

M&A Transaction Trends in EC&E

October 2008

Mergers & Acquisitions in Environmental Consulting & Engineering



2007: By way of background, 2007 experienced an unprecedented level of M&A activity in the Environmental Consulting & Engineering sector, as demand for environmental expertise of all types skyrocketed, and the larger, well-capitalized firms seized the opportunity to gobble up competitors, large and small. Notable examples of larger deals include: **CH2M Hill Companies Ltd.** acquisition of **VECO Corp.** (\$400+M) and the blockbuster **URS Corp's** acquisition of **Washington Group International Inc.** for \$2.9B. In the 'mid-market' (\$10 - \$100M) range there were several, including: **TetraTech Inc. / ARD Inc.**; **CH2M Hill / Trigon EPC, LLC**; and **Stantec Inc. / R.D. Zande & Associates Inc.** Additionally, there were numerous smaller, 'tuck-in' acquisitions where the larger firms added small, regional operations to complement their geographical reach or to round out their suite of services in specific practice areas. 2007 transaction multiples (based on trailing rather than forward projections) were generally in the 4 to 6 times EBITDA range, with the exception of a whopping 15X EBITDA paid by URS for Washington Group. Revenue multiples were typically in the 0.5 to 1.0 times range, with the 2.1X paid by Stantec for R.D. Zande and CH2M Hill's acquisition of Trigon at 1.7X (concluded on the last day of 2007) being significant outliers.

2008 YTD: The picture for 2008 to date is as follows. While the high level of M&A activity of 2007 continued into the first 3Q of 2008 (although dampened somewhat by the volatile economy) there were some distinct differences. International acquirors accounted for most of the significant transactions in the first three quarters, as they sought to build their U.S. presence – and presumably capitalize on the weak currency and economy. In this category, the following are noteworthy: **ARCADIS** (Netherlands) acquired **LFR, Inc.**; **Worley Parsons Ltd.** (Australia) acquired **INTEC Engineering**; [continued]

SiVal Advisors, based in Mountain View, California, in the heart of Silicon Valley, provides M&A advisory services on a wide range of technology-related industries, including the Environmental Consulting & Engineering sector.

With the formation of our strategic alliance in 2007 with environmental advisory / risk management firm ER&FS, SiVal Advisors has added the Environmental Consulting & Engineering Industry as an area of focus in tracking Mergers & Acquisitions activity.

For further information, please contact:

Janice E. Robertson
Partner
SiVal Advisors, LLC
2685 Marine Way, Suite 1220
Mountain View, CA 94043
(650) 678-3222
jrobertson@sivallc.com
www.sivallc.com



Stantec Inc. (Edmonton, Canada) acquired **SECOR International, Inc.**; and **AMEC** (U.K.) acquired **Geomatrix Consultants, Inc.** Other international companies that were active in the U.S. include: **IBI Group** (Toronto, Canada) and **Oranjewoud** (Netherlands). As far as domestic transactions, the largest by far was **AECOM Technology Corporation's** acquisition of **Earth Technology Corp.** (a unit of Tyco) for \$510M, followed by the much smaller \$50M purchase of **Jones & Stokes Associates, Inc.** by **ICF International, Inc.** Revenue multiples, of the data points available, ranged from 0.4X (AECOM / Earth Tech) to 0.8X (AMEC / Geomatrix), with the ICF / Jones, Stantec/ SECOR and Arcadis / LFR multiples falling within this range. EBITDA multiples – at least those available – were generally higher than in 2007; notably: ICF / Jones was concluded at 7.3X, and Worley Parsons paid 9.5X for INTEC. As with the 2007 data, all multiples are based on trailing revenue and EBITDA figures.

Outlook: Given the current U.S. and international credit and stock market crisis that has unfolded in the past few weeks, and the uncertainty that has resulted, it will be interesting to see if any significant environmental services transactions are completed in this final quarter of 2008 – or in fact if many M&A deals at all are closed! Typically, in a weak economic environment the stronger companies will seize the opportunity to make strategic acquisitions, at favorable values. However, the current crisis seems unprecedented – in recent history anyway – so we will see if this adage holds true. Stay tuned, as we will provide a further update at year's end!

