



HOULIHAN LOKEY

ENGINEERING, INDUSTRIAL, AND INFRASTRUCTURE SERVICES

INDUSTRY UPDATE | Q1 2022



Houlihan Lokey EI&I Services Update

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Engineering, Industrial, and Infrastructure (EI&I) Services Industry Update for Q1 2022. We have included important news stories, transaction announcements, a public markets overview, and other industry insights to help you stay ahead in our dynamic and constantly evolving industry. We are available to discuss our perspectives on the state of the market and opportunities for your business. Please feel free to reach out to us at our contact information listed below. We look forward to staying in touch.

Regards,



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Disha Mehta
Director



Casey Schwartz
Director



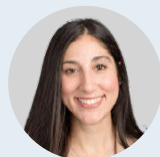
Shane Murrish
Senior Vice President



Jordan Mendel
Senior Vice President



Alex Heikali
Vice President



Elena Stratigakes
Vice President

Houlihan Lokey's EI&I Team Member Spotlight



James Hu
Financial Analyst, Los Angeles



B.S. Business Administration

Mr. Hu is a member of Houlihan Lokey's Engineering, Industrial, and Infrastructure Services Group. He performs sellside and buy-side M&A advisory, debt and equity financings, valuations, and strategic alternatives engagements.

Prior to joining Houlihan Lokey, Mr. Hu was a Senior Associate in KPMG's Deal Advisory practice where he performed financial due diligence on a variety of buy-side and sell-side transactions. Before KPMG, Mr. Hu served as an Audit Associate at EY's Wealth & Asset Management group.

Mr. Hu is an avid music enthusiast and was previously a DJ/music producer in college. In his free time, he enjoys producing electronic music, traveling, and volunteering at his local animal rescue.



Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

Recent Houlihan Lokey EI&I Transactions

has been acquired by

Infrastructure that Delivers

Sellside Advisor

a portfolio company of

has been acquired by

Sellside Advisor

a portfolio company of

has been acquired by an affiliate of

Sellside Advisor

a portfolio company of

has acquired

Buyside Advisor

has been recapitalized by

Pritzker Family Business Interests advised by:

Sellside Advisor

a portfolio company of

has been acquired by

Sellside Advisor

2021 Investment Banking Rankings All Global Transactions

Advisor	Deals
1 Houlihan Lokey	549
2 Goldman Sachs & Co	511
3 JP Morgan	508
4 Rothschild & Co	437
5 Morgan Stanley	393

Source: Refinitiv. Excludes accounting firms and brokers.

2021 Global Distressed Debt & Bankruptcy Restructuring Rankings

Advisor	Deals
1 Houlihan Lokey	63
2 Rothschild & Co	38
3 Moelis & Co	34
4 PJT Partners Inc	33
5 Lazard	24

Source: Refinitiv.

2002 to 2021 Global M&A Fairness Advisory Rankings

Advisor	Deals
1 Houlihan Lokey	952
2 JP Morgan	890
3 Duff & Phelps, A Kroll Business	882
4 Morgan Stanley	602
5 BofA Securities Inc	531

Source: Refinitiv. Announced or completed transactions.

No. 1 Global M&A Advisor
Leading Capital Markets Advisor

No. 1 Global Investment Banking Restructuring Advisor
1,500+ Transactions Completed
Valued at More Than \$3.0 Trillion Collectively

No. 1 Global M&A Fairness Opinion Advisor Over the Past 20 Years
1,000+ Annual Valuation Engagements

Houlihan Lokey Recent Developments

Houlihan Lokey has acquired GCA Corporation and MVP Capital

Leading Investment Bank in Asia-Pacific and European Regions

September 2021

HOULIHAN LOKEY

Leading Technology, Media, and Telecom Investment Bank in North America

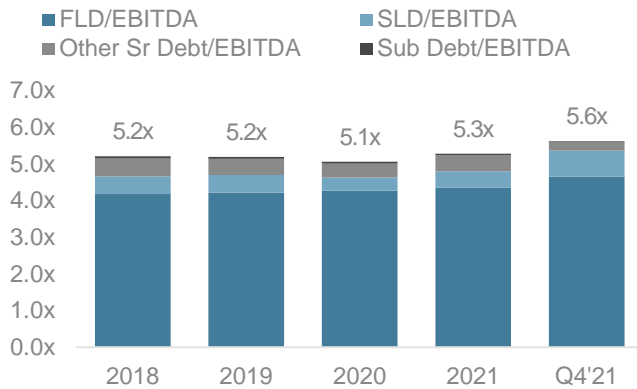
June 2020

No. 1 Global M&A Advisor⁽²⁾ No. 1 Most Active Advisor to Private Equity Globally⁽¹⁾ No. 1 Most Active Technology M&A Advisor in the World⁽²⁾

Tombstones included herein represent transactions closed from 2019 forward.
(1) Source: PitchBook.
(2) Source: Refinitiv. Excludes accounting firms and brokers.

Debt Capital Markets in 2021

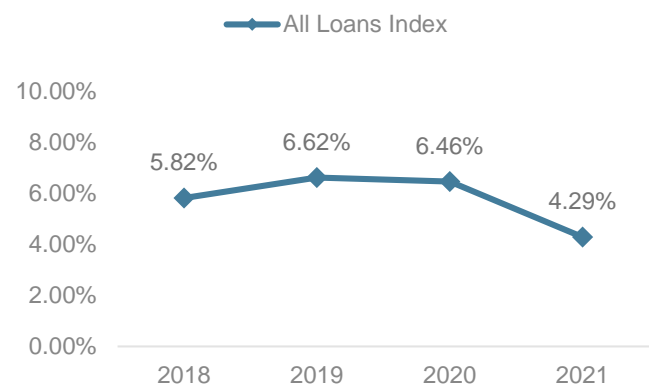
Leverage Multiples⁽¹⁾



Leverage has steadily increased for issuers with EBITDA of \$50 million or less.

Source: S&P Global Market Intelligence.

Average Loan Pricing



The 2022 leveraged loan market remains an attractive market for issuers driven by strong technicals and risk-on sentiment by investors.

Sources: S&P LCD, LFI Weekly, Lipper Weekly.

Select Recent Capital Markets Transactions

Charah Solutions
 \$30,000,000 ABL Revolver
 \$135,000,000 Senior Unsecured Note
 \$13,000,000 Common Equity

Refinancing
 Exclusive Placement Agent

Exclusive Placement Agent: Charah Solutions, Inc. (NYSE:CHRA) is a leading provider of environmental services and byproduct sales to the power generation industry. The company offers a suite of remediation and compliance services, byproduct sales and marketing, fossil services, and environmental risk transfer services.

CRETE MECHANICAL GROUP
 a portfolio company of
ZBS PARTNERS
 Revolver, Term Loan, Delayed Draw Term Loan

Acquisition Financing
 Exclusive Placement Agent

Exclusive Placement Agent: Crete Mechanical Group is a commercial mechanical services (HVAC) acquisition platform with more than 170 employees located in four states. It is a multisite owner, operator, and business partner to mechanical service businesses in the United States.

SRM SUNNY RIVER MANAGEMENT, LLC
 and
SATORI CAPITAL
 completed a strategic investment in
Komline-Sanderson
 and
Barnes
 Revolver, Term Loan, Delayed Draw Term Loan

Acquisition Financing
 Exclusive Placement Agent

Exclusive Placement Agent: Komline-Sanderson develops, designs, and manufactures equipment to treat industrial and municipal wastewater.

lumio*
 Senior Secured Term Loan
 Merger Financing
 \$110,000,000

Exclusive Placement Agent

Exclusive Placement Agent: Lumio Inc. is one of the top U.S. residential solar providers with a full suite of photovoltaic solar system sales and operations.

Project Deliver
 Logistics Business
 Revolver & Term Loan
 Dividend Recapitalization
 \$185,000,000

Exclusive Placement Agent

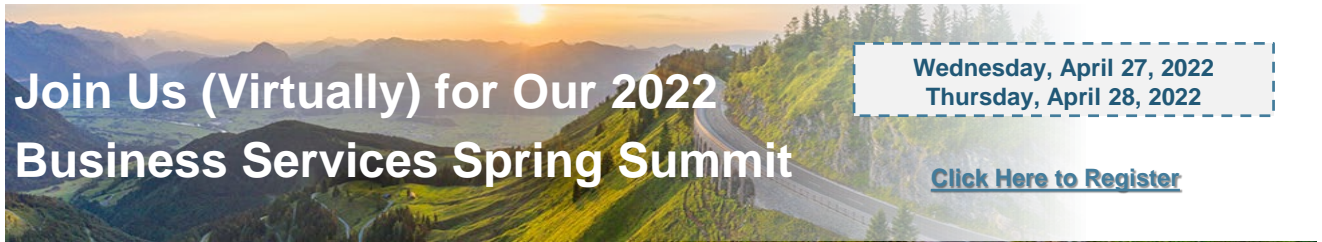
Exclusive Placement Agent: Deliver is a leading multimodal transportation and logistics company offering cargo movement within and between its primary markets in the Caribbean Islands, Central and South America, the U.S., Europe, and the rest of the world.

Sources: S&P LCD, LFI Weekly, Lipper Weekly.

(1) Represents issuance for businesses with EBITDA of less than \$50 million.

Upcoming and Recently Concluded Conferences

Upcoming Virtual Conference



Join Us (Virtually) for Our 2022 Business Services Spring Summit

Wednesday, April 27, 2022
Thursday, April 28, 2022

[Click Here to Register](#)



Senior Executives From
Leading Companies



Private Equity and
Hedge Fund Investors
With Relevant Industry
Experience and
Knowledge



1,000+ Industry Leaders/
Capital Providers



One-on-One Meetings

Recent Conferences

Over the past 12 months, Houlihan Lokey has continued to host conferences that have brought together (virtually) thousands of attendees to hear from CEO presenters.

2021 Virtual Business Services Spring and Fall Summit Presenters



2021 Virtual Technology, Media, and Telecom Conference Presenters



EI&I Public Companies

Operations, Markets, and Valuation Overview

Engineering Services



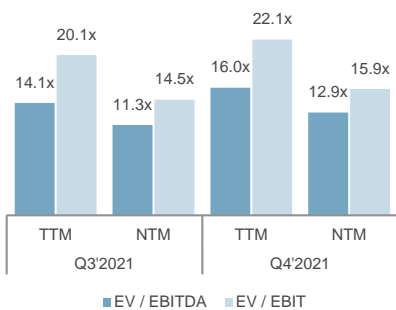
Industrial Services



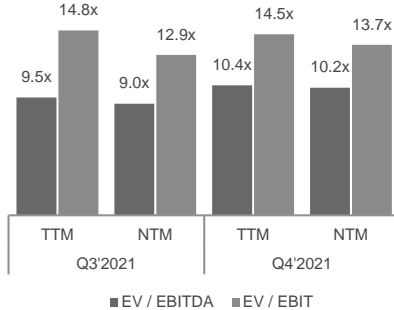
Infrastructure Services



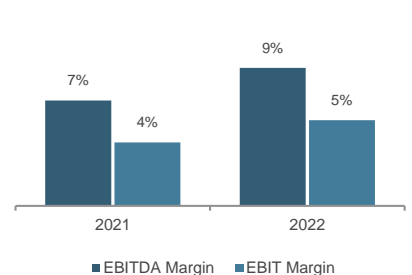
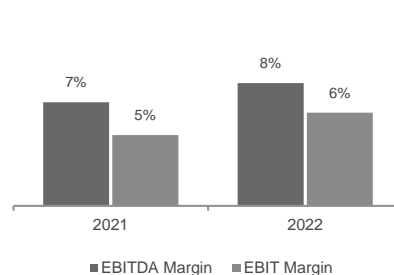
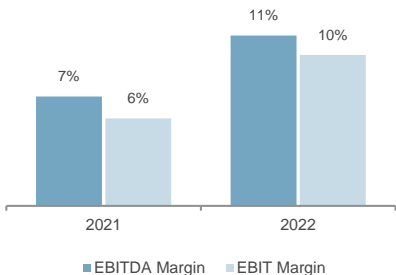
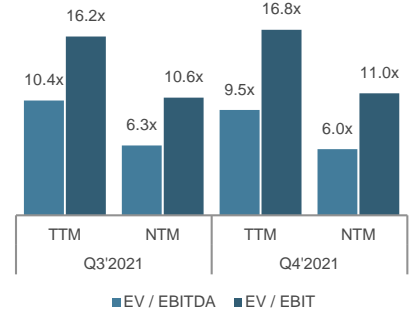
Mean EV/EBITDA (Last 5 Yrs): 12.9x
Mean EV/EBIT (Last 5 Yrs): 16.0x



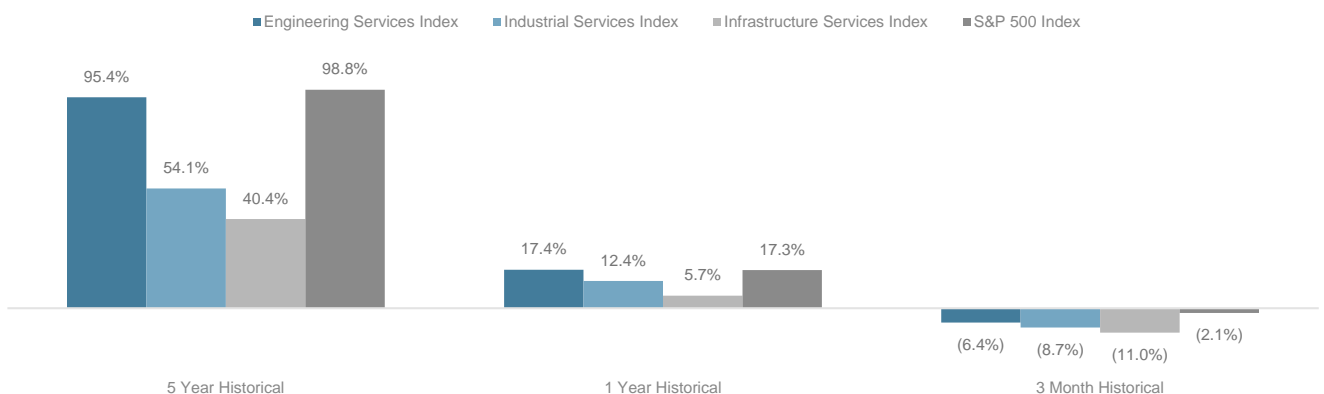
Mean EV/EBITDA (Last 5 Yrs): 9.8x
Mean EV/EBIT (Last 5 Yrs): 14.4x



Mean EV/EBITDA (Last 5 Yrs): 8.9x
Mean EV/EBIT (Last 5 Yrs): 16.7x



Stock Price Performance



Note: All LTM data is calculated as of February 9, 2022.
Source: S&P Capital IQ.

Significant Infrastructure-Related News Stories

The infrastructure bill generates excitement across the industry.

U.S. Government Opens \$1.5 Billion Infrastructure Grant Program

(Reuters, January 28, 2022)

"In November, the department awarded 90 projects in 47 states a total of \$1 billion...Under the \$1 trillion infrastructure bill signed into law by President Joe Biden, the Transportation Department will receive \$660 billion over five years, including \$210.5 billion to be awarded in competitive grants. Of that, \$71 billion is for new grant programs."

U.S. to Award \$2.89 Billion to Airports Under Infrastructure Law

(Reuters, December 16, 2021)

"The U.S. Federal Aviation Administration said Thursday it will award \$2.89 billion to 3,075 airports under a new \$1 trillion infrastructure bill signed into law last month. Airports can use funds for runways, taxiways, safety, terminal, airport-transit connections, and roadway projects. The infrastructure law provides \$15 billion over five years, and the FAA estimates there is a \$43.6 billion backlog in airport modernization and safety projects."

U.S. Secretary of Transportation Buttigieg Announces Nearly \$1 Billion in Grant Awards for America's Infrastructure

(U.S. DOT, November 19, 2021)

"U.S. Secretary of Transportation Pete Buttigieg today announced that the Biden administration will invest nearly \$1 billion in American infrastructure through the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) discretionary grants program. The funding has been awarded to 90 projects in 47 states and the District of Columbia and Guam."

Broadband Gets \$65 Billion in U.S. Infrastructure Bill

(Fierce Telecom, November 08, 2021)

"The U.S. House of Representatives passed a \$1.2 trillion infrastructure bill after months of political wrangling...The infrastructure legislation includes a total of \$65 billion for broadband, which will be distributed through a variety of programs. The largest is the \$42.45 billion Broadband Equity, Access, and Deployment (BEAD) program, which will funnel money through the states to fuel deployments in un- and underserved areas."

California, USDOT Partner to Improve Supply Chain Infrastructure

(Railway Age, October 29, 2021)

"The state of California and the U.S. Department of Transportation are teaming to modernize supply chain infrastructure and speed goods movement. Under the new Emerging Projects Agreement, announced October 28, the Build America Bureau at U.S. DOT will support the California State Transportation Agency (CalSTA) in developing infrastructure projects that "improve the capacity and resiliency of the goods movement chain"—and help finance those projects."

Water Infrastructure Market Update



\$500B Global Market with Consistent Growth⁽¹⁾



Enhanced Regulatory Pressure to Improve Safety and Reliability

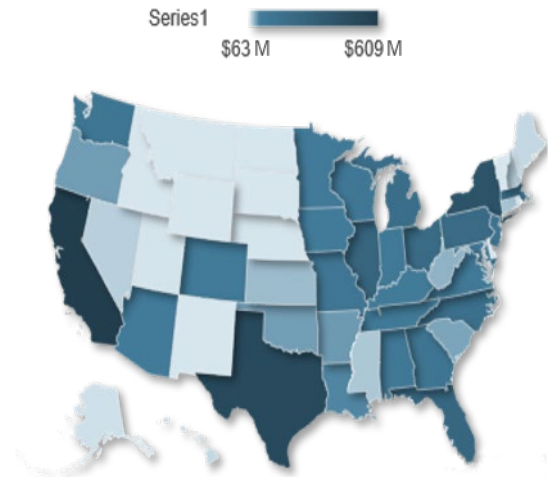


Increased Need to Address Dated Water Infrastructure

Aging U.S. Water Infrastructure Requires an Unprecedented Investment

- The average U.S. water-network pipe is 45 years old,⁽²⁾ with a 75-year useful life.⁽³⁾
- Water pipe replacement rates are projected to peak in 2035 at 16,000 to 20,000 miles of pipes replaced per year (4x the current annual replacement rate).⁽²⁾
- An \$839 million annual investment is required to replace and monitor existing lead lines in the United States as a response to updated legislation.⁽²⁾
- The U.S. water infrastructure industry faces a \$40 billion capital funding gap driven by lagging water rates and rising costs.⁽²⁾
- As a result, the Bipartisan Infrastructure Law was passed in November 2021 to provide \$55 billion in total SRF funding over the next five years.⁽⁴⁾

2022 Bipartisan Infrastructure Law Allotment



Historical underinvestment and an increasingly stringent regulatory environment have driven substantial pent-up demand for water infrastructure services.

Significant Water Infrastructure Related News Stories

White House Unveils Faster Plan to Eliminate Lead Pipes, Paint

(Reuters, December 16, 2021)

"The Biden administration announced a new plan on Thursday to speed the elimination of all lead pipes and lead paint over the next 10 years, removing a powerful toxin known to harm developing brains. Under the plan, the EPA will dedicate \$3 billion in funding from President Joe Biden's bipartisan infrastructure law to states, tribes, and territories for lead service line replacement in 2022. The law will provide a total of \$15 billion to further that goal."

U.S. EPA Allocates Billions in Water Funding From Infrastructure Law to States

(Reuters, December 03, 2021)

"The U.S. Environmental Protection Agency on Thursday released over \$7 billion to state governments and tribes to upgrade drinking and wastewater systems, the first allotment of clean water funds that was approved in the bipartisan infrastructure bill signed into law last month. The installment is part of \$44 billion in clean water funds that will be dispersed over five years through a federal-state partnership program."

Representative Houlihan Lokey Water Infrastructure Related Transactions



Tombstones included herein represent transactions closed from 2017 forward.

(1) State of the Water Industry 2021; Nasdaq (October 2021).

(2) U.S. Water Infrastructure: Making Funding Count; McKinsey (November 2021).

(3) The Aging Water Infrastructure: Out Of Sight, Out Of Mind?; Deloitte (March 2016).

(4) Bipartisan Infrastructure Law: Environmental Protection Agency 2022 State Revolving Fund (SRF) Estimated Allotments to States, Tribes, and Territories by Program; EPA (December 2021).

Recent M&A Transactions

Announced Date	Acquirer	Target	Target Description	Transaction Value (\$M)
Dec. '21	MasTec	Henkels & McCoy	Operates as an infrastructure engineering and construction company offering design and construction services for power, oil and gas pipeline, gas distribution, and communication infrastructure projects	600
Dec. '21	NV5 Global	Optimal Energy	Offers energy consulting services to government agencies, utilities, regulatory bodies, and state energy advisory councils	NA
Dec. '21	NV5 Global	AT Advanced Technologies Asia Pacific	Provides commercial real estate transaction and title services for commercial and industrial real estate transactions	NA
Dec. '21	Sterling Construction Company	Kimes & Stone Construction	Engages in the construction of highways, roads, streets, and bridges	8
Dec. '21	NV5 Global	Global Realty Services Group	Provides commercial real estate transaction and title services	NA
Dec. '21	Stantec	Cox McLain Environmental Consulting	Offers environmental compliance services, including NEPA, environmental impacts statements, environmental assessment, and categorical exclusions	NA
Dec. '21	Comfort System USA	Ivey Mechanical Company	Provides mechanical contracting services, including plumbing, emergency and disaster, BIM, and drafting	NA
Nov. '21	Stantec	Driven by Values	Develops and supervises projects in the field of sustainability, energy transition, and corporate social responsibility	NA
Nov. '21	Jacobs Engineering Group	BlackLynx	Provides virtual and heterogeneous compute solutions that accelerate and streamline terabyte- to petabyte-scale data analytics ecosystems	258
Oct. '21	Tetra Tech	Enterprise Automation	Provides control systems integration services in the areas of SCADA configuration, O&M documentation, MES systems, design consultation, specification, and PLC programming	NA
Oct. '21	Stantec	Cardno Ltd. (North America)	Offers professional infrastructure and environmental consulting services	500
Oct. '21	Construction Partners	J. Miller Construction	Provides site and building construction services	NA
Oct. '21	Warburg Pincus	TRC Companies	Offers environmental consulting, engineering, and construction management services	NA
Oct. '21	WSP Global	Englekirk Structural Engineers	Provides consulting structural engineering design services for projects in the commercial and institutional market sectors	NA
Oct. '21	Construction Partners	King Asphalt	Manufactures asphalt and provides asphalt services for residential and commercial properties in South Carolina	NA
Sept. '21	Bernhard Capital Partners	RailWorks	Engages in the building and maintenance of rail transportation infrastructure	NA

About Houlihan Lokey

Houlihan Lokey (NYSE:HLI) is a global investment bank with expertise in [mergers and acquisitions](#), [capital markets](#), [financial restructuring](#), and [valuation](#). The firm serves corporations, institutions, and governments worldwide with offices in the United States, Europe, the Middle East, and the Asia-Pacific region. Independent advice and intellectual rigor are hallmarks of the firm's commitment to client success across its advisory services. Houlihan Lokey is the No. 1 investment bank for all global M&A transactions, the No. 1 M&A advisor for the past seven consecutive years in the U.S., the No. 1 global restructuring advisor for the past eight consecutive years, and the No. 1 global M&A fairness opinion advisor over the past 20 years, all based on number of transactions and according to data provided by Refinitiv.

Locations



Industry Expertise

Product Expertise

Mergers and Acquisitions
Capital Markets
Financial Restructuring
Financial and Valuation Advisory

Dedicated Industry Groups

Business Services
Consumer, Food, and Retail
Energy
Financial Services
Healthcare
Industrials
Real Estate, Lodging, and Leisure
Technology

Financial Sponsors

Active Dialogue
With a Diverse Group of
1,000+ Sponsors
Private Equity Firms
Hedge Funds
Capital Alliances

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