

ACEC Engineering Business Index

EBI Composite Score

67.4

Spring 2014

Produced in association with FMI

Component Results Q1 2014	Better	Same	Worse	Index Component Score
Current business climate v. 6 months ago	66%	23%	10%	78.1
Current business climate v. 12 months ago	47.8%	40.7%	11.5%	68.1
Current business climate v. 12 months from now	56%	39%	4.9%	75.5
PROFITABILITY expectations for next 6 months	47.1%	44.4%	8.6%	69.3
PROFITABILITY expectations for next 12 months	49.2%	46%	4.8%	72.2
PROFITABILITY expectations for 3 years from now	52.7%	38.6%	8.7%	72.0
For the following periods, what is your firm's backlog?	Larger	Same	Smaller	
Compared with 12 months ago	59.4%	24.1%	16.6%	71.4
Compared with 6 months ago	47.9%	34.4%	17.7%	65.1
Expectations for 12 months from now	42.2%	48.7%	9.1%	66.6
Looking ahead 12 months, what are your expectations for projects in the PUBLIC markets you serve?	Better	No Change	Worse	
Transportation	41.5%	40.8%	17.7%	61.9
Water and Wastewater	40.9%	49.1%	10%	65.5
Environmental (Other than water/wastewater)	25%	67.4%	7.6%	58.7
Education	23.4%	66.7%	9.9%	56.8
Health Care	21.4%	67%	11.7%	54.9
Other	31.4%	64%	4.7%	63.4
Looking ahead 12 months, what are your expectations for projects in the PRIVATE markets you serve?	Better	No Change	Worse	
Buildings--Commercial	53.3%	44.3%	2.5%	75.4
Energy and Power	42.1%	55.8%	2.1%	70.0
Industrial/Manufacturing	56%	43%	1.0%	77.5
Education	24.8%	69.3%	5.9%	59.4
Health Care	27.1%	63.5%	9.4%	58.9
Land Development/Surveying	54%	43.4%	2.7%	75.7
OVERALL EBI				67.4

The nation's engineering firm leaders are upbeat about the direction of both their industry and the overall economy, according to the inaugural *ACEC Engineering Business Index* (EBI), released on April 27, 2014. The composite EBI score of 67.4 is solidly positive.

The EBI is a diffusion index, consolidating answers to a series of questions about market and firm performance into a single number. Any number over 50 indicates growth and improvement. Over 200 firms responded to the survey, which was conducted from March 27 to April 11, 2014.

Subsequent EBI surveys will yield a trend line serving as an industry barometer and economic indicator.

Two-thirds of survey respondents (66%) reported a better economic climate today compared with six months ago. Nearly six in ten (59.4%) said their firm's backlog is larger than it was a year ago.

Looking ahead, respondents were optimistic about the long-term health of the industry, with more than half (52.7%) expecting their profitability to improve over the next three years.

Respondents expect to see growth in every major market sector in the coming year. In the public sector, the largest increases are projected in water/wastewater and transportation. In private markets, the largest increases are projected in industrial/manufacturing, land development, and commercial buildings.

Watch for the next quarterly
ACEC Engineering Business Index
survey form in your email in-box in mid-June.

Q ■ Mergers and Acquisitions Activity: Over the next two years, which, if any, will your firm seriously consider?

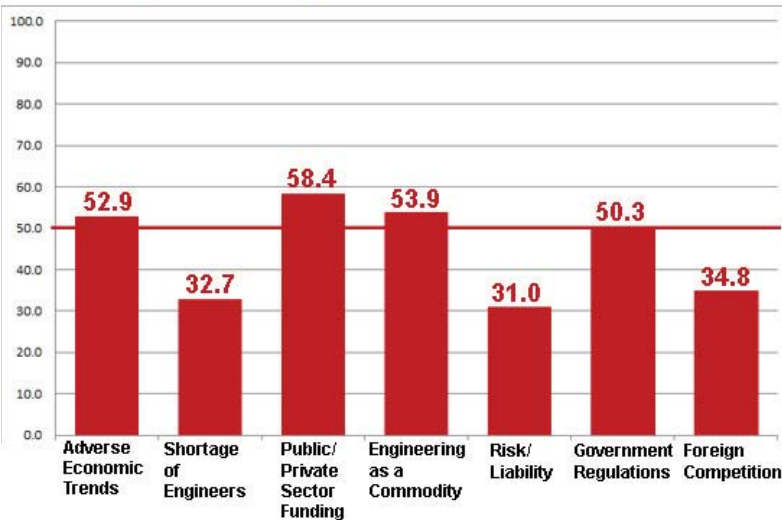


Almost seven out of 10 firms (69%) responding to the EBI expect to be involved in a merger or acquisition within the next two years.

Fueling this activity is the consolidation within the engineering industry, with firms using acquisitions to grow and/or expand into new market sectors. Additionally, many of the Baby Boomer firm owners are nearing retirement and are looking to transfer their ownership.

Nearly one in five firms (19%) expect to be acquired in the coming 24 months. Only one firm in four didn't anticipate any M&A activity.

Q ■ Rate the following business factors in relation to how much they THREATEN your firm's success.

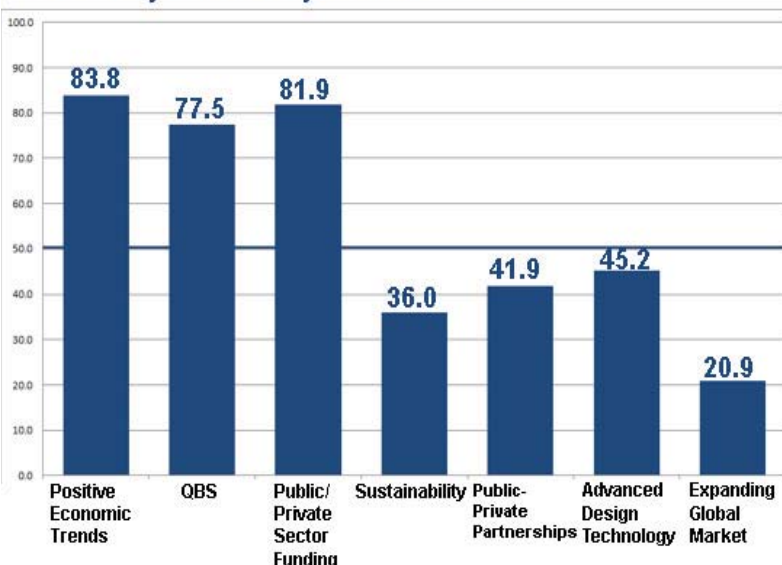


Engineering leaders believe the most severe threats to firms' success are shortages of project funding in both the public and private sectors, commoditization of engineering services, adverse economic trends, and the weight of government regulations.

Respondents did not rate the shortage of engineers, risk/professional liability issues, or foreign-based competition as posing an inordinate threat.

These responses are scored as a diffusion index, with any response scoring more than 50 being considered a sign of concern.

Q ■ Rate the following business factors in relation to how much they ENHANCE your firm's success.



While some firms viewed economic trends as a threat (see above question), many more saw them as the strongest opportunity for success in the coming months. Other anticipated strong contributors to firms' success were increased public/private sector funding and Qualifications-based Selection (QBS).

Factors that most firms did not expect to contribute to their success were: advanced design technology, public-private partnerships, sustainability/resilience, and the expanded global marketplace.

These responses are scored as a diffusion index, with any response scoring more than 50 being considered a positive sign.