PRESS RELEASE

10 January 2017

Global environmental consulting market returns to growth driven by larger integrated and multidiscipline firms

- Following two years of decline, there was a 2.1% rise in the worldwide market for EC services in 2015 - with similar growth expected in 2016 - as the North American region returned to growth and opportunities in Europe accelerated, set against the continuing highly challenging market conditions particularly relating to the international mining and oil & gas industries.

- Twenty four companies are leading the global environmental consulting (EC) sector - together accounting for 45% of the total US$28.5bn market.

- Of the ‘Global 24’, those operating as part of broader integrated and multi-service companies outperformed those with a more specialist environmental/sustainability positioning - as some of the recent ‘mega-merger’ deals involving the larger multidiscipline firms begin to bear fruit.

- The global EC market is set to reach $32.5bn in the next five years - up 13.8% on its 2015 value - as emphasis shifts back to the more mature markets and advanced economies.

The value of the global environmental consultancy (EC) market reached US$28.5bn (£19.3bn) in 2015, up 2.1% over the previous year, according to the latest report1 by business intelligence provider Environment Analyst. The sector is still lagging global economic growth – which was 3.2% in 2015 – mainly reflecting the ongoing impact of the natural resources sector downturn and depressed oil prices – but still represents a significant improvement on the previous two years of declining market revenues. A similar level of increase is expected for 2016 at 2.2%.

Growth has been bolstered by strong demand relating to infrastructure development in Western Europe, and a return to growth of the largest regional revenue generator North America (which accounted for 52.6% of the global sector in 2015), which saw respective EC revenue increases of 4.9% and 2.2%. Growth in North America was boosted by renewables (especially wind and solar) support work in the US as well as increased activity in certain government channels.
The fully updated and further extended version of the report, now in its sixth year, provides a comprehensive picture of the current state of the global EC sector and competitive landscape through detailed company profiles and financial statistics from the 24 players judged to be the most geographically diverse, globally ambitious and largest companies active in this field (collectively referred to as the ‘Global 24’).

Together these firms are estimated to make up 44.8% of the worldwide EC market. The report categorises them into three main business model types - large-scale integrated, multidiscipline and specialist - according to their size and the prominence of EC activities within the overall business. Key to the international industry’s reviving fortunes in 2015 was the improving growth rates achieved by the larger fully integrated and multidisciplinary players in this space (with organic year-on-year EC growth rates of 3.9% and 2.9% respectively), whilst in contrast the specialists - those with over 50% of their business in environmental consulting - suffered the brunt of the declines, with the organic growth of this sub-group at -5% in 2015.

Editor of Environment Analyst’s Global Market Intelligence Service and co-author of the report Liz Trew comments: “Our conclusion is that the playing field has really leveled out now between the various types of operator, and the specialists no longer seem quite so resilient. It remains to be seen whether firms that are still struggling can take the necessary steps to adapt, modify and innovate their offerings to the new paradigm of depressed resource markets and much more cost-conscious clients.”

The top ten players, in order of gross global EC revenues in 2015, were: AECOM, CH2M, Tetra Tech, Arcadis, Environmental Resources Management (ERM), Golder Associates, AMEC Foster Wheeler, RPS Group, Ramboll Environ, and WSP | Parsons Brinckerhoff.

The next 14 in order are: GHD, HDR, Sweco (incorporating Grontmij) and MWH Global (now part of Stantec) in joint 13th; Antea Group and Jacobs in joint 15th; Cardno and Mott MacDonald in joint 17th position; ICF International, WorleyParsons, Royal HaskoningDHV and SLR in joint 20th place, Atkins and Coffey International (now owned by Tetra Tech).

The three market leaders in each global region are shown in the map attached.

Significant M&A activity and consolidation involving the top end of the industry in the last five years is evident with the top ten’s combined global market share growing to 32.9% in 2015, up from 23.8% in 2010. AECOM is revealed as the market leader for the second year running, having completed the $4bn acquisition of fellow US consulting and engineering giant URS in 2014. With group revenue close to $18bn and staff of c90,000 (around 10% of which make up its EC operations), AECOM is reaping the benefits of post-merger synergies and economies of scale, having extended its lead over second-placed CH2M this year and achieving a top-three positioning in three major regions: North America, Asia-Pacific and East Europe/FSU.
Other recent M&A pairings have led to the appearance of both Sweco and Stantec in the Global 24 analysis for the first time thanks to their respective acquisitions of Grontmij and MWH Global. Also featuring for the first time in this report edition is US-based HDR, which has itself taken part in significant M&A activity to grow the business and help realise its international aspirations.

The EC staff numbers employed by the Global 24 remained more or less static, at approximately 75,000 in 2015 (discounting the effect of staff added through major M&A). The average EC contract size, at $67K, has also remained virtually unchanged over the last four years.

Based on the service area breakdown of the Global 24's aggregated EC revenues, Environment Analyst finds contaminated land remains the largest single discipline in the global EC market in 2015 with 31% of the total, ahead of the 22% share held by water and waste management services. Environmental impact assessment (EIA) & sustainable development takes a further 18%, whilst environmental management, compliance and due diligence services represent 15%. Climate change & energy related services generate a further 10% of the total, and is the fastest growing of all the major disciplines. A breakdown of the market by work area and also key client sector is illustrated in the figures attached.

According to the study, the global EC market is forecast to reach $32.5bn by 2019, up 13.8% on 2015 and representing a five-year compound annual growth rate of 2.6%. The forecast has been projected upwards since the previous edition of the report given the renewed strength of the European market and turnaround of the dominant North American region to positive growth - although still cautious given the significant uncertainties around the global economic and geopolitical landscape, and commodity price trends.

Commenting on future outlook, Liz Trew says: “The regional prospects have shifted back towards the advanced economies and more mature EC markets, while in terms of services the climate change and energy disciplines are expected to spearhead continued market recovery. This area alone is forecast to increase by almost 30% over the next five years, driven by strong underlying policy drivers and the global push for decarbonisation. The rise of infrastructure development is also evident in our forecast model, with this area expected to expand by almost 20% by 2020.”

She concludes: “But given the current low-growth market projections, M&A activity by – and impacting – the Global 24 is likely to continue at a fair pace, and also given the pressures in the wider engineering and support services industry. Although activity is expected to be more concentrated among small and mid-size players, some commentators have raised the possibility of one (or more?) of the Global 24 being snapped up by an IT giant, reflecting the growing importance of digital technologies, software applications and big data management and environmental analytics in the shaping the services on offer. The willingness to forge inter-
sector and cross-sector partnerships is also becoming increasingly significant in the environmental management of complex infrastructure and other major projects.”

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FURTHER INFORMATION

1. Global Environmental Consulting Strategies and Competitor Analysis 2016 is an in-depth market report including detailed profiles of 24 leading operators – for further information (including a full list of contents and figures, and sample company profile download) see www.environment-analyst.com/global

2. The report is based on core financial figures and strategic information collated through an annual research process in collaboration with the environmental consultancy companies – via market surveys, phone/faceto-face interviews with senior executives, and publicly-available annual reports/accounts and websites. The 24 profiled firms have all had the opportunity to review their company profiles and core financial statistics.

3. The report is part of Environment Analyst’s 2016 Global Market Intelligence Service. The full service includes this market assessment, company profiles of the leading 24 environmental consultancies updated throughout the year, the results of a global market trends survey issued each summer, weekly environmental services business news and Market and Company Insight articles.

4. Environment Analyst Ltd (www.environment-analyst.com) is a publishing and market research organisation focusing on the environmental consulting and support services sector – we collect and analyse information from the industry for the benefit of the industry.

The charts overleaf are provided for publication:
Global 24 – top 3 market leaders globally and in each region
Global environmental consultancy revenue and revenue growth, 2011-2020e

Global environmental consultancy market share by service area 2015
Global environmental consultancy market share by client sector 2015

- Energy & utilities (inc. waste): 28%
- Government & regulators: 27%
- Infrastructure & development: 9%
- Mining, manuf. & process industries: 29%
- Financial, professional & service sector: 4%
- Other: 3%
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Global environmental consultancy market share by region 2015

- North America: 53%
- West Europe: 22%
- Latin America: 4%
- Asia-Pacific: 15%
- Africa & Middle East: 5%
- East Europe/FSU: 1%