

J&A Sell-Side M&A Report

Mission Critical Facilities Engineering Transactions and Valuations

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AUTHORS



JAYDON BURRELL

Jaydon Burrell is a member of the investment banking team at J&A. Originally from South Africa, he holds a master's degree in finance and investment banking from the University of Johannesburg. Jaydon has a background in portfolio and investment management and has received education in both Hong Kong and South Africa. Additionally, Jaydon holds the Series 63 and Series 82 licenses as a private securities representative.



JOSHUA JAHANI

Joshua Jahani is a managing director at Jahani and Associates. He is based in the New York City office. He leads the firm's global expansion and client service activities. He has been featured in over 20 publications such as the BBC, Newsweek, International Business Times, NBC, and more about investment banking and global trade. Joshua is a lecturer at Cornell University and New York University.

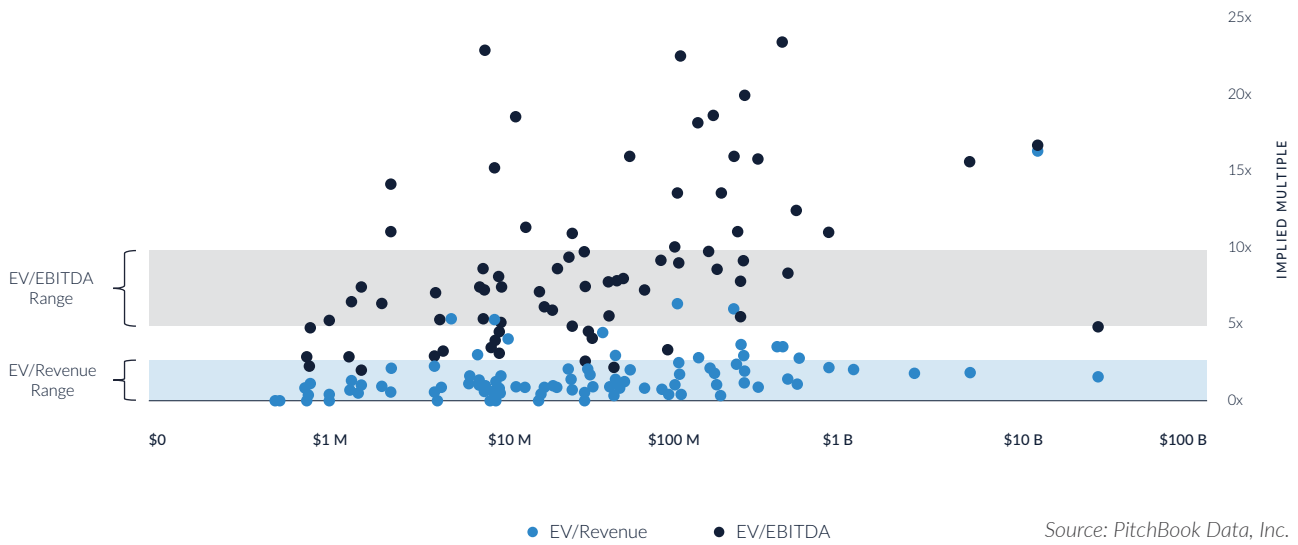


Between Q1 2020 and Q3 2024, over \$130 billion was deployed across 3,688 M&A transactions in the mission critical facilities engineering sector globally. The average deal size of around \$35 million indicates an appetite for transactions in the lower and middle markets.

The mission critical facilities engineering industry focuses on designing, constructing, and maintaining facilities that house essential operations, where even brief interruptions could result in significant business or operational impacts. These facilities include data centers, hospitals, military installations, laboratories, and other specialized sites that must ensure continuous and reliable operation. The infrastructure of these facilities is built around redundancy to handle emergencies, ensuring they can maintain critical functions during power outages, extreme weather events, or other disruptions.

The mission critical facilities engineering industry is experiencing rapid growth due to the rising dependence on data, digital services, and critical infrastructure in sectors like healthcare, finance, and cloud computing. These industries require highly reliable, resilient facilities to support uninterrupted operations amid increasing digital demands. Additionally, the growing emphasis on sustainability and advancements in energy-efficient technology further drive the sector's expansion, as businesses prioritize minimizing operational risks and adapting to evolving environmental standards.

Mission Critical Facilities Engineering Transactions Valuation Multiple Analysis (Q1 2020 – Q3 2024)

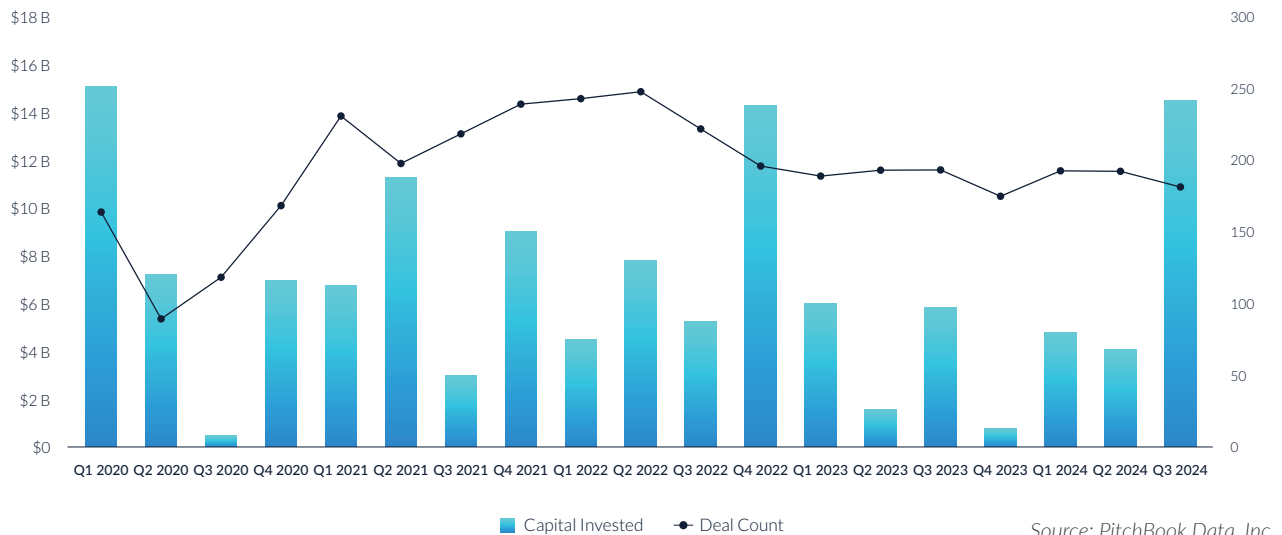


Note: The X-axis has been converted to a logarithmic scale to better graphically represent all data points.

EV / REVENUE		EV / EBITDA	
MEAN	MEDIAN	MEAN	MEDIAN
1.7 X	1.1 X	9.1 X	7.9 X

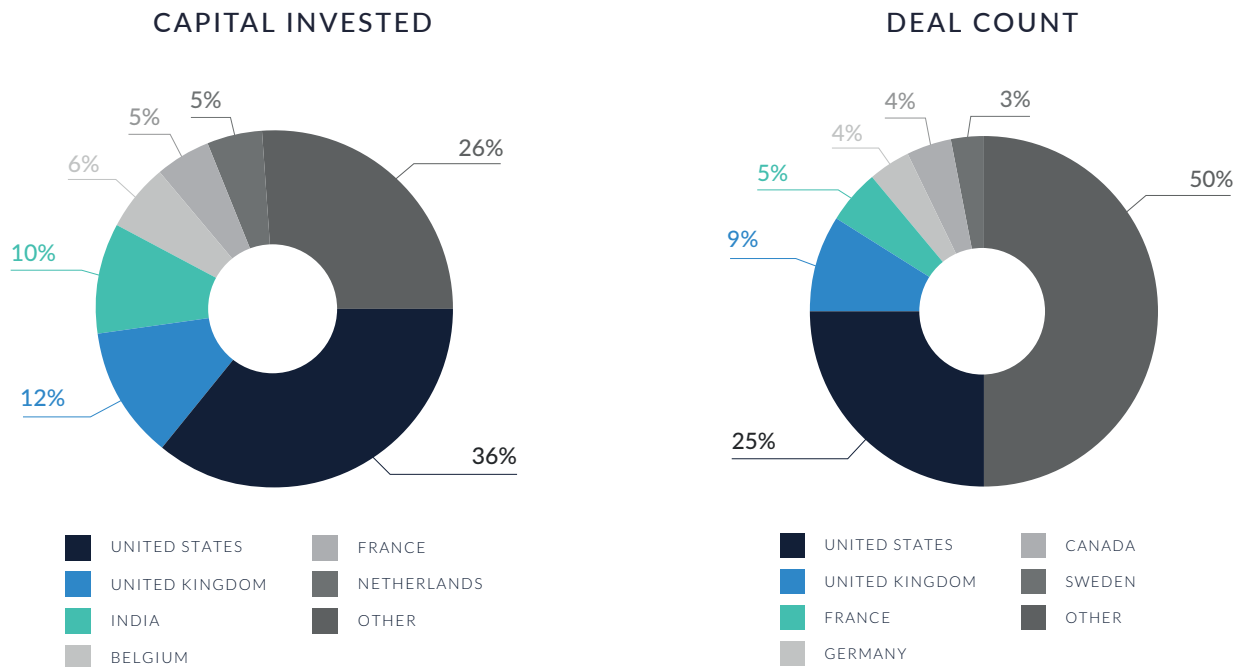
- The valuation multiples are based on a sample set of private M&A transactions and publicly listed mission critical facility engineering companies in the sector. The data was collected on October 11, 2024.
- The sample set typically trades at an enterprise value to revenue multiple range between 1x and 3x, increasing as the enterprise value of the business increases.
- Enterprise value to EBITDA multiples varied significantly, typically ranging between 5x and 10x. This valuation stays consistent as the enterprise value of the business increases.

Capital Invested and Deal Count of Announced Mission Critical Facilities Engineering M&A Transactions (Q1 2020 – Q2 2024)



- Between Q1 2020 and Q3 2024, over \$130 billion was deployed across 3,688 M&A transactions in the mission critical facilities engineering sector by global firms, with an average deal size of around \$35 million.
- Q1 2020 reflects the period with the most significant capital deployment (\$15.2 billion) and Q2 2022 experienced the highest deal count with 250 deals.
- The capital invested remains relatively consistent around the mean of \$6.8 billion per quarter, highlighting the consistent demand for M&A transactions in the mission critical facilities engineering sector despite market conditions, which may suppress valuations.
- The largest completed transaction was the full acquisition of Switch by IFM Investors and DigitalBridge Group through an \$11 billion public-to-private leveraged buyout on December 6, 2022.

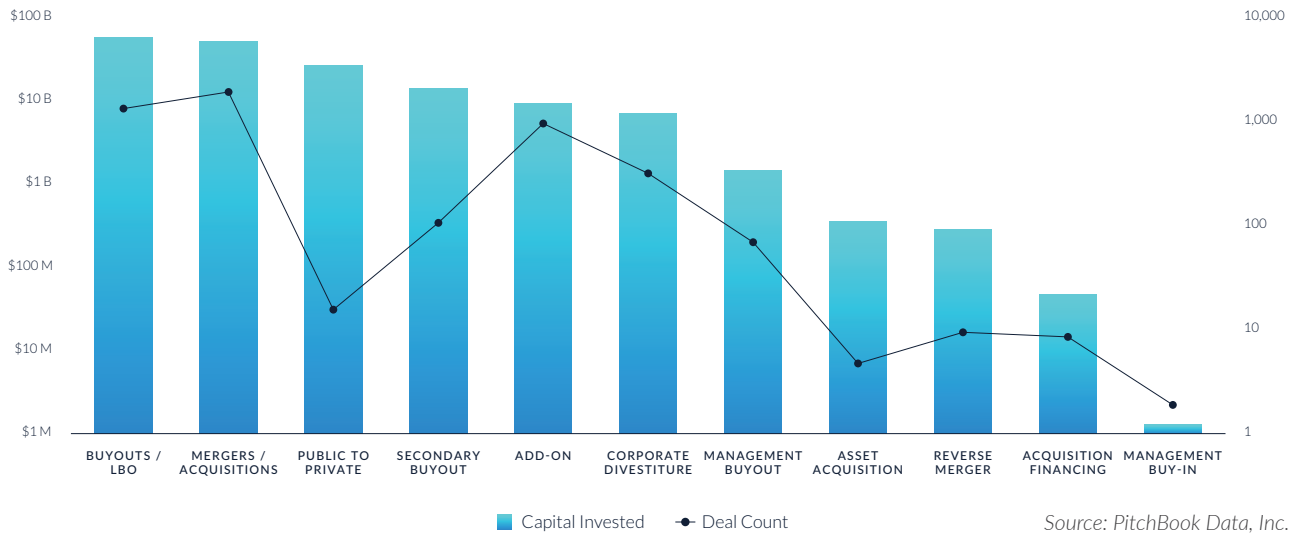
Breakdown of Announced Mission Critical Facilities Engineering M&A Transactions Conducted by Country Invested In (Q1 2020 – Q2 2024)



Source: PitchBook Data, Inc.

- The United States leads the sector in terms of capital invested (\$47.3 billion) and deal count (1,283 deals), representing 36% of the capital invested and 25% of the total deal count.
- European countries, including the United Kingdom (\$15 billion), Belgium (\$8 billion), and France (\$7 billion), have a substantial share of capital invested, highlighting the region's importance in the sector. The UK accounts for 12% of the capital invested and 9% of the deal count.
- The "Other" category accounts for a significant portion of both capital invested (\$33 billion) and deal count (2,527 deals), indicating a wide distribution of transactions across smaller or less prominent markets. This reinforces that there is a consistent, global demand for M&A transactions in the mission critical facilities engineering sector.

Breakdown of Announced Mission Critical Facilities Engineering M&A Transactions by Deal Type (Q1 2020 – Q2 2024)



Note: The Y- and X-axes have been converted to a logarithmic scale to better graphically represent all data points.

- The majority of the deals are mergers and acquisitions, with 2,141 transactions. This indicates that standard M&A activity remains a dominant deal type in the sector.
- Buyout and leveraged buyout (LBO) transactions account for the highest amount of capital invested, at \$68.6 billion, highlighting their importance in larger deals within the industry.
- Despite having only 17 transactions, public-to-private deals account for \$30.8 billion in capital invested. This is typical of public-to-private transactions as public companies are typically mature larger companies reserving higher valuations.
- With 1,053 add-on transactions, they represent a significant portion of the total deal count. However, the capital invested is relatively low at \$10.65 billion, indicating these deals are generally smaller in size.

DEAL SPOTLIGHT:

MORRISON HERSHFIELD



THE COMPANY

Morrison Hershfield is a Canadian-based provider of engineering and management consulting services catering to mission critical facilities, industrial, government, energy, buildings, and other sectors.

Stantec acquired 100% of Morrison Hershfield for \$389 million through an acquisition that was completed on February 9, 2024. The acquisition of Morrison Hershfield expands Stantec's presence in most major Canadian markets, and further strengthens its US presence in building engineering.

TRANSACTION

ACQUISITION

DEAL DATE

FEBRUARY 9, 2024

ACQUIRER

STANTEC (TSE: STN)

TRANSACTION SIZE

\$389 MILLION

The mission critical facilities engineering industry has demonstrated growing demand for M&A activity, with over \$130 billion deployed across 3,688 transactions between Q1 2020 and Q3 2024. The sample set typically trades at an enterprise value to revenue multiple range between 1x and 3x. Enterprise value to EBITDA multiples ranged between 5x and 10x. Mergers and acquisitions dominate deal types, while buyout/LBO transactions account for the highest capital. Regional data reveals the US as the leader in both capital and deal count, followed by significant activity in Europe.

The sector's primary focus is on ensuring the uninterrupted operation of essential facilities like data centers, hospitals, and military installations, where downtime can lead to significant consequences. The industry is rapidly growing due to increasing reliance on data, digital infrastructure, and critical services like healthcare and cloud computing, which demand resilient and efficient facilities to ensure uninterrupted operations and system reliability.



SOURCES

WHAT DEFINES A MISSION CRITICAL FACILITY? -
CONSULTING - SPECIFYING ENGINEER



MISSION-CRITICAL FACILITIES: THE NEXT GENERATION -
FACILITIES MANAGEMENT INSIGHTS



ENGINEERING MISSION CRITICAL FACILITIES &
DATA CENTERS - WSP



MISSION CRITICAL FACILITIES - STANTEC



MISSION-CRITICAL FACILITIES:
INFRASTRUCTURE, RESILIENCE - THERMA

