

Quazar Report – Commercial Construction

June 2018

Executive Summary

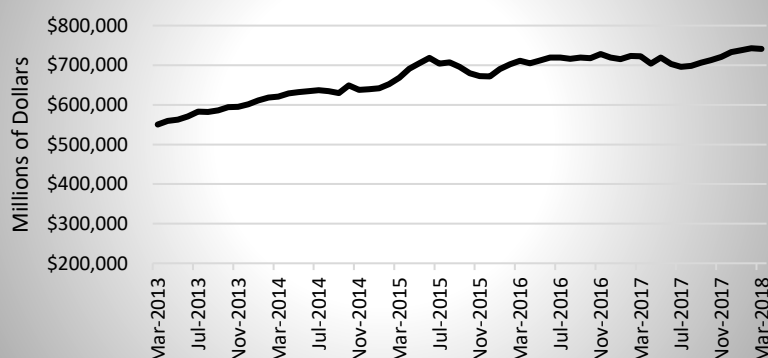
As of March 1st, 2018, the total U.S. non-residential construction spending increased over 34% since March 2013; rising to over \$740 million annually.¹ While Construction spending continues to rise, the U.S. unemployment rate continues to be at its lowest level since November 2000 (currently at 3.9% as of April 2018).² With increased spending and low unemployment, the U.S. Construction & Engineering (C&E) industry has seen an active Mergers & Acquisitions (M&A) Market. In 2017, there were 272 announced transactions within the C&E industry.³

Looking forward, the Architecture Billings Index (ABI) is a leading indicator of nonresidential construction activity. For March 2018, architectural firms reported that billings continued to grow, although at a slightly slower pace.⁴ Another leading indicator within the industry is the Commercial Construction Index (CCI), which surveys contractors across the country to gauge the outlook for and resulting confidence in the commercial construction industry. For Q1 2018, 80% of contractors reported steady or increasing backlogs, showing positive growth within the industry.⁵ Overall, the construction industry remains strong and continues to fuel an active M&A market.

Key Trends/highlights

- U.S. non-residential construction spending rose to over \$740 million, annually¹
- In 2017, there were approximately 272 announced U.S. Mergers & Acquisitions (M&A) within the Engineering & Construction Industry³
- U.S. Unemployment rate is at its lowest rate since November 2000 (currently at 3.9% as of April 2018)²
- As of March 2018, Architecture Billings Index (ABI) report that billings continue to grow⁴
- 80% of contractors report steady or increasing backlogs as of Q1 2018⁵

**Total Construction Spending
(non-residential)**



Quazar Contacts

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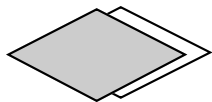
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Selected Transactions:



Midwest based private equity firm purchases 60% of Specialty Contracting Business, allowing existing owners to roll forward 40% of equity.

Benefits of a leveraged recapitalization with Private Equity:

- Brought in additional experience and resources to help grow the business
- Made additional ownership available to key employees, while allowing the primary shareholder to take a substantial amount of cash off the table and reduce their risk
- Preserved confidentiality, thus allowing business to continue as usual without alarming employees and customers
- By Shareholders rolling forward equity, they stand to realize a substantial upside in the future



Let Quazar show you how considerably less than \$1.0 million of equity can purchase a \$20 million business.

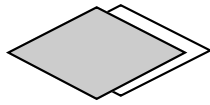
Shareholder was motivated to sell to Management to provide continuity to the business. Below are some highlights:

- Management had been actively involved with the business and Shareholder wanted to give them the first opportunity to buy the business
- Quazar structured a mutually agreeable financing package made up of senior bank debt, mezzanine financing, Buyer's equity, and Shareholder participation
- By rolling forward ownership, Shareholder participates in the continued growth of the business and benefits by being financially rewarded again in the future
- The business also benefits from building a new board, resulting in a stronger governance system and access to additional growth capital

About Quazar Capital Corporation

Quazar Capital Corporation (quazarcapital.com) is a Minnesota based Investment Banking Firm with over 25 years of experience confidentially helping privately held companies with Mergers & Acquisitions, Recapitalizations, and Financial Advisory Services. Quazar specializes in transitioning companies with EBITDA of \$2 - \$10 million.

Experienced Investment Bankers



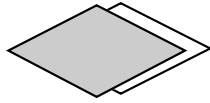
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Selected Transactions: Recent Industry M&A Activity (with disclosed value)

| Announced Date | Target/Issuer | Total Transaction Value (in \$MM) | Buyers/Investors | Industry Classifications |
|----------------|--|-----------------------------------|---|--|
| 1/4/2018 | Westinghouse Electric Company LLC | \$4,600 | Brookfield Business Partners L.P. (NYSE:BBU) | Heavy Construction; Specialty Contract Work |
| 8/2/2017 | CH2M HILL Companies, Ltd. | \$3,375 | Jacobs Engineering Group Inc. (NYSE:JEC) | Commercial Construction and Engineering; Construction and Engineering; Construction Support Services |
| 10/24/2016 | Contech Holdings, Inc. | \$950 | Quikrete Holdings, Inc. | Construction and Engineering |
| 3/29/2016 | MWH Global, Inc. | \$793 | Stantec Inc. (TSX:STN) | Construction and Engineering; Construction Support Services |
| 2/14/2018 | Layne Christensen Company (NasdaqGS:LAYN) | \$523 | Granite Construction Incorporated (NYSE:GVA) | Construction and Engineering; Heavy Construction; Specialty Contract Work |
| 3/2/2018 | United Subcontractors, Inc. | \$475 | TopBuild Corp. (NYSE:BLD) | Construction and Engineering; Specialty Contract Work |
| 11/12/2015 | Lane Industries Incorporated | \$406 | Salini Impregilo S.p.A. (BIT:SAL) | Construction and Engineering; Heavy Construction |
| 11/2/2015 | Furmanite Corporation | \$360 | Team, Inc. (NYSE:TISI) | Construction and Engineering; Construction Support Services; Specialty Contract Work |
| 8/11/2016 | Tecta America Corp. | \$280 | ONCAP | Construction and Engineering; Specialty Contract Work |
| 3/21/2016 | Ardent Services, L.L.C. and Rabalais Constructors, LLC | \$205 | EMCOR Group, Inc. (NYSE:EME) | Construction and Engineering |
| 7/6/2017 | Shimmick Construction Company, Inc. | \$175 | AECOM (NYSE:ACM) | Construction and Engineering; Construction Support Services; Heavy Construction |
| 3/28/2018 | Willbros Group, Inc. (OTCPK:WGRP) | \$172 | Primoris Services Corporation (NasdaqGS:PRIM) | Construction and Engineering; Construction Support Services; Heavy Construction; Specialty Contract Work |
| 8/6/2015 | T.A.S. Commercial Concrete Construction, LLC | \$143 | Orion Group Holdings, Inc. (NYSE:ORN) | Commercial Construction and Engineering; Construction and Engineering; Specialty Contract Work |
| 6/10/2015 | Rough Brothers Manufacturing, Inc. | \$130 | Gibraltar Industries, Inc. (NasdaqGS:ROCK) | Construction and Engineering |
| 02/23/2017 | BCH Holdings, Inc. | \$121 | Comfort Systems USA, Inc. (NYSE:FIX) | Construction and Engineering |

Source: Capital IQ



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Selected Transactions: Recent Industry M&A Activity (without disclosed value)

| Announced Date | Target/Issuer | Buyers/Investors | Industry Classifications |
|----------------|---|---------------------------------------|---|
| 5/14/2018 | JVP Engineers, PC | Ameresco Federal Solutions, Inc. | Construction and Engineering |
| 5/9/2018 | Axis Renewable Group, Inc. | World Wind & Solar, LLC | Construction and Engineering |
| 5/7/2018 | L.A. Lacy, Incorporated | The Branch Group, Inc. | Construction and Engineering |
| 5/3/2018 | Fields Construction Company | Katerra Inc. | Construction and Engineering |
| 5/3/2018 | Richter Solar Energy LLC | Entegrity Energy Partners LLC | Construction and Engineering |
| 5/1/2018 | Axiom Energy Solutions LLC | CoolSys, Inc. | Construction and Engineering |
| 4/30/2018 | The Thompson Companies | Lapham-Hickey Steel Corporation | Construction and Engineering; Specialty Contract Work |
| 4/23/2018 | Encompass Inspections LLC | Ground Penetrating Radar Systems, LLC | Construction and Engineering; Construction Support Services |
| 4/17/2018 | Eberlin & Eberlin, P.C. | Barton & Loguidice, P.C. | Construction and Engineering |
| 4/16/2018 | gkkworks Construction Services, Inc. | Cannon Design, Inc. | Construction and Engineering |
| 4/16/2018 | Reid & Associates, LLC | HB Construction, Inc. | Construction and Engineering |
| 4/11/2018 | Twining sys-tek, LLC | Twining, Inc. | Construction and Engineering |
| 4/9/2018 | Diamond Glass and Mirror, Inc. | United Subcontractors, Inc. | Construction and Engineering; Specialty Contract Work |
| 4/9/2018 | Shafer, Kline & Warren, Inc. | McClure Engineering Co. Inc. | Construction and Engineering; Construction Support Services |
| 4/3/2018 | DiGiorgio Associates Inc. and Monitor Builders Inc. | The LiRo Group | Construction and Engineering |

Source: Capital IQ

Sources:

- 1: "Total Construction Spending: Nonresidential". U.S. Bureau of the Census. 2018-05-16.
- 2: "Civilian Unemployment Rate". U.S. Bureau of Labor Statistics. 2018-05-16.
- 3: Capital IQ. 2018-05-21
- 4: Architecture Billings Index (ABI): March 2018.
- 5: Commercial Construction Index: Q1 2018. 2018-05-16.

Experienced Investment Bankers