



BAIRD



E&C MARKET UPDATE

October 2026



A person wearing a white protective suit, hood, and mask is seated at a desk in a large industrial facility. They are looking at two computer monitors displaying technical data. A microscope is positioned on the desk in front of them. The background shows the interior of a factory with high ceilings, structural beams, and other equipment. A blue horizontal band is overlaid across the middle of the image, containing the text "BAIRD'S E&C FRANCHISE".

BAIRD'S E&C FRANCHISE

DEDICATED E&C COVERAGE TEAM



Brad Page
Managing Director
+1.312.609.5491
bpage@rwbaird.com



Mark Donatelli
Vice President
+1.312.609.4998
mdonatelli@rwbaird.com



John Lanza
Senior Advisor
+1.414.298.7669
jlanza@rwbaird.com

ADDITIONAL POWER & BUILT ENVIRONMENT COVERAGE RESOURCES



Rob Kaderavek
Managing Director
+1.414.298.5260
rkaderavek@rwbaird.com



David Steinkeler
Managing Director
+1.312.609.7019
dsteinkeler@rwbaird.com



Alex Ballantine
Managing Director
+44.207.667.8242
aballantine@rwbaird.com

BAIRD'S ENGINEERING & CONSULTING COVERAGE FOCUS

BAIRD

ENGINEERING & CONSULTING FOCUS AREAS

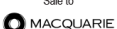


HISTORY OF SUCCESS IN THE E&C SPACE



RECENT BAIRD DEAL SPOTLIGHT

BAIRD

BAIRD DEAL	YEAR	TRANSACTION SNAPSHOT
 Acquisition of  a subsidiary of 	September 2026	- Leading provider of lake, pond, wetland and fishery management services, including algae and weed control, water quality restoration and shoreline preservation - Reputable nationwide platform with over 50 years of experience deploying dedicated regional teams to serve HOAs, golf courses, municipalities and private landowners
 A Portfolio Company of  Sale to 	September 2026	- Specialist provider of engineering, testing & inspection and monitoring services across critical end markets, including Nuclear, Power, Pipeline and Civil Infrastructure - Comprehensive platform, boasting a deep bench of credentialed engineers and technical experts, backed by proprietary software and in-house inspection capabilities
 A Portfolio Company of  Sale to 	August 2026	- Global provider of environmental compliance, EHS, ecological and built-environment consulting spanning air quality, water, permitting, safety and process engineering - Highly specialized, regulation-driven platform serving 10,000+ clients worldwide through 2,000+ technical experts across 100+ local offices
 Acquisition of  From 	April 2026	- Leading provider of sustainable water management, engineering and compliance services across stormwater, wastewater and water quality - Purpose-built post-construction platform serving 1,750+ blue-chip commercial, industrial and municipal customers across the water asset lifecycle
 A Portfolio Company of  Sale to 	February 2026	- Global leader in design, site supervision and consultancy across Transportation, Water, Buildings & Cities and Energy, with a sustainability-led approach - Specialized solution suite supporting the world's highest quality and most iconic projects, pairing expert technical staff with the industry's most advanced technology
 A Portfolio Company of  Sale to 	December 2025	- Full-service engineering, planning and consulting firm delivering technical solutions to mission-critical markets in the Federal, Life Sciences, Infrastructure and Energy verticals - Backed by an 800+ person team operating across the U.S. and globally, with specialized depth in Fueling, Asset Integrity, Federal Planning and Medical Sterilization

BROAD BASE OF INSTITUTIONAL KNOWLEDGE AND RESEARCH

BAIRD

MACRO THOUGHT LEADERSHIP



**BAIRD
STRATEGAS**

Baird Strategas is Baird's macro research division providing proprietary insights on E&C themes and market drivers

- The E&C market is experiencing a structural shift, as AI-driven data center growth and increasing power requirements **create sustained need for differentiated service offerings across complex infrastructure projects**
- **Surging infrastructure investment, grid modernization, manufacturing reshoring and increasingly technical project demands** position E&C platforms well for continued growth and evolution
- E&C firms will benefit from an **initial multi-year demand cycle catalyzed by AI investment**, with a **long tail of recurring maintenance, testing and inspection work** coming on the heels of the data center boom
- Looking internally, **substantial gains in productivity and efficiency** stand to be made by E&C players leveraging AI tools **without compromising core technical workflows** over the medium term

LEADING EQUITY RESEARCH COVERAGE



Andy Wittmann
Senior Equity
Research Analyst



Justin Hauke
Senior Equity
Research Analyst



Ben Kallo
Senior Equity
Research Analyst

*"The projected strong growth in electricity demand **has implications across our E&C coverage list**"*

– E&C News & Project Highlights, May 2026

*"Silver lining, **end markets for which E&Cs have higher exposure, like data centers, continue to show good trends**"*

– E&C Data We're Watching, March 2026

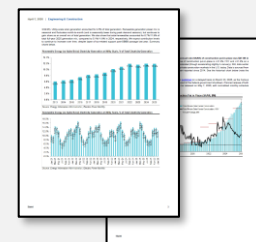
**E&C News & Project
Highlights**



**Facility & Industrial Services
Conference Recaps**



**Baird Electric Grid
Infrastructure Digest**

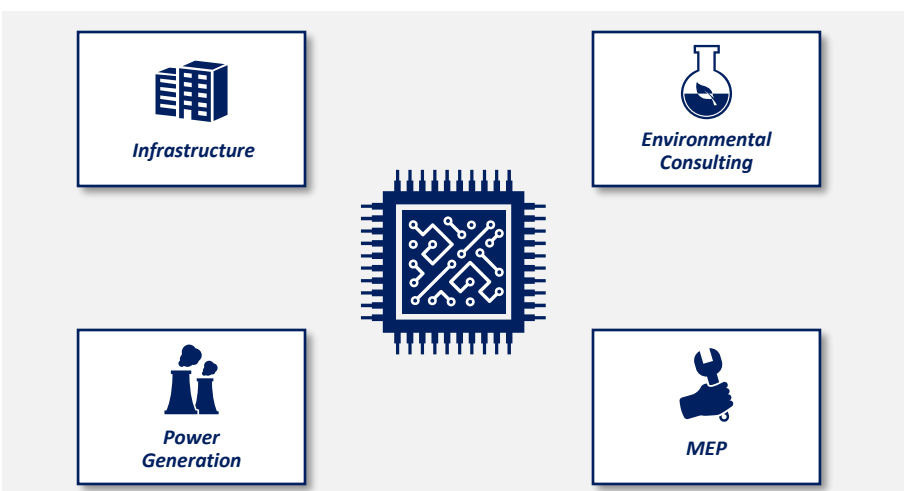




E&C MARKET UPDATE

KEY E&C THEMES

1. AI Boom Catalyzing the E&C Opportunity



2. Demand Surging in Policy-Supported End Markets

IJIA Enters Outlay Phase as Plans Get Pushed Into Construction



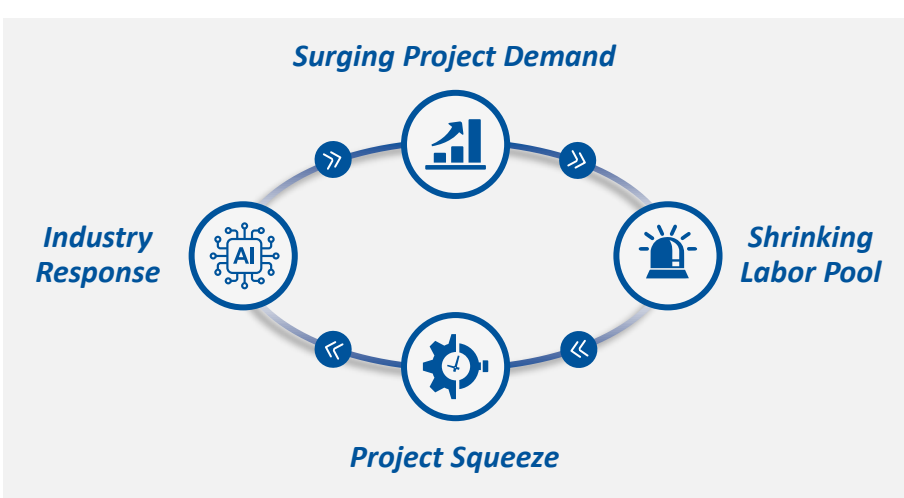
Federal Water Mandates Force PFAS Compliance, Required by 2029



Cities Commit Billions to Water Infrastructure Across the Country

\$161B in IJIA Funds Still Pending, Pointing to Years of Demand Runway

3. Labor Constraints Driving AI Adoption



4. Key Characteristics Driving Premium E&C Valuations

Buyers consistently pay higher multiples for E&C platforms with specific quality traits, and Baird’s proprietary data shows which matter most



Four key qualitative characteristics anchor premium valuations



Even selective buyers pay top dollar for firms with these traits



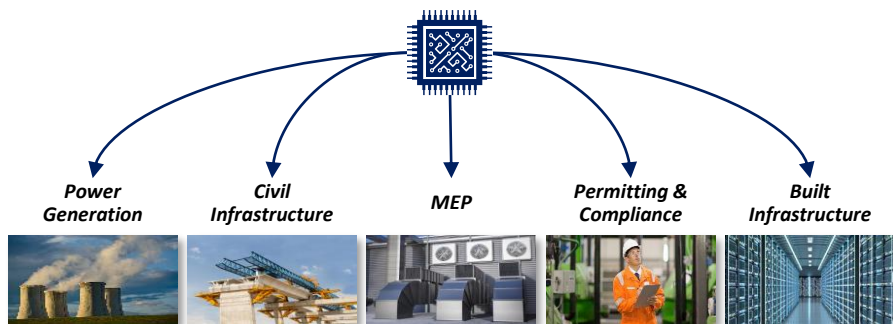
Trend backed by 5+ years of proprietary data spanning 30 deals

1. GENERATIONAL AI INVESTMENT IS DRIVING INCREASED E&C DEMAND

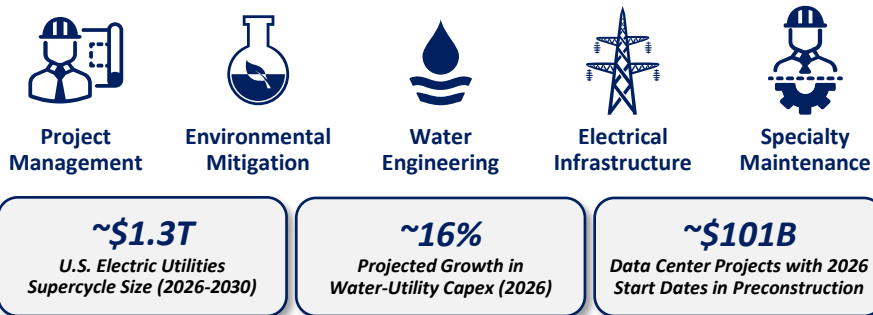
BAIRD

Data center growth is driving power, infrastructure and maintenance needs across full project lifecycles

AI DEMAND CATALYZING THE E&C OPPORTUNITY



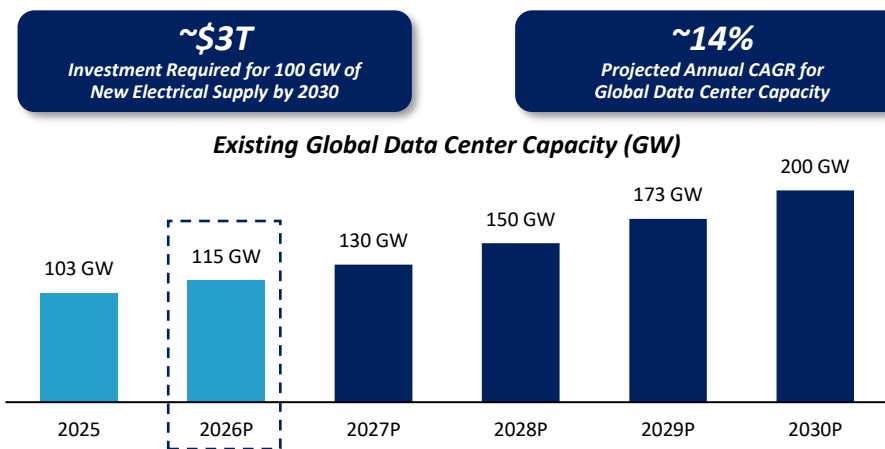
SELECT ADDITIONAL E&C VERTICALS BENEFITING FROM AI



AI LIFECYCLE OVERVIEW AND CURRENT STATE

- Phase 1: Introduction & Breakout of Commercial LLMs**
The launch of ChatGPT to the public in 2022 sparked an AI arms race for next-gen software and cutting-edge cloud compute capabilities
- Phase 2: Planning & Commitment of AI Infrastructure**
AI hyperscalers began to identify, plan for and commit the resources necessary for a comprehensive development of AI capabilities
- Phase 3: Acceleration of New Data Center Construction**
Planned AI infrastructure projects, largely widespread buildouts of new data centers, move from planning into physical construction
- Phase 4: Ongoing Site Maintenance & Upkeep**
The massive installed base will require consistent lifecycle monitoring, technical inspections and maintenance as it ages

A HISTORIC AI-DRIVEN INFRASTRUCTURE SUPERCYCLE



BAIRD

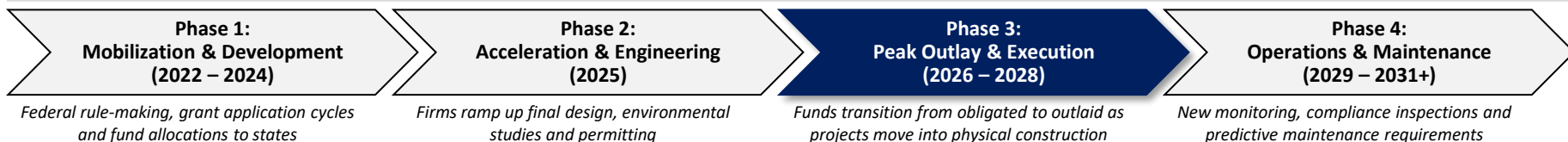
The Baird Takeaway:

The AI boom is fueling a trillion-dollar capex supercycle across the E&C landscape, creating durable, broad-based demand for a wide variety of specialized work

POLICY-SUPPORTED DEMAND SURGES CONTINUE IN RELEVANT E&C END MARKETS

A combination of looming policy changes and IIJA disbursements accelerated E&C-related investment

IIJA LIFECYCLE OVERVIEW AND CURRENT STATE



RECENT NATIONWIDE POLICY-DRIVEN INVESTMENT



EPA PFOA / PFAS requirements set in April 2024 currently require public water systems to be fully compliant by 2029



LCRI compliance window opens in October 2027, starting a 10-year timer for municipalities to replace lead service lines



The DOJ & EPA recently levied consent decrees against municipalities discharging stormwater into local waterways

Houston, TX



Approved a capital improvement plan in June 2026 earmarking \$18B+ for infrastructure projects including ~\$5B for storm and wastewater initiatives

Savannah, GA



Approved ~\$358M in water project bonds issuances in June 2026, part of the plan to invest ~\$478M in water and sewer systems

Washington, D.C.



\$9.6B capital improvement plan adopted in March 2026, with the entirety of the funding base going to support various DC Water projects and initiatives

PROJECT DEMAND CONTINUES TO SCALE WITH SIGNIFICANT IIJA FUNDS PENDING DEPLOYMENT

A leading indicator of construction planning activity, now at 275.5, showcasing a steadily growing pipeline of projects ahead of the build phase



Annual federal IIJA spending rose from \$52B in 2022 to \$76B in 2025, with \$161B still pending deployment that points to a multi-year demand runway

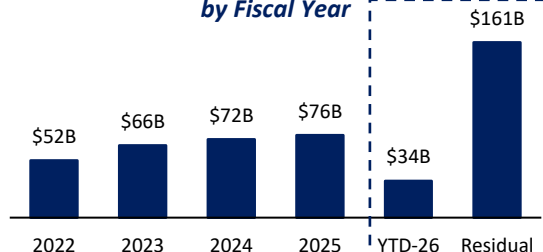
Dodge Momentum Index (Monthly) ⁽¹⁾



Only 40% of IIJA funds [have been] spent, likely creating an **acceleration of funds being spent** as the bill reaches expiration

- Justin Hauke, Baird Equity Research, May 2026

IIJA Outlay Obligations by Fiscal Year



LABOR CONSTRAINTS AND COMPETITION ARE DRIVING E&C FIRMS TO HEAVILY INVEST IN AI TOOLS

Talent is a constraint across the E&C landscape, with AI emerging as a powerful productivity multiplier

Field & Technical Labor Shortages

Demand for field labor and technicians is far outpacing supply, the byproduct of an aging workforce and a surge of project work from the data center and infrastructure rush



~349K Net New Construction Workers Required in 2026

~456K Net New Construction Workers Required in 2027

>30% U.S. Water Workforce Over 55 Years Old

Demand for Technical Skillsets

Front-end engineering and consulting is the highest-barrier, highest-margin slice of the project cycle, with E&C firms rushing to bolster their benches in the face of technical labor scarcity



~187K job openings per year are projected across Architecture and Engineering through 2034



64% of Engineering & Consulting firms expect to increase hiring cadences over the next 12 months



51% of Engineering & Consulting firms are turning down work due to sustained staffing shortages

AI Proliferation Drives Evolving Labor Outlook

As E&C firms race to hire increasingly scarce engineers and consultants, they are implementing and deploying AI tools, enabling the current engineering staff to do more

"The industry is being pushed to do more with fewer people, making the integration of AI and automation essential."

- Rod J. Sommer, CEO, LJB, Inc.

~38% ⁽¹⁾
Estimated AI Adoption in E&C

2024

~53% ⁽¹⁾
Estimated AI Adoption in E&C

2025

~70% ⁽¹⁾
Estimated AI Adoption in E&C

2026

Race for Talent

E&C firms are shelling out big dollars to secure technical talent ahead of their competitors in an effort to enhance their service offerings and reinforce their competitive moats



~\$150K

Average Base Salary for Civil Engineers (2025)



+20%

Median Pay Increase for Engineers Who Changed Jobs

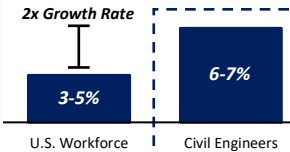


"M&A for Talent"

Firms Pursuing Acquisitions to Secure Experienced Technicians

Salary Growth for Civil Engineers Roughly Doubled the U.S. National Pace from 2022-2025

YoY Salary Growth (2022-2025)



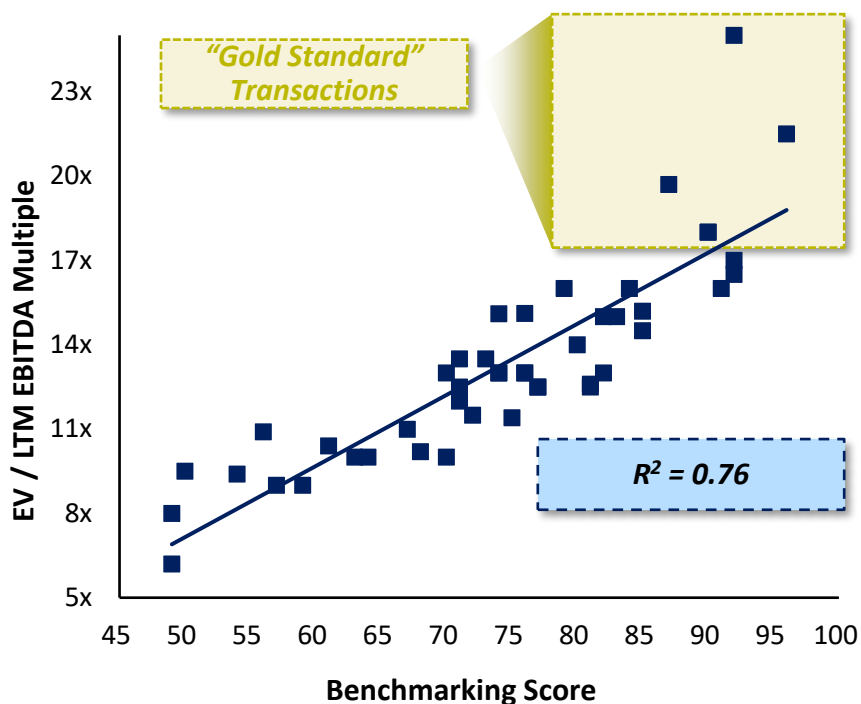
- ✓ Demand Surge
- ✓ Talent Scarcity
- ✓ Shrinking Pipeline
- ✓ Bidding War

BAIRD'S DATA-DRIVEN INSIGHTS ON KEY DRIVERS OF PREMIUM E&C VALUATIONS

Sophisticated buyers are growing increasingly selective, reserving their highest valuations for E&C platforms that check the boxes on quality

E&C REGRESSION ANALYSIS OF SELECT TRANSACTIONS ⁽¹⁾

Baird's proprietary regression analysis scores 45+ E&C transactions from 2018-2026 on platform quality, mapping each to the multiple it earned



KEY CHARACTERISTICS OF A QUALITY PLATFORM

Four key traits are the most impactful drivers of a platform's benchmarking score – and with it, the multiple it commands

Highly Technical Services



Mission-critical, highly regulated, hard to replicate work requiring deep technical expertise and specialized talent

High Quality Market Exposure



Diverse, non-discretionary end markets with strong secular growth and meaningful whitespace to expand

High Revenue Visibility



Recurring, contracted relationships tied to ongoing asset lifecycles with limited exposure to discretionary budgets

Sustainable High Margins



Peer-leading margins driven by expertise-based pricing power and macro insulation, with high incremental margins

This document and the information contained herein has been prepared for informational and discussion purposes only. The contents of this document are strictly confidential.

Robert W. Baird & Co. Incorporated | Robert W. Baird Limited | Robert W. Baird GmbH
Robert W. Baird Limited is authorized and regulated in the UK by the Financial Conduct Authority.