



ENGINEERING & CONSTRUCTION MARKET OUTLOOK

Q4 2021



*Prepared for: National Demolition
Association*





Welcome.

BaseRock Partners is an investment banking firm built to serve the engineering and construction industry. This quarterly market outlook provides our perspective on engineering and construction M&A and the broader economic trends that affect deal-making activity.

We welcome your comments and feedback at info@baserockpartners.com or (303) 309-4328.

See you in the field.

Dustin Bass
Co-founder & Partner

Matthew Drake
Co-founder & Partner

Scott Duncan
Co-founder & Partner

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SECTION I

EXECUTIVE SUMMARY

E&C Sector Outlook

As 2021 comes to a close, it is worth reflecting on what has become one of the oddest periods in U.S. economic history. That period, of course, is defined by the COVID-19 pandemic, which not only took an extraordinary human toll, but also had a dramatic effect on public and economic policy in the United States. Since the onset of the pandemic, Congress has spent more than \$4.0 trillion on COVID relief, the Federal Reserve has printed more than \$7 trillion, GDP shrank by 8.5% YoY in Q2 2020 and then rebounded by 16.8% YoY in Q2 2021, all while the stock market has risen to all-time highs. There should be little doubt that COVID has created a new paradigm for the U.S. economy and subsequently, the E&C industry.

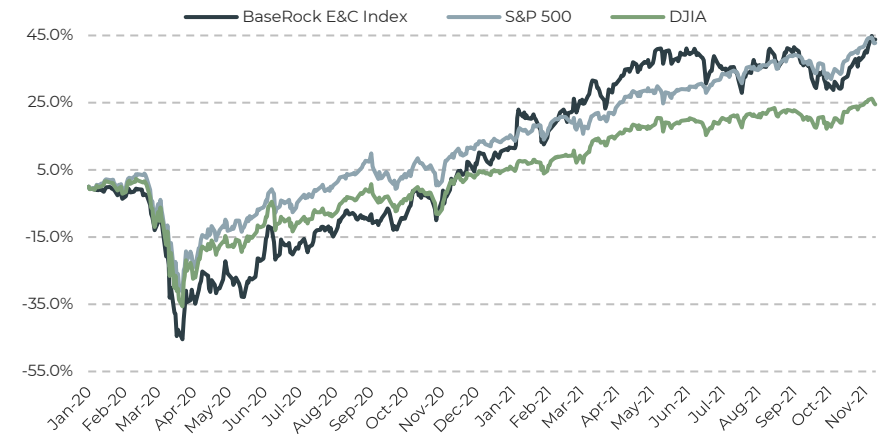
In this environment, one could argue that spending an additional \$1.2 trillion on infrastructure is a questionable economic choice. But politicians are rarely accused of having good timing. The reality is that coming out of 2021 and what is hopefully the conclusion of the COVID-19 pandemic, the E&C industry is poised for a period of exceptional opportunity – if it can manage the associated risks of inflation, supply chain disruption, and a rapidly changing workforce.

As we look toward 2022, we see three primary risks for the E&C sector. The first and most meaningful risk is the threat of rising interest rates. The residential sector has been the key driver of the E&C sector since early 2020, and while there is a strong argument that the residential market has continued room to run, any meaningful increase in interest rates will put a damper on home values and subsequently create economic uncertainty not seen since the Great Recession. The second risk is cost inflation, driven by both rising prices and continued supply chain pressures. Very few executives at the helm of E&C companies today have had to operate in an inflationary environment, and the dual-edged sword of rising revenues and rising costs will separate the strategically well-positioned from the commodity service providers.

The last and perhaps least predictable risk the market faces is that of the changing role of human capital in the industry. A colleague recently heard from a local contractor that their new discount is “showing up to the job.” The market for labor in the United States has been profoundly affected by COVID-19, and finding and retaining talent will be a function of both paying close attention to wage levels and adjusting to the needs of a workforce that has very different priorities than it did just a few years ago. But we can’t build roads working from home on Zoom.

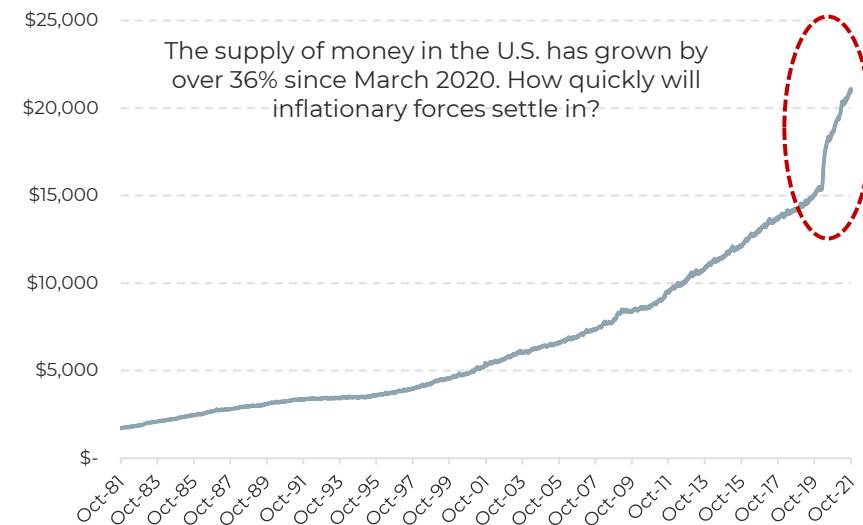
From an M&A perspective, government largess and loose monetary policy have created as robust a deal market as we have seen in our lifetimes. The infrastructure bill will throw fuel on this fire, and we expect M&A will remain robust through at least the second quarter of 2022. Private equity buyers will be looking to get a piece of the infrastructure action, while strategics will be realigning their portfolios to ensure they remain competitive in a new economic environment. In other words, the party continues – the duration of which will be one of the key questions we’ll be asking in 2022.

BaseRock E&C Index vs. S&P 500 and DJIA



Source: CapitalIQ

U.S. M2 Money Supply (\$, in billions)



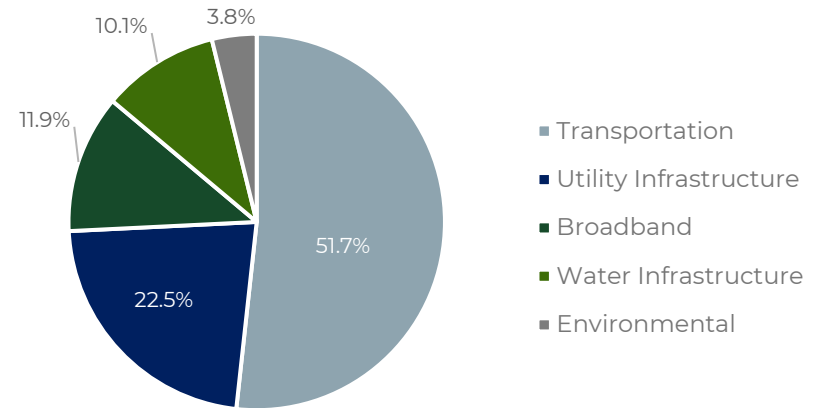
Source: Federal Reserve

The Infrastructure Opportunity

President Biden signed the Infrastructure and Jobs Act on November 15 and with it ushered in the greatest increase in infrastructure spending in six decades. The bill includes more than \$1.2 trillion in spending, with \$550 billion of that representing new spending on infrastructure above and beyond existing programs. These funds will go to a variety of end markets, including transportation, utility infrastructure, broadband, water infrastructure, and environmental initiatives. Notable provisions for the E&C Sector include:

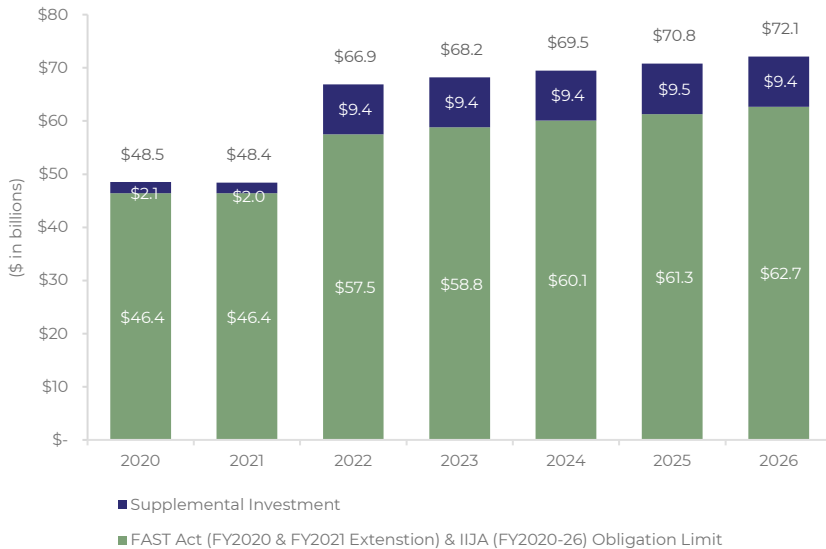
- \$273 billion in recurring federal funding for highway spending, a more than 40% increase over the FAST Act. An additional \$110 billion will be spent on roads, bridges, and major projects.
- \$73 billion in spending for power infrastructure, which will build thousands of new miles of power lines.
- \$21 billion in spending on remediation of Superfund and brownfield sites.

Where the Incremental \$550 Billion Will Be Spent



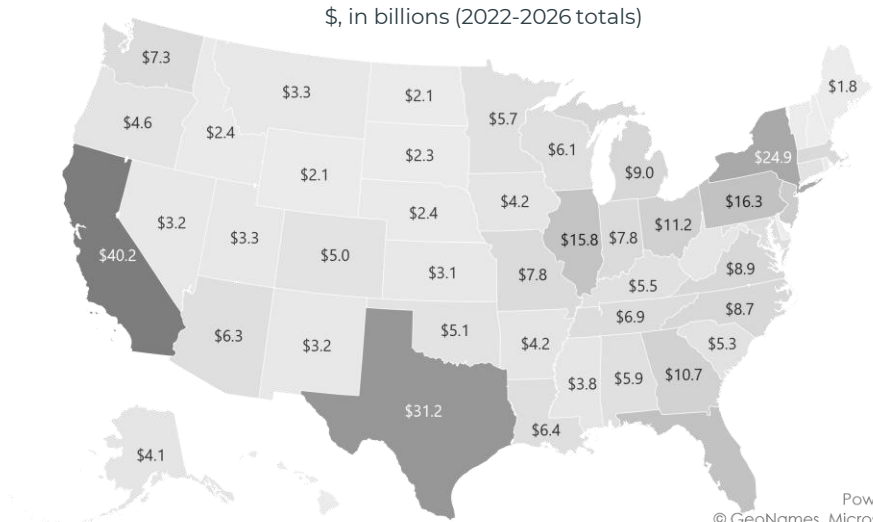
Source: ARTBA, whitehouse.gov, BaseRock analysis

Proj. U.S. Highway Funding (2020-2026)



Source: ARTBA.

Proj. Highway Spending by State¹



Source: ARTBA. Includes transit grant funds.

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M&A Market Outlook

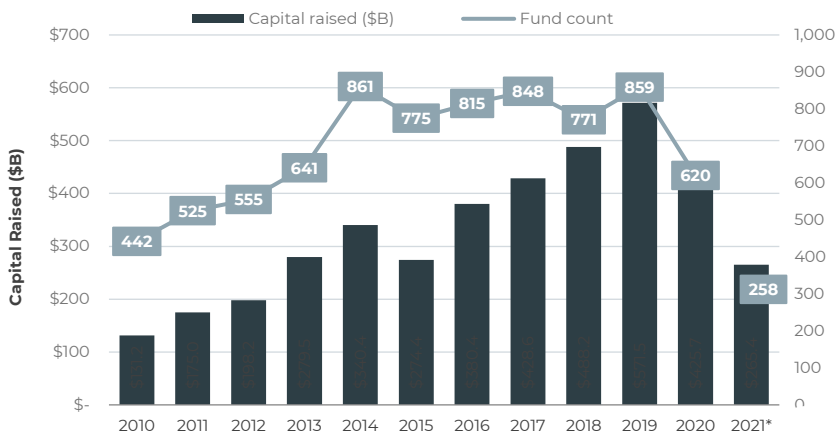
Both global and U.S. M&A activity have reached record levels through the first nine months of 2021. Global M&A announced transactions are up almost 30.0% compared to the first nine months of 2020 and are up over 5.0% compared to the same period in 2019. U.S. M&A activity has outpaced global activity, with U.S. M&A announced deals up over 40.0% compared to the first nine months of 2020 and up over 10.0% compared to the first nine months of 2019.

The resurgence of M&A activity in 2021 is due to several factors. When dealmaking came to a halt in the first half of 2020, many deals that would have closed in 2020 were pushed into 2021. Buyers also continue to drive market activity, as private equity firms have nearly \$2 trillion in dry powder and corporates have record levels of cash and stock gains. Also, potential U.S. tax changes are a significant catalyst for 2021 pulling many deals forward. Higher expected tax rates are driving many sellers to look to exit in 2021, which has boosted M&A activity.

Another factor driving the record levels of M&A activity is that debt markets have remained strong. Combined with historically low interest rates, there has been a significant amount of liquidity to support growth in M&A transactions.

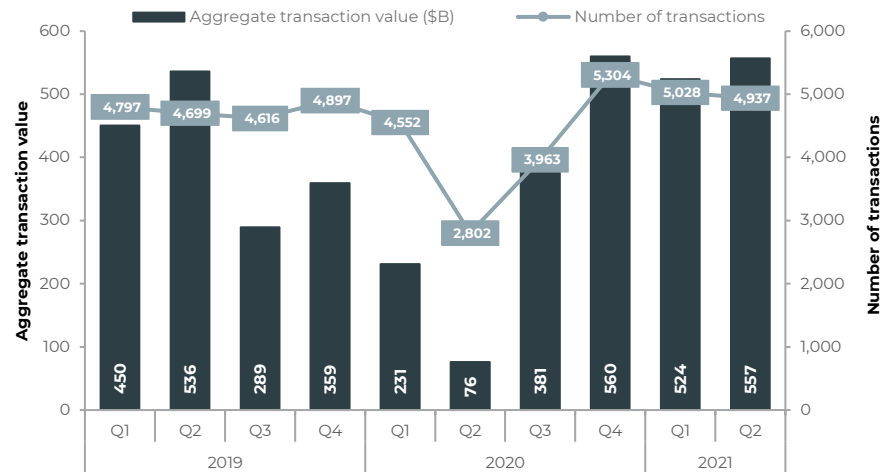
We expect this trend to continue for the remainder of the year, which will end in an unprecedented year for completed M&A transactions. As we look to 2022, we do not expect deal activity to match 2021 levels but do not expect a significant decline, as many of the same factors driving M&A activity will still be present.

Private Equity Fundraising



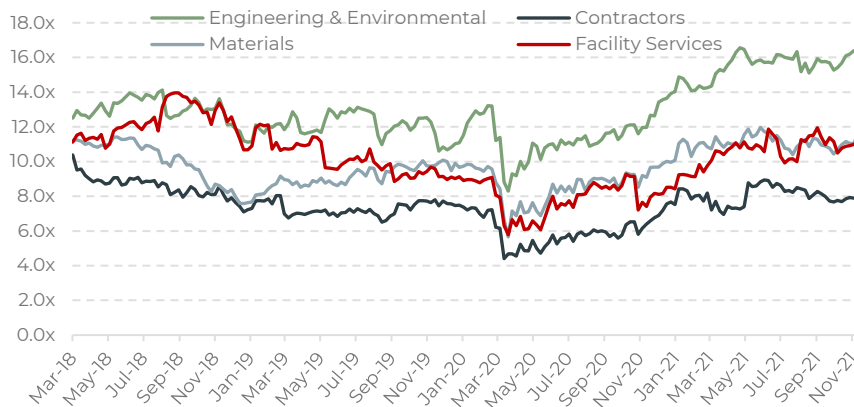
*As of June 30, 2021
Source: Pitchbook

Total U.S. M&A Deal Volume and Transaction Value



Source: Capital IQ

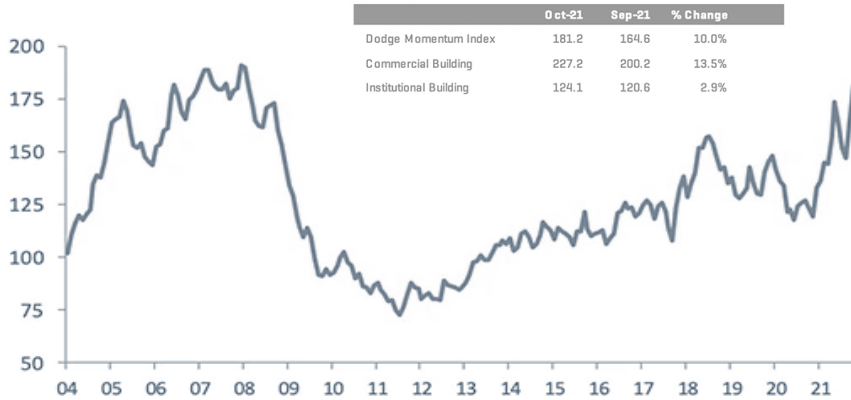
EV/Adj. LTM EBITDA by Sector



Figures represent median EV/Adj. LTM EBITDA values. EV adjusted for operating lease liabilities (ASC 842 & IFRS 16).
Source: Capital IQ, company reports, BaseRock Partners.

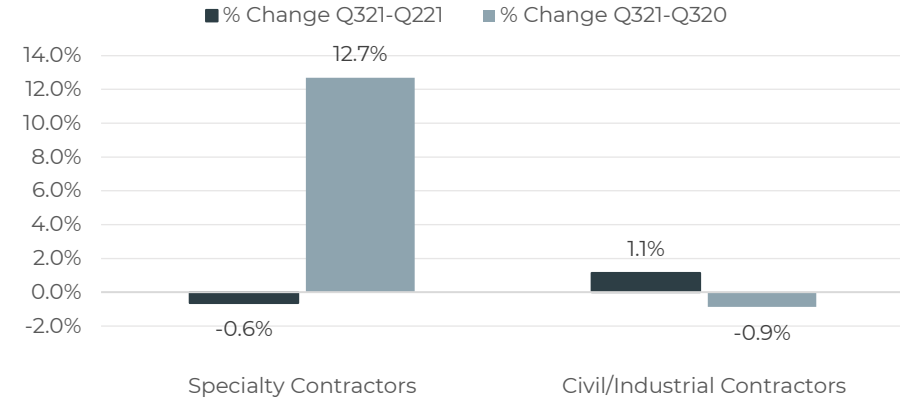
E&C Market Indicators

Dodge Momentum Index



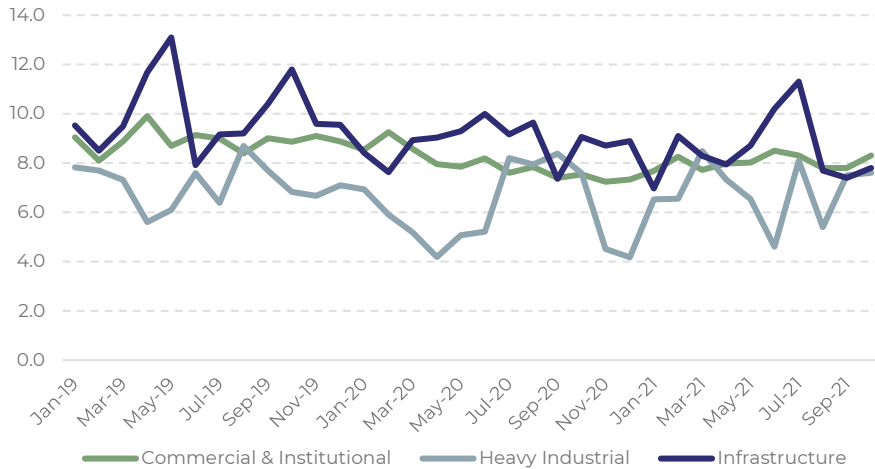
Source: Dodge Data & Analytics

Public Company Backlog Comparison



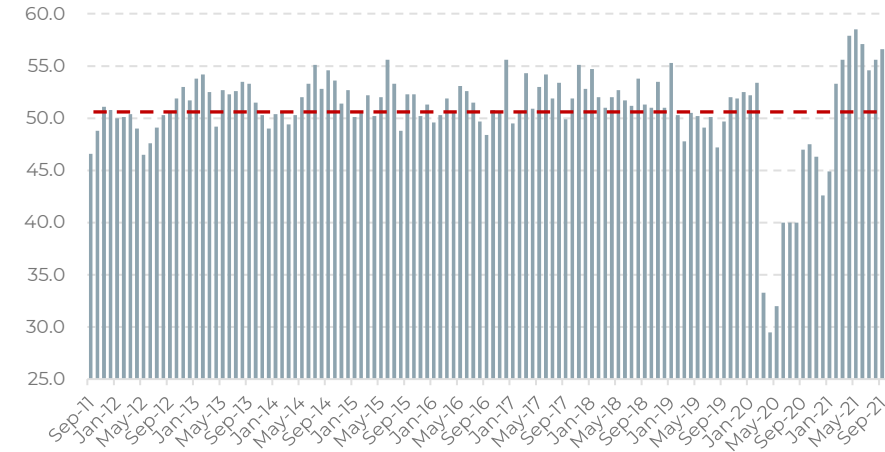
Source: Capital IQ, BaseRock Analysis
Specialty: FIX, EME, LMB, MTZ, MYRG, PWR; Civil/Industrial: GVA, ARE, STRL, TPC, ORN, GLDD, IEA, PRIM

ABCs Construction Backlog Builder



Source: Associated Builders and Contractors

Architecture Billings Index (ABI)



Source: The American Institute of Architects
- - - Any score above 50 indicates an increase in billings



SECTION II

CONSTRUCTION SERVICES OUTLOOK

Market Commentary – What We’re Watching

With infrastructure legislation enacted, the outlook for the construction services market remains highly favorable. Civil contractors are likely to be the prime beneficiaries, with robust increases in projected transportation spending likely to drive both contract pricing and overall revenues. However, while volume prospects remain favorable, the construction services sector is typically the least protected of BaseRock’s sectors and the most vulnerable to inflationary pressures. As a result, management teams may face a market environment not seen in decades, where strong growth is coupled with margin compression and increased project risk.

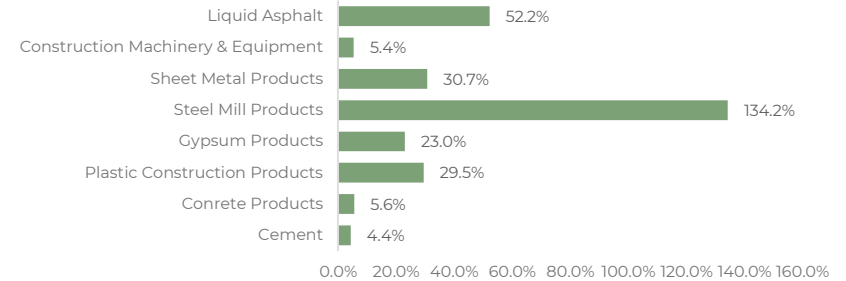
We expect self-performing contractors with shorter-duration contracts and defensible market positions to be the most likely to fare well in 2022. Self-performance continues to be a favored investment theme within the M&A market, with both strategic and financial buyers recognizing the importance of controlling labor, which has become the most important part of the construction supply chain. Other trends we’ll be watching include the following:

Will Capacity Issues Emerge in Key Markets? Federal spending on highways and related infrastructure is set to expand by nearly 40 percent beginning in 2022. In states with strong existing infrastructure funding packages, e.g., Texas, California, and others, the potential for capacity constraints is as strong as it has ever been. This may provide hard bid contractors with a once-in-a-generation opportunity to improve pricing (and protect against inflationary risks), but the increased demand combined with labor and supply shortages could also be a recipe for slow project releases and a less-than-optimal rollout of the long-awaited infrastructure bill.

How Will Strategics Behave in an Inflationary, High-Growth Market? We expect contractors with strong client relationships (especially those with long-term service contracts) will improve in value in 2022, particularly as strategics look to create more recurring revenue opportunities and avoid competitive bid situations to the extent they can. Cost uncertainty is also likely to drive continued momentum in the consolidation of specialty trade contractors, as labor uncertainty remains a critical issue. Overall, we anticipate more diversification and increased consolidation as strategics look to protect their competitive positions and bolster their capabilities in a rapidly growing, inflationary market.

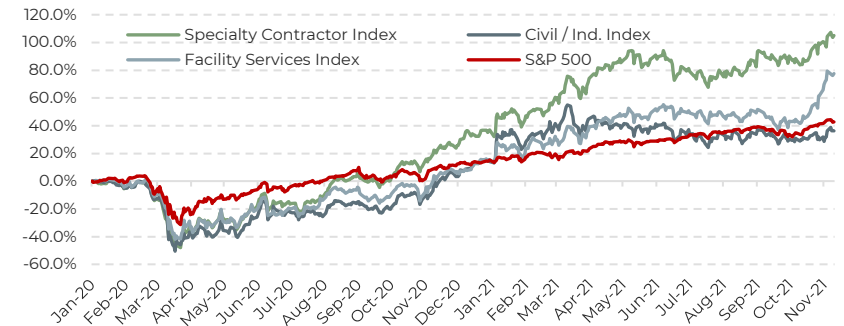
Will Civil Contractors See Increased M&A Activity? The M&A market for civil contractors has been historically tepid and dominated by strategic buyers. The low-bid nature of the market, combined with surety requirements, project complexity, and large equipment investment, has excluded most financial buyers from investing in the space. However, return on equity within civil firms is typically quite strong, and should private equity show more interest following the passage of infrastructure legislation, it could result in a wave of civil M&A not seen in decades.

YoY % Change in Select Construction Input Prices



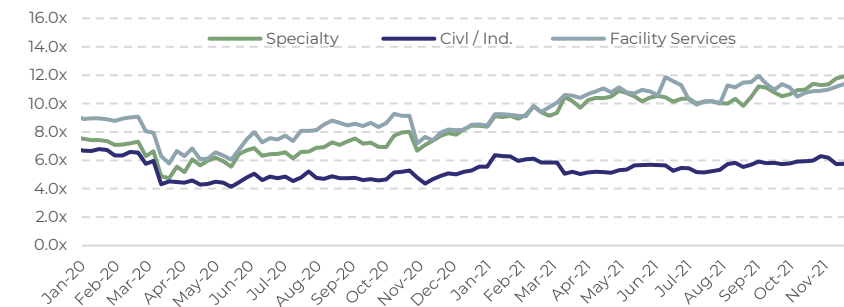
Source: AGC, as of 9/30/21.

Sector Stock Price Performance vs. S&P 500



Source: Capital IQ

Sector EV/LTM Adj. EBITDA



Source: Capital IQ

Notable Q3 2021 Contractor Transactions

Announced Date	Target	Buyer	Deal Commentary
Jul-21	 METRO MECHANICAL A FIDELITY COMPANY	 FIDELITY BUILDING SERVICES GROUP	Fidelity Building Services Group (Fidelity BSG), a leading mechanical contractor across the U.S., has broadened its presence in the South with the acquisition of Mississippi-based Metro Mechanical, Inc. (Metro). Metro specializes in commercial design/build mechanical systems and services, and the acquisition is part of Fidelity BSG's multi-regional growth plan.
Aug-21	 Quebe Holdings, Inc. An EMCOR Company	 EMCOR	EMCOR announced that it completed its acquisition of Quebe Holdings, Inc., (Quebe), a leading electrical services company providing preconstruction, construction, systems integration, and energy solutions in a variety of markets, including automotive, commercial, healthcare, education, industrial, and mission-critical. Quebe is headquartered in Dayton, OH, and the acquisition strengthens EMCOR's electrical construction capabilities across Ohio.
Aug-21	 DAGMAR CONSTRUCTION INC.	 bird	Bird Construction announced that it acquired Dagmar Construction Inc. (Dagmar), an Ontario-based civil infrastructure construction company with expertise in the transportation and rail sectors. The CA\$32 million acquisition provides Bird with a platform in the largest civil infrastructure market in Canada and allows Bird to diversify into new geographies and market segments.
Aug-21	 CAHS INC.	 PUEBLO All Systems Go	Pueblo Mechanical & Controls, a Huron Capital Partners portfolio company, announced that it acquired Central Air & Heating Service Inc. (CAHS), a leading HVAC services company located in South Texas. The acquisition expands Pueblo's reach in Texas and Arizona.
Sep-21	 RAILWORKS [®]	 BERNHARD CAPITAL PARTNERS	RailWorks Corporation (RailWorks), which provides critical maintenance and specialized construction services and products to track and transit systems across the U.S. and Canada, was acquired by Bernhard Capital Partners from prior owner Wind Point Partners. RailWorks fits into Bernhard's infrastructure services-focused investment strategy. Under Wind Point's ownership, RailWorks completed five acquisitions.
Sep-21	 L&S MECHANICAL PLUMBING • ELECTRICAL • HVAC	 THE STERLING GROUP	The Sterling Group announced its acquisition of L&S Mechanical (L&S), a leading provider of turnkey plumbing, HVAC, and electrical installation services in Texas. Founded in 1985, L&S is headquartered in Richardson, Texas, and serves large production homebuilders in major metro areas across Texas. L&S received previous institutional capital investments from prior owners ORIX and Bounds Equity Partners.
Sep-21	 BLATTNER COMPANY	 QUANTA SERVICES	Blattner Company (Blattner), a leading renewable energy provider, was acquired by Quanta Services in a deal worth \$2.7 billion. Blattner has completed 400+ energy infrastructure projects, and the combined 2020 revenue from the firms exceeded \$13 billion. The transaction increases Quanta's utility-scale renewable energy capabilities across North America.
Sep-21	 GE JOHNSON	 DPR CONSTRUCTION	DPR Construction announced its acquisition of GE Johnson Construction Company (GE Johnson), a general contractor headquartered in Colorado Springs that provides construction services to an array of end markets. The acquisition bolsters DPR's reach in the mountain states and leverages GE Johnson's self-perform capabilities.
Sep-21	 RMI ROCKY MOUNTAIN INDUSTRIAL CONSTRUCTION SERVICES LLC	 TERRA MILLENNIUM CORPORATION	Terra Millennium Corporation acquired Rocky Mountain Industrial Construction Services (RMI). Founded in 2015, RMI is a leading heavy industrial and mechanical contractor serving a number of end markets, including chemical, refining, power, and mining. RMI provides turnkey services including performing mechanical projects, process and underground piping, and structural steel and concrete. RMI reinforces Terra Millennium's presence in the mountain and gulf states.

Notable Q3 2021 Facility Services Transactions

Announced Date	Target	Buyer	Deal Commentary
Jul-21	 		Therma Holdings (Therma) announced that it has entered into agreements to acquire two leading engineering and energy services companies, CMTA and Building Systems Holdings (BSH). These acquisitions expand Therma's offerings and position the combined company as the leading end-to-end provider of energy and sustainability solutions and services for high-performance buildings.
Jul-21			Partners Group Holding AG, a Swiss private equity firm, has signed a definitive agreement to acquire Reedy Industries (Reedy), one of the largest commercial HVAC service providers in the U.S., from Audax Private Equity. Partners Group plans on expanding Reedy's offerings and geographic reach while focusing on sustainability and energy efficiency. Under Audax's ownership, Reedy completed 15 add-on acquisitions.
Jul-21/ Aug-21	  		Pye-Barker Fire & Safety acquired Naples Fire Protection Inc. and Rapid Fire Protection in July and Keystone Fire Protection Co., Inc. in August. Pye-Barker provides fire protection services, including inspection, testing, maintenance, repair, and installation. Backed by private equity firm Altas Partners, Pye-Barker expanded its geographic reach with these acquisitions.
Jul-21/ Aug-21	   		Reedy Industries, a leader in commercial and industrial HVAC, plumbing, and building controls services, acquired Capstone Mechanical, Hamlin Air Conditioning and Sheet Metal, CS3, Inc., Ruyle Mechanical, and Page Mechanical over the course of July and August. The acquisitions expand Reedy's customer base and geographic reach. The transactions signal Reedy's continued focus on growth through acquisitions.
Aug-21			CoolSys, Inc. acquired T&O Refrigeration, Inc. (T&O), which provides refrigeration installation and service and maintenance solutions to grocery retailers across the Southeast. CoolSys, which is backed by private equity firm Ares Management, expands its market presence with the T&O acquisition.
Sep-21		  	Achates Ventures, RCAP Equity, and Deerpath Capital Management acquired Roadrunner Restoration, Inc. (Roadrunner), a leading provider of restoration services related to damage caused by fire, water, and natural disasters in the Gulf Coast region. Founded in 2003, Roadrunner focuses on both commercial and restoration.
Sep-21			The Arcticom Group announced that it acquired Chiller Systems Service ("CSS"), a commercial and industrial HVAC maintenance and services provider based in Colorado. Arcticom is a leading commercial and industrial refrigeration company, and the CSS acquisition increases Arcticom's offerings and expands its customer base.

Public Company Valuation and Trading Metrics

(\$ in millions, except per share data)	Trading Performance			Enterprise Value / Adj. EBITDA ^{1,2}				Margin Analysis (LTM)			Revenue Growth		Net Debt / Adj. EBITDA (LTM)
	Current Share Price	% of 52 Wk High	Enterprise Value (EV) ¹	2019A	2020A	LTM	2021P	Gross Margin %	Adj. EBITDA Margin % ²	3-Year CAGR	5-Year CAGR	2021CY Estimate	
As of 11.11.2021													
Specialty Trade Contractors													
API Group Corporation	24.02	99.8%	6,275.6	17.1x	16.5x	15.9x	15.5x	23.0%	10.9%	NM	NM	5.1%	2.3x
Comfort Systems USA, Inc.	98.10	96.8%	3,728.9	17.5x	14.9x	14.9x	14.2x	18.7%	8.6%	11.5%	13.1%	6.0%	1.2x
Dycom Industries, Inc.	82.65	81.7%	3,114.0	10.0x	10.0x	12.1x	12.7x	16.3%	8.3%	-0.4%	0.9%	-3.4%	2.7x
EMCOR Group, Inc.	130.60	96.0%	6,583.2	11.9x	11.0x	10.3x	10.3x	15.5%	6.7%	6.5%	5.4%	11.7%	NM
Limbach Holdings, Inc.	8.00	49.7%	80.4	4.8x	3.2x	4.3x	3.7x	16.0%	3.8%	-3.3%	2.0%	-13.1%	0.8x
MasTec, Inc.	95.25	77.9%	8,172.9	9.7x	10.1x	8.4x	8.8x	15.6%	12.5%	5.1%	9.3%	27.0%	1.5x
MYR Group Inc.	109.40	94.1%	1,777.6	17.6x	13.4x	11.1x	10.9x	12.9%	6.5%	17.2%	16.6%	9.8%	NM
Quanta Services, Inc.	116.04	93.1%	17,797.2	18.9x	17.0x	15.0x	14.4x	15.2%	9.9%	4.5%	10.7%	13.8%	1.3x
Mean			5,941.2	13.4x	12.0x	11.5x	11.3x	16.7%	8.4%	5.9%	8.3%	7.1%	1.6x
Median			5,002.2	14.5x	12.2x	11.6x	11.8x	15.8%	8.5%	5.1%	9.3%	7.9%	1.4x
Civil/Industrial Contractors													
Aecon Group Inc.	17.30	77.6%	1,299.0	5.7x	4.9x	5.0x	5.0x	7.7%	6.6%	7.1%	4.6%	10.2%	1.0x
Bird Construction Inc.	10.55	97.9%	578.1	17.9x	7.1x	4.8x	5.5x	9.0%	5.5%	17.7%	7.2%	49.7%	0.1x
Granite Construction Incorporated	41.88	94.5%	1,641.9	NM	8.7x	7.0x	7.3x	11.2%	6.4%	3.5%	7.7%	2.2%	NM
Great Lakes Dredge & Dock Corporation	15.27	93.8%	1,150.8	8.5x	7.6x	10.6x	9.5x	19.6%	15.8%	6.1%	3.1%	1.0%	1.8x
Infrastructure and Energy Alternatives, Inc.	11.95	49.5%	779.3	7.7x	6.1x	6.8x	5.6x	9.6%	5.9%	36.8%	27.0%	13.8%	2.0x
Primoris Services Corporation	26.52	63.5%	1,913.0	8.5x	7.7x	6.7x	6.8x	11.9%	8.1%	5.9%	11.8%	0.1%	2.3x
Sterling Construction Company, Inc.	28.52	96.1%	1,030.1	16.6x	8.0x	7.4x	7.4x	13.5%	9.2%	13.5%	17.1%	6.3%	1.6x
Tutor Perini Corporation	14.82	73.2%	1,546.7	7.4x	4.2x	4.2x	4.8x	9.8%	7.4%	2.5%	-0.7%	-9.9%	2.3x
Orion Group Holdings, Inc.	4.67	70.0%	192.2	5.2x	3.5x	6.6x	8.9x	9.2%	4.8%	3.6%	0.0%	-18.5%	2.2x
Mean			1,125.7	9.7x	6.4x	6.6x	6.7x	11.3%	7.7%	10.7%	8.6%	6.1%	1.7x
Median			1,150.8	8.1x	7.1x	6.7x	6.8x	9.8%	6.6%	6.1%	7.2%	2.2%	1.9x
Facility Services													
Atlas Technical Consultants, Inc.	11.43	74.2%	822.3	NM	13.1x	12.2x	11.0x	47.9%	13.4%	7.5%	18.4%	13.2%	7.0x
Ameresco, Inc.	92.54	90.9%	5,658.6	NM	NM	NM	NM	19.5%	12.6%	15.5%	13.3%	17.6%	6.3x
BrightView Holdings, Inc.	17.32	90.3%	2,829.3	9.2x	10.4x	9.3x	9.9x	25.5%	12.2%	2.1%	2.5%	6.4%	3.6x
Comfort Systems USA, Inc.	98.10	96.8%	3,728.9	17.5x	14.9x	14.9x	14.2x	18.7%	8.6%	11.5%	13.1%	6.0%	1.2x
EMCOR Group, Inc.	130.60	96.0%	6,583.2	11.9x	11.0x	10.3x	10.3x	15.5%	6.7%	6.5%	5.4%	11.7%	NM
Matrix Service Company	10.71	65.6%	252.0	3.8x	17.8x	NM	NM	2.3%	-5.5%	-15.9%	-11.7%	-10.4%	0.3x
Mean			3,312.4	10.6x	13.5x	11.7x	11.3x	21.6%	8.0%	4.5%	6.8%	7.4%	3.7x
Median			3,279.1	10.6x	13.1x	11.3x	10.6x	19.1%	10.4%	7.0%	9.3%	9.0%	3.6x

Notes:¹Enterprise value figures adjusted for operating lease liabilities (ASC 842 & IFRS 16).²Adjusted EBITDA based on company reports and BaseRock Partners analysis.

Source: Capital IQ, company reports, BaseRock Partners



SECTION III

CONSTRUCTION MATERIALS OUTLOOK

Market Commentary – What We’re Watching

The construction materials market continues to benefit from the tailwinds of a strong residential market, anticipation of meaningful increases in infrastructure spending, and a remarkably strong stock market. As of November 11, domestic materials firms are trading for approximately 16.0x LTM adjusted EBITDA, a high metric by any historical standard. This momentum has resulted in a red-hot M&A market, with even private transactions benefiting from multiple expansion.

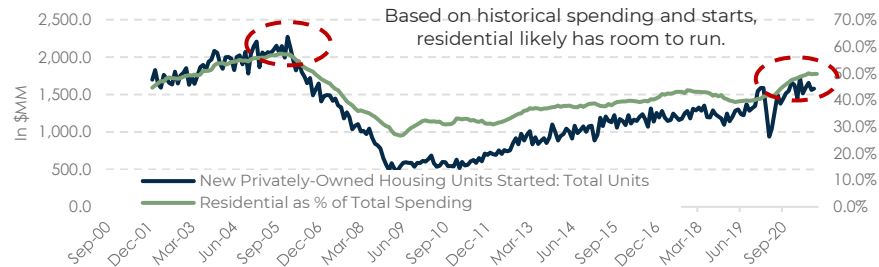
2022 will be a critical year for the U.S. construction materials industry, as the much-anticipated infrastructure bill must now drive bottom line performance among the publicly traded firms, and the residential market (which represents roughly one-third to one-half of overall aggregate volumes) must remain robust to justify extraordinary valuations. Several of the key issues we will be watching over the next quarter include the following:

How Far Can Residential Run? The residential construction market has grown by more than 25% (seasonally adjusted) since the onset of the pandemic, driven by a variety of macro factors including the work from-home-trend, the flight to suburbia, and an increase in younger generations' interest in home buying. Home prices have also been a catalyst, with the Case-Shiller 20 City Composite Index increasing by 23% since March of 2020. While residential construction's run has been extraordinary, starts remain well below their 2006 peaks, as does residential spending as a percentage of overall construction spending. The key indicator we will be following in 2022 is the rate on 30-year mortgages, as any material increases will likely to have a chilling effect on future residential growth.

Will Gross Margins Hold Up? In late October, Cemex reported a \$376 million loss in the third quarter as a result of supply chain disruptions and increased energy and transportation costs. Supply chain disruptions and increasing costs are likely to continue as a theme well into 2022 and will be a critical issue we will be watching closely. Companies with strong strategic positions (notably those with highly defensible aggregate positions) are best positioned to weather any inflationary storms, and private firms with strong market positions will be increasingly attractive M&A targets.

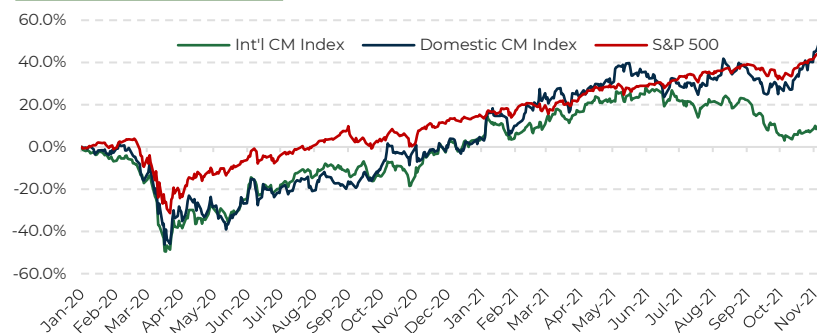
Will the Mega Deal Trend Continue? So far, 2021 has seen a host of mega transactions, including Vulcan's acquisition of U.S. Concrete and Martin Marietta's acquisition of Lehigh's western assets. We anticipate continued strategic repositioning as companies evaluate the economic outlook for 2022, which is more likely to drive smaller bolt-on and tuck-in transactions than large multi-billion-dollar transactions. However, large public buyers continue to have ample amounts of cash, relatively low levels of debt, and soaring stock valuations, all of which contribute to a highly conducive environment for larger transactions.

Residential Spending as % of Total Const. vs. Private Starts



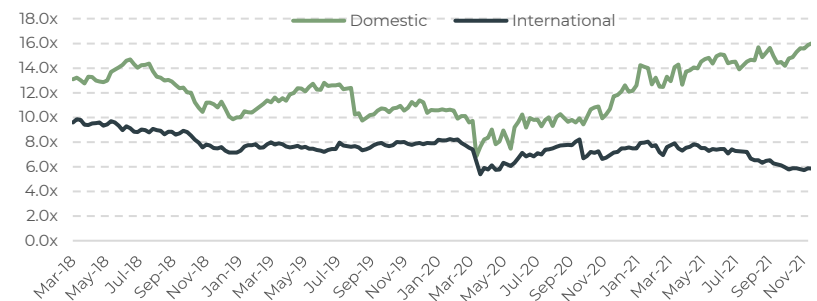
Source: FRED

Sector Stock Price Performance vs. S&P 500












Source: Capital IQ

Sector EV/LTM Adj. EBITDA



Figures represent median EV/Adj. LTM EBITDA values. EV adjusted for operating lease liabilities (ASC 842 & IFRS 16). Source: Capital IQ, company reports, BaseRock Partners.

Notable Q3 2021 Construction Materials Transactions

Announced Date	Target	Buyer	Deal Commentary
Jul-21	 FRED WEBER INC.	New Frontier Materials	Fred Weber Inc, Aggregates & Asphalt Businesses comprises aggregates and asphalt plants. The asset is located in the United States.
Aug-21	Good Hope Contracting		Good Hope Contracting Co., Inc. provides road construction and asphalt paving contracting services. The company was incorporated in 1974 and is based in Cullman, Alabama. As of August 2, 2021, Good Hope Contracting Co., Inc. operates as a subsidiary of Construction Partners, Inc.
Aug-21	 SCC materials		Southern Crushed Concrete, LLC manufactures recycled concrete and asphalt for construction projects in the Houston area. The company offers crushed concrete, milled asphalt, rip rap, concrete sand, cement-stabilized sand, cement-treated bases, hot mix asphalt, hot mix-cold asphaltic concrete, railroad ballast, and bull rock. It also provides concrete pavement removals, asphalt pavement milling, and bridge demolitions. The company was founded in 1991 and is based in The Woodlands, Texas
Aug-21			Angel Brothers Enterprises provides construction services to industrial, civil, and private developers in the Texas Gulf Coast area. The projects include industrial refineries and public and private developments. Additionally, the services include underground utilities, concrete and asphalt paving, and earthwork, including clearing and grubbing, soil stabilization and base materials, pavement recycling, storm drainage, water and sanitary sewer lines, and structural concrete. It also offers subcontracting services, which include fencing, electrical, traffic signalization, paint stripping, and boring and tunneling.
Sep-21	C K Eardhardt & Sons		C K Eardhardt & Sons, Inc. offers asphalt paving, asphalt repair, and related paving services. The company was incorporated in 1960 and is based in Albemarle, North Carolina. As of September 10, 2021, C K Eardhardt & Sons, Inc. operates as a subsidiary of Construction Partners, Inc.
Sep-21	Bowling Green Concrete		As of September 17, 2021, Bowling Green Concrete, LLC operates as a subsidiary of Smyrna Ready Mix, LLC.
Sep-21	 UTELITE CORPORATION Quality & Service Since 1962	 HOLCIM	Utelite Corporation manufactures and supplies structural lightweight expanded shale aggregates. The company was incorporated in 1962 and is based in Coalville, Utah. As of September 27, 2021, Utelite Corporation operates as a subsidiary of Holcim Ltd.

Public Company Valuation and Trading Metrics

(\$ in millions, except per share data)	Trading Performance			Enterprise Value / Adj. EBITDA ^{1,2}				Margin Analysis (LTM)		Revenue Growth			Net Debt / Adj. EBITDA (LTM)
	Current Share Price	% of 52 Wk High	Enterprise Value (EV) ¹	2019A	2020A	LTM	2021P	Gross Margin %	Adj. EBITDA Margin % ²	3-Year CAGR	5-Year CAGR	2021CY Estimate	
As of 11.11.2021													
Construction Materials - Domestic													
Arcosa, Inc.	55.40	80.9%	3,386.1	14.1x	11.9x	12.4x	12.3x	18.3%	13.9%	11.3%	3.4%	4.1%	2.6x
Construction Partners, Inc.	40.90	90.9%	2,181.4	23.0x	20.9x	22.2x	17.6x	14.8%	11.5%	15.3%	NM	31.0%	0.7x
Eagle Materials Inc.	159.60	97.1%	7,354.9	17.1x	13.8x	11.9x	11.8x	26.8%	35.7%	8.2%	8.3%	11.4%	1.3x
Martin Marietta Materials, Inc.	414.00	95.0%	28,855.3	23.0x	20.7x	19.6x	18.8x	27.7%	30.7%	10.3%	8.4%	20.7%	2.2x
Summit Materials, Inc.	39.40	98.0%	6,260.1	13.6x	12.9x	11.9x	12.1x	33.3%	21.6%	2.0%	6.5%	-4.4%	2.7x
Vulcan Materials Company	199.30	94.8%	30,673.7	24.2x	23.2x	22.2x	21.2x	25.9%	26.9%	8.1%	9.0%	14.0%	3.3x
Mean			13,118.6	19.2x	17.2x	16.7x	15.6x	24.5%	23.4%	9.2%	7.1%	12.8%	2.1x
Median			6,807.5	20.1x	17.2x	16.0x	15.0x	26.4%	24.3%	9.3%	8.3%	12.7%	2.4x
Construction Materials - International													
Buzzi Unicem S.p.A.	23.50	84.5%	4,894.4	6.3x	5.3x	5.2x	5.5x	40.9%	23.9%	5.1%	6.3%	-3.0%	0.4x
CEMEX, S.A.B. de C.V.	0.70	77.8%	18,330.8	7.7x	7.5x	6.4x	6.2x	32.4%	19.8%	3.0%	4.0%	13.9%	2.8x
CRH plc	50.50	95.8%	45,831.8	11.0x	11.7x	10.6x	9.1x	34.6%	14.7%	2.4%	2.4%	6.9%	1.4x
HeidelbergCement AG	75.30	81.1%	24,888.8	6.2x	5.5x	5.4x	5.7x	63.3%	21.1%	0.6%	5.6%	-2.2%	2.0x
Holcim Ltd	51.80	81.6%	48,323.2	7.1x	7.2x	7.7x	6.8x	43.6%	23.1%	0.8%	1.6%	9.4%	2.2x
Mean			28,453.8	7.7x	7.4x	7.1x	6.6x	43.0%	20.5%	2.4%	4.0%	5.0%	1.8x
Median			24,888.8	7.1x	7.2x	6.4x	6.2x	40.9%	21.1%	2.4%	4.0%	6.9%	2.0x

Notes:

¹Enterprise value figures adjusted for operating lease liabilities (ASC 842 & IFRS 16).

²Adjusted EBITDA based on company reports and BaseRock Partners analysis.

Source: Capital IQ, company reports, BaseRock Partners



SECTION IV

ENGINEERING & ENVIRONMENTAL OUTLOOK

Market Commentary – What We’re Watching

Every four years, the American Society of Civil Engineers (“ASCE”) grades the nation’s 17 major infrastructure categories. This year’s grade of C- was up compared to 2017’s grade of a D+, but the report revealed that America was only paying for roughly half of the country’s infrastructure needs, a \$2.59 trillion gap over 10 years. The Infrastructure and Jobs Act presents an opportunity to bridge a portion of this gap, which bodes exceptionally well for the engineering and environmental sector in 2022 and beyond.

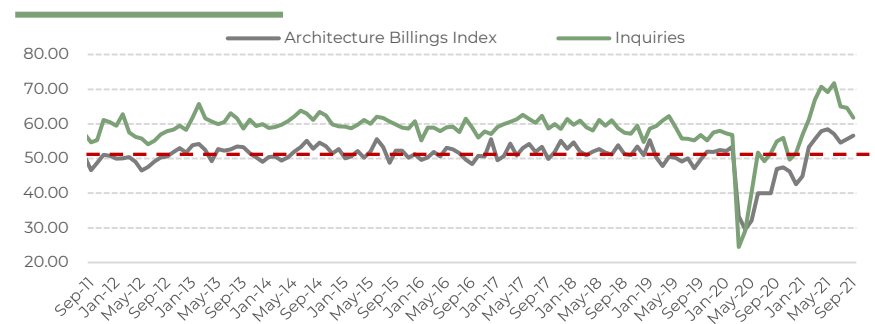
The rollout of the infrastructure bill will be a key issue to watch in the engineering and environmental market in 2022. Typically, architecture and engineering spending precedes infrastructure spending by one to two quarters. We will be closely watching the AIA Inquiries index as well as public company performance in Q1 and Q2 to assess the scale at which infrastructure affects the market as a whole in 2022. Other trends we will be watching include the following:

Can Multiples Continue to Expand? The engineering and environmental sector has seen a dramatic improvement in valuation multiples in the wake of the pandemic. Median EV/LTM Adjusted EBITDA in the sector has expanded from a low of 8.8x in March 2020 to well over 16.0x in Q3. This expansion is in part due to anticipated growth driven by the Infrastructure and Jobs Act. With that legislation now law and funds expected to hit the market next year, investors may lose patience if earnings don’t grow concurrently with federal spending.

Will the Labor Shortage Drive Capacity Constraints? Employee turnover and labor availability is an increasingly critical issue for engineering firms. With the pandemic and work from home creating increased employee defections, many engineering firms are faced with a labor shortage on the cusp of a strong increase in project opportunities in 2022. Attracting and retaining talent will be increasingly critical in a high-growth market, and likely a key driver of whether engineering firms can meet growing demand.

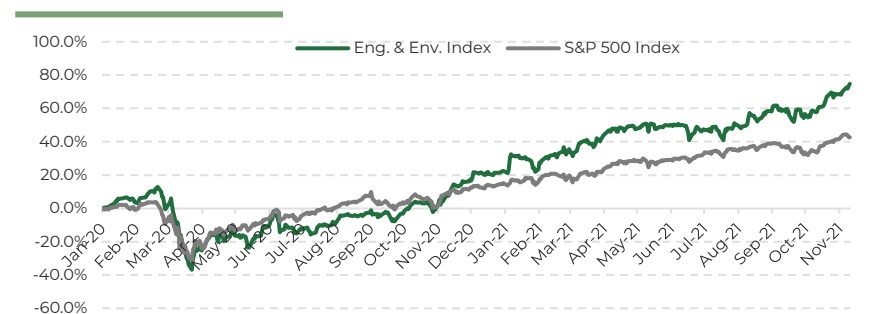
Will the M&A Boom Continue Into 2022? Engineering and environmental M&A activity reached record levels in 2021, with announced deals as of Q3 2021 up 36.0% year over year, and up 16.0% compared to Q3 2019, (both a record year and a better comparison given the COVID-19 pandemic). M&A activity is being driven by several factors, including surging stock prices and overall public company valuations, the completion of M&A transactions put on hold in 2020, record levels of capital held by both private equity and strategic acquirers, and the pull-forward of transactions caused by the anticipated increase in future tax rates. Several of these factors are expected to diminish in 2022; however, an infrastructure boom has the potential to drive continued M&A momentum in the engineering and environmental space.

AIA Index



Source: American Institute of Architects

Sector Stock Price Performance vs. S&P 500





Source: Capital IQ

Sector EV/LTM Adj. EBITDA



Figures represent median EV/Adj. LTM EBITDA values. EV adjusted for operating lease liabilities (ASC 842 & IFRS 16).
Source: Capital IQ, company reports, BaseRock Partners.

Notable Q3 2021 Engineering & Environmental Transactions

Announced Date	Target	Buyer	Deal Commentary
Jul-21			Universal Engineering Sciences® (UES), a national leading engineering and consulting company, acquired Geotechnology, Inc., a leading provider of consulting services in applied earth and environmental sciences; exploration; geotechnical engineering; underground consulting services; soils, rock, and construction materials testing; non-destructive testing; special inspections; geophysics; and deep foundation testing in the Midwest and Midsouth regions.
Jul-21			Greenman-Pedersen, Inc. (GPI) acquired Orlando FL-based Horizon Engineering Group, Inc., a 45-person transportation design firm. Horizon will join GPI's multi-discipline engineering team of over 1500 professionals that have been providing engineering and construction management services throughout the United States for more than 50 years.
Jul-21			S&B Engineers and Constructors, Ltd. (S&B) announced it has acquired majority ownership of Bibb Engineers, Architects, & Constructors (Bibb). The acquisition extends S&B's engineering, procurement, and construction expertise in key markets and geographies.
Aug-21			Artesian Resources Corporation (NASDAQ: ARTNA) announced that its wholly-owned subsidiary, Artesian Wastewater Management, Inc., has agreed to acquire Tidewater Environmental Services, Inc. (TESI), a Delaware-based regulated wastewater utility owned by Middlesex Water Company, for \$6.4 million in cash and other consideration.
Aug-21			Qualus Power Services, LLC, a leading provider of engineering and technical field services to utilities and electric power grid infrastructure, announced that it has acquired Patterson Power Engineering, LLC, a leading engineering firm in the power system protection space with operations in Chattanooga, TN.
Sep-21			Wind Point Partners (Wind Point), a Chicago-based private equity firm, has acquired The Vertex Companies, Inc., a leading multidisciplinary engineering and consulting firm that provides forensic consulting, engineering design, construction management, dispute resolution, environmental, and digital solutions to insurance carriers, sureties, law firms, real estate owners, property managers, public agencies, and commercial clients.
Sep-21			Atwell Group, a national design and engineering consultancy, has acquired Waldrop Engineering, a Bonita Springs, FL-based land development consulting firm. Founded in 2000, Waldrop provides land development services in planning, landscape architecture, and civil engineering. The firm has completed hundreds of projects in Florida and the Southeast, including master-planned residential communities, golf courses and resorts, parks, commercial and industrial developments, and infrastructure systems.
Sep-21			STV Group, Inc., has acquired CP&Y, Inc., an employee-owned engineering, architectural, and field services consulting firm with a staff of over 375 professionals in Texas, Oklahoma, Colorado, Florida, and Virginia.
Sep-21			KCI announced the acquisition of Florida-based consulting firm Bridging Solutions. KCI will expand its capabilities to include Bridging Solutions' highly specialized bridge and structural engineering services in the transportation and land development markets.
Sep-21			An affiliate of Peak Rock Capital (Peak Rock), a leading middle-market private investment firm, announced that it has completed its acquisition of SAM Companies (SAM or the Company), a leading provider of geospatial services to utility, transportation, and broader infrastructure clients. The SAM management team, which is headquartered in Austin, Texas, will maintain a meaningful ownership position in the Company.
Sep-21			Volkert recently acquired Kennedy Engineering & Associates Group, LLC (KEA Group), a transportation engineering firm focused on planning, design, environmental, and CEI services. These four groups work closely together in a collaborative environment, ensuring the completion of quality infrastructure projects.

Public Company Valuation and Trading Metrics

(\$ in millions, except per share data) As of 11.11.2021	Trading Performance			Enterprise Value / Adj. EBITDA ^{1,2}				Margin Analysis (LTM)			Revenue Growth		Net Debt / Adj. EBITDA (LTM)
	Current Share Price	% of 52 Wk High	Enterprise Value (EV) ¹	2019A	2020A	LTM	2021P	Gross Margin %	Adj. EBITDA Margin % ²	3-Year CAGR	5-Year CAGR	2021CY Estimate	
Engineering & Environmental													
AECOM	70.70	97.4%	12,610.7	13.8x	16.6x	15.2x	15.3x	6.0%	6.2%	-10.5%	-5.3%	0.0%	2.5x
Arcadis NV	47.60	86.9%	4,675.3	18.5x	15.0x	14.2x	11.6x	17.5%	8.5%	0.9%	1.7%	-5.4%	1.3x
Jacobs Engineering Group Inc.	144.60	98.8%	21,307.8	20.6x	19.6x	17.2x	17.2x	20.6%	8.9%	7.1%	6.5%	7.5%	2.2x
John Wood Group PLC	2.70	55.1%	3,632.2	6.6x	9.1x	9.3x	6.2x	9.9%	5.9%	-13.8%	9.3%	-15.1%	4.5x
Montrose Environmental Group, Inc.	76.90	95.6%	2,611.4	NM	NM	33.7x	NM	32.3%	15.2%	41.0%	NM	61.2%	2.9x
NV5 Global, Inc.	112.80	97.3%	1,726.9	NM	19.1x	15.2x	14.1x	50.3%	16.7%	18.9%	25.7%	6.7%	0.8x
Stantec Inc.	55.80	97.4%	7,063.7	15.9x	15.5x	15.6x	15.5x	53.3%	16.0%	5.7%	4.7%	0.5%	1.8x
Tetra Tech, Inc.	178.50	97.1%	9,746.0	NM	NM	33.9x	NM	19.7%	11.8%	4.5%	4.7%	7.6%	0.9x
Willdan Group, Inc.	41.20	74.9%	622.6	16.5x	22.2x	23.3x	24.1x	37.8%	7.4%	11.0%	12.3%	-4.6%	4.3x
WSP Global Inc.	149.00	99.8%	18,550.0	23.2x	22.4x	19.1x	17.7x	19.2%	12.8%	2.3%	5.5%	-10.2%	1.7x
Mean			8,254.7	16.4x	17.4x	19.7x	15.2x	26.7%	10.9%	6.7%	7.2%	4.8%	2.3x
Median			5,869.5	16.5x	17.8x	16.4x	15.4x	20.2%	10.3%	5.1%	5.5%	0.3%	2.0x

Notes:

¹Enterprise value figures adjusted for operating lease liabilities (ASC 842 & IFRS 16).

²Adjusted EBITDA based on company reports and BaseRock Partners analysis.

Source: Capital IQ, company reports, BaseRock Partners



SECTION V

ABOUT BASEROCK PARTNERS

BaseRock Differentiation

Client First

We provide unbiased, independent advice regardless of fees or outcomes.

Industry-Focused Solutions

BaseRock's transaction capabilities extend from sell-side M&A to internal transactions to employee stock ownership plans (ESOPs), providing owners with a full suite of options to drive success – as they define it.

Industry Experts

We bring decades of industry-specific experience. We understand the unique dynamics of the industry and structure our engagements to maximize valuation, confidentiality, and our clients' long-term success.

Team-Oriented, Education-Based Approach

We strive to ensure our clients fully understand the tradeoffs and implications of any ownership transition. BaseRock's team works closely with your internal and external advisors to ensure a transaction serves the needs of your organization.

What We Do



Mergers & Acquisitions

- Sell-Side Advisory
- Buy-Side Advisory
- Dual-Track Process



ESOP Advisory

- Sell-Side Advisory
- Dual-Track Process
- Capital Raising
- ESOP M&A



Strategic Advisory

- Board Advisory
- Internal Ownership Transfer

Who We Serve

Contractors

- General Building
- Heavy Civil
- Specialty Trade

Facility Services

- HVAC & Refrigeration
- Electrical & Plumbing
- Landscaping
- Fire & Life Safety
- Energy Efficiency

Construction Materials

- Aggregates
- Asphalt
- Concrete

Engineering & Environmental

- Engineering & Design Firms
- Environmental Services
- Remediation
- Waste & Recycling

BaseRock Services



Mergers & Acquisitions

M&A transactions are critical events in the lifecycle of every company. Whether you are expanding your company's capabilities into new markets or identifying new owners or investors for your business, BaseRock's team of professionals has decades of industry-specific M&A experience to help you achieve your goals.

- Sell-Side Advisory
- Buy-Side Advisory
- Dual-Track Process



ESOP Advisory

Employee stock ownership plans (ESOPs) are an increasingly attractive exit option for engineering & construction firms. Tax efficiency, legacy protection, and improved employee recruiting, and retention are some of the immediate benefits engineering and construction firms can generate through an ESOP. Our professionals have decades of experience structuring and financing ESOP buyouts, and through our network of ESOP trustees, attorneys, and financing providers, BaseRock will support your ESOP transaction from beginning to end.

- Sell-Side Advisory
- Dual-Track Process
- Capital Raising
- ESOP M&A



Strategic Advisory

BaseRock provides a wealth of strategic advisory support to companies operating in the engineering and construction markets. Whether your firm is looking to sell to key employees or simply to open ownership to a wider group of managers, BaseRock's professionals can assist you in designing a plan that fits the specific needs of your business.

- Board Advisory
- Internal Ownership Transfer

BaseRock Guiding Principles

We are a client-first firm.

We provide clear, unbiased advice to our clients regardless of fees or outcomes.

We are team-oriented.

We work as a team to provide our clients with superior transaction outcomes. Our team includes the entirety of our firm, as well as your management team and outside advisors.



We are committed to the industry.

Our professionals work with industry influencers, non-profits, associations, and other industry groups to help ensure the long-term health of the E&C industry.

We stand behind our work.

We provide market-leading financial advisory services and stand behind that commitment to our clients.



THANK YOU

CONTACT INFO:

WWW.BASEROCKPARTNERS.COM

INFO@BASEROCKPARTNERS.COM

(303) 309-4328