

# MARKET TRENDS

## CONSTRUCTION & ENGINEERING



### Q3 2022 UPDATE

#### Public Company Metrics

##### Indexed Price Performance



8.18x

##### Median EV to TTM EBITDA Multiple

Share price performance for public C&E firms outperformed both the S&P 500 Index and the PKB index during the 12-month period ended September 2022. In total, the average share price for the reference group increased marginally over the TTM period, while the share price of the S&P 500 and PKB index each declined by over 15.0%. The median EV to TTM EBITDA multiple for the C&E reference group increased from about 7.3x in October 2021 to about 8.2x in September 2022. However, the range of multiples within the reference group varies significantly.



##### Valuation Spotlight

The best performer in our public company reference group was Dycom Industries Inc. (NYSE: DY), a construction company that provides engineering, construction, program and project management, material provisioning, subscriber installations, maintenance, and underground facility locating services to the telecommunications and utility industries. Its share price increased by 38% during the TTM period, while nine of the total fifteen public companies' share prices in the reference group decreased during the same period.

#### US M&A Transactions



##### M&A Spotlight

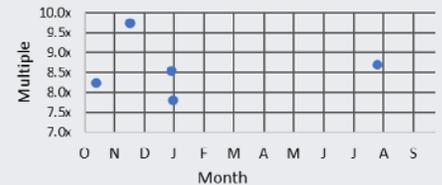
Blattner Holding Company, Inc., an electrical generation contractor which provides solar energy engineering, procurement, and construction, as well as engineering, procurement, and construction contracting services, was acquired by Quanta Services, Inc. (NYSE:PWR) in October 2021. The purchase consideration was approximately \$3.0B.

388

##### Number of Deals

There were 562 U.S. M&A transactions in the C&E industry during the 12-month period ended September 2022. Of the five transactions for which valuation data was disclosed, the median EV to TTM EBITDA multiple was 8.5x (see graph to the right).

##### EV/EBITDA Multiples



#### Private Equity Activity

##### PE Investment Volume



##### PE Investment Spotlight

According to data reported from S&P Capital IQ, the number of PE investment deals increased from the 12-month period ended September 2020 to September 2021, but decreased slightly during the LTM period ended September 2022. However, private equity activity is still elevated compared to the levels seen in the 12-month periods ended September 2018 through September 2020.

The Boring Company is an American infrastructure and tunnel construction services company founded by Elon Musk. It offers Loop, an all-electric, zero-emissions, and underground public transportation system in which passengers are transported directly to their destination with no stops along the way. In May 2022, The Boring Company received a total of \$675M in equity from an existing investor, Vy Capital, and another investor, Sequoia Capital Operations LLC. The funding is intended to increase hiring across engineering, operations, and production to build and scale Loop projects, as well as accelerate the research and development of future products, scale boring machine production, and build tunnels.

## Business Bankruptcies

93

### Bankruptcy Filings Over Past 5 Years

### U.S. Bankruptcy Announcements



There were noticeably more bankruptcy announcements over the past 12 months after reaching a 5-year low in 2020. The increase in bankruptcies is likely due to the expiration of most PPP loans, rising interest rates and slowing economic conditions.

## Growth

### Industry Performance

1.8%

Historical 5-Year CAGR

0.7%

Prospective 5-Year CAGR

### Growth Statistics



### Sub-Industry Trends

Over the past five years, growth in the industrial building, heavy engineering, municipal building, and commercial building construction sub-industries has declined. Due to record-low interest rates, the two sub-industries with the highest growth rates over the past five years were home builders and apartment & condo construction. Prospective growth rates for all sub-industries except for home builders is expected to increase over the next five years. The home builders sub-industry is expected to decline due to the expectation of rising interest rates, rising materials costs and a potential recession.

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Sources: S&P Capital IQ, SEC filings, press releases, IBISWorld Reports.

Abbreviations: C&E=Construction & Engineering; EV=Enterprise Value; EBITDA=Earnings Before Interest, Taxes, Depreciation and Amortization; TTM=Trailing Twelve Months; PE=Private Equity; M&A=Merger and Acquisition; PE=Private Equity; S&P 500= Standard and Poor's 500; PKB= Invesco Dynamic Building & Construction ETF

Public Company Metrics: Based on reference group of publicly traded Construction & Engineering firms (excluding residential construction): PWR, ACM, MTZ, EME, FIX, DY, FLR, NVEE, ROAD, PRIM, MYRG, STRL, GVA, TPC, GLDD. Composite metrics weighted based on market capitalization.

M&A Transactions: A variety of factors can 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. Since revenue-based valuation multiples can be less meaningful than earnings-based valuation multiples (e.g. EV to EBITDA), EBITDA multiples are presented in our chart.

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