



# STONEMILL PARTNERS

Enabling A/E/C Firm Growth, Value and Transition

## **Momentum for A/E/C mergers and acquisitions continues to grow**

### ***Why Companies are Considering Acquisitions:***

Mergers and acquisitions, once again are now picking up steam. The market is good if you are thinking about transition or selling your firm externally.

The most common reasons and factors considered by those wanting to make acquisitions. The factors influencing whether to consider acquiring another firm or to be acquired haven't changed and aren't going to change any time soon. The reasons that are commonly articulated are:

- Access to deeper expertise/ markets/clients;
- Broader geographic reach and to create a presence in a new market;
- Access to people and talent pools in new and existing market areas;
- More resources to go after bigger and better projects and/or to remain competitive for current projects;
- Stronger portfolio and resumes in specific markets, which means greater competitiveness.
- Elimination of competitors

Another consideration are the demographics in play that have more and more owners approaching retirement age. As owners near the end of their careers they typically want to capture the value of the firms that they built. They are now understanding that they can't get an adequate return on their time, money and sweat equity by handing over the reins internally. Either their potential principals or second tier leaders aren't cut out to be owners, can't support business development or haven't built up enough cash reserves so that they can buy out the retiring principal. The obvious choice and most beneficial choice is to sell externally.

### ***Momentum for mergers and acquisitions in the A/E/C Industries are continuing and will grow***

There currently is an urgency of upgrading U.S. bridges, highways, roads, ports, mass transit and wastewater treatment systems and more. The appetite of design, engineering and

construction firms for mergers and acquisitions is growing because of their desire to position them for these infrastructure related projects, according to a study by Raleigh, N.C. based FMI Capital Advisors.

The impact on infrastructure acquisition activity, isn't the only driver for acquisitions. Buyers continue to seek to expand their capabilities in many areas and offerings while positioning themselves in attractive geographic markets according to Alex Smith, managing partner at FMI.

According to the FMI study, nearly 70% of respondents indicated that acquisitions are a part of their current strategy. This is 10% higher than a year previous.

AEC industry firms have strategically acquired people and talent, broadened their geographical presence and markets as well as expanded and diversified their service offering all while keeping pace with competitors and in some cases eliminating them.

In the ENR article, Tim Wilson a partner with the National Construction and Real Estate group states that large billion-dollar projects in the power, refinery, transit and mixed use sectors are requiring a broader variety of talent and technical expertise.

As noted above, in the past, the shortage of qualified labor has hampered the ability of design and construction firms to take on projects of all sizes which has prompted them to acquire to achieve growth.

The war for talent is clearly evident Due to higher volumes of work, demand for talent has extended to all facets of firm function.

Deals are helping firms to diversify core businesses, expand into new markets and to gain leverage through larger, consolidated platforms.

Also as mentioned above, firms owned and operated by aging baby boomers are looking at mergers and acquisitions as an exit strategy. FMI's 2017 Ownership Transfer and Management Succession Survey found that only 32% of all respondents plan to implement an internal transition as compared to 53% that planned to do so in 2013.

Demographic succession and transition needs, combined with increased buyer interest and strategies are resulting in a robust mergers and acquisitions market for engineering and construction companies and to this we add architectural/design firms.

Note: Sources – ENR Magazine May 14.21, 2018, FMI Capital Advisors – Alex Smith, National Construction and Real Estate Group – Tim Wilson (within the article).

**A brief note about Stonemill Partners:**

Stonemill Partners specializes in representing firms in the A/E/C space for acquisition, across the USA. You can discover more about the Stonemill Partners' approach and see listings of firms available at [www.stonemillpartners.com](http://www.stonemillpartners.com).

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