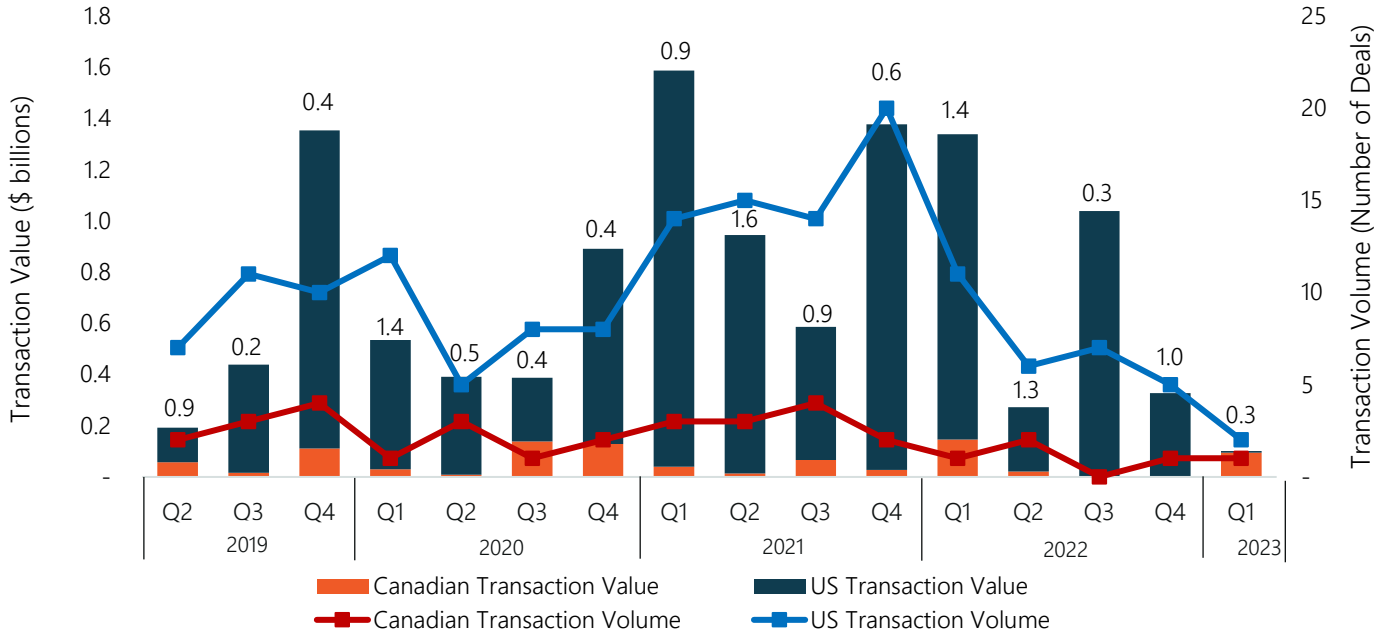


# Engineering & Construction

Quarterly Update | Q1 2023



### NORTH AMERICAN ENGINEERING & CONSTRUCTION M&A ACTIVITY



Source: Capital IQ. Data as of March 31, 2023. All figures are in CAD.  
 Above noted mid-market M&A activity includes disclosed transactions not exceeding a total transaction value of \$500 million in Canada and USA.  
 Transaction value is only inclusive of total transaction values which have been disclosed within Capital IQ.

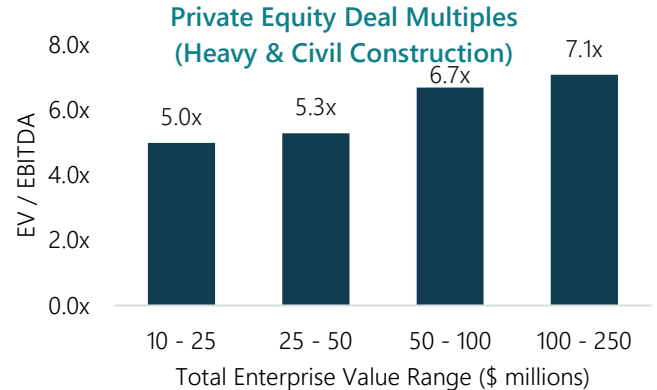
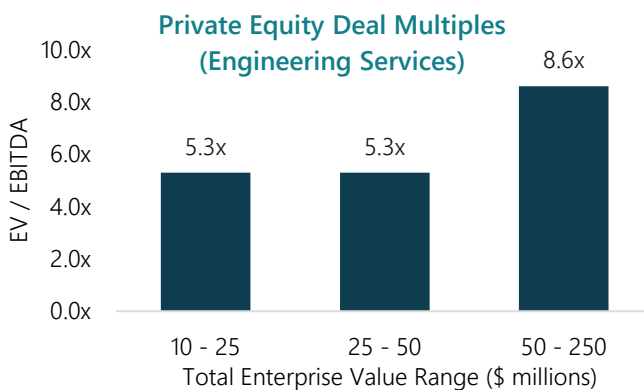
**Q1 Transactions (Canada)**  
**1**  
 (+0 vs. Q4 2022)

**Q1 Transaction Value (Canada)**  
**\$95 million**  
 (+\$93 million vs. Q4 2022)

**Q1 Transactions (US)**  
**2**  
 (-3 vs. Q4 2022)

**Q1 Transaction Value (US)**  
**\$5.2 million**  
 (-\$320 million vs. Q4 2022)

The pace of both transaction volume and value has slowed throughout the industry. High inflation rates, uncertainty around a potential recession, tight monetary policy, and a slowdown in the real estate market have resulted in higher input costs and reduced incentives for transactions. Q1 2023 saw three mid-market deals in Canada and the United States, with \$100 million in disclosed transaction value. The number of transactions in Canada remained the same from Q4 2022 to Q1 2023 while transaction value increased by \$93 million which is driven by the slower activity in Q4 2022. Transactions in the United States decreased from five in Q4 2022 to two in Q1 2023, with a ~98% decline in transaction value. The largest mid-market transaction involved Exchange Income Corporation's acquisition of BVGlazing Systems Ltd for \$95 million. However, there were also a number of transactions with no disclosed valuations which indicates a recovery of demand in the engineering and construction industry.



# Select Recent M&A Transactions



announced its acquisition of



Announced	Mar 16, 2023
EV	\$95 million
EV/EBITDA	Not disclosed

- **Exchange Income Corporation (Exchange)** provides services and equipment in aerospace and aviation services along with manufacturing a diverse set of products in Canada, the Caribbean, and the Middle East.
- **BVGlazing Systems Ltd. (BVGlazing)** designs, engineers and manufactures window, door, and railing systems in North America.

*This acquisition allows Exchange to expand its manufacturing business and capacity.*



has acquired



Closed	Feb 21, 2023
EV	Not disclosed
EV/EBITDA	Not disclosed

- **KCI Technologies Inc. (KCI)** is a multi-disciplinary engineering and construction company that also provides services in environmental engineering, transportation, and utilities in the U.S., serving various corporate institutions and the government.
- **Armeni Consulting Services LLC (Armeni)** provides consulting services focused on all types of bridges and heavy-civil infrastructure projects. It offers estimating, scheduling, and constructability analysis to private and public clients.

*This acquisition allows the shareholders of KCI to implement its expansion strategy and ensure the continued growth of the business.*



has acquired



Closed	Jan 23, 2023
EV	Not disclosed
EV/EBITDA	Not disclosed

- **Tecta America Corp. (Tecta)** provides commercial roofing services within both new and renovation constructions along with providing disaster response, environmental, and residential roofing systems.
- **Oshkosh Industrial Roofing & Sheet Metal LLC (Oshkosh)** engages in commercial roofing contracting services with a specialization in built-up, single-ply, and metal roofing systems.

*The acquisition allows Tecta to expand its market share and overall capacity.*

Source: Capital IQ  
All figures are in CAD.

# Industry Overview

## Engineering Services in Canada

The Engineering Services industry applies the physical laws and principles of engineering in the design, development, and use of machines, materials, instruments, structures, processes, and systems.

### Industry Glance

2022 Revenue

**\$35.7B**

Annual Growth 2017 – 2022

**2.1%**

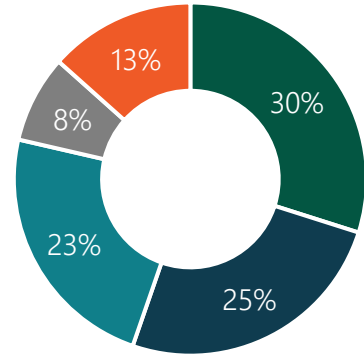
Projected Annual Growth 2022 – 2027

**2.1%**

Number of Businesses in 2022

**28,020**

### Products and Services Segmentation (2022)



- Advisory Services
- Energy and Mining
- Residential and Commercial
- Power Generation
- Transportation

## Heavy Engineering Construction in Canada

Heavy Engineering Construction performs new construction, reconstruction, rehabilitation, and repairs.

### Industry Glance

2021 Revenue

**\$53.9B**

Annual Growth 2016 – 2021

**1.8%**

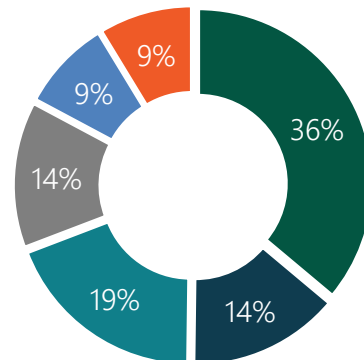
Projected Annual Growth 2021 – 2026

**2.5%**

Number of Businesses in 2021

**2,742**

### Products and Services Segmentation (2021)



- Electric Power
- Land Transportation
- Repair and Maintenance
- Mining Engineering
- Marine and Waterworks
- Other

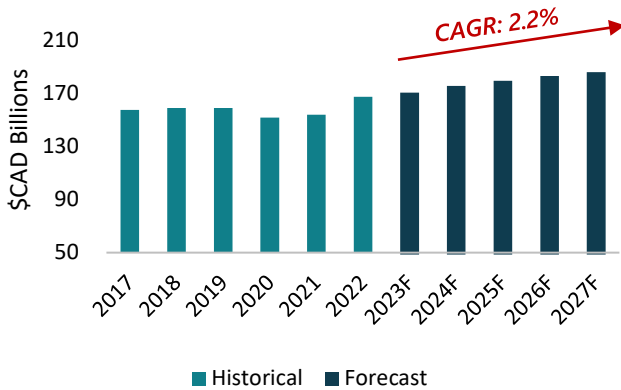
# Canadian Macroeconomic Indicators

Canada's housing market and construction activity has experienced a decline due to unprecedented interest rate hikes by the Bank of Canada (BoC). The BoC increased its target overnight rate to 4.5% in January, maintaining it through Q1 2023 as part of its quantitative tightening program. As a result, inflation has declined to 4.3% in March 2023 compared to 5.2% in February 2023 (5.9% in January 2023). While the inflation rate remains above the BoC's target of 2.0%, it is anticipated that it will fall to 3% by the third quarter of 2023 and reach the target by 2024.

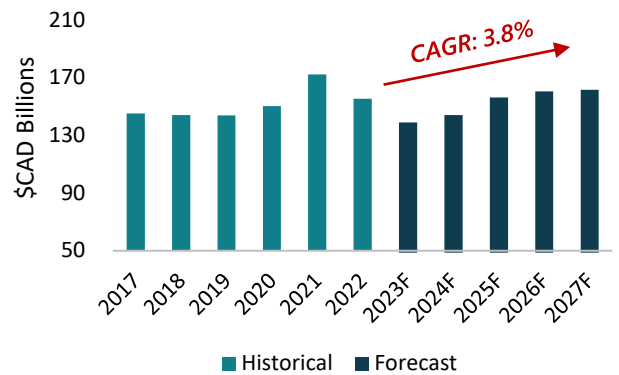
A combination of pessimistic consumer sentiment and slow GDP growth has reduced deal flow in both residential and non-residential markets despite the recovery of Canada and the U.S. from the pandemic's adverse effects. However, Canada's February housing market results showed an increase of 2.3% over January 2023. Construction companies' financial results continue to face adverse effects of the current high interest rate environment, as this has made the cost of borrowing more expensive which has resulted in a slow down in the construction space. M&A activity may remain subdued in the near term, but is expected to increase with improving economic conditions.

However, opportunities remain for Canada's engineering and construction industry in the mid to long term. Inflation should slow down further as the BoC maintains its policy discipline, which will act to rein in rising construction costs. In the long run, key external factors, such as the value of residential and non-residential construction, government consumption and investment, and aggregate private investments are all forecast to increase in the next five years, creating a more favourable environment for deal flow.

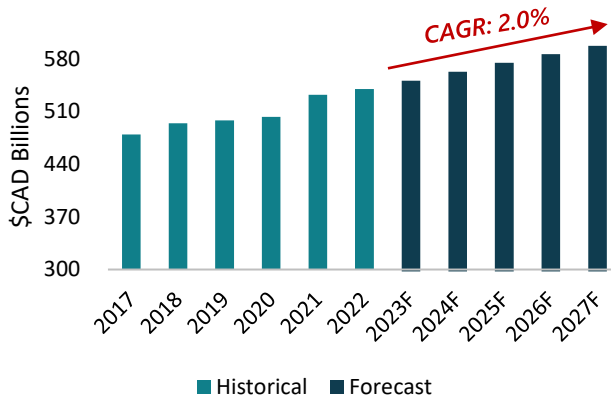
**Value of Non-Residential Construction - Canada**



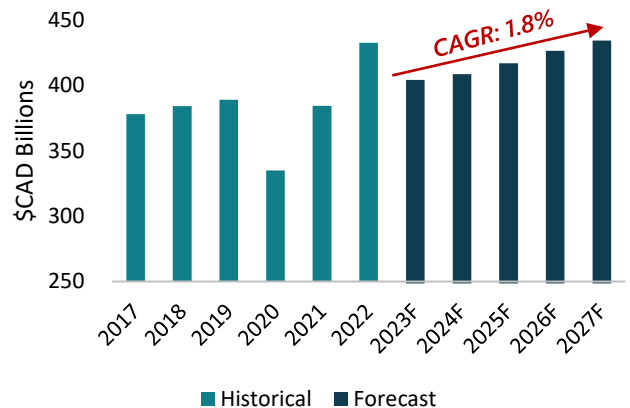
**Value of Residential Construction - Canada**



**Government Consumption and Investment - Canada**



**Aggregate Private Investment - Canada**

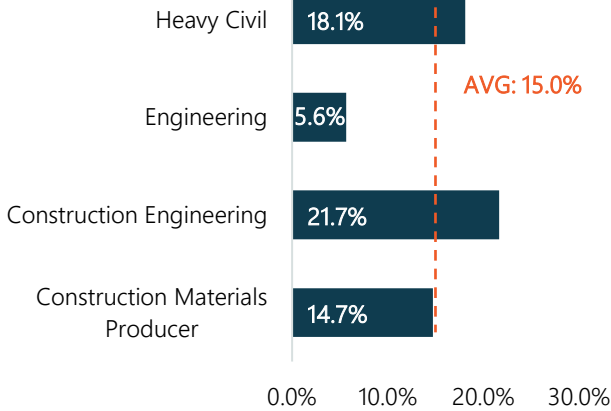


Source: IBISWorld Business Environment Reports, Bank of Canada (<https://www.bankofcanada.ca/2022/12/fad-press-release-2022-12-07/>), Statistics Canada (Consumer Price Index: Annual review, 2022), Hub 2023 Construction Outlook. "F" indicates forecast. "CAGR" indicates compound annual growth rates.

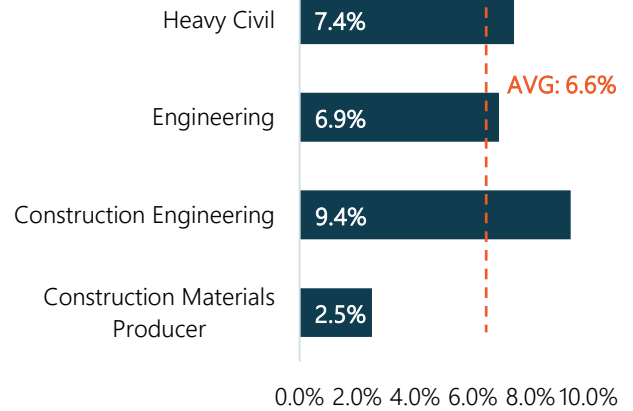
# Public Comparable Analysis

## Growth, Margins & Multiples

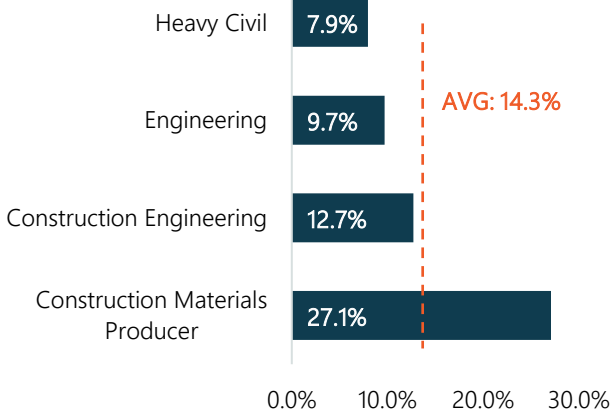
### LTM REVENUE GROWTH



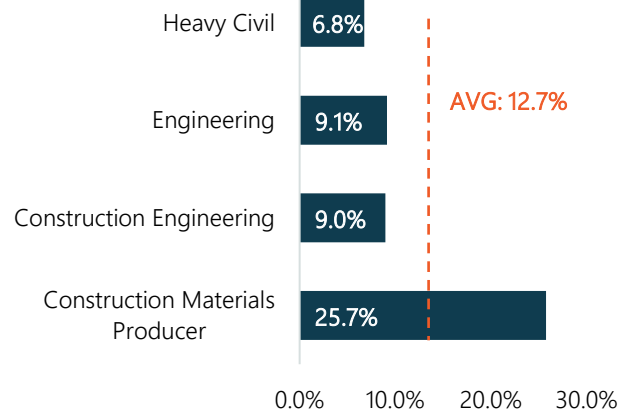
### NTM REVENUE GROWTH



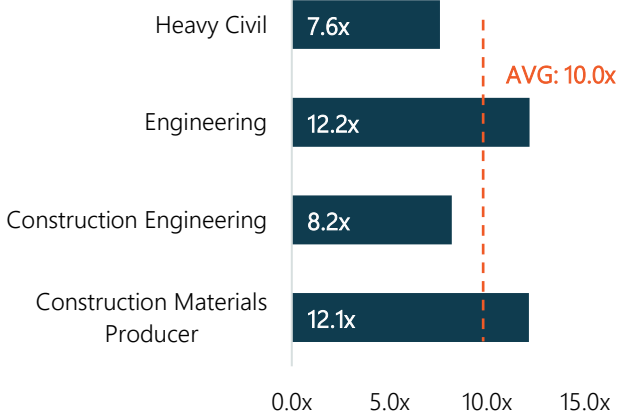
### LTM EBITDA MARGIN



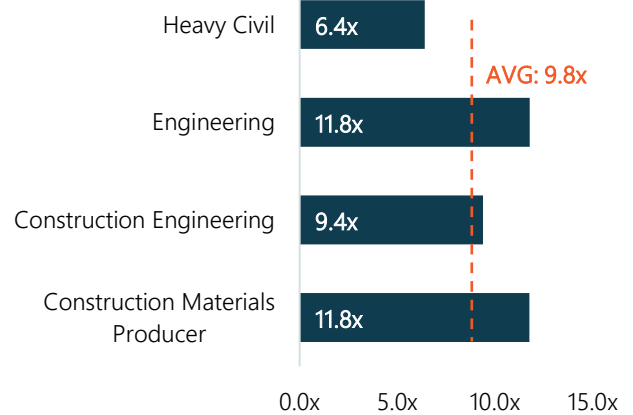
### NTM EBITDA MARGIN



### LTM EV/EBITDA



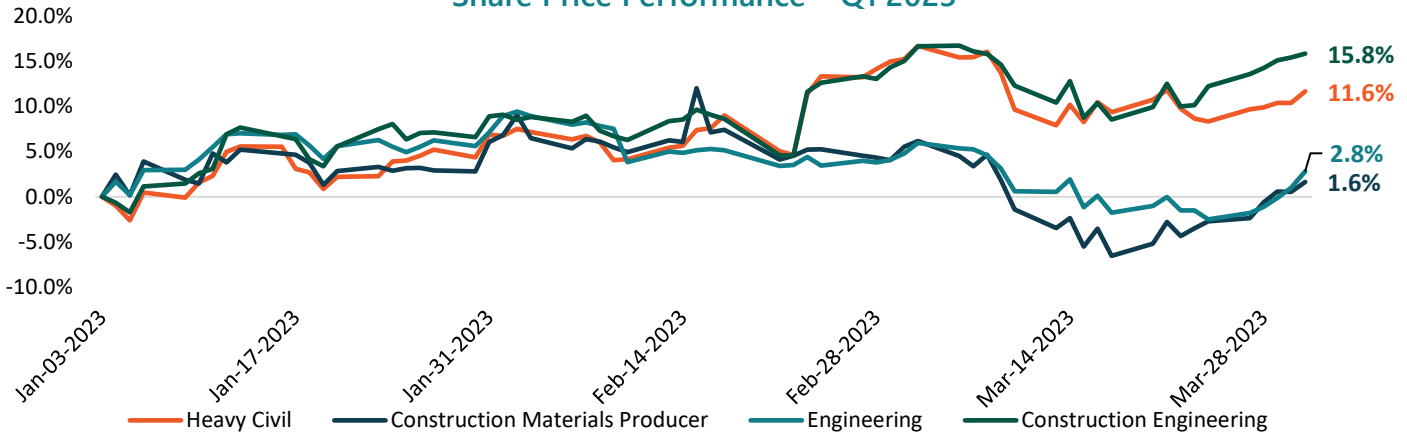
### NTM EV/EBITDA



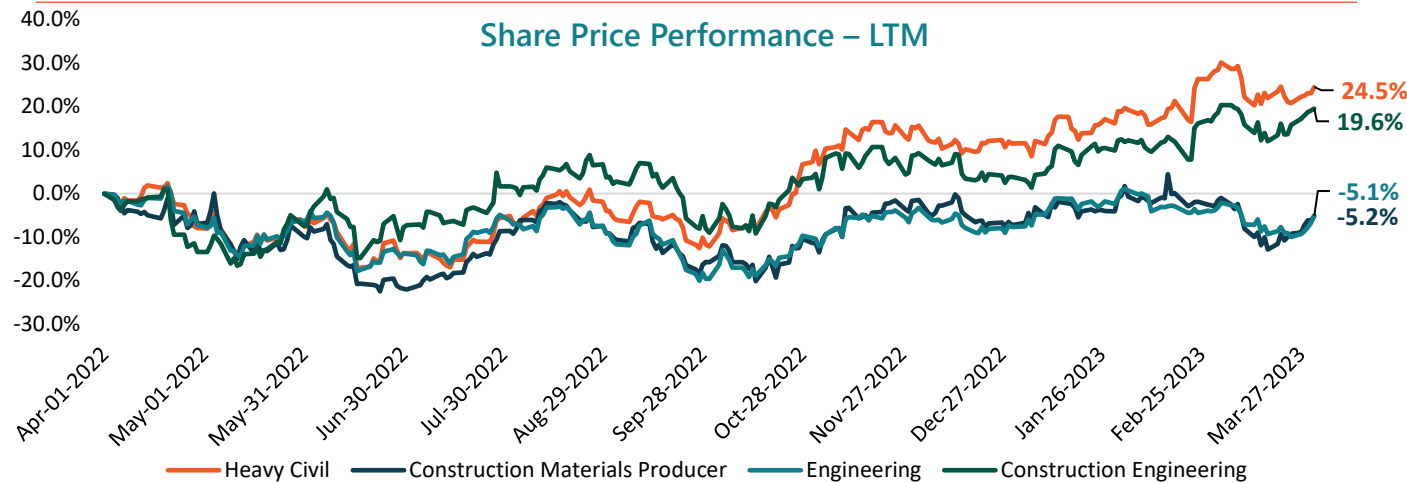


### Engineering and Construction Peer Group

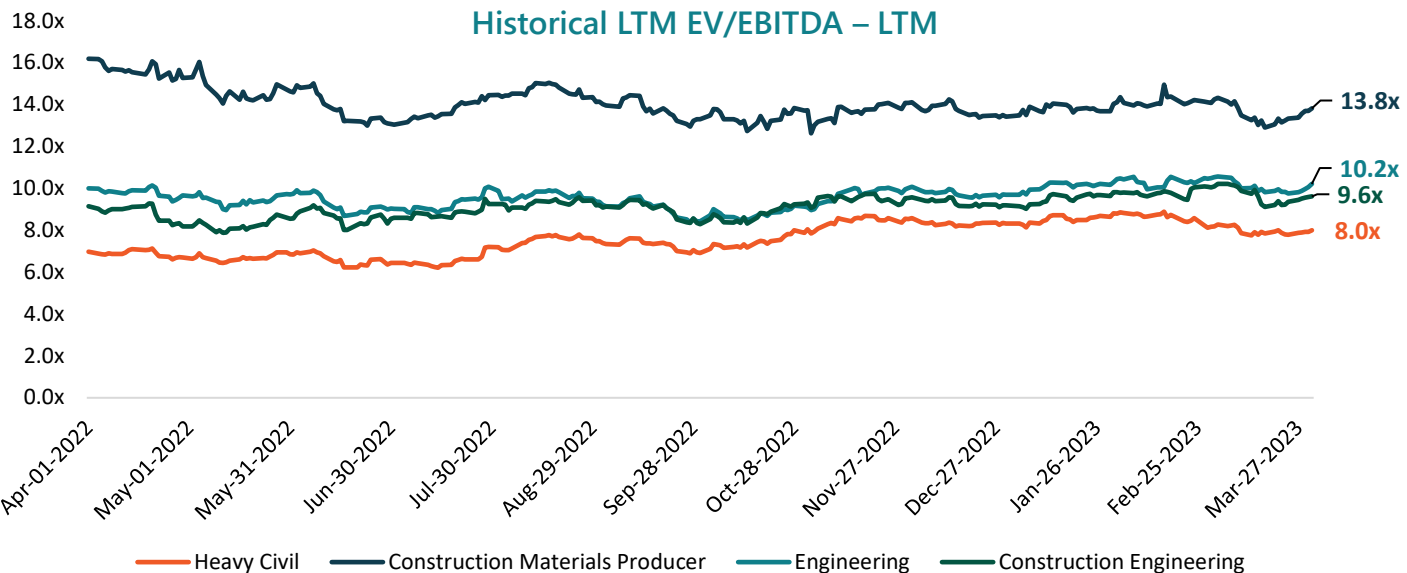
#### Share Price Performance – Q1 2023



#### Share Price Performance – LTM



#### Historical LTM EV/EBITDA – LTM



Source: Capital IQ. Data as of March 31, 2023  
 Further details provided on page 8.  
 "LTM" refers to last twelve months.

# Public Comparable Analysis

## Trading Multiples & Operating Statistics

We have selected a group of publicly traded engineering and construction entities for this high-level analysis. These public companies help act as a proxy for the industry and provide strong industry context.

(Figures in CAD millions, except percentages and ratios)

Company	Market Capitalization	Enterprise Value	LTM Operating Figures				NTM Consensus Estimates			Valuation	
			Revenue	Revenue Growth	EBITDA	EBITDA Margin	Revenue Growth	EBITDA Margin	NTM EV/EBITDA	LTM EV/EBITDA	LTM EV/REV
<b>Heavy Civil</b>											
EMCOR Group, Inc.	\$10,491	\$10,598	\$14,991	11.8%	\$1,276	8.5%	10.1%	6.0%	10.7x	8.3x	0.7x
Granite Construction Incorporated	\$2,431	\$2,173	\$4,468	(5.7%)	\$265	5.9%	5.1%	8.3%	5.6x	8.2x	0.5x
Construction Partners, Inc.	\$1,922	\$2,463	\$1,839	35.2%	\$165	9.0%	15.3%	10.1%	11.5x	14.9x	1.3x
Primoris Services Corporation	\$1,777	\$3,262	\$5,983	26.4%	\$475	7.9%	20.1%	6.7%	6.7x	6.9x	0.5x
Sterling Infrastructure, Inc.	\$1,578	\$2,001	\$2,395	25.1%	\$330	13.8%	7.4%	12.2%	6.4x	6.1x	0.8x
Aecon Group Inc.	\$845	\$1,376	\$4,696	18.1%	\$182	3.9%	(0.9%)	5.4%	5.4x	7.6x	0.3x
Bird Construction Inc.	\$489	\$460	\$2,378	7.1%	\$101	4.2%	7.4%	4.8%	3.8x	4.6x	0.2x
<b>Median</b>	<b>\$1,777</b>	<b>\$2,173</b>	<b>\$4,468</b>	<b>18.1%</b>	<b>\$265</b>	<b>7.9%</b>	<b>7.4%</b>	<b>6.7%</b>	<b>6.4x</b>	<b>7.6x</b>	<b>0.5x</b>
<b>Mean</b>	<b>\$2,790</b>	<b>\$3,190</b>	<b>\$5,250</b>	<b>16.9%</b>	<b>\$399</b>	<b>7.6%</b>	<b>9.2%</b>	<b>7.7%</b>	<b>7.1x</b>	<b>8.1x</b>	<b>0.6x</b>
<b>Engineering</b>											
WSP Global Inc.	\$22,049	\$25,640	\$11,933	16.1%	\$1,443	12.1%	(11.9%)	17.1%	14.0x	17.8x	2.1x
Jacobs Solutions Inc.	\$20,147	\$25,169	\$20,763	8.9%	\$2,076	10.0%	5.4%	9.3%	12.4x	12.1x	1.2x
AECOM	\$15,852	\$18,472	\$17,952	(0.2%)	\$1,555	8.7%	7.4%	7.0%	13.8x	11.9x	1.0x
KBR, Inc.	\$10,172	\$12,370	\$8,884	(10.6%)	\$1,148	12.9%	6.4%	10.6%	12.4x	10.8x	1.4x
Stantec Inc.	\$8,760	\$10,525	\$4,457	22.6%	\$651	14.6%	8.9%	16.5%	13.2x	16.2x	2.4x
Fluor Corporation	\$5,953	\$4,447	\$18,601	(2.9%)	\$621	3.3%	9.8%	3.4%	6.5x	7.2x	0.2x
SNC-Lavalin Group Inc.	\$5,832	\$7,764	\$7,549	2.4%	\$451	6.0%	(0.2%)	8.9%	11.2x	17.2x	1.0x
NV5 Global, Inc.	\$2,185	\$2,263	\$1,065	11.3%	\$186	17.4%	12.3%	17.1%	11.1x	12.2x	2.1x
Willdan Group, Inc.	\$283	\$438	\$581	21.3%	\$27	4.6%	17.3%	6.8%	9.5x	16.4x	0.8x
Mistras Group, Inc.	\$275	\$577	\$930	1.5%	\$87	9.4%	5.1%	9.0%	6.6x	6.6x	0.6x
<b>Median</b>	<b>\$7,356</b>	<b>\$9,145</b>	<b>\$8,216</b>	<b>5.6%</b>	<b>\$636</b>	<b>9.7%</b>	<b>6.9%</b>	<b>9.1%</b>	<b>11.8x</b>	<b>12.2x</b>	<b>1.1x</b>
<b>Mean</b>	<b>\$9,151</b>	<b>\$10,767</b>	<b>\$9,271</b>	<b>7.0%</b>	<b>\$824</b>	<b>9.9%</b>	<b>6.1%</b>	<b>10.5%</b>	<b>11.1x</b>	<b>12.8x</b>	<b>1.3x</b>
<b>Construction Engineering</b>											
Quanta Services, Inc.	\$32,467	\$37,287	\$23,108	31.5%	\$3,543	15.3%	9.4%	10.0%	14.8x	10.5x	1.6x
MasTec, Inc.	\$9,806	\$14,065	\$13,234	23.0%	\$1,721	13.0%	32.8%	8.5%	9.4x	8.2x	1.1x
Dycom Industries, Inc.	\$3,720	\$4,596	\$5,070	21.7%	\$559	11.0%	8.1%	10.5%	8.0x	8.1x	0.9x
MYR Group Inc.	\$2,841	\$2,873	\$4,072	20.4%	\$250	6.1%	8.9%	5.9%	10.7x	11.5x	0.7x
Argan, Inc.	\$743	\$358	\$607	(10.7%)	\$77	12.7%	30.6%	9.0%	4.9x	4.6x	0.6x
<b>Median</b>	<b>\$3,720</b>	<b>\$4,596</b>	<b>\$5,070</b>	<b>21.7%</b>	<b>\$559</b>	<b>12.7%</b>	<b>9.4%</b>	<b>9.0%</b>	<b>9.4x</b>	<b>8.2x</b>	<b>0.9x</b>
<b>Mean</b>	<b>\$9,916</b>	<b>\$11,836</b>	<b>\$9,218</b>	<b>17.2%</b>	<b>\$1,230</b>	<b>11.6%</b>	<b>18.0%</b>	<b>8.8%</b>	<b>9.5x</b>	<b>8.6x</b>	<b>1.0x</b>
<b>Construction Materials Producer</b>											
Vulcan Materials Company	\$30,866	\$36,943	\$9,901	31.8%	\$2,377	24.0%	3.0%	23.9%	15.1x	15.5x	3.7x
Martin Marietta Materials, Inc.	\$29,835	\$36,968	\$7,756	12.7%	\$2,338	30.1%	16.2%	27.6%	14.8x	15.8x	4.8x
Eagle Materials Inc.	\$7,158	\$8,558	\$2,830	16.7%	\$983	34.7%	2.0%	36.1%	8.2x	8.7x	3.0x
Summit Materials, Inc.	\$4,565	\$5,976	\$3,265	0.1%	\$708	21.7%	(4.6%)	22.0%	8.7x	8.4x	1.8x
<b>Median</b>	<b>\$18,496</b>	<b>\$22,751</b>	<b>\$5,510</b>	<b>14.7%</b>	<b>\$1,661</b>	<b>27.1%</b>	<b>2.5%</b>	<b>25.7%</b>	<b>11.8x</b>	<b>12.1x</b>	<b>3.4x</b>
<b>Mean</b>	<b>\$18,106</b>	<b>\$22,111</b>	<b>\$5,938</b>	<b>15.3%</b>	<b>\$1,602</b>	<b>27.6%</b>	<b>4.1%</b>	<b>27.4%</b>	<b>11.7x</b>	<b>12.1x</b>	<b>3.3x</b>



# About Us

MNP Corporate Finance (MNPCF) has a dedicated team of over 100 M&A, capital markets, and due diligence professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan, and execute transactions.

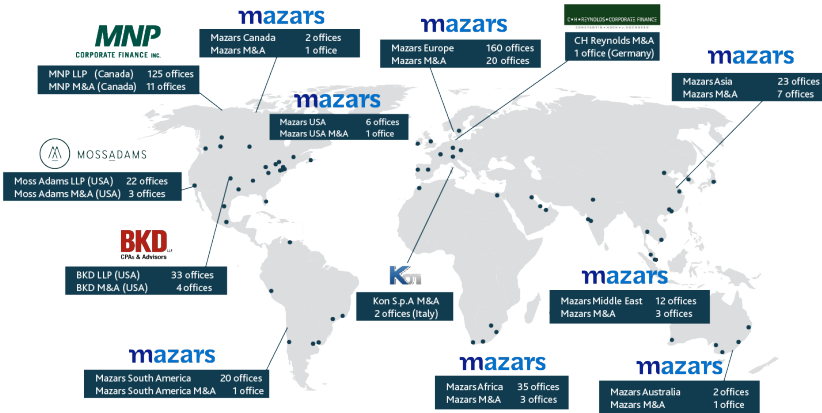
Our typical transactions range in value between \$3 million and \$300 million.

## Local and International Reach

MNP is a participating firm within Praxity, a unique global alliance of independent accounting/advisory firms created to answer global business needs. As a member of Praxity, we are able to offer access to corporate finance, accounting and tax advisory services worldwide. We are also affiliated with Corporate Finance Cross Border, which consists of 250+ M&A professionals in more than 30 countries.



**CFxBorder - Global reach with local relationships**  
 Our corporate finance team through CFxBorder consists of 250 plus M&A professionals in more than 30 countries



## Services

- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services

## Recently Closed Deals (National)

MNP Corporate Finance Inc. acted as exclusive financial advisor to JEB Transport & Logistics Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. provided due diligence services to York Analytical Laboratories Inc.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Enviro-Works Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. provided financial and tax due diligence services to Danilee Capital.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Compagnie Motoparts Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Kost Fire Equipment Ltd. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Les Quais Bertrand Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Estem Medical Esthetics in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Simpson Seeds Inc. in structuring and negotiating this transaction.

MNP Corporate Finance Inc. acted as exclusive financial advisor to Convertus Group in structuring and negotiating this transaction.

# About Us

## Deal Experience

Since our inception, our team has advised on hundreds of transactions, in a wide range of industries with diverse enterprise values. In the past 10 years alone, we have completed over 250 transactions worth over \$4.5 billion (not including due diligence engagements).

## Industry Experience

- Food & Beverage
- Retail & Distribution
- Manufacturing
- Agriculture
- Automotive
- Materials
- Health Care
- Pharmaceutical
- Transportation
- Construction
- Software
- Financial Services
- Technology
- Energy
- Oilfield Services
- Real Estate

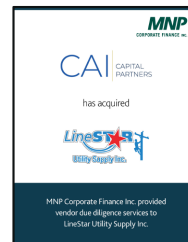
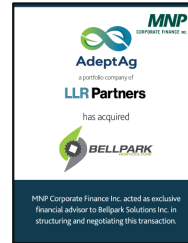
## Hands-on Approach

Current M&A transactions require a hands-on approach from start to finish including the active engagement of senior resources. Our senior resources are dedicated to our clients and are available as necessary and appropriate. We keep our clients regularly informed of the engagement status, issues we are encountering, successes and overall progress.

## Integrated Service Offering

We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement, and risk management.

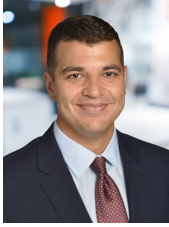
## Recently Closed Deals (National)



## Transaction Leadership



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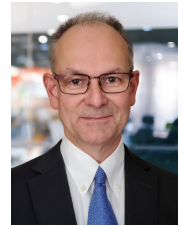
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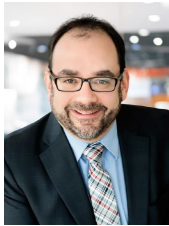
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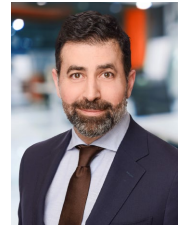
**Jasmin Allard**  
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