



2026 Technology Leadership Conference

Session 6: EFCG AEC Industry Overview

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**Network: ConveneGuest
No Password Required**



Julie Hasiba

Experience

2019-Present
Managing Partner
Talent & Compensation Practice Lead

EFCG

2014-2019
Talent & Organization Strategy Consultant, Client Lead
Accenture

Education

M.B.A.

University of Chicago Booth School of Business

B.A. with Honors

Northwestern University

EFCG Talent & Compensation Strategy Expertise

Annual EFCG Talent Surveys

CEO Survey (with Talent data)
Executive Compensation Survey
Non-Executive / Professionals Compensation Survey
HR Survey

HR & Compensation Consulting

Compensation Benchmarking
Benefits Benchmarking
Salary Disclosure Reporting
Board Assessments
Business Leadership Programs
Organizational Design Benchmarking

Agenda

01 Update on Industry Fundamentals

02 Technology as the Next Margin Lever

03 Today's Technology Portfolio

04 The Pace of Emerging Business Models

05 The Evolving Pricing and Delivery Methods

06 The Talent Imperative in a Tech-Enabled Industry

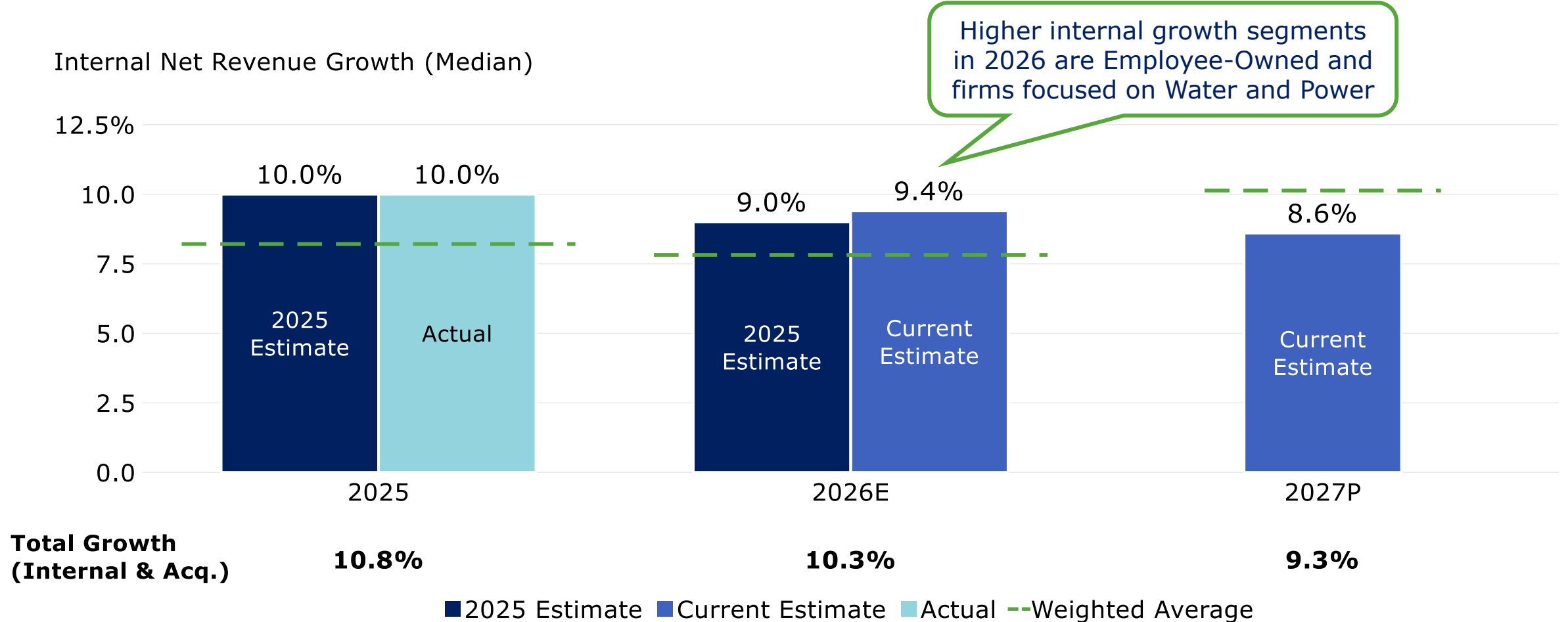
07 Key Takeaways



- The fundamentals of our industry remain strong – internal growth is holding around 10% and margins are stabilizing near 14.0% EBIBT / 10.5% EBITDA.
 - However, the post-pandemic cushion is thinning, and margin expansion is plateauing.
- Productivity has not structurally improved over the last decade, and headcount still drives growth for most firms. Talent constraints increase the urgency to decouple revenue from headcount through pricing discipline, workflow redesign and automation.
- Technology – especially AI – will differentiate the industry landscape over the next five years.
 - Firms are shifting from experimentation to execution and looking beyond billable hours towards new business models, including SaaS, advisory, data and recurring revenue.
- M&A is reinforcing this shift, with rising private capital involvement and technology-enabled firms earning valuation premiums.
- As individual firm outcomes diverge, what drove success to date will not be what drives success going forward.
 - The next wave of performance will depend less on market tailwinds and more on strategic clarity, discipline in capital allocation, and the ability to turn technology into a business model advantage.

Current Internal Growth Remains Resilient

2026 estimates have increased since last year and now are expected slightly higher than original estimates, while 2027 projections are expected to decline to 8.6%.

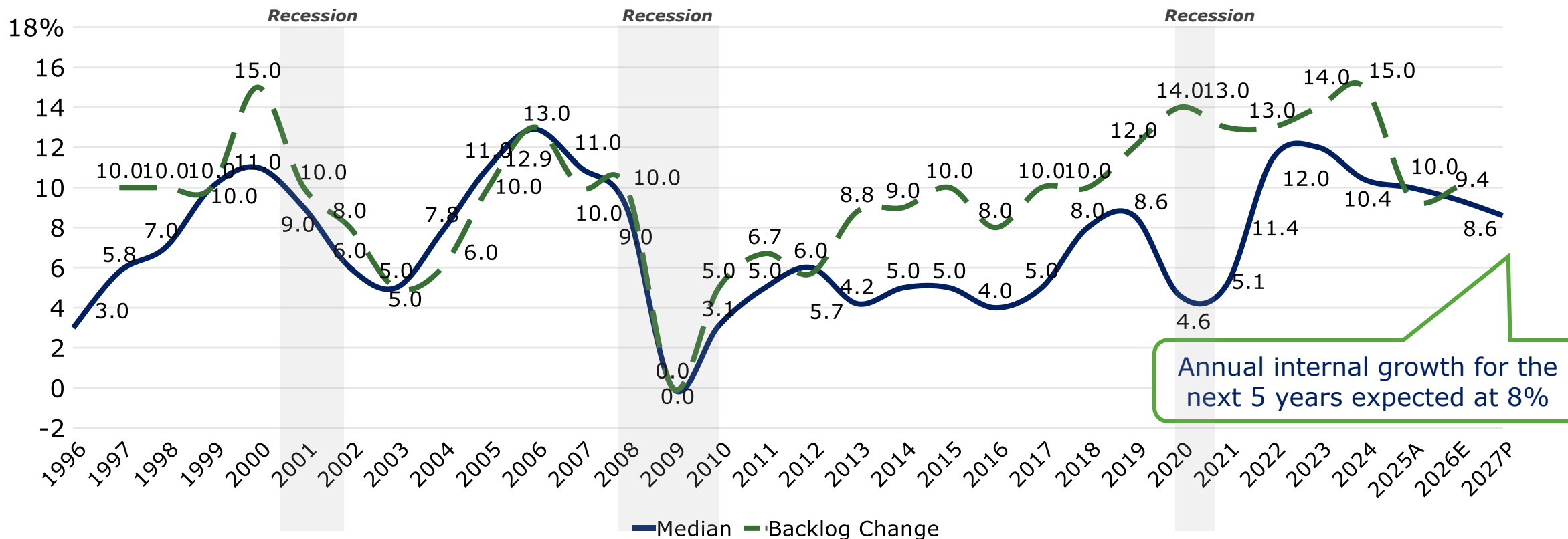


Source: 2025 EFCG CEO Survey; 2026 EFCG CFO Survey

Backlog Surplus Has Largely Been Absorbed

Until 2012, backlog growth tracked closely with firms' internal growth, but then diverged for the next decade with higher backlog growth than internal growth. Current estimates for 2026 have backlog growth aligned to revenue growth, suggesting firms have mostly worked through the "surplus."

Internal Net Revenue Growth (Median)

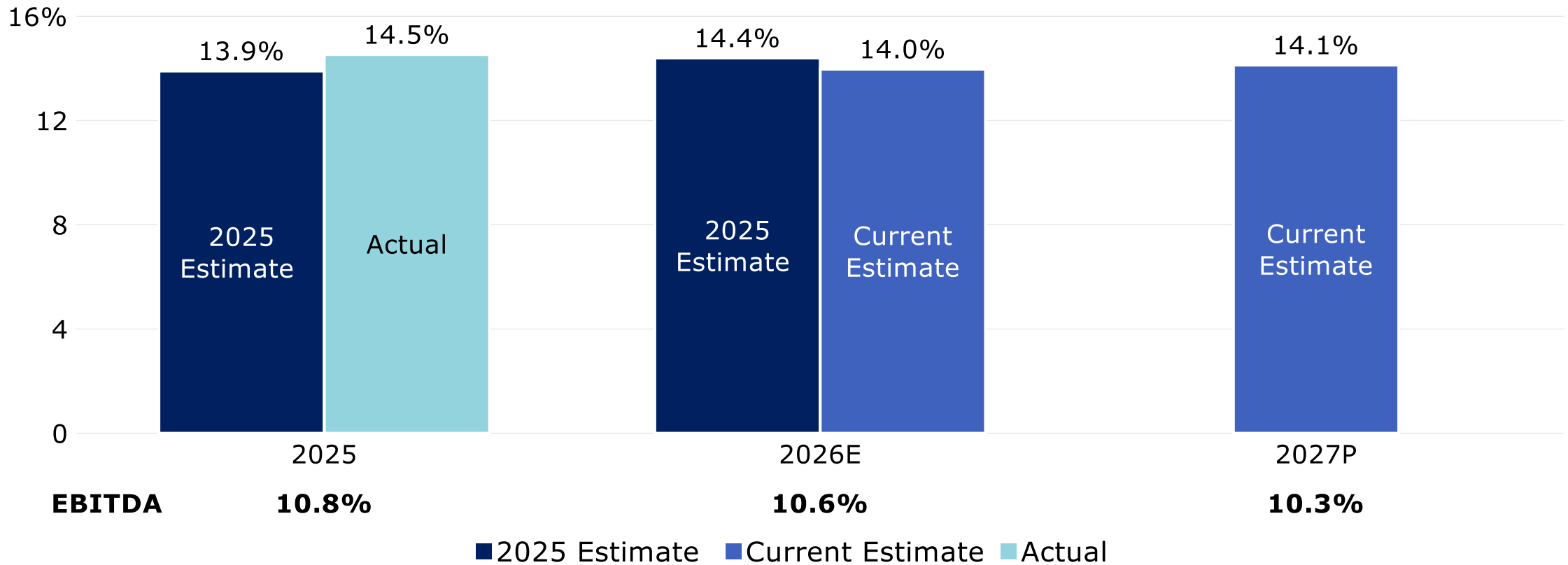


Source: 1996-2025 EFCG CEO Survey; 2026 EFCG CFO Survey

Current Margins Are Stable

Current profit estimates indicate consistent profitability this year and next, with an expected EBIBT of ~14.0% and EBITDA of ~10.5%.

Profit (EBIBT / Net Revenues, Median)

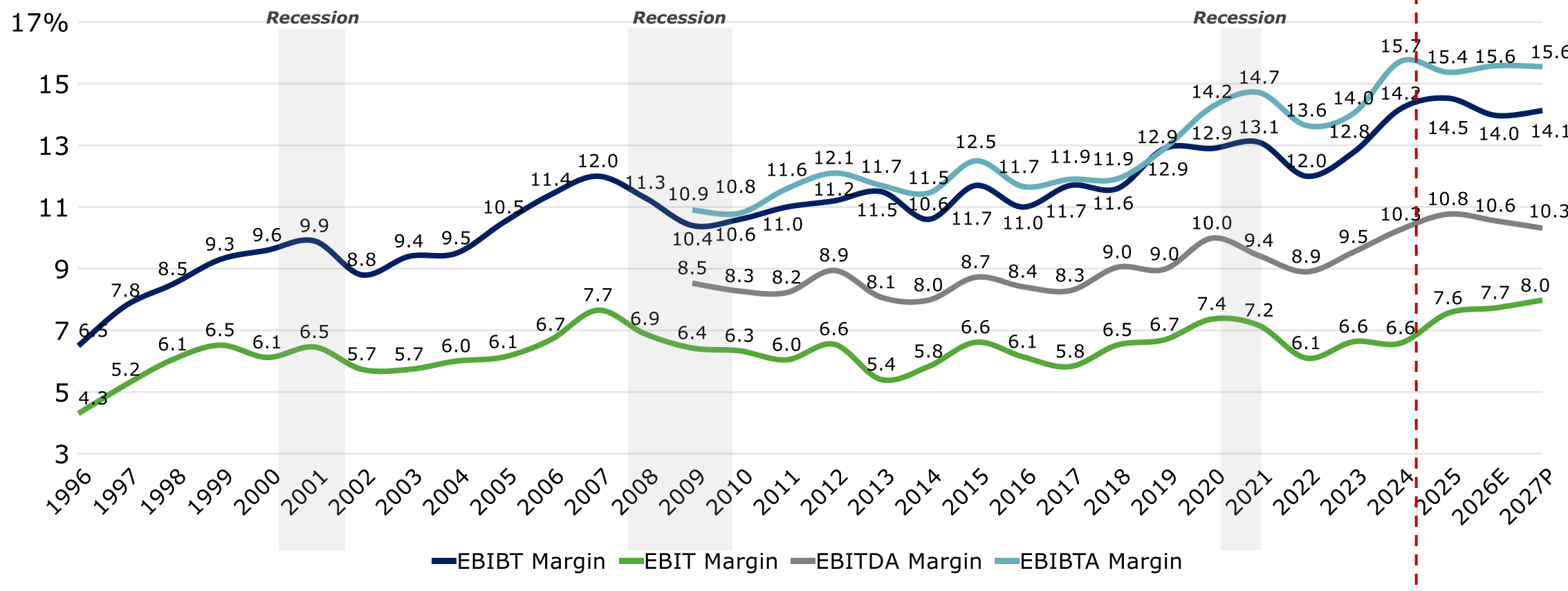


Source: 2025 EFCG CEO Survey; 2026 EFCG CFO Survey

Margins at Historic Highs – Will This Continue?

All key profitability metrics (EBIBT, EBIT, EBITDA, EBIBTA) have seen a recovery from the 2022 “post-pandemic dip,” and now are projected to stay relatively even. Have we reached a plateau... or a ceiling?

Profit Margin (% of Net Revenues, Median)



Source: 1996-2025 EFCG CEO Survey; 2026 EFCG CFO Survey

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Key Priorities

- Driving Growth
- **Technology and AI Integration**
- Talent Acquisition and Retention
- Increasing Margins
- Succession Planning & Ownership Transitions
- Identifying M&A Opportunities
- Expansion Into Growing Markets and Geographies
- Leadership Development

Key Concerns

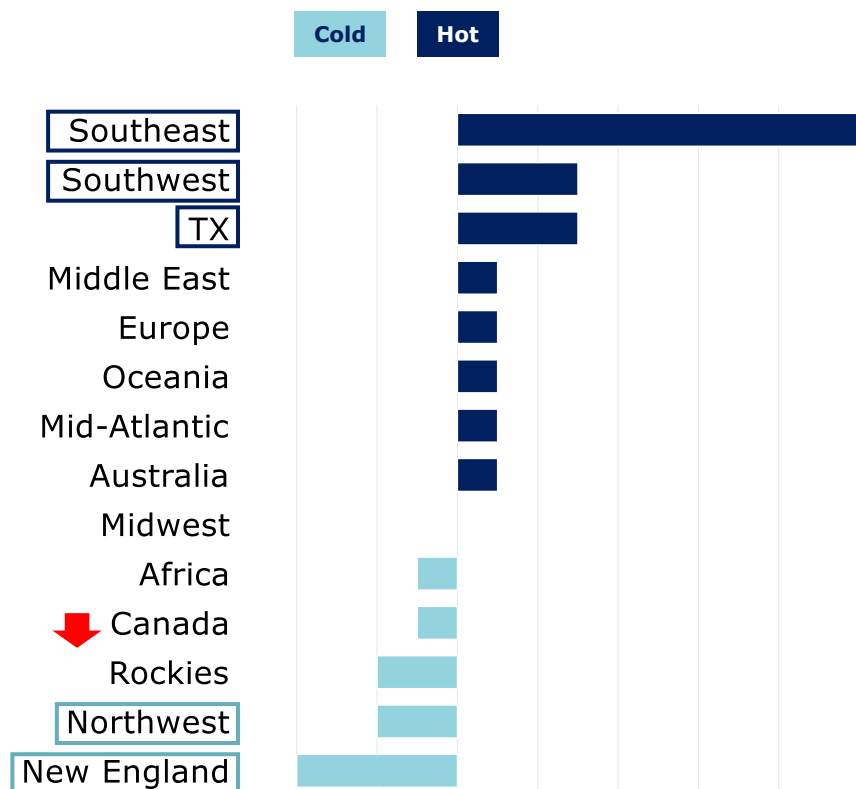
- Talent Retention
- Economic Uncertainty and Interest Rates
- Current Political Environment
- Tariffs Impacting Costs
- Uncertain Outlook on Federal/State Funding
- **Maintaining Technological Competitiveness**
- **Pricing Pressure and Inability to Pass Through Costs**
- Employee Engagement and Burnout

EFCG Hot / Cold Analysis Highlights Pockets of Strength

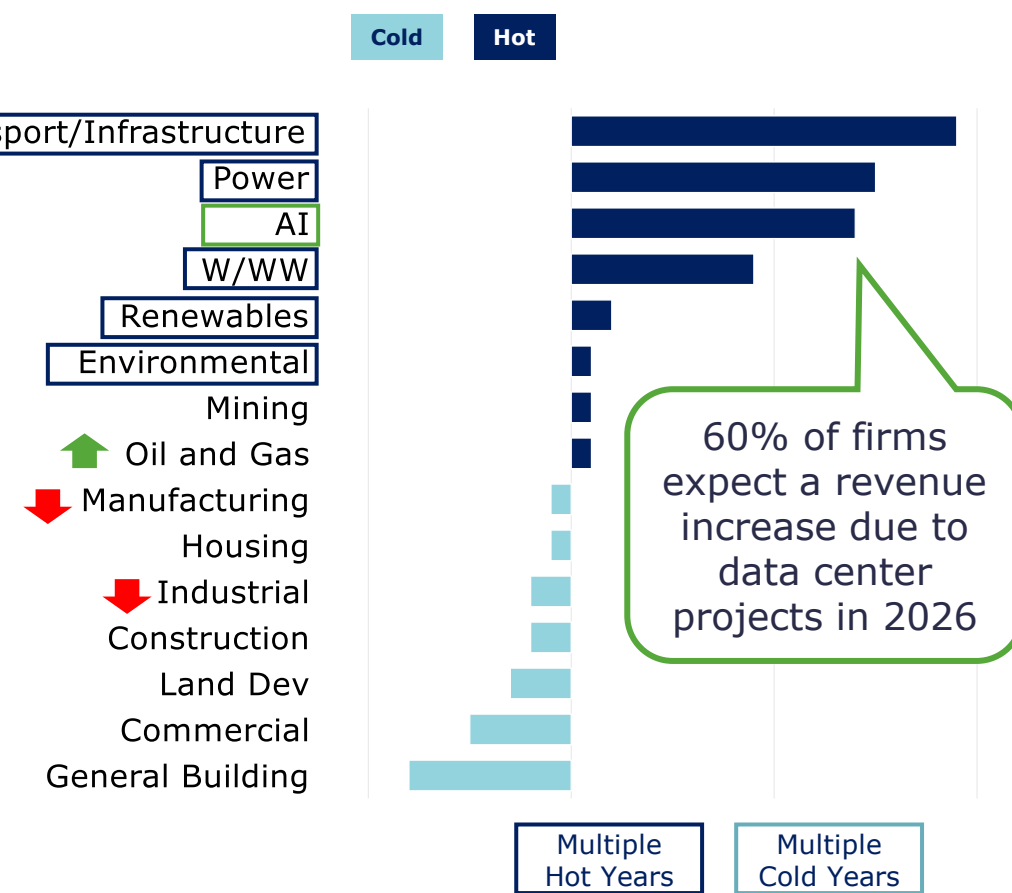
Geographies: Southeast, Southwest, and TX are hottest; New England and Northwest are expected coldest.

Markets: Transportation, Power, and AI are hottest; Building and Commercial are expected coldest.

Geographies



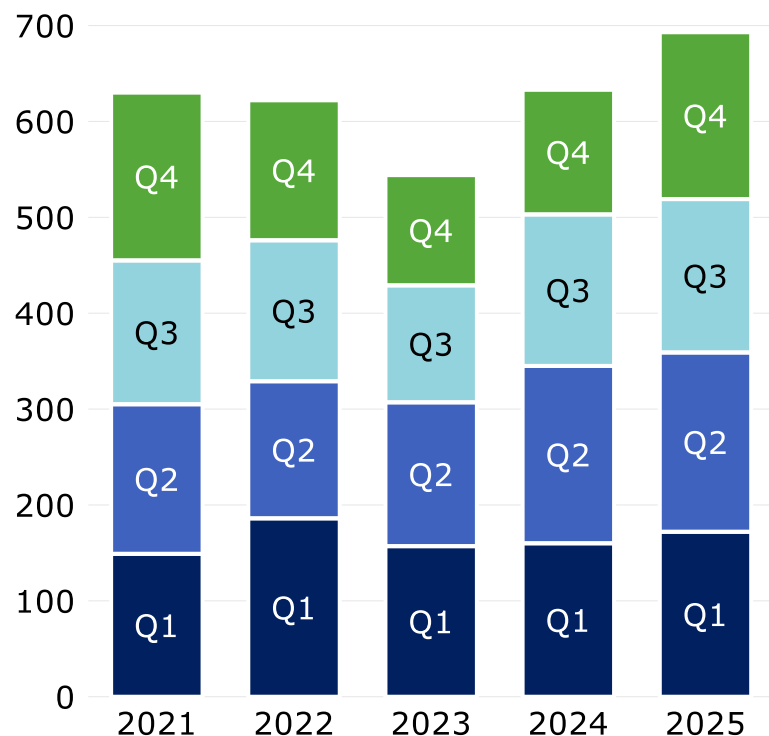
Markets



Source: 2025 EFCG CEO Survey, 2026 EFCG CFO Survey

Recent M&A Transactions

Estimated # of Acquisitions
Across A/E/C Industry by US
& Canadian Acquirers¹



Source: PitchBook; 2025 EFCG CEO Survey; EFCG M&A Database; EFCG Analysis

1. As of January 2026

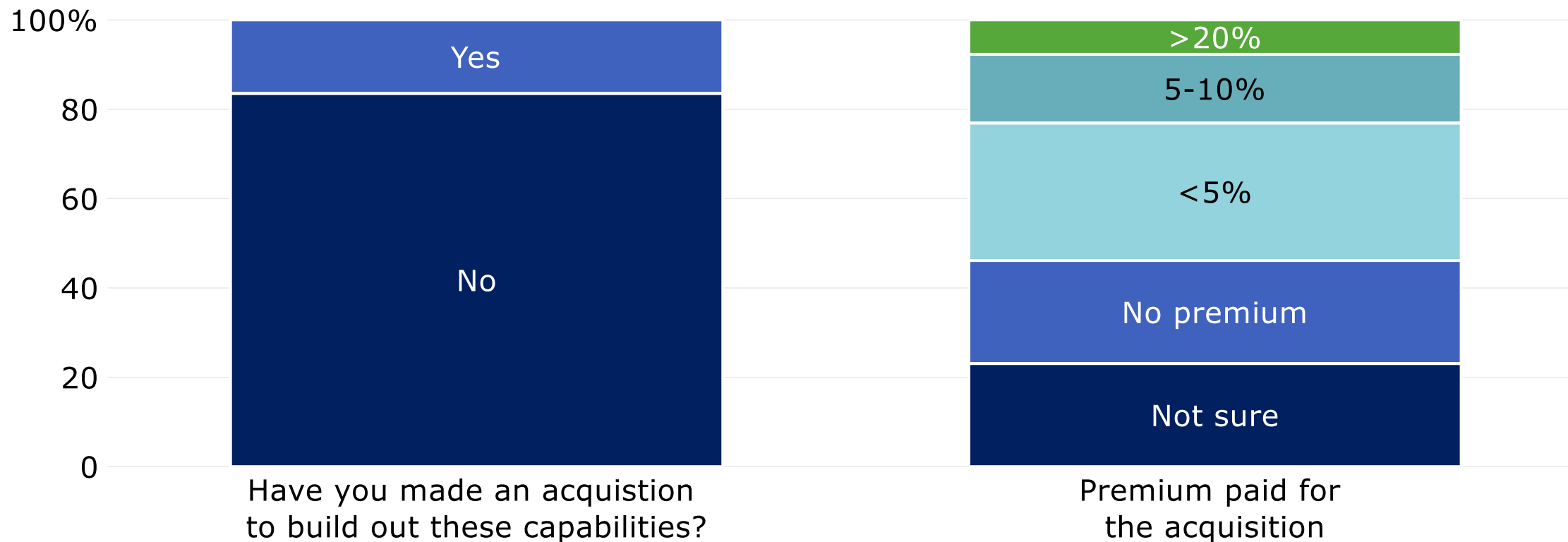
Key Trends

- Increasing macro volatility
 - Investors are deploying capital more selectively amid ongoing volatility, favoring firms with strong backlog, diversified end markets and other defensive characteristics
- Roll up strategies are here to stay
 - PE-backed AEC platforms & strategics alike pursuing “buy and build” strategy
- Energy infrastructure is a growing M&A driver
 - Grid strain, renewed nuclear momentum, supportive oil & gas policy and strong public funding create long-term growth opportunities with reduced risk
- The technology premium
 - Buyers are rewarding firms where technology is embedded in delivery, not siloed
 - AI and digital tools that drive repeatable results, improve margins, reduce risk, and scale across the enterprise are becoming key competitive and valuation differentiators

Premiums for Technology-Enabled Firms

Nearly 20% of firms acquired technology capabilities in the last 5 years, with ~60% paying a premium for that acquisition.

Acquisitions with technology capabilities (Last 5 years)

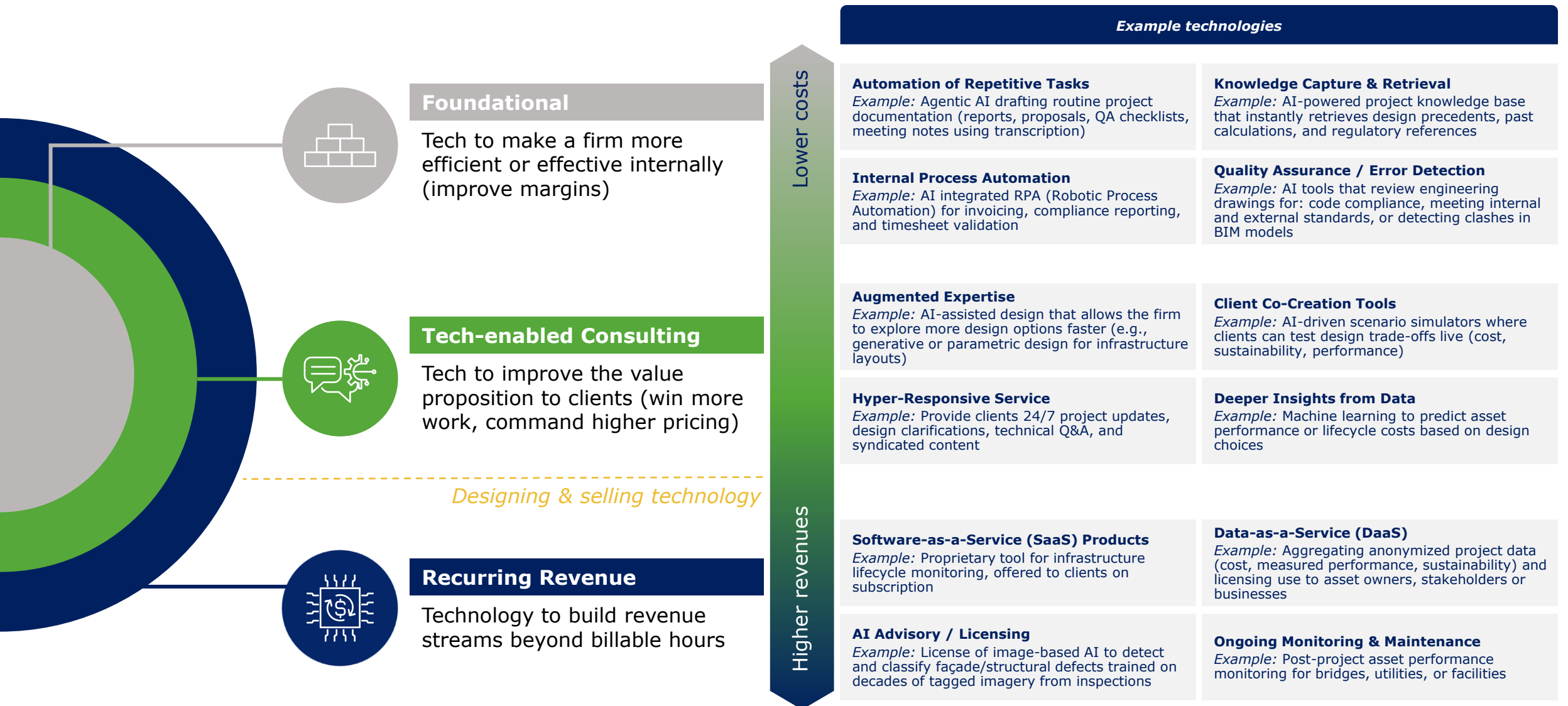


Source: 2026 EFCG CFO Survey

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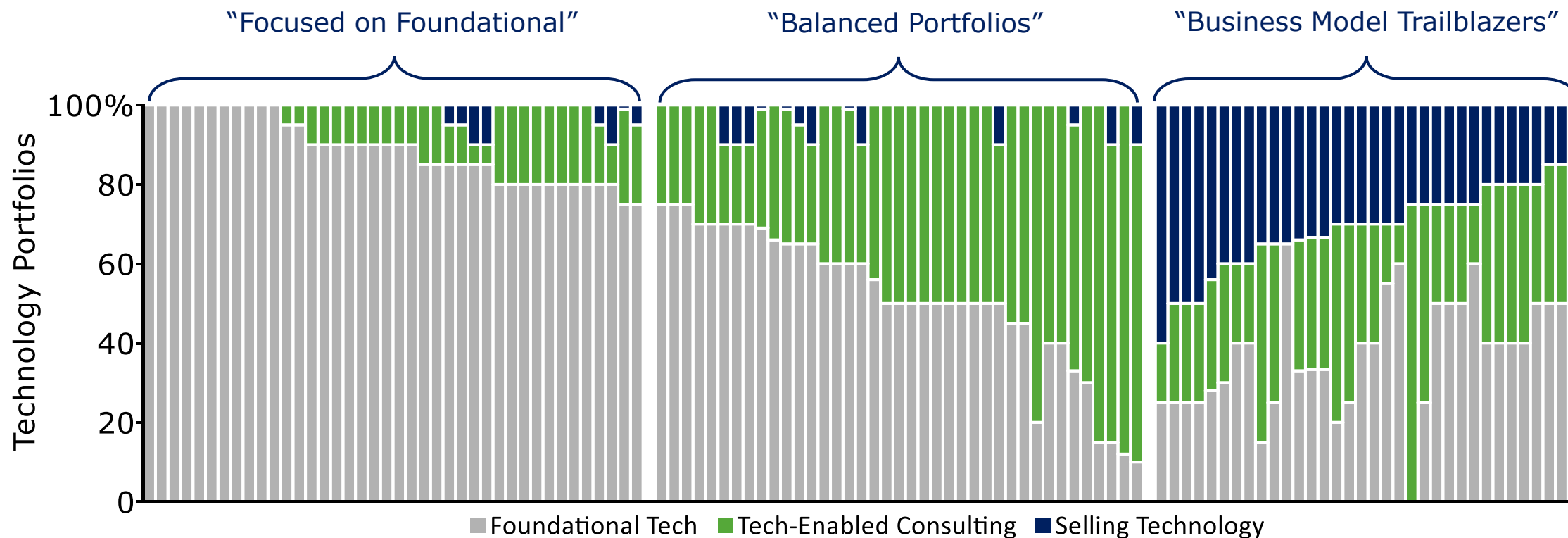
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Three Distinct Tech Archetypes Are Emerging

We are beginning to see three different segments of AEC firms as it relates to technology spend, with “Business Model Trailblazers” investing in selling technology.



Innovation Spend
(Median, % of Net Revs)

0.4%

0.5%

0.7%

Profit
(Median, EBIBTDA / Net Revs)

18.3%

16.7%

17.3%

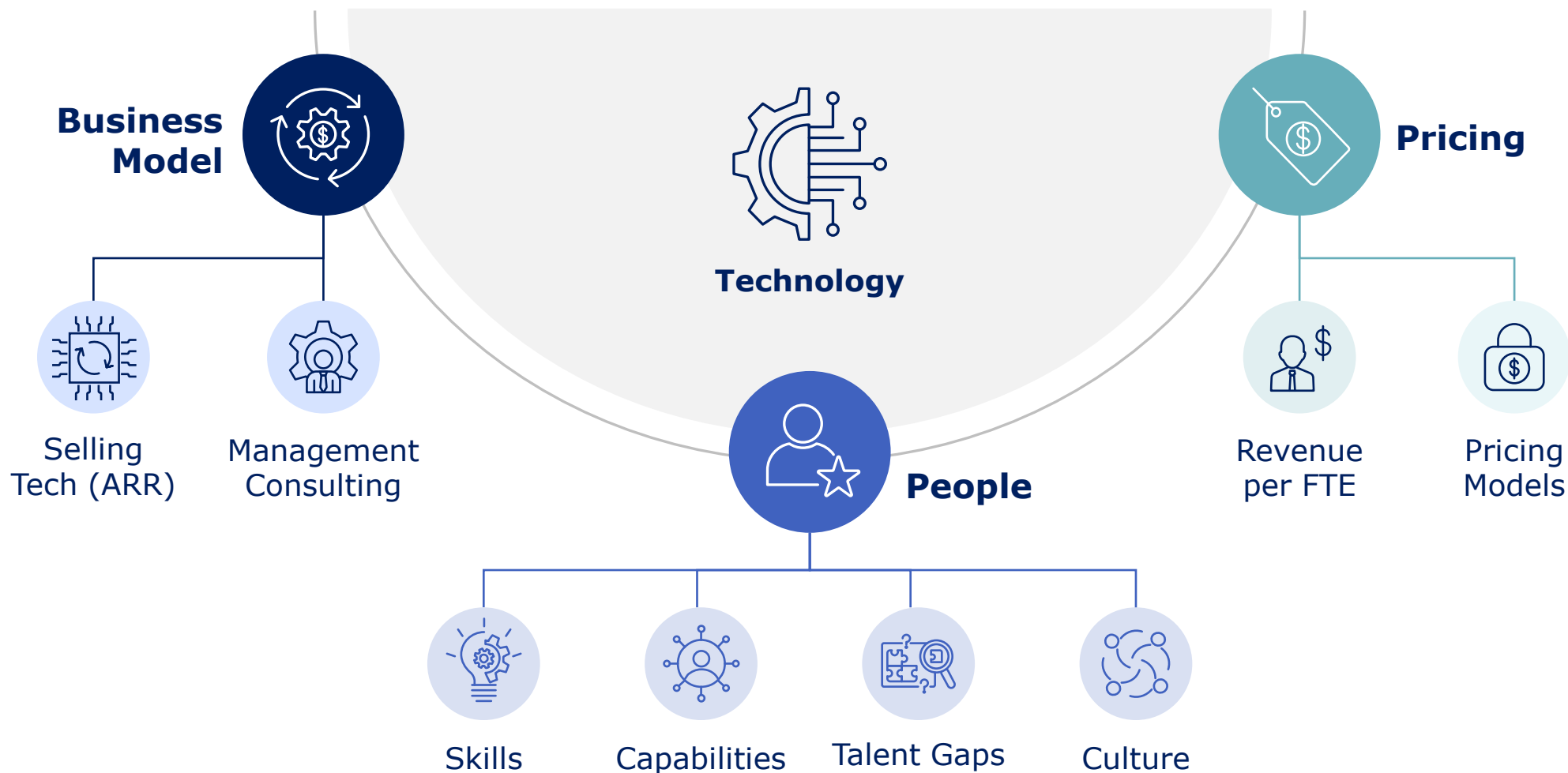
Source: 2025 EFCG CEO Survey



How are you thinking about when AI investments will generate a return?

Technology Strategy Underpins All of a Firm's Decisions

Rapidly changing technology, especially AI innovation, is the most meaningful driver of change across all aspects of business both within our industry and the broader economy.

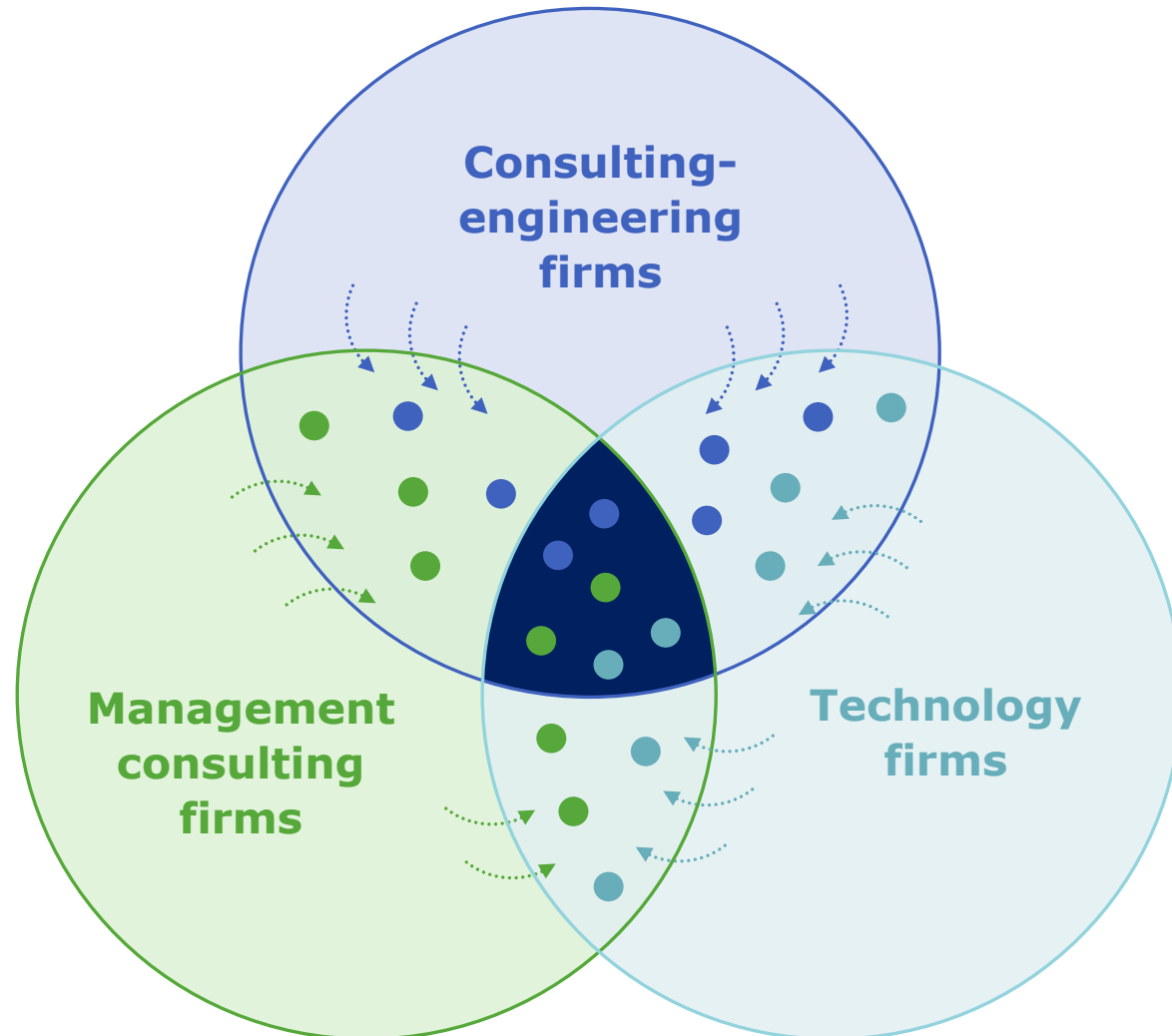


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Traditional Industry Barriers Are Blurring



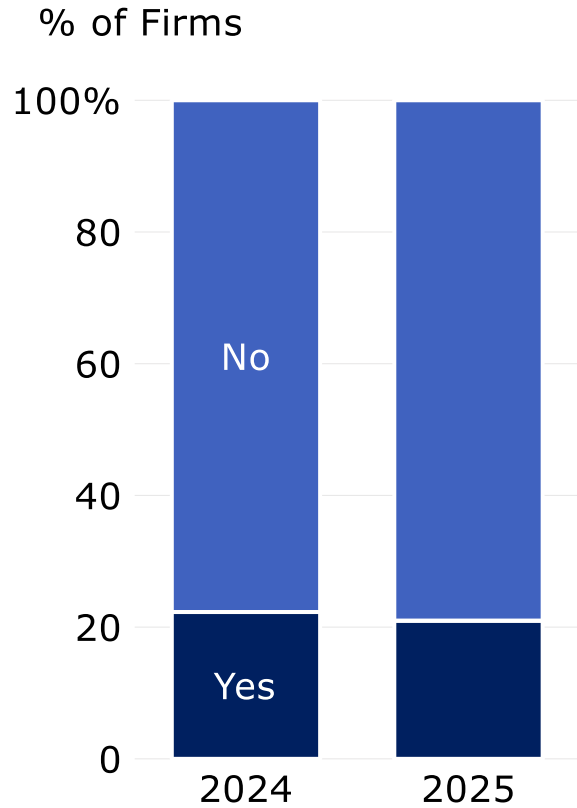
The Shift

As consulting-engineering firms become “tech-enabled” and seek to move up the value chain, the differences between consulting-engineering, management consulting, and technology are becoming harder to define.

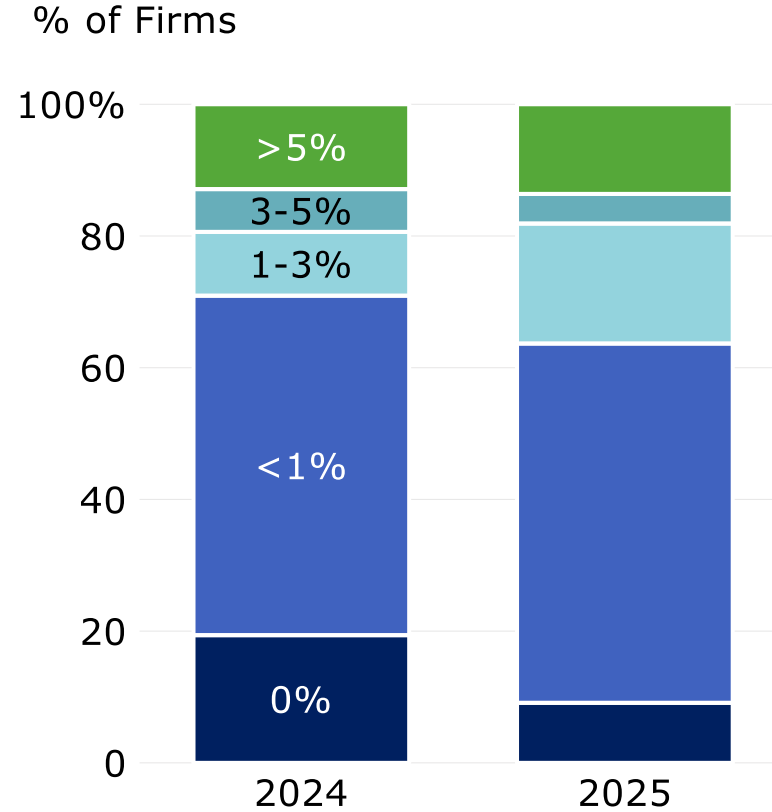
Firms Selling SaaS Are Getting Better At It

Similar numbers of firms are actively selling SaaS, but those who do are improving returns. Compared to last year, these firms have improved profit, likely putting SaaS margins above traditional design work.

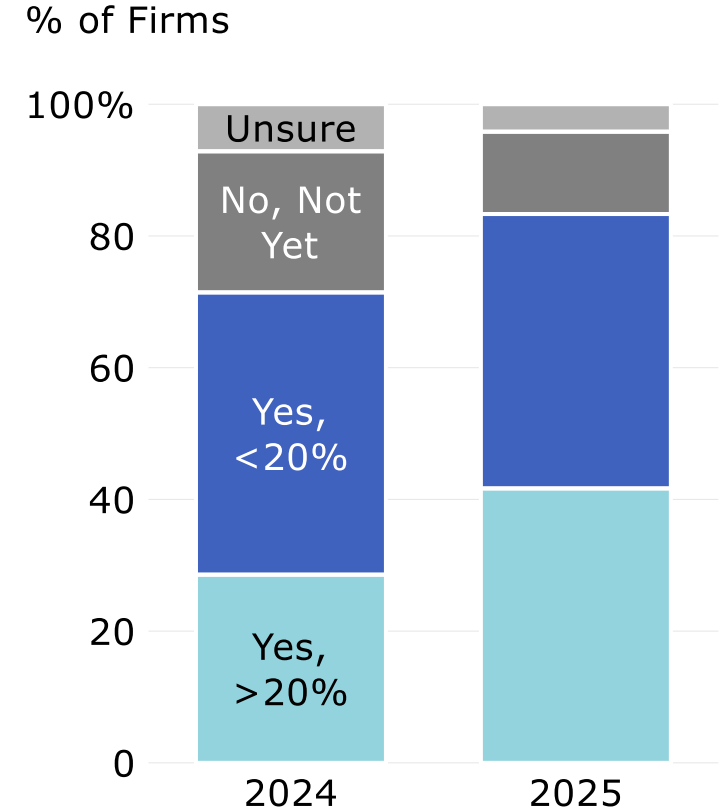
~20% of firms sell SaaS



Average ARR has increased...



... As Have Profit Margins

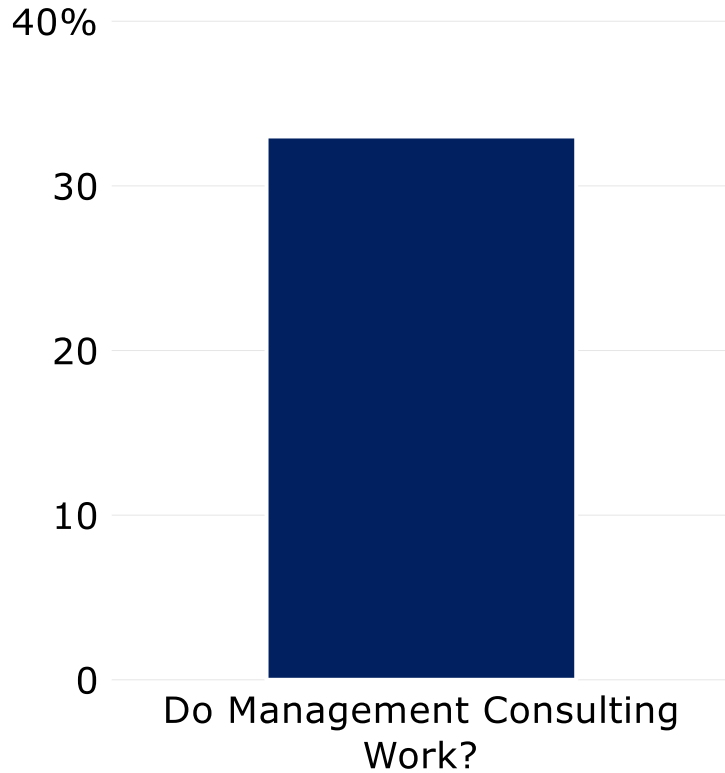


Source: 2024 EFCG CEO Survey; 2025 EFCG CEO Survey

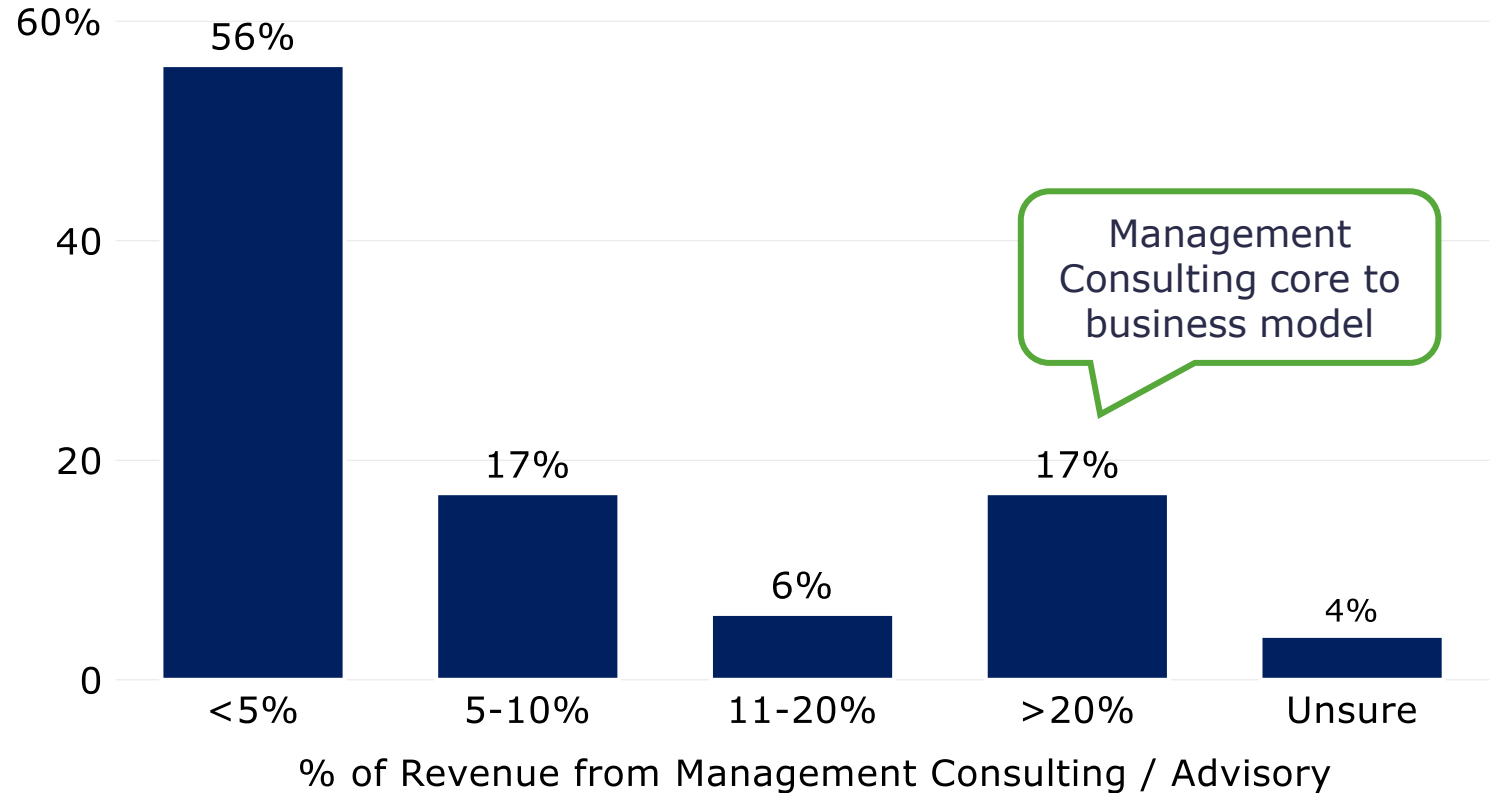
Advisory Is An Emerging Growth Play

Consulting is becoming a common growth strategy, although most firms are generating less than 5% of revenue from Advisory Services. Many of these firms are still defining what it looks like or means for their business and their clients.

% of Firms



% of Firms



Source: 2025 EFCG CFO Survey



We increasingly hear “We are not an engineering firm, we are a _____ firm”
What type of firm are you?

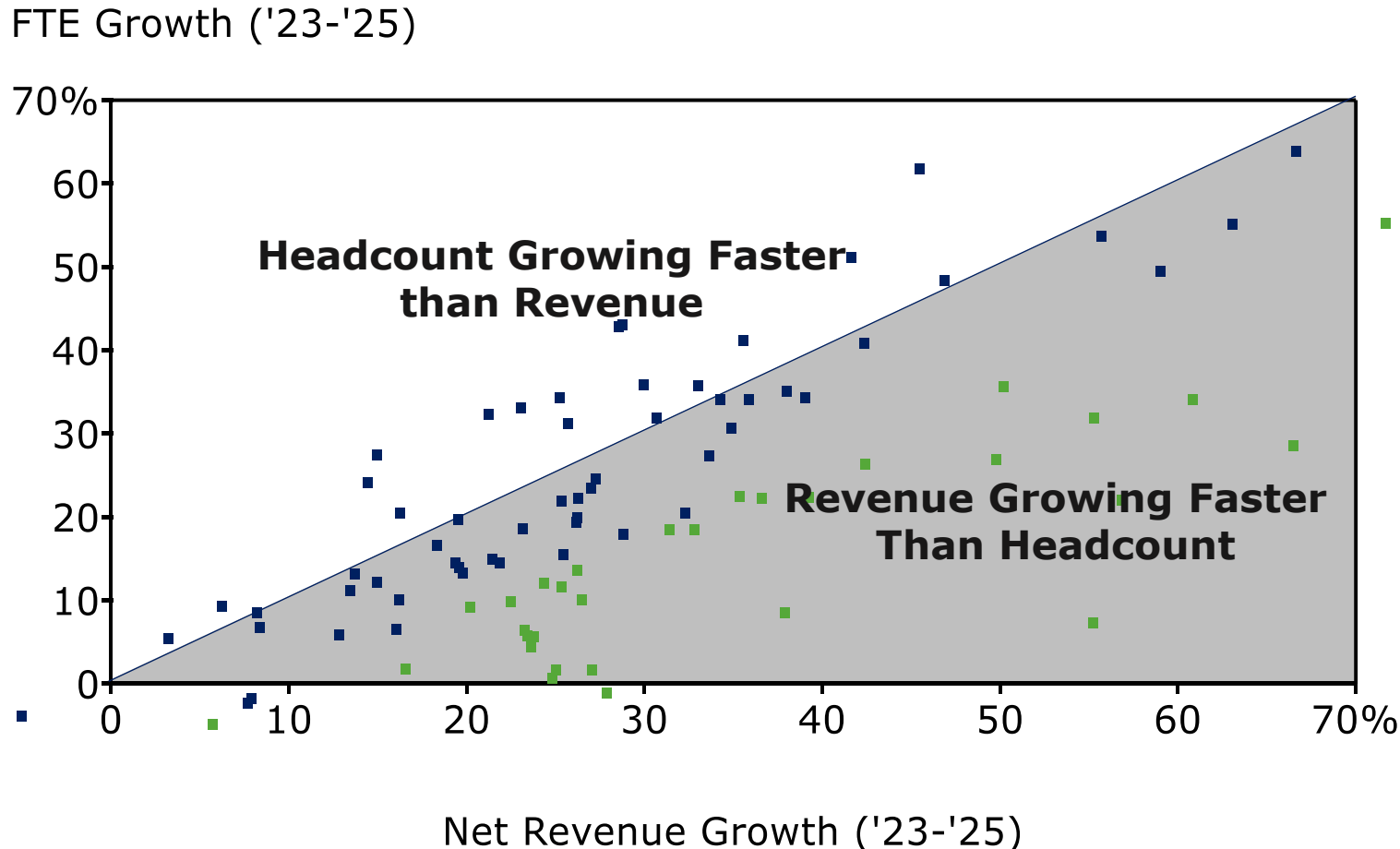
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Some Firms Starting to Disconnect Growth From FTEs

Productivity gains, stronger pricing, and new business models give firms a path to grow differently, reduce reliance on headcount, and improve overall performance.



Green Dots = Fundamentally Evolving Business Model?

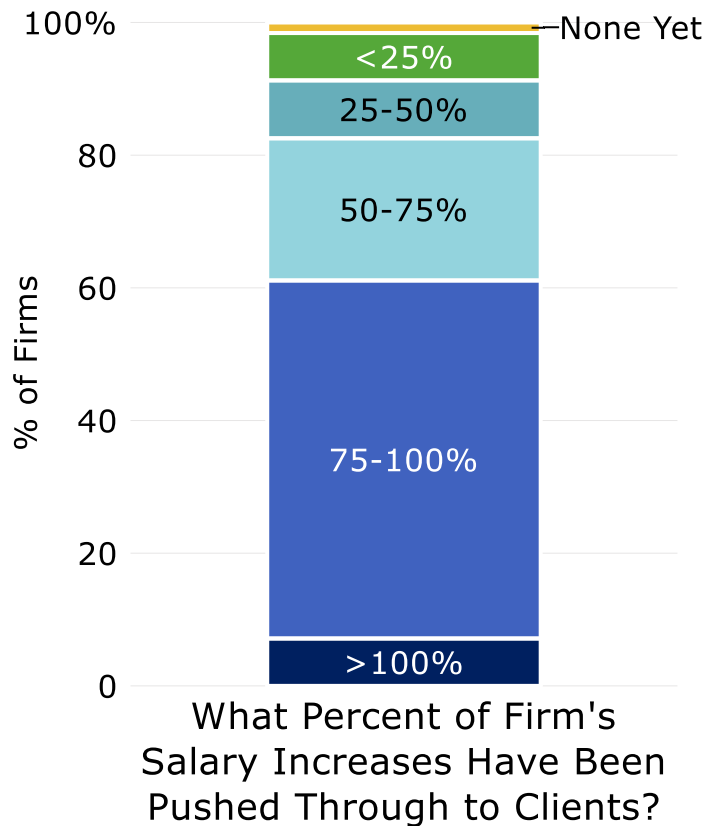
- Firms in green are growing revenue 15 pts faster than headcount
- This could simply indicate modest gains in pricing or constrained hiring
- But it could *also* indicate firms decoupling revenue and headcount through AI, recurring revenue, new business models, etc.

Source: 2025 EFCG CEO Survey Database

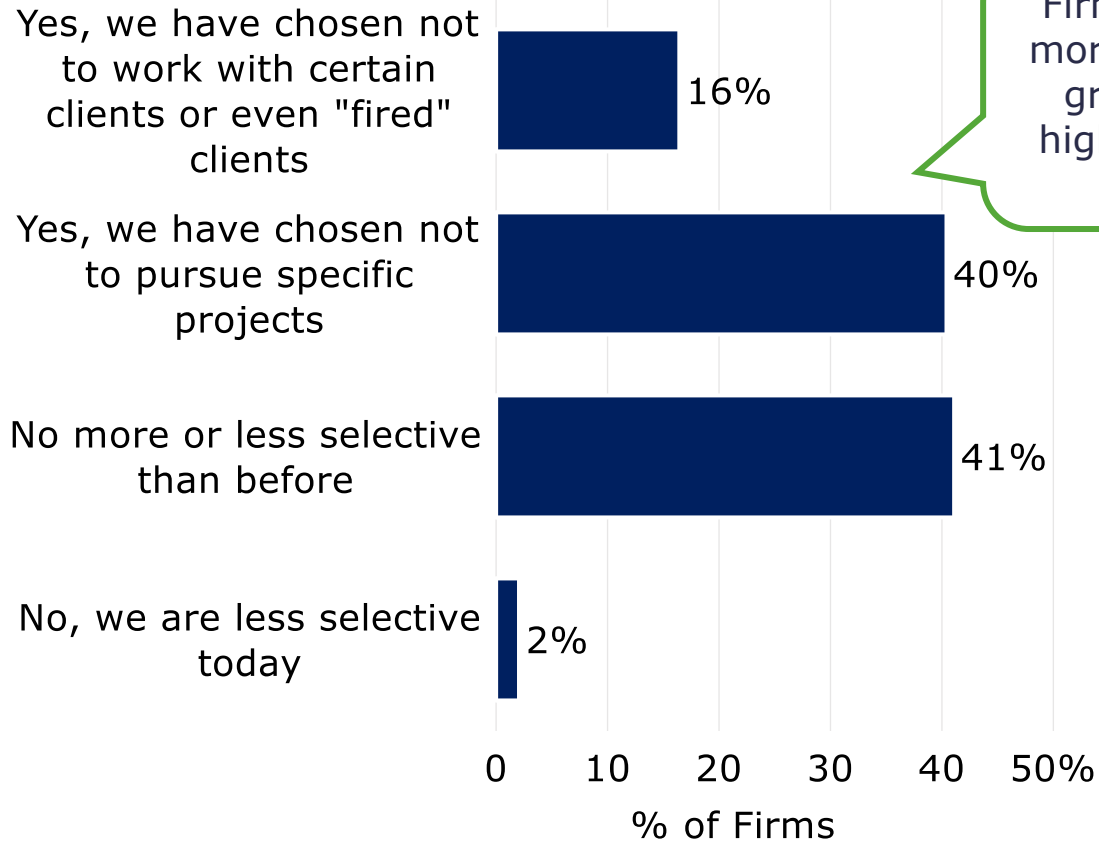
Pricing Discipline Remains Uneven

Pricing is becoming a more important performance lever, but firms are still uneven in their ability to increase prices with clients, with about 40% unable to fully pass salary increases through.

Salary Increases Pushed to Clients



Client Selectivity



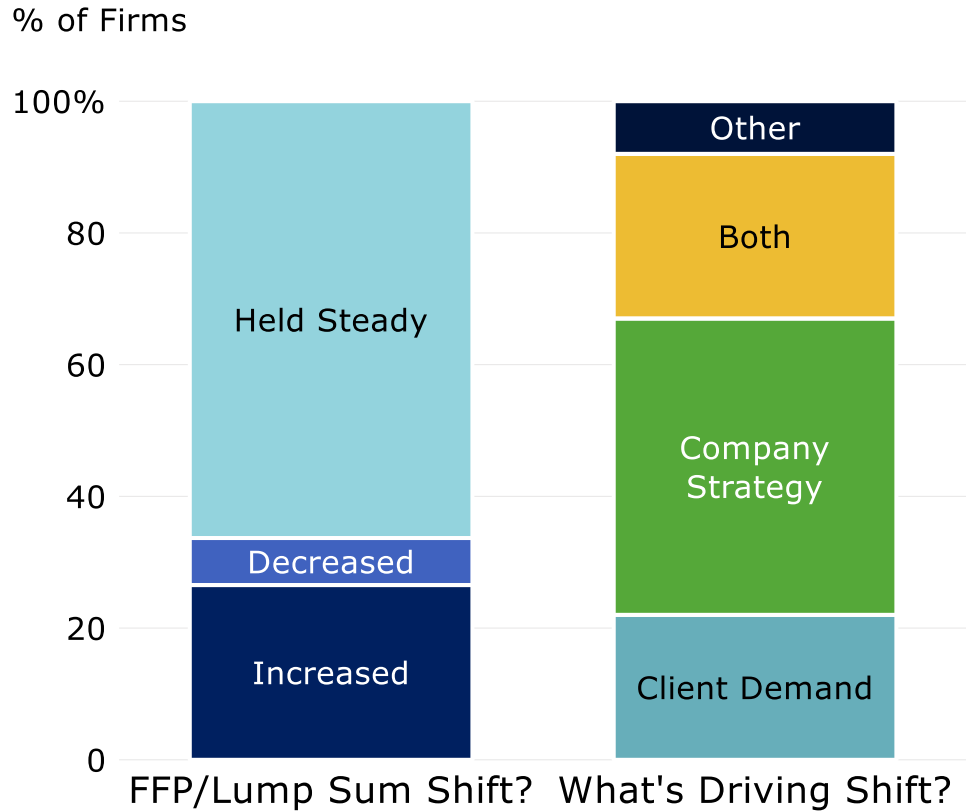
Firms who have become more selective see higher growth (+5.3 pp) and higher margin (+1.8 pp) the following year

Source: 2025 EFCG CEO Survey

Delivery Methods Are Evolving

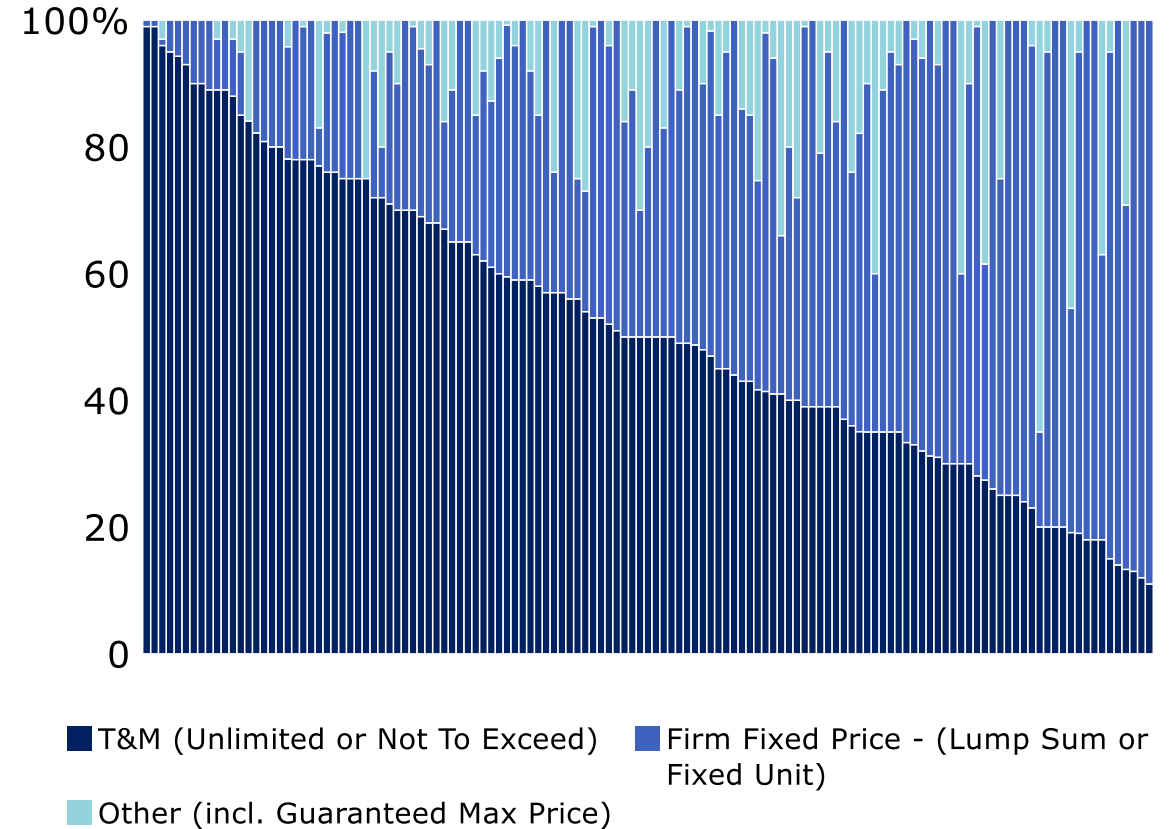
Technology-enabled delivery efficiency could make fixed-price models a stronger profitability lever, but adoption remains gradual as most firms still report a steady mix of fixed-price work.

Firms Shifting Towards FFP / Lump Sum



Yet Firms Still Need to Balance Models

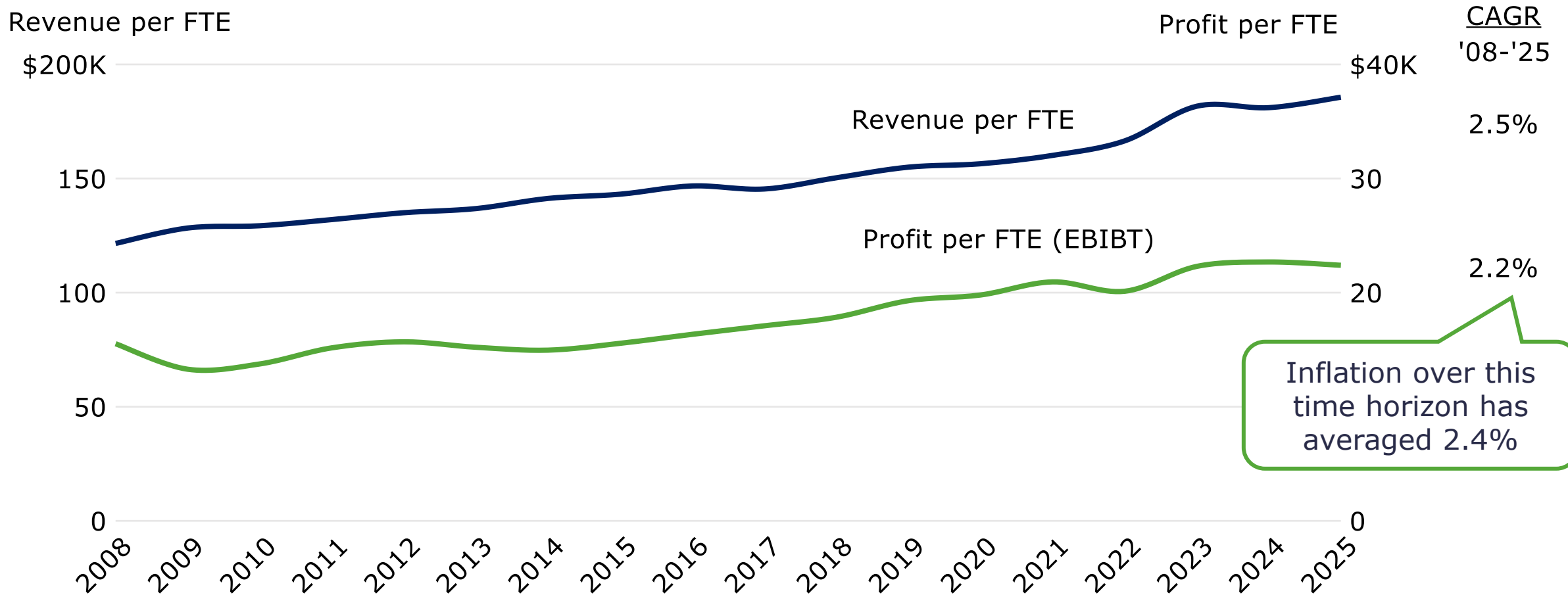
% Revenues by Delivery Method



Source: 2025 EFCG CEO Survey Database

Headcount Continues To Drive Revenue and Profit

Pricing strategy is evolving, but revenue and profit per FTE are still only keeping pace with inflation, showing that talent remains critical to driving growth and performance.



Source: 2008-2025 EFCG CEO Surveys

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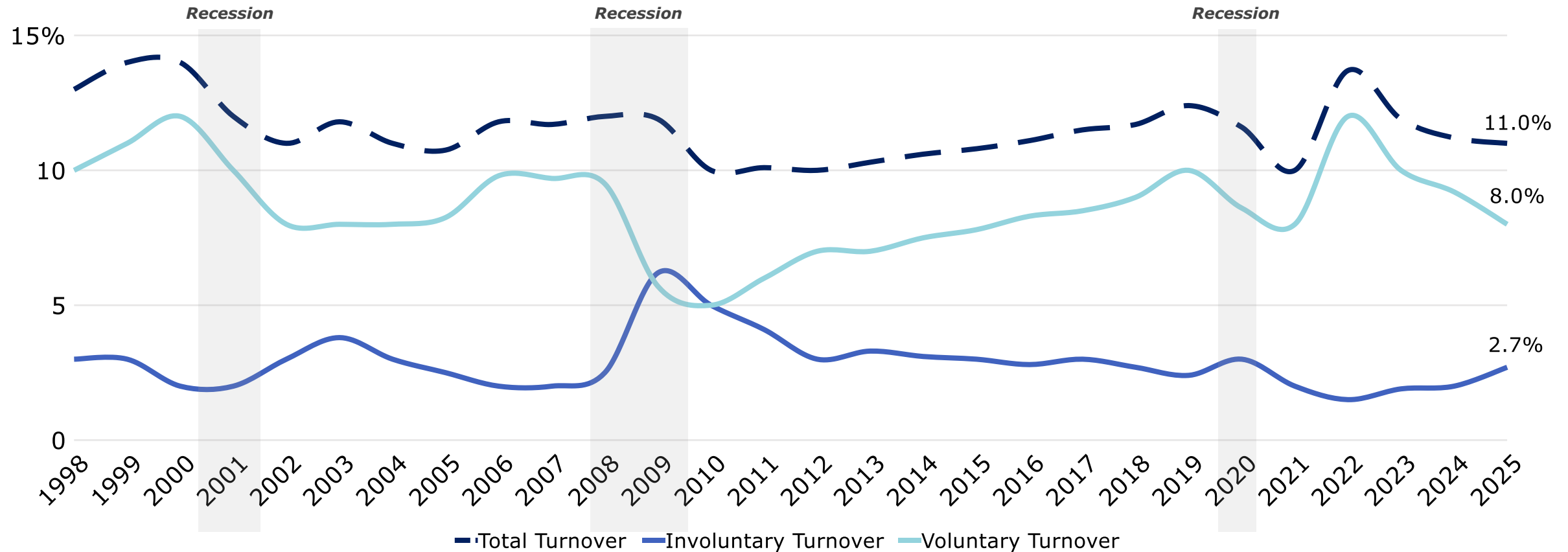
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Turnover Has Moderated, But Still Above 10%

Voluntary Turnover continues to decrease, but still higher than most of 2010's, while Involuntary Turnover saw a slight increase.

Median Turnover (Last 12 Months)



Source: 1998-2025 EFCG CEO Survey; note: turnover numbers are median (not average) and exclude hourly workers

Do We Have Enough People to Deliver on Growth?

CIVIL ENGINEERING IN THE US

A Talent Shortage Remains...

+ 20K Number of new engineering degrees awarded each year

- 20K Number of engineers retiring or leaving the industry each year

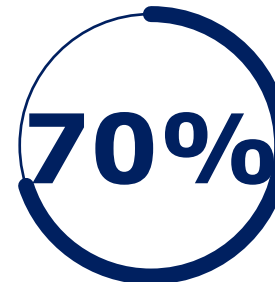
- 30K Number of new engineering jobs required for organic growth each year

-30K **Civil engineer shortage each year**

...But AI Can Help Fill Some of the Gap



Share of the talent gap executives believe can be addressed with technology over the next 5 years*



Share of jobs estimated to be automatable by AI

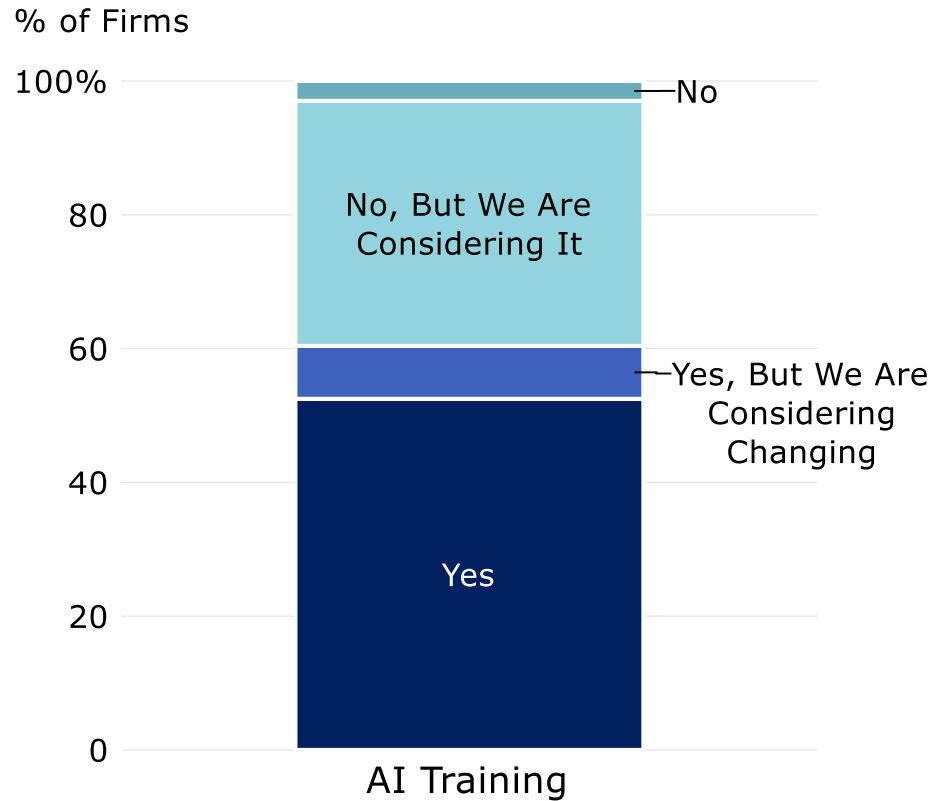
Critical question becomes: do firms have the **right** talent with the right skills to grow and adopt AI?

Source: Bureau of Labor Statistics, Data USA, McKinsey analysis: The Economic Potential of Generative AI, EFCG analysis; *CFO Conference live poll results in which 2/3 of respondents selected '10% - 25%' range

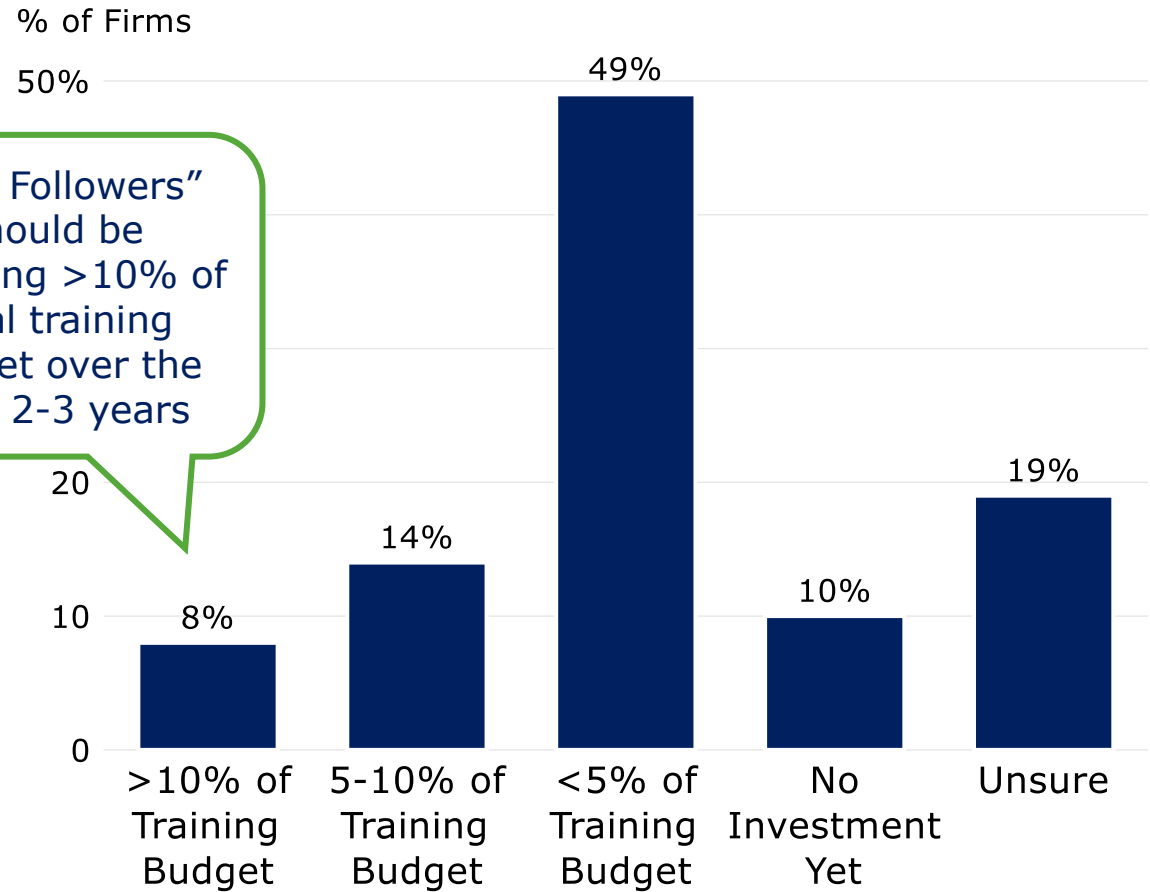
Most Firms Are Underinvesting in AI Training

AI training is common among AEC firms with 60% of firms offering GenAI training; however nearly half dedicate less than 5% of training budgets to it.

Offering GenAI Training



Investment in GenAI Training

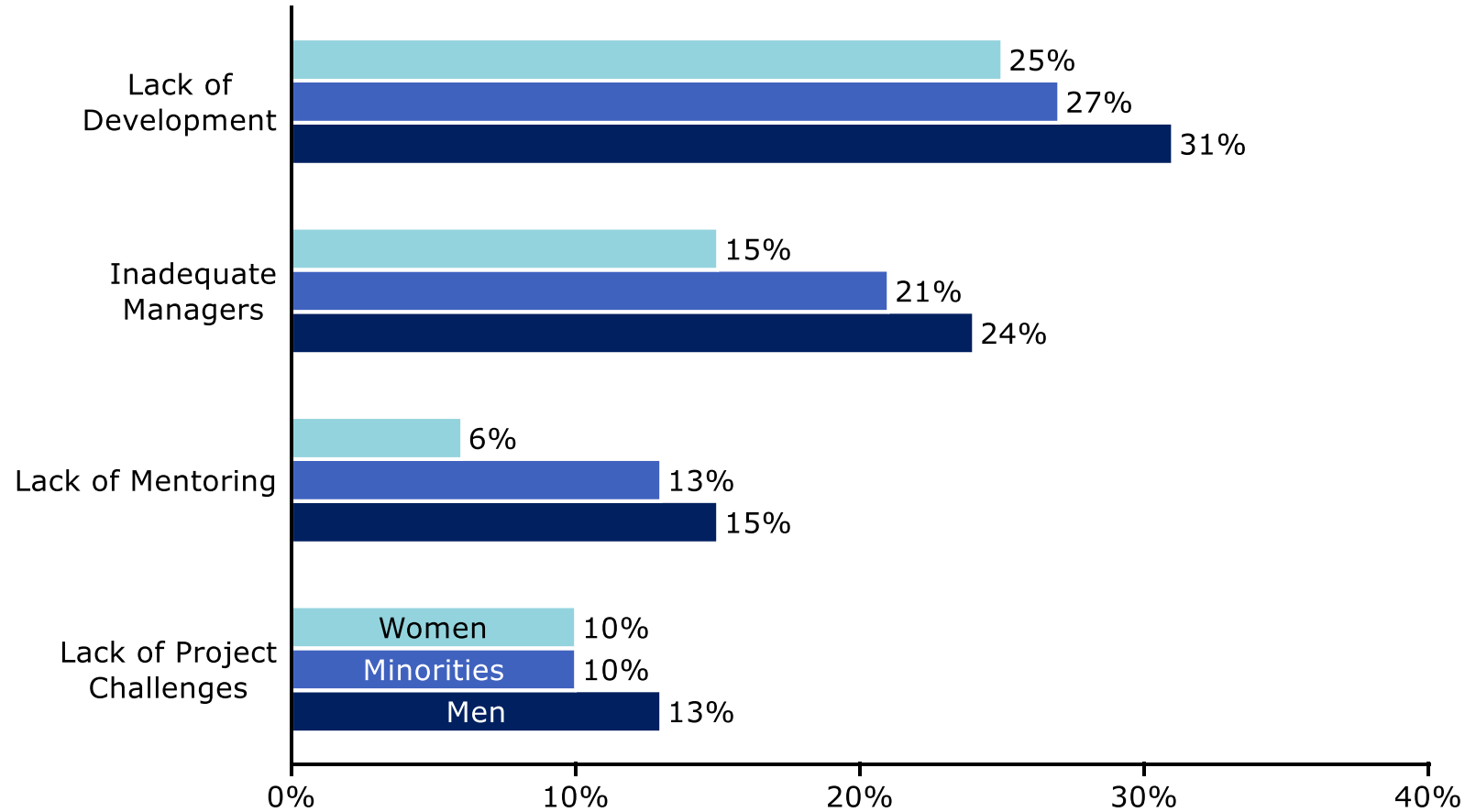


Source: 2025 EFCG CEO Survey

The Retention Story Is Shifting Toward Development

Across all demographic groups, the leading driver of voluntary departures is a lack of development

Why People Leave



Development, management, mentoring are the top reasons people leave.

It's not about pay.

It's about being invested in.



How are you thinking about when AI investments will generate a return?



How are you thinking about when investments in your *employees* will generate a return *on retention*?

And what impactful role will you play?

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Looking For Even More Benchmarks?

EFCG's Peer Benchmarking Analysis ("PBA") provides firm-specific benchmarking across 150+ financial and operational metrics

See the sign-up form in your packet for more details

Exhibit 4a
PRODUCTIVITY ANALYSIS
"MU Factor" and Time-Based Utilization

Type of analysis →

Metric measured →

Companies part of Primary (Size) peer group	"MU Factor" Analysis			Time-Based Utilization Rate			Net Revenues / FTE (\$K)
	Net Revenue Multiplier (M)	\$-Based Utilization Rate (U)	"MU-Factor" Net Revenues Per Payroll Dollar (M x U)	All Professional Employees	"Billability" Highest-Paid 5% of Employees	Next Highest-Paid 10% of Employees	
1	4.00	94.0%	3.74	85%	51%	70%	263
2	3.98	71.0%	2.19	82%	49%	65%	241
3	3.92	69.8%	2.01	81%	43%	60%	193
4	3.65	68.1%	1.99	73%	42%	59%	192
5	3.56	67.4%	1.97	72%	40%	56%	192
6	3.24	62.0%	1.90	70%	40%	54%	188
7	3.22	60.7%	1.87	70%	40%	54%	176
8	3.12	60.1%	1.85	70%	34%	53%	173
9	3.12	58.8%	1.81	69%	33%	53%	172
10	2.99	58.8%	1.81	69%	31%	53%	171
11	2.98	58.5%	1.78	68%	31%	50%	171
12	2.97	58.1%	1.73	67%	30%	45%	169
13	2.92	57.9%	1.72	65%	29%	42%	160
14	2.88	57.8%	1.70	61%	25%	38%	157
15	2.82	57.0%	1.70	60%	22%	37%	156
16	2.75	55.8%	1.66	60%	21%	35%	154
17	2.69	55.2%	1.63	59%	21%	35%	132
18	2.68		1.61	59%	19%	32%	129
19	2.44		1.39	58%	16%	30%	107
20	1.81		1.29	58%	11%	29%	103
21	1.80		1.21	57%	6%	28%	101
Medians							
Size	2.98	58.5%	1.78	68%	31%	50%	Primary and Alternative peer group metric medians
Water / Wastewater	3.12	58.1%	1.87	69%	38%	59%	

Your company's metrics in comparison to peers*

*Each column ranks the peer firms' metrics in order from highest to lowest. A company, therefore, does not occupy only one row, so it is not possible to deduce which set of metrics corresponds to that of a peer firm.

Key Takeaways

The Industry Is Strong – But the Easy Gains Are Behind Us

- Backlog normalization and margin stabilization signal a shift from tailwinds to discipline.
- The firms that sustain performance will manage multiplier, pricing, and cost structure with greater precision.

Technology Strategy is Business Strategy

- Technology investment is no longer discretionary. It is shaping productivity, pricing power, talent strategy, new business models, and valuation.

Productivity Is The Defining Variable

- Firms that bend the revenue-per-FTE curve will accelerate versus those that rely on hiring.
- The next margin wave will come from workflow redesign, automation, and selective fixed-price delivery.

Ask Us Questions

Julie Hasiba

jhasiba@efcg.com

<https://calendly.com/jhasiba>

Share Your Feedback

We value your input!

Please take a moment to share your thoughts at the end of the day.