

Industry Insights Q1 2012

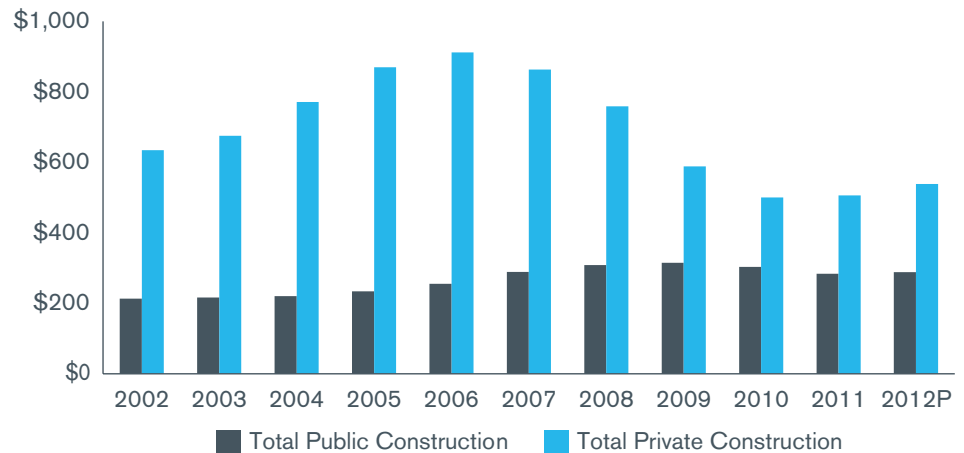
Engineering and Construction

2011 Review and 2012 Outlook

Despite persistent uncertainty in the engineering and construction industry, optimism remains high as growing global demand for infrastructure development, improving economic conditions, and increased availability of project financing provide industry participants with new growth opportunities.

Infrastructure development will be a pivotal driver of growth in the engineering and construction industry (“E&C”). Demand for infrastructure development remains extremely high in emerging markets as well as in the United States. By 2050, infrastructure expenditures are estimated to reach a total

Total Construction Put in Place (\$ in billions)



Source: U.S. Census Bureau of the Department of Commerce

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Duff & Phelps Experience

2011 Review and 2012 Outlook

of \$70 trillion globally.¹ President Obama recently proposed an infrastructure plan that outlines annual infrastructure-related expenditures of approximately \$80 billion a year over the next five years. Other current legislation efforts further emphasize the importance of infrastructure development, with many proponents arguing that sustained growth is impossible without continued investment.

The current outlook for the industry remains relatively subdued as construction spending is forecasted for moderate growth in 2012. The future of government spending is unclear, as legislators waver between pursuing deficit-reduction measures and increasing construction and infrastructure spending. While government funding for construction projects has been restrained, public-private partnerships have given construction projects an alternative means of financing.

¹Per KPMG International. *The Great Global Infrastructure Opportunity - Global Construction Survey 2012*. Rep. KPMG International, 8 Feb. 2012.

Key Trends

Emphasis on Infrastructure

Demand for infrastructure improvements across the United States transportation system, including rail, road, air and shipping networks, is growing. The industry has begun to see a shift in priorities in some regions, as commercial, residential, and industrial projects have taken a secondary role to civil and social infrastructure projects. As urban population continues to experience dramatic growth, the need for investment in infrastructure has become more apparent. This need is expected to become the fundamental driver of growth in the E&C industry.

Uncertainty in Public Funding

After recent years of uncertainty amidst potential deficit reduction initiatives, legislation is in motion to solidify a long-term plan to improve the nation's infrastructure. In February 2012, President Obama outlined a plan that would appropriate roughly \$80 billion annually on road and transit projects over the next six years at a total investment of \$476 billion. This plan would not only improve the nation's transportation system, but is expected to create thousands of jobs. Currently, legislation is being discussed between the House and the Senate that is aimed at improving the United States' transportation system. On March 14th, the Senate passed its version

of the transportation bill, a two-year, \$109 billion mandate which will extend funding for transportation-related projects. Additionally, President Obama's budget includes an increase of \$2.7 billion in the highway construction obligation, reaching a total of \$41.8 billion. The budget also mandates a three percent increase in Federal Transit Administration spending, reaching a total of \$10.8 billion. However, the budget proposal does partially offset this spending with some proposed reductions, including a proposed 20 percent reduction in military construction and a proposed 7 percent reduction in the Environmental Protection Agency's water infrastructure budget.

On March 24th, President Obama issued a statement urging the House of Representatives to pass the Senate's transportation bill. Currently, the House of Representatives has delayed passing the bill. President Obama reiterated the urgency of the bill, stating that "in a matter of days funding will stop for all sorts of transportation projects. Construction sites will go idle. Workers will have to go home. This Congress cannot let that happen." Other forces outside the U.S. government have also attempted to influence Congress' decision, most notably Parks and Recreation and Teamster leaders.

Oil & Gas Pipeline

In an effort to expedite the ongoing debate over the Keystone Pipeline project, President Obama recently announced that the southern part of the oil pipeline will soon begin construction, which will run from Cushing, Oklahoma to the Gulf Coast. Prior to this development, President Obama was hesitant to allow the pipeline project to proceed in its entirety. The planned construction of the southern pipeline is expected to create jobs, lower foreign dependence on oil, and improve American infrastructure. However, political pressure from the Republican Party persists as calls for the approval of the development of the entire pipeline grow. TransCanada Inc., the sponsor of the Keystone Pipeline, estimates that the full construction project would instantly create over 20,000 jobs in the construction and manufacturing sectors, and create an additional 465,000 jobs upon completion.

Key Trends

Public Spaces Access Private Funding

While the uncertainty of public funding has somewhat stifled the volume of construction projects, developers have begun to look towards methods of alternative financing to fund projects. Alternative financing is gaining momentum in North America, specifically with social infrastructure projects including education, justice, and public healthcare facilities. Public-private partnerships have gained popularity over the past decade as limited traditional funding has restricted necessary transportation and construction projects. These financing arrangements have evolved recently, with the financier utilizing this leverage to negotiate provision-heavy contracts in order to maintain a higher level of control over the arrangement. Additionally, equity funds heavy with cash have indicated interest in financing capital projects. To date, 32 states have passed legislation allowing projects to be funded through public-private partnerships and Pennsylvania is currently debating a similar bill. Pressure is increasing in California to utilize private financing, as the state faces an overwhelming deficit and a backlog of necessary construction projects. Further, New York and New Jersey are currently exploring private financing options for various facilities and transportation projects.

In the United States, public-private partnerships are most commonly utilized to fund transportation projects which account for over 50 percent of the public-private partnership agreements in the U.S. Water, energy and healthcare projects are the second, third and fourth most common public-private partnership agreements, respectively. As industry participants remain concerned over the government's ability to fund and facilitate infrastructure development, the use of public-private partnerships is expected to grow.

Green Building

Environment-friendly initiatives continue to drive growth and create opportunities in the E&C industry. President Obama and former President Clinton recently announced a \$4 billion federal-private sector government program aimed at improving the energy efficiency of a diverse range of existing buildings. Additionally, the plan will utilize the energy savings from the improvements to help finance the upgrades. The plan carries some stimulus characteristics as well; forecasts suggest it could create up to 28,000 jobs as the initiative is gradually implemented. The push for green buildings is expected to continue into the future, as companies recognize the financial benefits from such investments.

Optimism

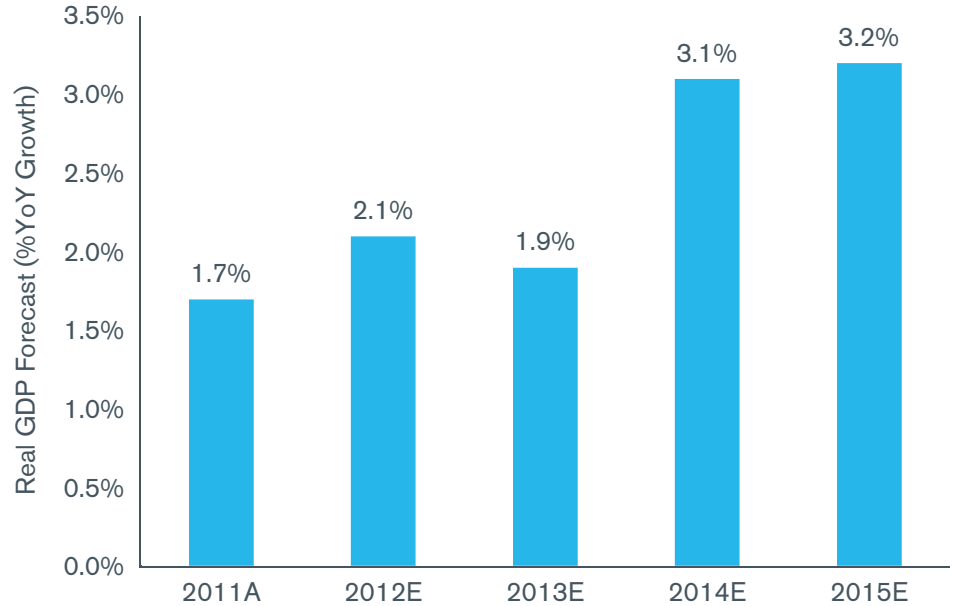
Despite concerns over deficit reduction measures and tight credit markets, industry participants note that there are several reasons for optimism for the short and long-term future of the E&C industry. Traditional metrics such as total construction spending showed 3.7 percent year-over-year growth in December 2011, with total construction spending of \$816.4 billion in December 2011. The American Institute of Architect's Architecture Billings Index ("AIA" and "ABI", respectively) finished 2011 with three of ABI's four indices reading above 50, indicating that moderate growth is expected in the future. Macroeconomic indicators also illustrate a conservative and steady improvement in the economic environment as inflation adjusted GDP rose 2.8 percent in the fourth quarter of 2011.

Economic Indications

GDP Growth

Economic recovery has been sluggish to date since the recent recession. Forecasts call for moderate growth in 2012, with continued business and residential investments and moderate increases in consumer spending driving growth. GDP growth is expected to slow slightly in 2013, with strong growth in 2014 and 2015.

Real GDP Growth 2011A to 2015E



Source: The Conference Board, *The U.S. Economic Forecast*, March 14, 2012; E-Forecasting, *U.S. Quarterly Forecast of GDP and Key Indicators*, February 2012

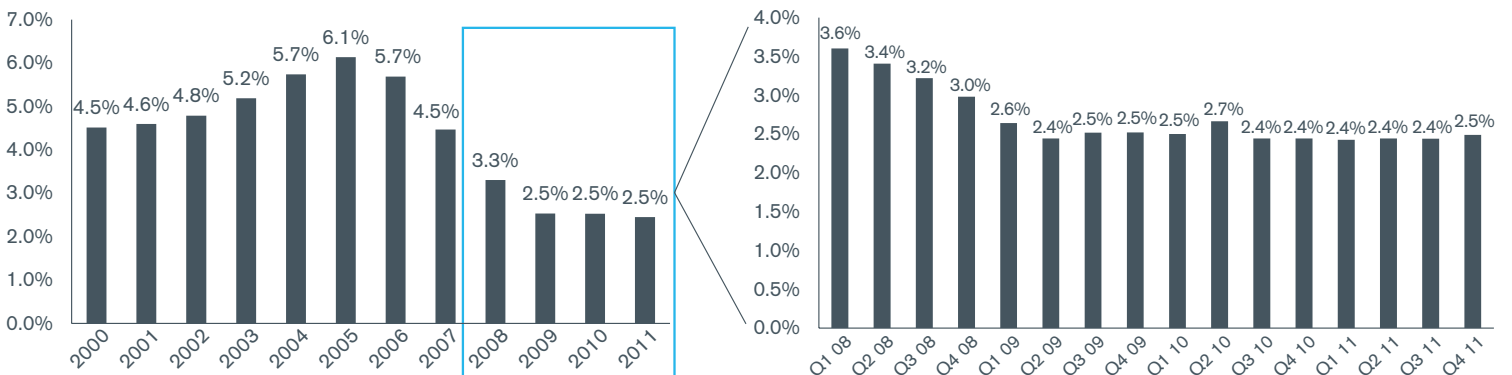
Residential Housing

Private domestic investment in residential housing showed moderate signs of improvement in 2011 yet maintained a similar

proportion to GDP as in 2010. The market outlook for residential housing is slightly optimistic for 2012, as single family housing is expected to improve by 10 percent in

dollar terms while multifamily housing is expected to rise by 18 percent in dollars and 17 percent in units.

Private Domestic Investment in Residential Housing as a % of Real GDP



Source: U.S. Census Bureau; National Association of Home Builders

Economic Indications

Unemployment Rates in the Construction Industry

Although unemployment in the construction industry remains double the national average for all industries, recent developments have given justification for optimism. In December 2011 and January 2012, over 52,000 jobs were created in the construction industry, raising the industry employment rate to a two-year high. Since January 2011, 116,000 jobs were created, a 21 percent increase. In January 2012, the industry's overall unemployment rate was 17.7 percent,

compared to 22.5 percent a year earlier. Heavy and civil engineering employment improved by 2.6 percent from January 2011 to January 2012, while nonresidential building and residential building employment increased by 2 percent and 2.1 percent, respectively, for the same period. Despite these recent developments, sustained employment growth is largely dependent on the government's willingness to provide adequate long-term funding for infrastructure and its ability to minimize inefficient regulatory hurdles.

Mergers and Acquisitions Activity

Turbulent financial markets, combined with tighter lending standards and a decline in government expenditures, have restrained merger and acquisition activity in the E&C industry.

In 2011, global M&A activity rebounded to approximately \$2.5 trillion, a 7.5 percent increase over 2010 M&A activity. Current forecasts project M&A activity will sustain a similar level of growth in 2012. However, many believe M&A activity will significantly increase when credit markets loosen, allowing for easier access to capital.

M&A activity appears to be gaining momentum in 2012. Deal activity persists across the M&A transaction value spectrum, including several transactions over \$1 billion. Companies continued to reinforce their cash balances in 2011, and are expected to soon deploy a portion of these cash reserves in the M&A market. Private equity firms also have record amounts of uninvested capital that they are looking to deploy.

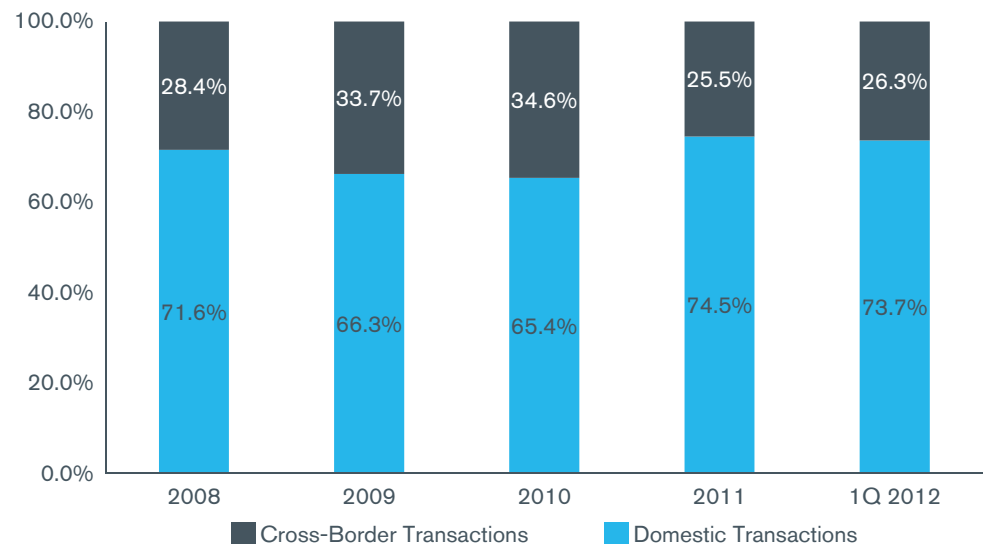
U.S. Engineering and Construction M&A Trends

Local Deals Prevail

The prevalence of local deals dominated the 2011 M&A landscape, as strategic investors continued to make consolidation plays in the industry. Diminishing levels of demand, moderate growth prospects and high levels of competition have presented companies with difficult operating conditions. In order to combat industry threats, companies have recognized the power of consolidation and have utilized M&A transactions as a strategic measure to mitigate the potential impact of these threats. Consolidation has proven a successful endeavor to reduce levels of competition, and companies have enjoyed the strategic synergies resulting from these transactions.

It is important to note that the local deal trend is not exclusive to the United States. The Asian markets have experienced significant growth in the E&C industry. E&C companies in China have greatly benefitted from the Chinese government's infrastructure initiatives and energy-efficient policies, activities, and subsidies. As a result, Asian acquirers have turned their focus domestically and have become less willing to execute cross-border transactions. Local M&A activity is expected to continue into 2012, and is seen as a key factor for expected M&A growth in the industry.

Engineering and Construction Domestic versus Cross-Border Transactions



Note: Excludes any transactions less than \$25 million in size or with undisclosed values; Domestic Transaction refers to any global transaction that did not extend past the target and acquirer's shared border.

Source: Capital IQ

Mergers and Acquisitions Activity

Bolt-on Acquisitions and Consolidation Highlight Notable Trends

In accordance with market expectations, smaller scale deals dominated the E&C M&A landscape in 2011. Globally, over 600 transactions were announced under \$50 million in value in 2011. This compares favorably to transactions greater than \$1 billion, with only two \$1 billion+ transactions completed in the fourth quarter of 2011 compared to seven such transactions in the third quarter of 2011. As mentioned previously, an identifiable preference for local acquisitions drove M&A activity in 2011. With high levels of uncertainty in the market, companies still pursued growth opportunities as industry participants capitalized on operational synergies and the opportunity to diversify their products and services in an attempt to strategically maneuver the market. Additionally, the mature stage of the U.S. E&C market continues to drive consolidation efforts as competition remains high. Strategic investors executed the majority of M&A transactions in 2011 (approximately 87.5 percent) as companies continued to pursue inorganic growth opportunities. Strategic acquisitions were primarily driven by attempts to recognize synergies, diversify customer bases and capitalize on higher growth areas in infrastructure and energy.

Financial Buyer Access to Capital

Financial sponsors faced fundraising challenges in 2011, as private equity fundraising efforts declined by 5 percent in 2011 compared to 2010. However, there is currently over \$430 billion in capital overhang held by financial sponsors who are looking to invest this capital surplus. As funding for infrastructure projects is approved, financial sponsor activity within the E&C sector is expected to increase.

Categorical Breakdown

Within the E&C industry, construction-specific companies comprised approximately 25 percent of the total deal activity in 2011, a seven percent decline from 2010. Civil engineering companies experienced five percent growth in M&A activity, accounting for approximately 16 percent of total deal activity in 2011. In the fourth quarter of 2011, civil engineering companies experienced equal deal activity to the construction segment, with both representing a quarter of total E&C M&A activity.

Outlook

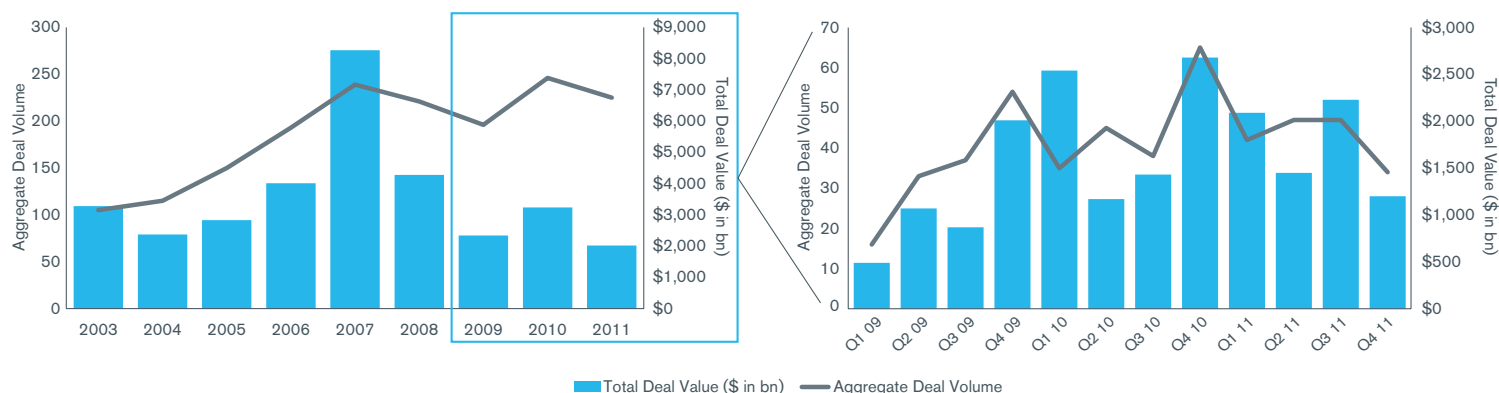
The outlook for deal activity among E&C firms in 2012 remains largely correlated to macroeconomic conditions and favorable regulatory progress. Strategic acquisitions are expected to continue to account for the majority of executed transactions, as industry consolidation in the wake of intense competition will continue to be a strong strategic play. During the economic recession, industry participants undertook numerous cost-cutting measures while the total number of industry participants declined. The surviving companies became leaner and more efficient, allowing many of them to accumulate strong cash positions. Global growth opportunities remain as continued infrastructure development has become a global necessity and demand for energy-efficient related projects remains high. Consequently, companies are expected to consider acquisitions as a means to deploy this excess cash and achieve growth.

Mergers and Acquisitions Activity

M&A Activity Review

Deal activity in the E&C industry remained steady for the first three quarters of 2011 but experienced a significant decline in the fourth quarter. Total deal value and volume declined from 2010 as economic factors and uncertainty over the U.S. regulatory environment mitigated the potential impact of the strong cash positions of strategic buyers.

Engineering and Construction M&A Value and Volume



Excludes deals over \$10 billion in value.
Source: Capital IQ

Most Active Buyers in 2011 by Number of Transactions

Company Name	Transactions
Tutor Perini Corporation (NYSE:TPC)	4
Genesis Group Holdings, Inc. (OTCBB:GGHO)	3
Ameresco, Inc. (NYSE:AMRC)	2
Bowman Consulting Group, Ltd.	2
City Capital Corporation (OTCPK:CTCC)	2
Egan Companies, Inc.	2
EMCOR Group Inc. (NYSE:EME)	2
Fluor Corporation (NYSE:FLR)	2
GAI Consultants, Inc.	2
HPG Services, LLC	2

Most Active Buyers in 2011 by Total Transaction Size (\$ in millions)

Company Name	Size
Tutor Perini Corporation (NYSE:TPC)	\$593.0
PPL Generation, LLC	\$299.2
Skanska USA Civil, Inc.	\$135.0
Waste Connections Inc. (NYSE:WCN)	\$125.0
MasTec, Inc. (NYSE:MTZ)	\$112.4
Vectren Infrastructure Services Company, Inc.	\$83.4
Exchange Income Corporation (TSX:EIF)	\$81.5
Howard Midstream Energy Partners, LLC	\$76.0
Michael Baker Corporation (AMEX:BKR)	\$56.1
Integrays Energy Group, Inc. (NYSE:TEG)	\$49.6

Transaction Size = Value of consideration including cash, stock, net debt assumed and earnouts
Transaction Size includes the total transaction size of deals with disclosed values
Source: Capital IQ

Mergers and Acquisitions Activity

Select Domestic Mergers and Acquisitions

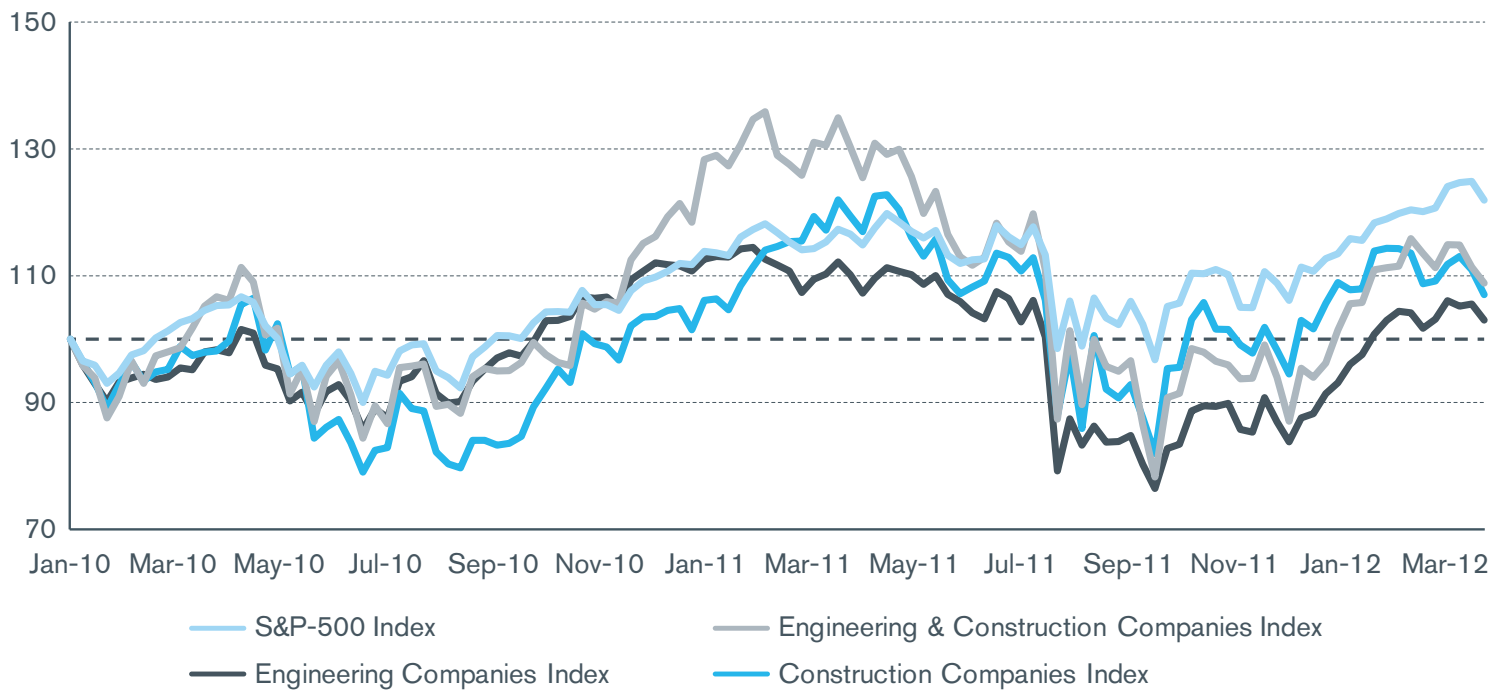
August 1, 2011 through March 31, 2012 (\$ in millions)

Announced Date	Target	Acquirer	Implied Enterprise Value
Mar-12	Randolph Construction Services, Inc.	LVI Services Inc.	\$27.5
Mar-12	Sprint Pipeline Services, LP	Primoris Services Corporation (NasdaqGS:PRIM)	\$28.0
Mar-12	Allco, Ltd.	LCTI Low Carbon Technologies International Inc.	\$30.4
Feb-12	Flint Energy Services Ltd.	URS Corporation (NYSE:URS)	\$1,471.1
Jan-12	Gillen Foundations, Inc.	Michels Corporation	\$9.2
Jan-12	Palisades West, LLC	Dimensional Fund Advisors LP	\$128.4
Dec-11	Applied Water Management, Inc.	Natural Systems Utilities, LLC	\$2.9
Dec-11	Industrial Contractors Skanska	Skanska USA Civil, Inc.	\$135.0
Dec-11	Communications Infrastructure Group, LLC	CIG Properties, Inc.	\$2.8
Nov-11	Goar, Allison & Associates, LLC	Fluor Corporation (NYSE:FLR)	\$8.0
Nov-11	Environmental Air Systems, Inc.	Comfort Systems USA Inc. (NYSE:FIX)	\$50.0
Oct-11	BGM Buildings, LLC	HPG Services, LLC	\$0.2
Oct-11	RBF Consulting, Inc.	Michael Baker Corporation (AMEX:BKR)	\$52.7
Aug-11	Pine Valley Power, Inc.	Pike Electric Corporation (NYSE:PIKE)	\$25.1

Implied Enterprise Value = The implied value of 100% of the target company based upon the consideration paid in cash and stock, the net debt assumed, and the value of earnouts

Stock Price Performance and Public Market Valuations

Selected Duff & Phelps Engineering and Construction Public Company Indices vs. S&P 500 Index
January 2010 through March 2012
Index Performance 1/1/2010 = 100



Note: The indices are comprised of the companies on the next page and are market capitalization weighted.
Source: Capital IQ

Stock Price Performance and Public Market Valuations

Select Company Performance

(\$ in millions, except per share amounts)

Company Information		Market Data					LTM Operating Performance			Multiples		
Company Name	Ticker	Price at 3/31/12	% of 52-Week High	Equity Value	Enterprise Value	Debt / Total Capital	Revenue Growth	EBITDA Growth	EBITDA Margin	EV / LTM REV	EV / LTM EBITDA	EV / NTM EBITDA
Engineering Companies												
AECOM Technology Corporation	ACM	\$22.37	77.4%	\$2,620.1	\$3,411.8	36.4%	16.1%	9.3%	5.8%	0.42x	7.3x	5.8x
AMEC plc	AMEC	\$11.08	90.8%	\$3,627.9	\$3,107.9	0.0%	10.5%	10.6%	9.0%	0.95x	10.6x	8.9x
Arcadis NV	ARCAD	\$15.67	89.3%	\$1,085.9	\$1,349.6	31.3%	0.7%	1.1%	8.5%	0.67x	7.9x	6.9x
Michael Baker Corporation	BKR	\$23.85	80.2%	\$228.1	\$180.5	0.0%	7.8%	24.6%	7.8%	0.34x	4.3x	3.1x
Stantec Inc.	STN	\$31.80	97.4%	\$1,448.1	\$1,694.7	17.5%	12.4%	10.7%	14.4%	1.23x	8.5x	7.7x
Tetra Tech Inc.	TTEK	\$26.36	99.5%	\$1,664.4	\$1,696.1	8.1%	23.4%	23.2%	10.9%	0.90x	8.3x	7.3x
						Mean	11.8%	13.2%	9.4%	0.75x	7.8x	6.6x
						Median	11.5%	10.6%	8.7%	0.79x	8.1x	7.1x
Engineering and Construction Companies												
Chicago Bridge & Iron Company N.V.	CBI	\$43.19	90.5%	\$4,247.7	\$3,634.6	1.1%	24.9%	15.4%	9.4%	0.80x	8.5x	6.9x
Fluor Corporation	FLR	\$60.04	80.5%	\$10,174.6	\$8,514.1	6.3%	12.1%	60.6%	5.1%	0.36x	7.2x	6.6x
Foster Wheeler AG	FWLT	\$22.76	58.8%	\$2,452.5	\$1,938.9	8.1%	10.2%	(26.2%)	5.3%	0.43x	8.2x	5.7x
Jacobs Engineering Group Inc.	JEC	\$44.37	84.5%	\$5,701.3	\$5,291.3	10.1%	8.8%	30.1%	6.3%	0.50x	7.9x	7.2x
KBR, Inc.	KBR	\$35.55	90.4%	\$5,262.4	\$4,341.4	2.3%	(8.6%)	(7.8%)	5.5%	0.48x	8.7x	6.0x
Shaw Group Inc.	SHAW	\$31.71	79.5%	\$2,090.3	\$2,135.9	76.7%	(8.0%)	(70.7%)	1.4%	0.36x	NM	6.5x
URS Corporation	URS	\$42.52	90.2%	\$3,384.8	\$3,854.5	20.7%	4.0%	(1.7%)	6.5%	0.40x	6.2x	4.9x
						Mean	6.2%	(0.0%)	5.6%	0.48x	7.8x	6.3x
						Median	8.8%	(1.7%)	5.5%	0.43x	8.0x	6.5x
Construction Companies												
EMCOR Group Inc.	EME	\$27.72	86.8%	\$1,845.5	\$1,482.3	10.4%	15.7%	0.6%	4.8%	0.26x	5.5x	5.1x
Granite Construction Incorporated	GVA	\$28.74	94.3%	\$1,098.2	\$948.8	26.4%	14.0%	133.4%	7.3%	0.47x	6.5x	5.7x
MasTec, Inc.	MTZ	\$18.09	78.1%	\$1,459.0	\$1,933.6	25.6%	30.4%	5.4%	8.5%	0.64x	7.6x	5.9x
Primoris Services Corporation	PRIM	\$16.06	93.9%	\$823.0	\$782.6	13.1%	55.0%	66.3%	9.5%	0.54x	5.7x	5.5x
Sterling Construction Co. Inc.	STRL	\$9.75	57.5%	\$159.1	\$115.0	0.7%	9.0%	(38.7%)	6.5%	0.23x	3.5x	3.9x
Tutor Perini Corporation	TPC	\$15.58	58.0%	\$737.4	\$1,202.2	55.9%	16.2%	6.6%	5.8%	0.32x	5.6x	4.8x
						Mean	23.4%	28.9%	7.1%	0.41x	5.7x	5.2x
						Median	15.9%	6.0%	6.9%	0.40x	5.6x	5.3x

LTM = Latest Twelve Months; NTM = Next Twelve Months; Enterprise Value = (Market Capitalization + Debt + Preferred Stock + Minority Interest) - (Cash & Equivalents)

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization; Total Capital = Market Capitalization + Preferred Stock + Minority Interest + Debt; NA = Not Available

Note: Stock price, equity value, and enterprise value for AMEC plc, Arcadis NV, and Stantec Inc. have been converted to U.S. dollars as of 3/31/2012.

Source: Capital IQ

Engineering and Construction Representative Experience

Minority Recapitalization

Commonwealth Engineering and Construction, LLC has completed a minority recapitalization



Financial advisor to Commonwealth Engineering and Construction, LLC

Sell Side Advisor

GKN Aerospace Engineering Services has been acquired by QuEST Global Engineering



Financial advisor to GKN Aerospace Engineering

Purchase Price Allocation

Tutor Perini Corporation has acquired GreenStar Services Corporation



Financial advisor to Tutor Perini Corporation

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