



2024 Mid-Year Review on  
Architecture & Engineering M&A

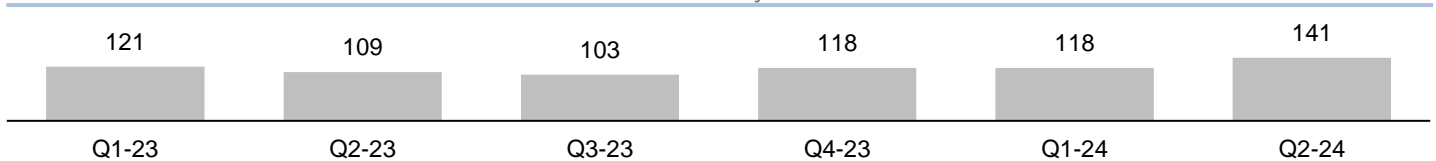
## INTRODUCTION

The architecture and engineering (AE) industry has continued to see significant M&A activity in 2024, driven by the continuation of key mega-trends such as energy transition, digital transformation, and urbanization. Strategic acquirers, alongside private equity (“PE”) firms, are pursuing firms with specialized capabilities in sectors like environmental / sustainability (including renewable energy), digital solutions, and hardening infrastructure. This report highlights key M&A trends, sector-specific valuations, recent transactions, and challenges facing the AE industry as we move into the second half of the year.

## M&A TRENDS IN THE AE INDUSTRY

In 2024, M&A activity in the AE industry has remained robust, with 259 transactions reported in North America in the first half of the year<sup>(1)</sup>, a 13% increase compared to the same period last year.

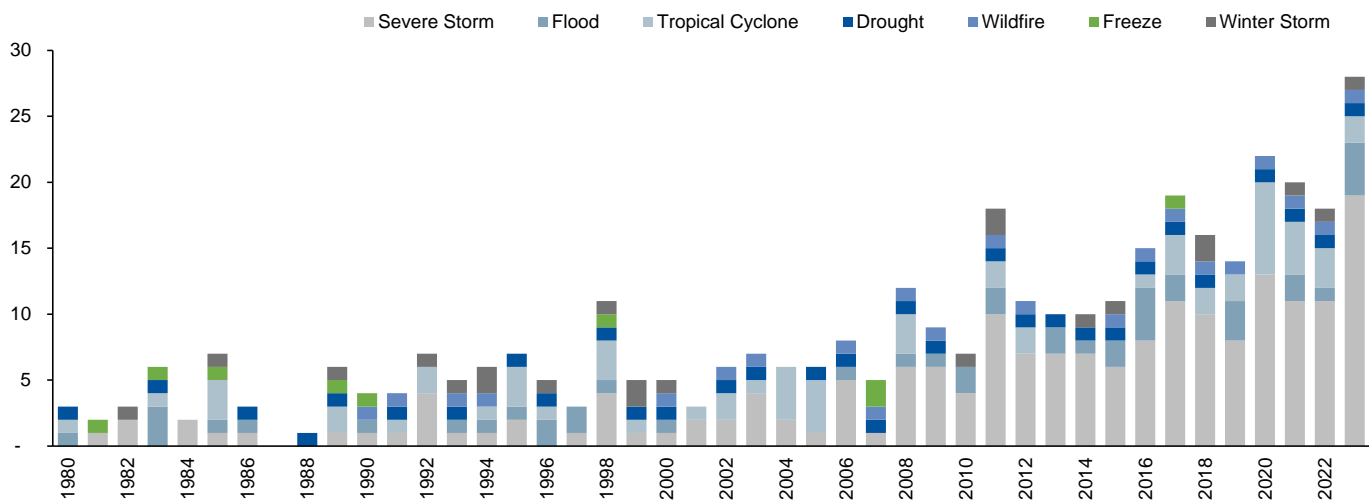
Number of Transactions by Quarter Since 2023



Major factors driving this activity include:

- Energy Transition & Sustainability:** The shift toward renewable energy and decarbonization has been a significant driver of M&A worldwide. While US\$300 billion has been allocated under the U.S. Inflation Reduction Act for energy security and climate change initiatives, similar policies and commitments to sustainability are accelerating M&A activity in other regions as well. AE firms specializing in sustainability-driven projects—such as green building, energy- and climate-efficient designs, and renewable energy—are experiencing robust demand for their services and commanding higher valuations, driven by decarbonization goals and net-zero commitments.
- Digital Transformation:** The AEC industry's rapid adoption of data-driven technologies is creating new opportunities for firms that specialize in digital solutions. The industry continues to accelerate its shift from old technology to data driven, digital, and model-based technologies. The global market for AEC software, which was valued at US\$7 billion in 2020, is expected to grow to US\$16 billion by 2028<sup>(2)</sup>, with many firms allocating significant resources to digital initiatives. Firms offering cutting-edge solutions in building information modeling (BIM), digital twins, smart cities and AI-driven project management tools are increasingly attractive targets in M&A.
- Global Urbanization:** Rapid urbanization and increased need for densification has led to increasing demand for large, complex buildings and infrastructure to accommodate growth in urban populations. This trend has made AE firms specializing in urban projects attractive acquisition targets, as cities across North America continue to expand.
- Infrastructure Repair & Resilience:** With extreme weather events rising year over year (refer to Chart 1 on page 3), the need for resilient infrastructure, particularly in response to climate change, has been accelerating in North America. Federal funding through the Infrastructure Investment and Jobs Act (IIJA) and the Bipartisan Infrastructure Deal continues to drive demand for AE firms with expertise in infrastructure resilience. This includes US\$1.2 trillion allocated for public infrastructure repair and US\$110 billion specifically for roads and bridges.

### 1. Number of US\$1+ Billion Dollar Disasters by Year<sup>(3)</sup>



## VALUATION AND END-MARKET IMPACT

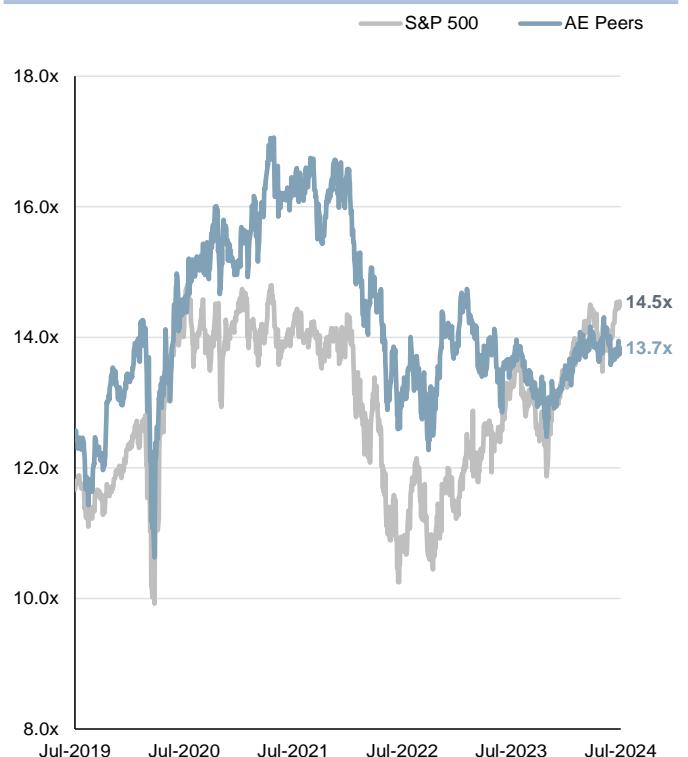
Valuations for AE firms have remained strong, supported by the demand for critical infrastructure services and increased private equity interest. In 2024, average trading EBITDA multiples for engineering services firms ranged between 13.3x – 14.3x, depending on the firm's size, geographic presence, and specialization.

- **Premium Sectors:** Firms specializing in high-growth sectors like energy transition, sustainability, public infrastructure, and utilities are commanding higher multiples due to the growing needs and urgency of these projects.
- **High Valuation Sectors:**
  - **Renewables and Digital Solutions:** Companies that provide ESG-related services or leverage digital technologies are seeing exceptional valuations due to their alignment with sustainability goals
  - **Public Infrastructure & Utilities:** Federal investments and the need to address aging infrastructure in transportation, water, and energy sectors are driving high valuations for firms operating in these areas
- **Moderate Growth Sectors:** Institutional buildings such as education and healthcare facilities offer steady but moderate growth potential
- **Lower Valuation Sectors:** Firms focused on oil and gas, commercial retail, and federal government contracts typically see more volatility and lower growth potential, leading to comparatively lower valuations
- **Private Equity's Role:** PE firms have been instrumental in increasing valuations, particularly for firms with specialized capabilities. PE interest in AE firms is growing, particularly in firms with stable cash flows and opportunities for geographic or service line expansion. Many PE firms see AE as a resilient sector with high growth potential due to public infrastructure spending and ESG priorities. Recent deals (highlighted below) underscore the importance of private equity in shaping the AE landscape as the industry becomes more relevant, sustainable and lucrative for financial sponsors. Private equity spent US\$4.5 billion on engineering and construction acquisitions last year and ~40% of all year-to-date deal activity was backed by private equity buyers.

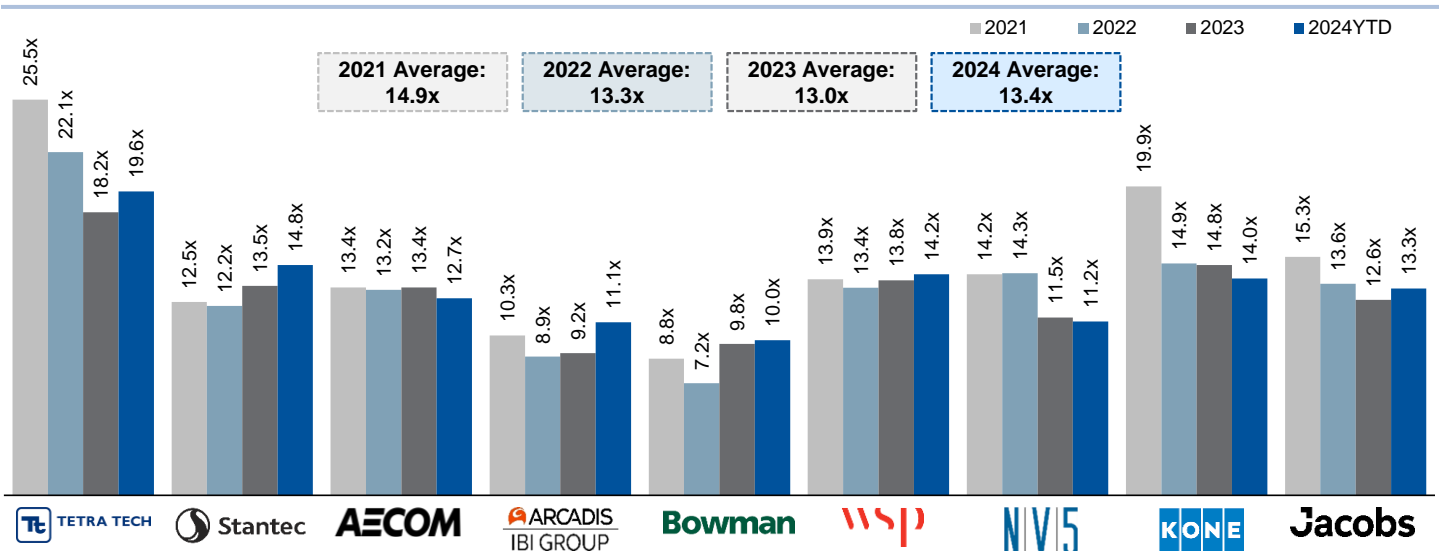
## REVIEW OF PUBLIC COMPANY STOCK PERFORMANCE

### 2. Stock Performance – 12-Month History

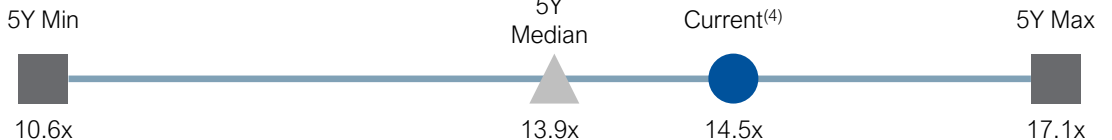
### 3. TEV / NTM EBITDA – 5-Year History



### 4. Public AE Firms – TEV / EBITDA



Engineering & Architecture Peers



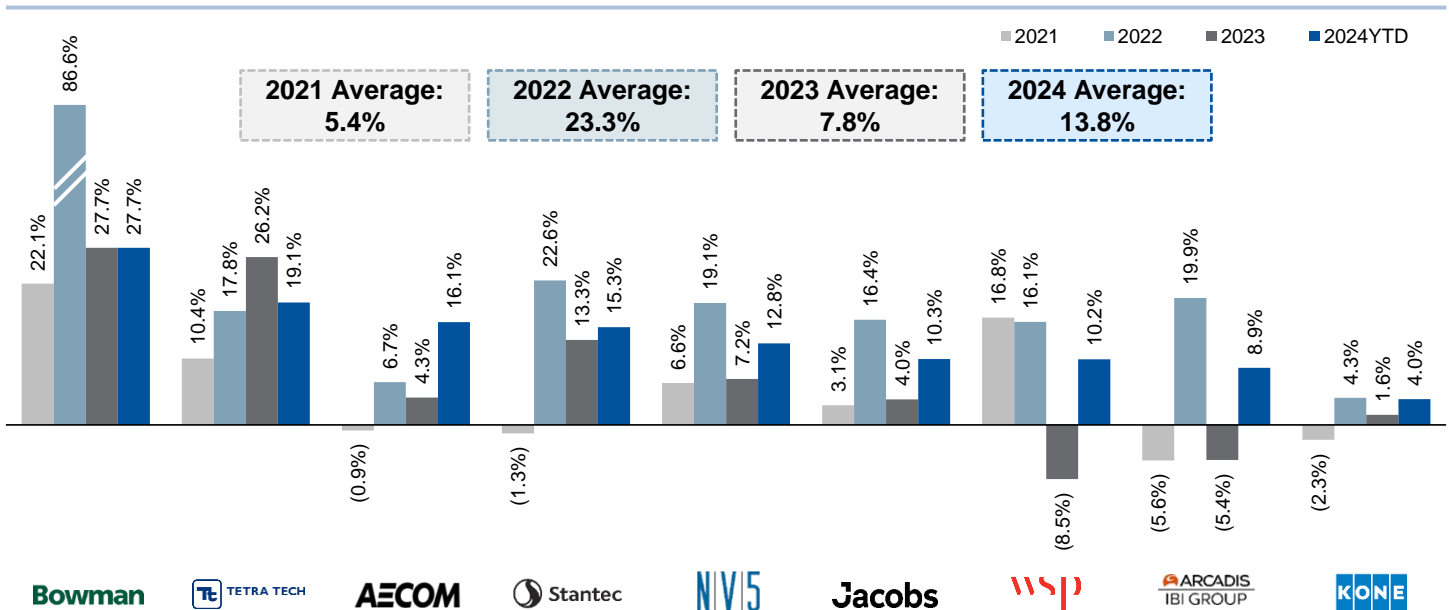
Market Data as at June 30, 2024

4) Current as of September 2, 2024

Note: AE peers include: AECOM, Arcadis, Bowman, Jacobs, Kone, NV5, Stantec, Tetra Tech, WSP

Source: S&P Capital IQ; Industry Reports; Company Filings

### 5. Public AE Firms – Year-over-Year Revenue Growth



The AE sector is poised for strong growth in 2024, with year-over-year sales growth expected to increase from 7.8% in 2023 to 13.8% in year-to-date 2024. This recovery is driven by a dovish shift in central bank policies in North America, which has made financing for construction and development projects more accessible.

### SELECT AE TRANSACTIONS































The first half of 2024 has seen activity from both private equity and strategic players in the space. Here are some notable transactions:

- 1. Stantec’s Acquisition of Morrison Hershfield:** In a major strategic acquisition, Stantec announced its acquisition of Morrison Hershfield, a 1,150-person firm specializing in transportation, buildings, and environmental services. This acquisition will significantly enhance Stantec's presence in Canada and the U.S., particularly in the areas of sustainable infrastructure and environmental services.
- 2. Blackstone and Salas O’Brien:** Blackstone's investment in Salas O’Brien aims to expand its capabilities in renewable energy and ESG services. This partnership positions Salas O’Brien to take advantage of the growing demand for decarbonization projects.
- 3. H.I.G. Capital’s Acquisition of CHA Consulting:** H.I.G. Capital’s acquisition of CHA Consulting strengthens its focus on infrastructure projects, particularly in transportation and power. CHA’s role in major public infrastructure projects across North America makes it a prime target for private equity (evidenced by its long-term ownership by private equity).

**4. Colliers' Acquisition of Englobe:** Colliers' acquisition of Englobe, a Canadian engineering firm, will bolster its capabilities in environmental services and transportation infrastructure across Canada and beyond. This acquisition reinforces the trend of strategic buyers focusing on specialized capabilities in sustainability and environmental engineering.

**5. Bernhard Capital-backed GHC:** Grace Hebert Curtis Architects, backed by Bernhard Capital, continues to expand through acquisitions in high-demand regions like the Southeastern U.S. This focus on urban growth and population density has made GHC a key player in architecture for growing cities.

Below is an overview of major transactions in H1 2024:

Date	Acquirer	Target	Employees
Jan 9, 2024	 Stantec	 MORRISON HERSHFIELD	1,150
Jan 17, 2024	★  WIND POINT PARTNERS	 MORE group	700
Jan 17, 2024	★  Trilon	 FUSS & O'NEILL	330
Jan 22, 2024	★  Blackstone	 Salas O'Brien	2,500
Jan 23, 2024	★  HIG CAPITAL	 GMA	1,800
Jan 26, 2024	★  CIVC PARTNERS	 HRGreen	700
Mar 1, 2024	★  Trilon	 RINKER DESIGN ASSOCIATES	180
Mar 12, 2024	★  Salas O'Brien	 I.C. Thompson Associates, Inc.	300
Mar 18, 2024	 GANNETT FLEMING	 DEC ENGINEERING EXCELLENCE	200
Apr 3, 2024	★  GODSPEED CAPITAL	 IE INFRASTRUCTURE CONSULTING & ENGINEERING	500
Apr 10, 2024	★  verdantas	 T consultants engineers • architects • planners	320
Apr 11, 2024	★  LEGENCE	 P2S INC	400
May 1, 2024	 WSP	 AKF	365
May 7, 2024	★  STERLING CONSULTANT ARCHITECTS	★  verdantas	1,400
Jun 3, 2024	★  NEW MOUNTAIN CAPITAL LLC	★  consor	1,700

★ Private Equity Firm  
★ Private Equity Backed

## CHALLENGES FACING AE FIRMS

In its recent discussions with a few leading AE firms in North America, Origin noted several challenges that are influencing consolidation trends in the space:

- 1. Talent Shortages:** The AE industry continues to face shortages of skilled professionals, particularly in specialized fields such as renewable energy engineering and climate-responsive design. Acquisitions are increasingly seen as a strategy for to assess scarce talent.
- 2. Rising Costs:** Rising material and labor costs are placing pressure on margins, particularly for infrastructure projects. As a result, firms are looking to scale through M&A to achieve greater efficiencies.
- 3. Regulatory and ESG Compliance:** The growing emphasis on ESG standards and sustainability is pushing AE firms to focus on compliance with new environmental regulations. Firms with expertise in environmental services, remediation, and sustainable design are well-positioned to benefit from this trend.
- 4. Succession Planning:** Many AE firms, particularly founder-led businesses, are seeking exit strategies as their owners near retirement. This has led to an increase in acquisition opportunities for both strategic buyers and private equity

## MARKET OUTLOOK FOR H2 2024

The outlook for M&A in the AE industry remains positive for the second half of 2024, with driven by several key trends and drivers.

- Energy Transition:** Investments in renewable energy infrastructure will continue to drive M&A, particularly for firms that specialize in grid expansion, solar, wind, and energy storage.
- Automation and AI Adoption:** Firms that invest in automation, AI-powered design tools, and predictive modeling will be more appealing for acquisitions, as these technologies are expected to enhance and accelerate project accuracy and efficiency.
- Attracting Skilled Talent:** The challenge of recruiting and retaining talent, especially in niche areas like wind engineering or sustainable design, will continue to push firms toward M&A to gain access to skilled professionals.

## CONCLUSION

The AE industry's M&A landscape in 2024 is being shaped by powerful trends such as energy transition, digital transformation, urbanization, and sustainability. Firms that specialize in high-growth areas like renewable energy, ESG services, and digital solutions are commanding premium valuations. With continued private equity and strategic participation and favourable market conditions (with declining interest rates), the industry is poised for increased growth in the second half of the year.

The strategic transactions highlighted in this report demonstrate the continued consolidation of firms with specialized expertise, particularly in energy, environmental services, and digital engineering. This trend is expected to persist as firms adapt to the challenges and opportunities presented by the evolving market.

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