

# The Keystone: Trends in the Architecture & Engineering Industry



Chartwell Financial Advisory

Q2 2021

# The Keystone: Trends in the Architecture & Engineering Industry

Chartwell's architecture and engineering (AE) practice serves more than 150 industry clients throughout the United States. Our team has experience with AE firms of all types and sizes and specializes in providing ownership advisory, corporate finance, transaction opinion, and business valuation services to middle-market companies.

The Keystone focuses on current trends in M&A and public market activity within the AE sector.

## In this Issue:

### Record Retention in the A/E World

Pages 3-4

### Industry Activity Indicators

Page 5

### Capital Markets Update

Page 6

### Chartwell Advises Simeone Deary Design Group on Sale to KTCY

Page 7

### Chartwell Advises Binkley & Barfield on Sale to DCCM

Page 8

### Merger & Acquisition Activity

Pages 9-13

### Chartwell Commentary

Page 14

### Market Performance

Page 15

### Financial Performance

Page 16

### Implied Market Multiples

Page 17

## Chartwell:

### A National Leader in Financial Advisory



Welcome to the latest edition of The Keystone! Although the last 15 months have been strange in every respect, the architecture and engineering industry proved to be extremely resilient as evidenced by M&A activity rebounding dramatically. In this edition of The Keystone we are excited to feature an article on the topic of record retention policies, written by Joshua Levy of Husch Blackwell, a leading law firm with expertise in the construction and design industry.

Our intention with this newsletter is to provide you with timely information on topics of interest to the AE industry coupled with M&A and public market trends. We publish The Keystone bi-annually in Q2 and Q4.

We hope you enjoy this edition of The Keystone and please let us know if there is any additional information you would like to see included in future issues. For those interested in related market information, we have a separate construction newsletter, The Blueprint, which is published in Q1 and Q3.

– Your Friends at Chartwell

# Record Retention in the A/E World

Guest Author: Joshua Levy, Husch Blackwell



Design Professionals manage thousands of project records. Keeping on top of your records in the paperless age is increasingly difficult. A record retention policy, properly developed and implemented throughout your firm, is a critical step in making the difficult task of indexing and purging records manageable.

Design firms have a variety of project documents to maintain, from design development drawings, construction drawings, and BIM Models to project manuals and specifications, contracts, and correspondence to submittals, RFI's, meeting minutes, to schedules, inspections, and more.

Knowing where your records are kept is the first step. Project documents may be kept as hard copy records, on a network drive, in the cloud, or they may be in different applications such as an email program, and project management and accounting software. Developing the record retention policy begins with the indexing your complete array of records. This will help you find records that are needed after project completion. Implementing the record retention policy will then help you determine when you no longer need to retain certain records, allowing you to save on storage space and cost.

There are several reasons to retain records. You may be contractually obligated to retain certain records for a certain period of time. There are statutes requiring certain business records to be preserved. You may also want to keep records for post-occupancy issues. Or you may want to look back to see how a certain design was done or project completed.

Perhaps the most important reason to have a record retention policy is to be prepared in case of litigation. Architects can be parties to litigation involving claims of professional negligence or breach of contract, among others. Even if not a party to a lawsuit, architects and engineers can be the subject of non-party subpoenas to produce documents. Knowing

where and how the documents are stored makes it easier and cheaper to produce the documents.

During litigation, whether as a party or a non-party, not only may you be subject to a broad request for "documents," but you may also be asked to explain what happened to any relevant documents that cannot be produced.

In today's world the term "document" has an expansive meaning. A typical definition of documents used in discovery requests includes written material of whatever kind or nature and electronically stored information ("ESI"). "Documents" can include all information in the company's possession or control, including ESI maintained on personal devices or stored in the cloud. The ESI process can be very expensive. Following a well-crafted Record Retention Policy can be an enormous time and money saver.

Design firms need to retain records for a reasonable length of time without saving them indefinitely. When determining whether records were reasonably destroyed pursuant to a record retention policy, courts look at factors such as whether the record retention policy is reasonable, whether lawsuits or complaints have been filed frequently concerning the type of records at issue, and whether the record retention policy was instituted in bad faith.

"[W]here a party has a long-standing policy of destruction of documents on a regular schedule, with that policy motivated by general business needs, which may include a general concern for the possibility of litigation, destruction that occurs in line with the policy is relatively unlikely to be seen as spoliation."



## Record Retention in the A/E World (Continued)

While some general business records fall under federal requirements for the length of time to preserve, most records should be kept according to state-specific requirements. States generally have Statutes of Limitations and a Statute of Repose. A statute of limitation is triggered by a loss, while a statute of repose sets a claim horizon based on project completion. Thus, while an individual may have two years to bring an injury claim under a statute of limitation, the claim may have to be brought within ten years of substantial completion under a statute of repose. Accordingly, it is important to retain project records at least as long as the requirement under the applicable Statute of Repose.

Your policy should include provisions for the archiving and destruction of records. Any record retention policy should include a periodic evaluation of the format in which archived documents are stored and should trigger an automatic review of whether to convert documents from older software in the event of a company-wide change in programs.

For record destruction, the record retention policy should account for destruction of both ESI and hard copy documents. A policy that hard copy documents are shredded upon the end of the retention period will generally be sufficient. ESI, on the other hand, may be software- and system-specific, and information technology personnel should be brought on board to ensure that ESI at the end of a retention or archival period is permanently deleted rather than archived.

A record retention policy is only effective if it's implemented and followed. To that end, training employees to understand and follow the policy is crucial. Identifying a group or committee of key employees for maintaining records is a recommended practice, consisting of department managers, IT, and representatives from the executive suite. This group can assign responsibility for periodically reviewing the policy and training employees on implementation.

Not having a policy in place for discarding records can lead to either never deleting records or getting in trouble for randomly deleting records. Having a well-crafted policy in place, deleting records on the schedule set by the policy and training employees on the policy can save time and effort in searching for needed records, and can save storage space and costs for not maintaining records longer than needed.



### About the Author

**Joshua Levy**

**Partner**

**Milwaukee, WI**

**Husch Blackwell**

Josh is the leader of Husch Blackwell's Construction & Design Group and has represented clients for more than 30 years in construction disputes and claims. He is also an arbitrator with the American Arbitration Association.



# Industry Activity Indicators

## May 2021 Construction Spending

	\$ Billion	3MMA	12MMA
<b>Private Nonresidential</b>	<b>\$451.6</b>	<b>(7.8%)</b>	<b>(10.2%)</b>
Power	\$104.3	(4.3%)	(12.2%)
Commercial	\$81.9	(4.4%)	(4.7%)
Manufacturing	\$69.6	(11.4%)	(10.9%)
Office	\$69.3	(3.5%)	(10.0%)
Healthcare	\$37.0	(4.7%)	(1.4%)
Lodging	\$21.8	(25.4%)	(23.3%)
Communication	\$21.5	(4.3%)	(1.3%)
Education	\$14.9	(19.1%)	(19.1%)
<b>Public Nonresidential</b>	<b>\$333.0</b>	<b>(7.9%)</b>	<b>(2.2%)</b>
Highway & Street	\$98.6	(6.5%)	(1.4%)
Education	\$82.0	(10.8%)	(4.9%)
Transportation	\$40.5	(6.3%)	0.3%
Sewage & Waste	\$26.6	4.2%	1.1%
Water Supply	\$18.4	(0.7%)	3.8%
Power	\$8.1	0.3%	(10.8%)

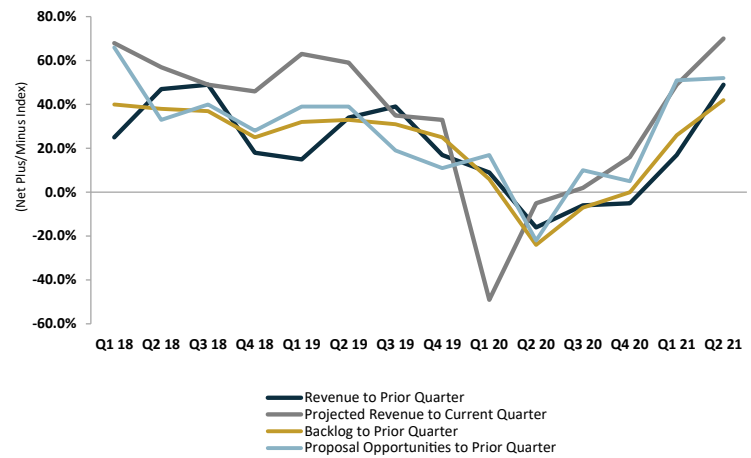
Seasonally Adjusted Annual Rate  
Source: U.S. Census Bureau

## AIA Consensus Construction Forecast

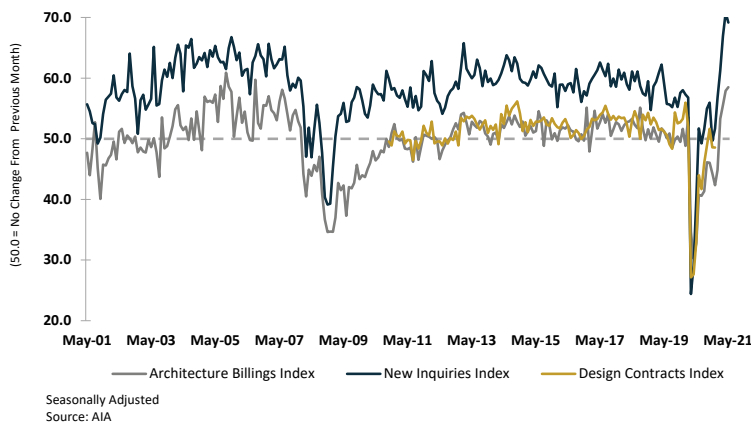
	2021	2022
<b>Nonresidential Total</b>	<b>&lt;3.9%&gt;</b>	<b>4.6%</b>
Commercial Total	<5.4%>	5.4%
Office	<5.6%>	<0.1%>
Retail & Other Commercial	<1.3%>	5.8%
Hotel	<19.9%>	18.9%
<b>Industrial Total</b>	<b>&lt;4.4%&gt;</b>	<b>4.8%</b>
Institutional Total	<2.3%>	3.6%
Health	1.4%	4.4%
Education	<2.1%>	2.7%
Religious	<0.9%>	<0.9%>
Public Safety	<2.1%>	0.1%
Amusement & Recreation	<9.9%>	6.0%

As of July 2021  
Source: American Institute of Architects (AIA)

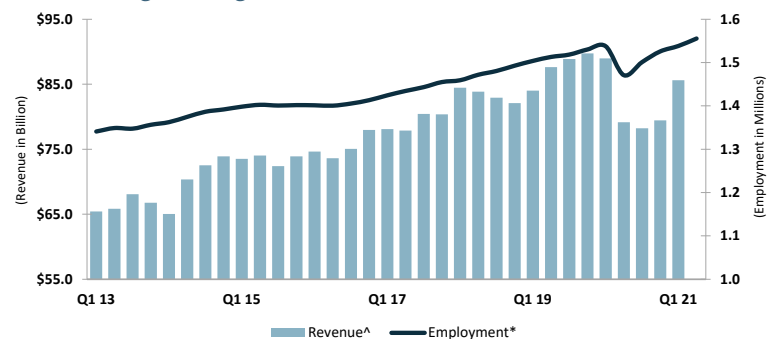
## Revenue, Projected Revenue, Backlogs, and Proposal Opportunities



## Work-on-the-Boards Survey Data



## Engineering, Architectural, and Related Services

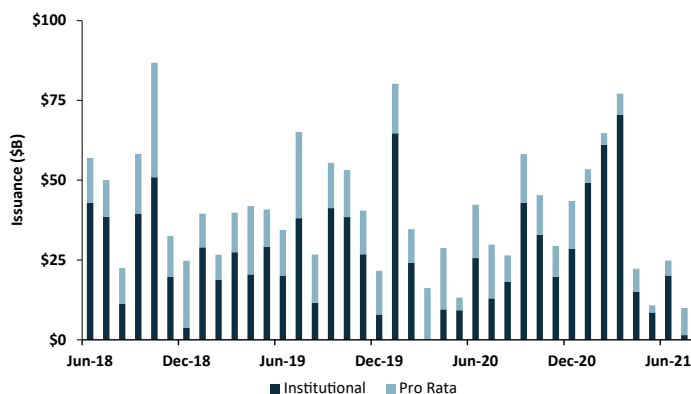


# Capital Markets Update

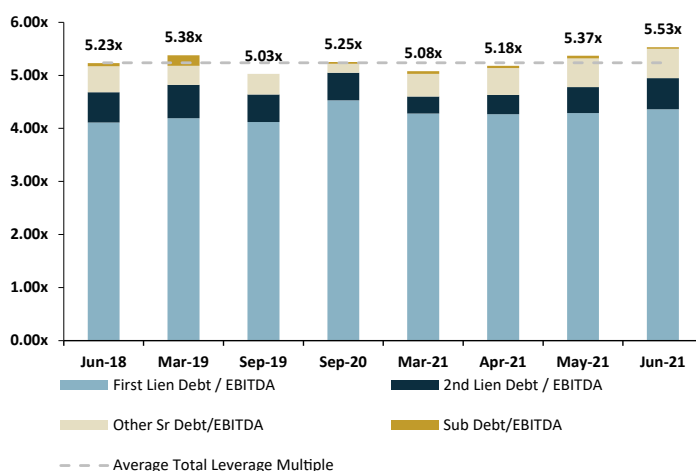
## Recent equity market volatility can't seem to slow down the strong capital markets environment.

- Lenders continue to aggressively pursue opportunities in Q2 2021
- Leverage levels, interest rates, and other key metrics are now above pre-pandemic levels for stable issuers
- “Storied” credits, companies impacted by COVID-19, and non-sponsor backed companies will continue to receive increased due diligence from capital providers in transactions
- However, as recently experienced, volatility in the marketplace may result from supply chain concerns, labor shortages, and unknowns associated with the COVID-19 Delta variant, which could add headwinds to the credit markets

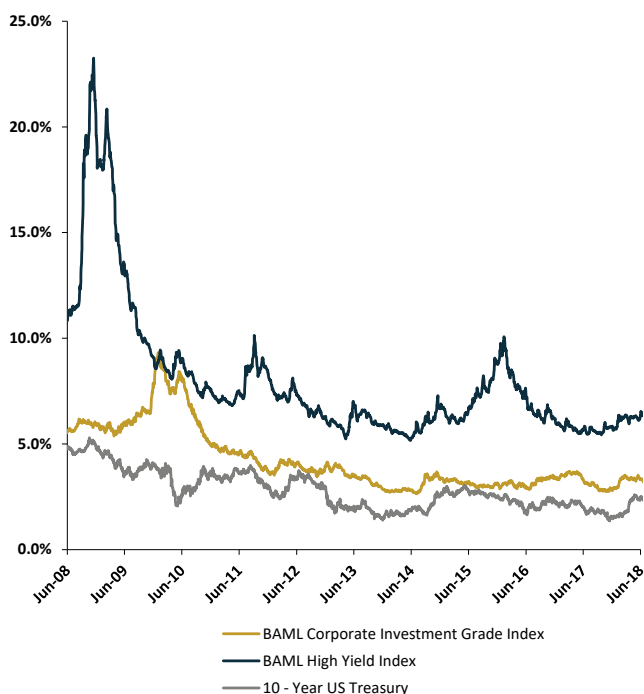
### U.S. Leveraged Loan Issuance



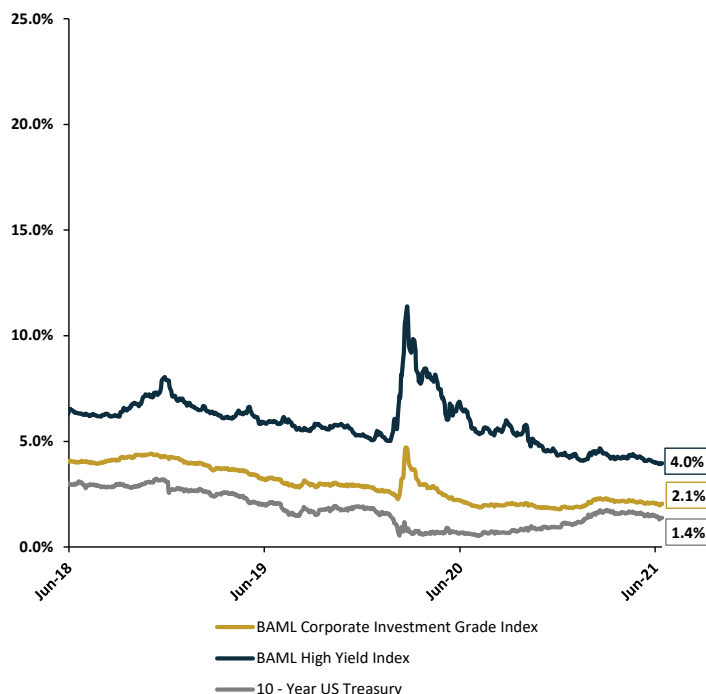
### Historical Debt Multiples of Middle Market Loans



### Historical Interest Rates



### Current Interest Rates



# Chartwell Advises Simeone Deary Design Group on Sale to KTGy



"Chartwell was key in guiding us through the acquisition process. They performed significant due diligence, provided clear, precise advice, and recommended great partner consultants when needed. The Chartwell team remained calm and patient throughout the process and were able to help us negotiate the deal we wanted. Their design industry expertise was invaluable to us during this journey. Most importantly, Chartwell's team was always available to us, even in the midst of a global pandemic!"

– Lisa Simeone & Gina Deary, Co-Founders  
Simeone Deary Design Group

## Transaction Overview

- Effective March 2021, Simeone Deary Design Group ("SDDG" or the "Company") was acquired by KTGy Architecture + Planning ("KTGY"). Chartwell acted as SDDG's exclusive financial advisor throughout the transaction, providing comprehensive, unbiased counsel on the sale of the Company.
- SDDG's leadership believes there is a strong alignment between the cultures and values of both firms. The combination of its interior design and branding expertise with KTGy's architecture platform will provide new opportunities for collaboration and drive innovative ideas for clients. In addition, the Company's hospitality focus will help to inform designs in the residential environment where KTGy is established as a visionary in the industry.
- SDDG engaged Chartwell to lead and execute the full transaction process. With Chartwell's in-depth expertise in architecture, engineering, and design, Chartwell provided objective counsel and facilitated negotiations on behalf of the Company to ensure a successful outcome.

## Company Backgrounds

- Established in 2002, Simeone Deary Design Group, is an award-winning interior design firm with a passion for creating boundary-pushing designs that evoke emotion, forge connections and are as experiential as they are functional. Chicago-based but globally focused, SDDG combines worldwide perspectives with its Midwestern values to bring to life spaces and experiences brimming with both possibility and purpose.
- From conceptual design and interior architecture to graphics and branding, Simeone Deary Design Group approaches each project through a lens of possibility and purpose, creating transformative and highly personalized journeys that shape the guest experience.
- Celebrating 30 years of design excellence, KTGy Architecture + Planning is a leading architecture and design firm focused on residential, retail, and mixed-use developments and neighborhood revitalization. KTGy seamlessly delivers innovation, artistry, and attention to detail across multiple design studios, ensuring that clients and communities get the best the firm has to offer no matter the building type or location.
- KTGy's architects and planners combine big picture opportunities, leading-edge sustainable practices, and impeccable design standards to create memorable destinations of enduring value. KTGy serves clients worldwide from offices located in Chicago, Denver, Irvine, Los Angeles, Oakland, and Tysons.

## Chartwell Advises Binkley & Barfield on Sale to DCCM



"Selling a family business is not something that I took lightly. Chartwell's experienced team of advisors took the time to learn and understand the needs of our leadership team which resulted in a well-executed transaction. The team kept the process focused and organized resulting in a win/win outcome with DCCM. Being an ESOP company adds complexity that requires specialized knowledge, which Chartwell helped us navigate. I highly recommend the Chartwell team."

– Brett Binkley, CEO  
Binkley & Barfield

### Transaction Overview

- Effective August 2021, Binkley & Barfield, Inc. ("BBI" or the "Company") was acquired by DCCM. Chartwell acted as BBI's exclusive financial advisor throughout the transaction, providing comprehensive, unbiased counsel on the sale of the Company.
- BBI's leadership believes its corporate vision of creating a better future for its clients and communities will be more easily achieved in partnership with DCCM to become a more innovative, diverse, sustainable, customer-focused firm. Further, BBI recognizes the strong alignment between the cultures and values of both firms. The combination will showcase BBI's local Texas presence while increasing its depth of service, resources, and talents.
- BBI engaged Chartwell to lead and execute throughout the transaction process. With expertise in M&A, the architectural and engineering industry, and ESOP structures, Chartwell provided objective counsel and facilitated negotiations on behalf of all the shareholders—each with different goals and objectives—to ensure a successful outcome for all parties.

### Company Backgrounds

- Binkley & Barfield is a multidisciplinary engineering consulting firm with headquarters in Houston, Texas and fully staffed regional offices in College Station, Corpus Christi, Richardson, Round Rock, and San Antonio. Incorporated in 1971, the firm has served their clientele for over 50 years.
- Binkley & Barfield provides a comprehensive range of engineering services including utility engineering and coordination, subsurface utility engineering, power, telecommunications, pipeline, construction management, transportation, structural, traffic, infrastructure (including roadway, drainage, water, and wastewater), land development, and GIS.
- DCCM is a provider of design, consulting, and program & construction management professional services focusing on infrastructure marketplaces throughout the public and private sectors. Through a family of complementary brand companies, DCCM serves a variety of end markets while offering a national reach.
- DCCM is aggressively hiring key industry professionals in all disciplines and is actively seeking further acquisition opportunities throughout North America.



## Merger & Acquisition Activity - Q1 & Q2 2021

Western Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Description
1/7/2021	Universal Engineering Sciences, LLC	River City Geoprosessionals, Inc.	West Sacramento, CA	Geotechnical, geologic, and environmental engineering consulting services
1/11/2021	Terracon Consultants, Inc.	Burleson Consulting, Inc.	Marina, CA	Environmental consulting services
1/15/2021	Trinity Consultants, Inc.	Sespe Consulting, Inc.	Ventura, CA	Environmental and planning consulting services
1/19/2021	Confluence, Inc.	studioINSITE, LLC	Denver, CO	Planning and landscape architecture services
1/26/2021	Alstom SA	B&C Transit Inc.	Oakland, CA	Transit engineering design and construction services
1/26/2021	TRC Companies, Inc.	EMI Consulting, Inc.	Seattle, WA	Consulting services for strategic development of clean energy solutions
1/27/2021	WSP Global Inc.	TK1SC	Irvine, CA	Mechanical, electrical, and plumbing services
2/1/2021	Goree	Whitfield Associates, Inc.	Dana Point, CA	Design and architecture services
2/2/2021	IBI Group Inc.	Peters Energy Solutions Inc.	Calgary, AB	Consulting services for renewable energy solutions
2/2/2021	Universal Engineering Sciences, LLC	Construction Testing & Engineering, Inc.	Escondido, CA	Geotechnical, environmental, civil engineering, survey, inspection, and materials testing services
2/4/2021	LPA, Inc.	Lastras de Gertler Landscape Architects, Inc.	San Diego, CA	Landscape architectural services
2/22/2021	Koniag, Inc.	Great Northern Engineering, LLC	Palmer, AK	Civil, structural, architectural, electrical, mechanical, and instrumentation services
3/30/2021	ENGEO Incorporated	TerraCosta Consulting Group, Inc.	San Diego, CA	Geotechnical and civil engineering services
4/12/2021	POWER Engineers, Incorporated	Salient Power Engineering, LLC	Wheat Ridge, CO	Electrical, civil, structural, and control engineering services
4/12/2021	Harley Ellis Devereaux Corporation	Pacific Cornerstone Architects Inc.	San Diego, CA	Full-service architecture and integrated design services
5/1/2021	Richard Brady & Associates, Inc.	Wilsey Ham, Inc.	San Mateo, CA	Civil engineering, professional land surveying and planning services
5/7/2021	Ardurra Group, Inc.	Infrastructure Engineering Corporation	Poway, CA	Engineering, construction management, and environmental consulting services
5/12/2021	SFW Capital Partners, L.P.	Granite River Labs Inc.	Santa Clara, CA	Engineering services and test solutions

## Merger & Acquisition Activity - Q1 & Q2 2021

Western Region (continued)				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Description
5/17/2021	NV5 Global, Inc.	PES Environmental, Inc.	Novato, CA	Environmental engineering, site assessment, water resources and storm water management services
5/26/2021	DLR Group KKE	Salus Architecture Inc.	Seattle, WA	Architectural services for healthcare sector
6/16/2021	Universal Engineering Sciences, LLC	McGinley & Associates, Inc.	Reno, NV	Geotechnical, construction materials testing, and environmental engineering services
6/30/2021	VDE E.V.	Renewable Energy Test Center, LLC	Fremont, CA	Engineering, testing, and certification services

Southwestern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Description
1/4/2021	Montrose Environmental Group, Inc.	MSE Group, LLC	San Antonio, TX	Environmental and engineering services
1/11/2021	Landpoint Holdings, LLC	Randall Jones & Associates Engineering, LLC	Round Rock, TX	Civil engineering and land surveying services
1/22/2021	Environmental Resources Management Limited	Engineering Safety Consultants Ltd	San Antonio, TX	Functional safety engineering services
2/2/2021	PMC Capital Partners, LLC	UniversalPegasus International, Inc.	Houston, TX	Project management, engineering, and construction management services
2/2/2021	INTERA Incorporated	Cook-Joyce, Inc.	Austin, TX	Environmental engineering and consulting services
3/3/2021	Woolpert, Inc.	CivilTech Engineering, Inc.	Cypress, TX	Water resources, structural, transportation engineering, and construction services
4/1/2021	Langan Engineering & Environmental Services, Inc.	Adams Consulting Engineers, Inc.	Dallas, TX	Landscape development engineering services
4/15/2021	Fusion Engineering	Lythix, LLC	Midland, TX	Electrical engineering, unmanned aerial vehicle, survey, and power procurement services
5/3/2021	Prein & Newhof, Inc.	Summit Surveying, Inc.	Tyler, TX	Land surveying services
6/29/2021	Oak Hill Capital Partners	Trinity Consultants, Inc.	Dallas, TX	Environmental consulting services
6/30/2021	DCCM, LLC	R.G. Miller Engineers, Inc.	Houston, TX	Civil engineering infrastructure services

## Merger & Acquisition Activity - Q1 & Q2 2021

Midwestern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Description
1/22/2021	HEPACO, LLC	Field Services Division of Summit Environmental Services, LLC	Indianapolis, IN	Environmental, industrial, emergency response, and waste management services
1/26/2021	Garver, LLC	Cabbiness Engineering, LLC	Norman, OK	Engineering services to municipal, water, and transportation clients
2/9/2021	Resource Environmental Solutions, LLC	Applied Ecological Services, Inc.	Brodhead, WI	Ecological consulting, design, and restoration contracting services
2/11/2021	ASC Group, Inc.	Auxano Environmental LLC	Lebanon, OH	Remediation evaluation and environmental site assessment services
2/23/2021	Hennick & Company, Inc.	RATIO Architects, Inc.	Indianapolis, IN	Historic preservation, interior design, landscape architecture, urban design and planning
3/24/2021	MSD Partners, L.P.	Woolpert, Inc.	Dayton, OH	Architecture, engineering, geospatial, and strategic consulting services
3/16/21	KTGY Architecture + Planning	Simeone Deary Design Group	Chicago, IL	Architecture and interior design services <b>*Chartwell acted as financial advisor to target</b>
3/31/2021	Sentinel Capital Partners	TranSystems Corporation	Kansas City, MO	Transportation engineering and design services <b>*Chartwell provided fairness opinion to target</b>
4/19/2021	Industrial Growth Partners; Arcline Investment Management LP	Electric Power Systems International, Inc./North American Substation Services, LLC	Minneapolis, MN	Electrical testing and engineering services
5/3/2021	Architect Don Rerko	Makovich & Pusti Architects, Inc.	Berea, OH	Architectural services
5/17/2021	Wightman and Associates, Inc.	Reynolds Land Surveying & Mapping, P.C.	Hastings, MI	Surveying services
6/3/2021	Endurance Partners	Westwood Professional Services, Inc.	Minnetonka, MN	Consulting and engineering design services for the power sector
6/8/2021	Vivacity, LLC	Terra Consulting Group, Ltd.	Park Ridge, IL	Engineering consulting services
6/23/2021	Versar, Inc.	Environmental Services Business Unit of Black & Veatch Holding Company	Bloomington, MN	Remediation, investigation, assessment, and design services



## Merger & Acquisition Activity - Q1 & Q2 2021

Northeastern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Description
1/7/2021	The ERM Group, Inc.	Arcus Consultancy Services Limited	Toronto, ON	Renewable energy consultancy services
1/8/2021	Hull & Associates, LLC	Duffield Associates, LLC/HSW Consulting, LLC	Wilmington, DE	Engineering and consulting services
1/11/2021	Tighe & Bond, Inc.	Legacy Transition Holdings, Inc.	North Kingstown, RI	Engineering services
1/26/2021	The Vertex Companies, Inc.	Lockwood, Kessler & Bartlett, Inc.	Syosset, NY	Engineering and construction consulting services
1/27/2021	WSP Global Inc.	kW Mission Critical Engineering, D.P.C.	Troy, NY	Engineering and consulting services
1/28/2021	Blood Hound, LLC	Subsurface Utility Imaging, LLC	Marcy, NY	Engineering support services
2/16/2021	Heritage Sustainability Investments, LLC	ClimeCo Corporation	Boyertown, PA	Environmental consulting services
3/3/2021	Atlas Technical Consultants LLC	Atlantic Engineering Laboratories Inc.	Avenel, NJ	Materials testing, inspection, and engineering services
3/22/2021	NA	LSC Design, Inc.	York, PA	Architecture, civil engineering, land planning, and interior design services
4/8/2021	T.Y. Lin International Group Ltd.	Robert Silman Associates Structural Engineers, D.P.C.	New York, NY	Structural engineering services
4/15/2021	Network Connex	Advantage Engineers LLC	Mechanicsburg, PA	Telecommunications engineering, geotechnical, and environmental services
4/19/2021	Vanassee Hangen Brustlin, Inc.	Survey Engineering Resources, LLC	Westbrook, ME	Survey engineering and geographic information systems services
4/26/2021	CREF LLC	Green Seal Environmental, LLC	Sagamore Beach, MA	Environmental and civil engineering services
5/13/2021	BBG Inc.	Mach 8 Consulting LLC	York, ME	Environmental and engineering consulting services
6/1/2021	Salas O'Brien Engineers, Inc.	BVH Integrated Services, PC	Bloomfield, CT	Consulting engineering services
6/3/2021	TranSystems Corporation	CDI-Infrastructure, LLC	Ebensburg, PA	Architecture, civil, environmental engineering, and communication technology services
6/22/2021	The Alloy Group	Dec-Tam Corporation	North Reading, MA	Environmental specialty contracting services for commercial, industrial, and institutional clients
6/28/2021	CORE Design Group, LLC	Richard F. Mulá Architects, LLC	Lancaster, PA	Architecture, planning, and specialty services

## Merger & Acquisition Activity - Q1 & Q2 2021

Southeastern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Description
1/4/2021	JQOL Global LLC	HRG Surveying & Engineering	Owensboro, KY	Civil and construction engineering and management services
1/4/2021	Burns Cooley Dennis, Inc.	SoilTech Consultants, Inc.	Jackson, MS	Geotechnical engineering and construction materials testing services
1/6/2021	NA	Sorba Engineering	Reston, VA	Civil engineering and renovation services
1/19/2021	Bennett & Pless, Inc.	LHC Structural Engineers, PC	Raleigh, NC	Structural engineering services
2/2/2021	AE Industrial Partners, LP; AE Industrial Partners Fund II, LP	Enercon Services, Inc.	Kennesaw, GA	Architectural engineering, environmental, technical, and management services
2/4/2021	CHA Consulting, Inc.	Reiss Engineering, Inc.	Winter Springs, FL	Engineering and consulting services
2/10/2021	QuantiTech LLC	Millennium Engineering And Integration Company	Arlington, VA	Engineering contracting company
2/22/2021	NV5 Global, Inc.	TerraTech Engineers, Inc.	Raleigh, NC	Geotechnical engineering, environmental consulting, and construction materials testing services
2/24/2021	WSP Global Inc.	Earth Consulting Group Inc.	Atlanta, GA	Engineering, environmental consulting, and risk analysis services
2/24/2021	North Wind, Inc.	LBYD, Inc.	Birmingham, AL	Civil and structural engineering services
3/2/2021	Terracon Consultants, Inc.	GET Solutions Inc.	Virginia Beach, VA	Geotechnical engineering and materials testing services
3/9/2021	Marshall Craft Associates, Inc.	KOP Architects, PC	Richmond, VA	Architecture and project management services
3/25/2021	NV5 Global, Inc.	Geodynamics LLC	Newport, NC	Data acquisition and analysis for engineering, management, and research objectives
4/12/2021	Universal Engineering Sciences, LLC	GEOServices LLC	Knoxville, TN	Geotechnical engineering, materials testing, construction, and environmental services
6/7/2021	McKim & Creed, Inc.	GSA Consulting Engineers, Inc.	Gonzales, LA	Engineering consulting services
6/22/2021	Prime ABA, LP	Austin Brockenbrough & Associates LLP	Richmond, VA	Architecture, engineering, and surveying services
6/29/2021	urban-gro Architect Holdings, LLC	2WR+ Partners	Columbus, GA	Environmental specialty contracting services for commercial, industrial, and institutional clients

Source: Capital IQ, Data as of 6/30/2021

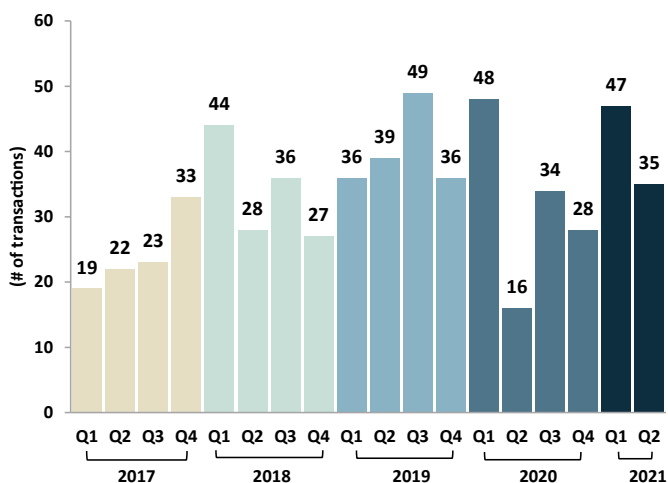


# Chartwell Commentary

## Merger & Acquisition Observations

By nearly all quantitative and qualitative data, M&A volume in the AE space is above average and yet again approaching record run rates. Demand for companies remains strong from both strategic and financial (i.e., private equity) buyers. Sellers are plentiful based on U.S. demographics and the challenges of transitioning ownership internally. External factors such as low interest rates, aggressive debt leverage, and a pending federal infrastructure package (providing line of sight for many investors concerned with the project-based nature of the industry) are positive. While peering into any crystal ball should be done with caution, the present landscape points to an active M&A market for the foreseeable future.

M&A Activity: AE Industry

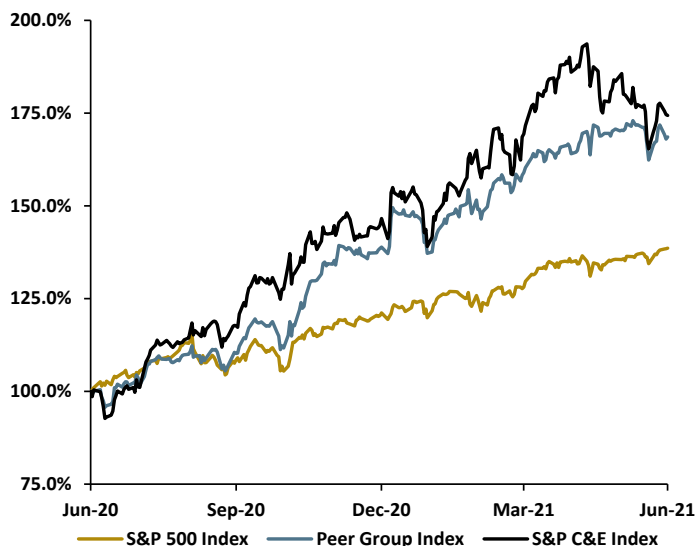


## Guideline Public Company Observations

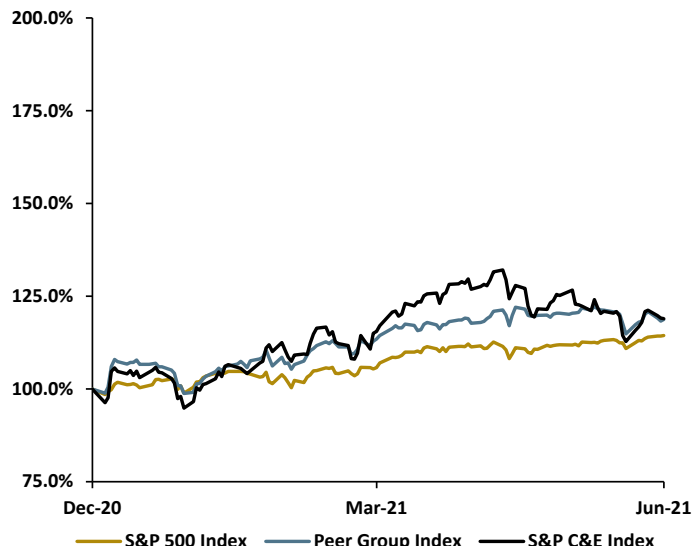
Unsurprisingly, ALL guideline public companies as of June 30, 2021 have experienced increases in value with the average approaching 100%. With not a lot of additional color other than, “a rising tide lifts all boats,” we look to the first half of 2021 for more of the story. Almost half (7/16) of the GPCs were relatively flat during the first six months of the year (i.e., measured between down 5.0% and up 5.0%). Three experienced declines of more than 5.0% while six experienced increases of more than 5.0%. The market reacted favorably to the proposed infrastructure spending package, but delays in Congress have likely dampened some of the initial excitement.

In general, firms are continuing to perform fairly well with EBITDA growth exceeding revenue growth during the LTM; however, many firms are projecting continued margin expansion well above historical performance (i.e., 10.0% margin forecast vis-à-vis the historical average of 8.0%). Have firms really found operating leverage through better multipliers, higher utilization, and less expenses (e.g., entertainment, leases) . . . or will several firms repeat history and fall short of earnings expectations yet again?

One-Year Index Performance



First Half 2021 Index Performance



## AE Index Market Performance – Q2 2021

		Enterprise Value			Equity Value		
Company	Ticker	6/30/ 2021	Q2 Δ	LTM Δ	6/30/ 2021	Q2 Δ	LTM Δ
Jacobs Engineering Group Inc.	NYSE:J	20,144	16.3%	62.8%	17,373	3.3%	57.5%
WSP Global Inc.	TSX:WSP	14,524	23.8%	67.9%	13,701	26.7%	98.1%
AECOM	NYSE:ACM	10,542	(0.6%)	47.5%	9,270	(2.1%)	54.1%
Tetra Tech, Inc.	NasdaqGS:TTEK	6,664	(11.3%)	47.3%	6,610	(10.2%)	54.6%
Stantec Inc.	NYSE:STN	5,826	4.9%	29.9%	4,986	4.8%	45.6%
Worley Limited	ASX:WOR	5,903	9.2%	27.2%	4,690	12.3%	49.4%
SNC-Lavalin Group Inc.	TSX:SNC	5,706	16.1%	46.4%	4,570	21.7%	54.6%
Parsons Corporation	NYSE:PSN	4,320	0.5%	11.3%	4,031	(2.6%)	10.5%
John Wood Group PLC	LSE:WG.	3,650	(11.2%)	2.9%	2,044	(18.6%)	26.8%
Arcadis NV	ENXTAM:ARCAD	4,029	0.1%	75.9%	3,639	(0.0%)	126.8%
Montrose Environmental Group, Inc.	NYSE:MEG	1,715	10.1%	NA	1,398	10.5%	NA
NV5 Global, Inc.	NasdaqCM:NVEE	1,514	(10.0%)	54.6%	1,434	(0.4%)	116.5%
Willdan Group, Inc.	NasdaqGM:WLDN	556	(5.4%)	36.8%	471	(6.2%)	61.7%
RPS Group plc	LSE:RPS	473	11.8%	52.1%	390	14.5%	194.3%
IBI Group Inc.	TSX:IBG	370	0.5%	54.9%	258	2.1%	142.3%
Cardno Limited	ASX:CDD	364	35.6%	91.1%	283	52.1%	282.2%
Average		5,394	5.6%	47.2%	4,697	6.7%	91.7%
Median		4,175	2.7%	47.5%	3,835	2.7%	57.5%

\$ in millions

Source: Capital IQ, Data as of 6/30/2021

LTM = Last Twelve Months

## AE Index Financial Performance – Q2 2021

Company	Revenue			EBITDA			EBITDA Margin		
	LTM \$	LTM Δ	NTM Δ	LTM \$	LTM Δ	NTM Δ	5-Year Avg.	LTM	NTM
Jacobs Engineering Group Inc.	13,709	2.7%	10.4%	1,110	14.5%	11.9%	7.1%	8.1%	8.2%
AECOM	13,337	(0.1%)	1.7%	768	(0.5%)	10.0%	4.9%	5.8%	6.2%
Worley Limited	8,507	8.6%	(12.5%)	476	(9.2%)	27.3%	5.5%	5.6%	8.1%
John Wood Group PLC	7,564	(23.5%)	(7.2%)	400	(27.0%)	47.8%	5.8%	5.3%	8.4%
WSP Global Inc.	6,918	8.7%	NA	599	16.1%	NA	7.9%	8.7%	NA
SNC-Lavalin Group Inc.	5,532	9.9%	5.8%	21	(95.6%)	NMF	6.0%	0.4%	10.3%
Arcadis NV	4,041	3.7%	(4.3%)	323	23.4%	39.9%	6.5%	7.7%	11.3%
Parsons Corporation	3,823	(4.9%)	4.1%	350	32.0%	2.1%	NA	9.1%	9.0%
Stantec Inc.	2,868	8.1%	7.4%	346	11.1%	38.2%	11.3%	12.1%	15.5%
Tetra Tech, Inc.	2,355	(3.8%)	8.9%	284	16.5%	9.0%	10.9%	12.1%	12.1%
RPS Group plc	740	(8.8%)	(8.8%)	35	(49.3%)	88.7%	8.8%	4.7%	9.8%
Cardno Limited	723	6.3%	NA	56	118.6%	NA	3.4%	7.7%	NA
NV5 Global, Inc.	647	16.1%	10.2%	90	38.3%	31.2%	12.4%	13.9%	16.6%
IBI Group Inc.	411	24.5%	(15.5%)	41	25.7%	29.9%	9.8%	9.9%	15.2%
Willdan Group, Inc.	364	(20.4%)	30.1%	22	(34.3%)	89.3%	7.4%	6.0%	8.8%
Montrose Environmental Group, Inc.	401	NA	8.0%	60	NA	11.3%	NA	15.0%	15.5%
<b>Average</b>	<b>4,496</b>	<b>1.8%</b>	<b>2.7%</b>	<b>311</b>	<b>5.3%</b>	<b>33.6%</b>	<b>7.7%</b>	<b>8.3%</b>	<b>11.1%</b>
<b>Median</b>	<b>3,345</b>	<b>3.7%</b>	<b>4.9%</b>	<b>304</b>	<b>14.5%</b>	<b>29.9%</b>	<b>7.3%</b>	<b>7.9%</b>	<b>10.1%</b>

\$ in millions

Source: Capital IQ, Data as of 6/30/2021

LTM = Last Twelve Months | NTM = Next Twelve Months

## AE Index Implied Market Multiples – Q2 2021

Company	Enterprise Value / EBITDA					
	5-Year Avg.	Q2 2020	Q2 2021	Q2 2022E	Q4 Δ	LTM Δ
Tetra Tech, Inc.	17.7x	18.4x	23.4x	21.5x	-4.3x	+5.0x
WSP Global Inc.	17.1x	16.8x	24.3x	NA	+3.8x	+7.5x
NV5 Global, Inc.	16.9x	15.0x	16.8x	12.8x	-1.8x	+1.8x
Willdan Group, Inc.	16.6x	12.2x	25.3x	13.4x	-6.3x	+13.1x
Worley Limited	16.1x	8.9x	12.4x	9.7x	+1.0x	+3.5x
Jacobs Engineering Group Inc.	14.6x	12.7x	18.2x	16.2x	+2.2x	+5.4x
Stantec Inc.	14.3x	14.4x	16.8x	12.2x	+0.9x	+2.4x
John Wood Group PLC	12.3x	6.5x	9.1x	6.2x	+0.6x	+2.7x
AECOM	11.5x	9.3x	13.7x	12.5x	-0.3x	+4.5x
Arcadis NV	10.1x	9.0x	12.9x	9.2x	+0.4x	+3.9x
RPS Group plc	8.7x	4.5x	13.5x	7.1x	+1.4x	+9.0x
IBI Group Inc.	8.2x	7.4x	9.1x	7.0x	-0.4x	+1.7x
Parsons Corporation	NA	14.6x	12.4x	12.1x	+0.2x	-2.3x
Montrose Environmental Group, Inc.	NA	NA	28.5x	25.6x	-7.5x	NA
Cardno Limited	NA	7.5x	6.5x	NA	+1.7x	-0.9x
SNC-Lavalin Group Inc.	NA	8.2x	NA	9.4x	NA	NA
<b>Average</b>	<b>13.7x</b>	<b>11.0x</b>	<b>16.2x</b>	<b>12.5x</b>	<b>-0.6x</b>	<b>+4.1x</b>
<b>Median</b>	<b>14.5x</b>	<b>9.3x</b>	<b>13.7x</b>	<b>12.1x</b>	<b>+0.4x</b>	<b>+3.7x</b>

Source Data Provided by Capital IQ as of 6/30/2021  
LTM = Last Twelve Months

## Chartwell's AE Leadership:

### Joe Skorczewski

Managing Director, AE Vertical Lead  
Minneapolis, MN | 612.230.3103  
[joe.skorczewski@chartwellfa.com](mailto:joe.skorczewski@chartwellfa.com)

### Chris Staloch

Managing Director, Consulting Practice  
Minneapolis, MN | 612.230.3111  
[chris.staloch@chartwellfa.com](mailto:chris.staloch@chartwellfa.com)

### Wil Becker

Managing Director, Corporate Finance Practice  
Minneapolis, MN | 612.230.3130  
[wil.becker@chartwellfa.com](mailto:wil.becker@chartwellfa.com)

### Tim Cleary

Managing Director, Ownership Advisory  
Minneapolis, MN | 612.351.5926  
[tim.cleary@chartwellfa.com](mailto:tim.cleary@chartwellfa.com)

### Matt Keene

Managing Director, Compensation Consulting  
Raleigh, NC | 919.615.0402  
[matt.keene@chartwellfa.com](mailto:matt.keene@chartwellfa.com)

## Our Services



### Consulting

- ESOP Ownership
- Individual Ownership
- Executive Compensation
- Capital Structure



### Corporate Finance

- Mergers & Acquisitions
- Capital Markets
- ESOP Transaction Advisory
- Special Situations



### Transaction Opinions

- Fairness Opinions
- Solvency Opinions
- Board Representation
- Trustee Representation



### Valuation

- ESOP & ERISA
- Financial Reporting
- Tax, Compliance & Planning
- Alternative Investments & Asstes

#### Notice to Recipient:

This newsletter has been prepared by Chartwell Financial Advisory, Inc. ("Chartwell"). These materials are based on information which Chartwell considers to be reliable. Chartwell assumes no responsibility for independent investigation or verification of such information and has relied on such information being complete and accurate in all material respects. To the extent such information includes estimates and forecasts of future financial performance, Chartwell assumes that such estimates and forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the sources. No representation or warranty, express or implied, is made as to the accuracy or completeness of such information; and nothing contained herein is, or may be relied upon as, a representation, whether as to the past, the present, or the future.

These materials are not intended to provide a basis for evaluating, and should not be considered a recommendation with respect to, any transaction or other matter. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by Chartwell (or any affiliate) to provide or arrange any financing for any transaction or to purchase any security in connection therewith. Chartwell assumes no obligation to update or otherwise revise these materials. These materials have been prepared with a view toward public disclosure under state or federal securities laws or otherwise, are intended for the benefit and use of the public, and may not be reproduced, disseminated, quoted or referred to, in whole or in part, without the prior written consent of Chartwell. All materials herein are copyright protected.

Chartwell and its affiliates do not provide tax advice. Accordingly, any statements contained herein as to tax matters were neither written nor intended by Chartwell or its affiliates to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on such taxpayer. Tax treatment is subject to change by law in the future and may have retroactive effect. You are strongly urged to consult with your tax advisors regarding any potential strategy, investment, or transaction.

© 2021 Chartwell Financial Advisory, Inc. All Rights Reserved.

[www.chartwellfa.com](http://www.chartwellfa.com)