




# Specialized Consultancies: The Key to Solving 2030's Complex Challenges



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# Specialized Consultancies: The Key to Solving 2030's Complex Challenges

By Russell Clarke and Andrew Henderson

When the Miami-Dade Department of Transportation (DOT) began upgrading its traffic control system, the goal was not singular. The Miami-Dade DOT set out not only to alleviate traffic congestion that ranked [12th worst](#) in the country, to improve safety, and to reduce fuel consumption by as much as [22 percent](#), but also to comply with a future in which vehicle-to-infrastructure communication helps traffic signals react to fluctuating demands — even if cars that talk to municipal traffic systems weren't on the road yet.

Miami-Dade's transport upgrades are a good example of the complexity built into many infrastructure and energy projects today: They entail a need for big data management, carbon intelligence and other specialized services, solving for problems both today and a decade from now.

As stakeholders tackle challenges like the energy transition, facility optimization and infrastructure megaprojects, they are increasingly reliant on technical services companies to enable that work. As a result, there has been growing interest from existing service providers and outside investors in companies specializing in technically based consultancy services related to both new and existing facilities, energy and infrastructure, a market estimated to be worth [\\$707.5 billion](#) globally as of 2022.

Over the past 24 months, FMI has seen unprecedented activity in this space as both strategic parties and private equity look to acquire attractive consulting-based services firms around energy and infrastructure theses. During this

time, FMI Capital Advisors has completed nearly \$1 billion in transaction value focused around consulting-based providers in energy and infrastructure. We expect that corporate and social sentiment, combined with growing spending and the passing of the Inflation Reduction Act and [Infrastructure Investment and Jobs Act](#), will further fuel the M&A market for key consulting services.

## Who are the winners of this moment?

The road to a decentralized, digitized, decarbonized energy system and built environment has a few turns in it — think a highway crowded with gas tanks, hybrid vehicles, electric vehicles and fully autonomous cars all at the same time. Rather than simply building for a post-carbon or fully digitized infrastructure environment, companies have to innovate through the transition, juggling competing systems, technology, use requirements and mandates. Consultancies are helping bridge these demands to deliver actionable progress.

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Evolution Sustainability Group has implemented custom utility and energy procurement, smart HVAC controls and other initiatives to deliver a return on investment of over **50%** on half of its projects.

“Today, we no longer have to have a ‘simple’ power system (bulk generation then bulk transmission to major loads),” says Alex Boyd, CEO of PSC, a leading global specialist consultant in the power industry. “We can meet our needs by embracing complexity, carefully planning, and utilizing advanced technologies to build a more modern infrastructure to support the energy transition to renewables.”

Likewise, the push to improve aging facilities and digitize and optimize energy use and equipment controls brings with it challenges such as how to create a viable return on investment (ROI) on a portfolio scale. Ideally, firms with proven technical capabilities alongside a consultative approach are able to deliver their services at scale, as more and more of the economy adopts the mantle of net-zero and healthy buildings.

“Starting with smart energy procurement, a large impact is able to be delivered across larger portfolios,” says Chuck Hurchalla, the CEO of Evolution Sustainability Group, of the company’s role in problem-solving for clients without their specialized knowledge in-house. Combined with the company’s engineering and consulting services, “a comprehensive approach can be delivered to clients that typically look for one-off projects.” Evolution Sustainability Group has imple-

mented custom utility and energy procurement, smart HVAC controls and other initiatives to deliver a return on investment of over 50% on half its projects.

FMI Capital Advisors see a range of consulting-based services addressing transformative challenges in the built environment that are particularly attractive prospects for mergers and acquisitions due to their critical “enablement” of infrastructure goals.

### **Power infrastructure and distributed energy resources (DERs):**

- Project permitting, survey, right-of-way and specialty land services
- Renewables design, interconnection and compliance consulting
- Grid modernization planning and implementation services
- Asset digitization and management programming
- Transmission, distribution, substation and protection and control (P&C) engineering
- NETA testing and supervisory control and data acquisition (SCADA) engineering



“Local jurisdictional mandates and codes can drive significant difficulty across building portfolios with required changes that can be overwhelming to address with internal teams. Having the right access to technical expertise and exposure to specific programmatic knowledge can allow clients to effectively address these challenges.”

Celeste Cizik, CEO  
Group14 Engineering

### Facility optimization, healthy buildings and localized mobility:

- Energy purchasing advisory and consulting
- Energy efficiency consulting and engineering
- Specialty capital planning and construction and project management to key end markets
- Forensic engineering services
- Environmental, social and governance (ESG) program design and regulatory and code compliance
- Mobility planning and environmental justice facilitation
- Data analysis for intelligent traffic systems and roadway design
- Electric vehicle siting and planning

### Environmental:

- Water resource advisory, assessments, monitoring and management
- Mapping, geospatial and, specifically, geographic information system (GIS) services
- Natural disaster mitigation and program services
- Environmental permitting and documentation
- Restoration and mitigation plans and monitoring

The importance of these consulting-based services will only accelerate as the march toward decarbonization, digitization and decentralization continues, benefiting firms that have established talent and capabilities suited to delivery. Broadly speaking, the goal is to use M&A to be “future ready,” as the CEO of WSP Global, Alexandre L’Heureux, [put it](#) in a 2022 second quarter earnings call.

### Why specialized consultancies are so crucial

Technically focused consultancies fill an expertise and talent gap in the current landscape, offering a qualified and experienced knowledge base that would be otherwise difficult to access or illogical to employ in-house for stakeholders.

There are a number of reasons that technical consultancies are so valuable today:

**A multidisciplinary knowledge base.** Firms with technical expertise in multiple disciplines can leverage that knowledge spanning different systems, disciplines and functions to focus on a singular goal. A consulting delivery that can bridge traditionally siloed boxes offers a stronger chance at a long-term solution with fewer handoffs from one party or “segment expert” to another and reduces opportunities for error.

**Tailored services and products.** Client-specific services and customizable products allow for value optimization. Every problem is different, but most have commonalities that can be leveraged and tailored to by firms who specialize in customized solutions.

**Scale across a specific issue.** When generalist or smaller entities deal with one-off issues, these can seem overwhelmingly complex. But an occasional problem for a given entity might be an everyday issue for its technical consultant, which can leverage its best practices and deep experience to solve the issue. “Local jurisdictional mandates and codes can drive significant difficulty across building portfolios with required

changes that can be overwhelming to address with internal teams. Having the right access to technical expertise and exposure to specific programmatic knowledge can allow clients to effectively address these challenges,” says Celeste Cizik, CEO of Group14 Engineering, a leading expert of energy codes and regulations.

**Data-driven results.** Biases and human-centric errors tend to exacerbate problems in the built environment. A data-centric approach that is able to use factual performance and big-data sets across industry-wide problems can deliver a solution that is less susceptible to subjective errors. Getting your hands on relevant data sets, infrastructure digitalization and the resulting pattern recognition and data aggregation is difficult to do internally; however, an outside consultant often has access to more information and the know-how to put it to use.

**Speed in delivery and execution.** A consultancy, armed with data-driven insights and practiced in execution, will be able to address individual and systematic pain points faster and with greater consistency than internal resources that have other roles.

The mega themes that are guiding today’s work in the built environment are underpinned by a series of problems. Technical consultancies bring critical value by helping enable solutions to these big, difficult and time-sensitive issues.

## What are buyers looking for?

The case for attractive acquisitions among consultancies is clear. But how do buyers differentiate a great potential asset from a good one?

We see several key markers for those consulting-based firms which command the highest value in the market:

**Services grounded in a technicality.** If you have a niche skill that is hard to develop or commoditize, it is harder to replicate. While consultancies that deliver soft skill-led solutions are very valuable, those based on underlying technical skills and credentials are even more so.

**Data-driven insights.** Many engineering specialists have access to proprietary data-sets, allowing them to offer qualified advice that enables continued iterations and learning as additional data and analysis come to light. The simplification, consistency and intelligent delivery of these services create a better client experience and allow scalability across more infrastructure.





**Tech-enabled delivery.** Custom-built software or software-based tools are common within consultancies serving energy, infrastructure and stakeholders. The ability to break out and monetize internally developed software sold through a software-as-a-service (SaaS) model or as a value-add component of executing on the work can have meaningful impacts on the valuation of the business. This is not always clear-cut and can require strategic planning to best maximize the outcome of an acquisition.

**Scalability and margin expansion with productization.**

Scalable delivery, along with built-in progression, gives firms the ability to grow revenue faster than costs incurred. The traditional time and materials contract structure is good for downside risk but limits the upside, once true expertise and replicable delivery have been established. The “productization” of replicable services allows for growing value to be delivered to clients over a larger volume of work while also increasing margins and profitability for the consultancy.

**Addressable market expansion.** Developing a key expertise for one client set (say around a building code for a government agency) and then applying that to a broader set of clients (say property developers or REITs) helps not only grow the addressable client base for the consultancy but also expands the intended impact of the solution. Being able to deliver solutions centered around a core expertise to different client bases enables both higher growth and diversification, ultimately driving value.

**Expanding quiver of services.** Transformation across the built environment is dynamic, so consulting service providers need to strategically expand their scope of services to stay on the leading edge. This is attractive to acquirers who want to create low-volatility billings and maximum utilization of staff across multiple clients, services or end markets. Strategic diversification to adjacent niches that could be delivered by subconsultants or other pass-through providers tends to allow greater belief in growth potential (and as a result aggressiveness on valuations) from acquirers.

**Self-developed talent pipeline and strong retention:** As a people-based business, human capital is still the No. 1 value driver for a consulting-based organization. But scaling up with people on 1099s can lead to complications with growth and the competition for certain talent. Finding the right technical pipeline, developing the ability to train and develop in-house, and creating resiliency and redundancy in the system are huge value drivers, regardless of the level of “productization” that leaders are able to build into their businesses.

## The bottom line

The implementation and upgrade of today’s infrastructure to meet tomorrow’s complex demands is a herculean task. When you zoom out 30,000 feet to encompass local, regional, national and global issues and challenges across the built environment, the difficulty level grows exponentially.

However, specialty consultancies are flourishing in the gaps between these massive steppingstones. Data-driven insights, tech-enabled delivery and an expanding array of service offerings characterize the engineering consultancies helping the industry meet the moment and, as a result, are driving heightened merger and acquisitions activity for consulting firms (both large and small) across key disciplines and end markets. The time is right for these innovators — look down the road and the signals are consecutively turning green.



# ABOUT THE AUTHORS



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