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News



January 2010

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AEC Industry Consolidation Down 25% in 2009

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Morrissey Goodale predicts more defensive deals to be made in 2010
(1/25/2010)

Posted by: Chris Gaerig, Online Editor

According to **Morrissey Goodale**, a leading management consulting and research firm serving the AEC industry, M&A activity fell by 25% from a high of 305 transactions in 2008 to 230 deals last year—a level last seen in 2006. Mick Morrissey, managing principal with the firm says, "Even though it's a significant drop, this level of activity is still double what was seen after the 2001 recession." Morrissey anticipates that M&A activity will increase to the 250 to 260 range this year as the global economy recovers. Other key AEC consolidation trends include:

More defensive deals being done. The biggest surprise emerging from the data is the fact that interstate M&A activity has fallen to its lowest level on record. In 2009, 58% of deals occurred across state lines. Historically, interstate M&A activity has accounted for between two-thirds and three-quarters of industry consolidation, representing strategic growth. This year however, the recession has forced management teams to consider more "defensive" mergers or firm sales. They are consolidating with firms that are already familiar with to pool together their strongest features/assets and trim nonperforming elements. Morrissey expects this trend to continue into 2010—particularly among architecture and AE firms.

Publics play less of a role in shaping the industry. Publicly traded industry giants were relatively less active in 2009 than in prior years—representing just 31.3% of global deals in 2009, down from 36.7% in 2008 and almost 35.7% in 2007. The most active publicly traded acquirers last year (and the number of deals they made) were Genivar (11), SNC-Lavalin (6), TetraTech (6), Fugro (6), AMEC (6), and AECOM (5). The same trend held for the U.S. market where only 20% of the deals involved a publicly traded buyer, down from 21% last year and almost 30% in 2007. The expectation is that in 2010, the publics will return to form and represent between 25% and 30% of activity.

Relative attractiveness of the U.S market holds as globalization continues. Almost 13% of domestic transactions involved a non-U.S. buyer in 2009, up from 9.4% in 2008. There were more non-U.S. firms buying into the United States in 2009 (19) than there were U.S. firms making acquisitions overseas (11), reversing a trend seen in 2008. As the U.S. economy's recovery trails that of other nations, Morrissey anticipates a pronounced increase in firm sales to non-U.S. firms in 2010.

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- EBD helps us quickly and efficiently design quality interior spaces
- EBD can sometimes contradict our original design, forcing us to rethink the space
- We rarely, if ever, follow EBD practices consciously

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