

Contracting M&A News

Fall 2009

Government Contracting, Facility Operation & Maintenance, Construction and General Contracting, Mechanical Contracting, and EPC Activity Report

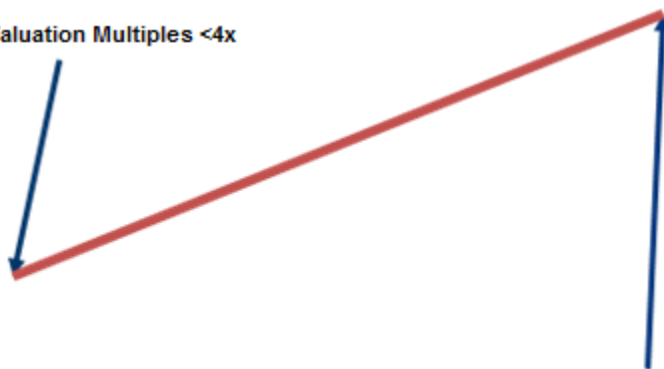
Industry consolidation, public market valuations, and available capital has created opportunities for business owners of contracting companies to create liquidity. With multiple acquirers, liquidity options are numerous and complex for contracting companies including government contracting, facility operation and maintenance, construction, EPC contractors, general contracting and mechanical services.

Who is buying contracting companies and why.

As you know multiples for contractors hit the bottom in March with the rest of the market. Six months later we are seeing a dramatic improvement in multiples. Buyer demand for quality companies is increasing from a diverse group of buyers including strategic buyers and private equity groups with their eye on the public market valuations. The Jordan Company's acquisition of mechanical contractors is an example of private equity group interest. We believe this influx of capital is a positive sign for owners of privately held contracting companies that are considering divestiture strategies. Further, based on an exhaustive search of sellers from M&A subscriptions, we believe that there is a lack of strong sellers that will also increase valuations of highly attractive properties. We believe that M&A activity is in the early stage of the rebound. Historically, the earlier you "get on the train" the stronger the valuation.

VALUATION TRENDS

EBITDA Valuation Multiples <4x



EBITDA Valuation Multiples >6x



NYSE: EME

has acquired

PPM

MOR Power Plant Maintenance, Inc.

First Mergers Group, LLC initiated this transaction and acted as intermediary on behalf of PPM



(AMEX: AGX)

has acquired



Glastonbury, CT

First Mergers Group, LLC initiated this transaction and acted as intermediary on behalf of Gemma Power



RECENT ACQUISITION NEWS

2009—EMCOR Group, Inc. (NYSE: EME) acquired First Mergers Group clients LT Mechanical, Inc. (Charlotte, NC) and Team Mechanical, Inc. (Chicago, IL). Both companies are diversified full-service mechanical providers who provide energy solutions.

First Mergers Group president and founder Michael A. Price stated, "We are proud to have participated in the development of such a strategic and well matched relationships in this industry. We maintain the philosophy that FIRST MERGER'S will be a contributor to the development of this industry and will continue to serve as a guide to business owners as they investigate mergers and acquisitions opportunities." Price also stated, "this acquisition confirms the level of interest by large market cap companies of mid-market cap companies in the energy and contracting space. We maintain a strong client portfolio in this space and will have additional transaction news in this space in the coming months."

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1-800-538-0415

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What are the buyers looking for and what makes a contracting company attractive to buyers...

While there is a significant level of buyer demand it remains selective. Contracting companies with revenues in excess of \$20 million are generating the highest level of interest. High level of buyer demand has yet to result in an adequate supply of acquisition targets and the strong valuations for sellers are the result of buyer competition.

Valuation drivers include the following:

- Long-term unrestricted contracts (Service and O&M Contracts)
- High-end skill sets and intellectual property
- Customers with rapidly growing budgets
- Strong operating margins
- Focused growth strategy (strong backlog)
- Strong management team that will transition
- Bulk of contracts won competitively (no set-aside contracts)
- State-of-the-art accounting and business systems
- Bulk of contracts from prime contracts (including GSA schedules)

As the second wave of contracting consolidation begins, middle market companies are attractive acquisitions for buy-and-build acquirers backed by private equity groups who are ripe with cash. Additionally, large public contracting companies, like Emcor, with high public market valuations have relatively cheap capital to make acquisitions.

The opportunity therefore exists for contracting business owners to consider a strategy where they sell all or a portion of their company to a larger public company or a private equity group. The key to a successful offering is understanding where a particular company fits with potential industry acquirers and the potential marketplace value of the offering. Engaging a professional mergers and acquisitions consultant to assist with the process that specializes in a specific industry can assure that buyer and seller interests are aligned to elicit the best possible transaction structure. To learn more about the marketplace value of your contracting company and a formal presentation on the contracting consolidation, please contact Michael Price at 1-800-538-0415.



First Mergers Group is a middle market M&A consulting firm with a proven record of providing superior results for our clients in the area of mergers, acquisitions, and divestitures since 1996. We also specialize in industry consolidations and roll-ups.

Our mission is to "Unlock the Value" of privately held middle market businesses through our proprietary M&A process.

First Mergers Group has completed over 100 transactions with a deal value in excess of \$1.5 billion.

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