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Consolidation Trend in 2007 Starts with a Bang in January

1/22/2007

By Debra K. Rubin, with Gary Tulacz

A year of expected heavy activity in industry mergers and acquisitions already is well under way, with several big linkages announced since Jan. 1. With rising stock valuations, more private equity cash available and firms' need for deeper financial pockets, some predict 2007 could set a merger and acquisition record.

Mick Morrissey, principal of management firm Morrissey Goodale LLC, Newton, Mass., noted eight announced deals as of Jan. 9. "Assuming this pace continues, 2007 will beat the record number of deals reported in 2006," he says.

Ambitious Canadian giant Stantec Inc., Edmonton, Alberta, continues its U.S. growth surge with a letter of intent announced Jan. 12 to acquire transportation consultant Vollmer Associates LLP, New York City. Terms of the deal, set to close in April, were not disclosed. The link would help finance Vollmer's growth needs and also double Stantec's transportation practice. It also would provide Stantec with a higher-profile urban East Coast base equal to its western operation in Irvine, Calif., anchored by The Keith Cos., purchased in 2005. Stantec also owns Sear-Brown, Rochester, N.Y., and New England-based Dufresne Henry.

"We were looking for a location in New York," says Stantec President and CEO Tony Franceschini, whose affinity for the location dates to Stantec's 2005 listing on the New York Stock Exchange (ENR 7/25/05 p. 28). Vollmer is a toll road and transit specialist involved in many metropolitan area projects that produce more than 50% of its revenue,



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says Gerry Nielsten, firm managing partner. Vollmer, with 650 employees and \$81 million in 2005 revenue, ranks 112th on ENR's Top 500 Design Firms list and 45th on the Top 500 transportation list. Stantec ranks 58th on the Top 500 but on Nov. 2 reported \$518.0 million in third-quarter 2006 revenue, up 28% from the same period in 2005.

Franceschini

The executives say the firms are complementary, and there will be no immediate structural or management changes. "We fit hand in glove with them," says Nielsten. Franceschini says the acquisition fits with

Stantec's aim to be a top 10 global firm by 2008. "We're not just jumping on the bandwagon," he says.

On Jan. 3, AECOM said it would add 650-person architect-engineer Hayes, Seay, Mattern and Mattern, Roanoke, Va., to its organization of 28,000. The cash transaction will boost HSMM's market platform but also "fills a void for AECOM in the Southeast" and provides the parent with new expertise in public safety communications, says CEO Cecil Doyle. HSMM will post about \$94 million in 2006 revenue, he adds.



Doyle

In another move, Terracon, a Lenexa, Kan.-based engineering, geotechnical, and environmental firm, announced on Jan. 8 that it had acquired H.C. Nutting Co., a Cincinnati-based engineering firm with 280 employees. Terracon, which ranked 50th on ENR's Top 500 in 2006, hopes the acquisition will boost its presence in the Midwest and Northeast.

Industry consultant Paul Zofnass, president of EFCG Inc., New York City, says the profusion of private equity is "bidding up prices," with valuations "the highest they've ever been." But Morrissey, who likens the current trend to the roll-up craze in 2000, warns that "another significant terrorist event" could impact consolidation as it did in 2001.

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