

For Immediate Release

AEC M&A Year in Review and 2008 Outlook

Newton, MA – January 16, 2008 – Consolidation in the AEC industry continued its frenetic pace into 2008 with 8 deals announced within the first 11 days of the year, according to Mick Morrissey, principal with strategy and research firm Morrissey Goodale LLC. The early indicators are that deal volume will be on pace with or exceed that of 2007. But will this actually be the case? And how did M&A activity shape the industry last year? The answers to these and other questions below:

2007 in Review

- Deal volume at all time high:** As we predicted at the beginning of the year, the number of transactions in the industry reached a record 216 in 2007— an increase of in excess of 26% over the prior year. In 2007, it seemed as if every president or principal you knew in the industry was in the middle of due diligence, reviewing the financials of a target firm, or considering an “unbelievably rich” offer from a buyer. 2007 was the year where everyone was either a “deal maker” or wanted to be one and “deal envy” was rampant. The pressure to “do a deal” was everywhere.
- Globalization is here to stay:** If you sold your firm in 2007, the chances are higher than ever that you now work for a non-US headquartered firm. Close to 17% of the 151 firms sold in the United States last year were purchased by an overseas buyer. Who bought into the US market in 2007? Canadian firms led the way with 15 deals, British firms were next with five acquisitions, and other international buyers included the Netherlands, Denmark, Australia, and India. Last year, international firms bought into the US at twice the pace that US firms bought overseas. A full 20% of transactions in 2007 occurred outside of the United States involving both an overseas buyer and seller.
- Public markets:** Over one quarter of all transactions last year included a publicly traded company as the buying entity. This represents the highest number and percentage of deals involving publicly raised capital in the industry ever.
- Hottest domestic markets:** In 2007, the following states saw the greatest volume of inbound deal activity: California (18), New York (13), Texas (9), Florida (9), Pennsylvania (7), Ohio (7), New Jersey (6), Colorado (6), Indiana (5), and Louisiana (5). Not surprisingly the states seeing the greatest increases in population— California, Texas, and Florida— all saw a significant number of firms sold in 2007. Of interest is the strong M&A activity in the Rust Belt and Northeast states (Pennsylvania, Ohio, Indiana, New York, and New Jersey) that are seeing relatively weak population growth.

The Year Ahead

We expect deal activity to be flat this year and closely match the 200-plus deals of 2007. The slowing economy in 2008 will impact the plans of many buyers who are seeing a slowdown in their business for the first time since 2003. A number of acquirers will choose to pass on potential deals or defer strategic investments until the outlook becomes clearer and their backlogs improve. Also, given the challenges in the credit markets, public buyers, who in 2007 accounted for over a quarter of all deals, may scale back on their activities.

All of these factors will have a dampening effect on M&A activity in the industry. However, the fundamental drivers behind the consolidation of the past five years (firm owners and principals



reaching retirement without internal ownership transition plans, the highly fragmented nature of the industry, the inability of firms to hire talent fast enough to meet strategic growth goals, and the attractiveness of U.S. firms to overseas buyers given the weakness of the dollar) will remain and will continue to support deal activity at or close to last year's levels.

A full listing of all transactions recorded in 2007 and 2008 can be found on the AEC M&A Monitor at the firm's website www.morrisseygoodale.com. You may also sign up to receive email updates as deals occur.

About Morrissey Goodale LLC

Morrissey Goodale LLC is a leading management consulting firm to the Architecture Engineering and Construction (AEC) industry. Headquarters are located at Riverside Center 275 Grove Street, Suite 2-400, Newton MA, 02466. The company can be reached at 508-650-0040 or on the web at www.morrisseygoodale.com

Contact

Marie Kelfer
508-650-0040
mkelfer@morrisseygoodale.com

