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Jacobs' KlingStubbins Buy Highlights Hot M&A Market

11/14/2011

By *Debra K. Rubin*

Text size: **A** **A**



Seeing synergy in market focus and client approach, engineer and program manager Jacobs Engineering Group Inc., Pasadena, Calif., acquired Philadelphia architect KlingStubbins on Nov. 1. The deal boosts the parent's design capabilities in life-science and mission-critical facilities and adds 500 U.S. and Asian employees. It also highlights the still sizzling merger-and-acquisition market for industry firms.

KlingStubbins is at No. 111 on ENR's Top 500 Design Firms list, with \$98 million in 2010 revenue. Jacobs ranks third on that list, with \$4.7 billion in revenue. Jacobs also is at No. 10 on the Top 400 Contractors list. Terms were not disclosed. "While KlingStubbins is large by architectural standards, this is a small, bolt-on acquisition," says Avram Fisher, BMO Capital Markets analyst. "We are not concerned that the typically weak free-cash-flow metrics of the architecture business will negatively affect [Jacobs'] typically strong cash-flow generation."

Jacobs CEO Craig Martin called KlingStubbins "a solid business with a history of good performance" that will help diversify the new parent. "Jacobs' culture and approach to building long-term client relationships is quite similar to what architecture design firms typically pride themselves on," says Andrej Avelini, managing director of EFCG Inc., the New York City firm that brokered the deal.

Mick Morrissey, president of acquisitions consultant Morrissey-Goodale, says the 283 international and domestic transactions he has tracked so far this year are 34% above the same period in 2010. He says the five acquisitions of U.S. firms by overseas buyers in the first 34 days of the fourth quarter is almost half the total he reported through the first 273 days of 2011. In EFCG's survey of 204 design-firm CEOs released last month, 69 say they will make a total of 158 acquisitions in 2011, but 93 anticipate 196 such deals in 2012, says Avelini. About 68 respondents say consolidation has been "good" for the sector because of new hiring opportunities and fewer competitors, but 48 say it has been "bad" because of hiked competition, pressure to grow and greater difficulty in making acquisitions.

Keywords: Jacobs; KlingStubbins; mergers ad acquisitions



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