

INDUSTRY UPDATE

# Engineering, Construction & Building Products Market Monitor



MERIDIAN CAPITAL  
INVESTMENT BANKERS





## ENC&BP MARKET INSIGHTS

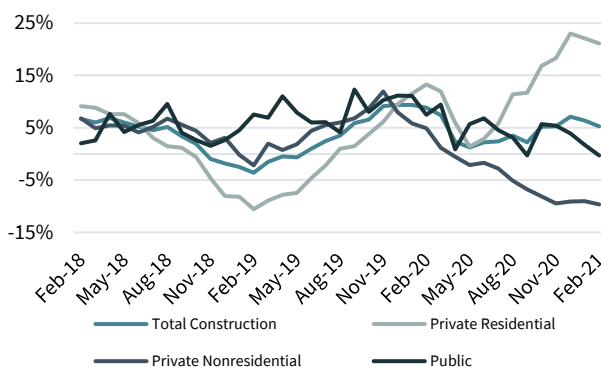
### Large-Scale Infrastructure Spending on the Horizon

- The current administration has identified the need for larger-scale infrastructure spending as a means of providing the creation and sustainment of private sector growth across the United States.
- President Biden announced the first part of his two-part infrastructure package in late March of 2021, with an initial proposal for \$2T in infrastructure spending.
- The infrastructure plan lays out approximately \$621B for transportation upgrades including highways, ports, airports, and transport systems. Large-scale civil contractors and ancillary service providers across the U.S. are expected to benefit from this spending over the next 5-7 years.
- Approximately \$111B is set aside for water infrastructure, aiming to modernize municipal water systems including the removal and replacement of all lead pipes for drinking water.
- Spending for updates to the electrical grid and broadband network represents approximately \$200B, including plans to bring high speed internet access to the 35 percent of rural Americans who lack broadband access at minimally acceptable speeds.

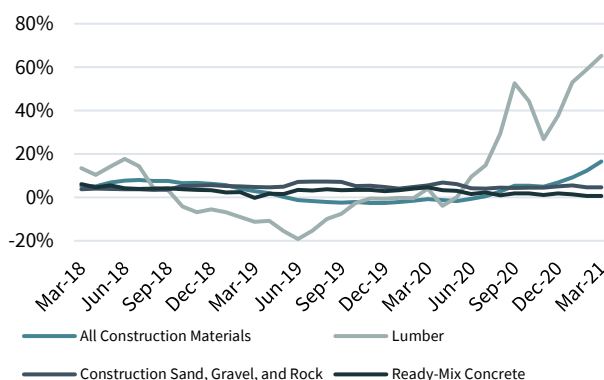
### In Addition to Lumber, Building Materials Prices Continue to Rise

- Lumber prices and other building materials prices have increased over the past year as demand for new housing, industrial and mixed-use properties increases, and COVID roiled supply chains struggle to keep up.
- Lumber prices skyrocketed by as much as 10% per week during 2020 and 2021 and have increased over 200% YoY. Housing starts are up approximately 30% YoY and are continuing to trend in an upward direction as demand continues to outstrip supply.
- The increase in commodity prices is not just limited to lumber; all construction materials including concrete, aggregates, and metals are experiencing significant YOY price changes. The supply/demand mismatch is expected to continue for the foreseeable future.
- The increase in commodity prices combined with low mortgage rates have resulted in higher prices for homes; lumber inflation alone has led to a \$24,000 price increase per house. Despite this, consumers remain undeterred with 39% of homes in March 2021 selling at or above their listing price

**Construction Spending: YoY Change (%)**



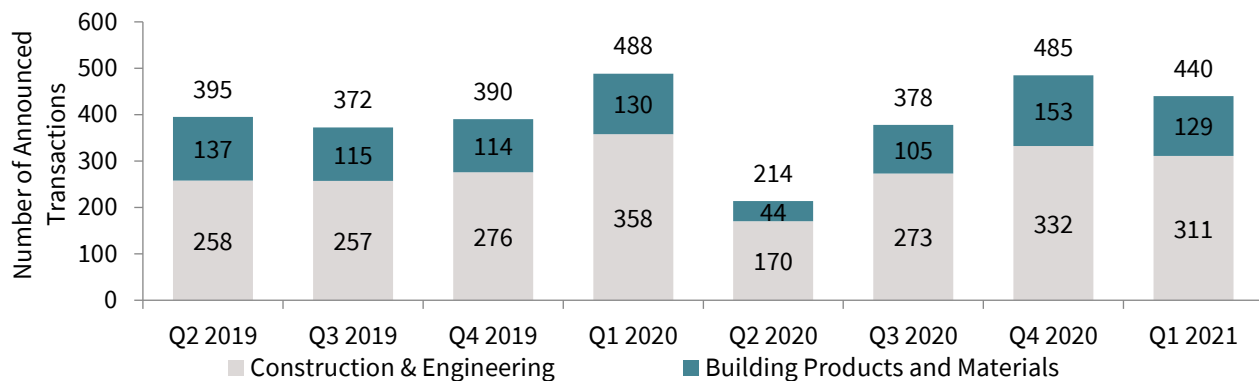
**Commodities PPI: YoY Change (%)**



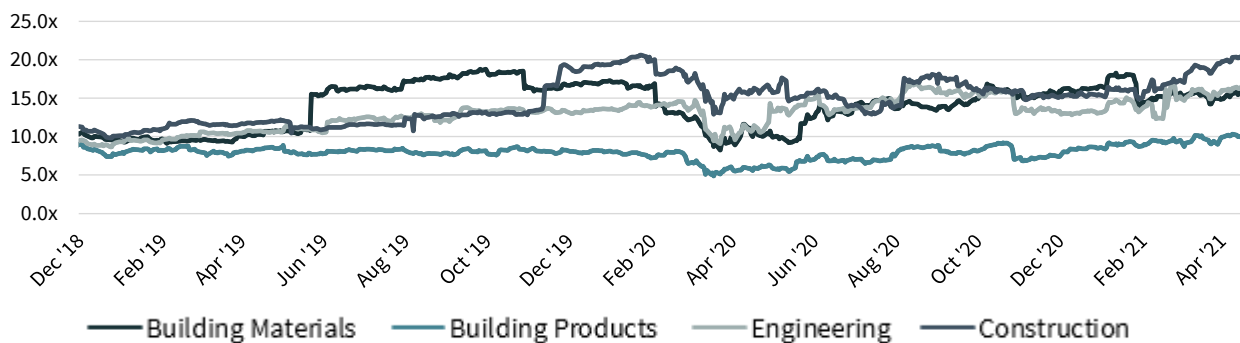


## ENC&BP MIDDLE MARKET M&A ACTIVITY AND MARKET TRENDS

### U.S. ENC&BP M&A Activity



### Public Market Valuations (EV/EBITDA)



### Commentary

- Transaction activity continues to rebound with Q1 2021 M&A activity on-par with Q1 2020 and up 105% since the lows seen during the onset of the pandemic in Q2 2020.
- The continued strong economic performance of the ENC&BP sector and a build up of dry powder on investor balance sheets have been the primary drivers of the increased M&A activity.
- M&A activity is expected to continue to accelerate over the next twelve months as firms see favorable economic forecasts, the threat of a new tax regime and increased public sector infrastructure spending.
- With the cost of skilled labor and building materials continuing to increase, Engineering, Construction, & Building Products firms are looking to invest in technologies that improve efficiency. Firms that have made technology investments including vis-a-vis acquisitions are best positioned to cope with rising construction costs.
- Sector valuations have also seen a rebound from their lows in March 2020 during the onset of the COVID-19 pandemic. Building materials firms are currently seeing the highest valuations with an average EV/LTM EBITDA multiple of 18.5x as of April 2021.



## RECENT TRANSACTION SPOTLIGHTS

### Blackstone (NYSE:BX) to Acquire Telecom Infrastructure Firm Sabre Industries

*Announced April 13<sup>th</sup>, 2021*

- Blackstone announced its private equity fund, Blackstone Energy Partners, has agreed to acquire Sabre Industries, Inc. from The Jordan Company. The acquisition of Sabre continues Blackstone Energy Partners' focus on ESG investing by adding portfolio companies that support the transition to cleaner, more affordable energy.
- Sabre is a leading designer and manufacturer of highly engineered, mission-critical steel poles and towers for the electrical utility and telecommunications end-markets. Sabre's products are key to strengthening U.S. electrical transmission and expansion of the 5G wireless telecom infrastructure. Electrical and telecom infrastructure have both been identified as key areas for investment in the Biden Administration's \$2T infrastructure spending plan unveiled at the beginning of Apr-21.
- The investment builds upon Blackstone Energy Partners prior investments in utility related businesses including their acquisitions of GridLiance and Customer Truck One Source. The acquisition provides Sabre with a strategic partner to accelerate the growth and modernization of the U.S. electrical grid.

### Investcorp and Trilantic North America to Acquire RoadSafe Traffic Systems

*Announced April 12<sup>th</sup>, 2021*

- Investcorp, a leading global provider and manager of alternative investment products, and Trilantic North America, a growth-focused middle market private equity firm, today announced that they have agreed to acquire RoadSafe Traffic Systems from ORIX Capital Partners.
- RoadSafe is the nation's largest provider of traffic control and pavement marking services for roadway construction, state transportation, railroad, and utility customers. The Company has more than 50 locations and over 1,600 employees.
- Investcorp sees attractive tailwinds in the road-marking industry given the wide-spread rollout of 5G networks and the need to re-mark the U.S.'s aging roads to support future technologies.
- The acquisition will allow RoadSafe to continue to expand geographically and will provide a strategic partner to help create value via add-on acquisitions in this fragmented market.

### American Construction Source has Acquired Foley Lumber and Milaca Building Center

*Announced April 2<sup>nd</sup>, 2021*

- American Construction Source ("ACS"), a leading national building materials distribution platform for custom home builders and repair and remodel contractors, has acquired Foley Lumber and Milaca Building Center. ACS is backed by Angeles Equity Partners, LLC and Clearlake Capital Group, L.P. and has made nine acquisitions under their sponsorship.
- Founded in 1932, Foley Lumber and Milaca Building Center have provided building materials to customers across the Midwest, primarily serving builders and contractors. Foley and Milaca will continue to operate under their established brands in Minnesota.
- The acquisition will provide Foley Lumber and Milaca a partner for accelerated growth via delivering more value-added products and an expanded portfolio of services.





## SMALL & MID-CAP COMPANY VALUATIONS

Construction Firms (US\$ in millions)	Market Cap	Enterprise Value	LTM		LTM Margin EBITDA	EV / LTM		52-Week Change
			Rev	EBITDA		Rev	EBITDA	
Quanta Services, Inc.	\$ 13,620	\$ 14,893	\$ 11,203	\$ 916	8.2%	1.3x	16.3x	180 %
MasTec, Inc.	7,539	8,611	6,321	783	12.4%	1.4x	11.0x	195 %
EMCOR Group Inc	6,628	6,261	8,797	366	4.2%	0.7x	17.1x	90 %
Dycom Industries, Inc.	2,959	3,593	3,199	265	8.3%	1.1x	13.6x	219 %
Comfort Systems USA, Inc.	2,923	3,201	2,857	259	9.1%	1.1x	12.4x	147 %
Primoris Services Corp.	1,821	2,021	3,491	248	7.1%	0.6x	8.1x	139 %
Granite Construction Inc.	1,798	1,574	3,562	(32)	-0.9%	0.4x	nm	134 %
MYR Group Inc.	1,191	1,221	2,247	132	5.9%	0.5x	9.2x	171 %
Great Lakes Dredge & Dock Corp.	1,033	1,205	734	151	20.6%	1.6x	8.0x	93 %
Sterling Construction Company, Inc.	593	913	1,427	127	8.9%	0.6x	7.2x	119 %
Matrix Service Co.	341	270	794	(3)	-0.4%	0.3x	nm	36 %
Orion Group Holdings, Inc.	170	252	710	60	8.5%	0.4x	4.2x	180 %
<b>Median</b>	<b>\$ 1,809</b>	<b>\$ 1,798</b>	<b>\$ 3,028</b>	<b>\$ 200</b>	<b>8.2%</b>	<b>0.7x</b>	<b>10.1x</b>	<b>143 %</b>
<b>Average</b>	<b>\$ 3,385</b>	<b>\$ 3,668</b>	<b>\$ 3,779</b>	<b>\$ 273</b>	<b>7.6%</b>	<b>0.8x</b>	<b>10.7x</b>	<b>142 %</b>

Engineering Firms (US\$ in millions)	Market Cap	Enterprise Value	LTM		LTM Margin EBITDA	EV / LTM		52-Week Change
			Rev	EBITDA		Rev	EBITDA	
Jacobs Engineering Group, Inc.	\$ 17,840	\$ 19,204	\$ 13,589	\$ 785	5.8%	1.4x	24.5x	71 %
Teledyne Technologies Incorporated	16,436	16,542	3,086	601	19.5%	5.4x	27.5x	38 %
Aecom Technology Corporation	9,948	11,837	13,318	665	5.0%	0.9x	17.8x	94 %
Tetra Tech, Inc.	7,263	7,653	2,962	269	9.1%	2.6x	28.5x	69 %
CACI International Inc.	5,993	8,087	5,976	683	11.4%	1.4x	11.8x	0 %
KBR Inc	5,673	7,099	5,767	173	3.0%	1.2x	nm	95 %
Stantec, Inc.	5,171	5,980	3,525	369	10.5%	1.7x	16.2x	63 %
Fluor Corporation	3,066	2,813	15,668	(55)	-0.4%	0.2x	nm	129 %
Tutor Perini Corp.	842	1,483	5,319	346	6.5%	0.3x	4.3x	143 %
VSE Corporation	559	837	662	38	5.8%	1.3x	22.0x	121 %
Perma-Fix Environmental Services, Inc.	89	90	105	5	4.6%	0.9x	18.6x	28 %
<b>Median</b>	<b>\$ 5,673</b>	<b>\$ 7,099</b>	<b>\$ 5,319</b>	<b>\$ 346</b>	<b>5.8%</b>	<b>1.3x</b>	<b>18.6x</b>	<b>71 %</b>
<b>Average</b>	<b>\$ 6,626</b>	<b>\$ 7,420</b>	<b>\$ 6,362</b>	<b>\$ 353</b>	<b>7.3%</b>	<b>1.6x</b>	<b>19.0x</b>	<b>77 %</b>

Building Products Firms (US\$ in millions)	Market Cap	Enterprise Value	LTM		LTM Margin EBITDA	EV / LTM		52-Week Change
			Rev	EBITDA		Rev	EBITDA	
Masco Corp.	\$ 16,440	\$ 18,323	\$ 7,188	\$ 1,408	19.6%	2.5x	13.0x	53 %
Trex Company, Inc.	12,369	12,283	881	252	28.6%	13.9x	nm	137 %
Builders FirstSource, Inc.	10,068	11,549	8,559	660	7.7%	1.3x	17.5x	214 %
Owens Corning Corporation	10,057	12,660	7,055	369	5.2%	1.8x	nm	147 %
UFP Industries, Inc.	5,027	5,447	5,154	421	8.2%	1.1x	13.0x	108 %
Armstrong World Industries, Inc.	4,760	5,379	937	(19)	-2.0%	5.7x	nm	27 %
Simpson Manufacturing Company, Inc.	4,663	4,435	1,268	291	22.9%	3.5x	15.3x	70 %
Gibraltar Industries, Inc.	3,030	3,109	1,033	129	12.5%	3.0x	24.1x	104 %
Quanex Building Products Corporation	922	1,045	885	111	12.5%	1.2x	9.4x	154 %
<b>Median</b>	<b>\$ 5,027</b>	<b>\$ 5,447</b>	<b>\$ 1,268</b>	<b>\$ 291</b>	<b>12.5%</b>	<b>2.5x</b>	<b>14.1x</b>	<b>108 %</b>
<b>Average</b>	<b>\$ 7,482</b>	<b>\$ 8,248</b>	<b>\$ 3,662</b>	<b>\$ 402</b>	<b>12.8%</b>	<b>3.8x</b>	<b>15.4x</b>	<b>113 %</b>

Building Materials Firms (US\$ in millions)	Market Cap	Enterprise Value	LTM		LTM Margin EBITDA	EV / LTM		52-Week Change
			Rev	EBITDA		Rev	EBITDA	
Vulcan Materials Company	\$ 23,424	\$ 25,915	\$ 4,857	\$ 1,261	26.0%	5.3x	20.6x	66 %
Martin Marietta, Inc.	21,877	24,757	4,730	1,401	29.6%	5.2x	17.7x	96 %
Boral Ltd	5,910	7,397	3,724	(440)	-11.8%	2.0x	nm	190 %
Eagle Materials Inc.	5,900	6,808	1,631	317	19.4%	4.2x	21.5x	158 %
United States Lime & Minerals, Inc.	817	736	161	53	33.3%	4.6x	13.8x	69 %
<b>Median</b>	<b>\$ 5,910</b>	<b>\$ 7,397</b>	<b>\$ 3,724</b>	<b>\$ 317</b>	<b>26.0%</b>	<b>4.6x</b>	<b>19.1x</b>	<b>96 %</b>
<b>Average</b>	<b>\$ 11,586</b>	<b>\$ 13,123</b>	<b>\$ 3,021</b>	<b>\$ 518</b>	<b>19.3%</b>	<b>4.3x</b>	<b>18.4x</b>	<b>116 %</b>

As of April 26<sup>th</sup>, 2021

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

Source: PitchBook Data, Company Press Releases, Meridian Research



## SELECT ENC&BP M&A TRANSACTIONS

<b>Announced Date</b>	<b>Acquirer/Investor</b>	<b>Target</b>	<b>Target Description</b>
13-Apr-21	Blackstone Energy Partners	Sabre Industries	Provider of steel poles and towers for utilities and telecom end-markets.
12-Apr-21	TJM Capital Partners	PCI Gases, LLC	Provider of mobile oxygen and nitrogen systems for military and industrial applications
12-Apr-21	Investcorp, Trilantic North America	RoadSafe Traffic Systems	Provider of traffic control and pavement marking services.
05-Apr-21	Platinum Equity	ACProducts, Inc.	Manufacturer and distributor of kitchen and bath cabinets
05-Apr-21	Emcor Group	Dallas Mechanical Group, LLC	Provider of mechanical construction and maintenance services based in Dallas, United States.
05-Apr-21	Harris Contracting Company	HVAC Controls & Specialties, Inc.	Provider of installation services catering to commercial buildings.
02-Apr-21	American Construction Source	Foley Lumber, Inc.	Manufacturer and supplier of lumber products intended to provide building materials to customers while maintaining ethical standards.
01-Apr-21	The Frameless Hardware Company	Columbia Commercial Building Products, LLC.	Manufacturer of commercial building materials based in Rockwall, Texas.
30-Mar-21	Tecum Capital, The Marwin Company	SS Industries	Manufacturer of building products and materials for the homeowner, contractor and professional stair customers.
24-Mar-21	Clayton, Dubilier & Rice, HD Supply White Cap	National Concrete Accessories, Inc.	Manufacturer of concrete accessories based in Edmonton, Alberta.
23-Mar-21	Curran Contracting	G. A. Blocker Grading Contractor, Inc.	Provider of construction contracting services based in Oswego, Illinois.
09-Apr-21	Arcosa	StonePoint Materials, LLC	Operator of a holding company with interest in construction aggregates.
15-Mar-21	DBM Global	Banker Steel Company LLC	Provider of fabricated structural steel and erection services for the east coast commercial construction market.
15-Mar-21	CUSITech	Peak Professional Contractors, Inc.	Provider of commercial construction services based in Colorado Springs, United States.
10-Mar-21	Lite Access Technologies	Amec Cutting & Coring Ltd	Provider of concrete cutting and coring services in the lower mainland, Canada.
08-Mar-21	Rogers Group	Reed Contracting Services, Inc.	Provider of construction services and supplier of concrete products based in Huntsville, Alabama.
05-Mar-21	Rogers Mechanical Contractors	R&D Mechanical Services, Inc.	Provider of commercial heating and cooling systems services based in Ball Ground, Georgia.
02-Mar-21	Composites One	Solvay Composites Materials Global Business	Provider of specialized materials used in a variety of vacuum-assisted composite manufacturing processes.
22-Feb-21	Quikrete Holdings	Forterra, Inc.	Manufacturer of water and drainage pipe and products for a variety of water-related infrastructure applications.
18-Feb-21	Fabcon Precast, Platinum Equity	Oldcastle Infrastructure (Building Services Division)	Manufacturer of precast products for the multifamily, commercial and student housing sectors.
16-Feb-21	Cemex	Beck Readymix Concrete Co. LTD	Supplier of concrete products for residential, commercial, and governmental jobs in San Antonio, Texas.
20-Jan-21	American Construction Source	Builder's Resource Group, Inc.	Supplier of building materials and lumber products across western Wisconsin and the greater Twin Cities.
19-Jan-21	Oshkosh	Pratt & Miller Engineering & Fabrication, Inc.	Provider of engineering and product development services in New Hudson, Michigan.



## SELECT ENC&BP M&A TRANSACTIONS (CONT'D)

<b>Announced Date</b>	<b>Acquirer/Investor</b>	<b>Target</b>	<b>Target Description</b>
15-Jan-21	Primoris Services	Future Infrastructure, LLC	Provider of infrastructure development and maintenance services.
14-Jan-21	Huron Capital	Sunland Asphalt and Construction, Inc.	Provider of asphalt paving services serving the government agencies, commercial, retail, and residential communities.
12-Jan-21	Gryphon Investors, Shermco Industries	Ready Engineering Corporation	Operator of a specialty engineering business catering to a diverse range of sectors.
01-Apr-21	Holcim Participations Master Retirement Trust	Firestone Building Products Company, LLC	Manufacturer of high performing roofing system.
07-Jan-21	Milestone Contractors	Wabash Valley Asphalt Co. LLC	Provider of the asphalt pavement contracting services in Wabash Valley, United States.
05-Jan-21	Comfort Systems USA	Tennessee Electric Company, Inc.	Provider of construction and industrial services in Kingsport, Tennessee.
05-Jan-21	Curtis Lumber Co.	Wiley Bros., Inc.	Supplier of lumber, hardware and building materials intended to complete any construction project with accuracy and efficiency.
04-Jan-21	Builders Firstsource	BMC Stock Holdings, Inc.	Provider of building materials and construction services, intended to serve professional home builders and contractor in the United States.
04-Jan-21	Goodman Global Group	Robinson Plumbing and Heating Supply Co., Inc.	Supplier and distributor of plumbing fixtures and heating equipment based in Fall River, Massachusetts.
02-Jan-21	Oroco Capital	Shimmick Construction Co., Inc.	Provider of construction and engineering services based in Oakland, California.
01-Jan-21	Kingmakers	Roof Master & Construction, LLC	Provider of roofing and construction services located in Wolfforth, Texas.
31-Dec-20	Kelso Private Equity, US LBM Holdings	Jennings Builders Supply & Hardware	Supplier of building materials to the construction industry.
31-Dec-20	BMC Stock Holdings	TWP Enterprises Inc	Distributor of building materials serving the Washington, DC and Baltimore areas and outlying suburbs.
31-Dec-20	Clearlake Capital Group	PrimeSource Building Products, Inc.	Distributor of construction fasteners and non-lumber building products in North America.
31-Dec-20	Lithko Contracting	Capitol Concrete Contracting, LLC	Provider of concrete contracting services based in Liberty Hill, Texas.
31-Dec-20	Lithko Contracting, The Pritzker Organization	Pikus Concrete and Construction, LLC	Provider of concrete cast services based in American Fork, Utah.
21-Dec-20	The Jordan Company	U.S. LUMBER GROUP, LLC	Distributor of specialty building products.
10-Dec-20	Bain Capital	US LBM Holdings, LLC	Distributor of specialty building materials to residential and commercial construction end markets.
24-Nov-20	Kyocera Industrial Tools, Inc.	Manor Hardware, Inc.	Distributor of construction tools and other hardware.
30-Sep-20	Gryphon Investors	Right Time Heating and Air Conditioning Canada	Provider of HVAC services and maintenance
22-Sep-20	GRO-WELL Environmental Partners	Pacific Topsoils Inc.	Supplier of landscape materials including mixed topsoils for landscape construction materials like topsoil, bark, mulch, and aggregate rock.
11-Sep-20	Court Square, Kodiak Building Partners	Carpenter Contractors of America, Inc.	Manufacturer of prefabricated building components based in Florida, Illinois and North Carolina.
31-Aug-20	Haley & Aldrich	Hart Crowser,	Provider of geo-technical and environmental consulting services.

# ENGINEERING, CONSTRUCTION, & BUILDING PRODUCTS SECTOR

## MERIDIAN CAPITAL SECTOR COVERAGE

- Building Materials
- Building Products
- Construction
- Engineering
- Heavy Construction
- Infrastructure
- Specialty Contractors
- Service & Maintenance
- Utilities
- Environmental Services
- Surveying
- Prefabrication

## MERIDIAN CAPITAL TRANSACTION EXPERIENCE

<p>PCI Gases</p>  <p>- Acquired by -</p> 	<p>NW Building Components &amp; Mandere Construction</p>  <p>- Acquired by -</p> 	<p>Brundage-Bone Concrete Pumping</p>  <p>- Acquired by -</p> 	<p>Shields Manufacturing</p>  <p>- Acquired by -</p> 
<p>Rockmount Research &amp; Alloys</p>  <p>- Recapitalized by -</p> 	<p>McKinstry</p>  <p>- Recapitalization of -</p> 	<p>Burton Saw and Supply</p>  <p>- Acquired by -</p> 	<p>Manor Hardware</p>  <p>- Acquired by -</p> 
<p>AD Systems</p>  <p>- Strategic advisory -</p> 	<p>Fasteners, Inc.</p>  <p>- Acquired by -</p> 	<p>General Construction Co.</p>  <p>- Acquired by -</p> 	<p>Eco-Pan, Inc.</p>  <p>- Acquired by -</p> 
<p>Omega Morgan</p>  <p>- Acquired by -</p> 	<p>Dade Moeller &amp; Associates</p>  <p>- Acquired by -</p> 	<p>Northwest Landscaping Services</p>  <p>- Acquired by -</p> 	<p>MM Comfort Systems</p>  <p>- Acquired by -</p> <p>Private Investor</p>

*Includes transactions completed by Meridian bankers while at previous firms*







# MERIDIAN CAPITAL

## INVESTMENT BANKERS

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

### INDUSTRY EXPERIENCE

Meridian's Engineering, Construction, & Building Products practice provides comprehensive access to industry-wide strategic and financial sponsor relationships, deep sector expertise, and proven transaction experience to help maximize shareholder value.

### TRANSACTION EXPERTISE

- Mergers & Acquisitions
- Growth Capital
- Strategic Advisory

### TAILORED PROCESSES

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

### About Meridian Capital

Meridian Capital ([www.meridianllc.com](http://www.meridianllc.com)), a Seattle-based M&A advisory firm, 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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