23	Tendon Systems	Concrete construction, restoration, and engineering services provider	Commercial Metals
03/15/23	R. T. Patterson	Engineering and construction assistance services provider for private and public institutions	Allied Resources Group
03/10/23	Leading Edge Engineering (Construction and Engineering)	Engineering, prototyping, and consulting services provider	Telsonic Ultrasonics
03/08/23	R. James Tatum	Engineering and surveying services provider	MR Engineering & Surveying
03/08/23	Wendler Engineering Services	Design engineering, structural engineering, and surveying services provider	Willett, Hofmann & Associates
03/06/23	Champion Equipment Sales	Underground construction services provider	Western Equipment Solutions
03/03/23	M.A. Bielski & Associates	Design engineering services provider for the material handling and processing industry	Toltz, King, Duvall, Anderson & Associates
03/01/23	LVCK	Design engineering and environmental solutions provider for public transit, education, healthcare, and nonprofit organizations	Beyer Blinder Belle Architects
02/28/23	Geomatics Consulting Group	Surveying and mapping services provider specializing in land subsidence monitoring, roadway mapping, and UAV mapping	Wood Patel & Associates
02/27/23	SRF Associates	Transportation planning and traffic engineering services provider	Passero Associates Engineering
02/27/23	Universal Roofing & Exteriors	Home roofing services provider offering roof replacement & repair, new roofing construction, and other exterior services	Elite Claim Solutions
02/22/23	Eldeco	Electrical design and construction services provider for heavy commercial and industrial projects in the Southeastern U.S.	Comfort Systems USA
02/12/23	KSA Group Architects	Architectural, planning, and interior designing firm	Ordiz-Melby Architects
01/31/23	KP Engineering	Provider of EPC and fabrication services provider	Shaw Group
01/31/23	Rybinski Engineering	Traffic engineering services provider offering transportation program facilitation, traffic system design, and data-driven planning	Rossi Group

Recent M&A Transactions (Cont.)

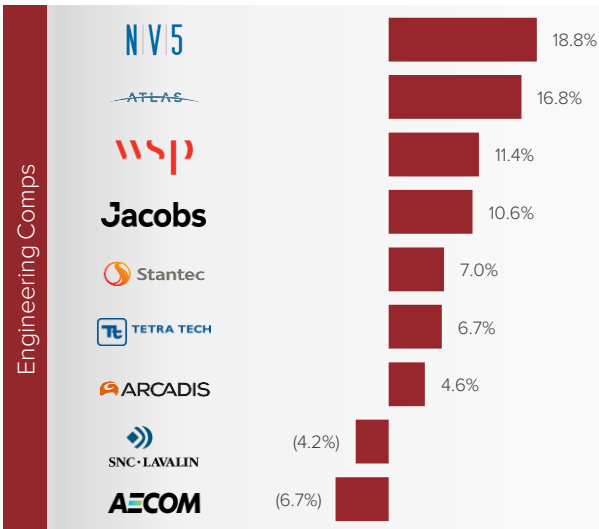
Announced Date	Target	Target Description	Acquirer
01/31/23	Walter Robbs Callahan & Pierce Architects	Architectural, planning, and interior designing firm focusing on educational, commercial, and recreational facilities	Michael Graves Architecture & Design
01/27/23	Carolina Equipment Rental Sales & Service	Water, wastewater, environmental, and civil engineering services provider	National Equipment Dealers
01/27/23	Crew Engineers	Traffic engineering company for commercial and residential customers	H2M architects + engineers
01/25/23	David E. Wooster and Associates	Commercial and residential construction company offering electrical, civil, structural, concrete, and pipe fabrication services	CSI USA Group
01/24/23	DPC Contractors	Commercial and residential construction company providing electrical construction, civil, structural, concrete, and pipe fabrication services	Day & Zimmermann
01/23/23	KLOK Group	Engineering consulting services provider offering mechanical, plumbing, electrical engineering, energy modeling, fire protection, and sustainability services	CMTA
01/23/23	Nielsen Baumert Engineering	Architectural services provider specializing in structural engineering analysis and design	Olsson
01/23/23	SimonGlover	Architecture and interior service provider offering architecture, planning, programming, building evaluation, conceptual design, and 3D modeling	Delawie
01/09/23	Gannett Fleming	Engineering, architecture, construction, and program management services provider primarily for the transportation, water, federal, power, and energy markets	OceanSound Partners
01/05/23	Bruss Landscaping	Architecture and planning services provider specializing in custom landscape design	Crane Group
01/05/23	Kuppe's Landscape Services	Construction services provider offering design consultation to residential customers	Crane Group
01/05/23	Matthew & Hockley Associates	Engineering and surveying services provider offering land subdivision design, topographical surveys, stormwater management, and flood insurance elevation studies	Chrisland Engineering
01/05/23	Phoenix Bay State Construction Company	Construction services provider specializing in new construction and restoration of historic and non-historic buildings	The Waterproofing Company
01/05/23	Xcel Engineering	Engineering and consulting services provider offering regulatory compliance, environmental assessment, construction management, and LEED design services	MartinFederal
01/04/23	Anston-Greenlees	Mechanical and electrical engineering services provider offering interior lighting, power distribution, plumbing, fire protection, and HVAC services	WGI
01/04/23	Holistic Engineering and Land Management	Civil engineering and consulting services provider specializing in drainage, flood hazard mitigation, stormwater management, and water conservation services	Wilson and Company, Inc. Engineers and Architects
01/03/23	Bruce E Brooks and Associates	Provider of mechanical, electrical, and plumbing engineering services	IMEG
01/03/23	NovaTech Automation (Process Solutions Business)	Automation and engineering solutions provider specializing in process control and optimization solutions	Valmet
01/03/23	Schmidt Consulting Group	Provider of multi-discipline engineering and consulting services specializing in mechanical, electrical, and structural engineering design	IMEG

Recent M&A Transactions (Cont.)

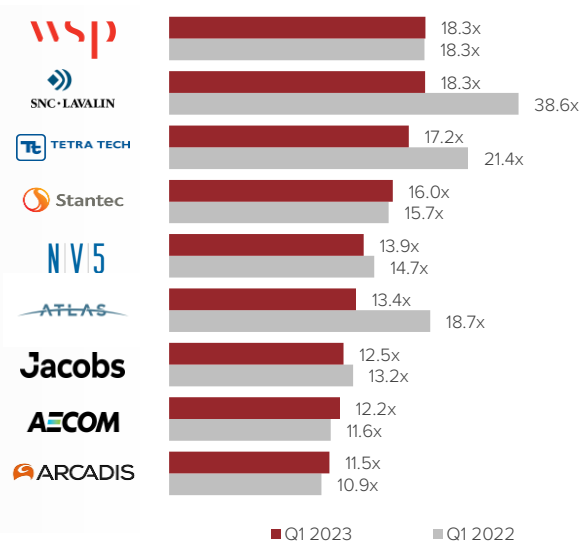
Announced Date	Target	Target Description	Acquirer
01/03/23	WorldTech Engineering	Engineering and consulting services provider specializing in roadway, highway, and stormwater	Tighe & Bond
01/01/23	Caron Architecture	Full-service architecture design firm specializing in multi-family residential, hotel, mixed-use, and commercial buildings	AXIS/GFA Architecture + Design
01/01/23	John Anderson Construction	Provider of construction services offering custom home builds, commercial builds, retail builds, and tenant improvements	Apex Construction
01/01/23	Weeks Marine	Provider of construction services for the marine sector, offering dredging, tunneling, marine services, and chartering	Kiewit

Public Valuations¹

5-Year Revenue CAGR



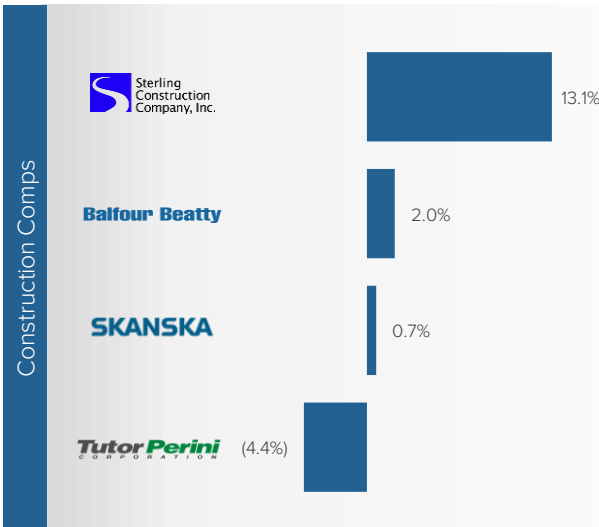
Quarterly EV / EBITDA Multiples



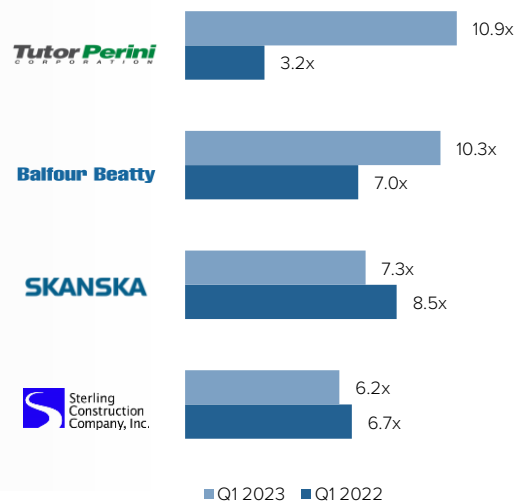
Trended EV / EBITDA Multiples



5-Year Revenue CAGR



Quarterly EV / EBITDA Multiples



Trended EV / EBITDA Multiples



Harris Williams Engineering & Construction Overview

Sector Focus Areas

- › Construction / Project Management
- › Electrical Engineering & Services
- › Civil Engineering
- › General & Specialty Contracting
- › Infrastructure Support Services
- › Building Services
- › Design & Installation
- › Forensic Engineering

Contact Us



Drew Spitzer
Managing Director
aspitzer@harriswilliams.com
Energy, Power & Infrastructure
Office: 804-915-0174



Greg Waller
Director
gwaller@harriswilliams.com
Energy, Power & Infrastructure
Office: 804-887-6138



Matt White
Managing Director
mwhite@harriswilliams.com
Energy, Power & Infrastructure
Office: 804-915-0131



Derek Lewis
Managing Director
dlewis@harriswilliams.com
Business Services
Office: 804-915-0118



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Deep Industry Experience



Aerospace, Defense
& Government
Services



Business
Services



Consumer



Energy, Power
&
Infrastructure



Healthcare &
Life Sciences



Industrials



Technology



Transportation
& Logistics

70% Revenue from
repeat clients

83% Managing directors
promoted from
within the firm

30+ Year
history



Sources

1. Capital IQ

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