

SPRING 2022

INDUSTRY UPDATE

Engineering, Construction & Building Products Market Monitor



MERIDIAN CAPITAL
INVESTMENT BANKERS

\$1.2T Infrastructure Bill Passes! What Now?

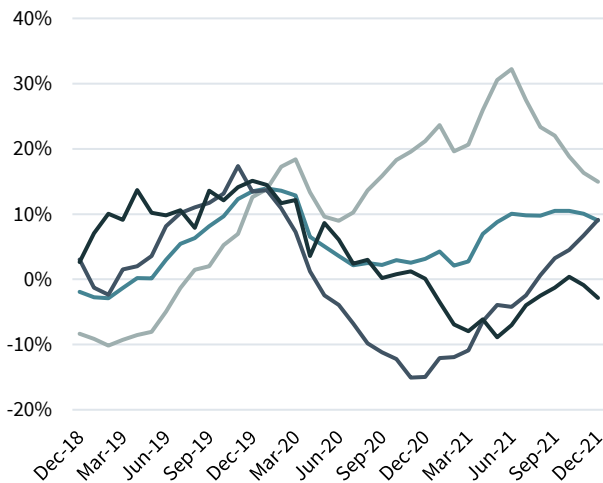


ENC&BP MARKET INSIGHTS

Construction Materials & Labor Availability Remain a Focal Point in 2022

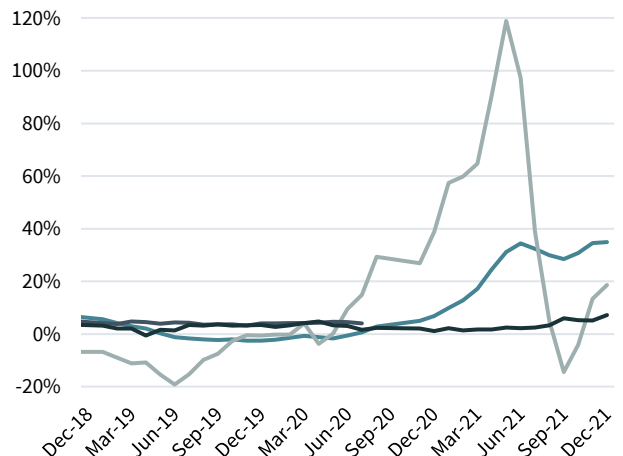
- While the prices of some raw materials declined in December, overall construction materials increased nearly 20% in 2021 according to the Associated General Contractors of America (AGC).
- Lumber was one of the most impacted materials and experienced YoY price increases of nearly 28% in 2021. Lumber prices declined later in the year as production increased, and the Linesight Commodities Report expects price inflation in 2022 to moderate at nearly 5%.
- Overall, materials prices are expected to see continued volatility in 2022. But total construction spending is expected to exceed \$1.7 trillion in 2022, a nearly 4% increase from 2021.
- According to the U.S. Bureau of Labor Statistics most recently published report, the construction industry employed over 7.5M seasonally adjusted jobs as of November 2021, nearing a return to the 7.6M employed in March 2020 (pre-pandemic).
- Riding the tails of Biden’s infrastructure bill, construction firms are optimistic and foresee growing demand for projects in 2022. According to AGC, 74% of firms plan to expand in 2022 despite supply chain and labor challenges.
- The influx of civil spending from the infrastructure bill is expected to significantly increase demand in a tight labor environment, further driving up construction wages through 2022.

Construction Spending: YoY Change (%)



- Total Construction
- Private Residential
- Private Nonresidential
- Public

Commodities PPI: YoY Change (%)



- All Construction Materials
- Lumber
- Construction Sand, Gravel, and Rock
- Ready-Mix Concrete

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



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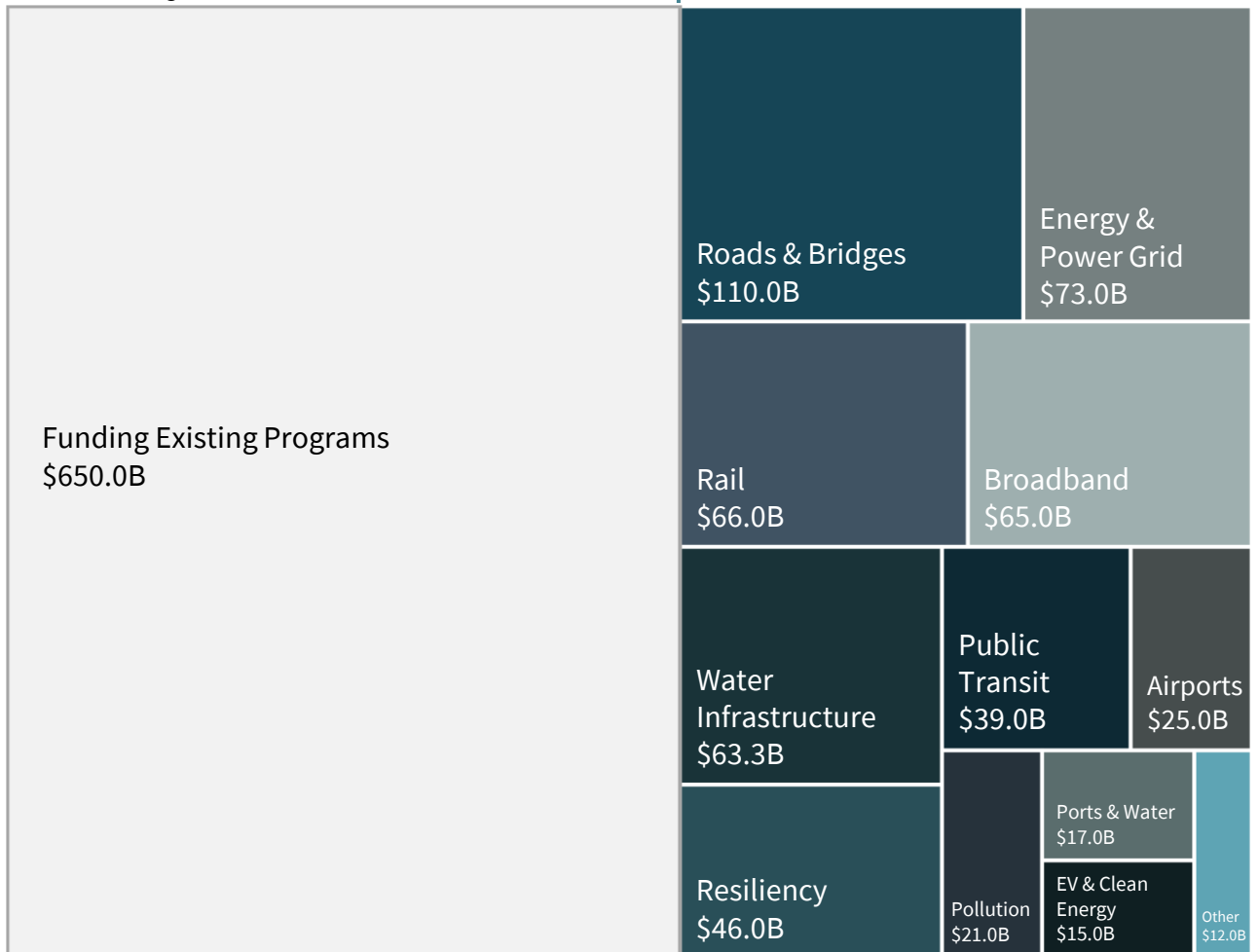
- On the back of strong bipartisan support, President Biden signed the Infrastructure Investment and Jobs Act (IIJA) into legislation in November 2021.
- Rollout of funds is expected to start in 2022 with established programs and formula-based allocations moving the quickest. Highway and road improvement and EPA water projects will be among the first funds distributed.
- The five-year fund distribution timeline (and future maintenance requirements) is expected to drive meaningful growth & M&A across ENCBP sectors, as companies focus on adding scale, expanding end markets served, and geographic reach.

\$1.2 Trillion

Total funding of IIJA

\$550B

New Investment Allocation



The \$650B allocated to previously authorized funding primarily includes roads and other infrastructure projects.

MERIDIAN CAPITAL
INVESTMENT BANKERS

Spring 2022 | ENC&BP UPDATE
Engineering, Construction & Building Products

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

U.S. ENC&BP M&A Activity

Quarter	Construction & Engineering	Building Products & Materials	Total
Q1 2020	180	66	246
Q2 2020	84	21	105
Q3 2020	141	56	197
Q4 2020	175	90	265
Q1 2021	152	63	215
Q2 2021	162	78	240
Q3 2021	177	79	256
Q4 2021	190	104	294

Public Market Valuations (EV/EBITDA)

Month	Building Materials	Construction	Building Products	Engineering
May '19	~12.0x	~8.0x	~11.0x	~11.0x
Aug '19	~15.0x	~8.0x	~12.0x	~15.0x
Nov '19	~16.0x	~8.0x	~13.0x	~16.0x
Feb '20	~18.0x	~8.0x	~14.0x	~18.0x
May '20	~10.0x	~6.0x	~10.0x	~10.0x
Aug '20	~14.0x	~8.0x	~13.0x	~14.0x
Nov '20	~15.0x	~8.0x	~14.0x	~15.0x
Feb '21	~16.0x	~9.0x	~14.0x	~16.0x
May '21	~18.0x	~10.0x	~15.0x	~18.0x
Aug '21	~16.0x	~10.0x	~14.0x	~16.0x
Nov '21	~18.0x	~10.0x	~15.0x	~18.0x
Feb '22	~14.0x	~10.0x	~14.0x	~14.0x

Commentary

- Q4 2021 M&A transaction activity finished the year strong with a record 294 transactions, contributing to over 1,000 ENC&BP transactions in 2021.
- Q1 2022 has seen continued momentum with 118 M&A Transactions YTD⁽¹⁾.
- Robust sector activity is fueled by the \$1.2T federal infrastructure package as corporations and private equity firms look for investments that can benefit from the tailwinds of increased government spending.
- Due to continued record levels of dry power, a positive industry outlook, and available, inexpensive debt options, M&A is expected to remain a key strategic focus for investors in 2022.
- After the infrastructure package was originally passed by the house in late July, sector valuations shot up ~6% above pre-pandemic levels, with an average EV/EBITDA multiple of 14.4x, led by a ~13% multiple expansion of engineering firms.
- Due to the recent market downturn and as the market continues to gain a deeper understanding of the infrastructure package, multiples have moved back to pre-pandemic levels with an average EV/EBITDA multiple of 13.6x.

Source: PitchBook Data, Company Press Releases, and Meridian Research
1) YTD as of February 16, 2022

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Shoemaker Manufacturing acquired by CSW Industrials

Meridian Capital LLC (“Meridian”), a leading Seattle-based middle market investment bank and M&A advisory firm, is pleased to announce the successful acquisition of one of its clients, Shoemaker Manufacturing (“Shoemaker” or the “Company”), by CSW Industrials (“CSWI”) (NASDAQ: CSWI).

Based in Cle Elum, Washington, Shoemaker Manufacturing is a leading manufacturer of grilles, registers, and diffusers (“GRDs”) for commercial, residential, and industrial HVAC applications. Shoemaker’s success is driven by its technical capabilities, broad product offerings, and customized solutions.



This strategic acquisition further expands CSWI’s HVAC/R product offering with customizable GRDs for commercial and residential markets and increases regional exposure to the Northwest.

John Hein, former shareholder and President of Shoemaker, said, “Meridian exceeded all expectations on their commitment to finding us a partner that will honor the Company’s legacy and provide the necessary resources to accelerate our growth trajectory. Meridian’s understanding of our industry was instrumental during the process, as they were able to clearly understand our business model and effectively message our position to the market. I’m extremely excited about our new partnership with CSWI and look forward to capitalizing on the complementary nature of our product lines.”

Claire Nicholls, former shareholder and Vice President of Shoemaker, commented, “As a multi-generational family business with a strong 75-year track record, finding a partner as culturally aligned as CSWI was of prime importance in this transaction. Meridian’s consistent focus on the ultimate goals of our shareholders resulted in an efficient and personalized process that led to a successful outcome for all parties.”

Brian Murphy, President and Managing Director at Meridian, said, “Shoemaker’s broad product landscape, coupled with its unique product customization and assembly capabilities, allows the Company to provide an unmatched product offering to its clients. The Company’s current position in the marketplace and reputation throughout the industry will allow it to see continued growth during its partnership with CSWI. It was an honor to work with John, Claire, and the entire Shoemaker team to steward the legacy of the Company and provide a complementary growth partner.”



AHR Expo in Las Vegas: Key Takeaways

The Meridian ENC&BP team attended the AHR Expo in Las Vegas this year. The turnout was outstanding, and people and companies were very engaged in a dialogue about future growth, strategic direction and potential M&A transactions. There were several key themes that emerged from the show:

- Building automation continues to be a rapidly growing and attractive sector for investment
- HVAC component suppliers are experiencing an elevated revenue growth rate
- Nearshoring production continues to be a solution to easing supply chain disruptions

Highly Acquisitive Roll-ups Consolidating the Highly Fragmented HVACR Market

Comfort Systems USA



Description: Comfort Systems is a leading provider of commercial, industrial, and institutional HVAC and electrical contracting services nationwide.

Ownership: NYS: FIX

Headquarters: Houston, TX

Acquisitions: 26 platform acquisitions (7 in the past 24 months)

Investment Thesis: Comfort Systems continues to invest in platforms and complementary operations that expand geographic reach and capabilities.

Recent Acquisitions



CoolSys



Description: CoolSys is a group of businesses that provide national HVACR services to the retail, commercial, and industrial end-markets.

Ownership: Ares Private Equity (March 2019)

Headquarters: Brea, CA

Acquisitions: 24 platform acquisitions (8 in the past 24 months)

Investment Thesis: The Company is actively seeking to expand its geographic market presence through strategic acquisitions within its core HVACR product focus to become the market leading operating platform.

Recent Acquisitions



Service Champions



Description: Service Champions is Southern California's largest residential plumbing and HVAC company.

Ownership: Odyssey Investment Partners (December 2020)

Headquarters: Brea, CA

Acquisitions: 12 platform acquisitions (11 in the past 24 months)

Investment Thesis: Service Champions aims to diversify its geographic end markets through acquisitions of leading brands in key markets, specifically targeting the western & southern U.S. Markets.

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	\$ 15,143	\$ 16,645	\$ 11,969	\$ 1,057	8.8%	1.4x	15.8x	39 %
MasTec, Inc.	NYSE:MTZ	7,018	8,500	7,779	949	12.2%	1.1x	9.0x	8 %
EMCOR Group Inc.	NYSE:EME	6,256	6,155	9,545	640	6.7%	0.6x	9.6x	23 %
Comfort Systems USA, Inc.	NYSE:FIX	3,226	3,520	2,917	262	9.0%	1.2x	13.4x	40 %
Dycom Industries, Inc.	NYSE:DY	2,809	3,447	3,120	239	7.7%	1.1x	14.4x	2 %
Granite Construction Inc.	NYSE:GVA	1,668	1,426	3,642	166	4.6%	nm	nm	15 %
MYR Group Inc.	NAS:MYRG	1,593	1,546	2,460	160	6.5%	0.6x	9.7x	57 %
Primoris Services Corporation	NAS:PRIM	1,440	2,095	3,511	277	7.9%	0.6x	7.6x	(15)%
Great Lakes Dredge & Dock Corp.	NAS:GLDD	909	1,109	688	105	15.2%	1.6x	10.6x	(9)%
Sterling Construction Company, Inc.	NAS:STRL	860	1,082	1,528	144	9.4%	0.7x	7.5x	32 %
Matrix Service Co.	NAS:MTRX	173	132	653	(52)	-7.9%	0.2x	nm	(51)%
Orion Group Holdings, Inc.	NYSE:ORN	102	165	609	23	3.8%	0.3x	7.1x	(44)%
Median		\$ 1,630	\$ 1,820	\$ 3,018	\$ 203	7.8%	0.7x	9.6x	12 %
Average		\$ 3,433	\$ 3,819	\$ 4,035	\$ 331	7.0%	0.9x	10.5x	8 %

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	\$ 20,165	\$ 23,790	\$ 4,048	\$ 853	21.1%	5.9x	27.9x	11 %
Jacobs Engineering Group, Inc.	NYSE:J	16,506	19,924	14,091	859	6.1%	1.4x	23.2x	15 %
Aecom Technology Corporation	NYSE:ACM	10,550	12,443	13,294	677	5.1%	0.9x	18.4x	41 %
Tetra Tech, Inc.	NAS:TTEK	8,230	8,526	3,307	310	9.4%	2.6x	27.5x	14 %
KBR, Inc.	NYSE:KBR	6,383	7,672	6,306	260	4.1%	1.2x	29.5x	45 %
Stantec, Inc.	TSX:STN	6,098	7,102	3,571	399	11.2%	2.0x	nm	42 %
CACI International Inc.	NYSE:CACI	6,017	8,359	6,093	643	10.6%	1.4x	13.0x	8 %
Fluor Corporation	NYSE:FLR	3,138	2,367	14,057	(79)	-0.6%	0.2x	nm	25 %
VSE Corporation	NAS:VSEC	629	950	691	48	6.9%	1.4x	19.9x	42 %
Tutor Perini Corp.	NYSE:TPC	600	1,390	4,955	360	7.3%	0.3x	3.9x	(31)%
Perma-Fix Environmental Services, Inc.	NAS:PESI	77	72	83	3	3.0%	0.9x	28.5x	(11)%
Median		\$ 6,098	\$ 7,672	\$ 4,955	\$ 360	6.9%	1.4x	23.2x	15 %
Average		\$ 7,127	\$ 8,418	\$ 6,409	\$ 394	7.6%	1.6x	21.3x	18 %

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	\$ 14,532	\$ 17,032	\$ 8,375	\$ 1,117	13.3%	2.0x	15.2x	10 %
Builders FirstSource, Inc.	NYS:BLDR	13,688	16,342	17,790	2,410	13.5%	0.9x	nm	67 %
Trex Company, Inc.	NYSE:TREX	10,754	10,737	1,121	334	29.8%	9.6x	32.1x	(8)%
Owens Corning Corporation	NYSE:OC	9,392	11,614	8,292	1,900	22.9%	1.4x	nm	10 %
Simpson Manufacturing Company, Inc.	NYSE:SSD	5,291	5,027	1,449	349	24.1%	3.5x	14.4x	30 %
UFP Industries, Inc.	NAS:UFP	4,942	5,216	8,013	721	9.0%	0.7x	7.2x	29 %
Armstrong World Industries, Inc.	NYSE:AWI	4,679	5,251	1,063	354	33.3%	4.9x	14.8x	20 %
Gibraltar Industries, Inc.	NAS:ROCK	1,733	1,792	1,271	137	10.8%	1.4x	13.1x	(46)%
Quanex Building Products Corp	NYSE:NX	752	819	1,072	125	11.7%	0.8x	6.5x	(7)%
Median		\$ 5,291	\$ 5,251	\$ 1,449	\$ 354	13.5%	1.4x	14.4x	10 %
Average		\$ 7,307	\$ 8,203	\$ 5,383	\$ 828	18.7%	2.8x	14.8x	12 %

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	\$ 25,059	\$ 29,455	\$ 5,121	\$ 1,375	26.8%	5.8x	21.4x	19 %
Martin Marietta, Inc.	NYSE:MLM	23,902	27,065	5,097	1,446	28.4%	5.3x	18.7x	21 %
Eagle Materials Inc.	NYSE:EXP	5,706	6,564	1,792	627	35.0%	3.7x	10.5x	23 %
Boral Ltd	ASX:BLD	3,144	3,811	2,180	430	19.7%	1.7x	8.9x	(27)%
United States Lime & Minerals, Inc.	NAS:USLM	686	585	184	66	35.9%	3.2x	8.9x	(12)%
Median		\$ 5,706	\$ 6,564	\$ 2,180	\$ 627	28.4%	3.7x	10.5x	19 %
Average		\$ 11,699	\$ 13,496	\$ 2,875	\$ 789	29.2%	3.9x	13.7x	5 %

As of February 9th, 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

Source: PitchBook Data, Company Press Releases, Meridian Research



SELECT ENC&BP M&A TRANSACTIONS

<u>Announced Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Feb-22	Seattle Cedar Supply	ABC Supply Co.	Distributor of roofing materials based in Seattle.
Feb-22	Capital Brick & Tile	Brickworks	Distributor of architectural masonry products.
Feb-22	AHF Products	Paceline Equity Partners	Manufacturer and distributor of wood flooring products.
Feb-22	Woodward Landscape Supply	Outdoor Living Supply	Distributor of hardscaping materials.
Feb-22	Bishop Lifting Products	Altamont Capital Partners	Manufacturer and distributor of lifting products and specialty rental equipment.
Feb-22	MBTechnology	Carlisle Companies	Manufacturer of asphalt roofing membranes.
Feb-22	Performa	Eppstein Uhen Architects	Provider of integrated architectural and engineering services.
Feb-22	Waggoner Engineering	Tylon Group	Provider of civil engineering services.
Feb-22	Pevida Highway Designers	Ardurra Group	Provider of highway design services.
Jan-22	Associated Materials	Strategic Value Partners	Manufacturer and distributor of exterior residential building.
Jan-22	Gala & Associates	The Austin Company	Provider of architectural engineering and project management services.
Jan-22	Mid-Am Building Supply	Hardwoods Distribution	Distributor of building products.
Jan-22	Solar Innovations	Fortune Brands Home & Security	Manufacturer of doors, windows and glass structures.
Jan-22	Acts 29 Consulting	CMTA	Provider of engineering consulting services.
Jan-22	Perry Engineering	Bowman Consulting	Provider of civil engineering consulting and land surveying services.
Jan-22	Metco Landscape	Atar Capital	Provider of landscaping services for residential and commercial properties.
Jan-22	Holbert Apple Associates	Greenman-Pedersen	Provider of structural engineering consulting services.
Jan-22	Bulks	Outdoor Living Supply	Distributor of landscape materials.
Jan-22	Glacier Drilling	Dandelion Energy	Provider of drilling and related services.
Jan-22	Mebane Lumber Building Supply	Goldsboro Builders Supply	Provider of building supply and structural lumber.
Jan-22	Strain Electric	PowerVac	Provider of diversified electrical and utility contractors services.
Jan-22	White Mountain Survey & Engineering	Horizons Engineering	Provider of land surveying and civil engineering services.
Jan-22	Peltram Plumbing	Stellex Capital Management	Provider of plumbing and mechanical services.



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

<u>Announced Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Jan-22	Eagle Group of Springfield	Avison Young	Provider of interior design services, cost estimation, project management and construction management services.
Jan-22	LandDev Consulting	Howard R. Green Company	Provider of civil engineering services.
Jan-22	Eagle Group of Springfield	Avison Young	Provider of interior design services, cost estimation, project management and construction management services.
Jan-22	ProGroup Contracting	BrandPoint Services	Provider of painting and remodeling services.
Jan-22	Tidewater Environmental Services	Artesian Wastewater Management	Provider of regulated wastewater utility services.
Jan-22	Apex Pavement Solutions	Top Gun Facility Services	Provider of asphalt and concrete maintenance and repair services.
Jan-22	Electric Power Engineers	Lime Rock New Energy	Provider of engineering services focused on the power, renewable energy, and grid modernization.
Jan-22	Lambie Custom Homes	Grand Oak Builders	Provider of construction services.
Jan-22	Crews Crane Training International	Carlton Scale	Provider of crane and hoist training and inspection solutions.
Jan-22	Maddox Industrial Group	TransTech Energy	Provider of engineering and project management services.
Jan-22	Quattor Construction	RoadSafe Traffic Systems	Provider of traffic control and underground construction services.
Jan-22	Danton Hydro blasting	TRP Construction	Provider of hydro-blasting services.
Jan-22	Benton Ready-Mix of Florence	Thomas Concrete Industries	Distributor of building materials.
Jan-22	Rosboro Company	One Equity Partners	Manufacturer of engineered wood products.
Jan-22	Edwards Electrical & Mechanical	Comfort Systems USA	Provider of HVAC, mechanical and electrical services.
Jan-22	Progress Supply	Gustave A. Larson Company	Wholesaler of plumbing fixtures and supplies.
Jan-22	Cowden	Aggregate Industries	Supplier of ready-mix concrete and aggregate assets.
Jan-22	Holmes Drywall Supply	L&W Supply	Distributor of building products serving commercial and residential contractors.
Jan-22	Interstate Block & Brick	Alley-Cassetty Companies	Manufacturer and distributor of masonry and concrete products.
Jan-22	Apple Air Conditioning & Heating	Apex Service Partners	Provider of air conditioning and heating services.
Jan-22	BRH-Garver Construction	Kidd & Company	Provider of micro-tunneling services.
Jan-22	Crabtree Siding and Supply	Beacon Roofing Supply	Distributor of residential exterior building materials.
Jan-22	Simpson Engineers & Associates	WGI	Provider of civil engineering and construction 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>Shoemaker</p>  <p>- Acquired by -</p> 	<p>GE Johnson</p>  <p>Joins DPR Family of Companies</p> 	<p>Weatherhaven</p>  <p>- Acquired by -</p> 	<p>NW Building Components & Mandere Construction</p>   <p>- Acquired by -</p> 
<p>Landmark Irrigation</p>  <p>- Acquired 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>Brundage-Bone Concrete Pumping</p>  <p>- Acquired by -</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>AD Systems</p>  <p>- Acquired by -</p> 	<p>Dade Moeller & 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 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

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About Meridian Capital

Meridian Capital (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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