



HOULIHAN LOKEY

ENGINEERING, INDUSTRIAL, AND INFRASTRUCTURE SERVICES

INDUSTRY UPDATE | WINTER 2020



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 winter 2020.

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 have also included in this issue special commentary focused on the impact of COVID-19 and post-COVID-19 growth strategies, as well as information about our 2020 Virtual Business Services Conference held in late September, for which we thank you for your participation.

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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Select Additional Team Members



Disha Mehta
Director



Casey Schwartz
Senior Vice President



Jordan Mendel
Vice President



Alex Heikali
Vice President

Houlihan Lokey EI&I Team Member Spotlight



Steven Stringfellow
Associate, Los Angeles

B.S. United States Military Academy, West Point
MBA University of California, Los Angeles
Notable Recognition Meritorious Service Medal
Army Commendation Medal

Mr. Stringfellow is a member of Houlihan Lokey's Business Services Group, where he performs sellside and buy-side M&A advisory, debt and equity financings, strategic alternatives assessments, and valuations.

Before joining Houlihan Lokey, Mr. Stringfellow served as an artillery officer in the U.S. Army. Stationed at Fort Carson, Colorado, he led mortar, fire support, and heavy artillery platoons, ultimately deploying to the Middle Eastern theater in support of the global war on terror. There, he managed an advisory team on the Jordan/Syria border, training Jordanian soldiers to identify and engage ISIS combatants among Syrian refugees.

After his promotion to Captain, he served as financial controller of an artillery brigade in deployments to Eastern Europe, an experience which prompted him to pursue a career in finance after leaving the Army. When not working, he can usually be found spending time with his fiancée and dog, trying a new scotch, or relearning to play the guitar.



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

Corporate Finance

2019 M&A Advisory Rankings All U.S. Transactions

Advisor	Deals
1 Houlihan Lokey	184
2 Goldman Sachs & Co	167
3 JP Morgan	141
4 Morgan Stanley	122
5 Evercore Partners	112

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 U.S. M&A Advisor

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

Financial Restructuring

2019 Global Distressed Debt & Bankruptcy Restructuring Rankings

Advisor	Deals
1 Houlihan Lokey	76
2 PJT Partners Inc	43
3 Moelis & Co	36
4 Lazard	29
5 AlixPartners	19

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 Global Investment Banking Restructuring Advisor

1,000+ Transactions Completed Valued at More Than \$2.5 Trillion Collectively

Financial and Valuation Advisory

2000 to 2019 Global M&A Fairness Advisory Rankings

Advisor	Deals
1 Houlihan Lokey	1,057
2 JP Morgan	929
3 Duff & Phelps	734
4 Morgan Stanley	621
5 Bank of America Merrill Lynch	612

Refinitiv (formerly known as Thomson Reuters). Announced or completed transactions.

No. 1 Global M&A Fairness Opinion Advisor Over the Past 20 Years

1,000+ Annual Valuation Engagements

Recent Houlihan Lokey Developments and Headlines

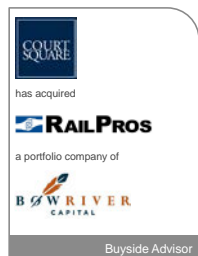
Houlihan Lokey Named 'Best Valuation Service' by Alt Credit for Second Consecutive Year
 Houlihan Lokey's Portfolio Valuation and Fund Advisory Services practice was named "Best Valuation Service" in the Alt Credit European Services Awards. *Alt Credit* (October 23, 2020)

Houlihan Lokey's Focus on Female Clients
 Alexandra Lebenthal, Senior Advisor in Houlihan Lokey's Financial Sponsors Group, has launched an effort with the firm that focuses on advising women-owned businesses and providing them with funding from various asset managers. *Bloomberg* (September 15, 2020)

Houlihan Lokey Named HFM's 'Best Valuations Firm for Hard to Value Assets' for the Third Consecutive Year
 Houlihan Lokey's Portfolio Valuation and Fund Advisory Services practice has continued its recent momentum as a recognized leader in valuation, regaining the title of "Best Valuations Firm for Hard to Value Assets" in this year's HFM U.S. Services Awards—an award the team previously won in 2018 and 2019. *HFM* (September 17, 2020)

U.K. Restructuring Experts Expect a New Surge of Company Failures and Emergency Refinancings
 Peter Marshall, Managing Director and Co-Head of Houlihan Lokey's European Restructuring Group, recently spoke to the *Financial Times* about the wave of company insolvencies expected to hit this autumn. *Financial Times* (August 25, 2020)

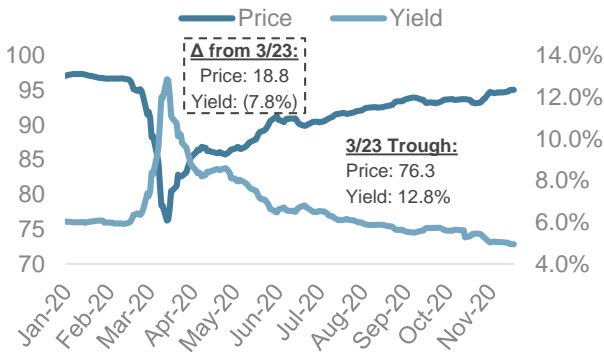
Recent Houlihan Lokey Transaction



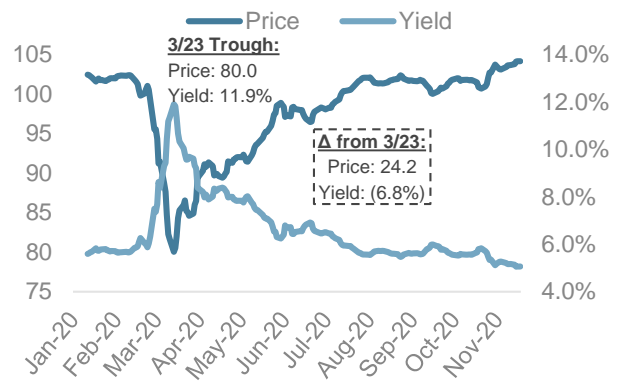
Acquisition of RailPros by Court Square: RailPros is the leading provider of outsourced safety management, design and engineering, inspection, site and program management, utility observation, and training services to rail operators, utilities, state DOTs, and contractors working adjacent to rail infrastructure. Based in Irving, Texas, and founded in 2000, RailPros has more than 700 professionals across 14 offices and serves customers nationwide. Houlihan Lokey served as Court Square's advisor in the acquisition of the company from Bow River.

Debt Capital Markets in 2020

U.S. Leveraged Loans: Average S&P/LSTA Leveraged Loan Index Bid and Yield⁽¹⁾



U.S. High Yield: Average S&P Corporate Bond Index Average Bid and Yield⁽¹⁾



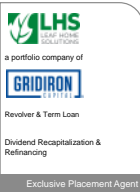
- Loan market conditions continue to strengthen due to the positive vaccine news as issuers push to get transactions closed ahead of year-end.

- High yield continues to set issuance records as a number of issuers lined up after the Thanksgiving holiday.

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

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

Select Recent Capital Markets Transactions



Dividend Recap and Financing: Leaf Home Solutions (LHS), a portfolio company of Gridiron Capital, is a premier home solutions platform focused on gutter protection solutions, with 94 offices and more than 4,100 employees and independent contractors. Houlihan Lokey was retained by Gridiron to serve as exclusive placement agent in connection with the dividend recapitalization and refinancing of LHS.



Recapitalization: TPG Real Estate Finance Trust, Inc. (NYSE:TRTX) is a commercial real estate finance company that focuses primarily on originating, acquiring, and managing first mortgage loans and other commercial real estate related debt instruments secured by institutional properties located in primary and select secondary markets in the United States. Houlihan Lokey served as exclusive placement agent to TRTX, assisting in arranging, structuring, and negotiating a preferred stock financing, as well as exclusive financial advisor in negotiations with the company's senior secured repo lenders.

Select Team Members



Chris Hebble
Managing Director
Capital Markets



Chris Sweet
Managing Director
Capital Markets

(1) Daily data, as of November 10, 2020.
Sources: S&P LCD, LFI Weekly, Lipper Weekly.

2020 Virtual Business Services Conference



THANK YOU FOR JOINING US!

2020 Virtual Business Services Conference

Conference Overview

Houlihan Lokey was pleased to host its 2020 Virtual Business Services Conference on Tuesday, September 29, 2020. This conference was an excellent opportunity to develop relationships and gain insights into the market dynamics and strategies within a wide variety of sectors.

Conference Attendees

- Senior executives from leading companies
- Private equity and hedge fund investors with relevant industry experience and knowledge
- Mezzanine and senior debt providers

Conference Highlights



950+ Industry Leaders and
Capital Providers Attended



39 Presenting
Companies



275+ Private Equity Firms
Represented



185+ Strategic Entities
Attended



450 One-on-One Meetings
Conducted

Featured EI&I Presenters



El&I Public Companies Operations, Markets, and Valuation Overview

Engineering Services



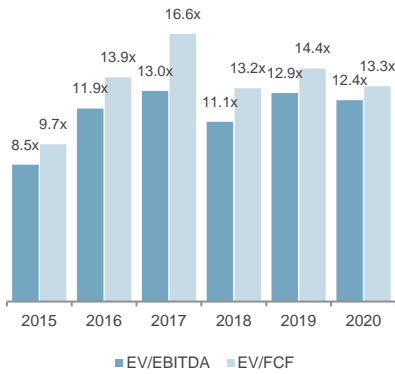
Industrial Services



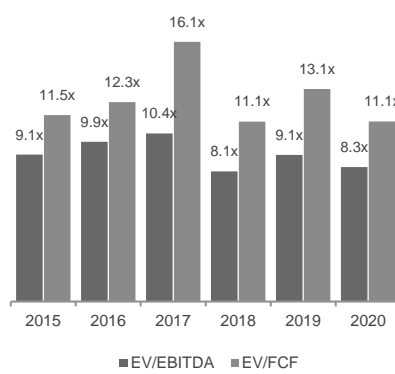
Infrastructure Services



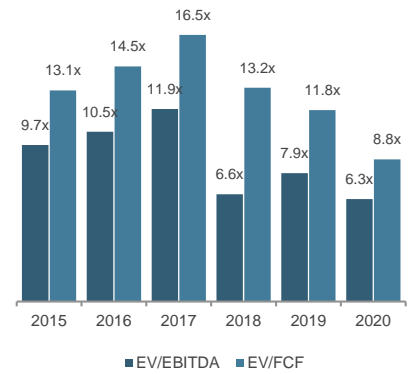
Mean LTM EV/EBITDA: 12.4x
Mean LTM EV/FCF: 13.3x



Mean LTM EV/EBITDA: 8.5x
Mean LTM EV/FCF: 11.3x



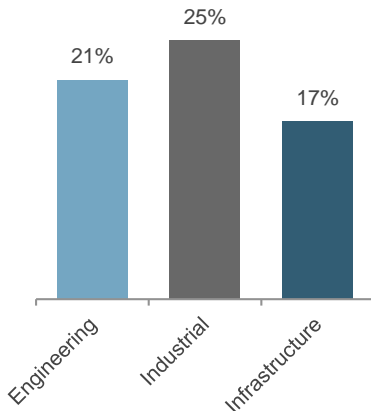
Mean LTM EV/EBITDA: 6.3x
Mean LTM EV/FCF: 8.8x



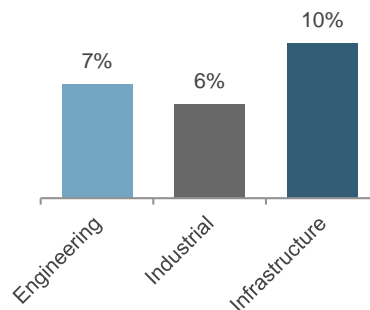
Note: Multiples from 2015 to 2019 calculated as of year-end (December 31) of each respective year. Multiples from 2020 are calculated as of LTM 11/30/20.

Financial Metrics

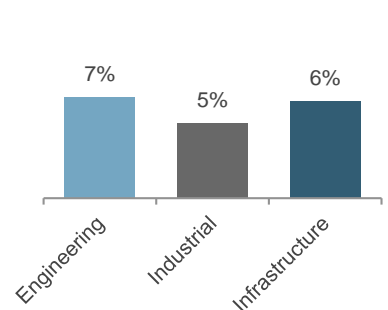
Average '17-'19 EBITDA CAGR



Average LTM EBITDA Margin



Average LTM FCF Margin⁽¹⁾



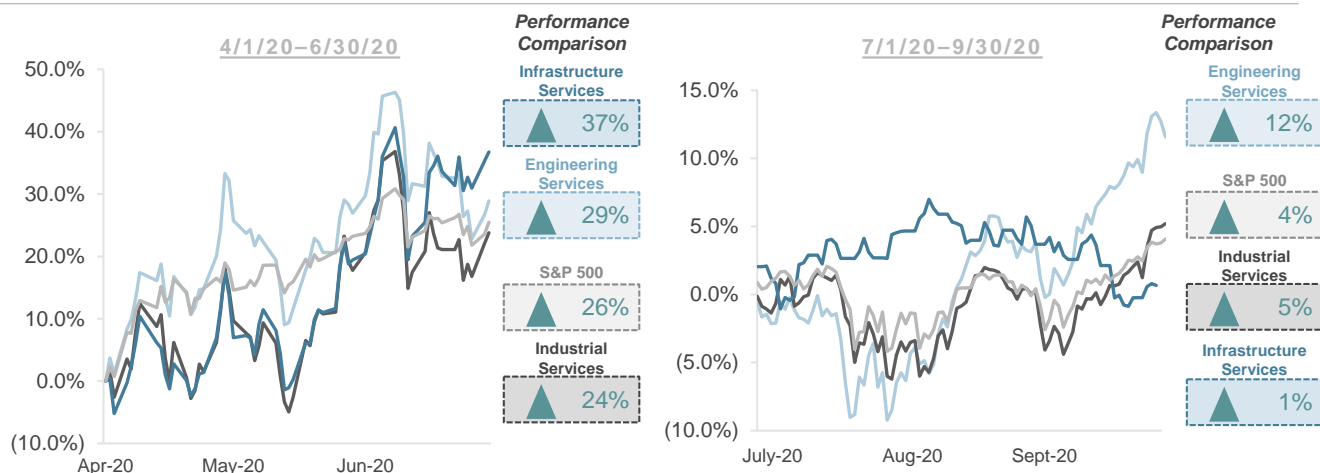
Note: All LTM data is calculated as of November 30, 2020.

(1) FCF defined as EBITDA less capital expenditures.

Source: S&P Capital IQ.

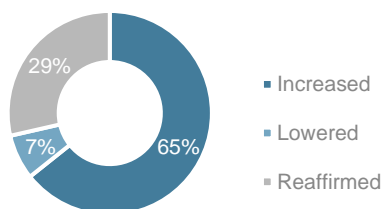
EI&I Public Companies Operations, Markets, and Valuation Overview (cont.)

Quarterly Index Performance⁽¹⁾

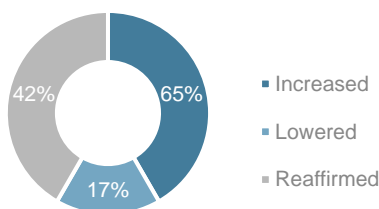


FY 2020 Financial Guidance: COVID-19 Impact

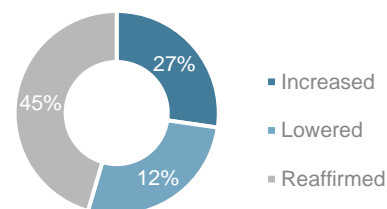
ENGINEERING SERVICES



INDUSTRIAL SERVICES



INFRASTRUCTURE SERVICES



As visibility on the impact of COVID-19 becomes clearer, the majority of companies in Houlihan Lokey's EI&I universe have either reaffirmed or increased their FY 2020 guidance.

AECOM "AECOM increased its full year adjusted EBITDA guidance to \$720 million-\$740 million, which would reflect 11% growth over the prior year at the mid-point of the range." (August 2020)

AEGION "Q3'20 adjusted results were at the high end of guidance expectations, driven by continued strength from the Insituform North America business." (October 2020)

AECOM "While the impact of COVID-19 on Aecon's operating environment has stabilized during the second quarter, operations continue to be impacted." (July 2020)

GRANITE "The company withdrew its full year 2020 guidance on May 7, 2020, because of the rapidly evolving disruption COVID-19 was causing across the macroeconomic environment and will reinstate guidance when there is sufficient visibility to do so." (August 2020)

KBR "KBR has increased GAAP EPS guidance to \$(0.58) to \$(0.38), increased Adjusted EPS guidance to \$1.60 to \$1.80, increased GAAP operating cash flow guidance to \$375 million to \$395 million, and increased adjusted operating cash flow guidance to \$270 million to \$290 million." (October 2020)

ENCOR "Reintroduces 2020 Revenue and Diluted EPS Guidance Range" (August 2020)

Source: Company websites.

(1) Performance for the EI&I indices is based on equally weighted stock price declines (Source: S&P Capital IQ).

Significant Infrastructure-Related News Stories

How a Collective Infrastructure Push Will Boost Global Growth

(IMF Blog, November 24, 2020)

“An IMF report published ahead of the G20 leaders meeting argues that a synchronized infrastructure investment push could invigorate growth, limit scarring, and address climate goals. In fact, when many countries act at the same time, public infrastructure investment could help lift growth domestically and abroad through trade linkages. This positive ‘spillover’ effect could provide an additional boost to global output.”

Construction Adds 84,000 Jobs in October, Largest Gain Since June

(Engineering News-Record, November 6, 2020)

“The construction industry continues to recover from its coronavirus-caused deep drop in employment, adding 84,000 jobs in October, the industry’s largest monthly increase since June, the Bureau of Labor Statistics has reported. But the bureau’s latest monthly employment report, released on November 6, also shows that construction’s total employment in October is still down by 196,000 jobs, or 2.6%, from the year-earlier level.”

Federal Spending Could Be a Catalyst for Industrials

(T. Rowe Price, October 11, 2020)

“The potential size and scope of future federal spending bills to bolster the economy, especially an infrastructure measure, would have important implications for the industrials sector. After passing the Tax Cuts and Jobs Act, President Donald Trump issued an infrastructure agenda that never resulted in legislation. Should he win reelection, Trump could push for a package targeting surface transportation improvements—measures to repair roads and bridges—along with airports and other critical infrastructure. Democratic candidate and former Vice President Joe Biden, by contrast, has called for an ambitious plan to fund traditional infrastructure projects while also investing heavily in clean power and energy efficiency.”

A \$3 Trillion Global Infrastructure Market, Or a \$21 Trillion Market?

(Forbes, September 30, 2020)

“The value we ascribe to the \$3 trillion global marketplace vastly undershoots the strategic value, based as it is on our own short-sighted commercial logic; the strategic value is in fact \$21-\$30 trillion each year for the next 30–40 years. The size of each project’s O&M aftermarket traces the project’s real value, and that is 7–10 times the original capital cost of a project. Winning a contract today is ownership of that contract—and that geographic footprint—through to 2050–2060.”

2020 Top 250 International Contractors: Struggling With COVID-19

(Engineering News-Record, August 20, 2020)

“The global construction market has had a rocky few years, with political upheavals, tariffs, trade wars, and fluctuations in oil and metals prices hitting international contractors like a series of body blows. But now, the COVID-19 pandemic—and related plunge in oil prices from global shutdowns and price wars within OPEC—has put heavy pressure on large international contractors and their clients as they try to cope with markets under siege.”

‘Time Is Always Money’: Pandemic Lockdowns Hasten Infrastructure Work

(The New York Times, July 7, 2020)

“Across the country, the pandemic has produced something of a silver lining for infrastructure projects as commuting decreased drastically and railways and highways emptied. And low interest rates have helped reduce borrowing costs, spurring construction activity.”

Recent M&A Transactions

Announced Date	Acquirer	Target	Target Description	Transaction Value (\$M)
Dec. 2020	WSP	Golder Associates	Engineering and consulting firm in the geosciences sector with a niche focus on earth and environmental conditions	\$1,500
Dec. 2020	Stantec	AGEL	Multidiscipline engineering firm specializing in environmental services, spatial development, infrastructure, and GIS services	NA
Nov. 2020	Ardurra Group	Pigeon-Roberts & Associates	Engineering consulting firm that serves local and regional agencies with services focused on the water and wastewater markets	NA
Nov. 2020	TRC	1Source Safety and Health	Provides management consulting services in areas such as indoor air quality, asbestos management, industrial hygiene, and safety management systems	NA
Oct. 2020	Woolpert	Jviation	A planning, engineering, architecture, survey, and construction administration firm that focuses on aviation-related projects	NA
Oct. 2020	Kleinfelder	Gas Transmission Systems	Provides pipeline engineering, consulting, and program management services to gas utilities and pipeline operators with a focus on infrastructure integrity management and rehabilitation	NA
Sept. 2020	Anser Advisory	Ascent	Provides service delivery, including capital program advisory and consulting services, program/project controls, and project management across the U.S.	NA
Sept. 2020	Ardurra Group	Constantine Engineering	Multidiscipline engineering firm specializing in the water, wastewater, and public works markets	NA
Aug. 2020	Kleinfelder	Garcia and Associates	Provides environmental planning and permitting services related to the operation and maintenance of critical infrastructure throughout the Western United States	NA
Aug. 2020	Court Square Capital	RailPros	Provides outsourced services for rail operators, state DOTs, and contractors working adjacent to rail infrastructure	NA
May 2020	Anser Advisory	H.R. Gray	Provides responsive, cost-effective construction management and construction dispute resolution services for public agencies	NA
July 2020	Worley Ltd.	TW Power Services (remaining 50% stake)	Offers operations and maintenance services to the power generation sector in Australia and New Zealand	\$14
July 2020	NV5 Global	Mediatech Design Group	Provides award-winning independent consulting services and specializes in technology design for the built environment	NA
June 2020	Kohlberg & Company	GPRS	Provides subsurface detection services to the construction industry, including detection of underground utilities and the scanning of concrete structures	NA
Jan. 2020	CHA Consulting	CME Associates	Transportation engineering firm with a focus on complex highway and bridge projects and national expertise in accelerated bridge construction	NA
Oct. 2019	Tower Engineering Professionals	P-Sec	Provides engineering and inspection services for telecommunications and broadcast clients across Canada and the U.S.	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 M&A advisor for the past five consecutive years in the U.S., the No. 1 global restructuring advisor for the past six 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 (formerly Thomson Reuters).

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
- Data and Analytics
- Energy
- Financial Institutions
- Healthcare
- Industrials
- Real Estate, Lodging, and Leisure
- Technology, Media, and Telecom

Financial Sponsors

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

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