

Recent acquisition activity viewed as a positive sign for M&A

Quanta Services to buy Price Gregory - Transaction valued at \$350 million

Quanta Services, Inc. (NYSE: [PWR](#)) recently announced that it has signed a definitive agreement to acquire privately held Price Gregory Services, Inc., a leading natural gas and oil transmission pipeline infrastructure service provider in North America, in a cash and stock transaction valued at approximately \$350 million, subject to adjustments. Price Gregory is expected to achieve revenues between \$1.1 billion and \$1.2 billion and EBITDA between \$170 million and \$190 million for the year ended Dec. 31, 2009. The transaction, which is subject to customary closing conditions and regulatory approvals, is expected to close in the fourth quarter of 2009.

Argan signs LOI to acquire Unamsco - Transaction valued at \$50 million

Argan, Inc. (NYSE AMEX: [AGX](#)) today announced that it has signed a letter of intent to purchase United American Steel Constructors, Inc. (Unamsco), a private company operating two wholly-owned subsidiaries, National Steel Constructors, LLC, and Peterson Beckner Industries. In 2008, Unamsco reported annual revenues of approximately \$84 million and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of approximately \$19 million. The proposed purchase price is approximately \$50 million, to be structured as a combination of cash and stock. The acquisition of Unamsco will enhance Argan's design and construction focus and broaden its business to power industry clean air solutions.

Who is buying and why...

Public market earnings multiples for contractors hit the bottom in March with the rest of the market. Six months later, we are seeing a dramatic improvement in earnings multiples. Buyer demand for quality companies is increasing from a diverse group of buyers including strategic buyers and private equity groups. Quanta and Argan's recent acquisition news are examples of current interest. We believe this activity is a positive sign for owners of privately held contracting companies that are considering divestiture strategies.

First Mergers has conducted an exhaustive search of sellers from M&A subscriptions and we believe that there is a lack of strong sellers in the marketplace. Correspondingly, competition for quality targets is fierce which is increasing valuations for those highly attractive properties. We, therefore, believe that M&A activity is in the early stage of the rebound.

Quanta's acquisition also 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.

Recent acquisition news by Quanta, Argan and substantial increases in contracting multiples have signaled an M&A recovery. This combined with recent offerings and closed transactions by First Mergers Group, confirms our view that the outlook for M&A activity in the power services and contracting space is positive.

EBITDA VALUATION TRENDS



FIRST MERGERS GROUP CURRENT ACQUISITION OPPORTUNITIES

Southeast Industrial Electrical Contractor
[Revenues >\$10 million and EBITDA >10%]

Western States Mechanical Services Provider
[Revenues in excess of \$40 million]

Facilities Maintenance Contractor
[Revenues >\$15 million and EBITDA >12%]

US Based Power Sector Services Provider
[Revenues in excess of \$40 million]
Coming Soon

EBITDA Defined -- EBITDA (a non-GAAP measure) stands for earnings before interest, taxes, depreciation, and amortization. Essentially, EBITDA measures the core income that a company earns before it covers its debt payments and pays its income taxes. Occasionally, the term is even used interchangeably with operating cash flow.

EBITDA is often used in accounting ratios that are used to compare the profitability of different companies in the same industry. The idea is that excluding interest, taxes, depreciation, and amortization gives a clearer picture of a company's operating performance. Because depreciation and amortization are non-cash charges, some view EBITDA as a proxy for earnings of the actual cash that flows through a company.



Power Services M&A News

Fall 2009

POWER SERVICES/CONTRACTOR COMPS					
Symbol	Name	Last/NAV	P/E Ratio	EPS	Mkt Cap
ACM	AECOM TECHNOLOGY	28.30	17.47	1.62	3.12 B
AGX	ARGAN INC	13.04	13.17	0.99	177.05 M
CBI	CHICAGO BRIDGE & IRON	17.82	10.12	1.76	1.73 B
DY	DYCOM INDS INC	13.06	N/A	-1.35	509.34 M
EME	EMCOR GROUP INC	25.82	9.09	2.84	1.70 B
FIX	COMFORT SYS USA INC	11.58	10.43	1.11	444.00 M
FLR	FLUOR CORP NEW	56.03	13.60	4.12	10.07 B
FSRV	FIRSTSERVICE CORP	17.29	27.44	0.63	486.07 M
FWLT	FOSTER WHEELER AG	32.99	10.44	3.16	4.17 B
GVA	GRANITE CONSTR INC	33.86	11.64	2.91	1.30 B
JEC	JACOBS ENGR GROUP	48.84	13.95	3.5	6.05 B
KBR	KBR INC	23.36	12.49	1.87	3.74 B
LAYN	LAYNE CHRISTENSEN CO	34.13	N/A	-0.35	664.27 M
MDR	MCDERMOTT INTL INC	27.46	21.45	1.28	6.31 B
PWR	QUANTA SVCS INC	24.36	29.71	0.82	4.81 B
SHAW	SHAW GROUP INC	32.83	31.87	1.03	2.74 B
SNC	SNC-LAVALIN GROUP INC	49.65	N/A	N/A	7.50 B
STRL	STERLING CONSTRUCTION	18.00	10.00	1.8	238.98 M
TPC	TUTOR PERINI CORP	20.27	N/A	-2.54	983.72 M
URS	URS CORP NEW	44.90	13.01	3.45	3.78 B

Share prices of power services and contracting companies surged along with the broader market following the first quarter lows this year. Power service and contracting companies increased substantially higher in the second half of 2009. This resurgence comes on the heels of the significant decline among power services and contracting companies share prices that began in the second half of 2008 and continued through the first quarter of 2009.

As of late September, these sectors have continued to climb. This continued strong performance has resulted in an almost full recovery for power services and contracting companies. While the sectors still lag behind the all-time highs and robust growth seen throughout the decade, much of the expectations regarding slow growth in future construction spending cycles have been priced into the market. Recently released second quarter 2009 earnings have reinforced this understanding. Most power services and contracting companies announced earnings that were either in-line or ahead of analysts' expectations as they continue to work off strong backlogs. Companies with substantial construction exposure have lowered expectations throughout this economic downturn while companies with service-orientated revenues are viewed more favorably.



A Private Equity Group

has acquired



First Mergers Group, LLC initiated this transaction and acted as the intermediary on behalf of Salas O'Brien Engineers, Inc.



(AMEX: AGX)

has acquired



Glastonbury, CT

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



NYSE: EME

has acquired



MOR Power Plant Maintenance, Inc.

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



has acquired

MET Electrical Testing
CET Electrical Testing
Seaboard Mechanical Services
Certain Assets and Contracts of Unitemp

from



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

