

The Keystone: Trends in the Architecture & Engineering Industry



Chartwell Financial Advisory

Q4 2023

The Keystone: Trends in the Architecture & Engineering Industry

Chartwell’s architecture and engineering (AE) industry vertical has counseled some of the largest and most well-known AE firms in the U.S. Providing a full complement of financial advisory services, Chartwell has advised on more than 250 AE mandates over the past three years while primarily serving employee-owned firms and investors.

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

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Welcome to the Q4 2023 edition of The Keystone!

Our intention with this newsletter is to provide you with information on financial matters applicable to the AE sector including industry indicators, capital markets insights, M&A activity, and public market trends. The Keystone is published bi-annually for Q2 and Q4.

We hope you enjoy this edition of The Keystone. Please let us know if there is any additional information you would like to see in future issues.

– Your Friends at Chartwell

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Chartwell Advises on Recent AE Transactions

Our team has a long and proven history of providing independent transaction advisory services that lead to the most optimal solutions for all parties involved. Contact **Joe Skorczewski** to learn more about Chartwell's recent AE transactions.



Blackstone Completes Minority Equity Investment in Salas O'Brien

- Through Chartwell's introduction, Blackstone, the world's largest alternative asset manager, identified Salas O'Brien, a leading employee-owned engineering and technical services firm, as a strong investment candidate due to its accelerated growth trajectory, seasoned management team, proven track record of M&A, and impressive financial profile
- The transaction was structured as a preferred equity investment; the newly issued capital provided meaningful liquidity to shareholders and supports future inorganic growth opportunities, a historical growth differentiator for Salas O'Brien
- Furthermore, the new partnership provides unique synergies through Blackstone's robust portfolio of real estate, infrastructure platforms, and various support functions, thus enhancing growth avenues and creating ample opportunities for cross-selling initiatives

Ruby + Associates Acquired by Degenkolb

- Ruby + Associates (the "Company"), a structural engineering firm, was in its second generation of ownership and management when key shareholders began exploring succession options that would preserve legacy while also enabling essential employees to maintain or grow ownership stakes and ensure the ongoing success of the business
- As a result, the Company engaged Chartwell to provide analysis of potential succession and transition alternatives, leading to Ruby's initial negotiations to be acquired by Degenkolb, a structural and civil engineering firm
- Chartwell assisted with creating a transaction structure that satisfied each party's objectives, enabling selling shareholders to roll equity interests into Degenkolb on an individualized basis, further aligning and promoting employee ownership

4C Holdings Transitions Ownership to ESOP

- 4C Holdings ("4CH" or the "Company") is comprised of four portfolio companies who provide world-class architecture and engineering, general construction and design-build, productivity scaling solutions, and marketing solutions to public works, water, agriculture, and commercial clients
- Chartwell was retained by portfolio company 4Creeks to evaluate alternative ESOP ownership structures and ultimately advise on the sale of 100% of its outstanding common stock to an ESOP
- After discussions about shareholders' goals and objectives, the limitations and challenges of the current ownership structure, and the benefits of the 100% ESOP S Corporation structure, it was decided that forming a holding company and transitioning all four companies to ESOP ownership would produce the best outcome
- In lieu of third-party capital financing, the transaction was financed completely with Company cash and seller debt (with detachable warrants), promoting retention and aligning incentives of key staff and selling shareholders

Industry Activity Indicators

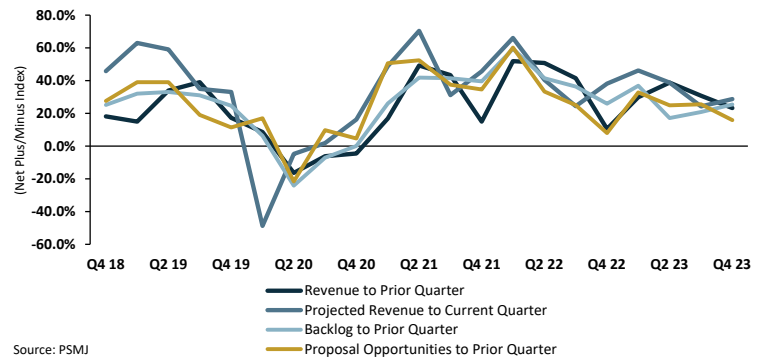
December 2023 Construction Spending			
	\$ Billion	3MMA	12MMA
Private Nonresidential	\$708.0	21.2%	21.8%
Manufacturing	\$213.5	64.9%	71.0%
Commercial	\$128.4	4.5%	8.2%
Power	\$111.6	13.6%	6.9%
Office	\$85.4	4.9%	6.9%
Healthcare	\$51.9	16.4%	15.2%
Communication	\$24.8	1.0%	1.4%
Lodging	\$24.2	20.1%	19.4%
Education	\$23.3	7.0%	20.1%
Public Nonresidential	\$465.9	21.2%	16.0%
Highway & Street	\$151.2	23.2%	17.5%
Education	\$100.3	18.2%	11.3%
Transportation	\$45.3	9.1%	6.9%
Sewage & Waste	\$41.9	26.0%	24.4%
Water Supply	\$27.9	20.2%	15.7%
Power	\$19.0	69.9%	53.3%

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

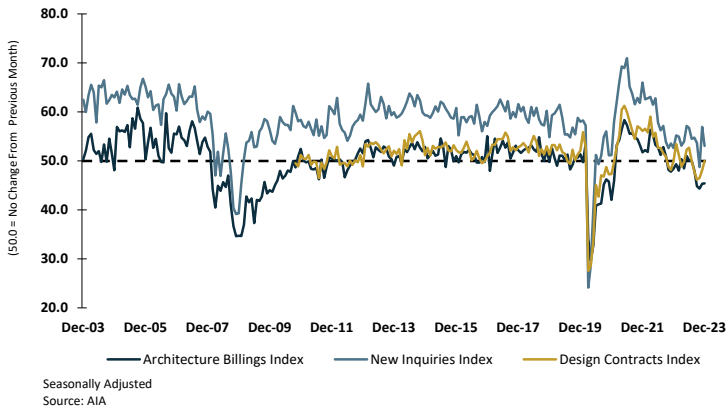
AIA Consensus Construction Forecast		
	2024	2025
Nonresidential Total	4.0%	1.2%
Commercial Total	(0.7%)	0.2%
Office	(1.7%)	(0.7%)
Retail & Other Commercial	(1.2%)	(0.4%)
Hotel	7.4%	5.9%
Industrial Total	8.9%	0.8%
Institutional Total	5.1%	3.1%
Health	3.6%	3.5%
Education	5.8%	3.9%
Religious	1.1%	1.0%
Public Safety	9.8%	3.6%
Amusement & Recreation	3.7%	3.1%

As of January 2024
Source: American Institute of Architects (AIA)

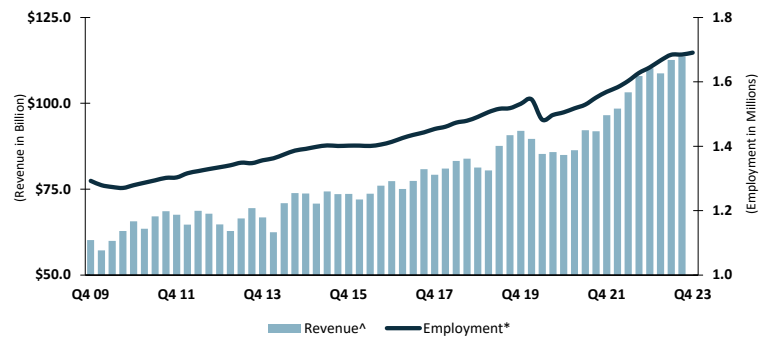
Revenue, Projected Revenue, Backlogs, and Proposal Opportunities



Work-on-the-Boards Survey Data



Engineering, Architectural, and Related Services



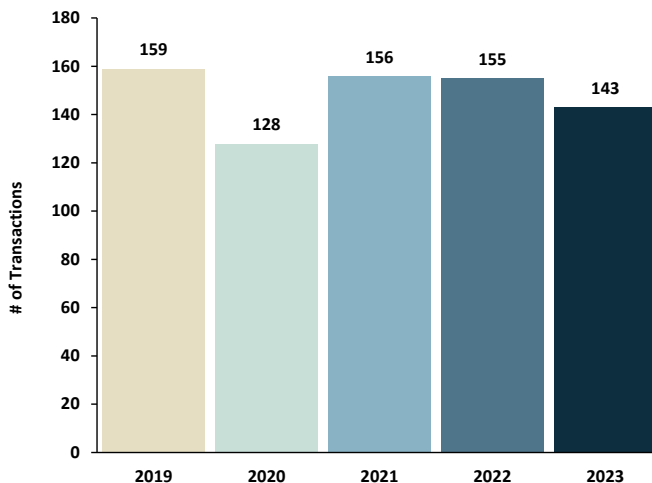
Chartwell Commentary

Merger & Acquisition Observations

While 2023 U.S. M&A deal volume and aggregate deal value declined 21.1% and 18.3%, respectively, the AE market was relatively insulated from the downturn. In fact, most AE dealmakers have yet to experience a slowdown and few anticipate a deceleration in the near term. If you eliminate the lost COVID quarter in 2020, AE deal volume has been elevated and remarkably steady over the past five years. The number of deals did decline moderately—by about 8%—in 2023. Demand for companies remains strong from both strategic and financial buyers, particularly as private equity and family offices continue to reach lower into the middle market.



M&A Activity: AE Industry



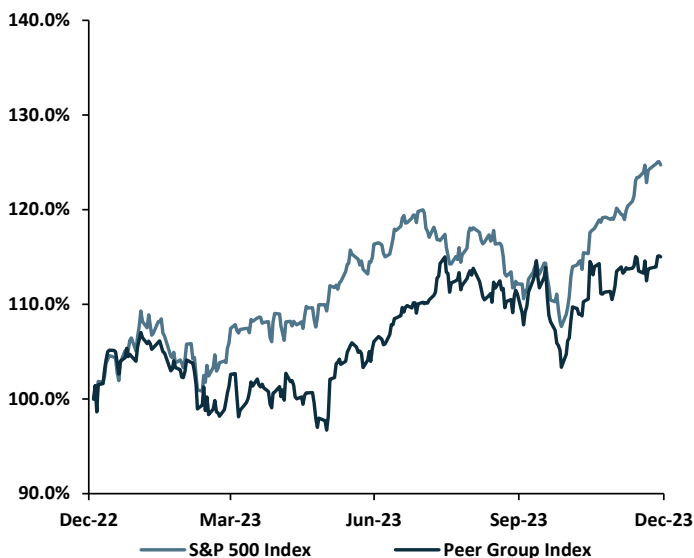
Source: Capital IQ

Guideline Public Company Observations

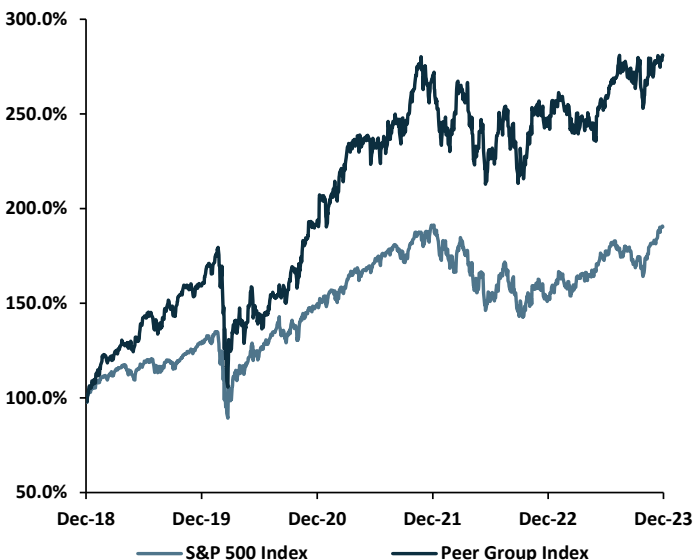
2023 was a year of robust financial performance from the guideline public companies; median revenue growth registered 14.6% with median EBITDA growth of 30.6%. These numbers include growth via acquisitions. Nonetheless, these results reflect a much improved financial performance relative to 2022. Equity returns for most of the Peer Group are notably positive, but not as dramatic. Median equity growth of 21.4% effectively means that multiples (relative to EBITDA) have stabilized and even contracted slightly in most cases.

For 2024, the median company is forecasting 10% revenue growth, 20% profit growth, and expanding EBITDA margins by more than 100 basis points. Expectations remain high and we will see if the industry can stack another exceptional year of financial performance in an always interesting election year.

One-Year Index Performance



Five-Year Index Performance



AE Index Market & Financial Performance

Company	Ticker	Enterprise Value			Equity Value		
		12/31/2022	12/31/2023	LTM Δ	12/31/2022	12/31/2023	LTM Δ
Jacobs Solutions Inc.	NYSE:J	18,146	19,031	4.9%	15,202	16,396	7.9%
AECOM	NYSE:ACM	12,937	13,666	5.6%	11,776	12,569	6.7%
WSP Global Inc.	TSX:WSP	17,390	20,920	20.3%	14,445	17,533	21.4%
SNC-Lavalin Group Inc.	TSX:SNC	4,674	7,290	55.9%	3,095	5,671	83.2%
Parsons Corporation	NYSE:PSN	5,390	7,274	35.0%	4,787	6,578	37.4%
Stantec Inc.	NYSE:STN	6,713	10,589	57.7%	5,310	9,188	73.0%
Tetra Tech Inc.	NasdaqGS:TTEK	7,775	9,599	23.5%	7,692	8,889	15.6%
NV5 Global Inc.	NasdaqCM:NVEE	2,086	1,949	(6.6%)	2,059	1,766	(14.2%)
Montrose Environmental Group Inc.	NYSE:MEG	1,552	1,277	(17.7%)	1,319	970	(26.5%)
Willdan Group Inc.	NasdaqGM:WLDN	341	382	12.3%	237	293	23.6%
Bowman Consulting Group Ltd.	NasdaqGM:BWMN	315	573	82.1%	295	520	76.1%
Average		7,029	8,414	24.8%	6,020	7,307	27.7%
Median		5,390	7,290	20.3%	4,787	6,578	21.4%

Company	Revenue			EBITDA			EBITDA Margin		
	LTM \$	LTM Δ	NTM Δ	LTM \$	LTM Δ	NTM Δ	5-Year Avg.	LTM	NTM
Jacobs Solutions Inc.	16,352	9.6%	5.6%	1,473	10.2%	6.4%	8.1%	9.0%	9.1%
AECOM	14,378	9.4%	8.4%	969	11.1%	13.3%	6.0%	6.7%	7.0%
WSP Global Inc.	10,552	28.6%	NA	1,047	34.2%	NA	9.1%	9.9%	NA
SNC-Lavalin Group Inc.	6,102	10.3%	5.9%	381	70.1%	68.3%	5.1%	6.2%	9.9%
Parsons Corporation	5,052	25.0%	9.7%	484	25.3%	1.5%	8.5%	9.6%	8.9%
Stantec Inc.	3,662	18.5%	12.0%	479	30.6%	45.9%	12.1%	13.1%	17.0%
Tetra Tech Inc.	3,751	32.3%	12.5%	481	30.8%	14.1%	11.8%	12.8%	13.0%
NV5 Global Inc.	836	6.4%	9.7%	109	(12.2%)	43.5%	13.9%	13.1%	17.1%
Montrose Environmental Group Inc.	598	9.0%	9.9%	70	11.1%	12.0%	11.6%	11.7%	12.0%
Willdan Group Inc.	468	14.6%	23.7%	38	134.2%	26.4%	6.4%	8.0%	8.2%
Bowman Consulting Group Ltd.	329	44.2%	19.0%	20	48.8%	190.2%	NA	6.1%	14.8%
Average	5,644	18.9%	11.6%	505	35.8%	42.1%	9.3%	9.7%	11.7%
Median	3,751	14.6%	9.8%	479	30.6%	20.3%	8.8%	9.6%	10.9%

\$ in millions

Source: Capital IQ, Data as of 12/31/2023

LTM = Last Twelve Months | NTM = Next Twelve Months

AE Index Implied Market Multiples

Company	Enterprise Value / EBITDA				LTM Δ	NTM Δ
	5-Year Avg.	12/31/ 2022	12/31/ 2023	12/31/ 2024		
Jacobs Solutions Inc.	14.9x	13.8x	12.9x	12.1x	-0.9x	-0.3x
AECOM	13.6x	14.8x	14.1x	12.5x	-0.7x	-0.9x
WSP Global Inc.	20.9x	22.3x	20.0x	NA	-2.3x	NA
SNC-Lavalin Group Inc.	NA	17.9x	19.2x	11.4x	+1.2x	+1.6x
Parsons Corporation	13.8x	14.6x	15.0x	14.8x	+0.5x	+1.0x
Stantec Inc.	17.6x	18.7x	22.1x	15.2x	+3.4x	+3.2x
Tetra Tech Inc.	23.2x	21.1x	19.9x	17.5x	-1.2x	-2.2x
NV5 Global Inc.	16.5x	16.7x	17.8x	12.4x	+1.1x	+1.4x
Montrose Environmental Group Inc.	NA	24.5x	18.2x	16.2x	-6.3x	-3.1x
Willdan Group Inc.	19.0x	21.3x	10.2x	8.1x	-11.1x	-1.4x
Bowman Consulting Group Ltd.	NA	23.5x	28.8x	9.9x	+5.3x	+2.2x
Average	17.4x	19.0x	18.0x	13.0x	-1.0x	-0.1x
Median	17.1x	18.7x	18.2x	12.4x	-0.7x	-0.6x

Source Data Provided by Capital IQ as of 12/31/2023
LTM = Last Twelve Months | NTM = Next Twelve Months

Upcoming Events

<p>Feb 27</p> <p>Funding an ESOP Company in Today's Capital Markets Chartwell Webinar <i>Presented by Chartwell experts Ashleigh Newlin & Ryan Rassin</i></p>	<p>April 23</p> <p>The Fourth R: Recapitalization Chartwell Webinar <i>Presented by Chartwell experts Ryan Graham & Dan Kaczmarek</i></p>
<p>Feb 28</p> <p>ACEC California Annual Conference & Engineering Excellence Awards Orange County, CA <i>Connect with Matt Clark & Richard Joseph</i></p>	<p>April 29-30</p> <p>NCEO Annual Employee Ownership Conference Tampa, FL <i>Presentations by Joe Skorczewski and many other Chartwell experts</i></p>
<p>March 21</p> <p>Smart Business Dealmakers Conference Dallas, TX <i>Connect with Will Bloom, Steve Nelson, & Ben Phillips</i></p>	<p>May 12-15</p> <p>ACEC Annual Convention & Legislative Summit Washington, DC <i>Connect with Matt Clark, Tim Cleary, Ryan Graham, Joe Skorczewski, & Chris Staloch</i></p>

Merger & Acquisition Detail

Southwestern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
7/7/2023	Dunaway Associates, L.P.	BEC Engineers and Consultants, LLC	Houston, TX	Civil engineering
8/14/2023	Method Architecture, LLC	David Boggess Architects	Houston, TX	Architecture
9/5/2023	TBA Studio	Douglas Architects, Inc.	San Antonio, TX	Architecture
9/21/2023	ESP Associates, Inc.	Civilcorp, LLC	Victoria, TX	Civil engineering
10/16/2023	Trinity Consultants, Inc.	Waid Corporation	Austin, TX	Environmental engineering
11/6/2023	Ardurra Group, Inc.	Arredondo, Zepeda & Brunz, LLC	Dallas, TX	Civil engineering
11/15/2023	Bowman Consulting Group Ltd.	High Mesa Consulting Group Inc.	Albuquerque, NM	Civil engineering
12/6/2023	Universal Engineering Sciences, LLC	Incontrol Technologies LLC	Houston, TX	Environmental engineering
12/12/2023	Bowman Consulting Group Ltd.	Hess-Rountree, Inc.	Phoenix, AZ	Civil engineering
12/14/2023	RMA Group, Inc.	Rone Engineering Services, Ltd.	Dallas, TX	Geotechnical engineering

Western Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
7/6/2023	AKS Engineering & Forestry, LLC	Tenneson Engineering Corporation	The Dalles, OR	Civil engineering
7/6/2023	Western States Reclamation, Inc.	Ecological Resource Consultants, Inc.	Evergreen, CO	Environmental engineering
7/11/2023	RTM Engineering Consultants, LLC	Tanner Engineering, Inc.	LA Mesa, CA	Electrical engineering
7/12/2023	The Next Idea	James Heimler Architect, Inc.	Woodland Hills, CA	Architecture
8/31/2023	Specialty Drilling Holding Company LLC	Sabden, Inc.	Kiowa, CO	Geotechnical engineering
9/6/2023	Sanderson Bellecci, Inc.	Summit Engineering Corporation	Reno, NV	Civil engineering
9/18/2023	Lindsay Goldberg LLC	The Kleinfelder Group, Inc.	San Diego, CA	Architecture
9/18/2023	Trilon Group, LLC	Horrocks Engineers, Inc.	Pleasant Grove, UT	Civil engineering
10/5/2023	Farnsworth Group, Inc.	Sterling Design Associates, LLC.	Littleton, CO	Civil engineering
10/9/2023	TRC Companies, Inc.	Advanced Civil Technologies	Santa Ana, CA	Civil engineering
11/10/2023	Bowman Consulting Group Ltd.	CFA, Inc.	Reno, NV	Civil engineering
11/13/2023	Bowman Consulting Group Ltd.	Blankinship & Associates, Inc.	Davis, CA	Environmental engineering
11/20/2023	H. W. Lochner, Inc.	Triunity Engineering & Management Inc	Denver, CO	Civil engineering
11/30/2023	Trinity Consultants, Inc.	Soundview Consultants LLC	Gig Harbor, WA	Environmental engineering
12/19/2023	Sanderson Bellecci, Inc.	Coleman Engineering Company	Roseville, CA	Construction engineering
12/21/2023	Chayah Consulting Group LLC	Shear Engineering Corporation	Fort Collins, CO	Civil engineering
12/21/2023	TranSystems Corporation	BCE Engineers, Inc.	Tacoma, WA	Mechanical engineering

Midwestern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
8/1/2023	Widseth Smith Nolting & Associates, Inc.	Architectural Resources Inc.	Hibbing, MN	Architecture
8/21/2023	Alfred Benesch & Company, Inc.	McAfee Henderson Solutions, Inc.	Lenexa, KS	Civil engineering
9/6/2023	Luminaut, Inc.	David Rausch Studio LLC	Zionsville, IN	Architecture
9/18/2023	ENTACT, LLC	White Lake Dock & Dredge, Inc.	Montague, MI	Environmental engineering
9/18/2023	Waséyabek Development Company, LLC	BLDI, LLC	Grand Rapids, MI	Environmental engineering
9/20/2023	WSB & Associates, Inc.	Coast to Coast Insurance Brokers	Oklahoma City, OK	Civil engineering

Merger & Acquisition Detail

Midwestern Region (continued)				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
9/20/2023	GHK Capital Partners LP	WSB & Associates, Inc.	Minneapolis, MN	Civil engineering
9/20/2023	PRIME AE Group, Inc.	Jacobi, Toombs & Lanz, Inc.	New Albany, IN	Civil engineering
9/29/2023	Bowman Consulting Group Ltd.	Excellence Engineering, LLC	Tulsa, OK	Civil engineering
10/30/2023	Clark Patterson Engineers, Surveyor and Architects P.C.	Makovich & Pusti Architects, Inc.	Berea, OH	Architecture
11/7/2023	Verdantas LLC	WatCon Consulting Engineers LLC	Gahanna, OH	Civil engineering
12/13/2023	Verdantas LLC	GRP Engineering, LLC	Petoskey, MI	Electrical engineering

Northeastern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
7/1/2023	Garmann/Miller & Associates Inc	Gilbert Architects, Inc.	Lancaster, PA	Architecture
7/7/2023	NA	Wendel Companies	Williamsville, NY	Geotechnical engineering
8/1/2023	Gannett Fleming, Inc.	DiGioia, Gray & Associates, LLC	Monroeville, PA	Civil engineering
8/2/2023	Atwell, LLC	Bay Engineering Inc.	Annapolis, MD	Civil engineering
9/8/2023	Boswell Engineering, Inc.	Ferriero Engineering, Inc.	Chester, NJ	Civil engineering
12/11/2023	Bouthillette Parizeau Inc.	The Mitchell Partnership Inc.	Toronto, ON	Mechanical engineering

Southeastern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
7/6/2023	Terracon Consultants, Inc.	Pollution Management Inc.	Little Rock, AR	Environmental engineering
7/11/2023	Universal Engineering Sciences, LLC	GEO Solutions, LLC	Huntsville, AL	Geotechnical engineering
8/7/2023	Norlee Investments LLC	Colwill Engineering Electrical, Inc.	Tampa, FL	Electrical engineering
8/10/2023	Control Point Associates, Inc.	McLaughlin Engineering Company	Fort Lauderdale, FL	Surveying and civil engineering
8/15/2023	Champlin/ Haupt Architects, Inc.	EOP Architects, PSC	Lexington, KY	Architecture
8/28/2023	Grovecourt Capital Partners	Traffic & Mobility Consultants LLC	Orlando, FL	Traffic surveying and engineering
8/31/2023	Waggoner Engineering, Inc.	Manchac Consulting Group, Inc.	Baton Rouge, LA	Civil engineering
9/5/2023	Zyscovich Architects, Inc.	Synalovski Romanik Saye LLC	Fort Lauderdale, FL	Architecture
9/5/2023	POWER Engineers, Incorporated	Earth Environmental and Civil, Inc.	Rocky Mount, VA	Environmental engineering
9/19/2023	A&M Capital Advisors, LP	VTG LLC	Alexandria, VA	Aerospace engineering
9/26/2023	All Traffic Data Services, LLC	Traffic Survey Specialists Inc.	Delray Beach, FL	Traffic surveying and engineering
10/10/2023	Ardurra Group, Inc.	Inwood Consulting Engineers, Inc.	Oviedo, FL	Civil engineering
10/12/2023	Bowman Consulting Group Ltd.	Dennis Corporation	Columbia, SC	Civil engineering
10/19/2023	Environmental Systems Group	ELOS Environmental, LLC	Hammond, LA	Environmental engineering
11/14/2023	Barge Design Solutions, Inc.	Environmental Consulting & Design, Inc.	Gainesville, FL	Environmental engineering
11/30/2023	SOCOTEC, Inc	SLS Consulting, LLC	Coral Gables, FL	Architecture
12/6/2023	Grace Hebert Curtis Architects, LLC	BSSW Architects, Inc.	Naples, FL	Architecture
12/12/2023	Southern Engineering and Testing, P.C.	Geotechnical Engineering and Construction Services Division of Stewart	Raleigh, NC	Geotechnical engineering
12/14/2023	Legence Holdings LLC	OCI Associates, LLC	Maitland, FL	Mechanical engineering

Source: Capital IQ, Data as of 12/31/2023

Bridging the Gap: Adapting to Finance Professionals Shortage

By Jason Bakke, Principal of Construction & Real Estate Group, CliftonLarsonAllen (CLA)

The design, engineering, and construction sector has long anticipated labor force challenges associated with an aging workforce, globalization, a skills gap, and the impact of automation and technology. The pandemic accelerated and exasperated the challenges, leading companies to consider not only who would be working at their organizations but how their people would be working.

As a parent of a high school student, I recently met with a guidance counselor to discuss my son's plans for after graduation. The counselor made the comment that 4-year college programs are actively "buyers" in the market due to declining enrollment. Conversely, trade and technical schools are experiencing a boom in enrollment. While this is welcome news for many in the construction trade side of our industry, the pipeline of talent into the finance, management, and business office roles at A&E firms is likely to remain under pressure for the foreseeable future. A recent report in the *Journal of Accountancy* found that graduates with a bachelor's degree in accounting declined 7.8% in 2022. Between 2013 and 2022, the number of accounting graduates dropped almost 17%. While some programs are seeing upticks in interest, many predict challenges will continue.

Steve Jobs said, "Innovation distinguishes between a leader and a follower." Facing the reality of our workforce challenges, those in finance and administration need to think with creativity and vision to meet the needs of their organization. Here at CLA we are transforming how we manage our professional services practice and observing how our clients and industry partners are adapting to the new normal. Below are some of the primary trends I have observed.

Changing Expectations of Workforce

The stay-at-home orders in 2020 forced employers to find innovative new ways of managing their business and people. Many of us recognize the value of in-person collaboration, the importance of office culture, and difficulties with professional development and supervision in a remote environment. However, after getting a taste of remote work, many employees now place a premium on the flexibility, perceived productivity increases, and greater work-life balance attributed to remote work. Companies unable or unwilling to strike a balance between pre-pandemic practices and expectations of the post-pandemic workforce are finding themselves at a disadvantage

when trying to attract talent. Each firm's approach is different, but increasing flexibility and hybrid options are needed to maximize competitiveness in the employment marketplace.

Considerations include:

- Investments in remote work and collaboration technology
- Clearly documenting the expectations and parameters of positions, including the means to ensure accountability, efficiency, and responsiveness in a hybrid or remote environment
- Evaluating and updating office workspaces for the needs of an evolving workforce
- The communication and collaboration necessary to ensure all team members (management and employees) understand each other's needs and to discuss challenges related to striking the right balance; in particular, being honest and timely with feedback, celebrating success, and addressing important issues

Embracing Automation & Technology

Automation and technological innovations have had a tremendous impact on operations across the A&E industry, allowing companies to streamline processes, increase accuracy, mitigate errors, and reduce the amount of time and effort needed to complete design, modeling, and analytical tasks. These innovations have required firms to make significant investments in cutting-edge technology and adapt team members' processes, resources, and roles to meet the new demands of the market.

While not directly attributable to client expectations, similar market forces are pushing companies to make significant investments in finance and administration. Properly implemented, advanced software can dramatically decrease data entry time, reduce errors, eliminate redundancy, and expedite review and approval processes resulting in more timely and meaningful data for operations and management personnel. The ability to streamline tasks and processes is poised to grow exponentially with the evolution of generative AI, allowing finance and administrative leaders to focus more on strategic objectives and operate more efficiently and effectively.



Bridging the Gap: Adapting to Finance Professionals Shortage (continued)

Outsourcing Functions

Firms like CLA recognize the opportunities digital transformation provides for our clients and their industries. Accordingly, we have—and continue to make—significant investments in experienced personnel such as data scientists and the development of cutting-edge expertise in emerging technology to help our clients and their firms evolve.

Firms in the A&E industry have long used consultants to meet customer needs when the requisite expertise or sufficient capacity was lacking. With workforce limitations, advancing technology, and growing organizational needs, it may be a good time for companies to reevaluate using outsourced solutions to plug similar gaps in their finance and administration functions. From information technology to finance and accounting to human resources or marketing support, outsourcing offers a high-quality and economical solution for companies of all sizes. Remote access and automation have completely changed the way outsourced services are provided. Companies that specialize in these services have made significant investments in their people, infrastructure, and technology/automation, alleviating many of the barriers that have historically compelled companies to rely on in-house resources for these functions. For A&E firms evaluating their business needs in light of resource or budgetary limitations, outsourced providers should receive renewed consideration.

Focusing on Retention

Employee turnover disrupts company culture, hurts productivity, and is costly as businesses must enter a highly competitive market to find replacement talent. While efforts to retain good team members is by no means a novel concept, strategies to address retention should be periodically revisited to ensure incentives are consistent with the changing priorities of the workforce. Common focus areas we see include:

- **Competitive compensation** – in recent years, the market for finance and accounting talent has experienced significant increases. Be sure to consult with outside advisors to ensure your compensation, benefits, and reward programs are consistent with those in the market for similar talent.
- **Company culture** – employees want to feel that they are working in a positive, inclusive, and healthy environment. Creating a positive vibe, supporting

the greater community, and providing social engagement opportunities are high priorities for the current workforce.

- **Opportunities** – team members who feel they have opportunities for growth and development within an organization are far more likely to stay. Intentionally meet with employees to understand their ambitions and goals and align them with opportunities that may already exist in your organization.
- Promote wellness, flexibility and work-life balance.

Proactively addressing the evolving workforce is a challenging task for any organization. However, by harnessing technological advancements, focusing on company culture, adapting to new trends, and utilizing outside resources, A&E firms can meet their business needs and create a workplace that attracts and retains top talent.

Ultimately, the key to success with a changing workforce is to remain agile, open-minded, and committed to creating a workplace that values innovation and collaboration. ■



About the Author

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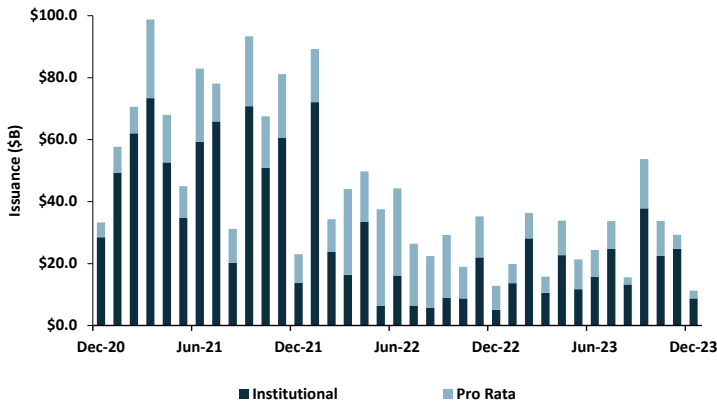
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Capital Markets Update

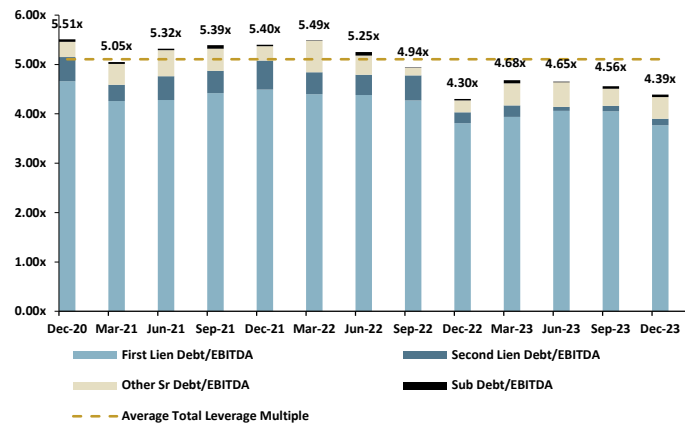
Market participants reemerge as conditions stabilize and outlook improves.

- Cooling inflation, anticipated rate cuts, and a large overhang of maturities coming due in the next 24 months all point to an increase in the credit markets
- September 2023 saw a significant increase in activity, followed by more modest levels as the year came to a close
- Geopolitical uncertainty and the forthcoming US elections continue to be key areas of focus for market participants
- Investors, eager to deploy capital, are expecting renewed deal activity in 2024

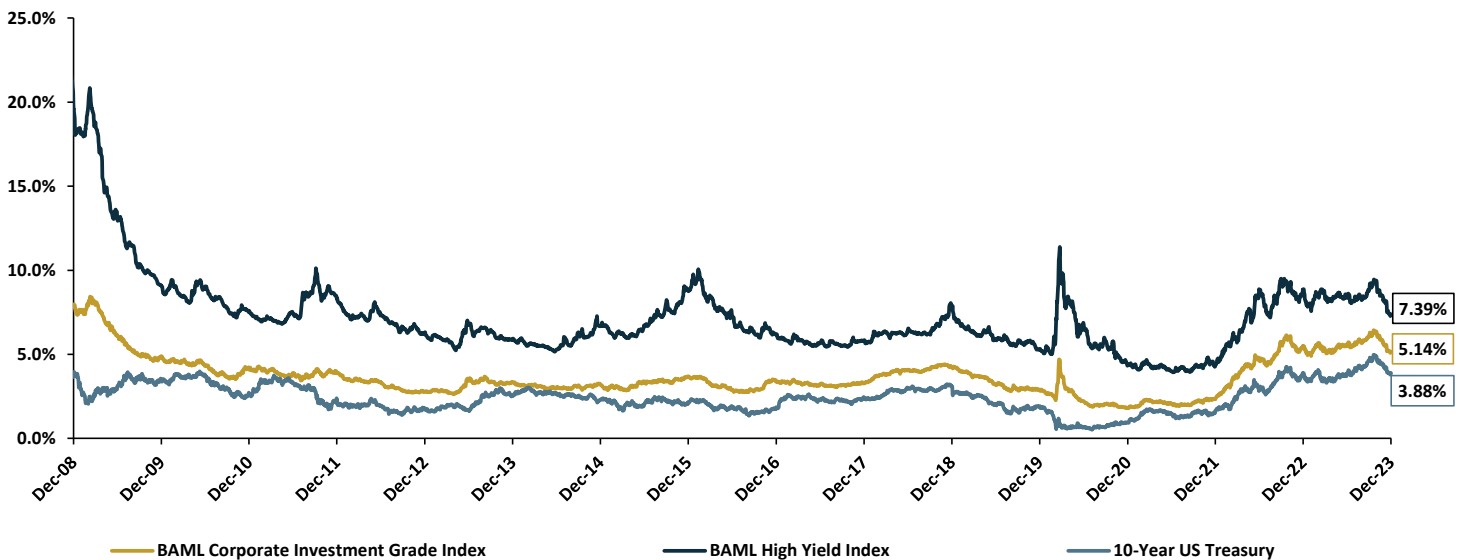
U.S. Leveraged Loan Issuance



Historical Debt Multiples of Highly Leveraged Loans



Interest Rates



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