COVID-19 Impact on AEC Industry

Specific Issue Survey Results

Tuesday, March 24, 2020
Survey Participants  (in alphabetical order)

Revs > $100 Mil
Apex Companies
Arcadis
Bowman
Cardno
Carollo
CHA
CIMA+
David Evans and Associates
GEI Consultants
Geosyntec
GHD
Golder
Gresham Smith
Haley & Aldrich
Hazen & Sawyer
Henderson Engineers
HNTB
HR Green
IMEG Corp
KLJ Solutions
KPFF
LTK
McKim & Creed
Mead & Hunt
Michael Baker Intl.
Morrison Hershfield
NV5
Parametrix
POWER Engineers
Raba Kistner
RPS
S&ME
Short Elliott Hendrickson
Stantec
STV
SWCA
Terracon
TranSystems
TY Lin
VHB
Weston & Sampson
Weston Solutions
WGI
Willdan Group
Wood Group, TCS
Woodard & Curran
WSP (Canada)

Revs < $100 Mil
2RW Consultants
AE Engineering
Ambient Energy
Anser Advisory
Arabtech Jardaneh
Architectural Engineers
Ardurra Group
ATCS
Baer Engineering & Env. Consulting
Bay West
Belden Consulting Engineers
Burgess & Niple
Citadel Environmental Services
Civil/Site Engineering
Cole Engineering Group
Commonwealth Associates
Connico
 Cotter Consulting
CTL Engineering
CTL | Thompson
Degenkolb Engineers
Devenney Group
DiSorbo Consulting
DKS Associates
Dresdner Robin
EMC Engineering Services
Environmental Partners Group
ESS Group
EYP Mission Critical Facilities
FHI
Fleis & VandenBrink Engineering
Forensic Analytical
Geocomp
GreenbergFarrow Arch.
Groundwater & Env. Svcs.
Hanson Professional Svcs.
Hart Gaugler + Associates
Heath & Lineback Engrs.
HED
HMMH
IA - Interior Architects
iFactor Consulting
Inter-Fluve
Iron Horse Architects
Jaros Baum & Bolles
Keller Associates
Kittelson & Associates
KS Associates
KSA
Landau Associates
LJB
LRK
M&S Engineering
Matrix Solutions
McClure Engineering
ME Engineers
MGAC
MSA Professional Servcies
Nancy Pridal
Nova Engineering
Onyx Creative
Osborn Engineering
P.E. Structural Consultants
Project Engineering Consultants
RCE Consultants
RRM Design Group
SAI Consulting Engineers
Sanborn, Head & Associates
SB Architects
Senversa
Smith Seckman Reid
Snyder Langston
Tdi engineering
Tectonic
Ulteig
VanDemark & Lynch
VLK Architects
Watry Design
West Yost Associates
WithersRavenel
WRA

128 participating AEC firms
$42 billion in Total Revenues
Project Delays: Already vs. Earmarked

Total project delays have been minimal, to date
- 83% of firms have seen between 0% - 5% of projects delayed
  - Overall Median % of projects delayed = 2%

However, there are signs of delays to come, although still minimal at this stage
- ~50% of firms have 5% or more of projects earmarked for delays
  - Overall Median % of projects earmarked for delays = 5%
Projected Negative Impact to 2020 Revenues

At this point, 70% of firms believe COVID-19 will negatively impact revenues by 5% - 20%, suggesting a median of roughly 10% for the group.

- We expect this number to increase in our subsequent surveys in the coming weeks.
- Additionally, while a 10% reduction in top-line revenues does not sound like much, without reducing any costs, this would wipe out 100% of profit margin, assuming 10% profitability on gross revenues (i.e. industry 5-year avg. for EBIT/GR, per AEC Advisors’ database).
Worst Geographies for Project Delays

Top 5 Worst Geographies for Project Delays (by # of votes)

<table>
<thead>
<tr>
<th>State</th>
<th>Worst</th>
<th>2nd Worst</th>
<th>3rd Worst</th>
<th>Total Votes</th>
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<tbody>
<tr>
<td>California</td>
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<td>10</td>
<td>4</td>
<td>42</td>
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<tr>
<td>Washington</td>
<td>8</td>
<td>8</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>New York</td>
<td>7</td>
<td>8</td>
<td>2</td>
<td>17</td>
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<tr>
<td>Texas</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>11</td>
</tr>
</tbody>
</table>

- **California** is by far the **worst state** for project delays, but also likely the state with the most projects to begin with.
- **WA, NY, & MA** have all seen strict policies put in place by local governments.
- **Texas** is a little surprising, but given the oil price decline, maybe not.

Note: the following U.S. states did not receive a vote in the top 3 worst states for project delays: Arizona, New Mexico, Nevada, Utah, Wisconsin, Kansas, Oklahoma, Arkansas, Louisiana, Mississippi, Alabama, South Carolina, Delaware, West Virginia, Maine, New Hampshire, Vermont, Rhode Island, Alaska, and Hawaii.
Client Sectors with the Most Project Delays

% of responses for each client sector

- **Private** 52%
- **State/Municipal** 29%
- **Federal** 2%

Clearly the private sector has been impacted the hardest, with 52% of respondents singling it out as the area with the most project delays

- 29% of respondents identified State / Municipal as having the most projects delays
- While only 2% are seeing Federal projects delayed the most *(but 57% of respondents currently perform federal work)*
- And then 17% of responses were some combination of these three sectors

It is worth noting that answers will be biased towards sectors where firms are more heavily weighted, but this group of participants is relatively evenly balanced between private and state / municipal work, and directionally, this data inherently makes sense

*Note: 57% of firms indicated they currently do work with federal clients*
Furloughs & Layoffs

Are you implementing...

**Furloughs**
- Yes: 9%
- No, but plan to: 24%
- Not at this time: 67%

**Layoffs**
- Yes: 10%
- No, but plan to: 24%
- Not at this time: 66%

Only ~10% of firms have already implemented furloughs or layoffs

- But another ~25% of firms are planning to implement one or the other
- 2/3 of firms currently have no plans for either, but these firms could be waiting for more significant project delays than what is shown in earlier data, i.e. delays greater than 5%
- It appears that one strategy is not more popular than the other, suggesting at least some firms are implementing both simultaneously
- Interestingly, we found no clear correlation between expected revenue decline and anticipated furloughs/layoffs
- We suspect this data will also change with time
Thank you, Webinar and Update to Survey

THANK YOU

...for participating in this survey. We appreciate your time during this challenging period, and hope this data is useful.

UPDATE TO SURVEY RESULTS

The next installment to this survey, will be in two weeks and will update most of the same data, with a few modifications, to see how perceptions have changed.

WEBINAR: AEC INDUSTRY RESPONSE TO COVID-19: TBD

AEC Advisors will host a CEO Forum Webinar, dates & times to be determined in the next 24 hours to present this data and have a handful of CEOs discuss best practices and other intelligence on the impact of COVID-19 with opportunity for Q&A.

In the interim, please do not hesitate to reach out to AEC Advisors with questions or inquiries as to how we can be helpful.