

Bowman Consulting Group.: An emerging opportunity in the engineering and construction industry

INTRO:



At Perritt Capital Management, we take focused positions in companies where we have a high conviction in their success; companies that are out of the mainstream of small cap investing. To highlight our process, we are pleased to present the newest installment in our ongoing series **“Marvelous Microcaps - Big Ideas on Small Companies.”** This series profiles companies that we believe have a niche in their existing markets or are launching a product that could disrupt their marketplace.

THE COMPANY:

Bowman Consulting Group (BWMN) provides engineering and planning services for construction, transportation, energy, and mining industries. They provide a wide range of services including project planning and management, environmental consulting, design services, and engineering consulting among others. They do not engage in any of the actual construction on a project. Instead, Bowman’s contribution comes in the form of what is called human capital, or in other words their employees and their knowledge base. Bowman has been public since the spring of 2021 with the stated strategy of pursuing a roll-up strategy to grow their national footprint and become a top tier operator in their industry. They operate in a highly fragmented space and management estimates there are well over a thousand private competitors from which to select acquisition candidates. Projects they have been a part of include highway projects for the State of Illinois, infrastructure projects at copper mining sites for Freeport McMoRan, data centers, distribution centers, park and municipal construction, and retail construction projects for national chains, such as Walgreens, 7-Eleven, and Starbucks.

WHY WE OWN: THE PERRITT ADVANTAGE:

Perritt purchased Bowman during its IPO based on the strong outlook for the space and our belief that the consulting space within the engineering and construction industry remains ripe with opportunities for consolidation and rapid growth. While roll-up strategies can be risky, we believe that it’s a viable strategy in specific industries where internal capital needs are low, the businesses generate operating profits, and there is a component of the business that requires a physical presence. In the case of Bowman, they operate in a space that requires very little capital expenditures due to low equipment needs; they do not take on project risk as a general contractor thus minimizing their downside risk on specific contracts that could adversely impact operating profitability; and they have demonstrated the ability to grow revenues organically in the double digits while also pursuing their roll-up strategy, so revenue growth is not dependent on acquisitions alone. We previously had remarkable success with an investment in a similar company named NV5 Global (NVEE), which IPO’d in 2013 with revenues of \$60.58 million, a market capitalization of \$25.26 million at a share price of \$6.00. Today, NVEE has revenues of \$767 million, a market cap of \$2.1 billion, and a share price of \$137.17 per share. While we do not know if Bowman will be able to achieve similar success, management has noted NVEE as one of the models for their strategy and we believe it demonstrates the viability of a roll-up strategy in the engineering and construction consulting industry.

The results so far have been encouraging. Since their IPO in the spring of 2021, Bowman has completed twelve acquisitions and grown revenues organically in the double digits. In their last quarterly report, they reported revenues of \$62.4 million which represented a growth of almost 71% from the previous quarter in June of 2021 when they were first public. Organic growth has accounted for half of their revenue growth this year, with the other half coming from their twelve acquired businesses. They have generated cash from operations in each quarter since they have been public when the expenses of the IPO process led to modest cash burn of less than \$1 million. In terms of headcount, they have grown their staff internally by 10% while also acquiring over six hundred employees of which 92% remain with the company post-merger. In a human-capital driven business, staff retention is paramount, and we believe these numbers reflect management's success in shepherding their most valuable resources.

We consider Bowman Consulting to be a high conviction name and hold the security in both Perritt Funds. We were able to participate in the IPO by utilizing our external network of research brokerage houses and have continued to add to the position when we have felt conditions were favorable. While it is still early in the process and there are risks involved that could derail their strategy, we believe that the risk/reward with BWMN is attractive and that they are poised to continue growing both organically and through acquisitions for the near future.

Data here is obtained from what are considered reliable sources; however, its accuracy, completeness, or reliability cannot be guaranteed.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please click [PRCGX](#) and [PREOX](#) for a list of the top ten holdings.

Initial Public Offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance. An IPO allows a company to raise capital from public investors.

Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

Before you invest in the Perritt MicroCap Opportunities Fund or Perritt Ultra MicroCap Fund, please refer to the prospectus for important information about the investment company, including investment objectives, risks, charges, and expenses. You may also obtain a hard copy of the [prospectus](#) by calling 800-331-8936. The [prospectus](#) should be read carefully before you invest.

Mutual fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks, such as limited liquidity and greater volatility. The Funds invest in microcap companies which tend to perform poorly during times of economic stress. The Ultra MicroCap Fund may invest in early-stage companies which tend to be more volatile and more speculative than investments in more established companies.

Past Performance does not guarantee future results.

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