

INDUSTRY UPDATE

# Engineering, Construction & Building Products Market Monitor



MERIDIAN CAPITAL  
INVESTMENT BANKERS





**ENC&BP MARKET INSIGHTS**

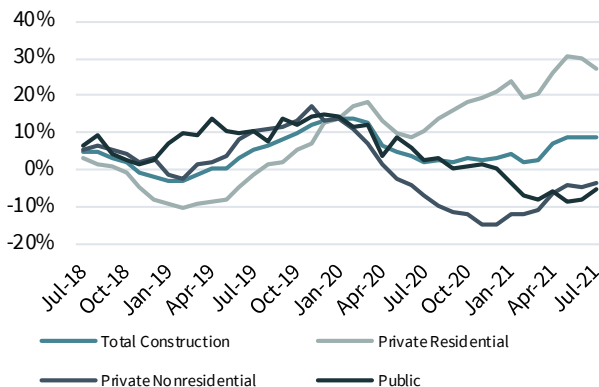
**Proposed \$1 Trillion Infrastructure Bill Short on Details and Long on Delays**

- The Proposed \$1 Trillion infrastructure bill proposed by congress over the summer indicated bi-partisan progress on a major stimulus for the infrastructure industry; the proposal recently has been tied to a much broader and more expensive bill that will likely cause the Infrastructure bill’s passing to continue to be delayed.
- While overall there is optimism and alignment that investment in infrastructure is needed, the scope and timeline continues to be uncertain.
- Overall, based on the initial proposal it is expected the broader infrastructure supply chain will experience a longer-term growth opportunity over the next 10-15 years, and product, materials, and services providers serving the space are expected to experience greater growth rates than experienced over the past 5 years.
- The private equity industry has recently increased its investment in the infrastructure supply chain and it is expected that this buyer/investor cohort will continue to expand its experience and exposure to certain segments of the industry.

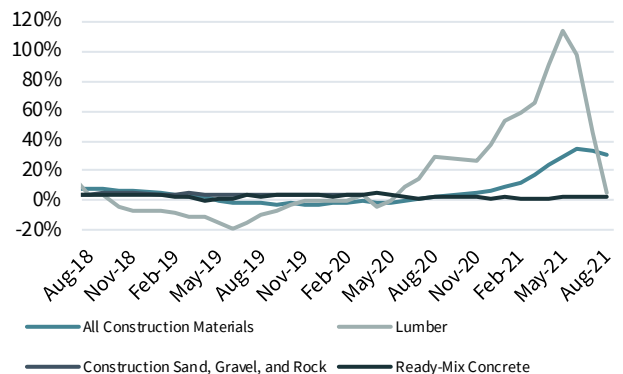
**Creative Solutions to Rapidly Rising Materials & Labor Prices**

- Through 2021 there has been much discussion around the construction, building, and materials cost indices increasing at double-digit YOY rates. Materials, Steel, Lumber and Labor are the primary culprits.
- Many companies are resorting to creative solutions to access labor and materials at manageable prices.
- There is a substantial increase in acquisitions of providers of construction products that save labor, including unified thermal moisture wrapping solutions, pre-insulated wall components, and modular and pre-fabricated construction components.
- Further, Companies have emphasized formal collaboration between the development-design-construction-facility services supply chain, including the use of Joint-Ventures, to share labor burdens across a larger pool of contributors to the construction market’s success.
- Near-shoring and on-shoring of the supply chain continues to be an active trend in 2021 as demand/supply mismatches and international trade pressures will continue to roil supply chains for the foreseeable future.

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



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

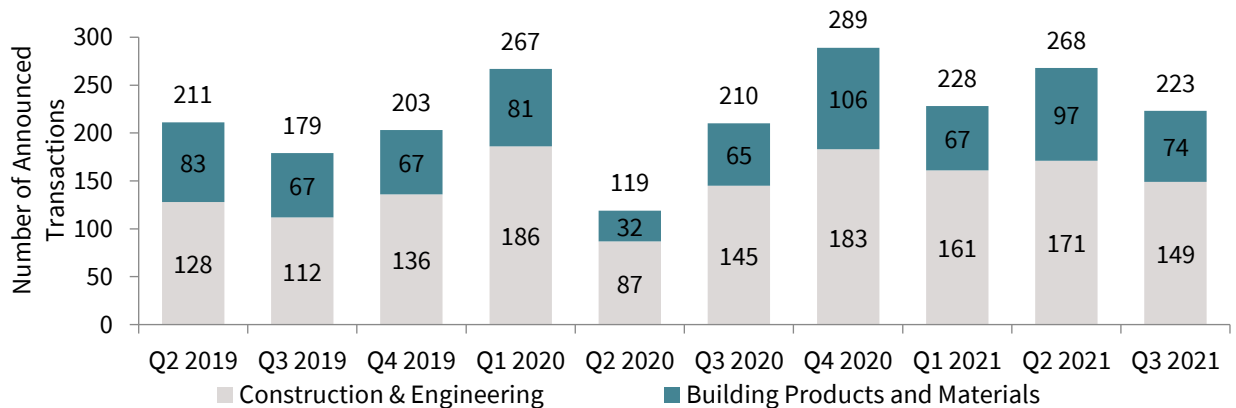


Source: US Census, Engineering News Record (“ENR”), Association of General Contractors, U.S. Small Business Administration, PitchBook Data, IBISWorld, Company Press Release, and Meridian Research

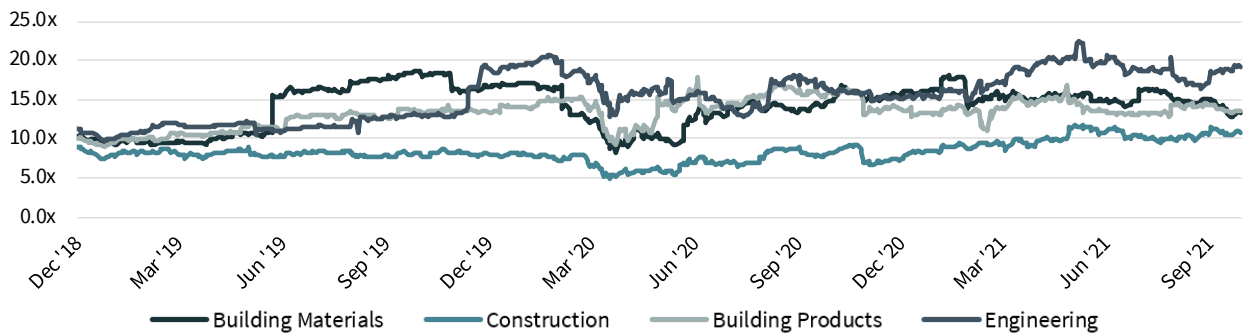


## ENC&BP MIDDLE MARKET M&A ACTIVITY AND MARKET TRENDS

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



### Public Market Valuations (EV/EBITDA)



### Commentary

- Q3 2021 M&A transaction activity remains high with 223 transactions in Q3 2021, representing a strong rebound from the lows seen during the onset of the pandemic in Q2 2020.
- Private Equity firms continue to invest in the industry, shown by a record number of private equity-backed deals. The almost 40% year-over-year increase in private equity-backed deals highlights investors anticipating elevated government spending and will likely cause continued consolidation within the industry.
- Alongside the additional M&A activity from Private Equity firms, the M&A markets are likely to stay highly active as investors look to deploy record levels of dry powder, strategic companies accelerate their inorganic growth plans to compete in a consolidating market, and increased public sector infrastructure spending remains on the horizon.
- Sector valuations have remained near record highs since the COVID-19 pandemic, with Engineering firms seeing the highest September 2021 EV/LTM EBITDA multiple of 19.3x. Construction firms have seen the biggest rise in EV/LTM EBITDA multiples since the COVID pandemic in March 2020, with valuations rising 70% to 10.4x EV/LTM EBITDA in September 2021.



## GE JOHNSON JOINS DPR FAMILY OF COMPANIES

Meridian Capital LLC (“Meridian”), a Seattle-based middle market corporate finance and M&A advisory firm is pleased to announce the successful agreement of its client GE Johnson to join DPR Construction and its family of companies (“DPR”).

The agreement offers both companies strategic growth and employee development opportunities. GE Johnson will continue to further its presence in the Mountain States by leveraging DPR's global customer relationships. At the same time, employees of both firms will see increased career and growth opportunities.



For customers, it will be business as usual with GE Johnson. GE Johnson and H.W. Houston Construction will maintain their brands, and GE Johnson will continue to operate as its own contracting entity. President & CEO Jim Johnson will remain in his role along with other GE Johnson leaders.

“Even as we’ve grown successfully into new markets, we wanted to engage with a global firm that supports our culture and people and aligns with our values,” Johnson said. “We are elated to announce that we are joining the DPR family of companies. This will continue to provide long-term financial assurance, continued leverage of our self-perform capabilities, career opportunities for staff and craft, and access to the latest in technology and delivery methods.” Johnson added “Meridian Capital was great in terms of managing us through this process and we are pleased with our new partner in DPR.”

“We welcome GE Johnson to the DPR family and are excited to be able to better support our customers in the locations where GE Johnson has established itself as one of the best builders,” said George Pfeffer, who serves on DPR’s management committee. “Both our firms see ourselves as builders first. It’s exciting to know that our talented people at both companies will have more opportunities to share their passion for building.”

James Rothenberger, Managing Director at Meridian stated, “Jim and the senior leadership team of GE Johnson have built an incredible company that many customers want to work with on a deeper basis. As part of the DPR family, GE Johnson will continue its strategic growth for many years to come. We are excited for what the future holds for DPR and GE Johnson.”



## HIGHLY ACQUISITIVE ROLL-UPS CONSOLIDATING THE HIGHLY FRAGMENTED ENC&BP MARKET

### U.S. LBM Holdings (Backed by Bain Capital)



**Description:** One of the largest buildings product distributors in the United States with over 400 locations across the United States.

**Headquarters:** Buffalo Creek, IL

**Acquisitions:** 19 acquisitions since 2019 and 11 in 2021

**Investment Thesis:** LBM combines the scale and operational advantage of a national platform with a local go-to-market strategy through its national network of locations across the country. They are actively consolidating across a portfolio of products throughout the United States.

#### Recent Acquisitions



### Tecta America (Backed by Atlas and Leonard Green & Partners)



**Description:** Largest commercial roofing contractor and consolidator in the United States with more than 85 locations and 4,500 roofing professionals nationwide.

**Headquarters:** Rosemont, IL

**Acquisitions:** 8 acquisitions since 2019 and 2 in 2021

**Investment Thesis:** Tecta's proven track record of organic and acquisition execution has allowed them to undergo multiple transactions with multiple different private equity groups. Tecta acquires businesses in strategic geographic markets with strong management teams to provide the support of a national firm.

#### Recent Acquisitions



### American Elevator Group (Backed by Arline Investments)



**Description:** American Elevator Group is a collection of established elevator service companies that operate across the United States.

**Headquarters:** New York, NY

**Acquisitions:** 10 acquisitions in 2021

**Investment Thesis:** The Company is actively seeking to increase its range of niche elevator offerings and presence in the Northeast and Mid-Atlantic regions through strategic acquisitions.

#### Recent Acquisitions



### Surveying and Mapping, LLC. (Backed by Austin Ventures)



**Description:** One of the nation's largest geospatial and construction services firms providing surveying, utility engineering, aerial mapping, and building modeling.

**Headquarters:** Austin, TX

**Acquisitions:** 8 acquisitions since 2019 and 4 in 2021

**Investment Thesis:** SAM looks to grow its industry leading technology-enabled infrastructure and construction services to new geographies by acquiring businesses with diversified end markets and complementary offerings.

#### Recent Acquisitions





## SMALL & MID-CAP COMPANY VALUATIONS

Construction Firms (US\$ in millions)	Ticker	Market Cap	Enterprise Value	LTM		LTM Margin		EV / LTM		52-Week Change
				Rev	EBITDA	EBITDA	Rev	EBITDA		
Quanta Services, Inc.	NYSE:PWR	\$ 15,545	\$ 16,948	\$ 11,636	\$ 790	6.8%	1.5x	21.4x	90 %	
MasTec, Inc.	NYSE:MTZ	6,441	7,770	7,073	931	13.2%	1.1x	8.3x	91 %	
EMCOR Group Inc.	NYSE:EME	6,355	6,230	9,225	636	6.9%	0.7x	9.8x	66 %	
Comfort Systems USA, Inc.	NYSE:FIX	2,786	2,974	2,797	257	9.2%	1.1x	11.6x	33 %	
Dycom Industries, Inc.	NYSE:DY	2,101	2,804	3,076	251	8.1%	0.9x	11.2x	7 %	
Granite Construction Inc.	NYSE:GVA	1,819	1,645	3,645	38	1.0%	nm	nm	104 %	
MYR Group Inc.	NAS:MYRG	1,727	1,690	2,458	154	6.3%	0.7x	11.0x	138 %	
Primoris Services Corporation	NAS:PRIM	1,336	2,004	3,540	272	7.7%	0.6x	7.4x	27 %	
Great Lakes Dredge & Dock Corp.	NAS:GLDD	959	1,152	696	107	15.3%	1.7x	10.8x	39 %	
Sterling Construction Company, Inc.	NAS:STRL	663	914	1,448	131	9.0%	0.6x	7.0x	54 %	
Matrix Service Co.	NAS:MTRX	273	216	673	(24)	-3.6%	0.3x	nm	25 %	
Orion Group Holdings, Inc.	NYSE:ORN	156	206	659	33	5.0%	0.3x	6.3x	61 %	
<b>Median</b>		<b>\$ 1,773</b>	<b>\$ 1,847</b>	<b>\$ 2,936</b>	<b>\$ 202</b>	<b>7.3%</b>	<b>0.7x</b>	<b>10.3x</b>	<b>58 %</b>	
<b>Average</b>		<b>\$ 3,347</b>	<b>\$ 3,713</b>	<b>\$ 3,910</b>	<b>\$ 298</b>	<b>7.1%</b>	<b>0.9x</b>	<b>10.5x</b>	<b>61 %</b>	

Engineering Firms (US\$ in millions)	Ticker	Market Cap	Enterprise Value	LTM		LTM Margin		EV / LTM		52-Week Change
				Rev	EBITDA	EBITDA	Rev	EBITDA		
Teledyne Technologies Incorporated	NYSE:TDY	\$ 19,984	\$ 24,166	\$ 3,485	\$ 689	19.8%	6.9x	35.1x	32 %	
Jacobs Engineering Group, Inc.	NYSE:J	17,233	20,540	14,026	873	6.2%	1.5x	23.5x	33 %	
Aecom Technology Corporation	NYSE:ACM	9,194	11,174	13,556	723	5.3%	0.8x	15.5x	38 %	
Tetra Tech, Inc.	NAS:TTEK	8,278	8,532	3,075	286	9.3%	2.8x	29.8x	50 %	
CACI International Inc.	NYSE:CACI	6,275	8,347	6,044	665	11.0%	1.4x	12.6x	24 %	
KBR Inc	NYSE:KBR	5,879	7,264	5,842	249	4.3%	1.2x	nm	66 %	
Stantec, Inc.	TSX:STN	5,337	6,406	3,526	396	11.2%	1.8x	16.2x	57 %	
Fluor Corporation	NYSE:FLR	2,294	1,490	13,634	117	0.9%	0.1x	12.7x	47 %	
Tutor Perini Corp.	NYSE:TPC	673	1,418	5,218	375	7.2%	0.3x	3.8x	(8)%	
VSE Corporation	NAS:VSEC	600	900	656	47	7.2%	1.4x	19.2x	57 %	
Perma-Fix Environmental Services, Inc.	NAS:PESI	94	90	98	4	4.0%	0.9x	23.2x	(1)%	
<b>Median</b>		<b>\$ 5,879</b>	<b>\$ 7,264</b>	<b>\$ 5,218</b>	<b>\$ 375</b>	<b>7.2%</b>	<b>1.4x</b>	<b>17.7x</b>	<b>38 %</b>	
<b>Average</b>		<b>\$ 6,895</b>	<b>\$ 8,212</b>	<b>\$ 6,287</b>	<b>\$ 402</b>	<b>7.8%</b>	<b>1.7x</b>	<b>19.1x</b>	<b>36 %</b>	

Building Products Firms (US\$ in millions)	Ticker	Market Cap	Enterprise Value	LTM		LTM Margin		EV / LTM		52-Week Change
				Rev	EBITDA	EBITDA	Rev	EBITDA		
Masco Corporation	NYSE:MAS	\$ 13,876	\$ 16,458	\$ 7,992	\$ 1,188	14.9%	2.1x	13.9x	(3)%	
Trex Company, Inc.	NYSE:TREX	12,052	12,135	1,017	288	28.3%	11.9x	nm	33 %	
Builders FirstSource, Inc.	NYS:BLDR	11,011	13,415	14,577	1,602	11.0%	0.9x	8.4x	55 %	
Owens Corning Corporation	NYSE:OC	9,154	11,594	7,983	1,802	22.6%	1.5x	nm	17 %	
Simpson Manufacturing Company, Inc.	NYSE:SSD	4,761	4,489	1,416	340	24.0%	3.2x	13.2x	16 %	
Armstrong World Industries, Inc.	NYSE:AWI	4,601	5,201	1,017	260	25.6%	5.1x	20.0x	39 %	
UFP Industries, Inc.	NAS:UFP	4,370	5,023	7,405	654	8.8%	0.7x	7.7x	18 %	
Gibraltar Industries, Inc.	NAS:ROCK	2,281	2,311	1,133	132	11.6%	2.0x	17.5x	(4)%	
Quanex Building Products Corporation	NYSE:NX	715	801	1,036	127	12.3%	0.8x	6.3x	9 %	
<b>Median</b>		<b>\$ 4,761</b>	<b>\$ 5,201</b>	<b>\$ 1,416</b>	<b>\$ 340</b>	<b>14.9%</b>	<b>2.0x</b>	<b>13.2x</b>	<b>17 %</b>	
<b>Average</b>		<b>\$ 6,980</b>	<b>\$ 7,936</b>	<b>\$ 4,842</b>	<b>\$ 710</b>	<b>17.7%</b>	<b>3.1x</b>	<b>12.4x</b>	<b>20 %</b>	

Building Materials Firms (US\$ in millions)	Ticker	Market Cap	Enterprise Value	LTM		LTM Margin		EV / LTM		52-Week Change
				Rev	EBITDA	EBITDA	Rev	EBITDA		
Vulcan Materials Company	NYSE:VMC	\$ 23,180	\$ 25,551	\$ 4,914	\$ 1,208	24.6%	5.2x	21.2x	12 %	
Martin Marietta, Inc.	NYSE:MLM	22,288	25,543	4,861	1,473	30.3%	5.3x	17.3x	27 %	
Eagle Materials Inc.	NYSE:EXP	5,629	6,370	1,671	486	29.1%	3.8x	13.1x	43 %	
Boral Ltd	ASX:BLD	5,049	5,716	2,180	430	19.7%	2.6x	13.3x	27 %	
United States Lime & Minerals, Inc.	NAS:USLM	662	572	176	53	30.1%	3.3x	10.8x	24 %	
<b>Median</b>		<b>\$ 5,629</b>	<b>\$ 6,370</b>	<b>\$ 2,180</b>	<b>\$ 486</b>	<b>29.1%</b>	<b>3.8x</b>	<b>13.3x</b>	<b>27 %</b>	
<b>Average</b>		<b>\$ 11,362</b>	<b>\$ 12,751</b>	<b>\$ 2,761</b>	<b>\$ 730</b>	<b>26.8%</b>	<b>4.0x</b>	<b>15.1x</b>	<b>27 %</b>	

As of October 8th, 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**

**Announced**

<b><u>Date</u></b>	<b><u>Acquirer/Investor</u></b>	<b><u>Target</u></b>	<b><u>Target Description</u></b>
Sep-21	DPR Construction	GE Johnson	General contracting construction company.
Sep-21	US LBM Holdings	Northern Building Supply	Retailer of building products.
Sep-21	Leonard Green & Partners	Tecta America	Rosemont, Illinois based commercial roofer.
Sep-21	SigmaRoc	Gerald Harries & Sons	Operator of quarrying, asphalt, concrete and contracting projects.
Sep-21	Babcock & Wilcox Enterprises	Fosler Construction Company	Offers framing, finish carpentry, installation and EPC for solar energy sector.
Sep-21	US LBM Holdings	Mid-Cape Home Centers	Distributor of home improvement products and building materials.
Sep-21	American Securities	Swinerton Renewable Energy	Provider of solar panel engineering, procurement and construction services.
Aug-21	Surveying and Mapping, Inc.	Johnson Surveying and Mapping	Land surveying and mapping firm for construction industry.
Aug-21	Webuild	Seli Overseas	Tunnel excavation specialist.
Aug-21	Breakwater Management, Cherng Family Trust	Matcon (Canada)	Provides construction services for large-scale civil infrastructure / commercial markets.
Aug-21	US LBM Holdings	Junior's Building Materials	Provider of lumber and a borad mix of specialty materials.
Aug-21	Wind Point Partners	Vertex	Engineering and construction management / consulting services firm.
Aug-21	Hensel Phelps	Hydro Construction	Provides construction of water and wastewater treatment facilities.
Aug-21	Pavement Partners	Dominion Paving and Sealing	Provider of asphalt and concrete solutions.
Aug-21	US LBM Holdings	Massey Builders' Supply	Distributor of building materials.
Aug-21	Surveying and Mapping, Inc.	The Whiddon Group	Provider of utility inspection and management services for engineering firms.
Aug-21	Wynnchurch Capital	Trimlite	Manufacturer and distributor of specialty doors.
Aug-21	Bessemer Investors	Legacy Restoration	Exterior restoration and remodeling services.
Aug-21	US LBM Holdings	North Georgia Building Supply	Distributor of building materials.
Aug-21	Wrench Group	Boothe's Heating, Air and Plumbing	Provides Plumbing, Heating, and AC services to Southern Maryland.
Aug-21	Cornerstone Building Brands	Cascade Windows	Manufacturer of vinyl windows and doors.
Jul-21	Tecta America	Empire Roofing	Provider of roof replacement, maintenance, and repair services.



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

<b>Announced Date</b>	<b>Acquirer/Investor</b>	<b>Target</b>	<b>Target Description</b>
Jun-21	Salas O'Brien Engineers	Sia Solutions	Provider of environmental consulting and engineering services.
Jun-21	Surveying and Mapping, Inc.	Marbach, Brady and Weaver	Provider of land surveying and engineering services.
Jul-21	SPO Networks	Red Line Contractors	Provider of demolition, general contracting, maintenance, and site clearing services.
Jul-21	Carlisle Construction Materials	Henry Company	Manufacturer of roofing and building-envelope systems.
Jul-21	Keller Group	Remedial Construction Services	Provider of environmental remediation and civil construction services.
Jun-21	Salas O'Brien Engineers	PCI Skanska	Provides process mechanical analysis and engineering services.
Jun-21	Hardwoods Distribution	Novo Building Products	Provider of building products to national home retail centers and building material dealers.
Jun-21	Tecta America	Childers Roofing & Sheetmetal	Provider of roofing services.
Jun-21	Salas O'Brien Engineers	BVH Integrated Services	Provider of building and site engineering services.
Jun-21	PNC Mezzanine Capital	MST Concrete Products	Provider of engineered concrete products.
Jun-21	Gryphon Investors	Comfort Masters	Provider of residential HVAC, air quality and hot water services.
Jun-21	Congleton-Hacker Company	Paul Mattingly/Congleton-Hacker Constructors	Provider of construction services.
Jun-21	Salas O'Brien Engineers	Girard Engineering	Provider of engineering services.
Jun-21	ERW Site Solutions	Ratliff Hardscape	Provider of construction services in both the public and private sector.
Jun-21	Nordisk Bergteknik	Grundia	Provider of construction services in Molndal, Sweden.
May-21	Bain Capital, US LBM Holdings	American Construction Source	Specialty lumber and building materials provider.
May-21	AE Industrial Partners	Cross-Fire Safety	Provides designing, engineering and installation of life safety systems for buildings.
May-21	Salas O'Brien Engineers	The Leffler Group	Provides project management, construction, coordination services.
May-21	Godspeed Capital	Prime Engineering	Atlanta-based architecture, engineering, and surveying firm.
May-21	Bain Capital, US LBM Holdings	Higginbotham Brothers	Supplier of lumber and building products to builders and contractors.
Apr-21	Emcor Group	Dallas Mechanical Group, LLC	Provider of mechanical construction and maintenance services.
Apr-21	Harris Contracting Company	HVAC Controls & Specialties, Inc.	Provider of installation services catering to commercial buildings.
Mar-21	Surveying and Mapping, Inc.	John F. Watson and Company	Provider of land surveying and land development services.

Source: PitchBook, Company Press Releases, Meridian Research



# 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>GE Johnson</p> <hr/>  <p>Joins DPR Family of Companies</p> 	<p>Weatherhaven</p> <hr/>  <p>- Acquired by -</p> 	<p>NW Building Components &amp; Mandere Construction</p> <hr/>   <p>- Acquired by -</p> 	<p>Brundage-Bone Concrete Pumping</p> <hr/>  <p>- Acquired by -</p> 
<p>Shields Manufacturing</p> <hr/>  <p>- Acquired by -</p> 	<p>McKinstry</p> <hr/>  <p>- Recapitalization of -</p> 	<p>Burton Saw and Supply</p> <hr/>  <p>- Acquired by -</p> 	<p>Manor Hardware</p> <hr/>  <p>- Acquired by -</p>  
<p>AD Systems</p> <hr/>  <p>- Strategic advisory -</p> 	<p>Fasteners, Inc.</p> <hr/>  <p>- Acquired by -</p> 	<p>General Construction Co.</p> <hr/>  <p>- Acquired by -</p> 	<p>Eco-Pan, Inc.</p> <hr/>  <p>- Acquired by -</p> 
<p>Omega Morgan</p> <hr/>  <p>- Acquired by -</p> 	<p>Dade Moeller &amp; Associates</p> <hr/>  <p>- Acquired by -</p> 	<p>Northwest Landscaping Services</p> <hr/>  <p>- Acquired by -</p> 	<p>MM Comfort Systems</p> <hr/>  <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 top 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

## MERIDIAN CAPITAL'S ENGINEERING, CONSTRUCTION, & BUILDING PRODUCTS TEAM

### Team Leads



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## 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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