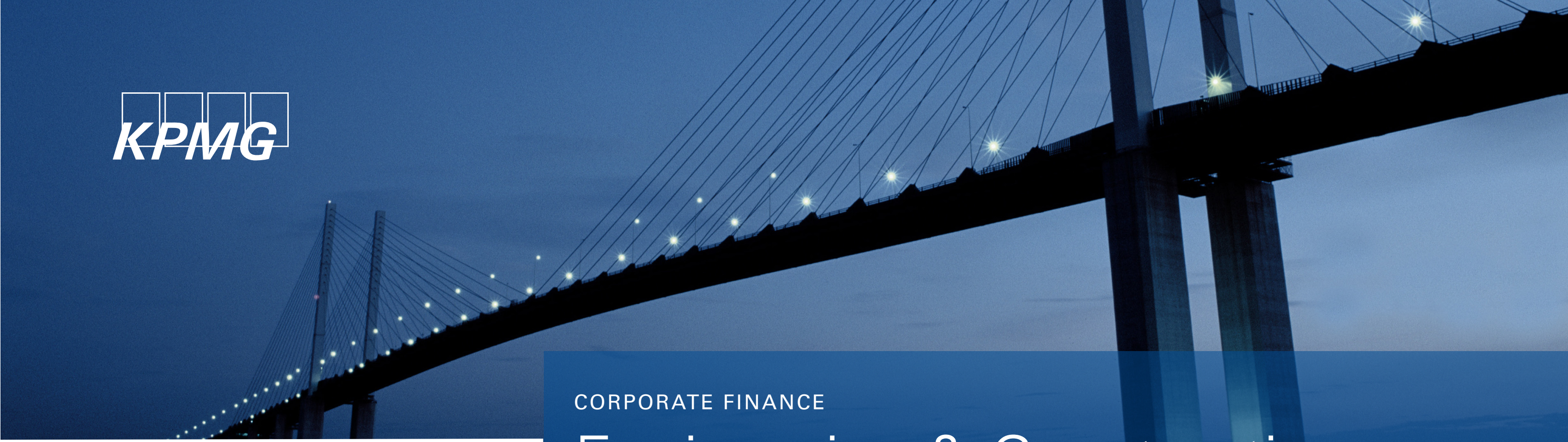


CORPORATE FINANCE

Engineering & Construction

ADVISORY

Summer 2009

Will the Stimulus Save the Industry?

The Stimulus and the Industry

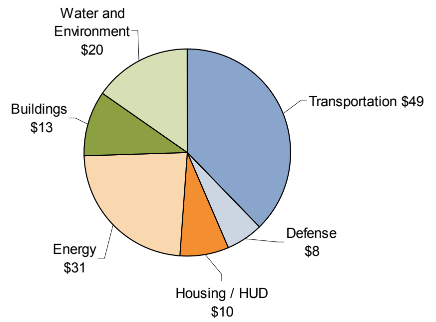
On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (The Act), providing a US$787 billion investment infusion into the economy. Of the US$787 billion stimulus package, the Act allocates US$131 billion to construction-related spending across several industries, including defense, housing, buildings, transportation, water and the environment, and energy. The allocation of funding is detailed in the table below.

The Department of Transportation (DOT) will receive the largest departmental influx of funding from the bill—over US$49 billion—and as a result, the DOT will be a major sponsor of economic development projects. Within the DOT, the Federal Highway Administration received US$27.5 billion for highway infrastructure investment. Funds will be distributed utilizing existing formulas, with a portion of the funds within each state to be suballocated by population. Projects that can be completed within three years and are in economically distressed areas will be given top priority.

In addition to highway infrastructure, the recovery package also invests US$8.4 billion in public transit, promoting more sustainable development. Inter-city rail received US$10.5 billion, showing federal support for rail as a mode of transportation for the 21st century. Infrastructure investments also are allocated to:

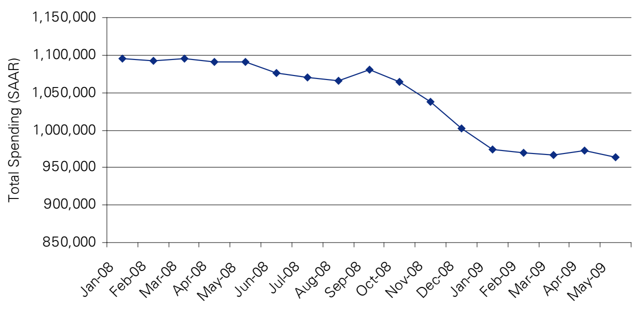
- Broadband development, which will receive a total of US$7.2 billion, including US$4.7 billion to the Broadband Technologies Opportunities Program, housed within the National Telecommunications and Information Administration in the Department of Commerce, to help underserved areas enhance their competitiveness and position these areas for long-term growth
- Electric grid modernization to boost the nation's power infrastructure, which will receive a US$4.5 billion allocation through the Department of Energy
- Housing development, including US$2.25 billion through the HOME Investment Partnerships Program and the low-income housing tax credit at the Department of Housing and Urban Development, to restart stalled housing projects; US$2 billion to redevelop abandoned and foreclosed properties; and US$2.25 billion for energy retrofit investments, including US$250 million to upgrade HUD-sponsored low-income housing to improve energy efficiency

Infrastructure Funding Allocation (in US$ billions)



Source: American Recovery and Reinvestment Act of 2009

Total Construction Spending



Source: U.S. Census, July 6, 2009

- Environmental cleanup, including US$6 billion to clean up former weapon productions and energy research sites, and US$1.2 billion for the Environmental Protection Agency's clean-up programs, including Superfund[1]

Many construction companies and workers are still waiting to benefit from stimulus funds. The industry lost 126,000 jobs in March 2009, bringing total construction job losses to 466,000 since November 2008.[2] Due to various federal requirements in the Act, several construction and engineering companies have been challenged in seeking stimulus funding. One such requirement, for example, is the "Buy American" provision, which requires stimulus-funded projects to use only iron, steel, and manufactured goods produced in the United States, which has resulted in many project delays.[3]

Despite these delays, many states have begun creating transportation jobs as a growing number of project contracts are awarded using stimulus funding.

According to the House Transportation and Infrastructure Committee, as of March 31, 2009, work had begun on 263 highway and transit projects, totaling US$1.1 billion across 30 states. Additionally, 101 projects, valued at US$100 million, were under contract, and 1,380 projects, totaling US$6.4 billion, were out for bid. In late April, a congressional review of stimulus activity indicated that the distribution of funding has made good progress in core infrastructure sectors over the first 10 weeks since the stimulus plan was enacted.[4]

2009 Construction Outlook

Despite the American Recovery and Reinvestment Act of 2009, which as discussed, is expected to generate a plethora of projects across the nation, overall new construction is projected to decline 15 percent in 2009, according to McGraw-Hill Construction's 2009 Construction Outlook Spring Update. Public works is expected to benefit the most from the Act during 2009, with construction starts increasing 10 percent during the year, including a 15 percent growth in bridge and highway construction. This 10 percent increase in public works for the year is compared to a decrease of 10 percent for the year that the industry was expected to experience before the Act was passed. The originally projected decline was a result of the deteriorating budgets of state and local governments.

Unlike public works, construction of institutional buildings is projected to drop by 6 percent in 2009, as the weak economic climate continues to take its toll on educational and healthcare facilities. However, stimulus funding will provide energy upgrades for federal buildings, which will moderate the overall institutional building decline in 2009.

Commercial building in 2009 is forecasted to decrease 27 percent, which is greater than the 17 percent decline reported last year. The constricted credit markets have made it extremely difficult to secure project financing, leading to more projects being deferred or cancelled. All commercial project types will register declines in 2009, with the most severe retrenchment anticipated for hotel construction.

Residential building in 2009 will drop an additional 31 percent, continuing the downward trend that's been underway since 2006. Similar declines are expected for single family housing (down 30 percent) and multifamily housing (down 31 percent). Steps taken in early 2009 to address the foreclosure problem should help to ease the rate of descent for housing as 2009 progresses.[5]

M&A and Capital Market Update

M&A activity in the engineering and construction industry for the first half of 2009 was valued at US$282.1 million. This is down from US$3.84 billion the same period last year. The number of closed transactions in the first half of 2009 declined to 67 transactions, down from 100 in the same period last year. Valuation multiples also significantly decreased, with revenue and EBITDA multiples decreasing from approximately 0.6x to 0.3x and 13.1x to 5.4x, respectively, based on publicly available information.

Public company valuation multiples also reflected the weakened market conditions, with mean trailing 12 months EBITDA to enterprise value multiples for the industry declining from 15.4x in H1 2008 to 6.2x in H1 2009.[6]

KPMG Infrastructure Survey

KPMG together with the Economic Intelligence Unit recently conducted a second survey focusing on the state of the world's infrastructure. The results are detailed in the report, "The Changing Face of Infrastructure-Frontline Views from Private Sector Infrastructure Providers," available here .

1 *The American Recovery and Reinvestment Act of 2009.*

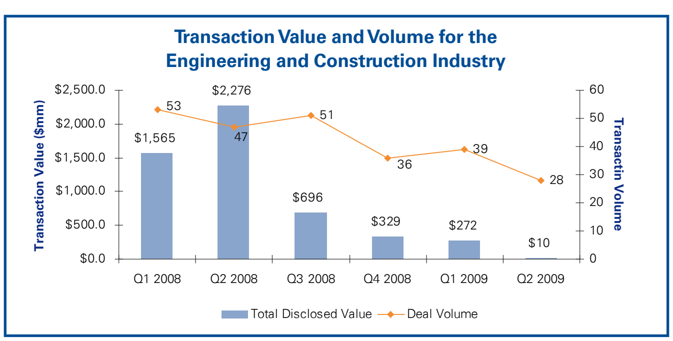
2 *U.S. Bureau of Labor Statistics. March 31, 2009.*

3 *USA Today, "Senate Softens 'Buy American' Provision in Stimulus Bill," February 5, 2009.*

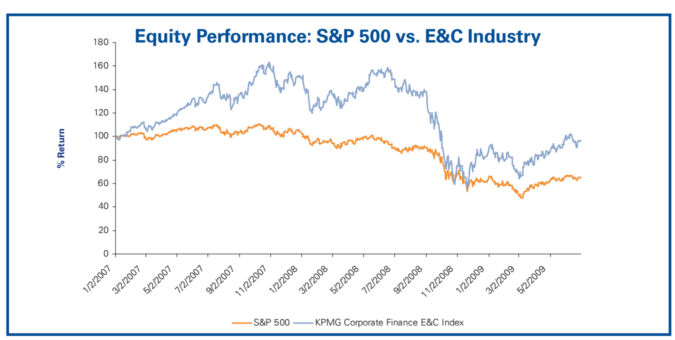
4 *Engineering News*, "Stimulus Review: So Far So Good," May 6, 2009.

5 *McGraw Hill Construction*, "Construction Outlook 2009 – Spring Update," April 11, 2009.

6 *Capital IQ*, June 30, 2009.



Source: Capital IQ, June 30, 2009



Source: Capital IQ, June 30, 2009

Company	Market Cap[1]	Share Price[1]	52-Week Low	52-Week High	Price % Change 1 Mo	Price % Change 3 Mo	Price % Change 1 Yr	EV[2]/ Sales	EV[2]/ EBITDA	EV[2]/ EBIT
DIVERSIFIED ENGINEERING & CONSTRUCTION										
AMEC PLC	3,574.2	10.70	6.10	15.20	-1.8%	40.8%	-38.9%	0.5x	7.0x	8.2x
ARCADIS NV	998.0	16.60	8.40	21.60	7.1%	24.8%	-27.5%	0.5x	6.2x	7.8x
MICHAEL BAKER CORPORATION	375.3	42.40	14.50	44.70	1.0%	57.0%	101.9%	0.5x	5.7x	6.4x
BALFOUR BEATTY PLC	2,430.7	5.10	3.60	7.10	-7.3%	6.3%	-40.0%	0.2x	3.7x	5.0x
FLUOR CORPORATION	9,223.9	51.30	28.60	96.50	9.1%	37.9%	-44.4%	0.3x	5.9x	6.8x
JACOBS ENGINEERING GROUP, INC.	5,196.1	42.10	26.00	86.90	-1.9%	1.9%	-48.2%	0.4x	5.7x	6.4x
URS CORP.	4,119.1	49.50	19.90	53.10	2.9%	21.0%	14.6%	0.5x	7.0x	8.8x
SNC LAVALIN GROUP INC.	5,564.5	36.80	22.40	50.30	3.1%	41.0%	-33.5%	1.1x	12.3x	15.5x
STANTEC INC.	1,094.4	24.10	14.10	26.80	-6.9%	31.0%	-11.1%	1.3x	9.1x	11.8x
Diversified Engineering & Construction Mean					**0.6%**	**29.1%**	**-14.1%**	**0.6x**	**7.0x**	**8.5x**
Diversified Engineering & Construction Median					**1.0%**	**31.0%**	**-33.5%**	**0.5x**	**6.2x**	**7.8x**
SPECIALTY ENGINEERING & CONSTRUCTION										
DYCOM INDUSTRIES INC.	431.7	11.10	3.60	18.30	-5.1%	88.1%	-28.8%	0.4x	4.2x	9.8x
ENGLOBAL CORP.	134.3	4.90	2.20	18.40	-10.9%	6.5%	-63.7%	0.3x	4.6x	5.4x
HILL INTERNATIONAL, INC.	171.8	4.30	2.20	19.70	4.9%	48.3%	-74.4%	0.5x	6.5x	8.6x
SHAW GROUP INC.	2,290.3	27.40	11.50	64.70	0.7%	-4.9%	-55.1%	0.4x	6.8x	7.7x
TETRA TECH INC.	1,725.4	28.70	14.20	30.20	11.7%	38.0%	28.1%	1.3x	12.9x	15.5x
TRC COMPANIES INC.	77.4	4.00	1.20	4.50	0.0%	53.8%	-11.1%	0.4x	NM	NM
WILLBROS GROUP INC.	493.8	12.50	5.40	44.30	-18.3%	23.8%	-71.8%	0.2x	2.1x	2.9x
Specialty Engineering & Construction Mean					**-2.4%**	**36.2%**	**-39.5%**	**0.5x**	**6.2x**	**8.3x**
Specialty Engineering & Construction Median					**0.0%**	**38.0%**	**-55.1%**	**0.4x**	**5.6x**	**8.2x**
CONSTRUCTION CONTRACTORS										
AECON GROUP INC.	559.9	9.90	4.90	14.50	-8.3%	25.3%	-39.3%	0.3x	5.0x	6.4x
EMCOR GROUP INC.	1,324.2	20.10	11.20	36.10	-10.7%	12.9%	-28.0%	0.2x	3.0x	3.5x
GRANITE CONSTRUCTION INCORPORATED	1,287.1	33.30	21.20	50.00	-9.0%	-18.6%	5.4%	0.4x	4.2x	6.1x
MASTEC, INC.	887.1	11.70	5.60	15.70	-10.0%	-1.7%	8.3%	0.8x	9.3x	13.0x
TUTOR PERINI CORPORATION	842.3	17.40	10.20	32.90	-15.9%	39.2%	-46.6%	NM	NM	NM
PIKE ELECTRIC CORPORATION	402.9	12.10	6.70	19.20	11.0%	24.7%	-29.7%	0.8x	5.0x	7.7x
QUANTA SERVICES INC.	4,586.5	23.10	10.60	35.40	1.3%	2.2%	-29.6%	1.2x	7.3x	14.7x
SKANSKA AB	4,662.8	11.10	6.90	11.80	1.8%	30.6%	-23.4%	0.2x	4.5x	6.0x
Construction Contractors Mean					**-5.0%**	**14.3%**	**-22.9%**	**0.6x**	**5.5x**	**8.2x**
Construction Contractors Median					**-8.7%**	**18.8%**	**-28.8%**	**0.4x**	**5.0x**	**6.4x**
TOTAL ENGINEERING & CONSTRUCTION INDUSTRY MEAN					**-2.1%**	**26.3%**	**-24.4%**	**0.6x**	**6.3x**	**8.4x**
TOTAL ENGINEERING & CONSTRUCTION INDUSTRY MEDIAN					**-0.9%**	**25.1%**	**-29.6%**	**0.4x**	**5.8x**	**7.7x**

1 Market Capitalization amounts are in millions, based on closing Share Prices as of June 30, 2009

2 Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents

Source: Capital IQ and company filings

Select Global Engineering and Construction Closed Transactions in H1 2009

- June 25, 2009 – **DONG Energy AS**, **DONG Energy A/S**, a provider of oil and gas exploration and production services in Europe, acquired **A2SEA A/S**, a provider of transportation, installation, and service and maintenance of offshore wind turbines, for US$245.5 million. *(Source: Capital IQ)*

- June 16, 2009 – **IHI Corporation**, a Japanese manufacturer of industrial machinery, acquired **Matsuo Bridge Co., Ltd.**, a provider of bridge and steel structure construction services based in Japan, for US$82.8 million. *(Source: Capital IQ)*

- April 1, 2009 – **Aecon Group, Inc.**, a global construction and infrastructure development company based in Canada, acquired **Lockerbie & Hole, Inc.**, a Canadian mechanical contractor, for US$170.2 million. *(Source: Capital IQ)*

- March 31, 2009 – **Insituform Technologies Inc.**, a provider of technologies to rehabilitate, replace, maintain, and install underground pipes, acquired **Corrpro Companies, Inc.**, a provider of corrosion control engineering services, systems, and equipment to the infrastructure, environmental, and energy markets worldwide, for US$88.1 million, resulting in valuation multiples of approximately 0.4x EV/Revenue and 5.4x EV/EBITDA. *(Source: Capital IQ)*

- March 31, 2009 – **Clearview Capital, LLC**, a U.S. private equity group focusing on middle-market companies, acquired **EN Engineering, LLC**, a provider of engineering and consulting services, for US$35 million. *(Source: Capital IQ)*

- March 25, 2009 – **International Petroleum Investment Company**, a UAE-based energy investment company, acquired **MAN Ferrostaal AG**, a German provider of engineering and construction services, for US$703.4 million, resulting in valuation multiples of approximately 0.1x EV/Revenue and 0.5x EV/EBITDA. *(Source: Capital IQ)*

- February 23, 2009 – **Balfour Beatty Construction Group, Inc.**, a national commercial construction firm, acquired **RT Dooley**, a preconstruction, technical, managed bidding, construction, and postconstruction services firm, for US$40 million. *(Source: Capital IQ)*

- February 13, 2009 – **Intertek Group plc**, a provider of quality and safety solutions to the industrial markets worldwide, acquired **WISco, Inc.**, a provider of inspection, expediting, project management, and manpower support services, for US$26.5 million. *(Source: Capital IQ)*

- February 2, 2009 – **Insight Equity**, a U.S. private equity fund, acquired **Meadow Valley Corporation**, a provider of construction and contracting services in the United States, for US$50.4 million, resulting in valuation multiples of approximately 0.2x EV/Revenue and 3.8x EV/EBITDA. *(Source: Capital IQ)*

- January 15, 2009 – **Aecon Group, Inc.**, a global construction and infrastructure development company based in Canada, acquired **South Rock, Ltd.**, a Canadian road construction contractor, for $35.6 million, resulting in a valuation multiple of approximately 0.3x EV/Revenue. *(Source: Capital IQ)*

- January 15, 2009 – **Tutor Perini Corporation**, a nationwide general contractor, acquired **Daniel J Keating Construction Company**, a Pennsylvania-based construction and engineering firm, for $52 million. *(Source: Capital IQ)*

Source: Capital IQ, June 30, 2009

KPMG Corporate Finance

KPMG Corporate Finance is a full service, independent, middle-market investment bank with deep experience in the engineering and construction sector. We have deep experience with various corporate finance situations including sellside, buyside, capital raising, valuation, fairness opinions, and ESOPs. KPMG Corporate Finance also has extensive experience in special situations to make it a trusted adviser in this sector. We can advise and assist in the execution of transactions that seek to maximize value for engineering and construction companies and improve the likelihood of preserving equity in any project.

Through our vast global network and contacts with specialty capital providers in the engineering and construction sector, we are able to provide your company with financial restructuring options and access to needed liquidity. Our special situations advisory bankers welcome the opportunity to meet with you on a confidential basis to learn more about how we might assist you to explore all of the strategic alternatives available in the market today.

KPMG Corporate Finance provides a full suite of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge in global M&A and project finance to advise clients on mergers and acquisitions, sales and divestitures, buy-outs, financings, debt restructurings, equity recapitalizations, fairness opinions, infrastructure project finance, and other advisory initiatives.

Operating in 62 countries, KPMG's Corporate Finance practice comprises more than 2,200 professionals who are able to meet the needs of KPMG's firms' clients across the globe. In 2008, as a leading financial adviser, KPMG's Corporate Finance practice completed 390 deals totaling US$51.5 billion, according to Thomson Reuters' global M&A league tables.

Our Experience

Our professionals have experience in investment banking, financial valuation, commercial banking, private equity, and industry. This gives us the flexibility to put the "best team on the ground" to tailor our products and meet the specific needs of our clients.

Our Services

Whether you are a private company looking to sell or raise capital, a public company looking to divest noncore assets or acquire strategically in the far reaches of the globe, or an institutional investor needing proprietary knowledge or access, our professionals leverage these unmatched strengths across our broad service offerings.

2005	Number of Deals
1. KPMG Corporate Finance	**429**
2. Goldman Sachs & Co	349
3. JP Morgan	325
4. PricewaterhouseCoopers	316
5. Morgan Stanley	315
6. Citigroup	313
7. UBS	270
8. Rothschild	258
9. Merrill Lynch	251
10. Credit Suisse	236

2006	Number of Deals
1. KPMG Corporate Finance	**434**
2. Goldman Sachs & Co	377
3. JP Morgan	334
4. Morgan Stanley	328
5. UBS	327
6. PricewaterhouseCoopers	317
7. Citigroup	314
8. Rothschild	309
9. Credit Suisse	275
10. Merrill Lynch & Co Inc.	253

2007	Number of Deals
1. Citi	457
2. KPMG Corporate Finance	**450**
3. Goldman Sachs & Co	418
4. Morgan Stanley	395
5. UBS	392
6. JP Morgan	361
7. Credit Suisse	343
8. PricewaterhouseCoopers	335
9. Rothschild	329
10. Merrill Lynch	282

2008	Number of Deals
1. KPMG Corporate Finance	**390**
2. JP Morgan	357
3. Goldman Sachs & Co	316
4. Credit Suisse	315
5. Citi	314
6. Merrill Lynch	307
7. UBS	306
8. Morgan Stanley	298
9. PricewaterhouseCoopers	284
10. Rothschild	269

Source: Thomson Reuters SDC. Each set of figures is taken from the league table press releases issued for that year.

Contact Us

Baltimore

Stephen Gaines
Managing Director
U.S. Head of Corporate Finance
410-949-8510
sgaines@kpmg.com

Baltimore

Stephen Guy
Managing Director
410-949-8909
sguy@kpmg.com

We welcome the opportunity to meet with you, learn more about your company's objectives, and discuss our people and capabilities.

KPMG Corporate Finance —We Can Do a Great Deal Together.

KPMG Corporate Finance LLC is a leading middle market investment bank serving domestic and international clients. We offer a full suite of investment banking and strategic advisory services. Visit us online at www.kpmgcorporatefinance.com.