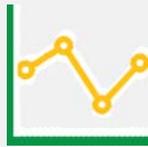


MARKET TRENDS CONSTRUCTION AND ENGINEERING¹

2017



Public Company Metrics

As shown in the chart below, share price performance for the C&E industry tracked that of the S&P 500 for much of 2016. Following the Presidential Election, however, the industry outperformed the S&P 500.

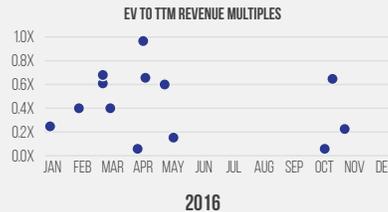


In terms of enterprise level valuation indicators, TTM EBITDA multiples for our C&E reference group generally ranged between 7.5x and 12.5x for most of 2016. The median TTM EBITDA multiple hovered between 8.0x and 11.0x.



M&A Transactions

During 2016 there were 273 M&A transactions involving North American C&E targets, including 22 in the Mid-Atlantic region. Valuation metrics frequently are not disclosed in M&A deals, but those that were available are below; the median EV to TTM revenue multiple for these deals was 0.7x³. Among the data points shown in the chart is the sale of general/heavy contractor Lane Industries to the Italian firm Salini Impregilo S.p.A. at an enterprise value of \$406M (EV to TTM revenue multiple of 0.3x).

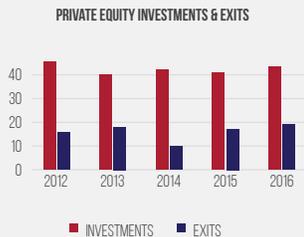


A variety of factors influence the implied valuation multiple reported for any given M&A transaction, including the type of buyer involved, the target's growth prospects, and profitability.



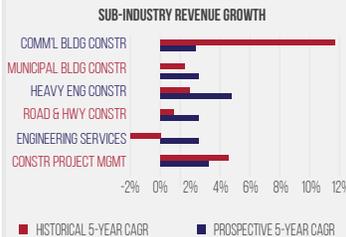
Private Equity Activity

PE transaction volume in the C&E industry has been relatively consistent over the last five years. Among the 2016 PE exits was Littlejohn & Co.'s \$950M sale of Contech Engineered Solutions, a provider of infrastructure, commercial and residential site solutions.



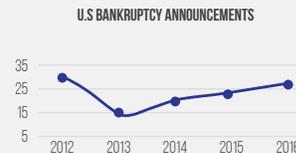
Growth Statistics

The value of total construction spending (public and private) is expected to grow at a compound annual rate of 1.5% over the next five years. There is variability at the sub-industry level of course, as shown below.



Business Bankruptcies

Over the last five years, 108 bankruptcy filings involving C&E firms were announced, including 11 in the Mid-Atlantic region. Bankruptcy announcements rose slightly each of the last three years.



FOR MORE INFORMATION



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¹ Source of data: S&P Capital IQ, IBISWorld, SEC filings, press releases. Abbreviations: CAGR = Compound Annual Growth Rate; C&E = Construction and Engineering; EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization; EV = Enterprise Value; M&A = Merger and Acquisition; PE = Private Equity; TTM = Trailing Twelve Months.

² Based on reference group of publicly traded C&E firms: DY, GVA, ACM, FIX, NVEE, TPC, AEGN, PRIM, KBR, STRL. Composite metrics weighted based on market capitalization.

³ While revenue-based valuation multiples are often less meaningful than earnings-based valuation multiples (e.g., EV to EBITDA), revenue multiples are presented in our chart because that information is more commonly disclosed.

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