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# 2022 Spring Conference

Christopher Lee

# Ownership transition success: Private Equity (“PE”) as an attractive option



PE has recently demonstrated a strong interest in the consulting engineering and science practices that will only continue to grow as industry tailwinds persist



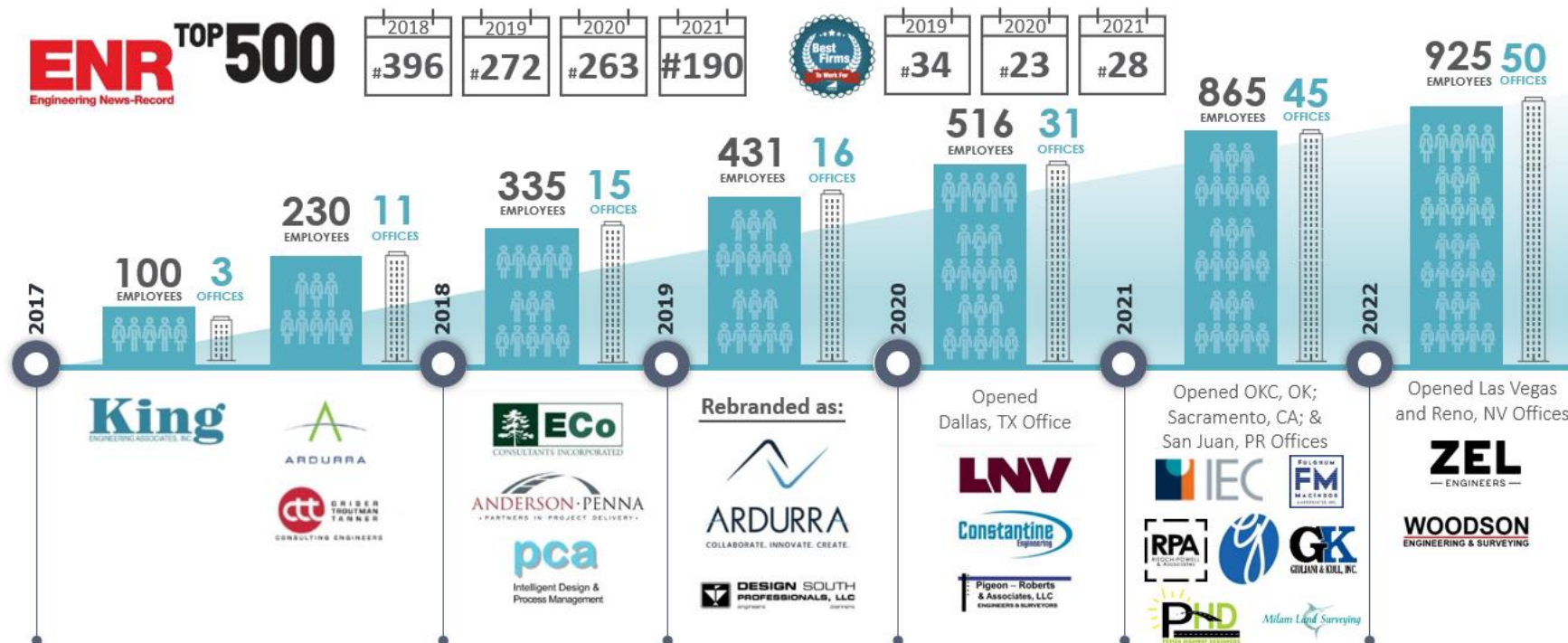
PE can provide additional optionality in ownership succession that mitigates many of the risks associated with traditional exit options, while maximizing current and future value



PE can create growth opportunities for employees through internal capital infusion while further accelerating overall firm growth by executing additional strategic acquisitions

*Selling to a private equity firm can be a great option for all stakeholders*

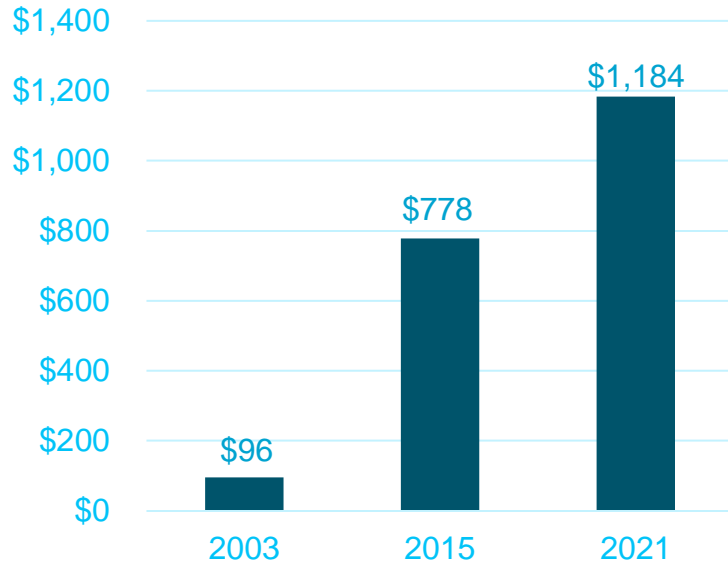
# Case study of RTC platform in AEC (Ardurra)



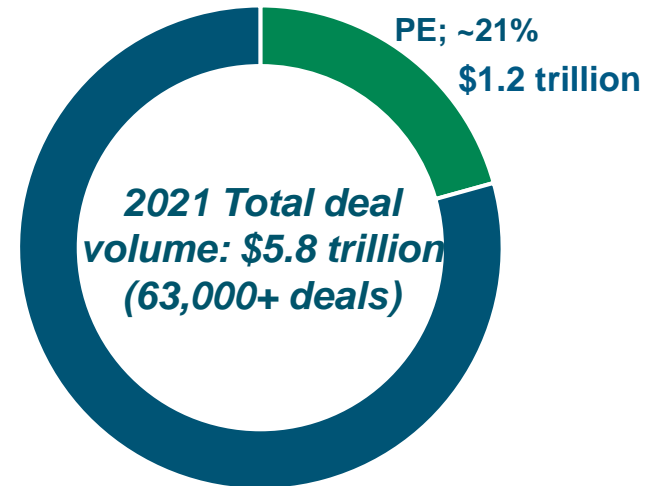
*Over five years with RTC's partnership, the company has grown from a regional player into a highly-diversified, nationwide organization while maintaining single digit voluntary turnover*

# The market today: investor capital continues to pour into PE

## Private market fundraising at an all-time high (\$ in bn)



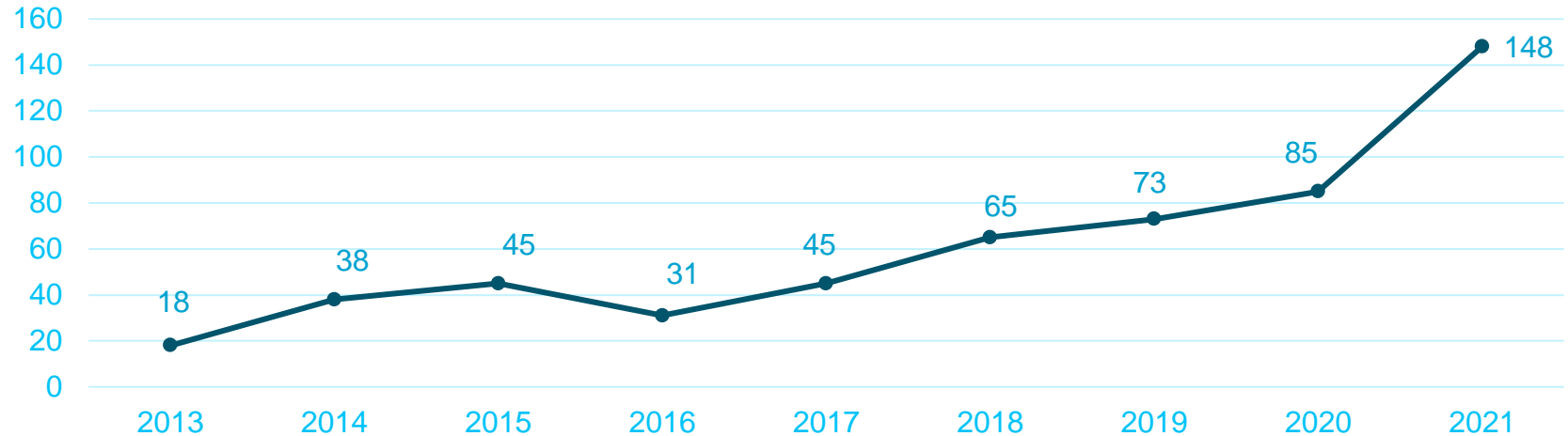
## PE is a meaningful part of global M&A volume



Source: Preqin, Harvard Law School Forum on Corporate Governance

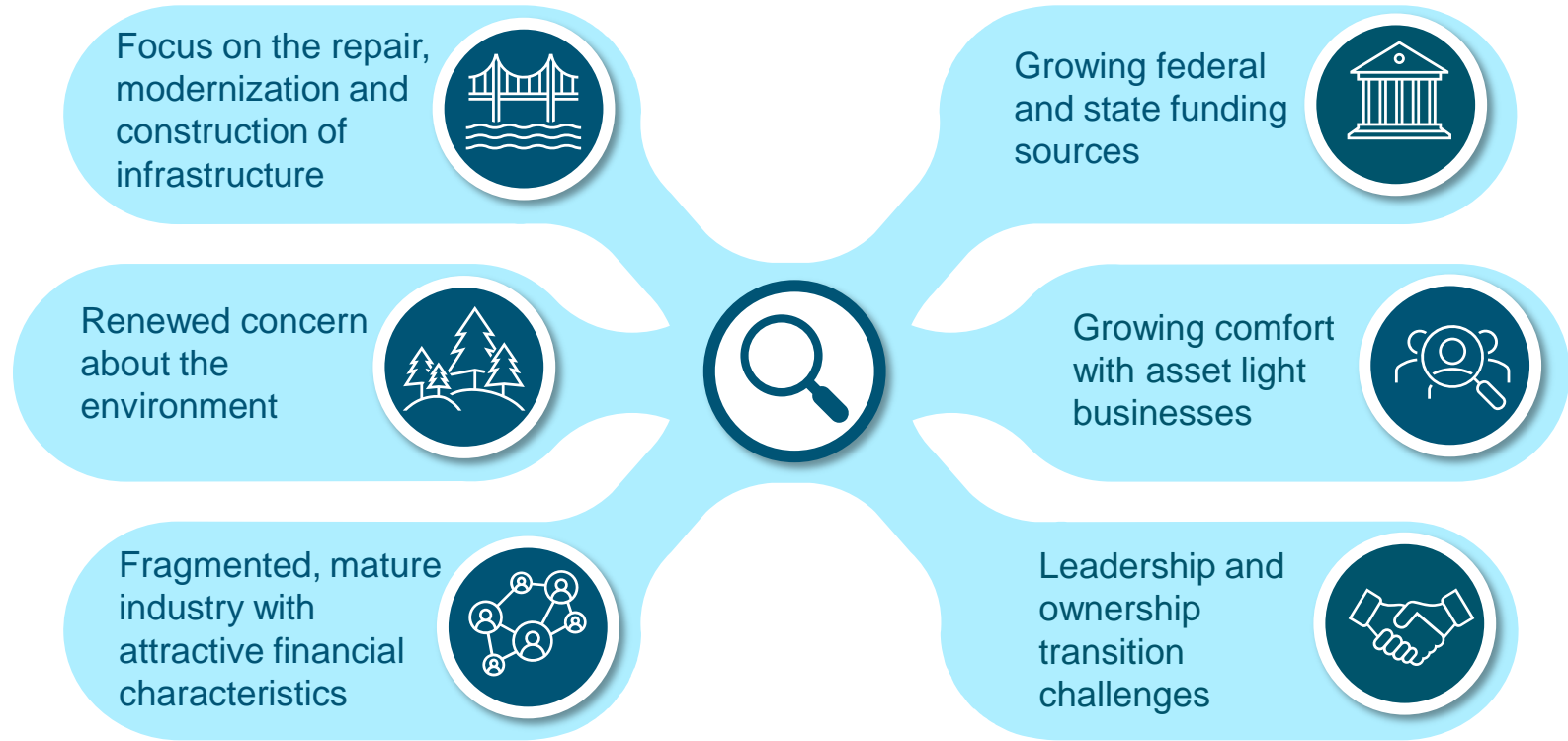
# PE interest in the AEC space has increased significantly

## # of US PE backed deals



Source: Morrissey Goodale LLC

# Industry characteristics and tailwinds will continue to drive interest





# Focus on the repair, modernization and construction of infrastructure

America's infrastructure scores a C-

There is a water main break every two minutes and an estimated 6 billion gallons of treated water lost each day in the U.S., enough to fill over 9,000 swimming pools

Growing wear and tear on our nation's roads have left 43% of our public roadways in poor or mediocre condition, a number that has remained stagnant over the past several years

There are 30,000 miles of inventoried levees across the U.S., and an additional 10,000 miles of levees whose location and condition are unknown

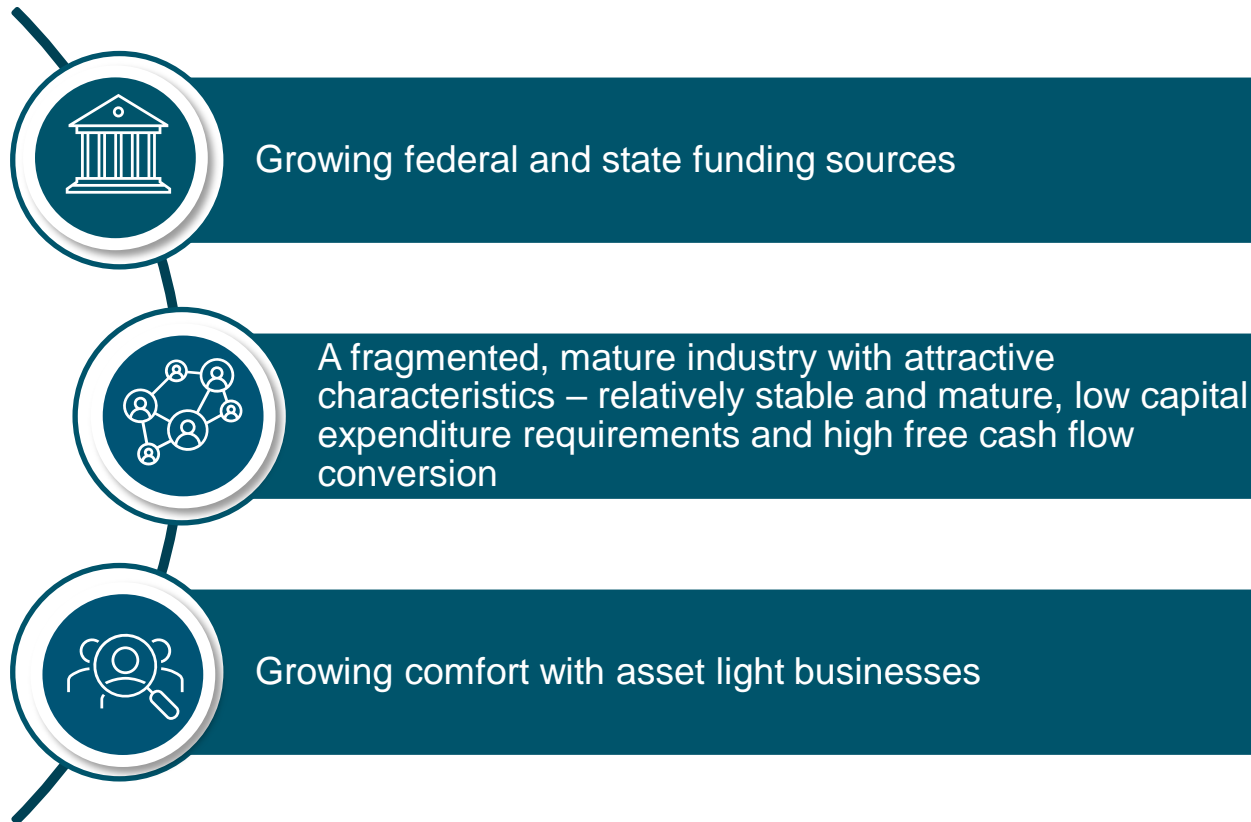




## Renewed concern about the environment (ESG)



# Investors are increasingly comfortable investing in the industry





## PE sees an opportunity due to leadership and ownership transition challenges

A 2016 survey of small businesses in the United States indicated that 72% of small business owners don't have an exit plan and 54% intend to leave in 10 years



Changing demographics and perceptions of ownership

Owners are ready to cycle out

Not enough capital internally and inexperience with the debt markets

# Private equity is an attractive alternative for selling owners

**A**

Maximize value and payback time + the “second bite of the apple”

**D**

Equity incentive plans and ownership interests for continuing employees

**B**

Maintain firm culture and legacy

**E**

Investment and reinvestment to amplify organic performance

**C**

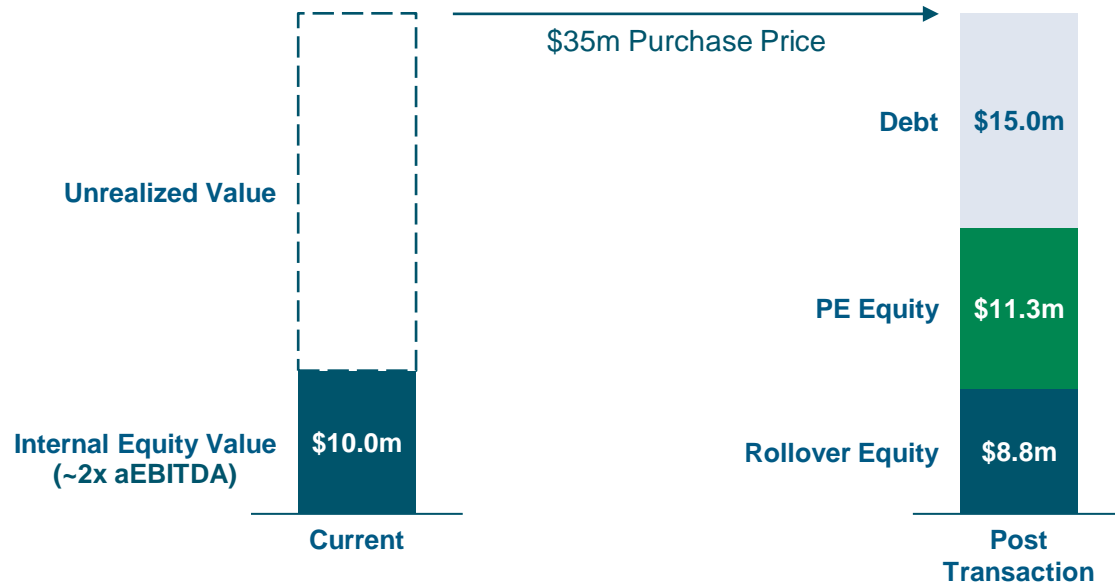
Ability to offer more internal leadership growth opportunities

**F**

M&A expertise to supercharge the bringing together of top talent and technical leaders

# Illustrative PE Transaction

- \$30m Net Revenue firm with \$5.0m of Adjusted EBBITDA
- Agreed upon Purchase Price of 7.0x of Adjusted EBITDA (\$35m)
- Selling shareholders roll over 25% of the Purchase Price as equity in the go-forward entity
- PE sponsors funds the Purchase Price with \$15m of debt (3x leverage) and \$11.25m of equity



**Shareholders receive \$26.25m in cash at close of the transaction (~2.6x internal Equity Value) and still maintain \$8.75m in equity in the go forward entity**

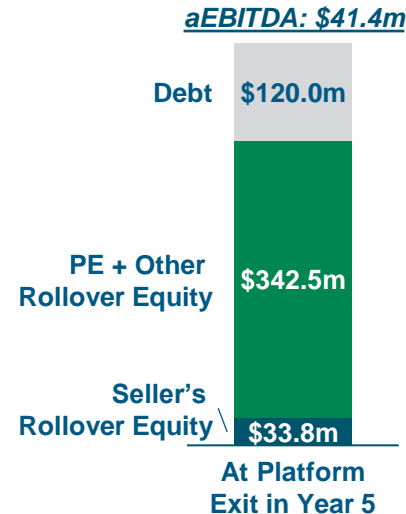
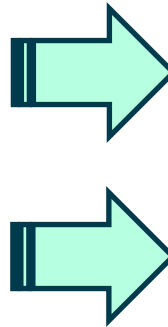
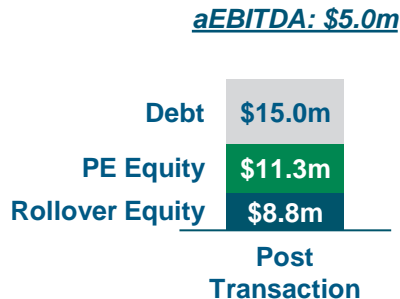
# Illustrative PE Transaction (cont'd)

## Assumptions over 5-year hold period

- \$10m of aEBITDA acquired per year over the next 36 months (additional \$30m total)
- Acquisitions are made at blended 7.0x purchase multiple with 3.5x leverage
- Shares are re-valued at 30% premium every year
- Annual organic growth of 8.0%
- Platform exits at 12.0x purchase multiple

## Key value drivers

- Organic aEBITDA growth through both topline increases (supplemented by tailwinds from cross-selling) and margin improvement
- Acquiring strategic targets at disciplined multiples that allow platform to expand market share
- Ability to achieve higher, premium purchase multiple as organization professionalizes, diversifies, and scales



**Purchase Price:**  
**\$496m**

**Shareholder's equity increased to \$33.8m (~3.9x Rollover of \$8.75m and ~31.0% IRR)**

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# Not all PE funds are the ideal partner, so due diligence is key

01

How will the fund collaborate and interact with management?

02

What differences will there be in economic rights?

03

What will the corporate governance and decision-making framework be?



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