



Fall 2022

ENGINEERING,
CONSTRUCTION, &
BUILDING PRODUCTS
MARKET MONITOR

ENC&BP Market Insights

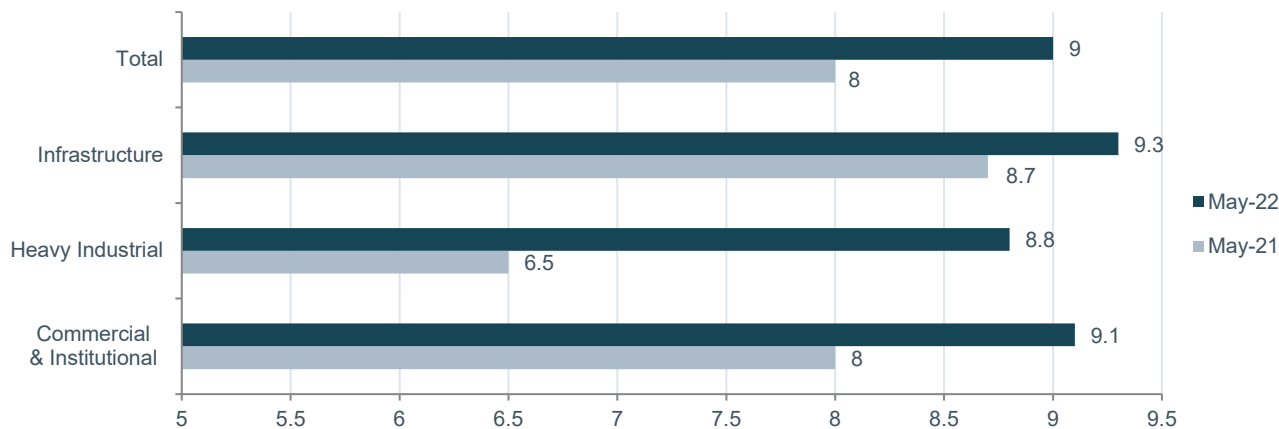
Backlog Growth Creates Optimism Amid Continued Labor and Materials Volatility

- Material prices have remained volatile in the first half of 2022. Lumber prices returned to nearly 2021 prices in Q1 2022 while decreasing significantly through Q2 and into Q3 2022.
- Overall, construction materials experienced YoY price increases of nearly 11% in the first half of 2022.
- As labor shortages continue to be a focal point – especially for service firms in the industry – the overarching sentiment continues to be the disproportionate amount of work to people.
- An Associated General Contractors of America (AGC) analysis of federal employment data finds construction job openings have exceeded hires for five consecutive months in 2022.
- Backlogs generally continue to grow across industry sectors and US Regions. On average, the industry has nine months of backlog to date – according to Engineering News-Record.
- Overall, there is a general sense of optimism on the industry outlook due to current backlog levels and future federal funding opportunities, despite concerns around material pricing and delays due to labor constraints.

Increased Demand for Environmental Services and Disaster Recovery Firms

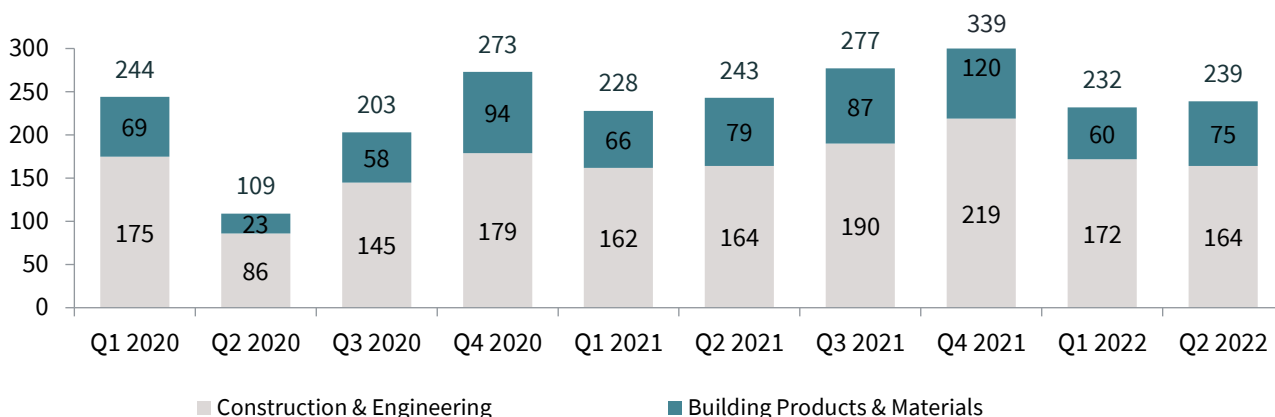
- Increased cadence of detrimental weather and climate disasters have created a perpetual need for environmental and disaster recovery services.
- In 2021, the U.S. faced four separate weather events exceeding the \$20 billion economic loss threshold.
- In July 2022, the US Senate signed the 2022 Water Resources Development Act (WRDA), a legislation authorizing \$34 billion for 30 Army Corps of Engineers flood and hurricane, ecosystem restoration, and disaster relief projects.
- While pending final legislative approval, the 2022 WRDA includes \$55 billion of federal and non-federal funds.
- Highly acquisitive players in the space include WSP Global Inc. with a total of seven acquisitions in YTD 2022 including both, Wood Group’s Environmental Unit and Greencap.

Construction Backlog Indicator by Industry (Months)

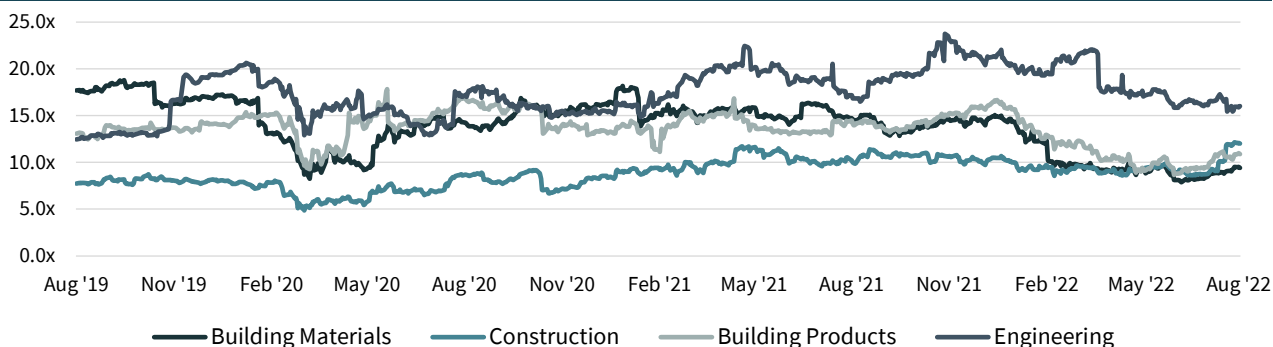


ENC&BP Middle Market M&A Activity and Trends

U.S. ENC&BP M&A Activity



Public Market Valuations (EV/EBITDA)



ENC&BP M&A Commentary

- Q1 and Q2 2022 ENC&BP M&A transaction activity has remained steady with 2021 volume over the same period, highlighting continued momentum and growth in 2022.
- The continued strength of M&A deal flow is driven by both strategic buyers with growing backlogs backed by the federal infrastructure package and financial buyers sitting on record highs of dry powder. M&A is expected to remain a key strategic focus for ENC&BP investors through the second half of 2022.
- Strategic acquirers are targeting acquisitions of lower and middle-market companies to navigate labor shortages and pool purchasing power, amidst material cost volatility.
- Residential services M&A activity remains strong as established regional platforms continue to expand service capacity and geographic presence while new platforms compete for attractive tuck-in acquisitions.
- Due to the increase of economic loss from weather events, both federal and non-federal funding dedicated towards environmental protection efforts has increased. These efforts have led to additional M&A activity in the E&C Service Industry, specifically Environmental Engineering Services.

CM Heating Acquired by Air Pros USA

Deal Represents the Largest Acquisition of Any HVAC Provider North of Seattle

Meridian Capital LLC (“Meridian”), a Seattle-based leading middle market investment bank and M&A advisory firm is pleased to announce the successful acquisition of its client, CM Heating Inc. (“CM” or the “Company”) by Air Pros USA (“Air Pros”).

Founded in 1983 and headquartered in Everett, Washington, CM Heating is a top-rated HVAC services provider in Washington, providing installation, maintenance, and repair services across Snohomish, Skagit, and King Counties. The Company has proudly built an established customer base of over 25,000+ residential customers and prides itself in providing the best quality service, top-rated products, and comprehensive HVAC expertise.

CM Heating will continue to further grow and operate under its recognized brand and reputation in Washington State while leveraging Air Pros’ operational and sales resources to accelerate growth. CM customers will continue to receive best-in-class HVAC services throughout the North Puget Sound. Co-owners John and James will remain as leaders of the business.

James Garner, President and co-owner of CM, shared, “The partnership with Air Pros is an exciting next step for CM’s continued growth, allows us to further our growth opportunities, and continue to do right by our customers and employees.”

“Our customers trust us with their homes and comfort, so finding the right culture fit in a partner was a critical element for us,” said John Giacomi, Co-owner and General Manager of CM Heating. “We had a number of different choices of strategic partners, and we felt Air Pros will be able to best support our customers and our people.”

James and John commented, “As a multi-generational business that puts its people first, it was of utmost importance to find a partner that not only maintains and aligns with our culture, but also brings resources to accelerate growth. Meridian did an exceptional job identifying potential partners that were strongly aligned with CM’s culture and strategy, and ultimately helping us navigate a transaction with Air Pros that achieved all of our objectives.”

James Rothenberger, Managing Director at Meridian stated, “James, John, and the management team at CM Heating have built an incredible company that is the leading brand and provider north of Seattle. As part of the Air Pros platform, CM Heating will continue its strategic growth plans for many years to come. We are excited for what the future holds for CM Heating and Air Pros. Overall, HVAC M&A volume continues to be quite robust for providers of any scale; for those of scale, like CM, the valuation multiples and activity are attractive.”



ENC&BP Middle Market Selected M&A Activity

Highlighted Engineering and Construction M&A Transactions





MasTec to Acquire IEA (ANNOUNCED)

August 2022

EV
 1,199M

EV/EBITDA
 11.1x

Target Description: Infrastructure and Energy Alternatives (“IEA”) is a diversified infrastructure construction company with specialized energy and heavy civil expertise throughout the United States.

Investment Rationale: The acquisition allows MasTec to expand service capabilities, scale, and expertise providing critical infrastructure to support the nation’s energy transition to secure and sustainable renewable sources.





Primoris Services Corporation Acquires PLH Group

August 2022

EV
 \$470M

EV/EBITDA
 8.7x

Target Description: PLH Group Inc. is a leading utility-focused specialty contractor with concentration in fast growing electric power and pipeline markets.

Investment Rationale: The acquisition aligns with Primoris’s strategic focus on high growth and high margin segments across Power Delivery, Communications, and Gas Utilities. PLH allows Primoris to nearly double its Power Delivery business and increase its Utilities segment to over 50% of pro forma revenue.

Highlighted Residential Services M&A Transaction





Freeman Spogli Acquires NearU

August 2022

EV
 N/A

EV/EBITDA
 N/A

Target Description: Founded in 2018 and headquartered in Charlotte, North Carolina, NearU has quickly become a leading multi-regional provider of essential home services, including HVAC, plumbing, and electrical.

Investment Rationale: The investment allows NearU to accelerate growth in existing footprint, as well as find expand to new geographies. Also plans to improve compensation training and technology.

Highlighted Building Products M&A Transaction





Saint-Gobain Acquires Kaycan Building Products

May 2022

EV
 \$928M

EV/EBITDA
 11.2x

Target Description: Kaycan is a leading manufacturer and distributor of exterior building materials intended for professionals or homeowners, specializing in external siding of all types across Canada and the United States.

Investment Rationale: With this acquisition, Saint-Gobain reinforces its worldwide leadership in light and sustainable construction by becoming the top siding player in Canada and expanding its vinyl offer across the United States with complementary solutions in aluminum and engineered wood.

Small & Mid-Cap Company Valuations

Construction Firms (US\$ in millions)		Market	Enterprise	LTM		LTM Margin	EV / LTM		52-Week
Ticker	Cap	Value	Rev	EBITDA	EBITDA	Rev	EBITDA	Change	
Quanta Services, Inc.	NYSE:PWR	\$ 20,448	\$ 24,447	\$ 15,474	\$ 1,305	8.4%	1.6x	18.7x	47 %
MasTec, Inc.	NYSE:MTZ	6,212	8,612	8,470	715	8.4%	1.0x	12.0x	(11)%
EMCOR Group Inc.	NYSE:EME	5,990	6,279	10,462	633	6.0%	0.6x	9.9x	2 %
Comfort Systems USA, Inc.	NYSE:FIX	3,873	4,324	3,593	289	8.1%	1.2x	14.9x	42 %
Dycom Industries, Inc.	NYSE:EDY	3,291	4,004	3,279	261	8.0%	1.2x	15.3x	54 %
MYR Group Inc.	NAS:MYRG	1,665	1,735	2,601	167	6.4%	nm	nm	1 %
Granite Construction Inc.	NYSE:GVA	1,390	1,336	2,692	89	3.3%	0.5x	15.1x	(23)%
Primoris Services Corporation	NAS:PRIM	1,183	1,932	3,605	266	7.4%	0.5x	7.3x	(14)%
Sterling Construction Company, Inc.	NAS:STRL	790	1,208	1,786	167	9.4%	0.7x	7.2x	15 %
Great Lakes Dredge & Dock Company	NAS:GLDD	696	1,020	722	119	16.5%	1.4x	8.6x	(30)%
Matrix Service Co.	NAS:MTRX	150	140	682	(70)	-10.2%	0.2x	nm	(50)%
Orion Group Holdings, Inc.	NYSE:ORN	84	159	672	7	1.1%	0.2x	22.1x	(51)%
Median		\$ 1,527	\$ 1,833	\$ 2,986	\$ 214	7.7%	0.7x	13.5x	(5)%
Average		\$ 3,814	\$ 4,600	\$ 4,503	\$ 329	6.1%	0.8x	13.1x	(1)%

Engineering Firms (US\$ in millions)		Market	Enterprise	LTM		LTM Margin	EV / LTM		52-Week
Ticker	Cap	Value	Rev	EBITDA	EBITDA	Rev	EBITDA	Change	
Teledyne Technologies Incorporated	NYSE:TDY	\$ 18,836	\$ 22,643	\$ 5,364	\$ 1,286	24.0%	4.2x	17.6x	(12)%
Jacobs Engineering Group, Inc.	NYSE:J	17,035	21,024	14,628	1,148	7.9%	1.4x	18.3x	(3)%
Aecom Technology Corporation	NYSE:ACM	10,738	12,671	13,076	823	6.3%	1.0x	15.4x	21 %
Tetra Tech, Inc.	NAS:TTEK	8,023	8,282	3,493	354	10.1%	2.4x	23.4x	8 %
KBR, Inc.	NYSE:KBR	7,376	8,970	7,672	479	6.2%	1.2x	18.7x	34 %
CACI International Inc.	NYSE:CACI	6,734	8,735	6,203	631	10.2%	1.4x	nm	13 %
Stantec, Inc.	TSX:STN	5,609	7,165	3,983	435	10.9%	1.8x	16.5x	6 %
Fluor Corporation	NYSE:FLR	3,764	3,018	12,682	222	1.8%	0.2x	13.6x	57 %
VSE Corporation	NAS:VSEC	560	893	884	77	8.7%	1.0x	11.6x	(8)%
Tutor Perini Corp.	NYSE:TPC	366	1,067	4,386	283	6.4%	0.2x	3.8x	(50)%
Perma-Fix Environmental Services, Inc.	NAS:PESI	70	74	68	(6)	-8.3%	1.1x	nm	(10)%
Median		\$ 6,734	\$ 8,282	\$ 5,364	\$ 435	7.9%	1.2x	16.5x	6 %
Average		\$ 7,192	\$ 8,595	\$ 6,585	\$ 521	7.6%	1.4x	15.4x	5 %

Building Products Firms (US\$ in millions)		Market	Enterprise	LTM		LTM Margin	EV / LTM		52-Week
Ticker	Cap	Value	Rev	EBITDA	EBITDA	Rev	EBITDA	Change	
Masco Corporation	NYSE:MAS	\$ 12,503	\$ 15,903	\$ 8,779	\$ 1,362	15.5%	1.8x	11.7x	(12)%
Builders FirstSource, Inc.	NYS:BLDR	10,872	14,760	22,751	4,205	18.5%	0.6x	nm	35 %
Owens Corning Corporation	NYSE:OC	8,695	11,110	9,291	2,172	23.4%	1.2x	5.1x	(7)%
Trex Company, Inc.	NYSE:TREX	6,349	6,369	1,365	383	28.1%	4.7x	nm	(47)%
UFP Industries, Inc.	NAS:UFP	5,525	5,837	9,501	1,009	10.6%	0.6x	5.8x	20 %
Simpson Manufacturing Company, Inc.	NYSE:SSD	4,598	5,079	1,902	494	25.9%	2.7x	10.3x	(6)%
Armstrong World Industries, Inc.	NYSE:AWI	4,293	4,922	1,178	355	30.1%	4.2x	13.9x	(16)%
Gibraltar Industries, Inc.	NAS:ROCK	1,525	1,621	1,389	141	10.2%	1.2x	11.5x	(34)%
Quanex Building Products Corp	NYSE:NX	855	943	1,162	140	12.0%	0.8x	6.7x	5 %
Median		\$ 5,525	\$ 5,837	\$ 1,902	\$ 494	18.5%	1.2x	10.3x	(7)%
Average		\$ 6,135	\$ 7,394	\$ 6,369	\$ 1,140	19.4%	2.0x	9.3x	(7)%

Building Materials Firms (US\$ in millions)		Market	Enterprise	LTM		LTM Margin	EV / LTM		52-Week
Ticker	Cap	Value	Rev	EBITDA	EBITDA	Rev	EBITDA	Change	
Vulcan Materials Company	NYSE:VMC	\$ 23,644	\$ 28,242	\$ 6,618	\$ 1,465	22.1%	4.3x	19.3x	(5)%
Martin Marietta, Inc.	NYSE:MLM	23,000	27,685	5,926	1,646	27.8%	4.7x	16.8x	(3)%
Eagle Materials Inc.	NYSE:EXP	5,098	6,184	1,947	652	33.5%	3.2x	9.5x	(12)%
Boral Ltd	ASX:BLD	2,316	1,019	1,291	229	17.7%	0.8x	4.4x	(58)%
United States Lime & Minerals, Inc.	NAS:USLM	615	510	210	68	32.6%	2.4x	7.5x	(26)%
Median		\$ 5,098	\$ 6,184	\$ 1,947	\$ 652	27.8%	3.2x	9.5x	(12)%
Average		\$ 10,935	\$ 12,728	\$ 3,198	\$ 812	26.8%	3.1x	11.5x	(21)%

As of August 15th, 2022

Note: Mid-cap defined as market capitalization between \$2 billion and \$25 billion. Not meaningful (NM) if EV/Sales or EV/EBIT is a significant outlier. NA if denominator is 0 or not available. NTM figures are based on the median estimate of Wall Street analysts

Select ENC&BP M&A Transactions

<u>Announced Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Pending	Infrastructure & Energy Alternatives (NYS: IEA)	MasTec	Provider of construction services specializing in the energy and heavy civil sectors.
Pending	Hill International (NYS: HILL)	Huckabee Architects (Godspeed Capital)	Provider of construction management and other consulting services.
Pending	Foss Floors (Wynnchurch Capital)	Mohawk Industries	Manufacturer of flooring and specialty flooring products.
Pending	PLH Group	Primoris Services Corporation	Provider of utility-focused construction services.
Aug-22	CM Heating	Air Pros USA (Peak Rock Capital)	Top-rated provider of HVAC services in Washington state, providing installation, maintenance, and repair services.
Aug-22	NearU	Freeman Spogli	Multiregional provider of residential home services including HVAC, plumbing, and electrical.
Jul-22	Foundation Support Specialists	Groundworks (Cortec Group)	Provider of building foundation repair services based in Texas.
Jul-22	IBI Group (TSX: IBG)	Arcadis NV	Provider of consultancy services to urban land, transportation, and systems.
Jul-22	Foxworth-Galbraith Lumber Company	US LBM	Provider of building products based in Texas.
Jul-22	Kaycan	Saint-Gobain	Manufacturer and distributor of exterior building products in Canada and the United States.
Jul-22	Massey Asphalt Paving	Atlantic Southern Paving & Sealcoating (Harbor Beach)	Provider of commercial asphalt services.
Jul-22	Haywood Builders Supply	Southeast Building Supply Interests	Supplier of building materials based in North Carolina.
Jul-22	LJB Inc.	Copley Equity Partners	Provider of civil and structural engineering services based in Ohio.
Jul-22	Norristown Brick	Outdoor Living Supply (Trilantic North America)	Distributor of masonry, landscape, and hardscape materials.
Jul-22	Andersen Commercial Plumbing	Seaside Equity Partners	Provider of HVAC and plumbing services.
Jul-22	Cochran Exteriors	IHS (North Branch Capital)	Provider of residential roofing, siding, window and gutter replacement.
Jul-22	Allen's Air Conditioning & Heating	Southern HVAC Corporation (Gryphon Investors)	Provider of HVAC services in Kentucky.
Jul-22	Wholesale Sheet Metal	Munch's Supply (Genstar Capital)	Distributor of heating, ventilation, air conditioning, and sheet metal products
Jul-22	Construction Resources Holdings (Monomoy Capital)	International Designs Group (Mill Point Capital)	Distributor of building products, based in Georgia.
Jul-22	Ardent Environmental Group	ENERCON Services (AE Industrial Partners)	Provider of environmental consulting services, including site assessments and remediation.
Jul-22	Airforce Heating & Air	Air Pros USA (Peak Rock Capital)	Provider of HVAC services based in Georgia.
Jul-22	Calvert Company	Western Forest Products	Select assets related to the manufacturing of glulam beams.
Jul-22	Dema Plumbing	Mai Mechanical (Gladstone Investment)	Provider of plumbing and mechanical systems installation and services provider for residential homebuilders in Colorado.

Indicates Meridian Capital completed transaction

Select ENC&BP M&A Transactions

<u>Announced Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Jul-22	PPM Group	Fountainhead Consulting Corporation	Provider of construction management services.
Jul-22	Evergreen Fire and Life Safety	Performance Systems Integration (Riverside)	Provider of fire and life safety system inspections, repair, and maintenance services.
Jul-22	Mathers Group	Holcim (SWX:HOLN)	Quarry and asphalt assets.
Jun-22	Pro Plumbing Services	Southern HVAC Corporation (Gryphon Investors)	Provider of HVAC, plumbing, and electrical services in North Carolina.
Jun-22	Cornerstone Building Brands	Clayton, Dubilier, & Rice	Largest manufacturer of exterior building products in North America based in North Carolina.
Jun-22	American Building Materials	L&W Supply Corporation	Distributor of drywall.
Jun-22	Dempsey Wood Products	PalletOne (UFP Industries)	Provider of lumber other industrial wood products.
Jun-22	Elite Fire Safety	Sciens Building Solutions (Carlyle, Huron Capital)	Provider of fire and life safety services.
Jun-22	Dallas Plumbing Company	Air Pros USA (Peak Rock Capital)	Provider of HVAC and plumbing services.
Jun-22	Black Diamond Paving & Concrete	Atlantic Southern Paving & Sealcoating (Harbor Beach)	Providing of paving services in Southern California.
Jun-22	LP Building Solutions (NYSE:LPX)	Pacific Woodtech	Engineered wood products assets and facilities.
Jun-22	Next Level Concrete Coatings	ReVamp Companies (Bertram Capital)	Provider of concrete coating services in Boston, Massachusetts.
Jun-22	Coastal Plywood Company	Boise Cascade	Provider of plywood, lumber, and treated wood products.
Jun-22	C.H.I. Overhead Doors	Nucor Corporation	Manufacturer of residential and commercial overhead doors.
Jun-22	Earthsavers Erosion Control	Core & Main (NYS: CNM)	Manufacturer of geosynthetics products.
Jun-22	Wallace Building Supply	Southeast Building Supply Interests	Distributor of building materials in Tennessee.
Jun-22	Barrette Outdoor Living	CRH	Provider of residential fencing and railing solutions.
May-22	HomeServe	Brookfield Asset Management	Provider of heating, electrical, and plumbing services in the UK.
May-22	Cajun Ready Mix Concrete	Holcim	Provider of concrete and service for residential, commercial, and industrial customers.
Apr-22	Landmark Structures	Graycliff Partners	Manufacturer of water storage tanks.
Apr-22	Oldcastle BuildingEnvelope Inc.	KPS Capital Partners	Manufacturer, fabricator, and distributor of architectural hardware, glass, and glazing systems based in Dallas, Texas.
Apr-22	Builders Hardware	Trimlite (Wynnchurch Capital)	Distributor of exterior doors, door glass, and related door products for the residential and commercial end markets.
Mar-22	Huttig Building Products	Woodgrain	Distributor of millwork, building materials, and wood products.

Meridian Capital Sector Coverage

- Building Materials
- Building Products
- Construction
- Engineering
- Heavy Construction
- Infrastructure
- Specialty Contractors
- Residential Contractors & Services
- Commercial Contractors
- Utilities
- Environmental Services
- Prefabrication

Meridian Capital Transaction Experience

CM Heating



- Acquired by -



Shoemaker



- Acquired by -



GE Johnson



Joins DPR Family of Companies




Weatherhaven




- Acquired by -



NW Building Components & Mandere Construction

- Acquired by -



Landmark Irrigation



- Acquired by -



McKinstry



- Recapitalization of -



Burton Saw and Supply



- Acquired by -

PFINGSTEN


Manor Hardware




- Acquired by -




Brundage-Bone Concrete Pumping



- Acquired by -



Fasteners, Inc.



- Acquired by -




Swaggart Brothers



- Acquired by -




Eco-Pan, Inc.




- Acquired by -



AD Systems



- Acquired by -



Dade Moeller & Associates



- Acquired by -



Northwest Landscaping Services



- Acquired by -





Helping **middle market business** owners with their
M&A and corporate finance goals **since 1995.**

Meridian Capital's ENC & BP Team



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Team Leadership



Transaction Expertise

Mergers & Acquisitions
Growth Capital
Strategic Advisory



Tailored Processes

High-Touch Approach
Multidisciplinary Deal Team
End-to-End Services

Meridian Capital has been helping middle market business owners their M&A and corporate finance goals since 1995.

A Seattle-based M&A advisory firm, which has served as a trusted advisor to business owners on complex corporate finance, M&A, and strategic challenges for over 20 years. The firm differentiates itself through its deep industry insights, highly customized service approach, and end-to-end commitment to execution.

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