Valuation & Transition Trends

ROG+ Partners

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Speaker Introductions



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Agenda

1. Valuation Trends
2. Trends in M&A Activity & Deal Structures in 2026
3. Getting “Transition Ready”
4. Ownership Transition Structures
5. Ask Questions and Share Experiences

Definitions

Fair Market Value

The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the relevant facts.

U.S. Treasury regulations relating to Federal estate taxes [26 C.F.R. §20.2031-1(b)]

Enterprise Value

Value of the business irrespective of capitalization (debt levels, undistributed cash, non-operating assets)

In mergers & acquisitions, often referred to as “Cash- free / Debt-free”

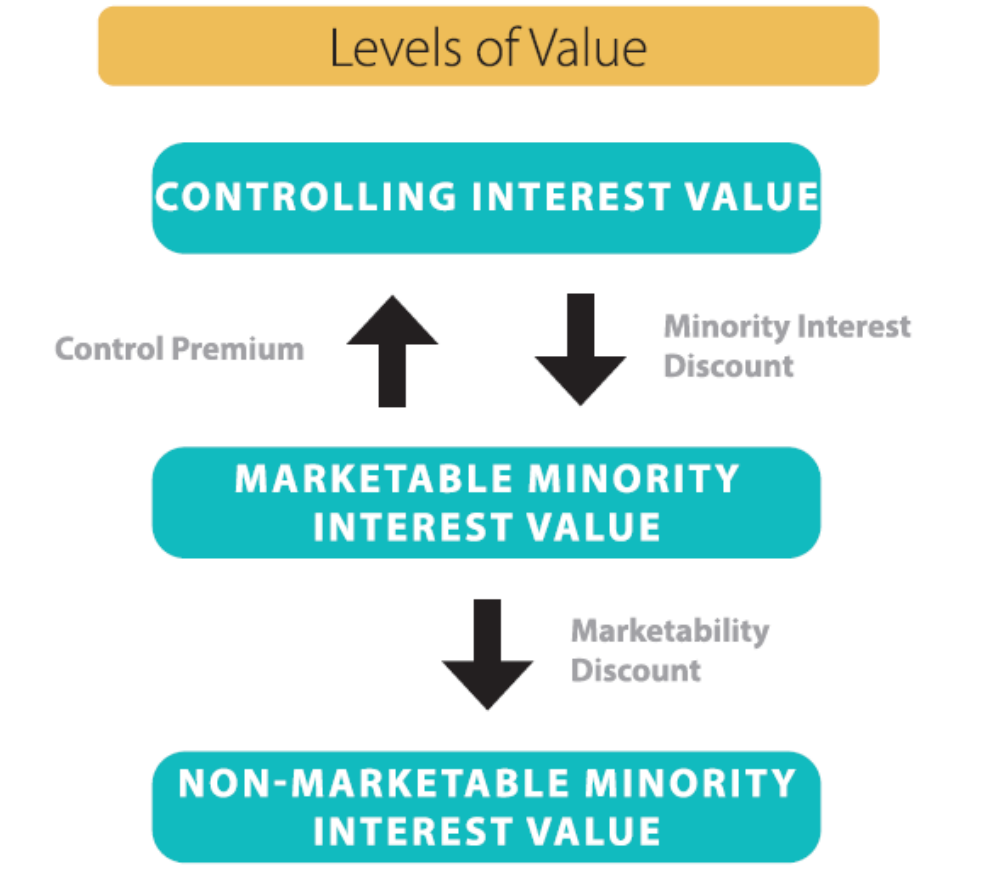
Equity Value

Value of the business net of debt, and inclusive of non-operating assets, including all cash & equivalents balances

Valuation Multiples

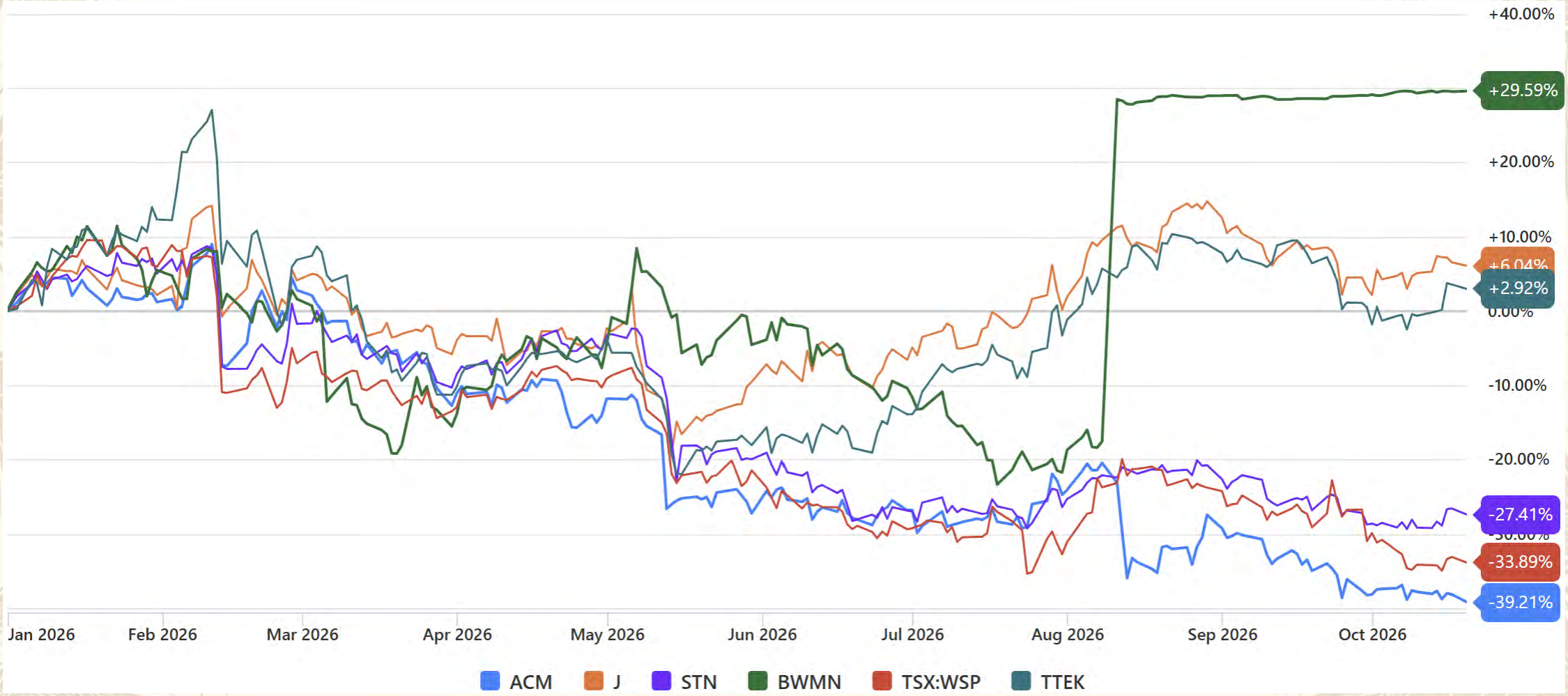
- Percentage of Revenue (NSR)
- Multiple of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
- Multiple of Earnings Before Interest & Taxes
- Earnings and Revenue typically based on Trailing Twelve Months (TTM) of operations

Levels of Value



Valuation Trends

Public Market Trends



Source: www.stockanalysis.com

Price to Earnings (PE) Ratios (on TTM)

Company	Ticker	PE Ratio (*Prior Yr*)	Mkt Cap Change ($)Bn	
AECOM	ACM (NYSE)	20.8x (26.4x)	($4.60)	-37%
Jacobs Solutions	J (NYSE)	46.2x (40.6x)	$1.40	9%
Stantec	STN (NYSE/TSX)	21.6x (41.6x)	($3.91)	-33%
Bowman Consulting	BWMN (Nasdaq)	104.4x (67.8x)	$0.15	26%
WSP Global	WSP (TSX)	23.7x (45.3x)	($9.93)	-40%
Tetra Tech	TTEK (Nasdaq)	21.0x (40.3x)	$0.83	9%

Source: Yahoo!Finance. Pricing as of October 20, 2026

Non-marketable Minority Interests

Enterprise Value / Pre-Owners' Bonus EBIT

	All Firms	Engineering & E/a	Architecture & A/e	Environmental Consulting
Median	4.23 x	4.65 x	3.50 x	5.63 x
Mean	5.25 x	5.29 x	4.04 x	5.83 x
Trimmed Mean	5.03 x	5.05 x	3.86 x	5.83 x
Upper Quartile	6.45 x	6.25 x	4.30 x	8.81 x
Lower Quartile	2.75 x	3.02 x	2.23 x	3.39 x

Source: A/E Business Valuation and M&A Transactions Study (www.rog-partners.com)

Non-marketable Minority Interests

Enterprise Value / Net Service Revenue

	All Firms	Engineering & E/a	Architecture & A/e	Environmental Consulting
Median	49.5%	45.3%	60.2%	48.4%
Mean	57.3%	52.2%	62.5%	68.8%
Trimmed Mean	54.9%	49.8%	60.9%	68.8%
Upper Quartile	69.4%	64.1%	70.4%	108.0%
Lower Quartile	37.9%	37.3%	47.8%	38.6%

Source: A/E Business Valuation and M&A Transactions Study (www.rog-partners.com)

ESOP Valuations

Enterprise Value / Net Service Revenue

ESOP-Sponsoring Companies	Multiple
Median	55.7%
Mean	61.1%
Trimmed Mean	59.4%
Upper Quartile	70.6%
Lower Quartile	40.3%

Enterprise Value / Pre-Owners' Bonus EBIT

ESOP-Sponsoring Companies	Multiple
Median	5.74 x
Mean	6.82 x
Trimmed Mean	6.72 x
Upper Quartile	9.93 x
Lower Quartile	4.07 x

Source: A/E Business Valuation and M&A Transactions Study (www.rog-partners.com)

Optimizing Your Firm's Value

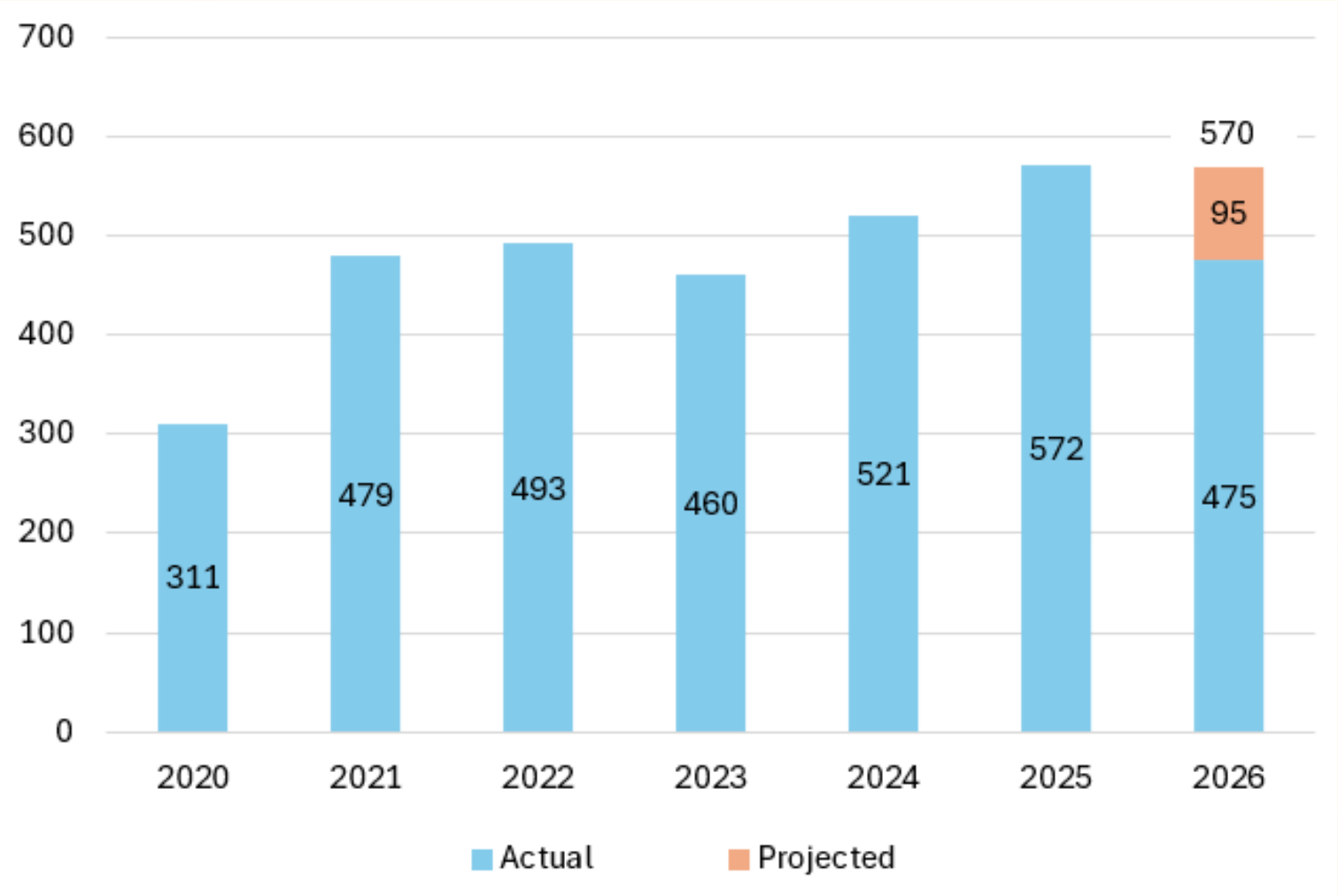
- Increasing earnings is the ultimate driver (through revenue growth, profit optimization, or both)
- Reducing earnings volatility
- Mitigating risk factors through:
  - Diversification of revenue by client type, geographic markets, public vs. private sector
  - Strengthening your management bench
  - Improving financial management and reporting
  - Improving collections and cash flow

Optimizing Your Firm's Value

- Build internal demand for shares
- Improve and demonstrate liquidity for exiting shareholders

Trends in M&A Activity & Deal Structures

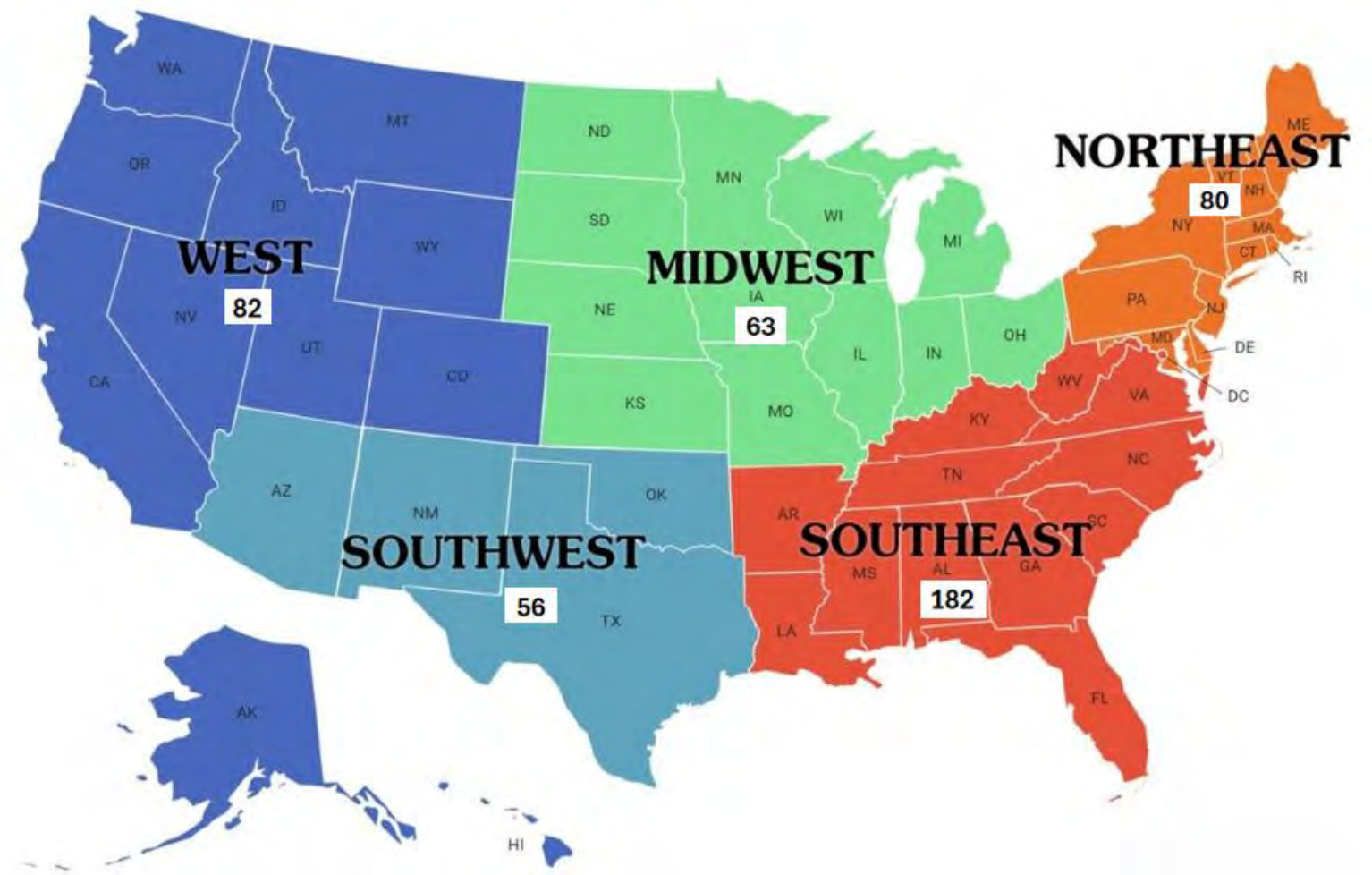
M&A Deal Activity in 2026



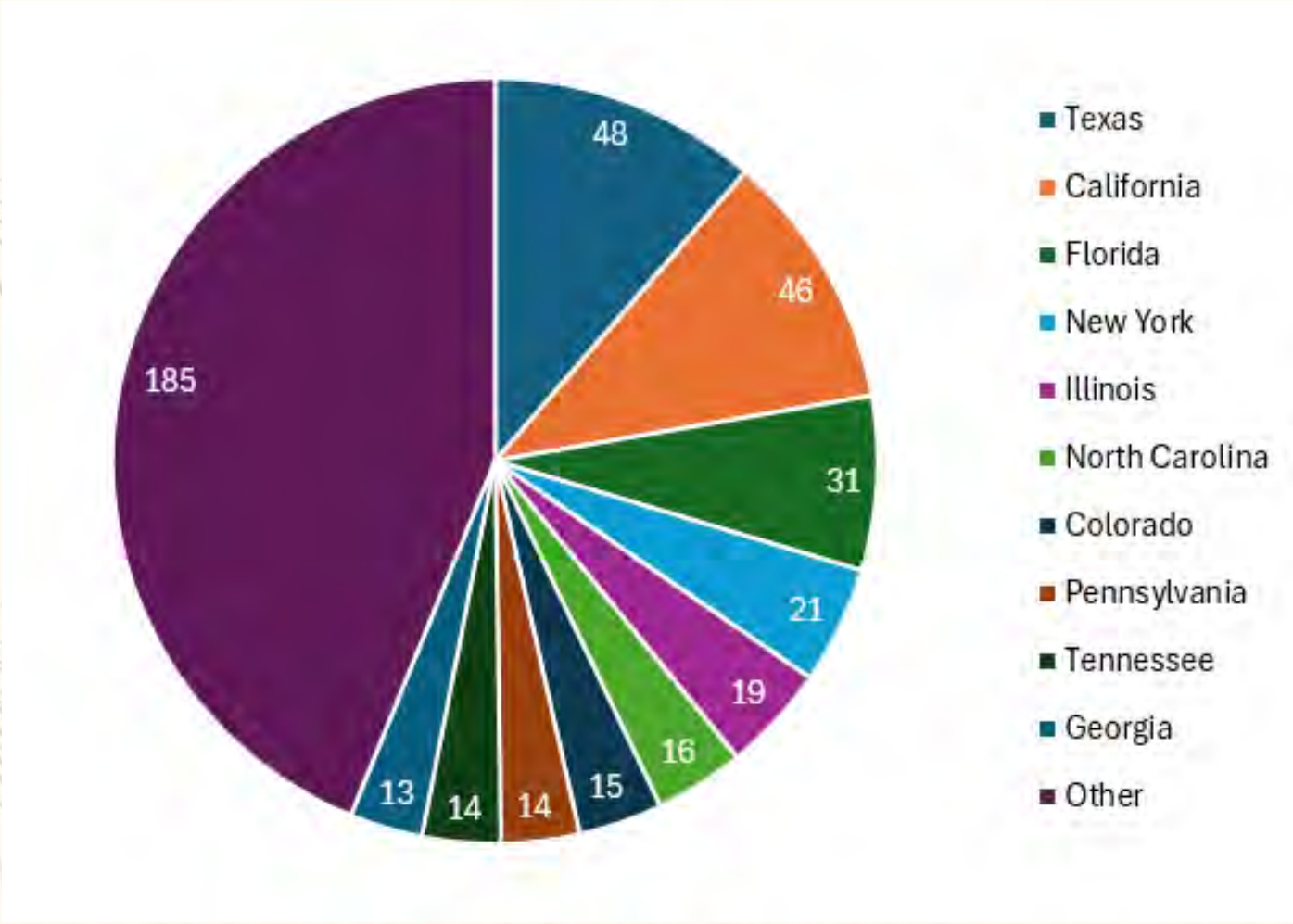
Is M&A Activity Plateauing?

- Deal activity on track to be similar to 2025 in volume
- Median buyer size 450 employees (average of 5,445)
- Median seller size 23 employees (average of 130)
- Largest concentration of activity in the Southwest (four of top ten states by deal volume)
- In terms of individual states Texas, California and Florida lead activity volume (aligning with relative % of U.S. GDP)

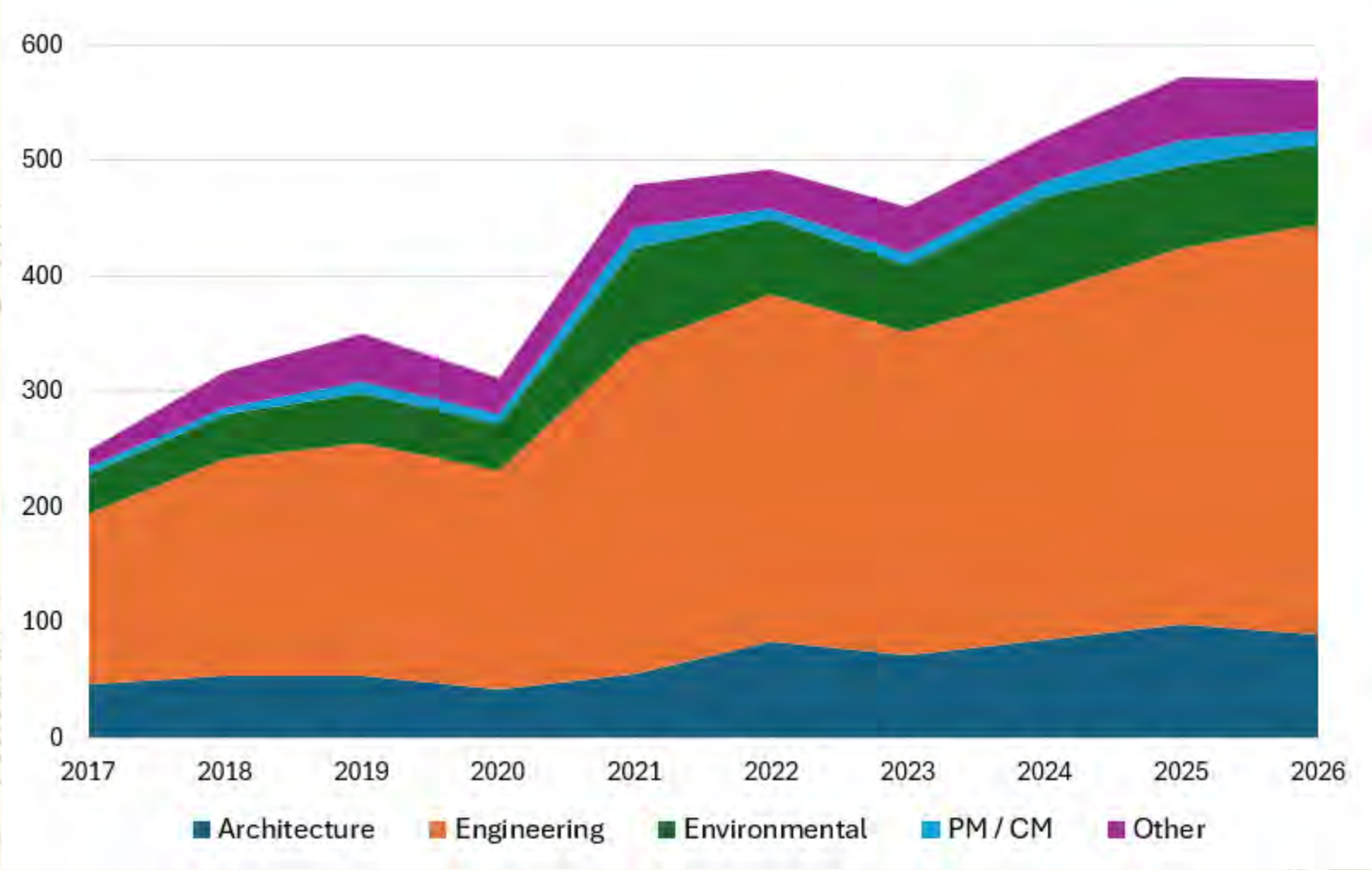
M&A Deal Activity in 2026 – By Region



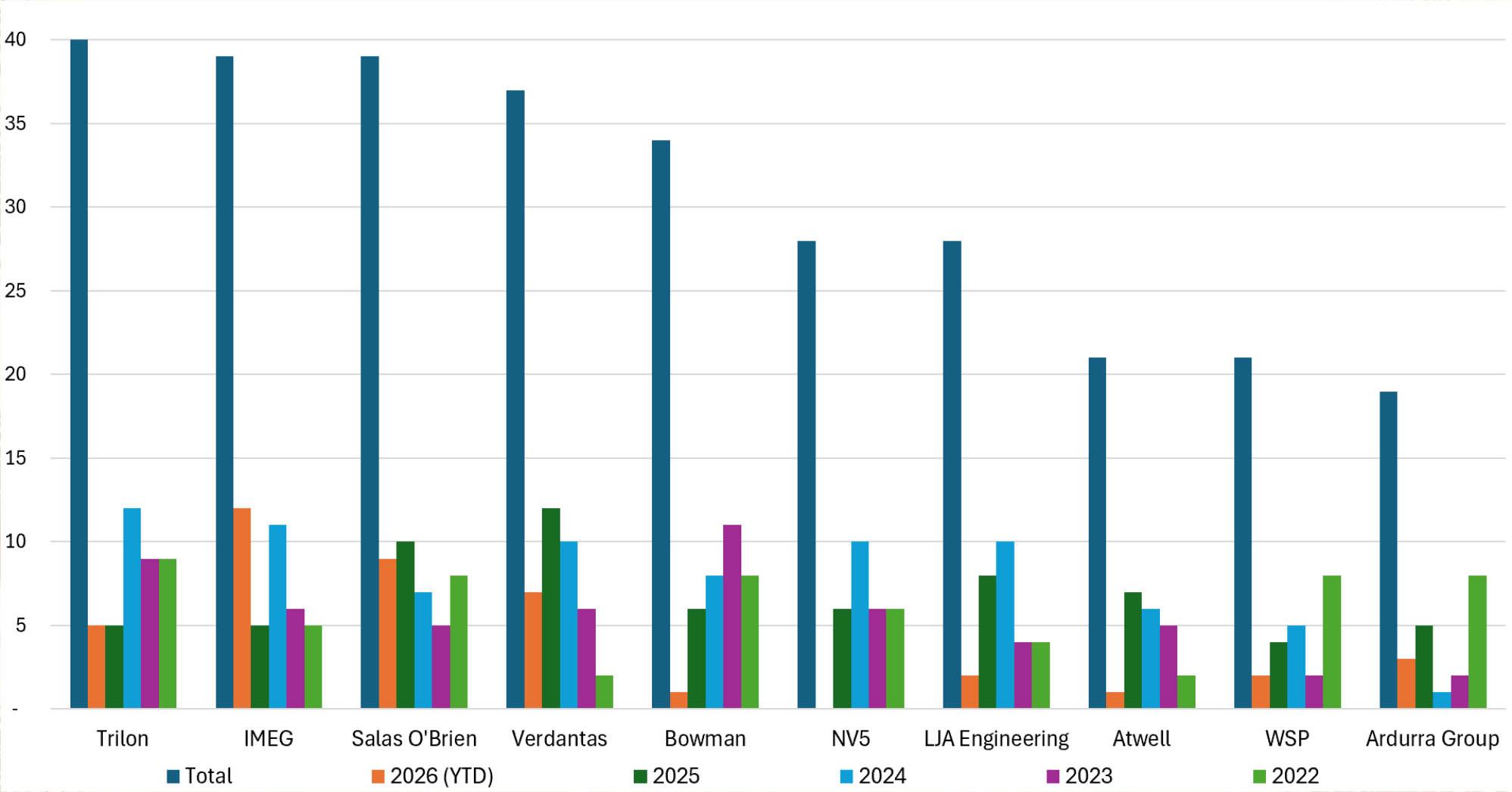
M&A Deal Activity in 2026 – By State



M&A Deal Activity in 2026 – By Firm Type



M&A Deal Activity in 2026 – Most Active Buyers



Controlling Interest Valuations

Enterprise Value	EBITDA Multiple
2026	5.4x
2025	5.3x
2024	5.5x
2023	5.3x
2022	5.4x
Last Five Years	5.38x

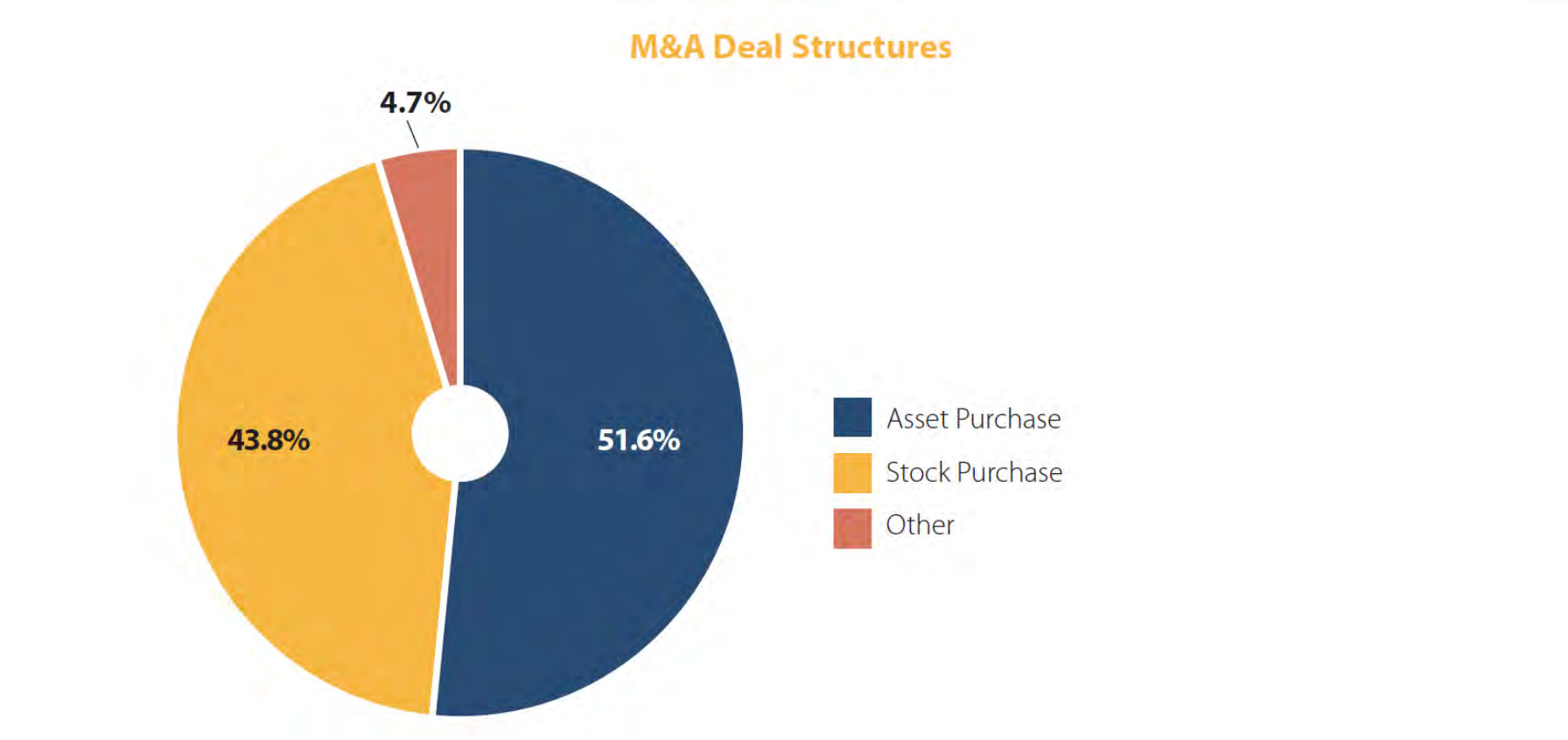
Sources: ROG independent research, and BVR Deal Stats

Controlling Interest Valuations

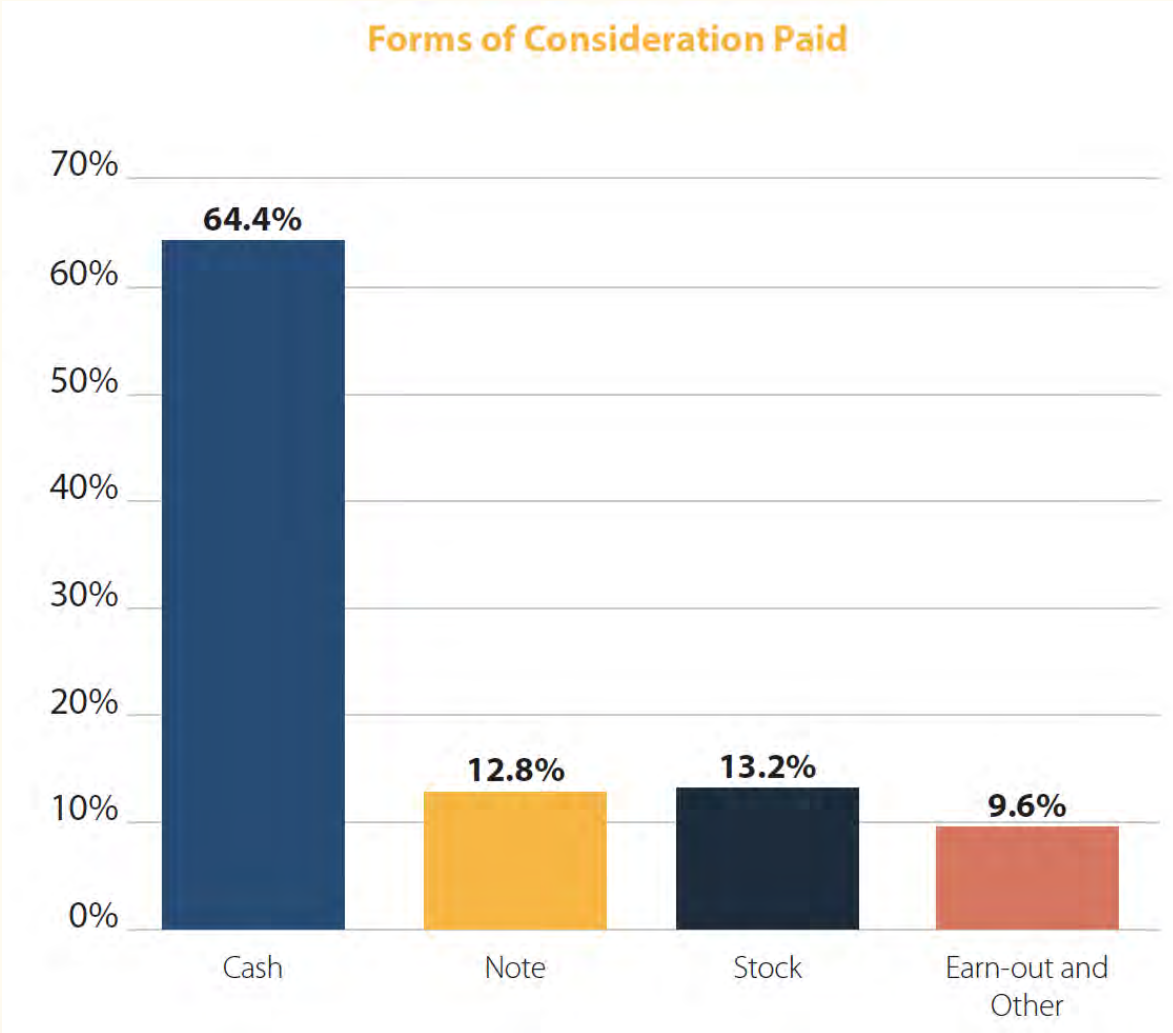
Gross Revenue	EBITDA Multiple
Over $100M	13.7x
$50M to $100M	8.2x
$10M to $50M	7.5x
$2.5M to $10M	5.8x
Under $2.5M	*4.1x*

Sources: ROG independent research, and BVR Deal Stats

M&A Deal Structures



M&A Deal Structures



Getting “Transition Ready”

Optimize Value and Marketability

- Clean up your financial reporting!!!
- Be able to produce accurate, accrual-basis P&Ls and balance sheets on a monthly basis
- Develop and maintain an annual budget or forecast
- Create a five-year strategic plan, with specific financial goals (revenue and earnings targets) and tactical actions to achieve them
- Focus on consistent and strong earnings (median EBITDA margin on net revenue ~ 15%)

Optimize Value and Marketability

- Identify and quantify extraordinary and non-recurring expenses
- Isolate any unusual owner perquisites and benefits
- Invest in the professional development of your management team
- Don’t wait until you’re nearing retirement to initiate a transition (internal or external)

Ownership Transition Structures

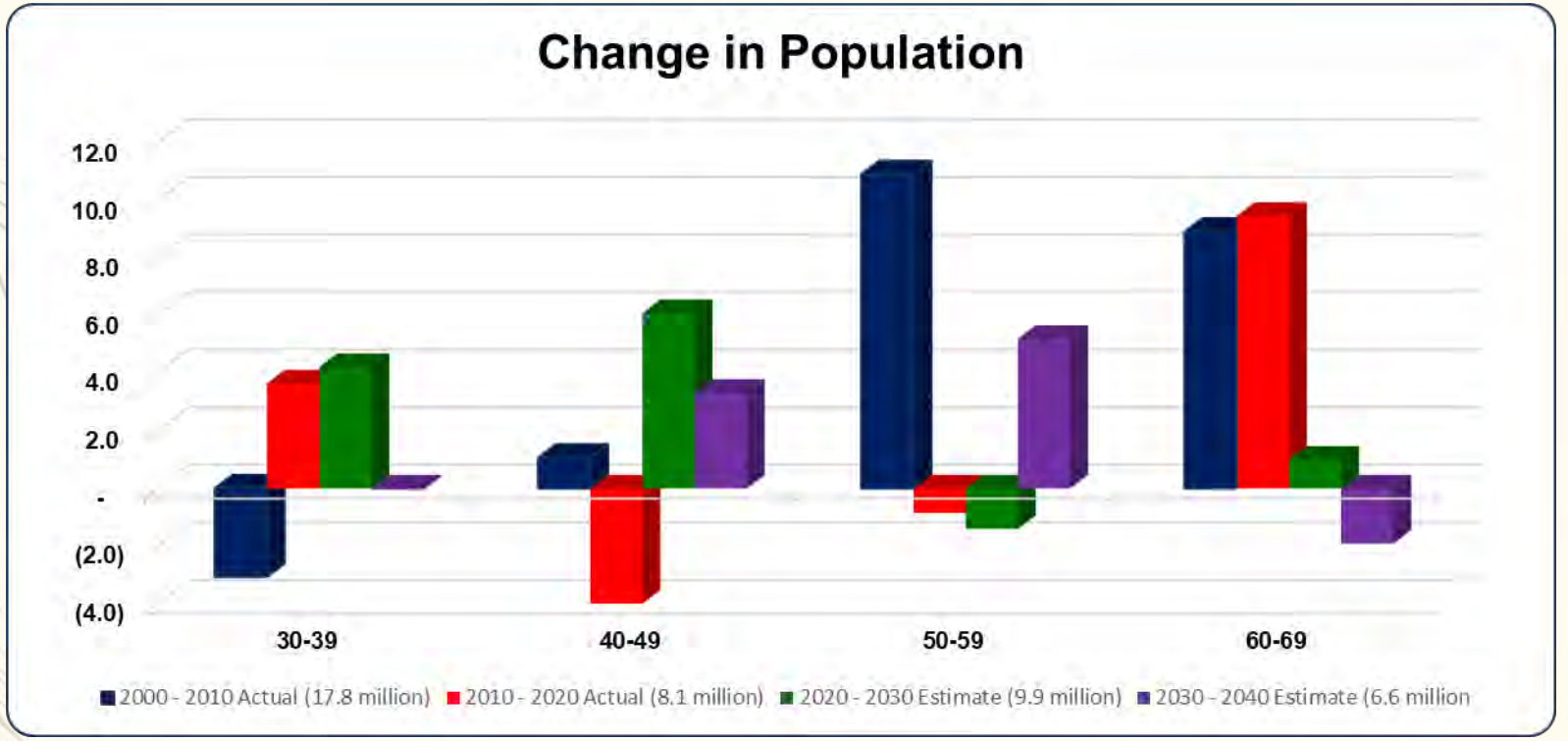
Why is Ownership Planning Important?

- Clarity of Ownership
- Risk Management
- Succession Planning
- Financial Planning
- Legal Compliance
- Tax Implications
- Strategic Alignment
- Stakeholder Confidence

Why is Ownership Planning Important?

- Defining what your ownership means
  - Investment?
  - Compensation?
  - Voice at the table?
- Where are your returns?
  - Current (dividends)
  - Long-term (capital appreciation)
- What is your end game for ownership planning
  - What does your ownership look like ten years from now?
  - How many shareholders are needed?

Impact from Change in Demographics



Common types of ownership structures

- Management Ownership
- Employee Ownership
- Employee Stock Ownership Plans (“ESOPs”)

Your ownership structure should mirror your corporate values

Management Ownership

- Ownership held by senior management only
- Concentration of ownership
  - Principals/Key employees
  - “Invited” to be an owner
  - Common in small firms
- Reduces liquidity – How does this impact value?
- Blockage discounts
- Compensation characteristics
- Discriminatory

Employee Ownership

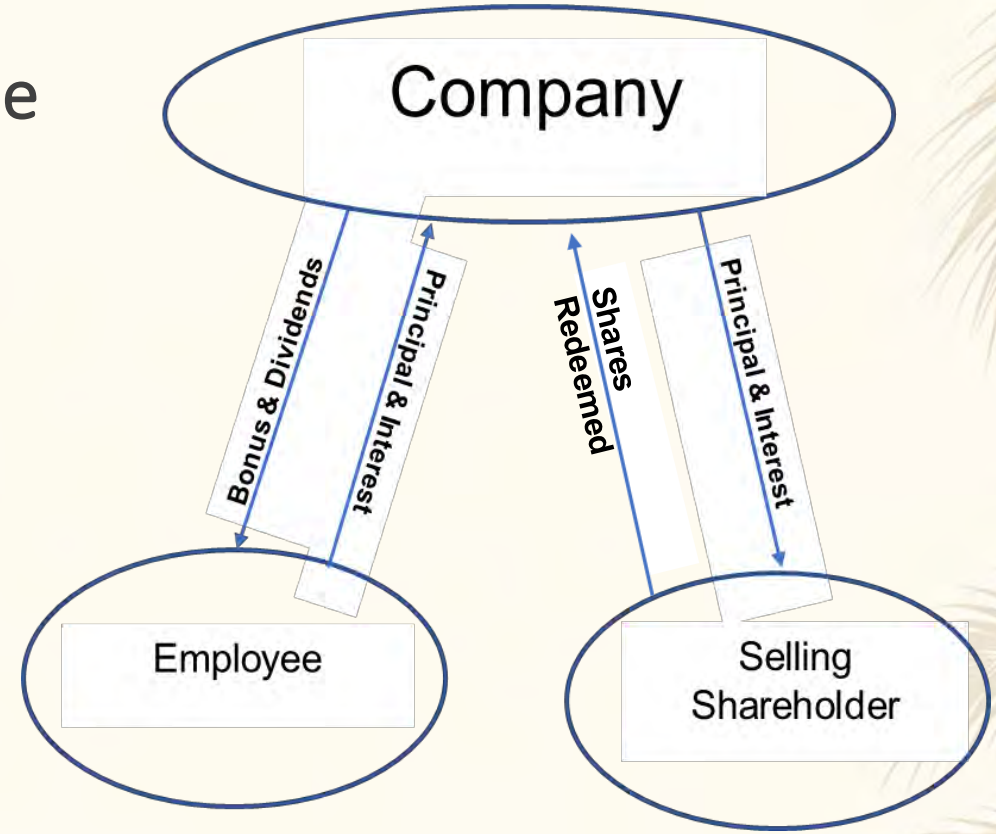
- Common model with larger firms
- Increases liquidity
- Challenges in attracting shareholders
  - Feasibility
  - C-Corp vs S-Corp
  - What's in it for them?
- Blockage Discounts?
- Ownership is carefully allocated
- Discriminatory

Employee stock ownership plans - ESOP

- Qualified retirement savings plan under IRC section 401(a)
- Employees are NOT shareholders
- Non-discriminatory
- Most tax efficient for ownership transfers
  - S-Corp vs C-Corp

Creating shareholder liquidity

- Where is does the money come from?



Five key uses of cash

- Working capital
- Capital investments
- Repurchase obligations
- Incentive compensation
- Return on investment

What's the cost of redeeming shares?

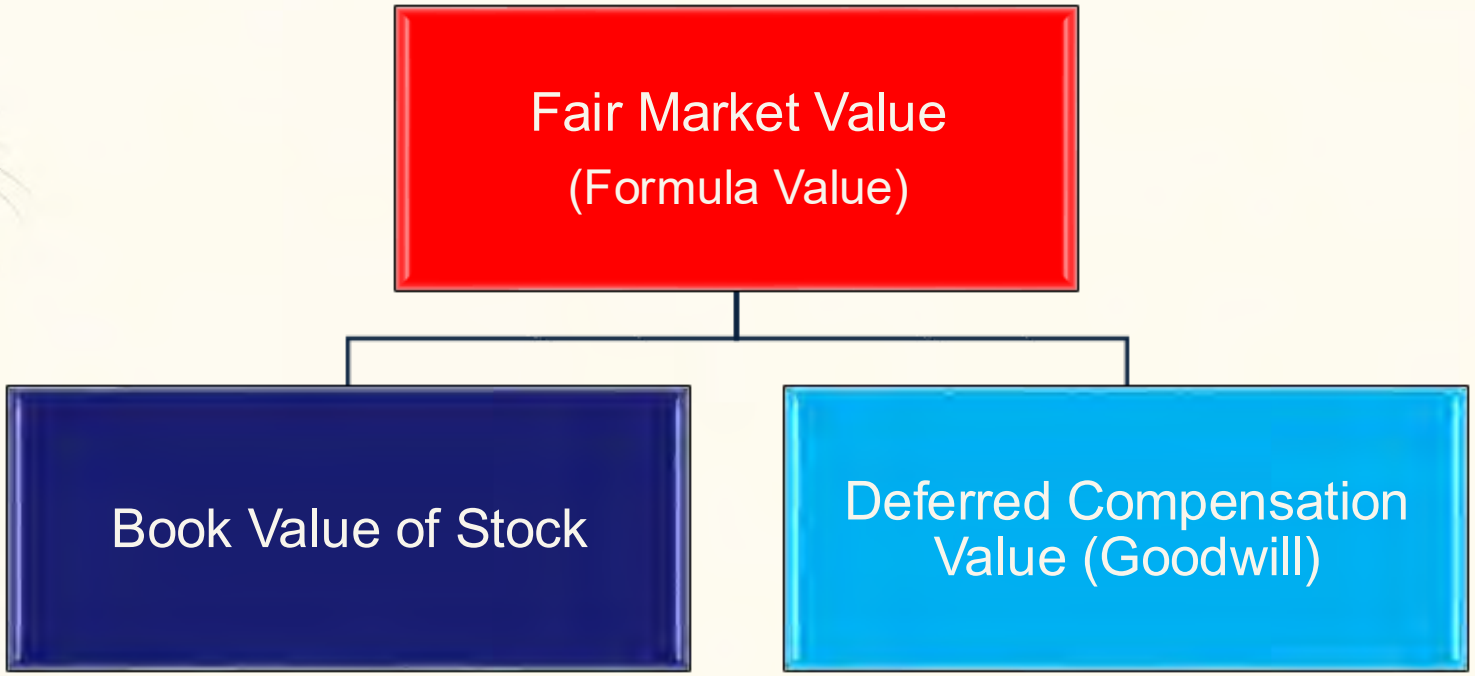
- The hidden cost of redeeming shares are TAXES. The location of your company will impact how much more cash flow (over the cost of the shares) you need to generate to satisfy your repurchase obligation.

• No State Income Taxes	133.0%
• Average State Corporate Taxes	137.5%

Tax efficient transfers without an ESOP

- Low cost to buy in
- The long-term investment focus
- Goodwill is earned over long-term
- Lowers cash flow required for repurchasing shares
- Mitigates value dilution risks
- Creates tax efficiencies for transferring ownership
  - Similar tax benefits to partial ESOP
  - No DOL oversight, may use formula for valuing
  - May select key employees to participate

Tax efficient transfers without an ESOP



The Deferred Compensation Plan

- Long-term vesting
  - Typical ten to fifteen years
  - Current shareholders will be immediately vested
- 409 (a) Limitations
  - Once payment begins, cannot be paid off early
  - Payments – 36 to 84 months
  - Trigger Events must be established
    - Retirement, Death, Disability, Termination, Age (68)
- Golden handcuffs
  - The value of the DC could be the biggest component of their overall value
    - Performance of company is biggest influence
    - Forfeiture for leaving to competing firms

The Deferred Compensation Plan

- Grant of Units
  - At the time of stock purchase
  - Equals the same number of shares purchased
  - New vesting schedule for each share(s) purchased

- Valuation
  - Difference between FMV and Book Value (or formula value and book value)
  - The higher the profit margins the greater the DC value

The Stock Plan

- Value is at book value
  - Lowers cash outlay for high dividend yield
  - Paid through compensation and bonuses
- Redemption
  - Down payment
  - 36 to 84 months note, may be paid off early
- Purchase
  - Down payment
  - 36 to 84 months note, may be paid off early

Assumption

Capital Gains Rate	33.0%
Income Tax Rate (Individual W2)	42.3%
Income Tax Rate (Corporate Distribution)	31.3%
Stock Value	15,000,000
Book Value	4,500,000

Cost of Share Redemption - Company

	Direct Stock	100% ESOP	30% ESOP	Deferred Comp
Value of Stock Sale	$15,000,000	$15,000,000	$15,000,000	$4,500,000
Income Taxes @	31.3%	0.0%	21.9%	31.3%
Cash Profits Required to Redeem (a)	**$21,830,000**	**$15,000,000**	**$19,210,000**	**$6,550,000**
Cash Profits Required for Deferred Comp (b)	**N/A**	**N/A**	**N/A**	**$10,500,000**
Cash flow required to Fund Transaction (a+b)	**$21,830,000**	**$15,000,000**	**$19,210,000**	**$17,050,000**
Cash Flow Reduction		**$6,830,000**	**$2,620,000**	**$4,780,000**

After Tax Cash Flow - Shareholder

		Direct Stock	100% ESOP	30% ESOP	Deferred Comp
Value of Stock Sale		$15,000,000	$15,000,000	$15,000,000	$4,500,000
Capital Gains Taxes @	33.0%	($4,950,000)	($4,950,000)	($4,950,000)	($1,485,000)
After-tax Value of Stock Sale (a)		**$10,050,000**	**$10,050,000**	**$10,050,000**	**$3,015,000**
Value of Deferred Compensation		N/A	N/A	N/A	$10,500,000
Taxes @	42.3%	N/A	N/A	N/A	($4,441,500)
After-tax Value of SRP (b)		**$0**	**$0**	**$0**	**$6,058,500**
Total Cash Flow to Shareholder (a + b)		**$10,050,000**	**$10,050,000**	**$10,050,000**	**$9,073,500**

After Tax Cash Flow - Shareholder

Stepped UP Analysis		Direct Stock	100% ESOP	30% ESOP	Deferred Comp
Value of Stock Sale		$15,000,000	$15,000,000	$15,000,000	$4,500,000
Capital Gains Taxes @	33.0%	($4,950,000)	($4,950,000)	($4,950,000)	($1,485,000)
After-tax Value of Stock Sale (a)		**$10,050,000**	**$10,050,000**	**$10,050,000**	**$3,015,000**
Value of Deferred Compensation		N/A	N/A	N/A	$12,190,000
Taxes @	42.3%	N/A	N/A	N/A	($5,155,000)
After-tax Value of SRP (b)		**$0**	**$0**	**$0**	**$7,035,000**
Total Cash Flow to Shareholder (a + b)		**$10,050,000**	**$10,050,000**	**$10,050,000**	**$10,050,000**

Cost of Share Redemption - Company

Stepped UP Analysis	Direct Stock	100% ESOP	30% ESOP	Deferred Comp
Value of Stock Sale	$15,000,000	$15,000,000	$15,000,000	$4,500,000
Taxes @	31.3%	0.0%	21.9%	31.3%
Cash Profits Required to Redeem (a)	**$21,830,000**	**$15,000,000**	**$19,210,000**	**$6,550,000**
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Cash flow required to Fund Transaction (a+b)	**$21,830,000**	**$15,000,000**	**$19,210,000**	**$18,740,000**
Cash Flow Reduction		**$6,830,000**	**$2,620,000**	**$3,090,000**

High Dividends without Breaking the Bank

Stock Value	15,000,000
Book Value	4,500,000
Desired Yield	15%
Dividend based on Stock Value	2,250,000
Dividend based on Book Value	675,000

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