



WEST COAST SPECIALTY CONTRACTING

INDUSTRY UPDATE FOR JANUARY 2014

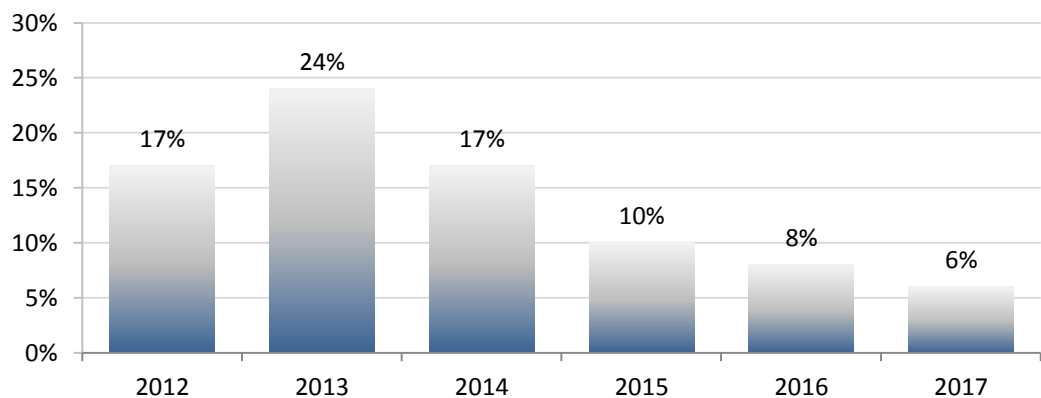
Construction Spending Expected to Rise in 2014

The value of US private and public building construction, an indicator for specialty contractors, is forecast to grow at an annual compounded rate of 10 percent between 2013 and 2017.

Additionally, in a recent article with ENR magazine, McGraw Hill Construction forecasts that construction will improve by 9% in 2014 for an estimated \$555 billion in new construction contracts.

McGraw Hill expects a similar pattern for its West region, forecasting \$130.1 billion in new construction for 2014, a 10% gain. These gains will be largely propelled by an expected 29% increase in residential construction.

In the nonresidential sector, \$37.2 billion in new contracts are expected in 2014, with commercial and manufacturing contracts supplying the majority of that growth.



FirstResearch forecasts are based on INFORUM forecasts that are licensed from the InterIndustry Economic Research Fund, Inc. INFORUM's interindustry-macro approach to modeling the economy captures the links between industries and the aggregate economy.

With Growth Come Challenges

Nearly three-fourths of US construction firms have trouble finding qualified workers, according to the Associated General Contractors of America. Forecasts that building construction activity will continue growing in 2014 has created concerns that labor shortages will only get worse.

Industry Growth Rating



As construction activity continues to increase across the US, nearly 75 percent of companies reported that there are not enough construction professionals available. Most firms expect the shortage to continue into 2014. As competition for craft workers increases, companies are losing employees to higher-paying jobs at other firms.

Electrical contractors face particular problems finding qualified workers because of the skills required in the trade. Also, aging electricians are retiring and fewer young people are entering the field.

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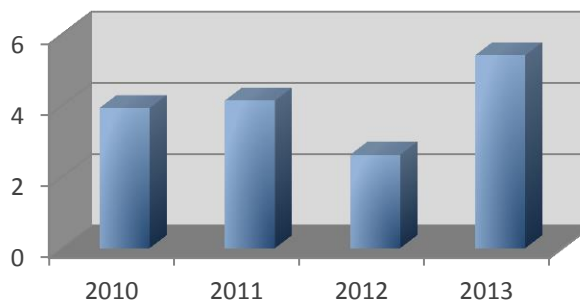
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VALUATIONS INCREASE FOR SPECIALTY CONTRACTORS

EBITDA Multiples

Year	Median TV/EBITDA
2010	3.93
2011	4.14
2012	2.62
2013	5.41

BV Market Data 2013



BUYERS

While there are many types of buyers in the Specialty Contracting industry, the two most common types are Private Equity and Strategic buyers. Below are examples of active Private Equity and Strategic buyers.

Private Equity Buyers

Company Name	Website
Main Street Capital Corporation	www.mainstcapital.com
Bounds Equity Partners, LLC	www.boundsequity.com
Cyprium Investment Partners, LLC	www.cyprium.com
Peterson Partners, LP	www.petersonpartnerslp.com
Roher Capital Group, LLC	www.rohercapital.com

Buyer activity in the space is increasing with the loosening of credit and economic recovery. Strategic investors often pay higher premiums for business acquisitions due to the potential added value the company can provide to the strategic buyer's current holdings. This increase in both activity and valuation can be seen in the significant uptick in transaction value/EBITDA multiples in 2013 compared to previous years.

Strategic Buyers

Company Name	Website
ABM Industries, Inc.	www.abm.com
Acco Engineered System	www.accoes.com
Quanta Services, Inc.	www.quantaservices.com
Pacific Coast Building Products	www.paccoast.com

For additional information, including more detailed industry data, please call David Ryan at (707) 523-9651 or e-mail DRyan@uptonco.com.