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REPRINT

M&A in the Environmental Industry 2020

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FARALLON RELIES ON STRONG CORPORATE CULTURE & ‘THE FARALLON WAY’; COMPLETES ITS FIRST ACQUISITION IN 2019

Farallon Consulting services offered include Environmental due diligence, construction and development, stormwater and environmental compliance, sediments, engineering design and cleanup, landfill services, vapor intrusion investigation and mitigation, subsurface and remedial investigations, and litigation support and expert services. Farallon largely works with private sector clients including attorneys, developers, lenders, insurance companies, and industrial companies. Public sector clients include municipalities, ports, and state agencies. Farallon's 2019 revenue was approximately \$20 million with 90 full-time-equivalents and 8 locations: Washington: Bellingham, Seattle, and Issaquah, Oregon: Portland and Baker City, California: Folsom, Oakland, and Irvine.

Amy Essig Desai is Farallon's CEO and Principal Scientist. Ms. Desai has over 23 years of experience in the environmental industry and she has been instrumental in the firm's growth, including doubling revenue over the last five years, service line diversification, and geographic expansion in Oregon and California. She is committed to Farallon's distinctive culture, internal development of future leaders, and providing fulfilling careers demonstrated by continuous professional growth and high personal satisfaction.

EBJ: How has business been for Farallon over the past couple of years?

Desai: Farallon is a multidiscipline environmental consulting and engineering firm that works on some of the most sophisticated projects along the West Coast. The company has doubled its revenue over the past five years. The Company's growth is attributed in part to "The Farallon Way," a framework that all employees at Farallon value and embody which was developed around its core values. "The Farallon Way" applies not only to client interactions and delivery of services, but also to Farallon's own internal employee-owned culture, and emphasizes transparency and mentorship.

EBJ: What about the highlights of your environmental practice?

Desai: Farallon's foundation is built on a strong strategic and solution-focused technical practice with a shared dedication to service-oriented quality and superior work product. Farallon is committed to its amazing people and has attracted top

talent in the industry. We believe in One Farallon, company-wide resource sharing, being nimble, partnering with and being responsive to our clients and team members, performing exceptional work, and having fun along the way.

EBJ: You talk about "The Farallon Way" can you provide more information about this framework?

Desai: Formalized in 2011, "the Farallon Way" outlines the Company's mission, vision, and core values. Employees are expected to be responsive and flexible, and to deliver cost effective solutions to clients. Senior staff are expected to mentor and nurture junior staff, encouraging the junior employees to become future leaders. "The Farallon Way" was created in order to ensure the long term preservation of Farallon's unique corporate culture and to continue to improve the Company's relationship based business development practices.

EBJ: Please tell us about the recent acquisition of Stellar Environmental?

Desai: Farallon acquired **Stellar Environmental Solutions Inc.** in late 2019. Stellar Environmental has provided the San Francisco Bay Area with environmental consulting services for nearly 25 years. The acquisition of Stellar Environmental has helped us diversify our environmental expertise, leadership, client base, and services in the San Francisco Bay Area.

EBJ: In which ways have you been able to diversify in the San Francisco Bay Area through the acquisition?

Desai: Farallon's acquisition of Stellar Environmental brought leadership, site remediation technical expertise and a commitment to expand our northern California operations through a foundation of diverse long term former Stellar Environmental municipal and private clients ranging from universities, cities and park districts to major industrial research, manufacturing and development clients. The Farallon Way culture was a perfect fit for Stellar Environmental. Stellar clients will be better served by the broader range of environmental services, including environmental compliance, litigation support, and sediment characterization and design.

EBJ: What type of synergies did both companies have prior to the acquisition?

Desai: Our company's missions and core values were well aligned and the opportunity to expand and diversify our presence in Northern California was a shared goal.

EBJ: What was Farallon Consulting's previous experience with acquisitions?

Desai: Farallon's focused growth since 2014 and expansion into Oregon and California has been entirely organic. We have considered other small (approximately \$1-2M) acquisitions in the last couple of years. These acquisitions did not come to fruition either due to purchase price differences or misalignment around culture.

EBJ: Farallon owners sold the company to employees back in 2017. Could you tell us more about it?

Desai: There is a tremendous amount of consolidation occurring in the A/E industry. Farallon has been committed to both ownership and leadership succession from the beginning. Over the last decade, Farallon considered various ownership succession approaches. In 2017, Farallon sold the firm to its employees and we are now 100 percent employee owned. Farallon employees earn shares in the firm for every year of employment. Ultimately, we believe that transferring ownership to our employees, those most responsible for and invested in our continuing successes, was the best strategic approach for retaining our culture and our people.

EBJ: Farallon provides a wide variety of environmental services. What is the company's specialty?

Desai: Farallon's specialty is being responsive and strategic while integrating superior technical expertise with a thorough understanding of client business goals, regulatory hurdles, economic matters, and legal issues to deliver differentiated solutions. We take great pride in our deliverables and our outstanding staff.

EBJ: Can you provide information about some outstanding projects that you've worked on over the past year?

Desai: Farallon has had the opportunity

to work on some of the most sophisticated projects along the west coast. Those projects include redevelopment of multiple city-wide blocks in densely urban areas impacted with contaminants, assessing vapor intrusion and mitigation, supporting cost allocation for Superfund cleanups, designing and implementing cleanups beneath buildings, precedent setting litigation support projects, and complex regulatory compliance. Our goal is to be strategic partners with our clients and work with the regulatory agencies to transition projects from investigation to cleanup to closure.

EBJ: What market trends have you noticed in your top service lines?

Desai: Our top service lines have been due diligence, construction support, engineering services, and compliance support for last couple of years. There has been a notable increase in industrial sector work. E-commerce is driving the need for industrial properties in both urban and suburban areas. Redevelopment continues to be hot in our markets on the West Coast, especially in the Seattle area. Clients have had to become more risk tolerant over the years due to a lack of available properties with no environmental impacts. Life insurance companies and national banks are competing more with regional and local banks. The smaller banks are also able to be more strategic with borrowers and consultants such as us. Regulatory requirements and environmental standards are continually evolving and we have several "industry

influencers" who are involved in the process of updating existing requirements and standards and those who are involved in developing new ones.

EBJ: What was different in this transaction from the previous ones that you tried to perform in the past. Can you explain what do you look in a company that you are planning on acquiring in relation to its culture and what makes a good fit for Farallon?

Desai: We always start with the people and are they aligned with the Farallon culture. We look for technical excellence, strong leaders, project diversity, client relationship philosophy, and risk tolerance.

EBJ: What is so unique about Farallon's culture and staff?

Desai: Farallon's culture and its staff is built around a strong work ethic, cultivation of lasting relationships, superior quality work, open communication at all levels, ongoing professional development, recognition and reward of exemplary work, and having fun. ■

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