EFCG

# 2026 HR Leadership Conference

## Session 1: AEC Industry Overview

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**Network: JWMarriott_Conference**
**Password: EFCGHR2026**

# Today's Presenter: Rebecca Zofnass

**Rebecca Zofnass**
Managing Partner
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EFCG

## Experience

2018-Present
Managing Partner
Strategy & Corporate Finance Lead
**Environmental Financial Consulting Group (EFCG)**

2009-2018
Senior Manager
**Bain & Company**

## Education

M.B.A.
**Harvard Business School**
A.B., Psychology, with Honors
**Harvard University**

# Agenda

**01** **Welcome & Overview**

**02** Update on Key Industry Metrics

**03** Looking Ahead: Industry Trends
- Future Talent Challenges & Needs
- Technology Strategy
- Generative & Agentic AI
- Emerging Strategies & Business Models
- Mergers & Acquisitions

**04** Key Takeaways

# Industry Overview and What's on the Horizon

- Industry financials are holding steady – internal growth is sitting at 10%, while profit has stabilized around 14% EBIBT / 11% EBITDA
- There are demand shifts in pockets of the industry (e.g. within environmental and power), but the fundamentals across the board remain strong
- However, technology is the great differentiator. As the pace of change increases, technology strategy is going to drive the most differences in firm outcomes over the next 5 years
  - Specifically, how firms are aligning their tech strategy to business models / strategy
- Technology investment and strategy is intertwined with risk appetite – for risk averse firms, this may require becoming even more deliberate with where you are placing technology bets
- Talent remains the constraint to growth, unless you decouple revenue and headcount. The next horizon is business model evolution, as firms seek to move up the value chain to capture higher pricing, generate recurring revenues, and acquire niche capabilities

# CEO Perspectives on Priorities and Concerns

| Key Priorities | Key Concerns |
| --- | --- |
| • Driving Growth | • Talent Retention |
| • Technology and AI Integration | • Economic Uncertainty and Interest Rates |
| • Talent Acquisition and Retention | • Current Political Environment |
| • Increasing Margins | • Tariffs Impacting Costs |
| • Succession Planning & Ownership Transitions | • Uncertain Outlook on Federal/State Funding |
| • Identifying M&A Opportunities | • Maintaining Technological Competitiveness |
| • Expansion Into Growing Markets and Geographies | • Pricing Pressure and Inability to Pass Through Costs |
| • Leadership Development | • Employee Engagement and Burnout |

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01 Welcome & Overview

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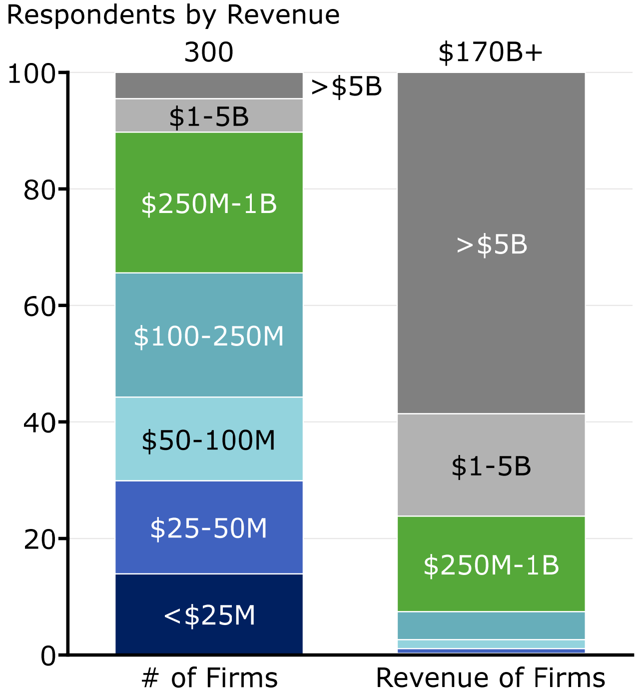
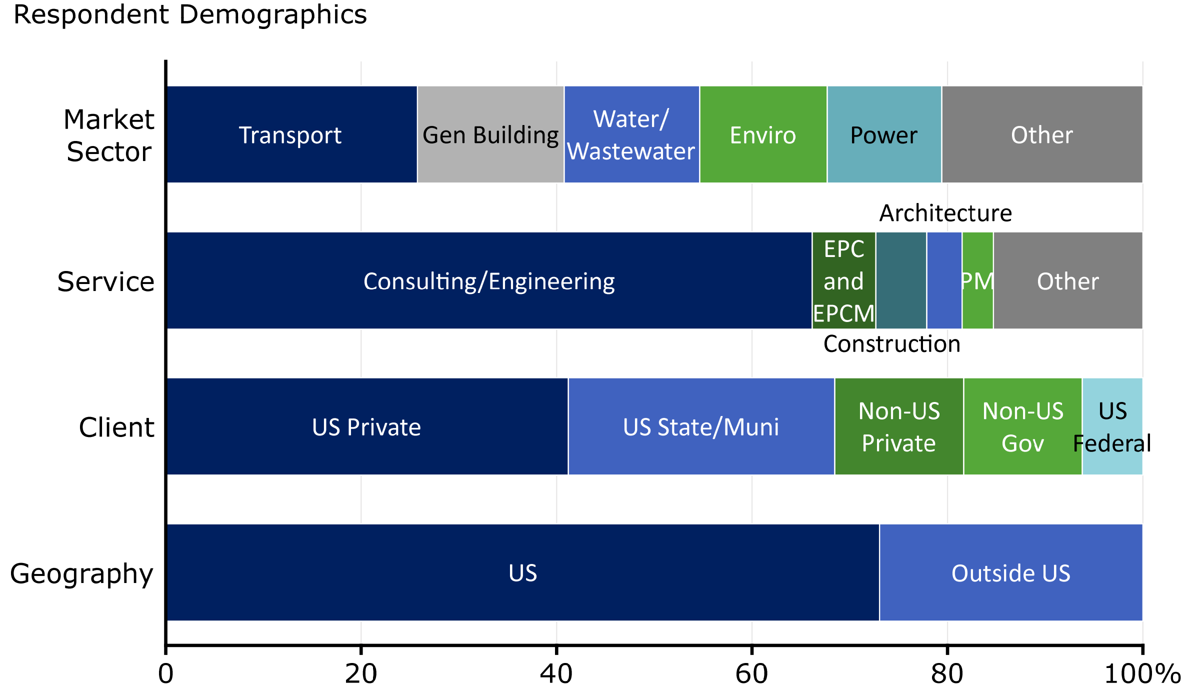
# 2025 EFCG CEO Survey Demographics

This year's CEO Survey participants were widely distributed across revenue buckets and comprised over $170B in revenues. Firms are primarily US-based, E/C focused, and Employee-Owned, working in Transportation, General Building, Water, Environmental, and Power end-markets.

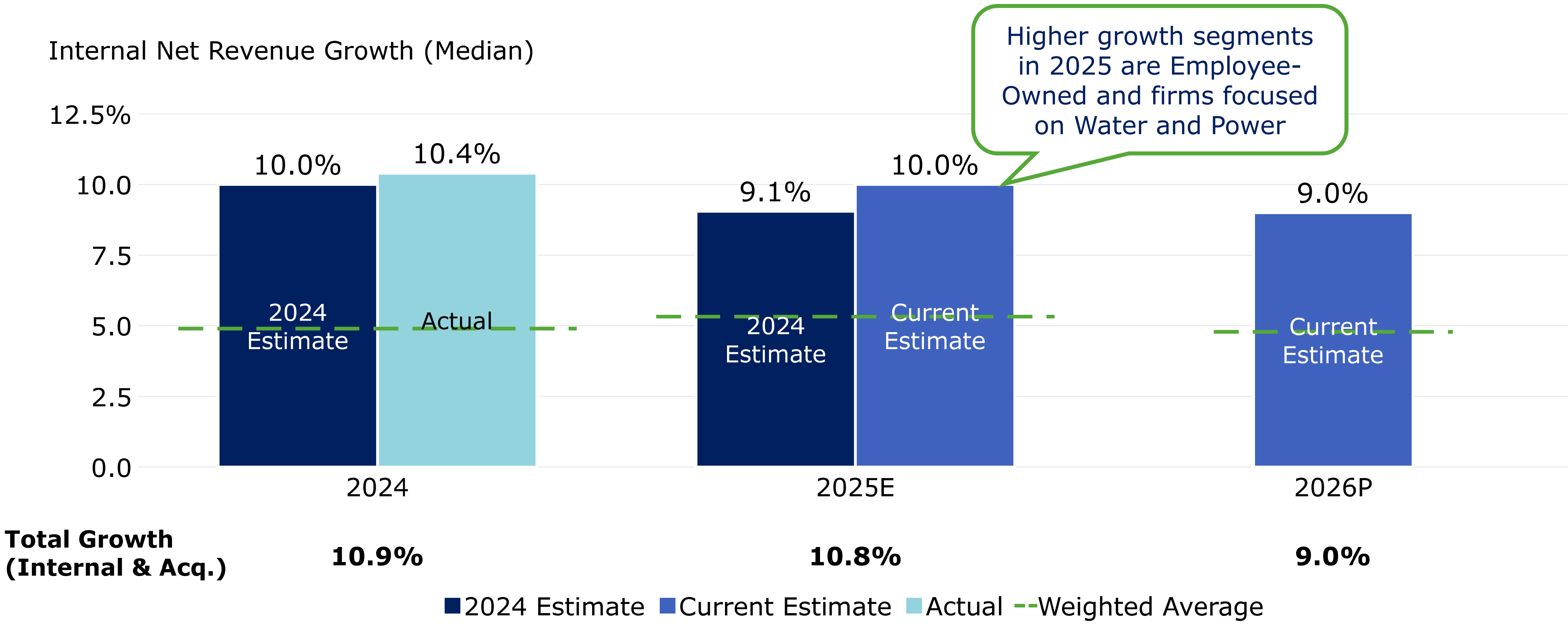



Source: 2025 EFCG CEO Survey

# Current Internal Growth Estimates

2025 estimates have increased since last year and now are expected to remain similar to 2024 levels, while 2026 projections are expected to decline slightly to 9.0%.

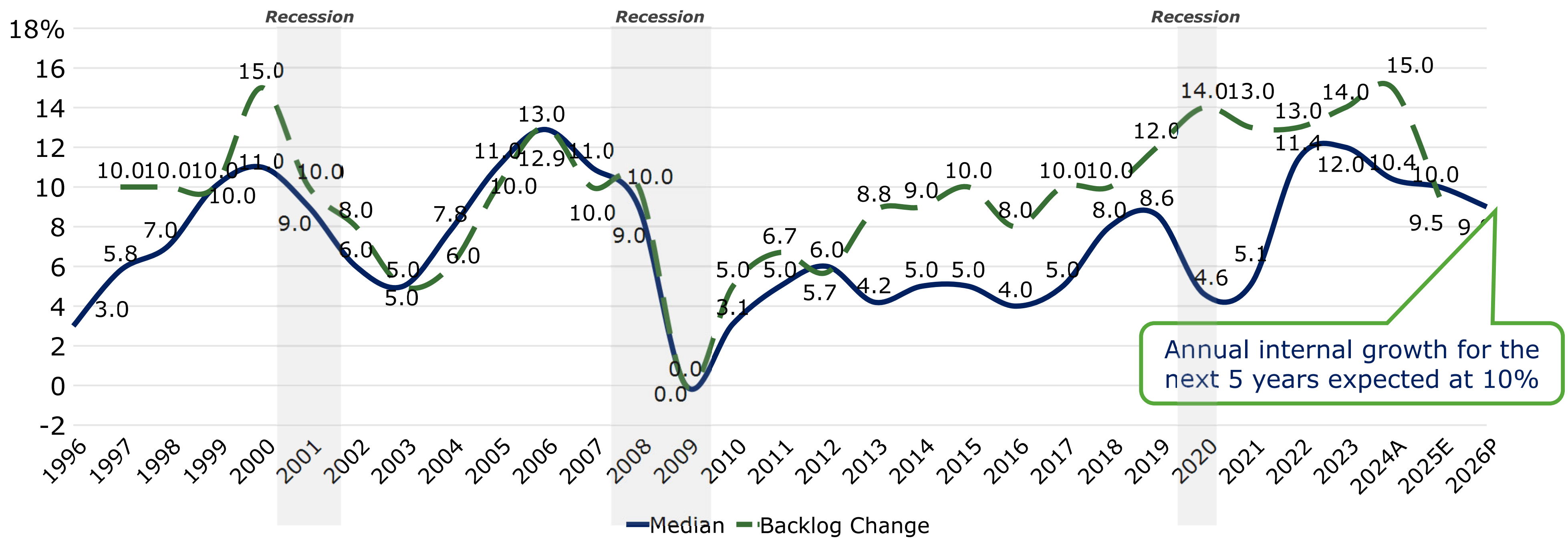



Source: 2025 EFCG CEO Survey; 2025 EFCG CFO Survey

# Historical Internal Growth Trends vs Backlog Change

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 2025 have backlog growth and revenue growth aligned again, suggesting firms have worked through the "surplus."

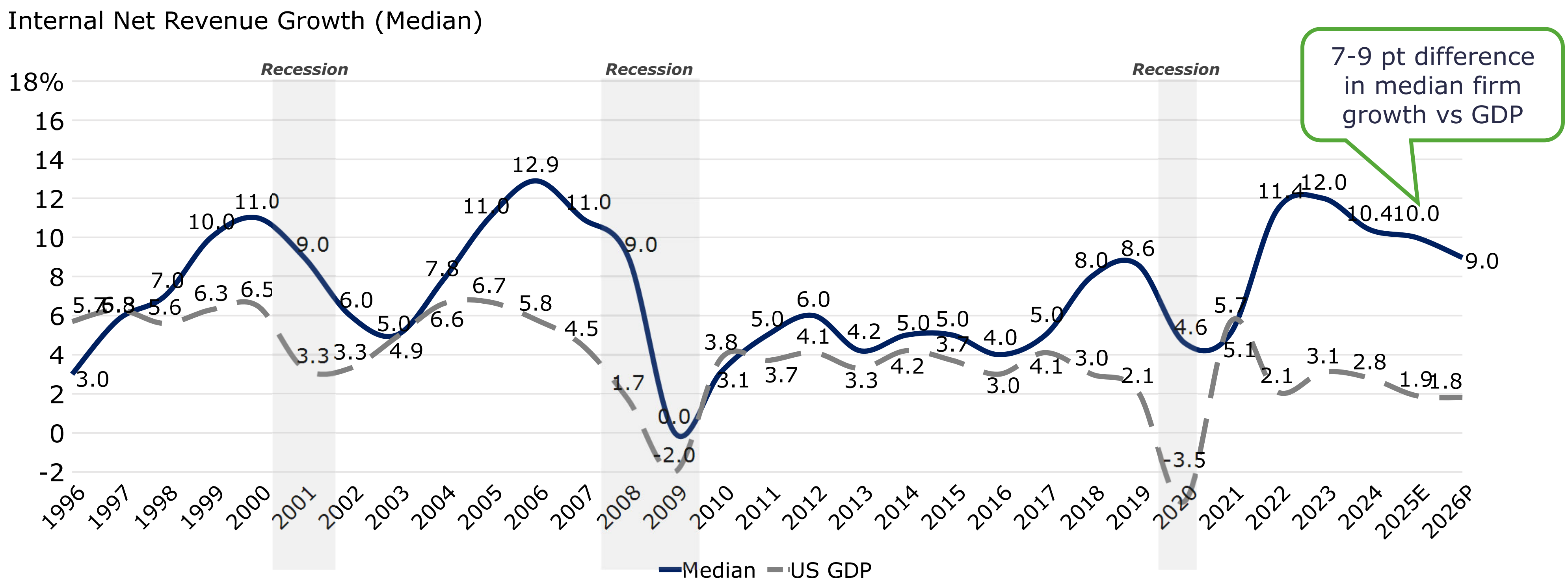
Internal Net Revenue Growth (Median)




Source: 1996-2025 EFCG CEO Survey

# Historical Internal Growth Trends vs US GDP

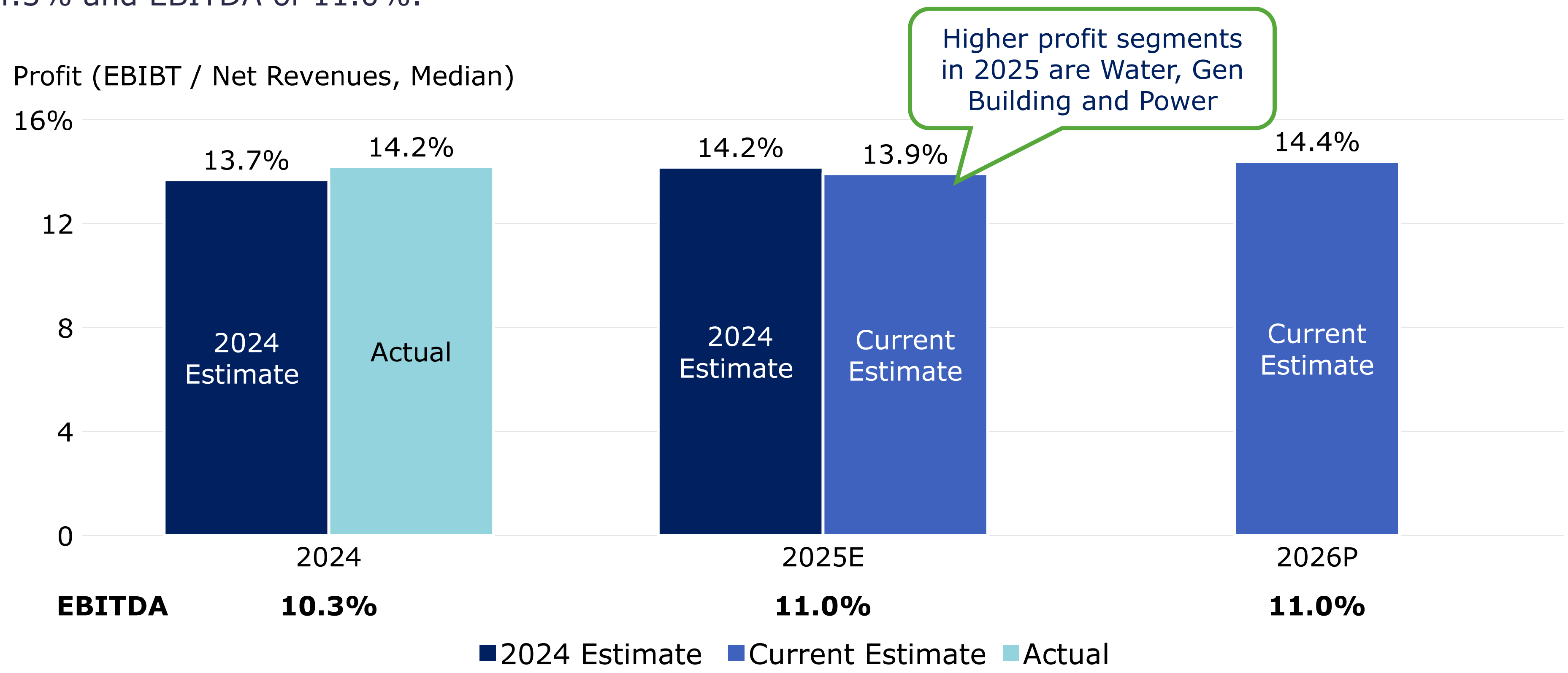
Our industry continues to outperform the US GDP. 2022-2026P represent one of the largest gaps between industry growth and US GDP that we've seen.




Source: 1996-2025 EFCG CEO Survey

# Current Profitability Estimates

Current profit estimates indicate consistent profitability this year and next, with an expected EBIBT of ~14-14.5% and EBITDA of 11.0%.

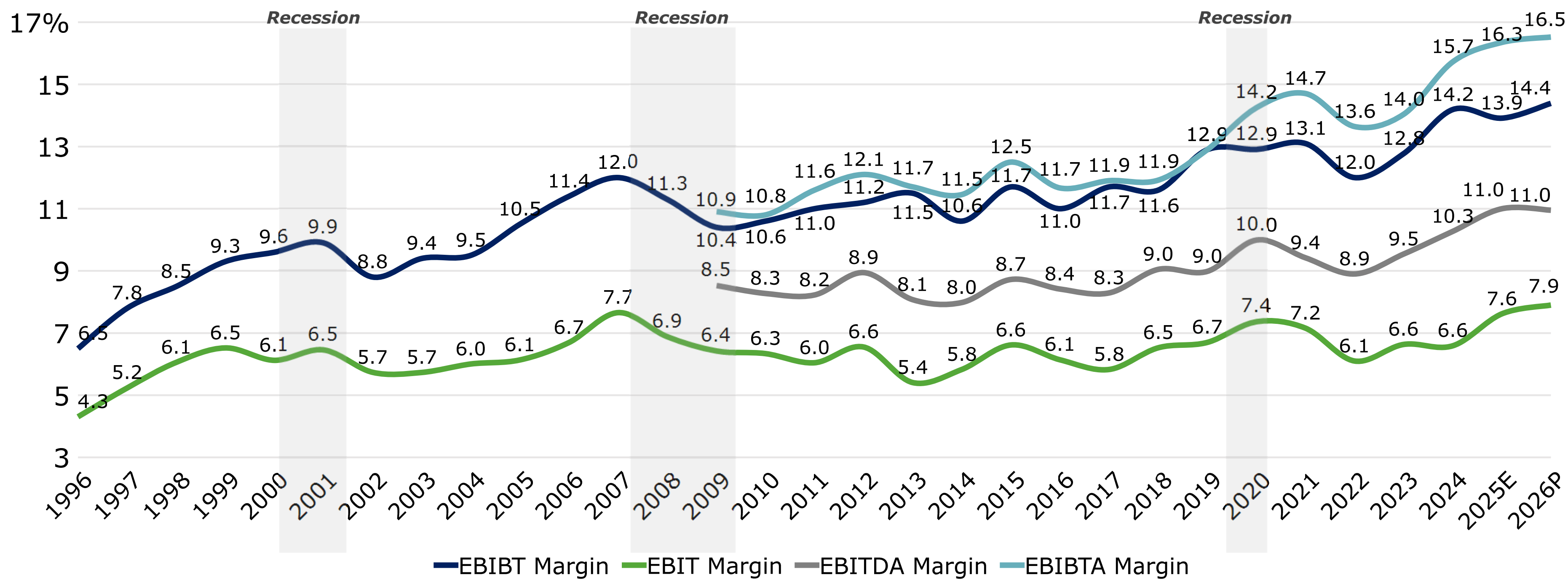



Source: 2025 EFCG CEO Survey; 2025 EFCG CFO Survey

# Historical Profitability Trends

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?

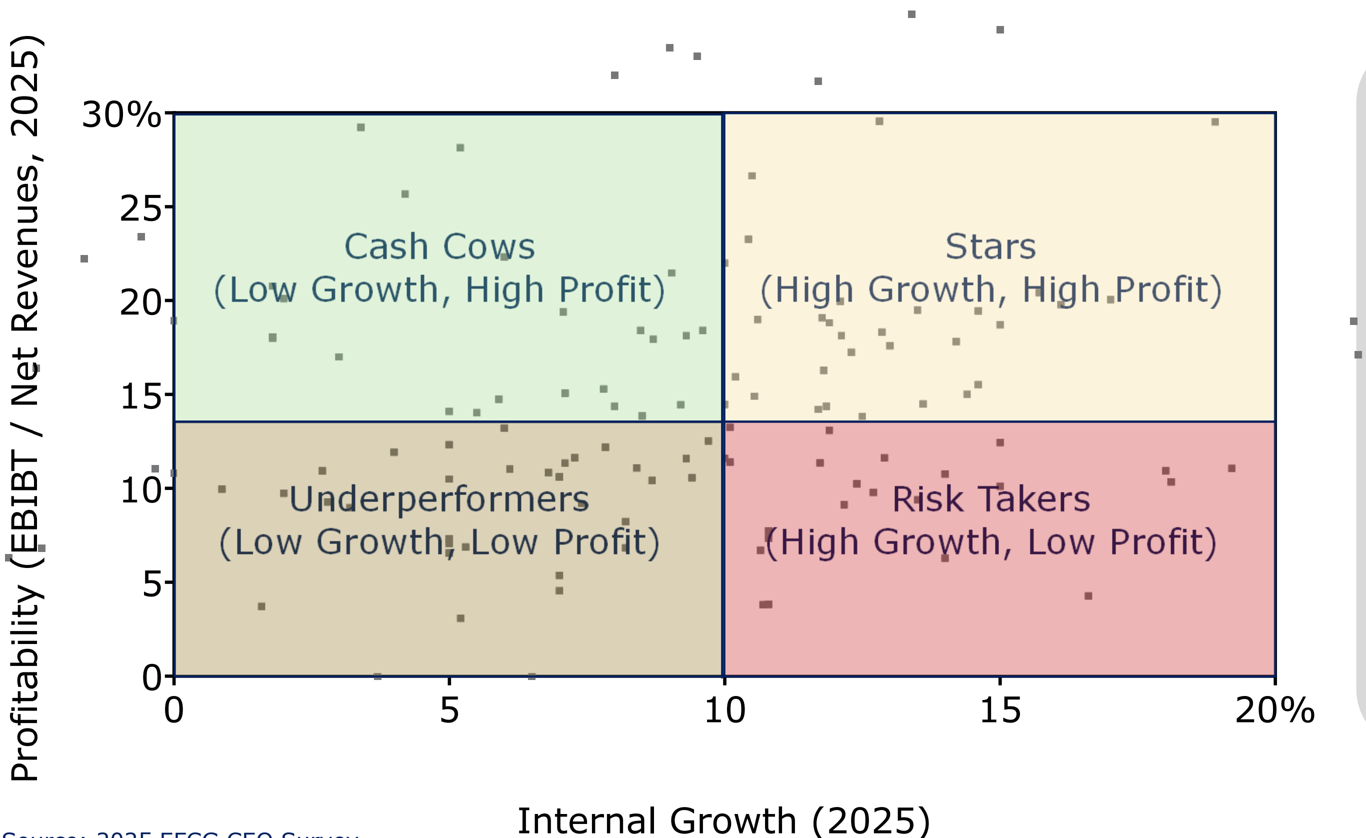
Profit Margin (% of Net Revenues, Median)




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

# Growth vs Profit – How Do They Relate?

Growth and Profit are not mutually exclusive – many firms are able to successfully manage high growth and high profit. Is the goal to always be a "star"?




What are the common characteristics of high performers?

Higher Multiplier

Higher Utilization

Lower Turnover

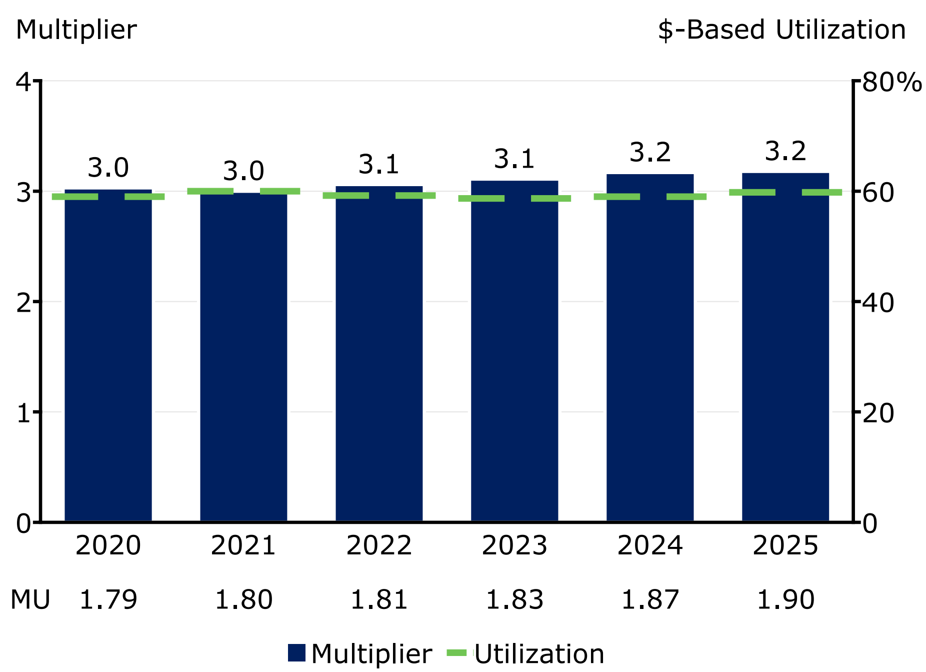
Higher Fee Capture Rate

Source: 2025 EFCG CEO Survey

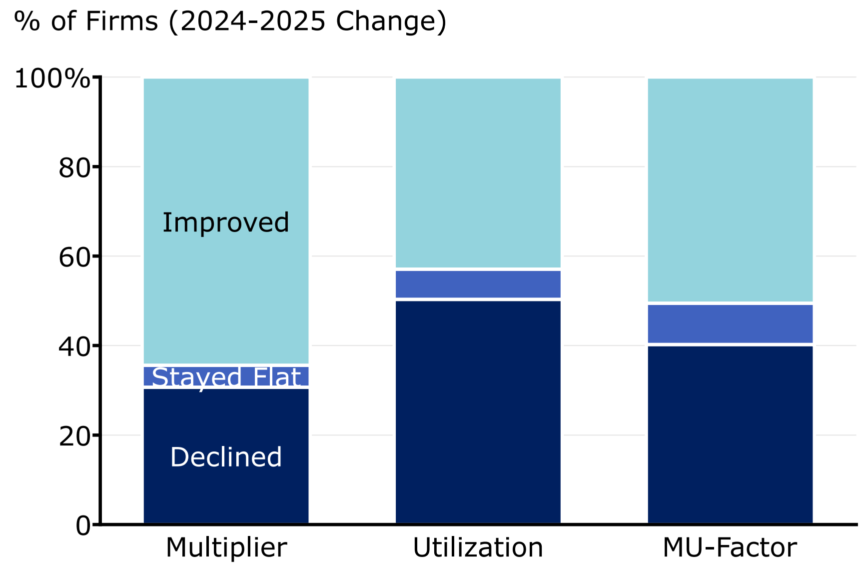
## Inconsistent Improvement in Multiplier x Utilization

While overall MU Factor has increased slightly in recent years, improvement is inconsistent. 60% of firms saw an improvement in multiplier, and 50% of firms improved MU Factor. However, 40% of firms had a decrease YoY in MU, highlighting diverging outcomes.

### Slight Improvement in Multiplier (and MU)



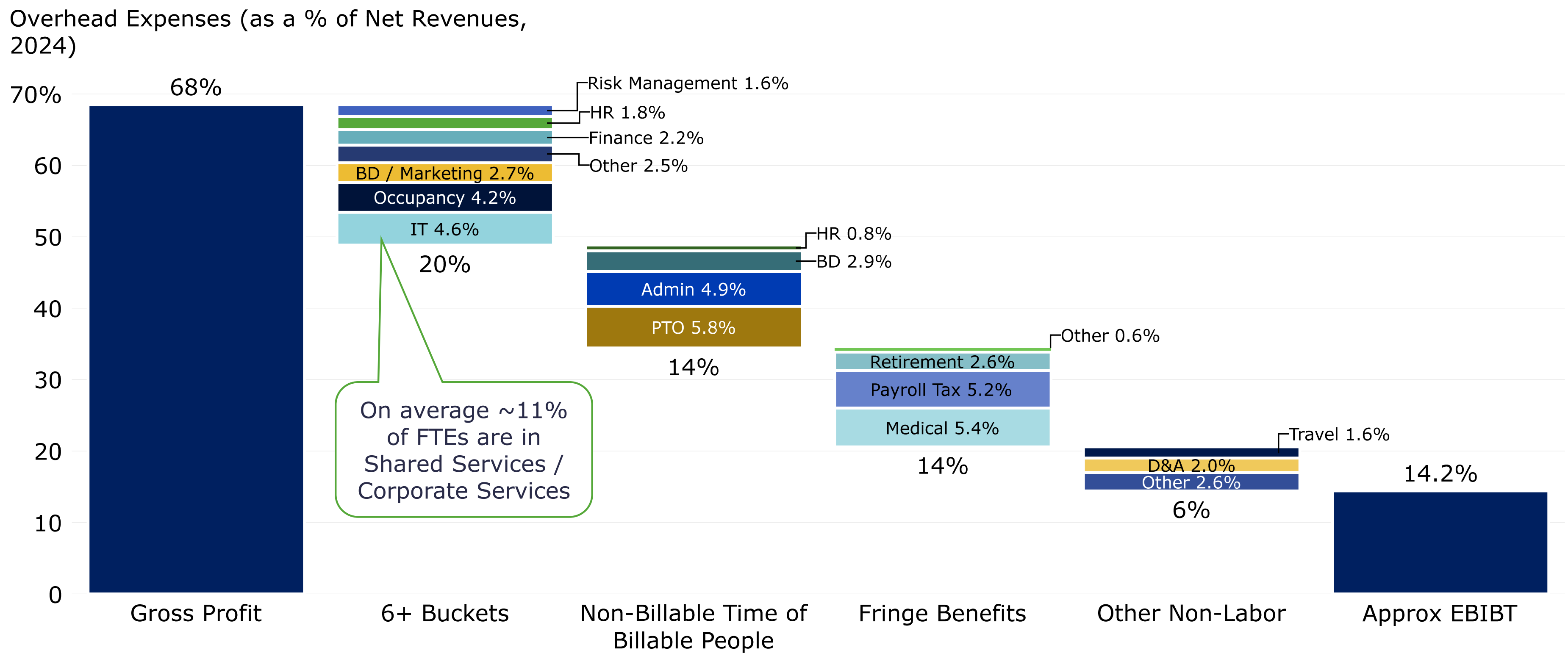

### Divergence in MU Growth Between Firms




Source: 2019-2025 EFCG CEO Survey

# Driving Value From Overhead Costs

6+ Buckets (core shared services) and non-billable time of billable people continue to drive overhead costs (and are where we see the greatest differences between firms).



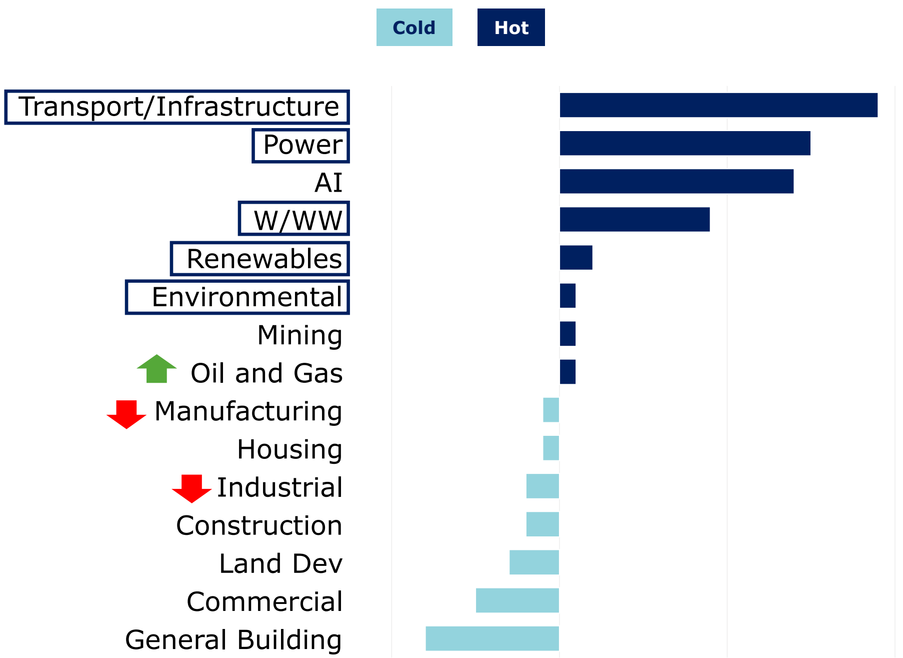

Source: 2025 EFCG CEO Survey

# EFCG Annual Hot / Cold Analysis

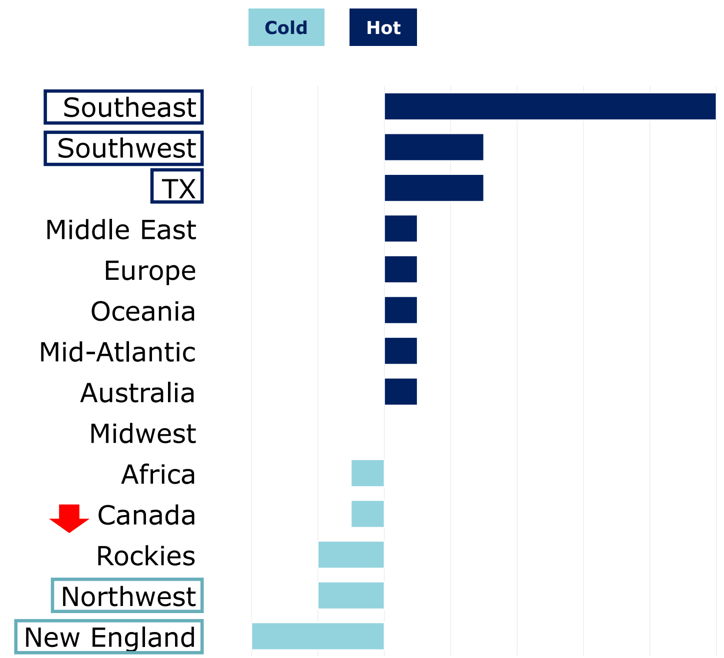
**Markets**: Transportation, Power, and AI are hottest; Building and Commercial are expected coldest.

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

## Markets




## Geographies




Source: 2025 EFCG CEO Survey

Multiple Hot Years | Multiple Cold Years

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**04** Key Takeaways


Future Talent
Challenges & Needs
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# 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

**20%** Share of the talent gap executives believe can be addressed with technology over the next 5 years*

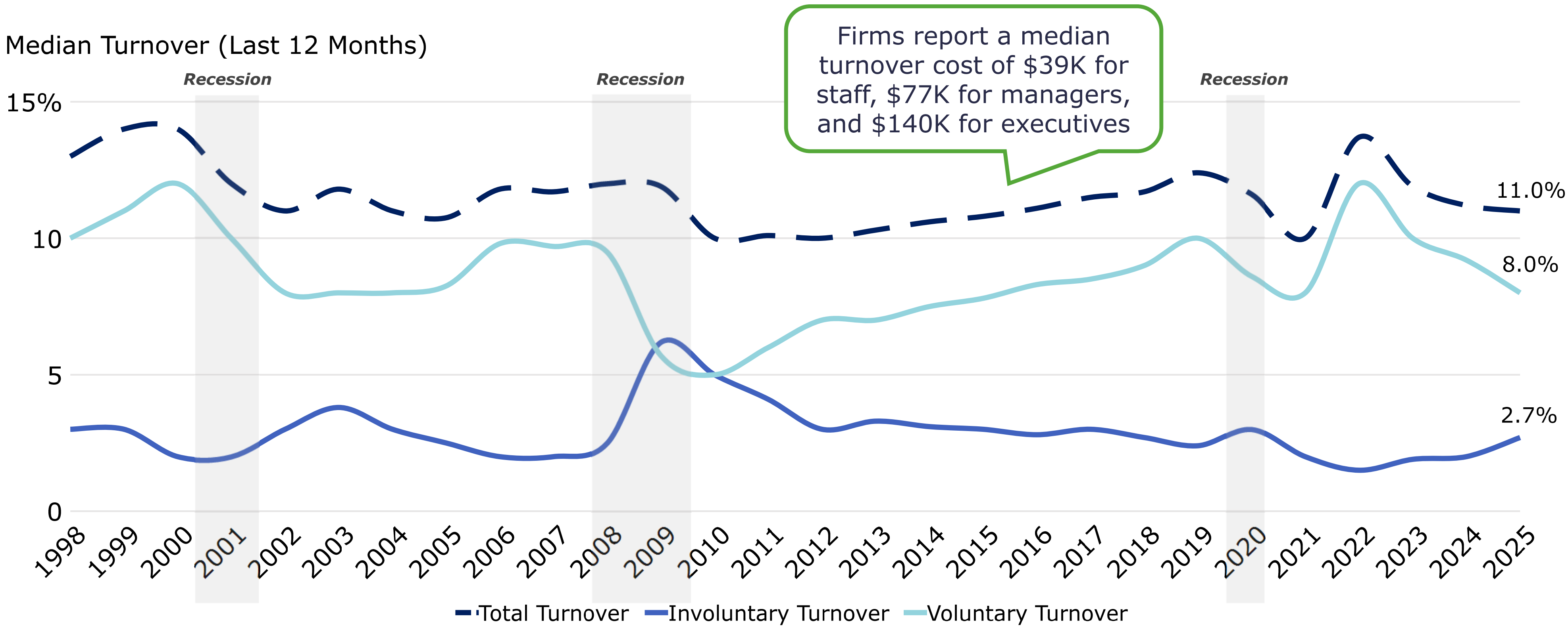
**70%** Share of jobs estimated to be automatable by AI

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

# 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.

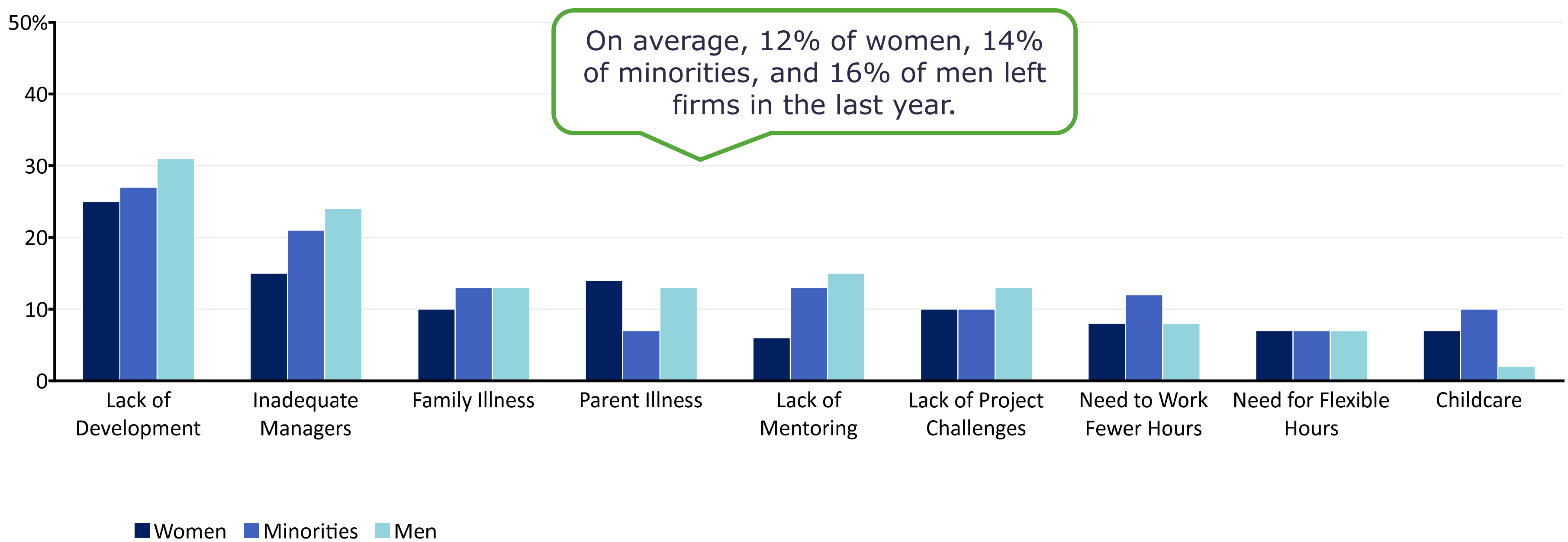



Source: 1998-2025 EFCG CEO Survey; 2026 EFCG HR survey; note: turnover numbers are median (not average) and exclude hourly workers.

# Turnover Is Driven By Development Needs

Lack of development and inadequate managers were cited among the top reasons for leaving, especially among men. Women and minorities reported leaving for parental or childcare at higher rates.

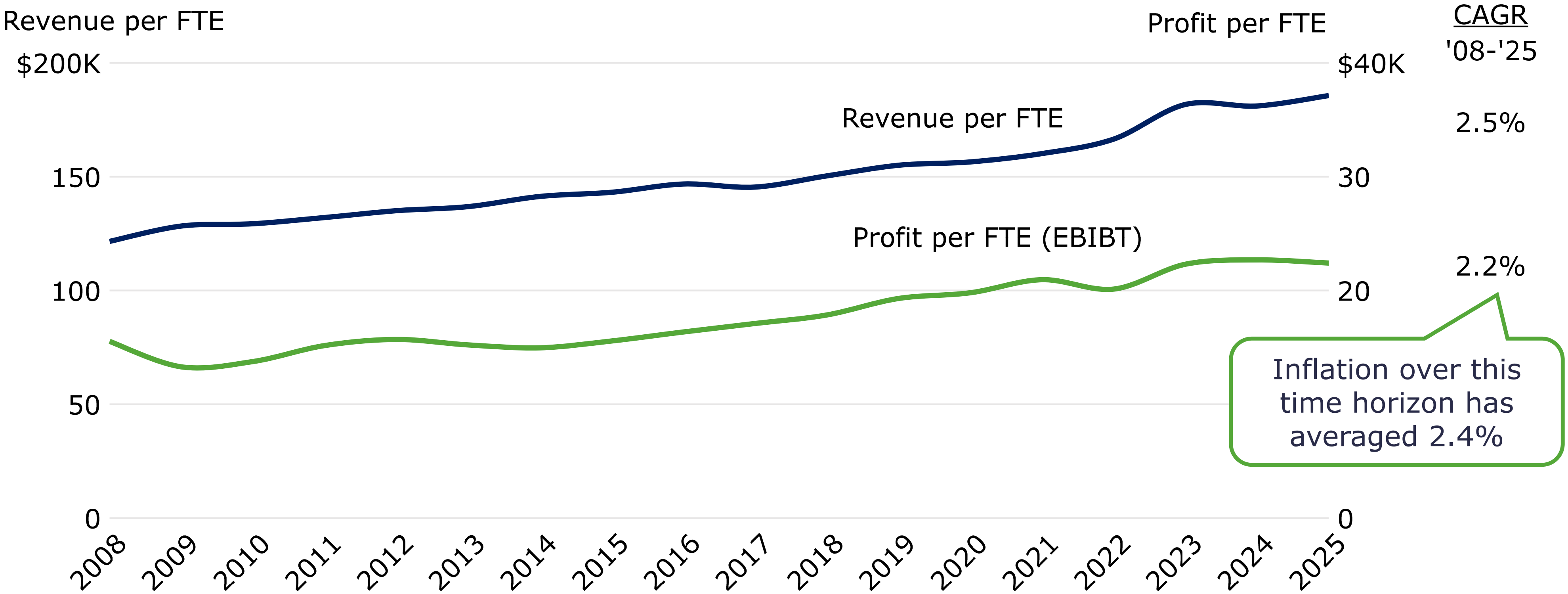
## Reasons for Leaving in the Last Year




Source: 2026 EFCG HR Survey; Chart figures represent average values.

# Headcount Continues to Drive Revenue and Profit

Revenue and profit per FTE are just keeping pace with inflation. Are all the investments in efficiency & technology not driving productivity gains? Or does our industry have a **pricing** problem?




Source: 1998-2025 EFCG CEO Survey

# However, Some Firms Starting to Disconnect Growth From FTEs

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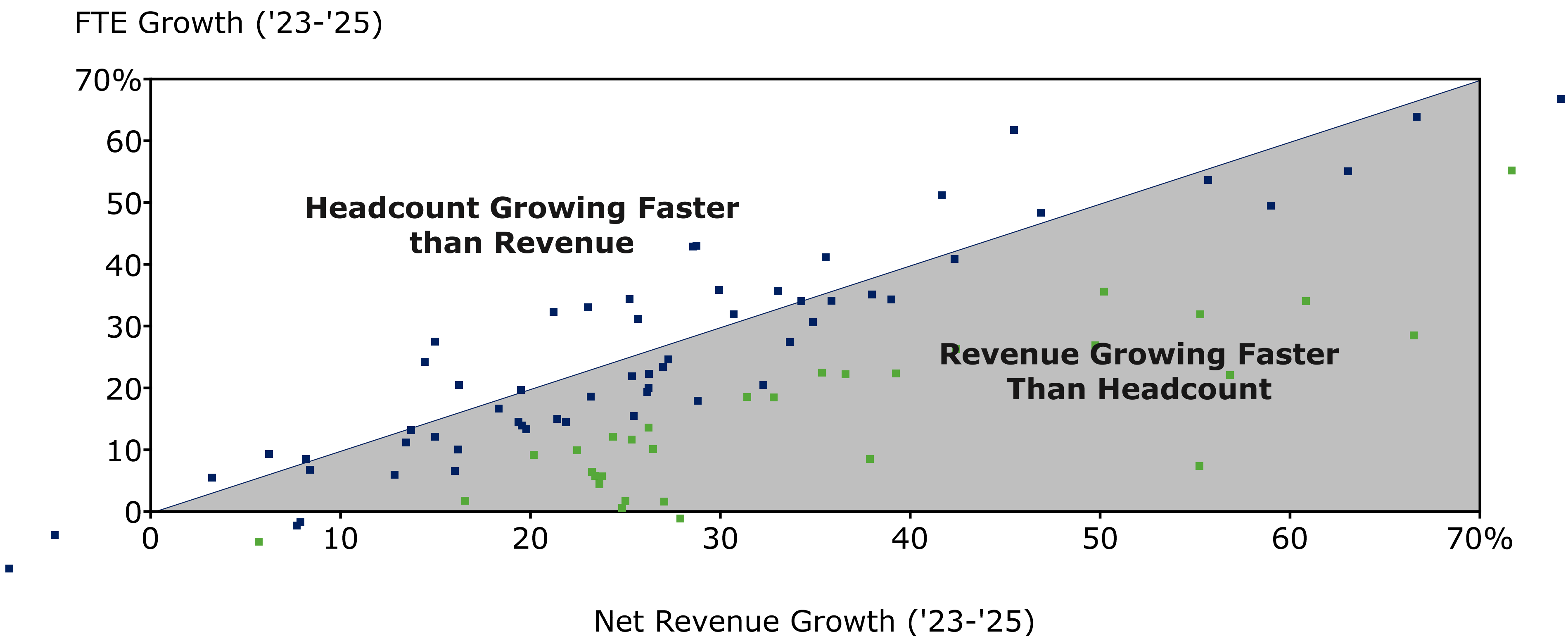
With talent constraints expected to continue, firms significantly gaining productivity (or decoupling growth from headcount) will likely emerge as leaders.

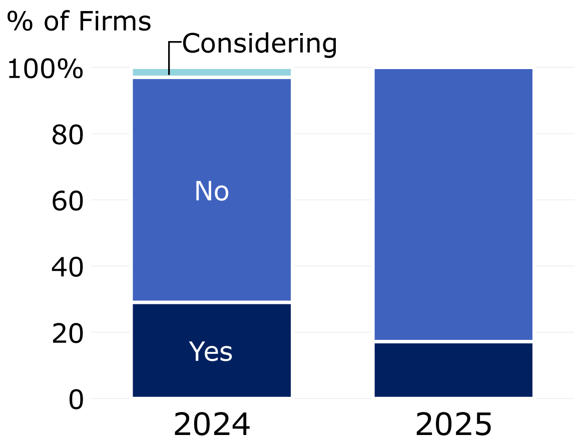



Source: 2025 EFCG CEO Survey Database

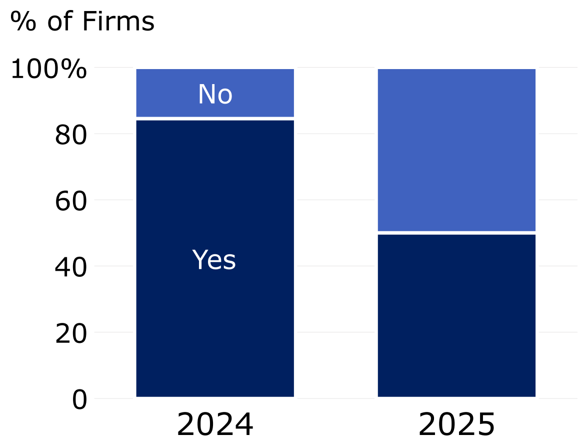
# Externally Facing DEI is in Decline

Firms have walked back DEI leads and public mentions, but internal programs have held steady.

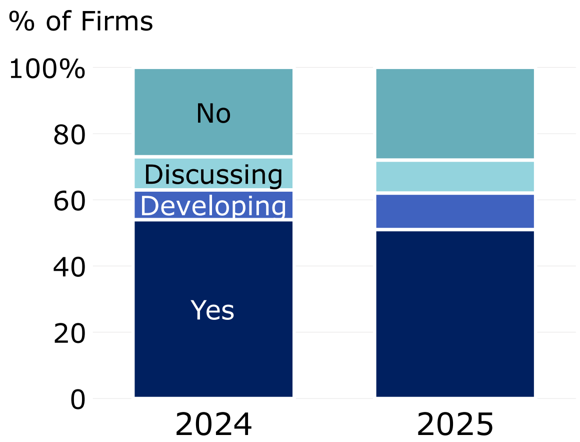
### Lead with Diversity / Equity in Title




### Diversity / Equity Mentioned on Website




### Workforce Inclusivity Program




**Top 3 Challenges For DEI Strategy**

1. Difficulties in recruitment of minorities into senior technical and leadership roles
2. Difficulties in recruitment of women into senior technical and leadership roles
3. Difficulties in recruitment of minorities into entry professional-technical positions

Source: 2025 EFCG CEO Survey Database; 2025 EFCG HR Survey

# Most HR Time Is Spent On Recruiting and Compensation

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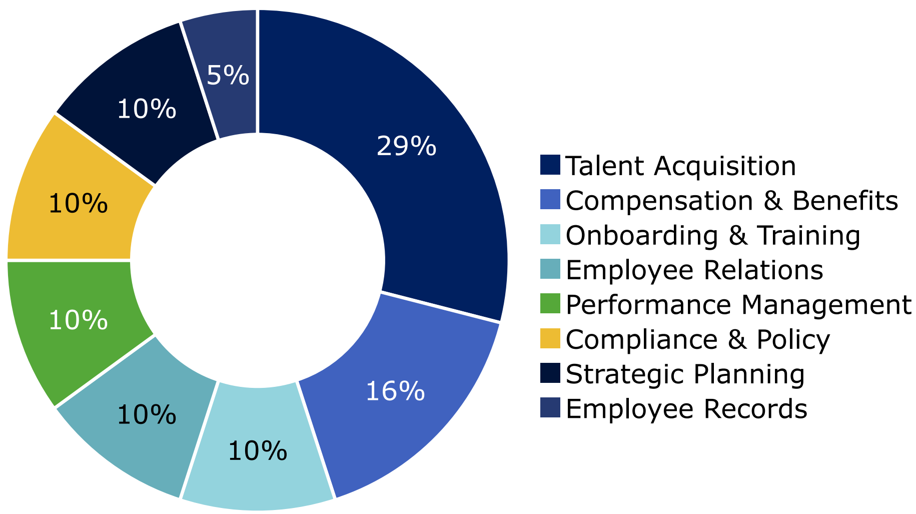
## What percentage of your team's time is appropriated to the following HR functions?




Median reported HR / Talent team size is **13** FTEs across firms.

**Talent Acquisition:** Finding, screening, interviewing, and hiring qualified candidates

**Compensation & Benefits:** Managing payroll, health insurance, retirement plans (401k), and other perks

**Onboarding & Training:** Integrating new hires and developing ongoing employee skills

**Employee Relations:** Mediating disputes, handling grievances, and boosting morale and satisfaction

**Performance Management:** Conducting reviews, setting goals, and managing performance issues

**Compliance & Policy:** Ensuring adherence to labor laws, safety regulations, and creating/updating company policies

**Strategic Planning:** Aligning HR initiatives with overall business strategy and planning for future workforce needs

**Employee Records:** Maintaining accurate and confidential employee data

# Technology Strategy

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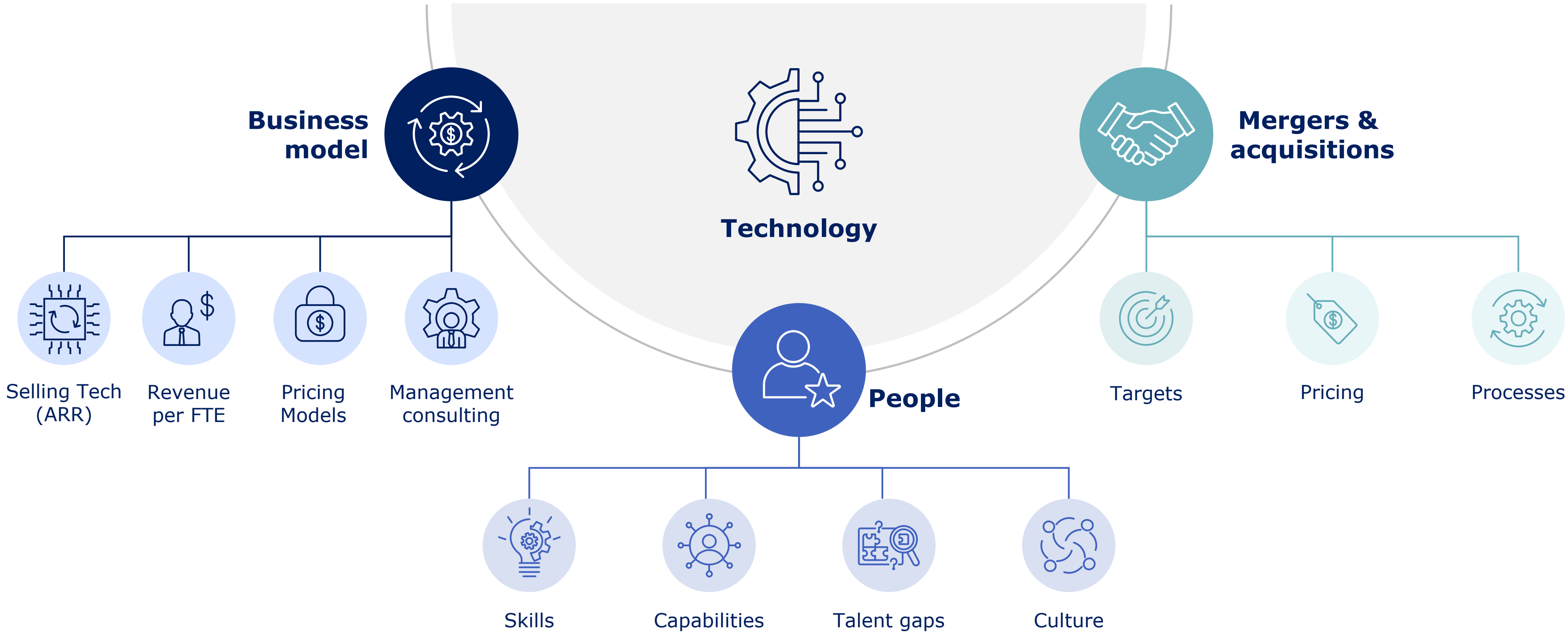
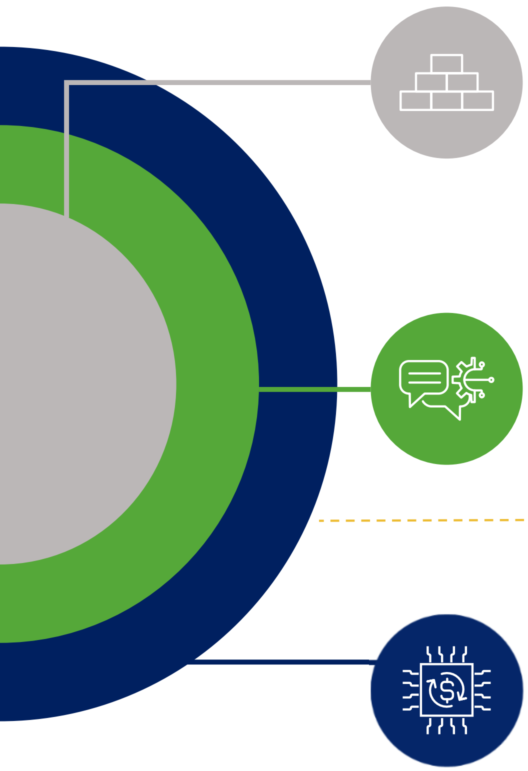
# Technology Strategy Underpins All of a Firm's Decisions

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.



# EFCG Technology Framework 2.0



**Foundational**

Tech to make a firm more efficient or effective internally (improve margins)

**Tech-enabled Consulting**

Tech to improve the value proposition to clients (win more work, command higher pricing)

*Designing & selling technology*

**Recurring Revenue**

Technology to build revenue streams beyond billable hours

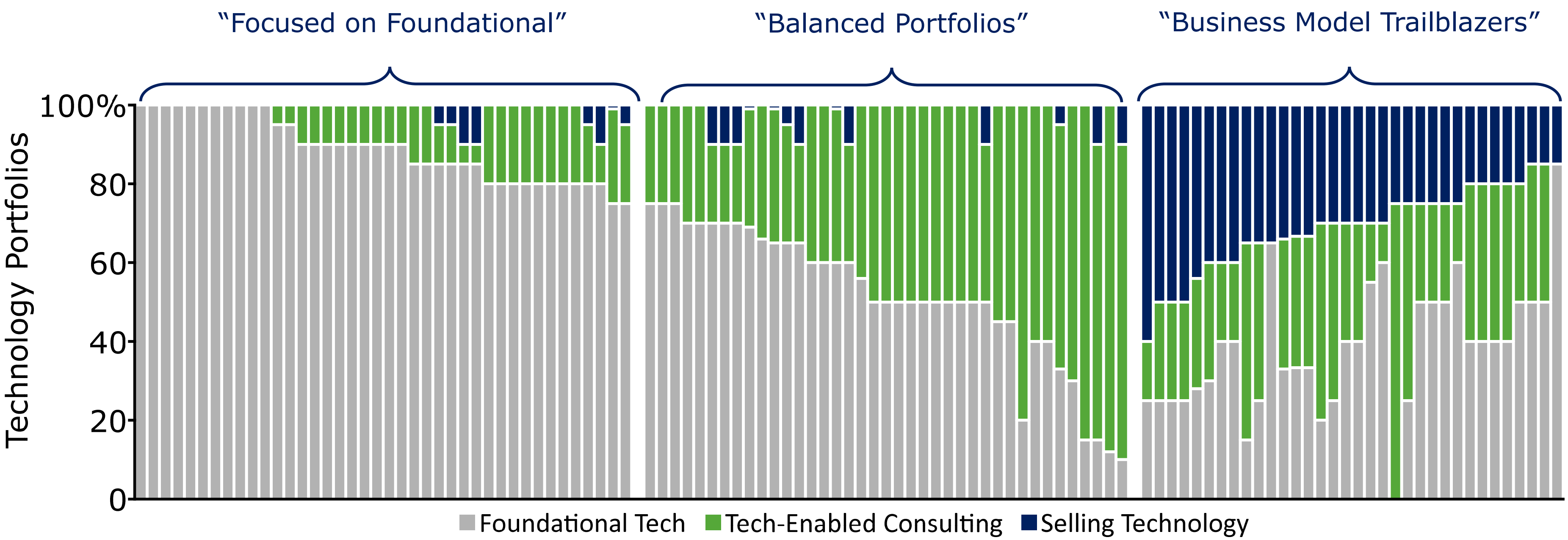
Lower costs

Higher revenues

| *Example technologies* | |
|---|---|
| **Automation of Repetitive Tasks** *Example:* Agentic AI drafting routine project documentation (reports, proposals, QA checklists, meeting notes using transcription) | **Knowledge Capture & Retrieval** *Example:* AI-powered project knowledge base that instantly retrieves design precedents, past calculations, and regulatory references |
| **Internal Process Automation** *Example:* AI integrated RPA (Robotic Process Automation) for invoicing, compliance reporting, and timesheet validation | **Quality Assurance / Error Detection** *Example:* AI tools that review engineering drawings for: code compliance, meeting internal and external standards, or detecting clashes in BIM models |
| **Augmented Expertise** *Example:* AI-assisted design that allows the firm to explore more design options faster (e.g., generative or parametric design for infrastructure layouts) | **Client Co-Creation Tools** *Example:* AI-driven scenario simulators where clients can test design trade-offs live (cost, sustainability, performance) |
| **Hyper-Responsive Service** *Example:* Provide clients 24/7 project updates, design clarifications, technical Q&A, and syndicated content | **Deeper Insights from Data** *Example:* Machine learning to predict asset performance or lifecycle costs based on design choices |
| **Software-as-a-Service (SaaS) Products** *Example:* Proprietary tool for infrastructure lifecycle monitoring, offered to clients on subscription | **Data-as-a-Service (DaaS)** *Example:* Aggregating anonymized project data (cost, measured performance, sustainability) and licensing use to asset owners, stakeholders or businesses |
| **AI Advisory / Licensing** *Example:* License of image-based AI to detect and classify façade/structural defects trained on decades of tagged imagery from inspections | **Ongoing Monitoring & Maintenance** *Example:* Post-project asset performance monitoring for bridges, utilities, or facilities |

# Technology Portfolios Differ Based on Strategy

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.

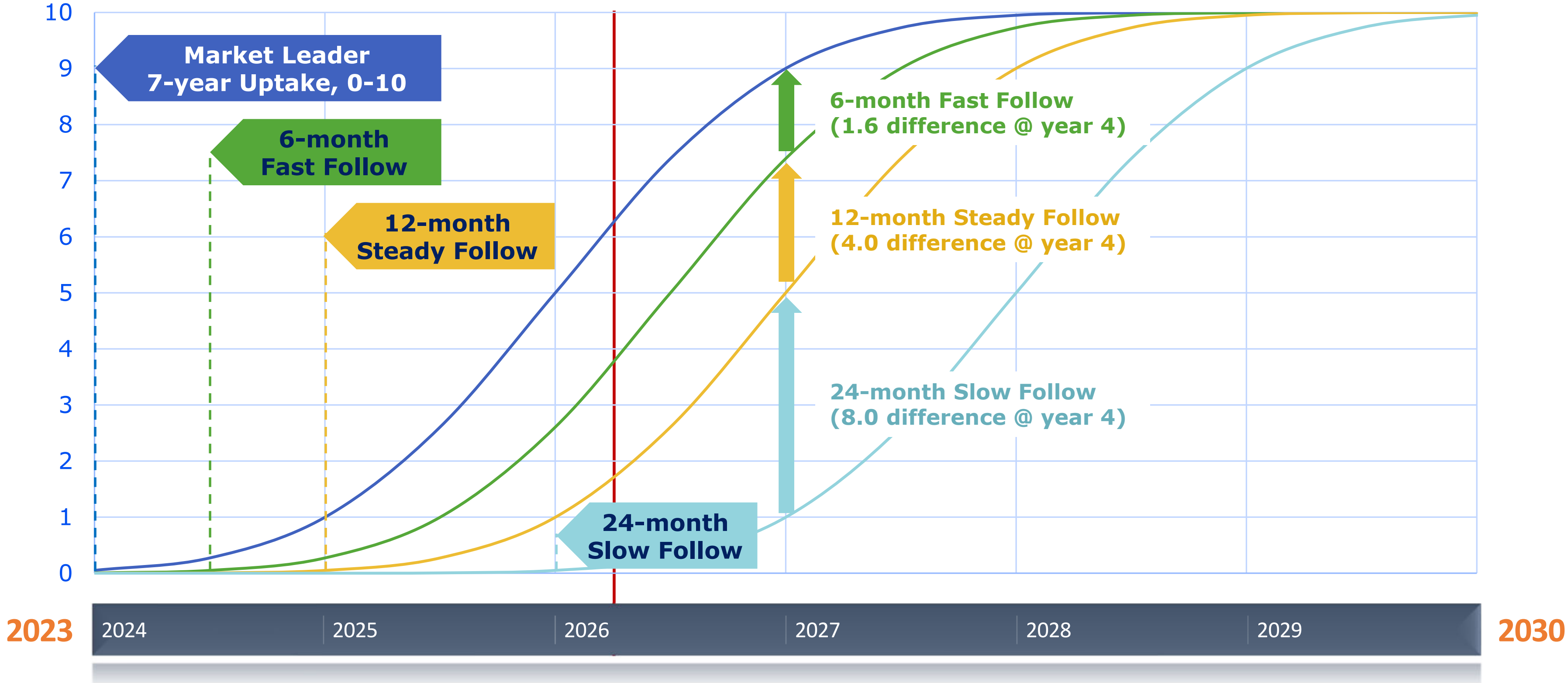



| | "Focused on Foundational" | "Balanced Portfolios" | "Business Model Trailblazers" |
|---|---|---|---|
| Innovation Spend (Median, % of Net Revs) | 0.4% | 0.5% | 0.7% |
| Profit (Median, EBIBTDA / Net Revs) | 18.3% | 16.7% | 17.3% |

Source: 2025 EFCG CEO Survey

# Generative and Agentic AI

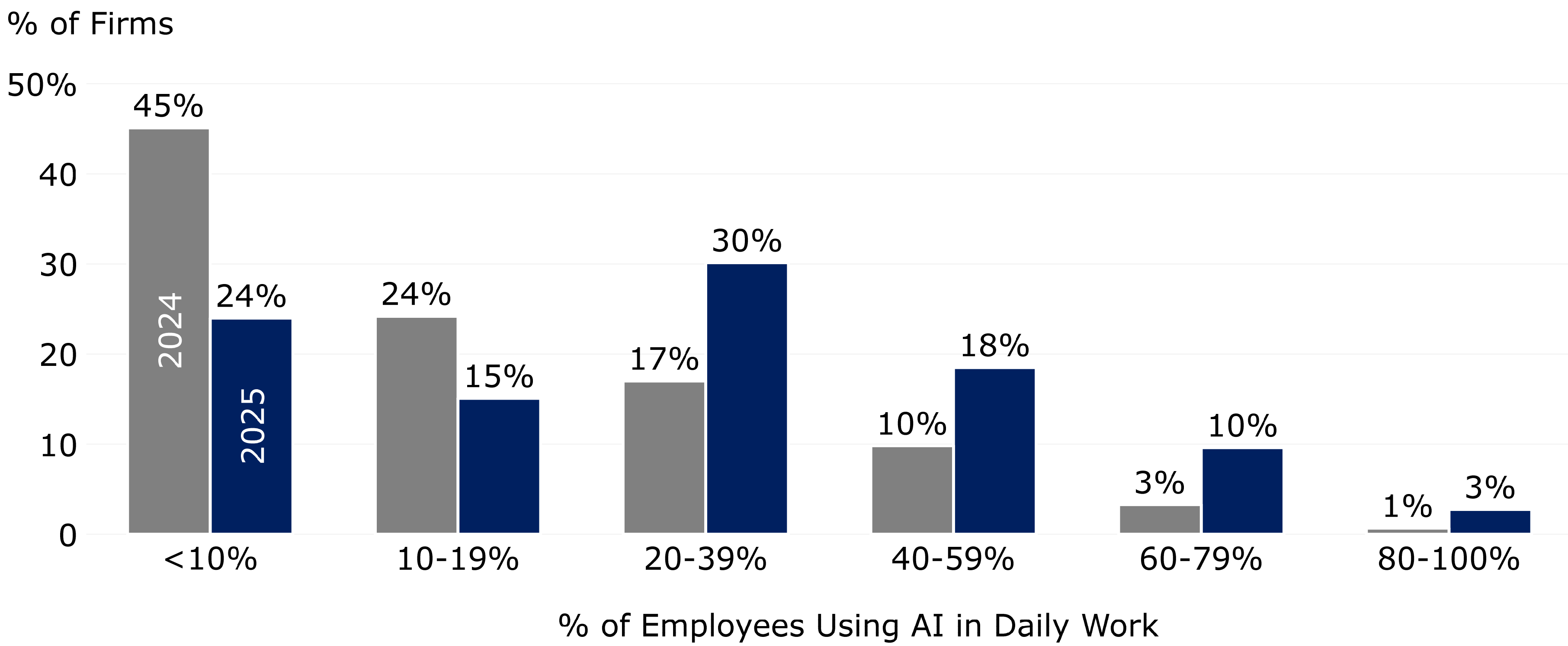
# Generative AI Adoption Has Crossed into the Mainstream




**The inflection point for Generative AI is behind us as the tools are increasingly embedded into employees' daily workflows.**

# Employee Usage of AI Has Increased Meaningfully

In fall 2024, on average 15% of employees used AI in daily work; today, that figure has jumped to 30%.

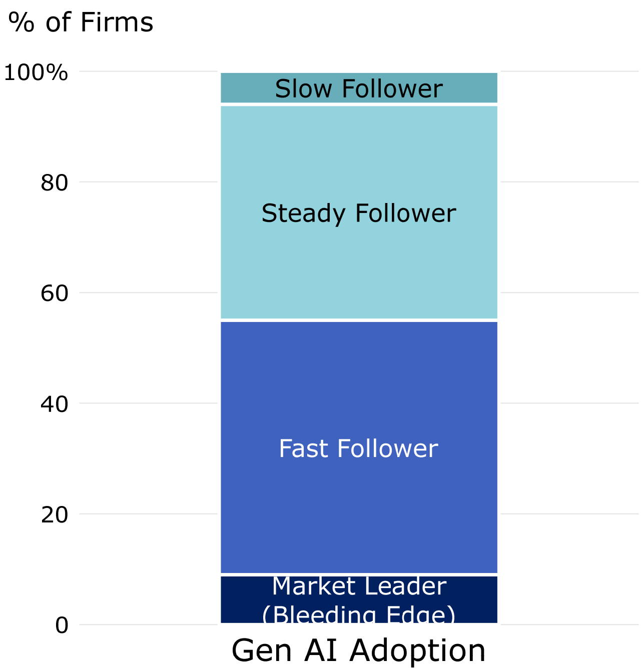



Source: 2024 EFCG CEO Survey; 2025 EFCG CEO Survey

# Market Leaders are Reaping Benefits on AI Adoption

Aspirations may diverge from reality for firms who are not actively investing and driving employee adoption.

## Where Do Firms Aspire to Be?




## What Does It Look Like?

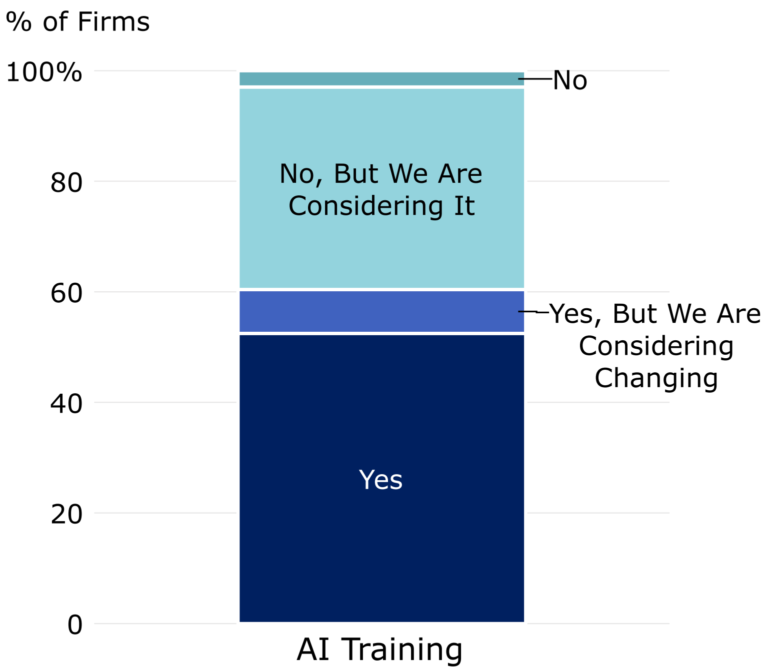
| Market Leader: AI as Core Operating Capability | Fast Follower: AI as Aggressive Area of Growth |
|---|---|
| • >50% of staff are frequent / daily active users<br>• 5-7 firmwide AI products<br>• >80% of proposals and >50% design reviews include AI step with traceable sources / citations<br>• >50% of R&D investment in AI | • >30% of staff are frequent / daily active users<br>• 3 live products are in use by >30% of staff<br>• >50% of proposals and >25% design reviews touch an AI step |

Source: 2025 EFCG CEO Survey Database

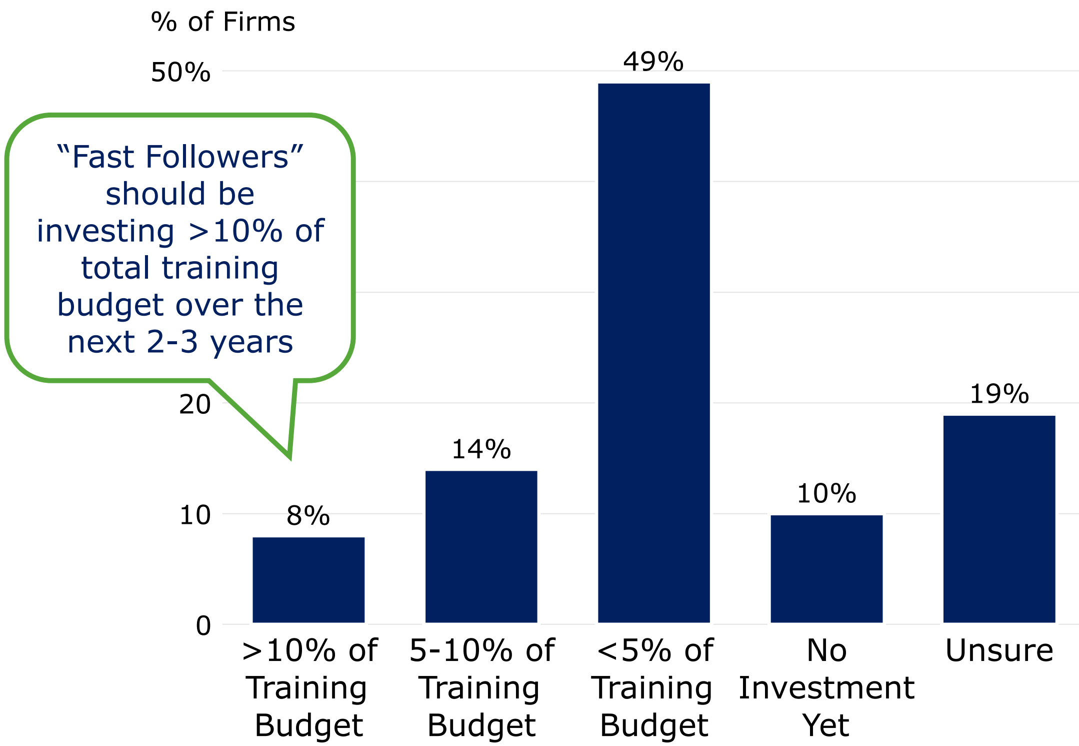
# AI Training Will Be Critical to Widespread Adoption

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

## Offering GenAI Training




## Investment in GenAI Training




Source: 2025 EFCG CEO Survey Database

# Emerging Strategies & Business Models

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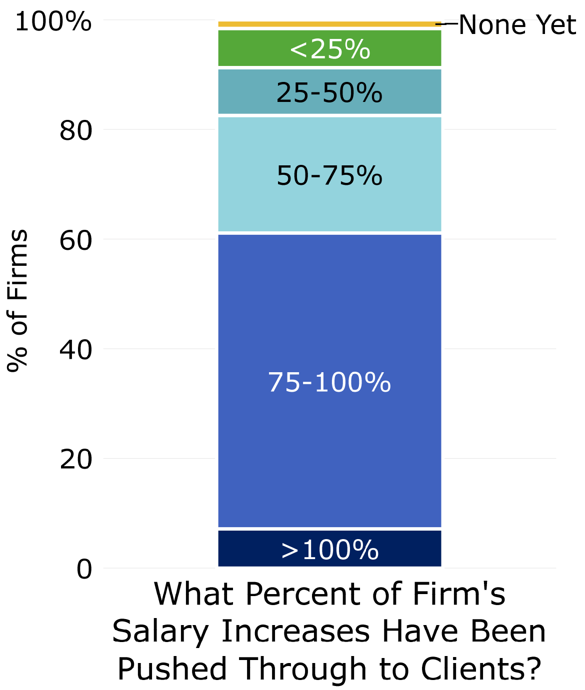
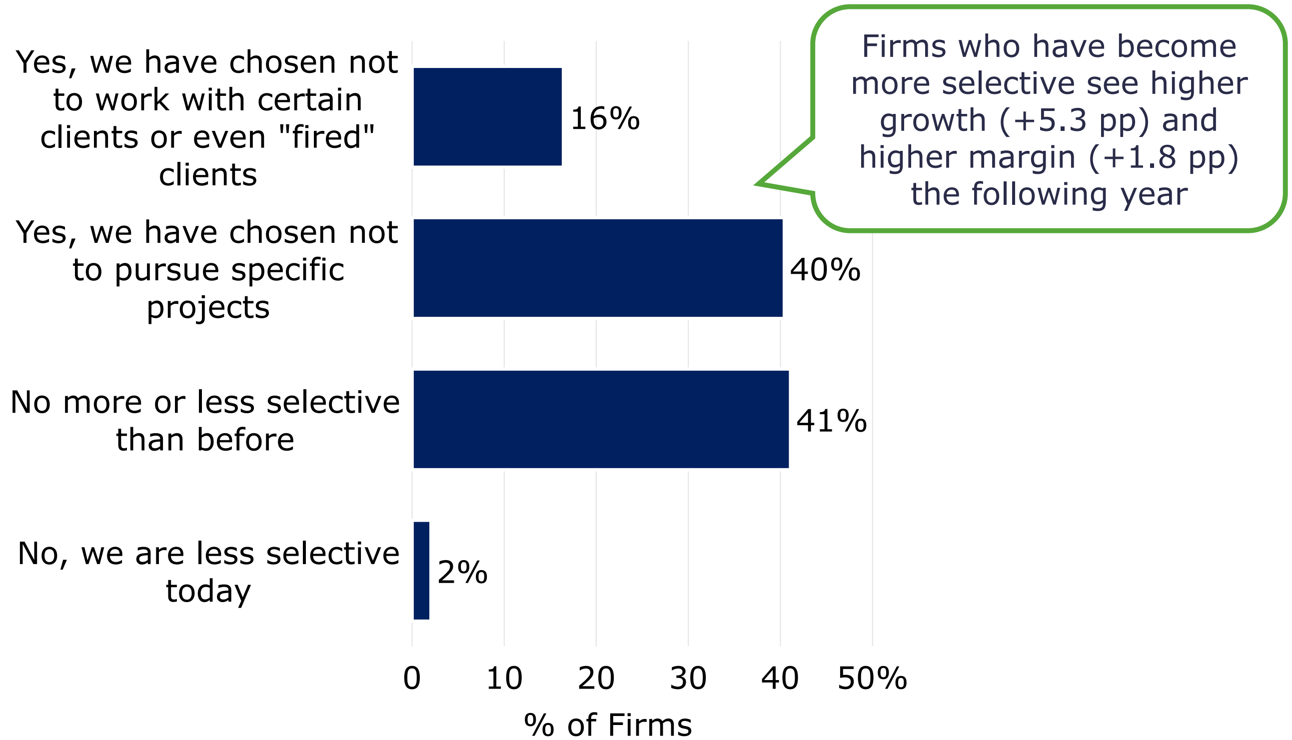
# Pricing Remains a Challenge, So Firms Becoming More Selective

Most firms report some level of success with increasing pricing with clients, however about 40% of firms have been unable to fully push salary increases to clients.

## Salary Increases Pushed to Clients



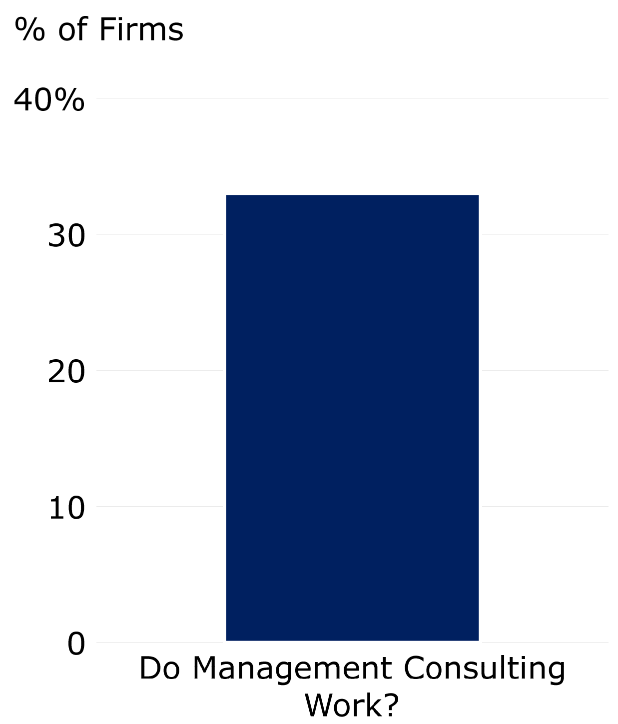

## Client Selectivity

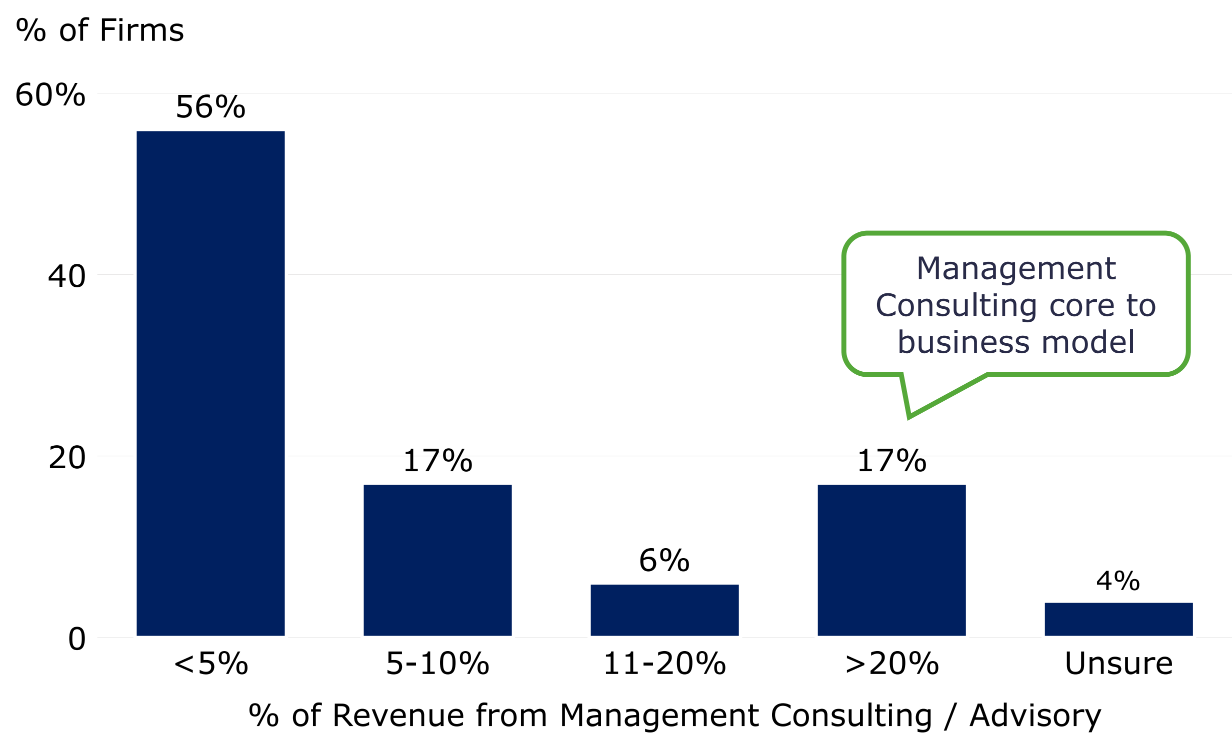



Source: 2025 EFCG CEO Survey

# One-Third of AEC Firms Offer Management Consulting

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.



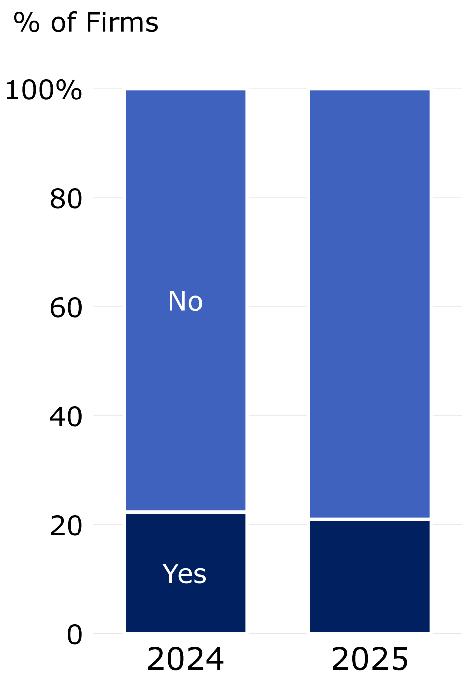




Source: 2025 EFCG CFO Survey

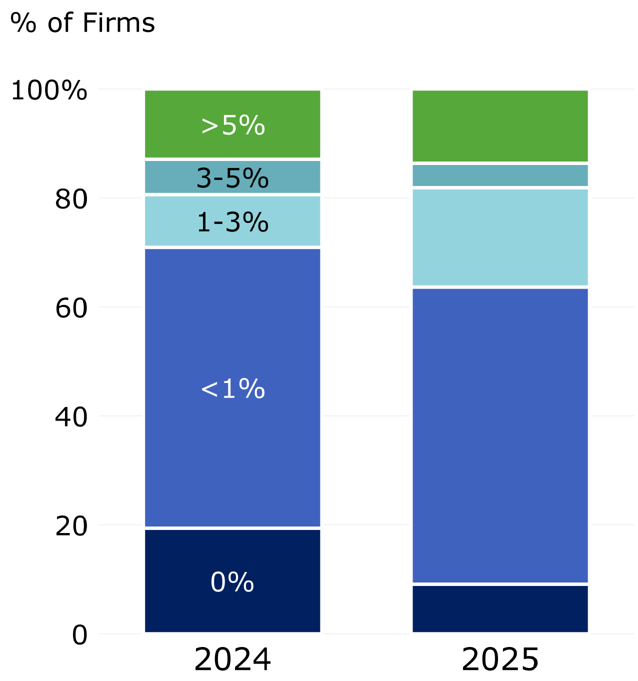
# Firms Selling SaaS Are Getting Better At It

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.

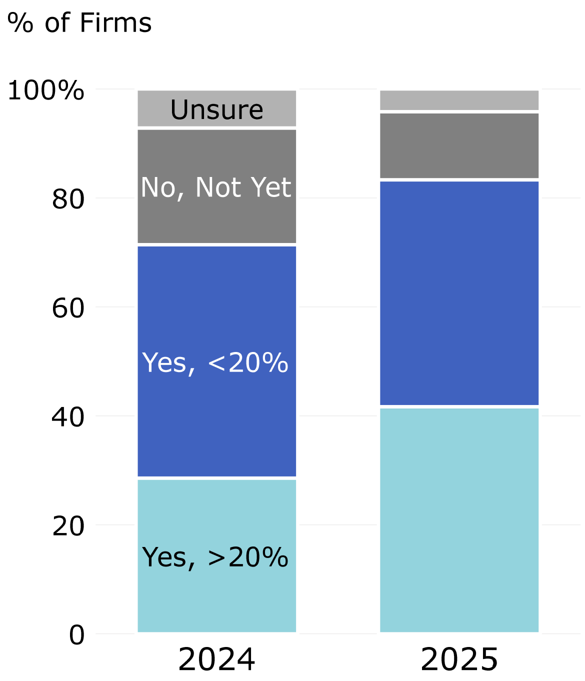
### ~20% of firms sell SaaS




### Average ARR has increased…




### … As Have Profit / Margins

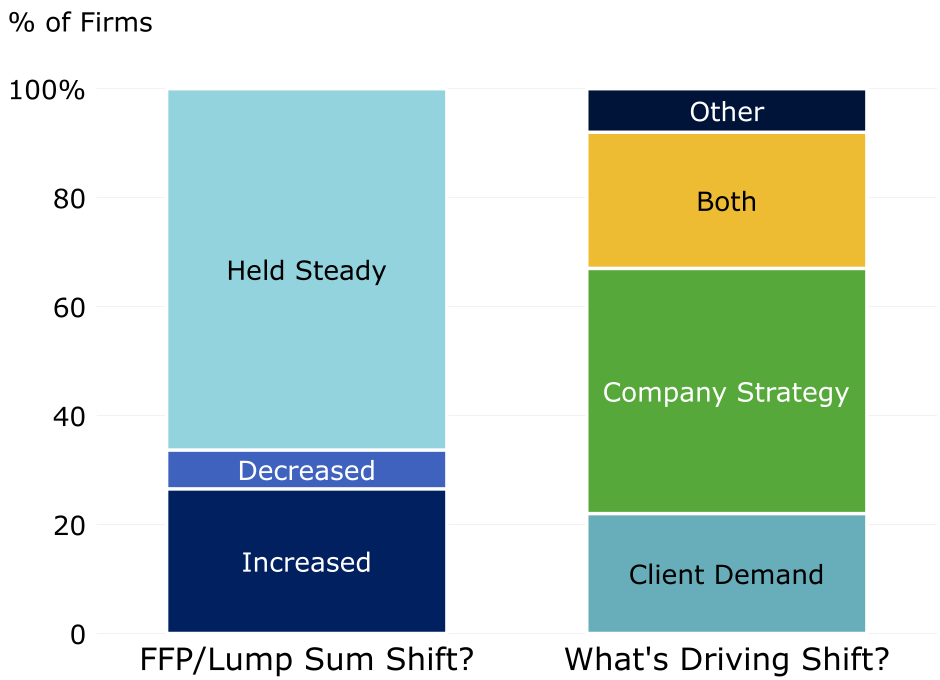



Source: 2024 EFCG CEO Survey; 2025 EFCG CEO Survey

# Delivery Methods Are Evolving

Continued shift toward fixed price models could enhance profitability as technology drives delivery efficiency.

## Firms Shifting Towards FFP / Lump Sum




## But Fixed Doesn't Always Mean Value

Some firms that weight toward fixed/lump sum pricing are in practice using cost+ pricing by another name.

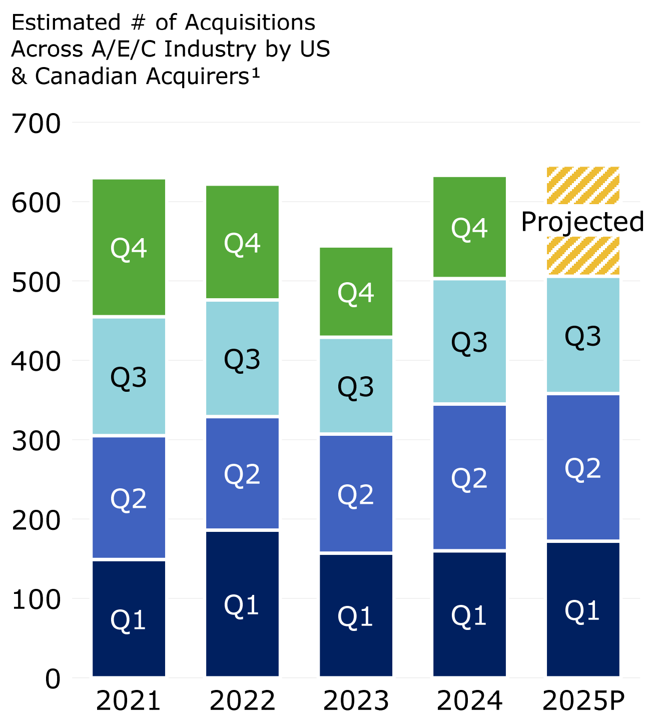
If done thoughtfully, true value-based pricing can mitigate risk and ensure firm's ability to capture real margin upside.

Source: 2025 EFCG CEO Survey Database

# Mergers & Acquisitions

# M&A Market Overview

## Recent M&A Transactions




## Key Trends

- >50% of firms expect to make an acquisition this year.
- The top M&A end markets YTD are architecture, environmental, and surveying & mapping.
- Florida, California, and Texas remain key regions for M&A activity.
- PE platform investments and PE-backed deals accounted for 52% of total deals in YTD 2025.
  - 21% of platform investments were minority stakes.
- AEC deal activity remains strong despite recent macro volatility.
  - Holding steady, driven by infrastructure funding, reshoring, data centers, the energy transition, and sustained sponsor interest.
  - Activity for the remainder of the year is expected to pick up following the recent Fed rate cut announcement.
- Technology-enabled firms, particularly AI/ML-focused, earn premium valuations.

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

1. As of September 19th ,2025

# "Frequent Acquirers" Continue to Shape Our Industry

EFCG

## Most Acquisitive Firms by Deal Count (2022 – YTD 2025)

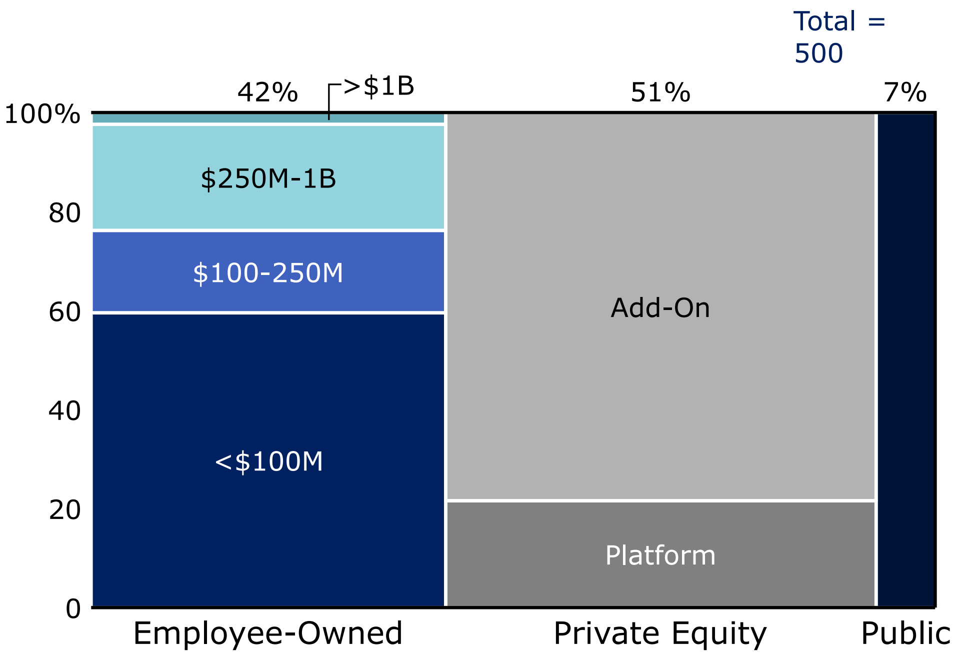
| | | |
|---|---|---|
| Trilon | *PE-Backed* | ***Deals Closed: 38*** |
| Bowman | *Public* | ***Deals Closed: 31*** |
| Salas O'Brien | *Employee-Owned* | ***Deals Closed: 28*** |
| NV5 | *Public* | ***Deals Closed: 26*** |
| egis | *PE-Backed* | ***Deals Closed: 26*** |
| verdantas | *PE-Backed* | ***Deals Closed: 26*** |
| IMEG – The FUTURE. Built Smarter. | *Employee-Owned* | ***Deals Closed: 26*** |
| LJA | *Employee-Owned* | ***Deals Closed: 24*** |
| WSP | *Public* | ***Deals Closed: 18*** |
| ATWELL | *Employee-Owned* | ***Deals Closed: 17*** |
| MONTROSE ENVIRONMENTAL | *Public* | ***Deals Closed: 16*** |
| UNIVERSAL ENGINEERING SCIENCES | *PE-Backed* | ***Deals Closed: 16*** |
| SAM | *PE-Backed* | ***Deals Closed: 15*** |
| RMA COMPANIES – Building Confidence from the Ground Up | *PE-Backed* | ***Deals Closed: 15*** |
| ARDURRA | *PE-Backed* | ***Deals Closed: 15*** |

Source: EFCG Analysis; PitchBook
Note: Structure represents majority ownership type

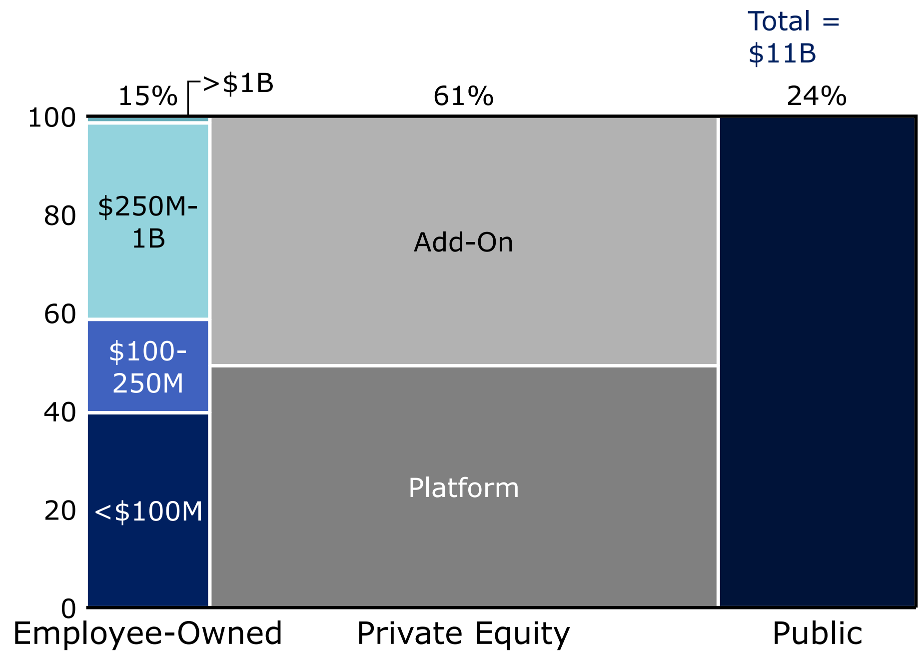
# Acquisition Activity Differs By Firm Structure

50% of acquisitions (and 60% of $ volume) have involved private capital; employee-owned firms make a significant portion of acquisitions, but they tend to be smaller.

## # of Acquisitions in 2025 (YTD) by Acquirer




## $ of Acquisitions in 2025 (YTD) by Acquirer

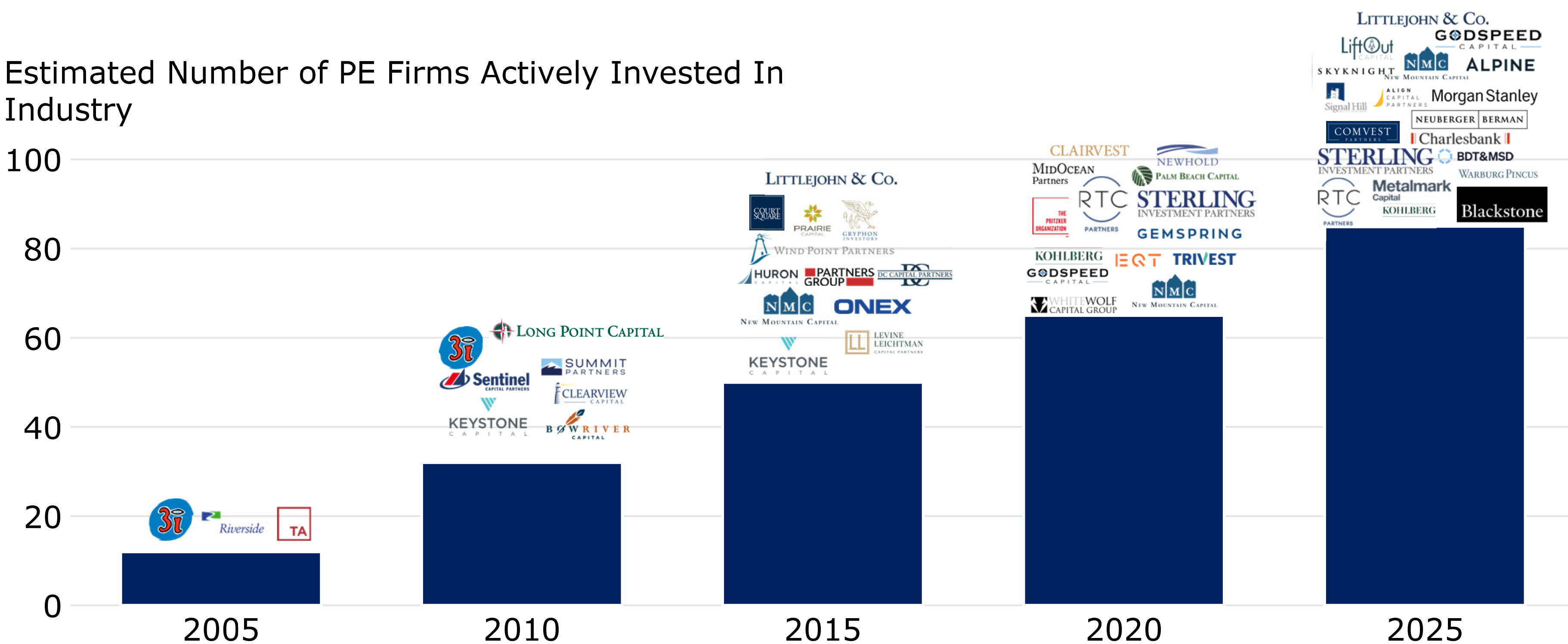



Source: EFCG M&A Database

# Private Equity Investment Has Been Significantly Increasing

EFCG

The first PE investments in our industry were in the early 2000's – today 16% of firms >$30M are backed by private capital.




Source: EFCG M&A Database

# Agenda

**01** Welcome & Overview

**02** Update on Key Industry Metrics

**03** Looking Ahead: Industry Trends

- Future Talent Challenges & Needs
- Technology Strategy
- Generative & Agentic AI
- Emerging Strategies & Business Models
- Mergers & Acquisitions

**04** **Key Takeaways**

# 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*

Type of analysis

Companies part of Primary (Size) peer group

Metric measured

**Exhibit 4a**

**PRODUCTIVITY ANALYSIS**

**"MU Factor" and Time-Based Utilization**

| | "MU Factor" Analysis | | | | | Time-Based Utilization Rate | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net Revenue Multiplier (M) | x | $-Based Utilization Rate (U) | = | "MU-Factor" Net Revenues Per Payroll Dollar (M x U) | All Professional Employees | "Billability" Highest-Paid 5% of Employees | Next Highest-Paid 10% of Employees | Net Revenues / FTE ($K) |
| 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% | |
| Water / Wastewater | 3.12 | | 58.1% | | 1.87 | 69% | 38% | 59% | |

Your company's metrics in comparison to peers*

Primary and Alternative peer group metric medians

*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 fundamentals of our industry remain solid**

- Demand looks resilient into next year, and the industry continues to outgrow the broader economy.
- Client relationships are deepening (more repeat/sole-source), which may support pricing—if discipline holds.

**Revenue is beginning to decouple from headcount – for some**

- Revenue and profit per FTE have mostly tracked inflation, but early movers are bending that curve through sharper price realization, fixed price delivery, and early AI "co-pilot" workflows.
- The next boost of growth and margin could come less from hiring and more from how work is won, scoped, and executed.

**New business models are emerging**

- More firms are successfully productizing knowledge, including advisory, data, and software. This will likely change the landscape of what our industry does (and how it delivers value).

**Ask Us Questions**

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**Share Your Feedback**

We value your input!

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

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