



FOURTH
QUARTER
2024

CIVIL INFRASTRUCTURE CONSTRUCTION INDEX



NOVEMBER 2024

EXECUTIVE SUMMARY

By Brian Moore, Jackson Mathis and Brian Strawberry

The fourth quarter 2024 Civil Infrastructure Construction Index (CICI) decreased to 50.2 from 51.2 in the third quarter.

Despite the decline, this marked the ninth consecutive quarter of expectations for expansion. All four economic measures contracted, including contractors' outlook toward the overall economy, the economy where they do business, their engineering and construction (E&C) business, and the heavy/civil engineering and construction environment where they operate.

Contractors expect that most heavy civil segments will remain stable through the next quarter but anticipate that private utilities, which increased 16 points, and aviation, which climbed 8 points, will be the strongest segments. Ports/marines/docks saw an 18-point drop, with respondents indicating improved sentiment since last quarter, while other civil infrastructure decreased by 20 points.

Backlog book-to-burn rates increased slightly, led by an 8-percentage-point gain in the share of respondents who recorded increases. More than one-third (40%) of respondents reported higher backlogs this quarter com-

pared to a year ago, and 68% said their backlogs are at or above the levels needed or expected for this time of year.

A majority (67%) of respondents indicated that margins on work acquired this quarter are the same or better than they were one year ago. A slightly larger share (71%) reported margins were either up or about the same as last quarter. Even though the majority are seeing higher margins, the share that saw margins decline grew this quarter.

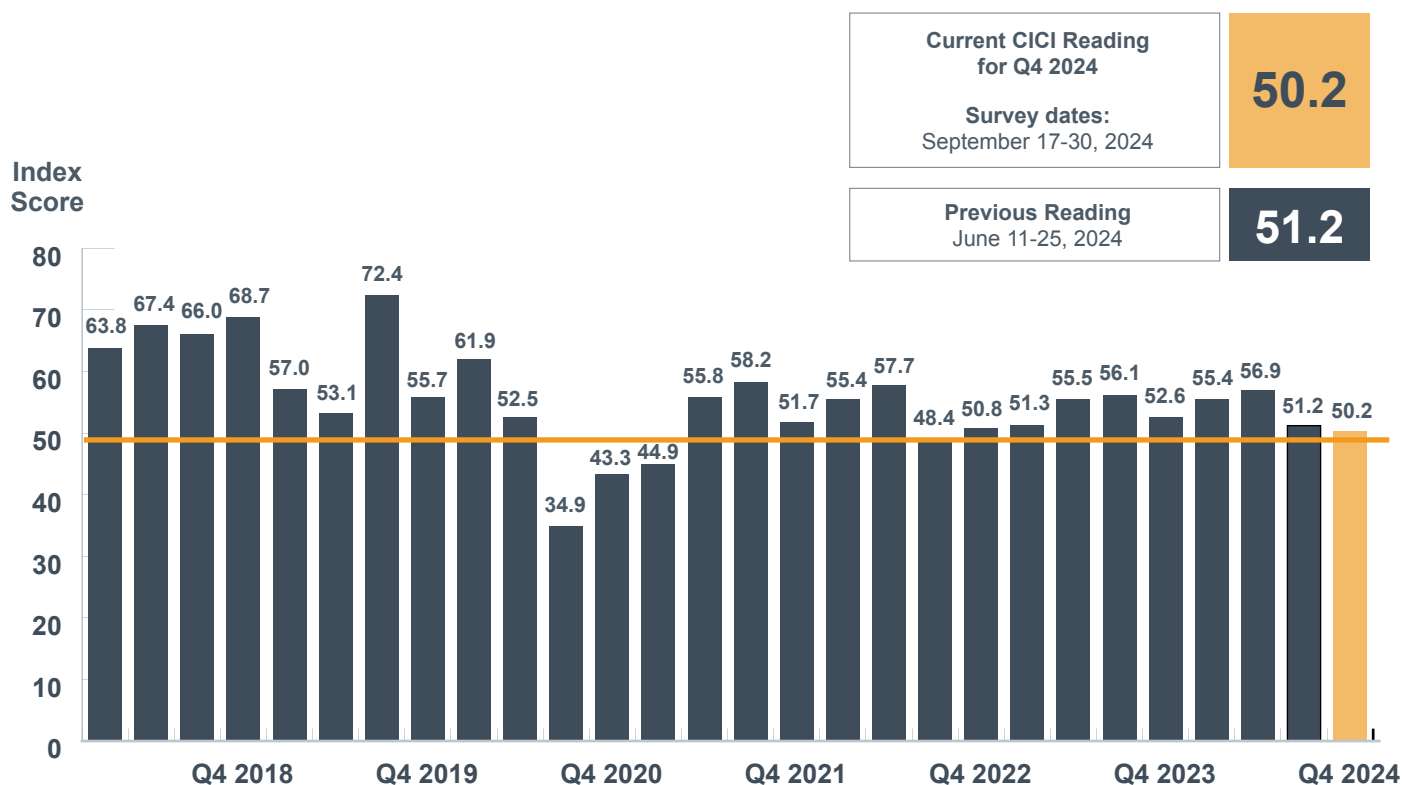
With growing backlogs, fewer contractors in this quarter's survey cited an increase in competition. While more than half of respondents (61%) reported that competition increased, that number dropped from 67% last quarter. By comparison, 39% indicated similar or decreasing competition, up from 32% last quarter.

Bid prices increased slightly this quarter, with 47% of respondents indicating a slight or significant increase, compared to 45% last quarter. There is a slight but notable decrease in the share of contractors seeing new non-traditional competitors, with 21% of respondents identifying new entrants to their markets in the last six months, compared to 30% last quarter.

Despite the decline, this marked the ninth consecutive quarter in which respondents expected market expansion.

FMI'S CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q3 2018 TO Q4 2024

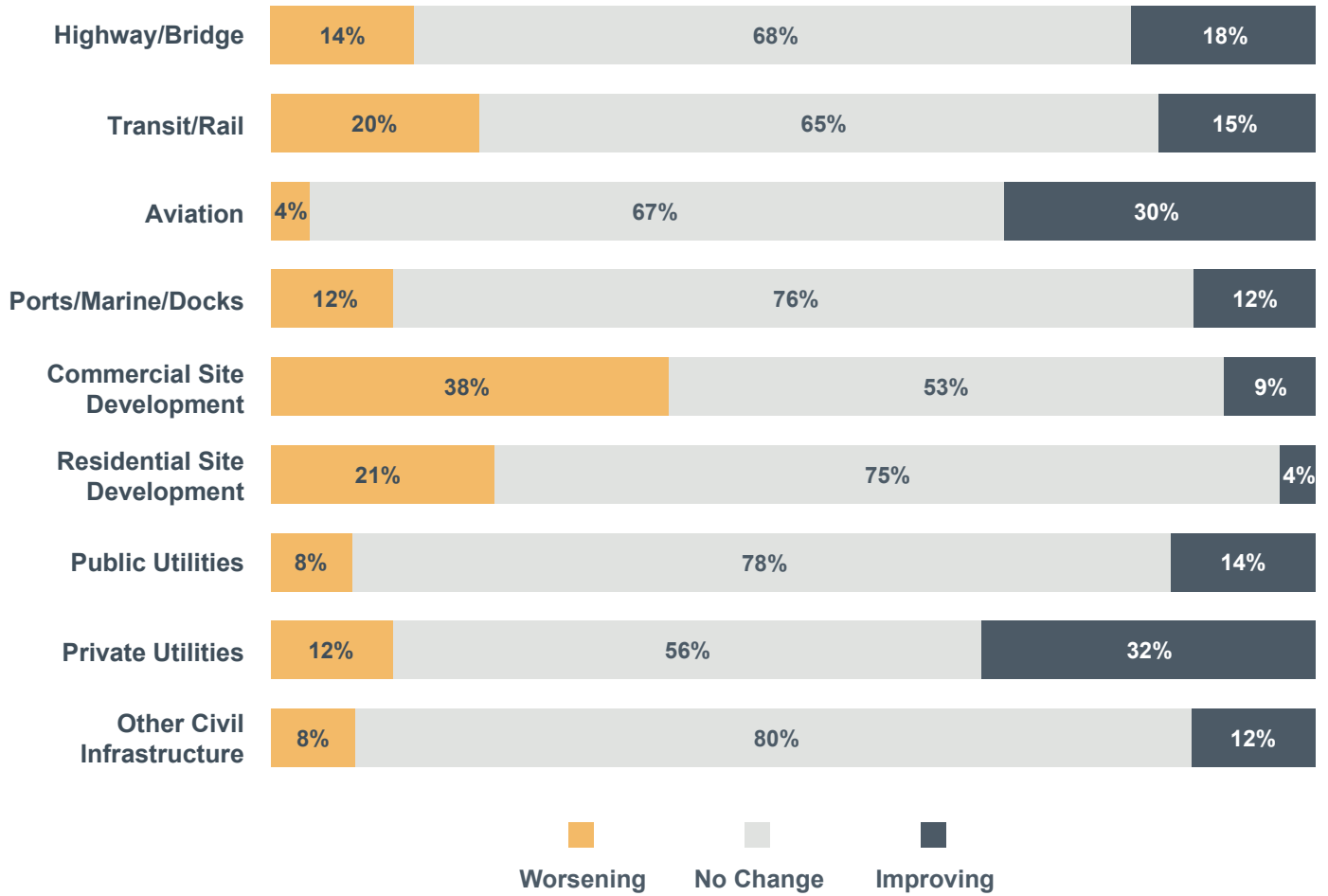
(SCORES ABOVE 50 INDICATE EXPANSION; BELOW 50, CONTRACTION)



CICI INDEX MOVEMENT		Q4 2024	Q3 2024
Overall U.S. Economy	↓	47.9	53.4
Economy Where We Do Business	↓	46.5	52.1
Our Engineering and Construction Business	↓	54.2	58.1
Engineering and Construction Where We Do Business	↓	49.3	54.1
Backlog	↓	52.8	54.7
Book/Burn Rate	↑	57.0	54.1
Cost of Materials	↑	35.9	31.8
Cost of Labor	↑	27.5	18.9
Productivity	—	49.3	49.3

SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q4 2024 (FORMERLY HCCI)

PERCEPTION OF CHANGE BY SEGMENT FOR NEXT QUARTER

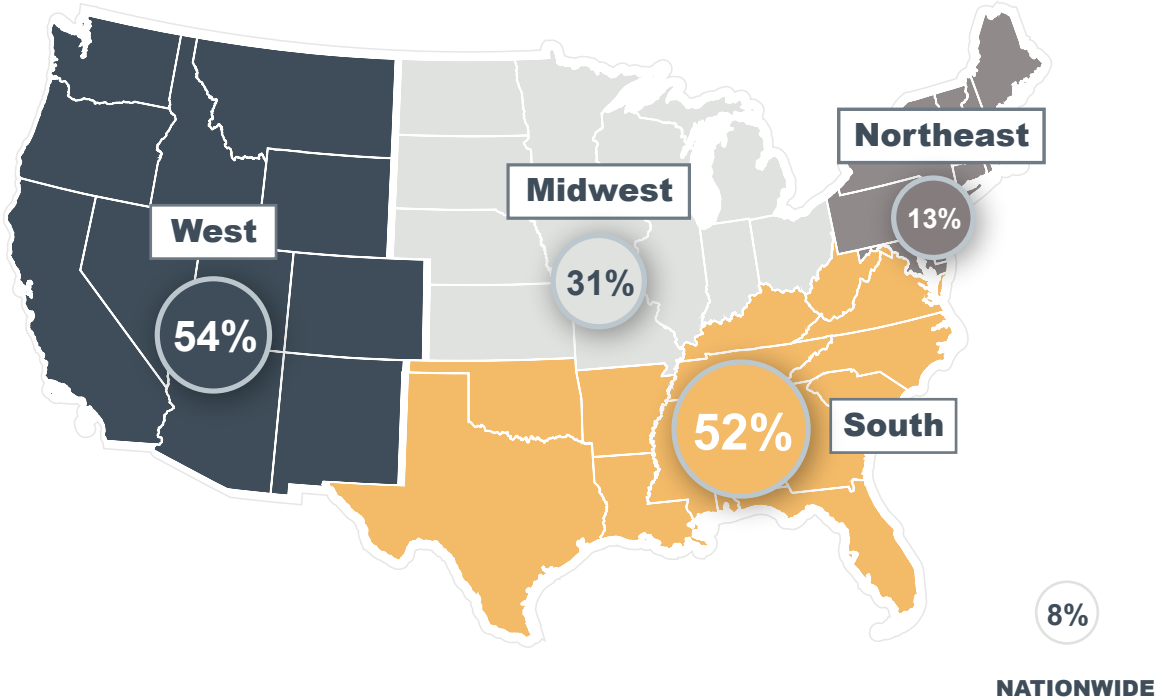


SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q4 2024

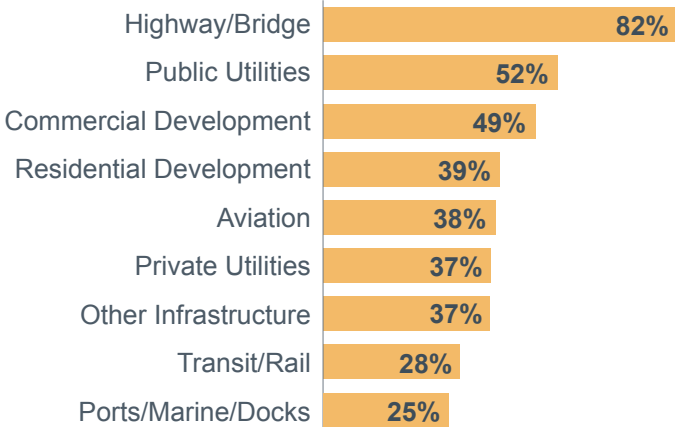


WHERE SURVEY PARTICIPANTS WORK

BY GEOGRAPHY



BY DISCIPLINE



SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q4 2024
RESPONDENTS ARE ABLE TO SELECT MORE THAN ONE OPTION



MARKET CONDITIONS

MARKET CONDITIONS

Contractors continue to build backlog faster than they burn it. Gains this quarter were led by an 8-percentage-point increase in the share of contractors who said they saw some or a significant increase in backlog book-to-burn rate — at 41% in the fourth quarter of 2024, up from 33% in the third quarter.

More than one-third of respondents (40%) said their backlog levels are either significantly or somewhat higher than the same quarter a year ago. Further, 68% of contractors reported their backlogs are either at or exceeding levels for what is needed or anticipated at this point in the year. Follow-up conversations with select respondents indicated that backlog increased because rising labor and material costs, coupled with capacity constraints (i.e., selective bidding), have led to

higher bid prices. Public construction sectors, where many contractors are managing full workloads, are most affected by these increases, while private projects are seeing more competition, helping to keep prices relatively stable. Despite maintaining healthy backlogs, some respondents are concerned about intense competition and the lack of large projects, which could impact long-term growth potential.

A majority (67%) of respondents indicated that margins on work acquired this quarter are the same or higher than they were one year ago. A slightly larger share (71%) reported margins were either up or about the same as last quarter, down somewhat from 78% last quarter. Some respondents indicated margins have increased due to higher profitability from emergency work with set

rates and mark-ups, despite overall market pressure from increased competition and tighter public sector bids. Additionally, as contractors' backlogs grow, many are being more selective in the work they pursue, allowing for increased margins.

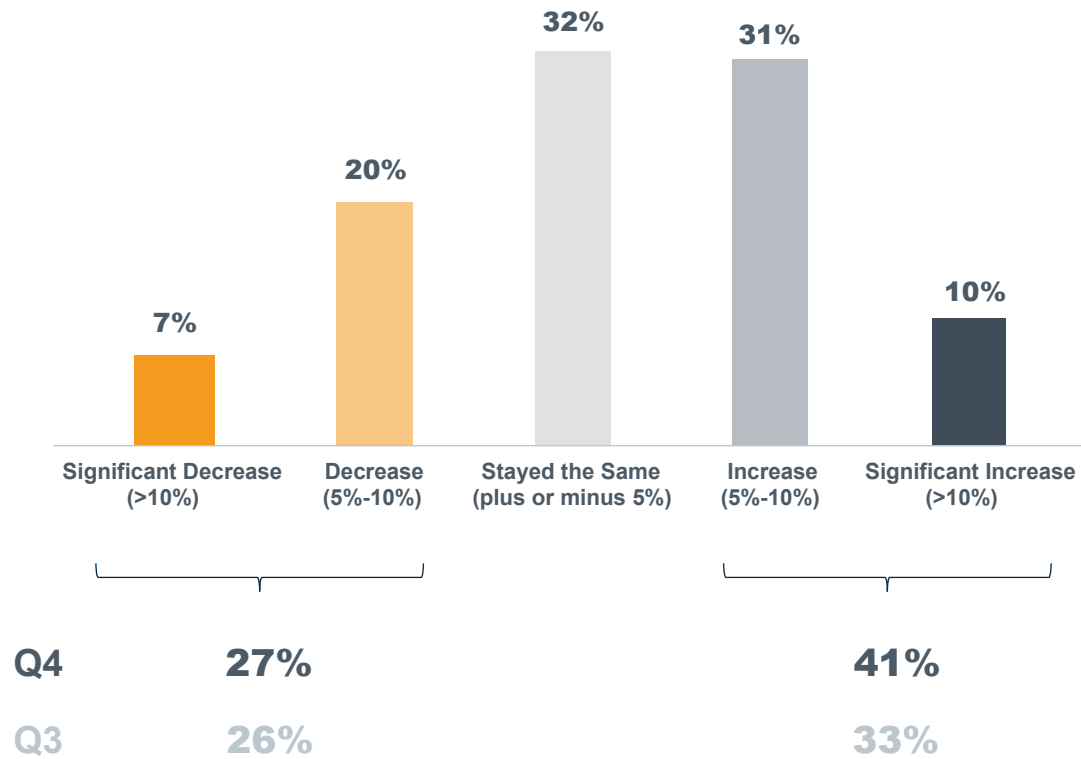
While slightly down compared to the last quarter, still more than half of contractors (61%) reported an increase in competitors over the prior quarter. Additionally, 47% of respondents indicated bid prices have increased since last quarter, down from 45% in this year's third quarter.

Fewer contractors are seeing new competitors in their markets, as 21% of respondents say they've seen new entrants within their market in the last six months, compared to 30% last quarter.



BACKLOG BOOK/BURN RATE (YEAR OVER YEAR)

THIS REFERS TO THE RATE AT WHICH BACKLOG IS ADDED COMPARED TO HOW QUICKLY IT IS USED.

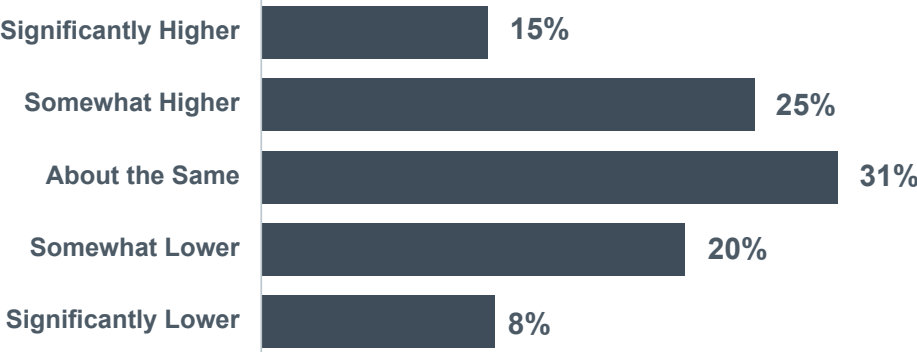


SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q4 2024

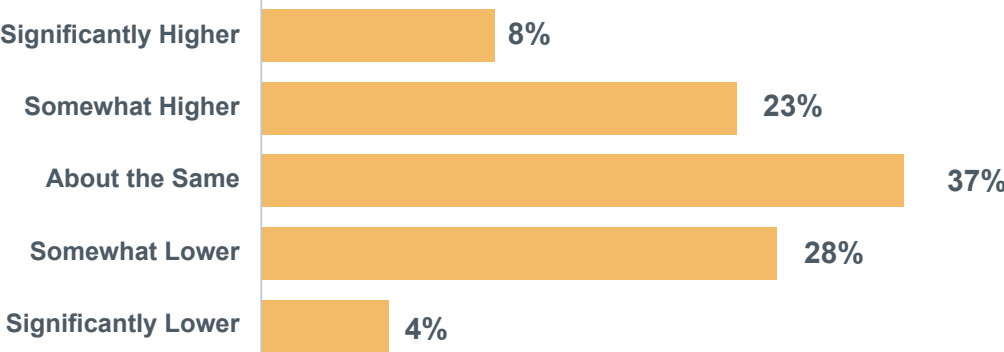


BACKLOG

HOW DOES YOUR BACKLOG IN THE MOST RECENT QUARTER COMPARE TO THE SAME QUARTER LAST YEAR?

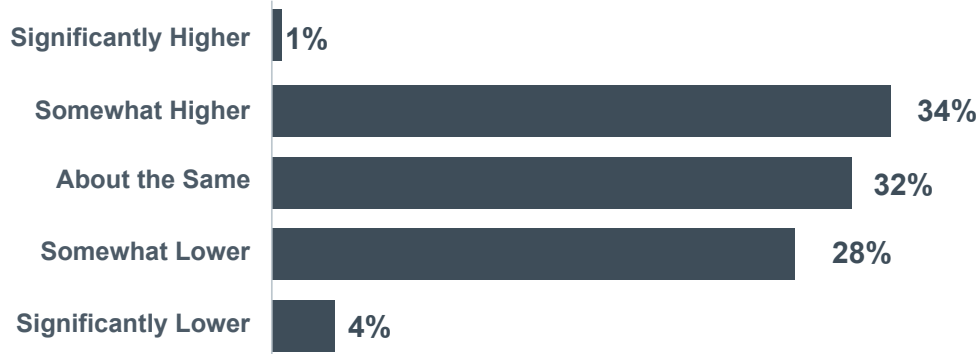


WHAT IS YOUR CURRENT BACKLOG COMPARED TO YOUR ANTICIPATED/NEEDED BACKLOG AT THIS POINT IN THE YEAR?

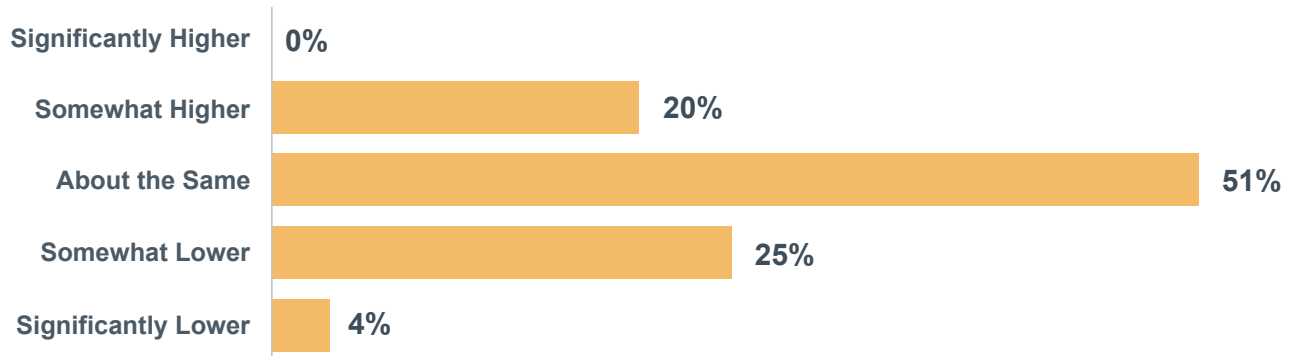


MARGIN

HOW WOULD YOU COMPARE MARGIN ON THE WORK YOU HAVE ACQUIRED IN THIS QUARTER VERSUS THE SAME QUARTER LAST YEAR? (I.E., YEAR-OVER-YEAR CHANGE)

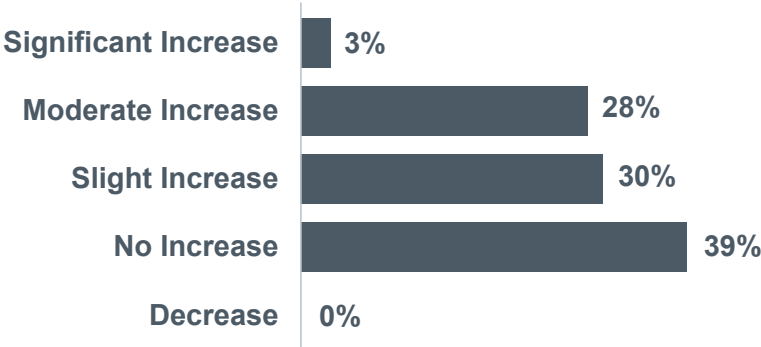


HOW WOULD YOU COMPARE MARGINS ON THE WORK YOU HAVE ACQUIRED IN THIS QUARTER VERSUS THE LAST QUARTER?

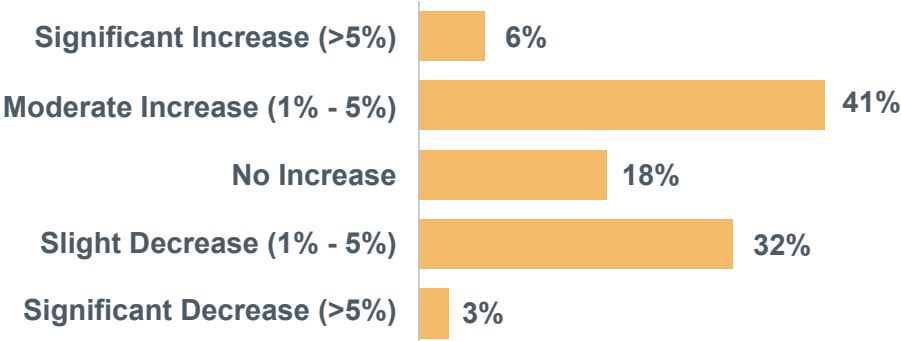


COMPETITIVE LANDSCAPE

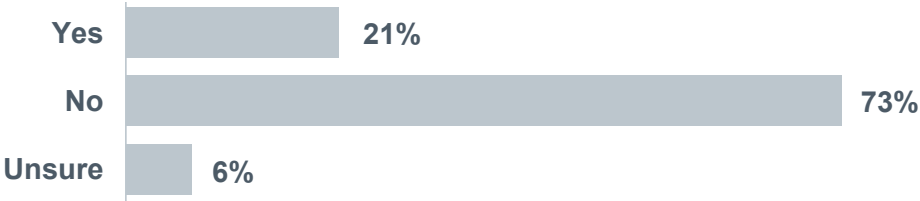
HOW HAS THE COMPETITIVE LANDSCAPE CHANGED IN THE LAST QUARTER?



HOW HAVE BID PRICES BEEN IMPACTED IN THE LAST QUARTER?



IN THE PAST SIX MONTHS, HAVE YOU EXPERIENCED AN INCREASE IN NONTRADITIONAL CIVIL FIRMS (NEW ENTRANTS) IN THE MARKET?





CURRENT ISSUES

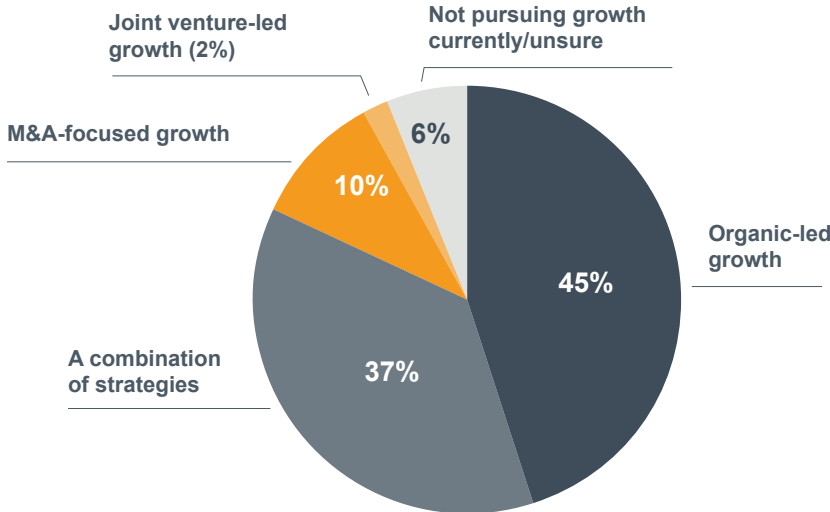
EXPANSION AND GROWTH STRATEGIES

In response to inquiries about growth strategies for 2025, an overwhelming majority (94%) of respondents outlined plans for expansion. Almost half of these firms anticipate achieving this growth through organic methods, while only 10% are solely concentrating on mergers and acquisitions (M&A). A substantial portion of the remainder (37%) are pursuing a hybrid approach.

Businesses are prioritizing internal development and market expansion over acquisition-driven growth. The

focus on organic growth suggests confidence in existing capabilities and market conditions, but it also highlights a potential shift from riskier, external growth strategies such as M&A and joint ventures. Most respondents emphasized ramping up business development (BD) efforts to drive organic growth. Because many anticipate ongoing challenges due to labor shortages and retirements, they are pushing to develop talent internally to support these strategies.

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR COMPANY'S OVERALL GROWTH STRATEGY FOR 2025 AND BEYOND?

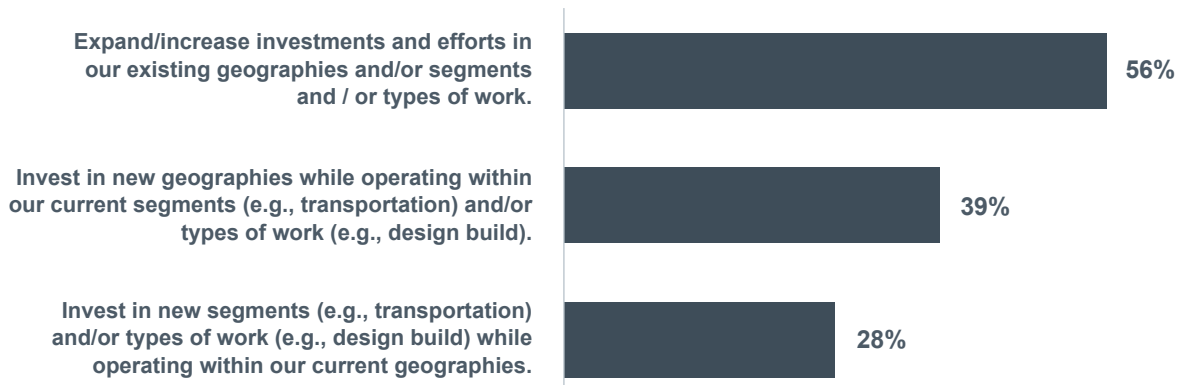


EXPANSION AND GROWTH STRATEGIES

When considering growth options – whether to invest in current or new geographies, segments or scopes – companies are placing more emphasis on deepening investments in their existing areas. Specifically, 56% plan to increase investment in the segments and types of work within their current geographies. In comparison, only 28% intend to expand the types of work or

segment focuses within their existing geographies, and 39% are looking at geographical expansion. This suggests that businesses are prioritizing stability and risk management by focusing on familiar markets rather than venturing into new territories or radically different business segments.

WHICH OF THESE GOALS ARE YOU CONSIDERING FOR THE NEXT ONE TO THREE YEARS WITH RESPECT TO **GROWTH PURSUITS AND/OR INVESTMENTS**?

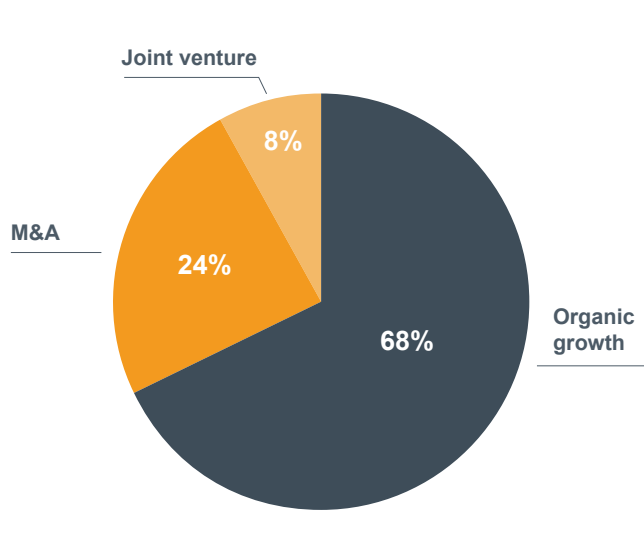


RESPONDENTS ARE ABLE TO SELECT MORE THAN ONE OPTION

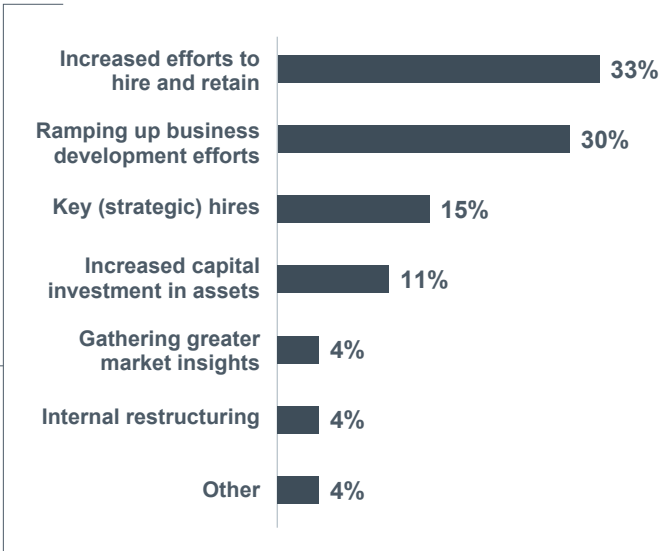


56% PLAN TO EXPAND/INCREASE EXISTING INVESTMENTS

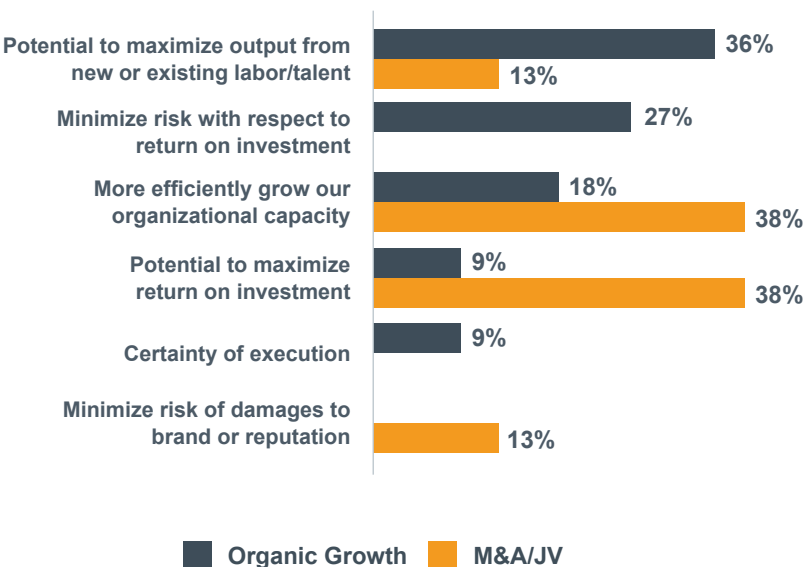
WHICH BEST DESCRIBES YOUR STRATEGY FOR **EXPANDING/INCREASING EXISTING INVESTMENTS**?



WHICH BEST DESCRIBES YOUR ORGANIC GROWTH PLANS FOR EXPANDING/INCREASING EXISTING INVESTMENTS?



WHAT IS THE TOP FACTOR IN DETERMINING PURSUIT OF THIS TYPE OF STRATEGY?

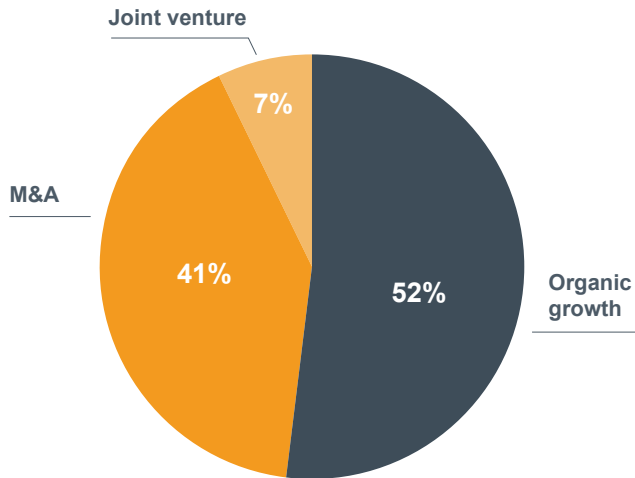


HIGHLIGHTS:

- The largest share of respondents utilizing organic growth (68%) underscores a preference for strengthening internal capabilities and human capital over external opportunities.
- Organic growth plans largely center on investing in people and business development, suggesting companies are focusing on sustainable, long-term growth within familiar markets.
- Determining factors intend to minimize risk and maximize leverage from investments in labor/talent.

39% PLAN TO INVEST IN NEW GEOGRAPHIES

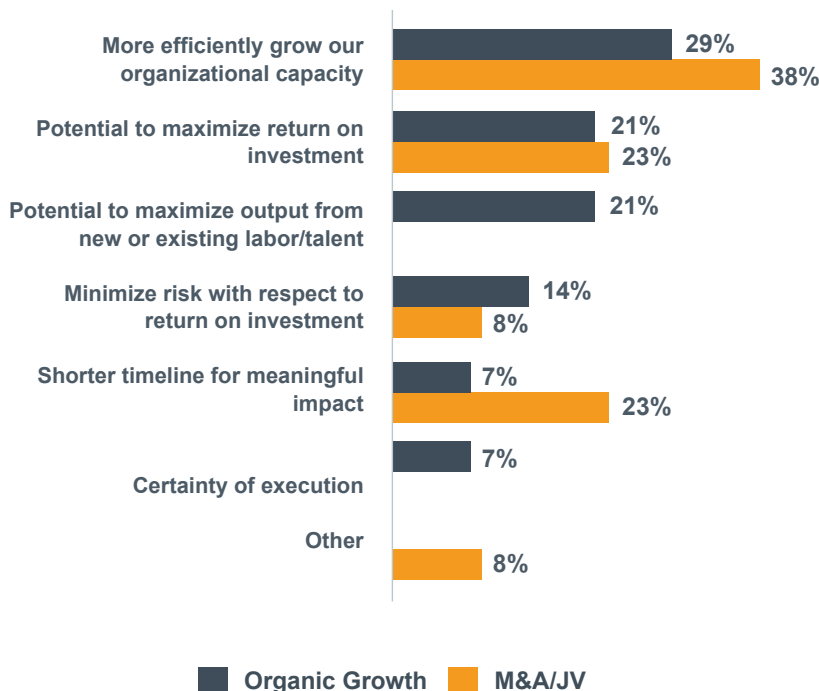
WHICH BEST DESCRIBES YOUR STRATEGY FOR INVESTING IN **NEW GEOGRAPHICS**?



WHICH BEST DESCRIBES YOUR ORGANIC GROWTH PLANS FOR INVESTING IN NEW GEOGRAPHIES?



WHAT IS THE TOP FACTOR IN DETERMINING PURSUIT OF THIS TYPE OF STRATEGY?

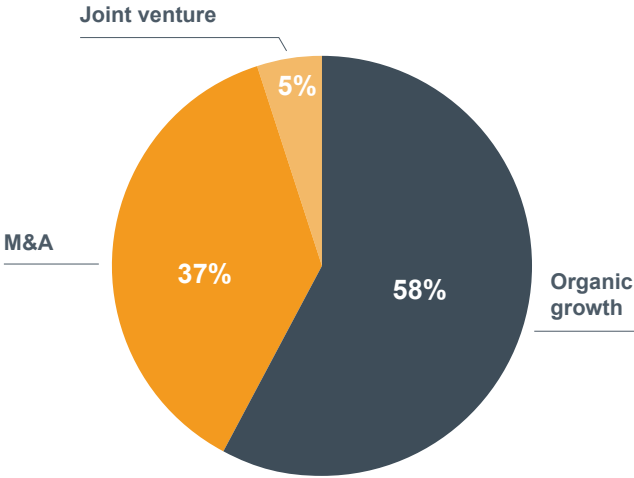


HIGHLIGHTS:

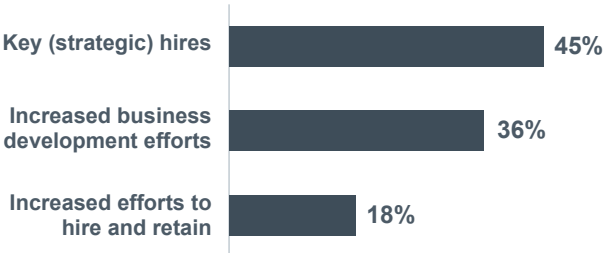
- The largest share of respondents utilizing M&A and JV plans (48%) show investing in new geographies is an area where companies are most likely to consider strategic external opportunities.
- Responses show the need for a more flexible approach in ensuring operational readiness and financial success in new markets.
- Determining factors focus on maximizing efficient growth and return on investment.

28% PLAN TO INVEST IN NEW SEGMENTS

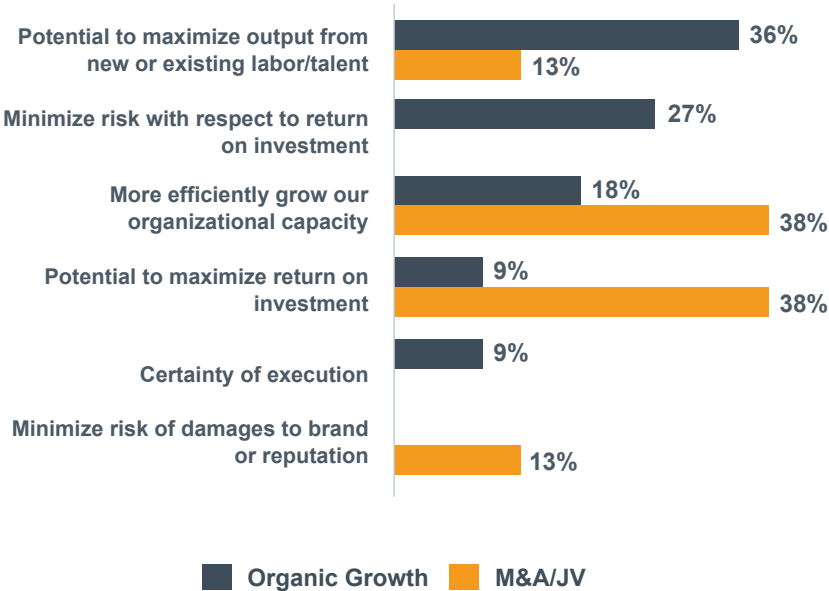
WHICH BEST DESCRIBES YOUR STRATEGY FOR INVESTING IN **NEW SEGMENTS AND/OR TYPES OF WORK?**



WHICH BEST DESCRIBES YOUR ORGANIC GROWTH BY INVESTING IN NEW SEGMENTS?



WHAT WAS OR IS THE TOP FACTOR IN DETERMINING PURSUIT OF THIS TYPE OF STRATEGY?



HIGHLIGHTS:

- This is the least popular of expansion strategies among respondents.
- Just over half plan to utilize organic growth (55%) indicating companies lean towards internal growth levers that provide greater control and reduced risk.
- Determining factors balancing people, risk management and efficiency highlight demands for healthy, stable and predictable growth.

AUTHORS



BRIAN MOORE is an expert in heavy civil construction and contracting issues, helping produce FMI's Civil Infrastructure Construction Index and writing extensively on the sector. He is a sought-after advisor on trends affecting the industry, strategic planning and ways heavy civil companies can optimize their businesses. He can be reached at brian.moore@fmicorp.com.



JACKSON MATHIS conducts primary and secondary research for FMI's clients across the engineering and construction industry. He is responsible for conducting interviews with subject matter experts, designing surveys and analyzing market research data. Jackson works with partners and consultants to deliver quality projects that help drive growth and solve business problems. He can be reached at jackson.mathis@fmicorp.com.



BRIAN STRAWBERRY is chief economist at FMI. Brian leads FMI's efforts in market sizing, forecasting, building products and construction material pricing, and consumption trends. He focuses on primary research methods, including the implementation and analysis of surveys and interviews. Brian also leads and manages various external market research engagements and constructs tools and models for efficiently performing high-quality analyses. He can be reached at brian.strawberry@fmicorp.com.



CONTACT US



RALEIGH HEADQUARTERS
223 S. West Street
Suite 1200
Raleigh, NC 27603



919.787.8400

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44 Cook Street
Suite 900
Denver, CO 80206
303.377.4740

Houston
1301 McKinney Street
Suite 2000
Houston, TX 77010
713.936.5400

Tampa
4300 W. Cypress Street
Suite 950
Tampa, FL 33607
813.636.1364

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