

Engineering, Construction & Building Products Market Monitor

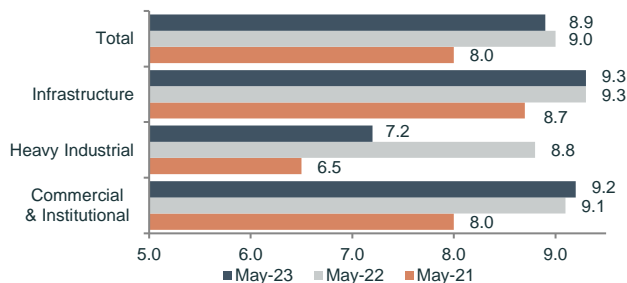


ENC&BP Market Insights

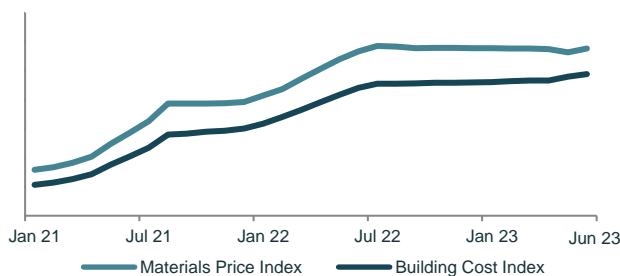
Backlog and M&A Activity Continue as Inflation, Labor, and Material Costs Stabilize

- Construction activity remained robust during the first half of 2023, led by the manufacturing and infrastructure sectors. For the Trailing 12-Month period ending May 2023, total construction starts rose 9% when compared to the same period ending May 2022.
- According to Engineering News-Record, the industry maintains an average backlog of nine months, indicating sustained activity, particularly in infrastructure and commercial & institutional projects.
- Construction employment increased in 64% of metro areas between May 2022 and May 2023, bringing the construction unemployment rate down to 3.5%.
- Construction materials prices have stabilized in 1H 2023 as expected, though contractors must continue to focus on materials management as pricing holds at historical highs.
- ABC Construction’s Confidence Index reading for sales, profit margins, and staffing all remain above the threshold of 50 through 1H 2023, indicating expectations of growth through the end of the year.

Construction Backlog Indicator by Industry (Months)



Construction Costs & Materials Cost Index



The Evolving Landscape of the US Aggregates Market

- The US aggregates market is thriving due to rising demand for infrastructure development, construction activities, urbanization, and growth in residential, commercial, and infrastructure projects.
- Due to the rise of construction activity, the construction aggregate market is estimated to grow at a compound annual growth rate of 4.9% annually through 2033. Meanwhile, the demand for infrastructure simultaneously fuels a similar growth rate for road aggregates alone.
- Technological advancements in the extraction and processing of construction aggregates have improved efficiency, reduced costs, and increased production in the US market.
- Construction aggregate companies are utilizing M&A to consolidate operations, expand market presence and geographic footprint, and achieve competitive advantages in the industry.



SPINOFF FROM



- Knife River’s divestiture from MDU Resources establishes itself as a stand-alone and vertically integrated construction materials business.
- As an independent company, Knife River gains the autonomy to double down on its existing acquisition thesis of acquiring aggregates-based businesses and adding vertical integration.
- Knife River remains focused on expanding its footprint across major metropolitan areas.

ENC&BP Market Insights

Revolutionizing Construction: How Technology Transforms the Industry

- AI technologies enable the application of augmented reality (AR), virtual reality (VR), and digital twin models in construction. These solutions provide real-time visualization, allowing stakeholders to assess the progress of construction projects and make adjustments as necessary.
- The rise of artificial intelligence, combined with IoT technologies, has fueled the growth of startups specializing in Water Tech solutions, enabling intelligent water monitoring and optimization of capital planning and treatment.
- Drones are being extensively utilized in the US construction industry for surveying, inspection, and delivery purposes. They offer benefits such as improved safety, cost reduction, and accelerated project timelines.
- Construction Technology continues to evolve rapidly, with advancements in AI, IoT, drones, BIM, and reality capture technologies. These innovations are driving industry transformation, promoting efficiency, cost reduction, and improved safety throughout the project lifecycle.

Meridian’s Leading Construction Tech Practice & Western Presence



Matt Rehtin
Managing Director











Meridian Capital LLC (“Meridian”) is pleased to announce the addition of Matt Rehtin as Managing Director within our Construction Tech, Technology, Telecom, and Tech-Enabled Services team. Matt is based in San Francisco, and will work collectively with Meridian’s team in Seattle, Salt Lake City, and Portland.

Matt has over 14 years of experience serving middle market clients in M&A. Over the course of his career as an investment banker, Matt has advised clients across an assortment of sub-industries within tech including construction, software, internet, hardware, systems, and semiconductors.

He has successfully advised businesses on a variety of sell-side and buy-side, recapitalization, growth equity, and strategic advisory assignments up to \$100B in value.

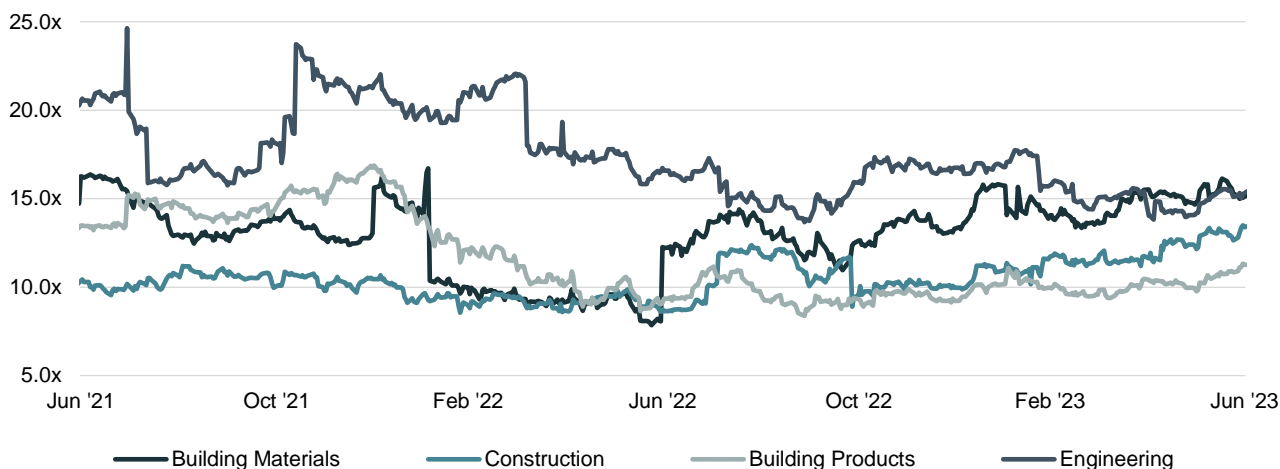
Prior to joining Meridian, Matt led the U.S. software investment banking practice at EY in San Francisco and worked as an investment banker in the technology practices at Wells Fargo, Lazard, and RBC Capital Markets in San Francisco.

Select Construction Technology Transactions

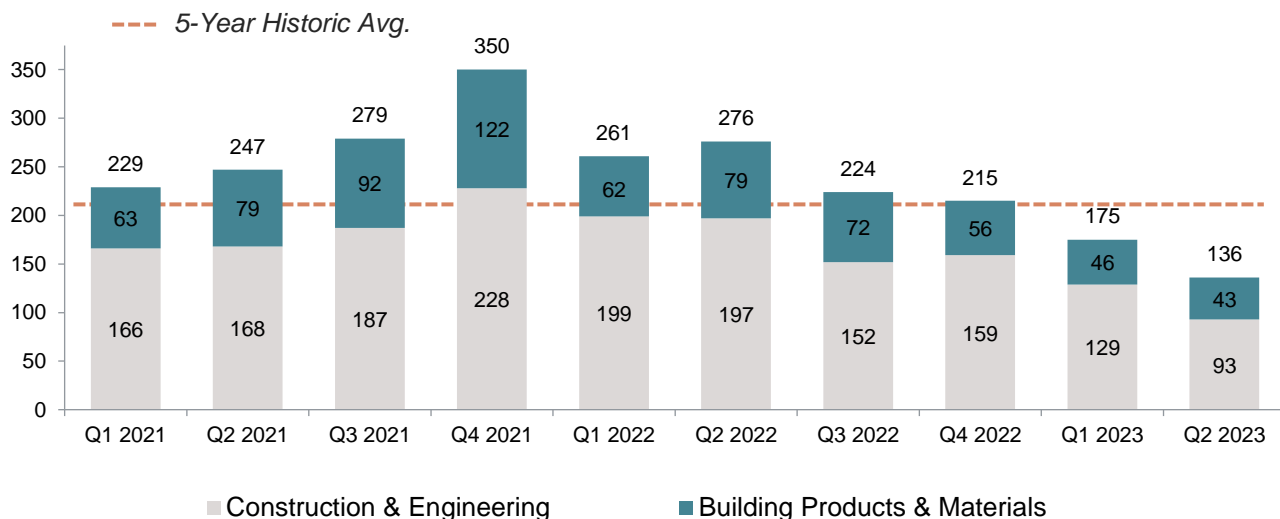
<p>Hilti</p>  <p>- Has acquired -</p> 	<p>Bluebeam</p>  <p>- Acquired by -</p> 	<p>Trimble</p>  <p>- Has acquired -</p> 	<p>Trimble</p>  <p>- Has acquired -</p> 	<p>Trimble</p>  <p>- Has acquired -</p> 
--	--	--	--	--

ENC&BP Middle Market M&A Activity and Trends

Public Market Valuations (EV/EBITDA)



U.S. ENC&BP M&A Activity



ENC&BP M&A Commentary

- Throughout 1H 2023, many strategic acquirers pivoted towards internal initiatives in the face of rising interest rates and overall market uncertainty, leading to lower M&A volume in the sector.
- M&A activity saw a noticeable uptick towards the end of Q2 as inflation began to show signs of easing and the Federal Reserve paused interest rate hikes – demonstrating increased investor confidence.
- M&A is expected to remain a key strategic focus for ENC&BP financial investors and strategics through the second half of 2023.
- Construction aggregates M&A activity remains strong as established strategics continue to expand offerings and geographic presence through consolidation.
- Financial buyers continue to deploy capital in platform investments across certain service sectors, like architecture and engineering services to replicate HVACR roll-up strategies.

Industry Spotlight – Roofing Services

Roofing Industry Trends

The Roofing Services sector remains highly fragmented and began to experience consolidation by larger players. Geographic expansion and pursuit of economies of scale have created attractive M&A conditions for established strategic platforms.

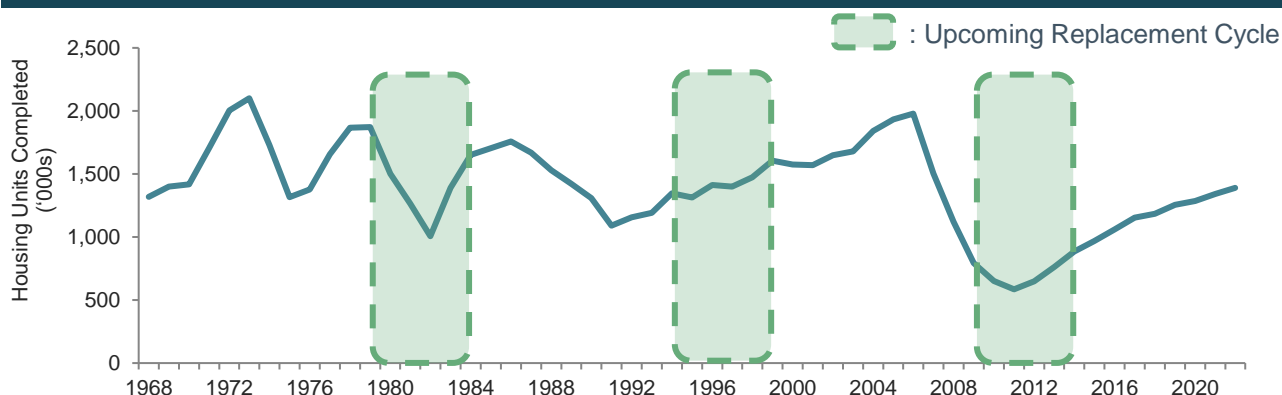
Roofing Services



The Roofing Services market size is estimated at

\$55 billion

U.S. Roofing Replacement Cycles



- Roofing replacement, repair, and maintenance occurs on highly predictable 15 to 20-year cycles, creating an attractive recurring revenue stream.
- As the U.S. housing stock ages, multiple generations of homes will require roofing services in the upcoming years, as highlighted above. This compounding effect of increased total number of homes is expected to drive stable industry growth for the foreseeable future.
- The regionalized nature of the roofing industry across the country creates fragmented industry dynamics, ripe for consolidation under larger platforms.
- The last 24 months have seen a sharp increase in investor interest in the sector, with numerous acquisitions and the establishment of multiple new private equity-backed platforms.

NOTABLE PLATFORMS



of Acquisitions: 37



of Acquisitions: 16



of Acquisitions: 10



of Acquisitions: 8



of Acquisitions: 5



of Acquisitions: 4

ENC&BP Middle Market Selected M&A Activity

Highlighted AEC Services M&A Transaction

GI PARTNERS



GI Partners Acquires Atlas Technical Consultants

April 2023

EV
\$1,041M

EV/EBITDA
NA

Target Description: Atlas, headquartered in Austin, Texas, is a leading provider of infrastructure and environmental solutions, partnering with clients to improve performance and extend the lifecycle of built and natural infrastructure assets stressed by climate, health, and economic impacts.

Investment Rationale: Under private ownership and in partnership with GI Partners, Atlas will accelerate its growth and drive greater value to customers.

Highlighted Construction Aggregates M&A Transaction



Heidelberg Materials Acquires The SEFA Group

April 2023

EV
NA

EV/EBITDA
NA

Target Description: The SEFA Group Inc., the largest fly ash recycling company in the United States and currently supplies quality fly ash to more than 800 concrete plants in 13 states.

Investment Rationale: With this transaction, Heidelberg Materials reaches another milestone in its continued focus on portfolio optimization and moves forward with positioning the Company as the front runner on the path to carbon neutrality and circular economy in the construction materials industry.

Highlighted Building Products M&A Transaction



Holcim Acquires Duro-Last Roofing Systems

March 2023

EV
\$1,293M

EV/EBITDA
11.9x

Target Description: Duro-Last is a leading manufacturer of custom-fabricated thermoplastic single-ply roofing systems based in Saginaw, Michigan.

Investment Rationale: This acquisition advances Holcim's "Strategy 2025 – Accelerating Green Growth" with the goal to expand its Solutions & Products business to 30% of Group net sales by 2025, entering the most attractive construction segments, from roofing and insulation to repair and refurbishment.

Highlighted Construction Tech / Environmental Services M&A Transaction



Xylem Acquires Evoqua Water Technologies

May 2023

EV
\$7,500M

EV/EBITDA
NA

Target Description: Evoqua is a leader in mission-critical water treatment solutions and services.

Investment Rationale: The combination creates the world's most advanced platform of capabilities to address customers' and communities' critical water challenges. The President and CEO noted, "Our combination with Evoqua creates a transformative global platform to solve these critical water challenges at an even greater scale."

Small & Mid-Cap Company Valuations

Construction (US\$ in millions)	Market Cap	Enterprise Value	LTM		LTM Margin	EV / LTM		52-Week Change
			Rev	EBITDA	EBITDA	Rev	EBITDA	
Quanta Services, Inc.	\$ 28,520	\$ 32,693	\$ 17,537	\$ 1,452	8.3%	1.9x	22.5x	56 %
MasTec, Inc.	9,303	12,662	10,408	660	6.3%	1.2x	19.2x	64 %
EMCOR Group Inc.	8,786	9,008	11,374	733	6.4%	0.8x	12.3x	79 %
Comfort Systems USA, Inc.	5,873	6,149	4,430	356	8.0%	1.4x	17.3x	95 %
Dycom Industries, Inc.	3,333	4,154	3,978	414	10.4%	1.0x	10.0x	21 %
MYR Group Inc.	2,311	2,323	3,184	178	5.6%	0.7x	13.1x	60 %
Granite Construction Inc.	1,801	1,760	3,125	131	4.2%	0.6x	13.4x	36 %
Sterling Infrastructure, Inc.	1,718	1,982	1,763	216	12.2%	1.1x	9.2x	154 %
Primoris Services Corporation	1,624	2,860	4,893	325	6.6%	0.6x	8.8x	39 %
Great Lakes Dredge & Dock Company	542	968	612	(3)	-0.4%	1.6x	nm	(37)%
Matrix Service Co.	159	152	790	(23)	-2.9%	0.2x	nm	19 %
Orion Group Holdings, Inc.	90	173	733	13	1.7%	0.2x	13.6x	26 %
Median	\$ 2,056	\$ 2,591	\$ 3,581	\$ 270	6.4%	0.9x	13.2x	47 %
Average	\$ 5,338	\$ 6,240	\$ 5,236	\$ 371	5.5%	0.9x	13.9x	51 %
Engineering (US\$ in millions)	Market Cap	Enterprise Value	LTM		LTM Margin	EV / LTM		52-Week Change
			Rev	EBITDA	EBITDA	Rev	EBITDA	
Teledyne Technologies Incorporated	\$ 19,341	\$ 22,500	\$ 5,521	\$ 1,344	24.3%	4.1x	16.7x	8 %
Jacobs Engineering Group, Inc.	15,081	18,766	15,585	1,437	9.2%	1.2x	13.1x	(6)%
Aecom Technology Corporation	11,772	13,653	13,540	883	6.5%	1.0x	15.5x	29 %
KBR, Inc.	8,830	10,400	6,553	684	10.4%	1.6x	15.2x	32 %
Tetra Tech, Inc.	8,716	9,789	3,846	479	12.5%	2.5x	20.4x	18 %
CACI International Inc.	7,769	9,744	6,642	680	10.2%	1.5x	14.3x	19 %
Stantec, Inc.	7,246	8,619	4,357	516	11.8%	2.0x	16.7x	49 %
Fluor Corporation	4,240	3,111	14,373	49	0.3%	0.2x	63.5x	26 %
VSE Corporation	705	1,087	974	87	8.9%	1.1x	12.5x	49 %
Tutor Perini Corp.	369	1,053	3,615	(214)	-5.9%	0.3x	nm	(20)%
Perma-Fix Environmental Services, Inc.	149	150	75	0	0.3%	2.0x	nm	114 %
Median	\$ 7,769	\$ 9,744	\$ 5,521	\$ 516	9.2%	1.5x	15.5x	26 %
Average	\$ 7,656	\$ 8,988	\$ 6,826	\$ 540	8.1%	1.6x	20.9x	29 %
Building Products (US\$ in millions)	Market Cap	Enterprise Value	LTM		LTM Margin	EV / LTM		52-Week Change
			Rev	EBITDA	EBITDA	Rev	EBITDA	
Builders FirstSource, Inc.	\$ 17,408	\$ 20,967	\$ 20,929	\$ 3,895	18.6%	1.0x	5.4x	137 %
Masco Corporation	12,916	16,278	8,458	1,262	14.9%	1.9x	12.9x	11 %
Owens-Corning Inc	11,759	14,259	9,746	2,341	24.0%	1.5x	6.1x	68 %
Trex Company, Inc.	7,133	7,530	1,006	254	25.3%	7.5x	29.6x	16 %
UFP Industries, Inc.	6,026	6,000	8,960	968	10.8%	0.7x	6.2x	40 %
Simpson Manufacturing Company, Inc.	5,910	6,275	2,157	517	24.0%	2.9x	12.1x	35 %
Armstrong World Industries, Inc.	3,314	3,918	1,261	376	29.8%	3.1x	10.4x	(3)%
Gibraltar Industries, Inc.	1,913	1,973	1,365	150	11.0%	1.4x	13.2x	57 %
Quanex Building Products Corp	885	1,022	1,167	137	11.8%	0.9x	7.4x	15 %
Median	\$ 6,026	\$ 6,275	\$ 2,157	\$ 517	18.6%	1.5x	10.4x	35 %
Average	\$ 7,474	\$ 8,691	\$ 6,116	\$ 1,100	18.9%	2.3x	11.5x	42 %
Building Materials (US\$ in millions)	Market Cap	Enterprise Value	LTM		LTM Margin	EV / LTM		52-Week Change
			Rev	EBITDA	EBITDA	Rev	EBITDA	
Vulcan Materials Company	\$ 29,997	\$ 34,304	\$ 7,424	\$ 1,591	21.4%	4.6x	21.6x	58 %
Martin Marietta, Inc.	28,610	33,816	6,284	1,903	30.3%	5.4x	17.8x	56 %
Eagle Materials Inc.	6,621	7,726	2,148	762	35.5%	3.6x	10.1x	66 %
Boral Ltd	2,943	3,252	2,172	214	9.9%	1.5x	15.2x	50 %
United States Lime & Minerals, Inc.	1,189	1,047	252	87	34.3%	4.2x	12.1x	97 %
Median	\$ 6,621	\$ 7,726	\$ 2,172	\$ 762	30.3%	4.2x	15.2x	58 %
Average	\$ 13,872	\$ 16,029	\$ 3,656	\$ 912	26.3%	3.8x	15.3x	65 %

As of June 30th, 2023

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.

Select ENC&BP M&A Transactions

<u>Announced Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Pending	Arconic (NYS: ARNC)	Apollo Global Management, Irenic Capital Management	Manufacturer of aluminum and other architectural products for the building and construction end-market.
Jun-23	Pro-Tech Air Conditioning & Plumbing	Southern HVAC Corporation (Gryphon Investors)	Provider of residential plumbing and HVAC services.
Jun-23	Syracuse Glass	Oldcastle BuildingEnvelope (KPS Capital Partners)	Provider of glass and metal fabrication services.
Jun-23	Spectrum Brands (Hardware & Home Improvement)	Assa Abloy (STO: ASSA B)	Distributor of hardware and home improvement products.
Jun-23	AXIS GeoSpatial	SAM Companies (Peak Rock Capital)	Provider of mapping services utilizing remote sensing and measurement technologies.
Jun-23	Cardinal Roofing and Restoration	Northpoint Roofing Systems (Halmos Capital)	Provider of residential roof replacement and repair services.
Jun-23	Infrastructure Engineers	Bowman Consulting (NAS: BWMN)	Provider of engineering, environmental, geospatial, and municipal infrastructure services.
Jun-23	Silver State Building Materials	Beacon (NAS: BECN)	Provider of residential roofing materials.
Jun-23	Building Products of Canada Corp.	Saint-Gobain (EPA: SGO)	Manufacturer of residential roofing shingles and insulation panels.
Jun-23	Seatown Electric, Plumbing, Heating, and Air	Service Champions (Odyssey Investment Partners)	Provider of residential electrical, plumbing, and HVAC services.
Jun-23	Environmental Systems Design	Stantec (NYSE: STN)	Provider of engineering services.
Jun-23	American Engineers	STV Group (Pritzker)	Provider of civil engineering services.
Jun-23	Arrow Plumbing	Rush Street Ventures	Provider of plumbing services.
Jun-23	Riner Engineering	UES (BDT Capital Partners, Palm Beach Capital)	Provider of geotechnical engineering and construction materials testing services.
Jun-23	Gladstein, Neandross & Associates	TRC (Warburg Pincus)	Provider of transportation and infrastructure consulting services.
May-23	C&R Stone World	Outdoor Living Supply (Trilantic North America)	Distributor of natural stone, masonry, hardscape, and landscape products.
May-23	Solar Integrated Roofing	Tribeca Energy	Provider of residential and commercial solar power and roofing services.
May-23	Saint Raphael Roofing	Apple Roofing (Gauge Capital)	Provider of residential and commercial roofing services.
May-23	NW Wind & Solar (SME Inc. Of Seattle)	OZZ Electric	Provider of wind and solar renewable energy solutions.
May-23	Climate Pros	Saw Mill Capital	Provider of refrigeration and HVAC repair, maintenance, and construction services.
May-23	Eramosa Engineering Inc.	CIMA+	Provider of engineering services for the water and renewable energy sector.
May-23	Rising Star Roofing	Northpoint Roofing Systems (Halmos Capital)	Provider of residential roofing services.
May-23	Javan Engineering	CHA Consulting (First Reserve)	Provider of engineering for the industrial, chemical, and healthcare sectors.

Select ENC&BP M&A Transactions

Announced Date	Target	Acquirer/Investor	Target Description
May-23	Glorieta Geoscience Inc	GZA GeoEnvironmental	Provider of consulting services for groundwater development, agriculture, and environmental science.
Apr-23	Citco Water	Trivest Partners	Provider of water services for the utility and industrial sector.
Apr-23	Atlas Technical Consultants (NAS: ATCX)	GI Partners	Provider of infrastructure and environmental testing, inspection, engineering, and consulting services.
Apr-23	Architectural Werks	MD Architects	Provider of architectural design services.
Apr-23	Tower Engineering Professionals	H.I.G. Capital	Provider of engineering services for the telecommunications and utility industries.
Apr-23	Marathon HVAC Service	Sound Partners	Provider of residential HVAC services.
Apr-23	Engler, Meier & Justus	GMS (NYSE: GMS)	Distributor of drywall, acoustical ceilings, and other interior building products.
Apr-23	D&D Water & Sewer	PURIS (J.F. Lehman & Company)	Provider of underground infrastructure installation and repair services.
Mar-23	Duro-Last	Holcim (SWX: HOLN)	Manufacturer of prefabricated roofing systems.
Mar-23	Taney Engineering	HFW Companies (VSS Capital Partners)	Provider of civil engineering and land surveying services.
Mar-23	Appalachian Truss	The Oxford Group	Manufacturer of truss systems.
Mar-23	Tuscano-Maher Roofing	Tecta America (Leonard Green)	Provider of commercial roofing services.
Mar-23	Tradewinds Mechanical	Sound Partners, Calico Group	Provider of commercial refrigeration and HVAC services.
Mar-23	Faulkner Engineering Services	Universal Engineering Services (BDT Capital, Palm Beach Capital)	Provider of environmental services, geotechnical engineering, and construction materials testing.
Mar-23	New South Construction Supply	Colony Hardware (Audax)	Distributor of rebar, concrete, masonry and other supplies to contractors.
Feb-23	Eldeco	Comfort Systems USA (NYSE: FIX)	Provider of electrical design and construction services.
Feb-23	Cactus Asphalt	American Pavement Preservation (Capital Alignment Partners)	Provider of asphalt paving services.
Feb-23	Northpoint Roofing Systems	Halmos Capital	Provider of roof repair and replacement services for single-family and multi-family end markets.
Feb-23	Green City Demolition	Priestly Demolition	Provider of demolition services.
Feb-23	New South Construction Supply	Colony Hardware (Audax Group, Tailwind Capital)	Distributor of jobsite construction materials.
Feb-23	Weeks Service Company	Strikepoint Group (New Mountain Capital)	Provider of residential and commercial HVAC services.
Feb-23	Apex Companies (Sentinel Capital Partners)	Morgan Stanley Capital Partners	Provider of water resource management and environmental services.
Feb-23	Groundworks (Cortec Group)	KKR	Provider of foundation repair and water management services.

Meridian Capital Sector Coverage

- Building Materials
- Building Products
- Construction
- Architecture & Design
- Heavy Construction
- Infrastructure
- Specialty Contractors
- Residential Contractors & Services
- Engineering
- Utilities
- Environmental Services
- Construction Technology

Meridian Capital Transaction Experience

<p>Mercurio's</p>  <p>- Acquired by -</p> 	<p>CM Heating</p>  <p>- Acquired by -</p> 	<p>NW Building Components & Mandere Construction</p>   <p>- Acquired by -</p> 	<p>GE Johnson</p>  <p>Joins DPR Family of Companies</p> 	<p>Hilti</p>  <p>- Has acquired -</p> 
<p>Shoemaker</p>  <p>- Acquired by -</p> 	<p>Landmark Irrigation</p>  <p>- Acquired by -</p> 	<p>Weatherhaven</p>  <p>- Acquired by -</p> 	<p>McKinstry</p>  <p>- Recapitalization of -</p> 	<p>Bluebeam</p>  <p>- Acquired by -</p> 
<p>Manor Hardware</p>  <p>- Acquired by -</p>  	<p>Brundage-Bone Concrete Pumping</p>  <p>- Acquired by -</p> 	<p>Burton Saw & Supply</p>  <p>- Acquired by -</p> 	<p>Swaggart Brothers</p>  <p>- Acquired by -</p> 	<p>Trimble</p>  <p>- Has acquired -</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>Trimble</p>  <p>- Has acquired -</p> 



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

Meridian Capital's ENC & BP Team



JAMES ROTHENBERGER
Managing Director
jrothenberger@meridianllc.com



BRANDON LEYERT
Vice President
bleyert@meridianllc.com



WINNIE LEE
Associate
wee@meridianllc.com



CONNOR O'GORMAN
Analyst
cogorman@meridianllc.com



MILES NOREUS
Analyst
mnoreus@meridianllc.com



MATT REHTIN
Managing Director
mrehtin@meridianllc.com

Team Leadership

*Construction
Tech Lead*



Transaction Expertise

Mergers & Acquisitions
Growth Capital
Strategic Advisory



Tailored Processes

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

A West Coast 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.

Our Locations



1809 Seventh Avenue
Suite 1330
Seattle, WA 98101



10 W Broadway
Floor 7
Salt Lake City, UT 84101



500 NW 116th Avenue
Suite 180
Portland, OR 97229

