

# Blueprints of Change

*Navigating 1Q 2024's Construction & Engineering M&A Landscape*



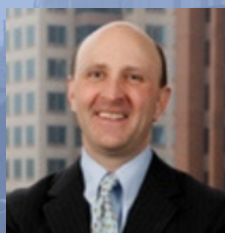
**CONSTRUCTION & ENGINEERING SERVICES**

Carleton McKenna & Co

## TABLE OF CONTENTS

Construction Sector Trends & Key Takeaways	3
U.S. & Canada Sector M&A Activity Overview	4
Construction Valuation M&A Trends, by Trade	5
Notable Transactions by Industry Trade	6
Carleton McKenna Team & Track Record	9

## CARLETON MCKENNA CONSTRUCTION & ENGINEERING SERVICES BANKERS



**Christopher J. McKenna**  
Managing Partner  
[cjm@carletonmckenna.com](mailto:cjm@carletonmckenna.com)



**Chuck G. Fenske**  
Director  
[cgf@carletonmckenna.com](mailto:cgf@carletonmckenna.com)



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### KEY TAKEAWAYS

Carleton McKenna is pleased to share its latest Construction report following [Glass Manufacturing: Construction Demand to Set Industry Pace](#). In this report, Carleton McKenna explores the strategic marketplace, consolidation trends, noteworthy transactions, as well as what the future deal-making landscape may look like for Specialty Contractors (electrical, mechanical, plumbing, roofing, and asphalt contractors) to help sector participants shape their strategies for the near- to medium-term.

1. **Dry Powder Pressure:** Despite a recent slowdown, private equity firms have amassed significant capital waiting for favorable conditions to deploy. This pent-up capital is likely to spur increased deal activity once economic conditions stabilize as well as increased valuations for quality deals.
2. **Valuation Variance:** Valuation trends in the Construction & Engineering industry vary significantly by trade. For example, Plumbing and HVAC contractors have seen a substantial increase in valuations, whereas Heavy and Civil Engineering firms have experienced declines.
3. **Sustainability Surge:** Increased environmental regulations and sustainability preferences, bolstered by government initiatives like the Buy Clean Initiative and the Inflation Reduction Act, are driving demand for companies offering sustainable solutions, making them attractive M&A targets.
4. **Commercial Construction Comeback:** Anticipated interest rate cuts and increased corporate profits are expected to boost commercial building activity, creating a favorable environment for M&A. This renewed optimism is likely to attract investor interest and drive deal activity in the near term.

Carleton McKenna has meaningful experience in the Construction and Engineering industry. To learn more about Carleton McKenna's wide range of transaction experiences, strategies for growth or exit, and current construction industry trends, please [contact us](#).

# U.S. & CANADA CONSTRUCTION & ENGINEERING M&A ACTIVITY OVERVIEW

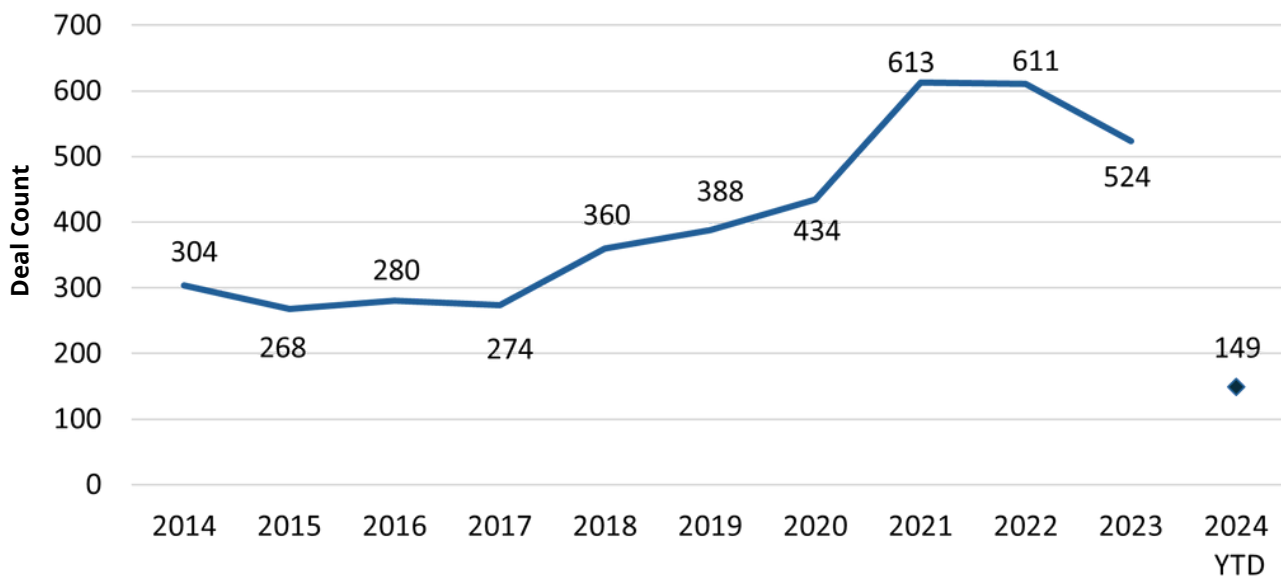
## Abundance of Private Equity Dry Powder Creates Opportunities for Sellers

Deal activity in the Construction & Engineering industry (which includes residential and commercial development) remained strong in 2023 following significant spikes in 2021 and 2022. The increased M&A activity in 2021 was ubiquitous across most industries, and was primarily driven by ample dry powder, historically low interest rates, and concerns related to potential changes in tax rates (corporate and capital gains).<sup>1</sup>

Through Q2 2022, deal activity was on pace to surpass 2021 totals. However, inflationary pressures and higher interest rates began to impact investor confidence, resulting in more moderate activity levels across both residential and commercial sectors. Overall, 2022 deal activity within the Construction & Engineering industry was consistent with the prior year; however, deal activity across all other industries retracted approximately 10% over the same period. Despite some lingering economic uncertainty in 2024, attractive M&A opportunities remain within the Construction & Engineering sector, particularly related to core infrastructure and companies leveraging technology and automation to drive competitive advantage and efficiencies.<sup>2</sup>

### U.S. & Canada Construction & Engineering Deal Activity<sup>2</sup>

2014 - 1Q 2024 YTD



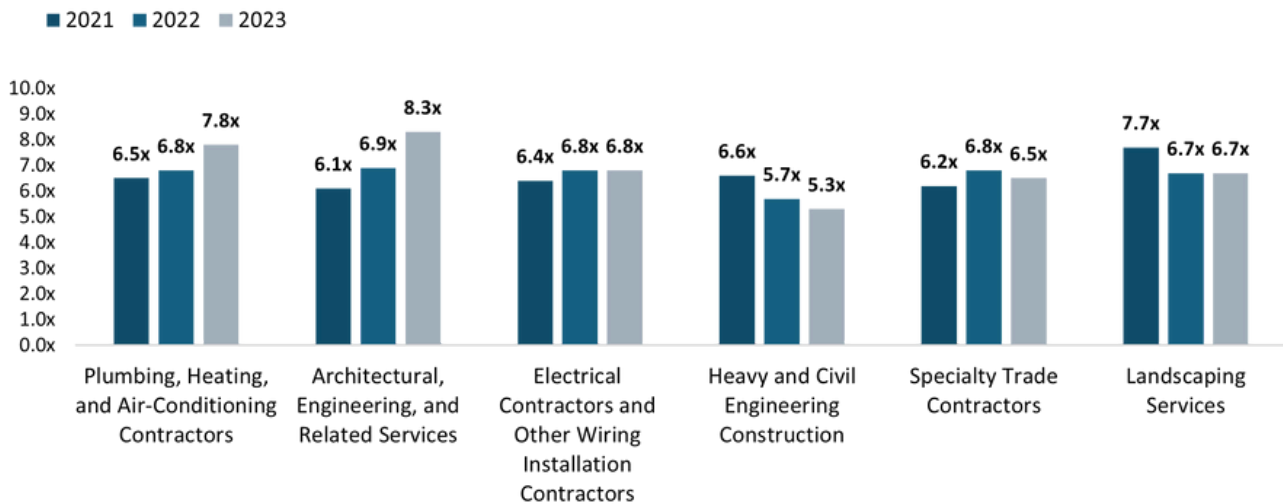
Even with modest deal volume since Q2 2022, private equity has continued to successfully raise capital. As a result, dry powder levels have skyrocketed to approximately \$3 trillion in 2023. Given the large amounts of committed capital, limited partners (LPs) have begun to apply pressure on private equity firms to execute on deals.<sup>3</sup> Additionally, market conditions are improving as inflation is returning to long-term historical levels, and interest rate cuts are anticipated to occur before the end of the year. This suggests a strong likelihood of increased deal activity and improved valuations for the second half of 2024.

## M&A Transaction Multiples — Construction & Engineering, by Trade

Although deal activity in the broader Construction & Engineering industry has moderated over the last 18 months, valuations remain strong across multiples trades.

Plumbing and HVAC contractors saw a meaningful increase in valuation multiples from 2021 to 2023, along with Architectural Engineering & Design firms. Electrical contractors and Specialty Trade contractors (which includes roofing, flooring, amongst other trades) experienced increasing valuation multiples from 2021 to 2022, which remained flat through 2023. Heavy and Civil Engineering Construction firms, along with Landscaping Service providers, have both seen valuation multiples contract from sector highs in 2021.<sup>1</sup>

**Valuation Trends (TEV/EBITDA Multiple)<sup>4</sup>**  
By Trade (2021-2023)



## Commercial Building Activity Set to Increase, Acting as Tailwind for Increased Deal Activity







The outlook on commercial building activity is positive for 2024. This is attributable to anticipated interest rate cuts and expected strong corporate profits. These favorable conditions may act as a tailwind for future M&A activity within the industry as companies see an increase in profitability and a growing backlog of work going into 2025.

There are several government programs which will help stimulate further growth for the Construction & Engineering industry. The Buy Clean Initiative provides the Federal Government with \$2 billion to procure sustainable building materials for federally funded projects. The Inflation Reduction Act provides over \$1.7 billion of funding to businesses for energy-efficient improvements. This funding is in addition to existing tax credits for “Green” initiatives.

## Plumbing, Heating & Air Conditioning

Date	Target	Acquirer	Target Description
Feb-24			Provider of heating, ventilation and air conditioning (HVAC) services intended for commercial and industrial sectors. The company was acquired by FirstCall Mechanical, a portfolio company of SkyKnight Capital.
Feb-24			Provider of construction and engineering services based in Cincinnati, Ohio. The company offers commercial and industrial HVAC and plumbing services, including installation. The company was acquired by Kelso Industries, a portfolio company of Peterson Partners, Paceline Equity Partners and Oxbow Equity Partners for a purchase price of \$25 million.
Jul-23			Provider of cooling and heating equipment-related services catering to commercial and industrial customers. The company was acquired by ARC Mechanical Contractors, a subsidiary of Kelvin Group.






## Architectural, Engineering and Related Services

Date	Target	Acquirer	Target Description
May-24			Provider of engineering solutions catering to mechanical, electrical, plumbing, and fire protection firms. The company was acquired by WSP Global (TSE: WSP).
Jan-24			Provider of architecture and architectural engineering design services intended to serve residential, commercial and institutional sectors. The company was acquired by LaBella Associates.
Jul-23			Provider of design and development of integrated architectural metal systems intended for interior and exterior applications. The company was acquired by Armstrong World Industries (NYS: AWI) for \$14.6 million.

## Electrical & Other Wiring Installation Contractors

Date	Target	Acquirer	Target Description
Apr-24			The Company specializes in civil and site, transportation, hydraulic, structural, construction engineering, mechanical, and electrical engineering. The Company was acquired by Fehr Graham, a subsidiary of Trilon Group.
Jan-24		 a portfolio company of 	The Company specializes in mechanical and electrical engineering services. The company was acquired by AMA Group, a portfolio company of DC Capital Partners.
Feb-23			Operator of a construction and engineering services firm intended to provide electrical design and construction services in the Southeastern region of the United States. The company was acquired by Comfort Systems USA (NYS: FIX) for approximately \$73.9 million.

## Heavy and Civil Engineering Construction

Date	Target	Acquirer	Target Description
Apr-24			Operator of a civil engineering firm intended to serve the architecture and engineering industry. The company offers civil engineering, land planning, landscape architecture, and due diligence services. The company was acquired by The HFW Companies, a subsidiary of VSS Capital Partners.
Mar-24		 	The company offers expertise in civil engineering, land surveying, landscape architecture, and utility design. The company was acquired by Westwood Professional Services, a portfolio company of Palm Beach Capital and Endurance Partners.
May-23			The company's services include planning services and zoning, surveying and mapping, transportation engineering, and landscape architectural design services. The company was acquired by Bowman Consulting (NAS: BWMN) for approximately \$7.4 million.

## Specialty Trade Contractors

Date	Target	Acquirer	Target Description
May-24		 a portfolio company of 	Provider of roofing services intended for commercial and residential buildings. The company was acquired by Skyline Roofing Partners, a portfolio company of Imperial Capital Group.
Apr-24		 	Provider of a full range of asphalt paving services intended for all residential, commercial and industrial applications. The company was acquired by Heartland Paving Partners, a portfolio company of Northwood Ventures and Soundcore Capital Partners.
Dec-23			Operator of an asphalt paving contractor company intended to construct, maintain and improve roadways. The company was acquired by Granite Construction (NYS: GVA) for \$278 million.

## Landscaping Services

Date	Target	Acquirer	Target Description
May-24		 a portfolio company of 	Provider of landscaping services based in Harrisburg, Pennsylvania. The company was acquired by Juniper Landscaping, a portfolio company of Bregal Partners and L Capital.
Apr-24			Provider of landscaping and irrigation services catering to residential, commercial, and sports sectors. The company offers irrigation, drainage, design and mapping services, amongst others. The company was acquired by Heritage Links, a subsidiary of Lexicon Construction and Fabrication.
Mar-24			Operator of a site/civil engineering and permitting firm intended to serve commercial retail, industrial, and residential development projects. The company was acquired by LJA Engineering.





**Christopher J. McKenna**  
Managing Partner

Christopher McKenna is Managing Partner at Carleton McKenna & Company. Before joining Carleton McKenna, Chris partnered with a private equity firm to buy a Cleveland manufacturing business where he was President and CEO. Previously, Chris was the Director of Financial Analysis with the MacLean-Fogg Company in Chicago where he executed on financial transactions and acquisitions and also managed a business unit.

Chris was an Associate with the investment banking firm of Rodman & Renshaw in New York, where he was involved with private and public transactions to raise equity, subordinated and senior debt. He began his career in commercial banking in New York with Manufacturers Hanover Trust and Security Pacific Business Credit. Chris received his B.A. in Economics from Dartmouth College and his M.B.A. with High Distinction from the University of Michigan Business School.

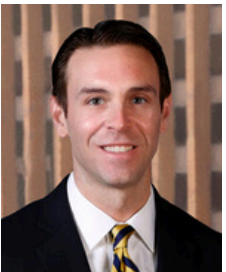


**Nora T. Mahoney**  
Managing Director

Nora T. Mahoney has experience with securities regulation, corporate governance, commercial litigation and broker dealer registrations. Nora is primarily responsible for the execution of capital raisings and private placement assignments across a variety of industries, as well as M&A advisory for business owners, specifically focused in B2B Services and Manufacturing.

Prior to joining Carleton McKenna, Nora worked for Attorney General Mike DeWine and then practiced Commercial Litigation with a national law firm where she was involved in pre-trial practice for securities litigation.

Nora was awarded her Juris Doctor and Masters from Vermont Law School and serves as a Board Member for First Federal of Lakewood and as an executive Board Member for the Union Club of Cleveland. She also serves on the Board of Trustees for Baldwin Wallace University, from which she received her Bachelors in Biology and Sustainability.



**Chuck G. Fenske**  
Director

Chuck is a Director at Carleton McKenna and is responsible for leading day-to-day transaction execution efforts with a focus on the engineering and construction industry. Chuck has advised on a variety of engagements and transaction types including valuation analyses, buyouts, and strategic M&A.

Prior to joining Carleton McKenna, Mr. Fenske held positions with Pepper Construction, Knoch Construction, Pease Capital, and most recently Houlihan Capital, where he led their Cleveland Office and advised on sell- and buy-side transactions.

Mr. Fenske holds a Master of Business Administration from Case Western Reserve University and a Bachelor of Science in Accounting and Construction Management from The Ohio State University. Mr. Fenske is a Certified Valuation Analyst. As a registered member of FINRA, he currently holds Series 79 and Series 63 certifications.



## **Alexis M. Becker**

Vice President

Alexis is a Vice President at Carleton McKenna & Company. As part of Carleton McKenna's senior management team, Alexis manages M&A and capital raise transactions, guiding clients from preparation and marketing stages through negotiation and close. As part of transaction processing, Alexis reviews and develops marketing materials, conducts financial and valuation analysis, identifies strategic and financial partners for clients and facilitates due diligence processes. Alexis is also actively involved in building and maintaining client and partner relationships for Carleton McKenna.

Alexis completed her M.B.A. in Business Administration from Baldwin Wallace University in May 2018. She received her B.S. in Business Administration with a concentration in Marketing and a minor in Spanish from the Honors Program at Edinboro University of Pennsylvania, where she graduated top of her class.



## **Joseph G. Belz**

Associate

Joe is an Associate at Carleton McKenna & Company. Joe works alongside the Carleton McKenna senior management team and is responsible for developing and reviewing transaction materials for M&A and capital raise opportunities, conducting financial and valuation analysis, identifying strategic and financial buyers for clients and facilitating due diligence processes. Joe is also actively involved in building and maintaining client and partner relationships for Carleton McKenna.

Prior to joining Carleton McKenna, Joe was a Senior Associate within BDO USA's Transaction Advisory Services group, where he performed buy-side and sell-side financial due diligence for clients operating in the Manufacturing, Distribution and Business Services industries. In this role, Joe also acted as an advisor during the negotiation process, assisting with working capital discussions and defending quality of earnings adjustments to counterparties. Joe was an auditor at PwC prior to his role with BDO.

Joe received his B.S. in Business Administration with a concentration in Accounting from The Ohio State University and holds an active CPA license in the state of Ohio.



## **Emily A. Kuznik**

Marketing Analyst

Emily is a Marketing Analyst at Carleton McKenna & Company. Her primary responsibilities include researching and developing marketing content and industry reports, enacting website development, maintaining a social media strategy and regulating web-based management services.

Prior to joining Carleton McKenna, Emily worked as a Leadership Development Fellow for Baldwin Wallace University's Carmel Boyer School of Business. As a member of the pilot program, she coordinated a variety of marketing initiatives for both graduate and undergraduate programs including social media and email marketing campaigns, advertising, event planning, and recruiting.

She graduated magna cum laude from Baldwin Wallace University in 2021 where she earned a B.A. in Digital Marketing and again in 2022 with an M.B.A. in Management.

**millman**  
NATIONAL LAND SERVICES

*has been acquired by*

**CBRE**

CM&Co

**STC**  
SERVICE-TECH CORPORATION

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ENTREPRENEURS, LLC

CM&Co

**COMMERCIAL** *fluid*  
**POWER**

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**NTS**  
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AIR HEATERS

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**Project  
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environments*

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**CORNERSTONE**  
INDUSTRIAL GROUP

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CHECK**

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**eso**

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**TESTOIL**  
REMARKABLE IN EVERY WAY

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Special Valves, Fittings & Custom Products

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members with account management, sales and  
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**PATRIOT**  
SOFTWARE

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equity financing*

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**Centura**  **Imaging**

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 **Test Equipment Distributors**

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# ENDNOTES

1. KPMG Research
2. Pitchbook
3. Patel Law Group
4. GF Data
5. IBISWorld