

Engineering, Construction & Building Products Market Monitor



ENC&BP Market Insights

Reasons for Optimism in 2023: Backlogs Remain Elevated

- The Associated Builders and Contractors (ABC) Construction Backlog Indicator remained steady through the end of the year and finished 2022 at its highest level since Q2 2019.
- In line with the elevated Backlog Indicator data, ABC's Construction Confidence Index exceeded 50 at year-end, indicating expected growth in the sector over the next six months.
- New construction activity grew in 2022, as total construction starts across all sectors rose 15% over 2021 volume. Nonresidential starts grew 38% YoY, while residential starts were down 3% overall from 2021 amid rising interest rates.
- Public Works, Power / Utilities, and Data Center construction are three markets expected to lead the industry in growth throughout 2023.
- Construction job openings hit the third highest level on record in December, as 5% of open positions remained unfilled. Approximately 60% of contractors intend to increase staffing in the H1 of 2023, further increasing competitiveness in the existing labor shortage.
- Materials prices are expected to have more stability in 2023 compared to 2022. Cement and concrete products are expected to see shortages, while other materials segments are seeing supply chains stabilize.

Continued Rollout of IIJA Funding Provides Public Sector Tailwinds

- Public works construction is expected to be a leading market in 2023 as IIJA funding deployment accelerates. The public works sector is expected to grow by 18% in 2023, to \$225B.



Bridges & Roads
IIJA Funding
\$110B

Heavy Civil Poised for Continued Growth

- Through Q3 2022, states have committed \$53.5 billion to over 29,000 bridge and highway projects.
- Increased heavy civil projects are driving demand for specialized engineering & construction services – specifically geotechnical engineers, civil design engineers, and material testing firms.



Water Infrastructure
IIJA Funding
\$63B

Major Investments in Water Infrastructure

- The largest investment in water by the federal government to date was provided by the IIJA, with the goal of improving the United States' wastewater, drinking water, and stormwater infrastructure.
- Deployment of funds has begun – in early Feb 2023, Philadelphia announced \$340M in EPA loans through the Water Infrastructure Finance & Innovation Program, along with \$160M through the IIJA.



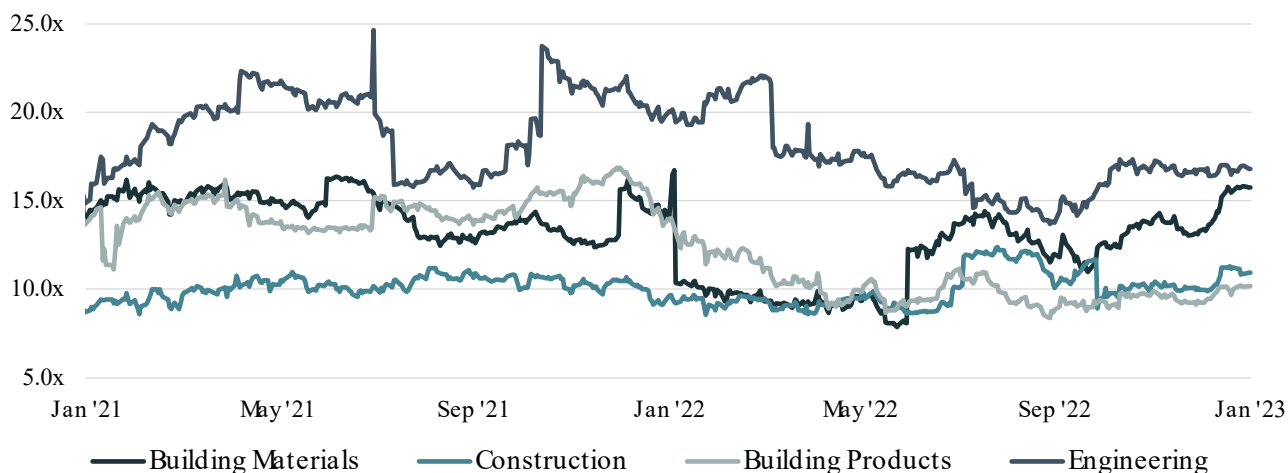
Renewable Energy
IIJA Funding
\$34B

Renewable Energy Trends

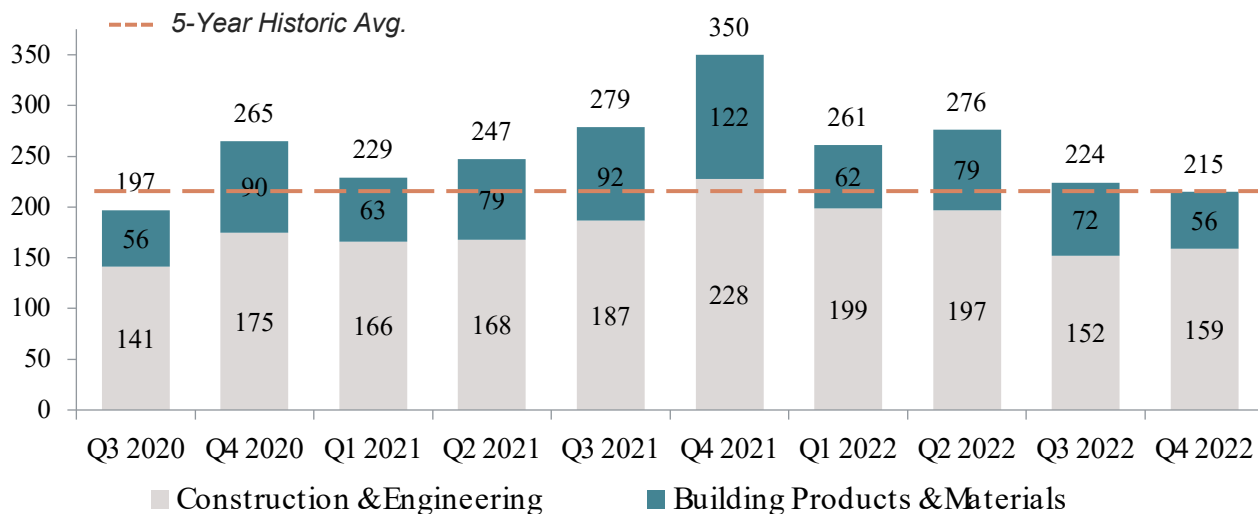
- The construction industry continues to see growth in sustainable products and services offerings.
- This is expected to be amplified by the Aug 2022 Inflation Reduction Act (IRA), which provides \$369B for clean energy and climate programs, the largest investment passed by Congress to date.

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

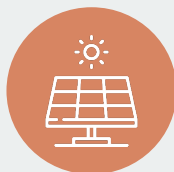
- Following a record high of deal activity in 2021, ENC&BP M&A transactions returned to levels in line with healthy historical averages in 2022.
- Deal activity in the space saw a slight decline in H2 2022, primarily due to concerns about rising inflation and interest rate levels.
- 2023 M&A deal flow is expected to see sustained demand in the sector, as both strategic and financial buyers attempt to capitalize on rising demand from the federal infrastructure package.
- Strategic acquirers are expected to continue using acquisitions as a strategy to address labor and supply chain shortages, thereby increasing their ability to execute on increased backlog levels.
- Certain service sectors, like HVACR contractors, endured all-time historical highs in M&A volume in 2022, as financial buyers continue their roll-up strategies in a nod to the sector's defensibility.

Industry Spotlight – Solar Installation Services

Solar Installation Services Growth Trends

The Solar Installation Services sector remains highly fragmented and ripe for consolidation in 2023. Geographic expansion in underpenetrated markets amidst localized industry maturation creates attractive M&A conditions for established strategic platforms.

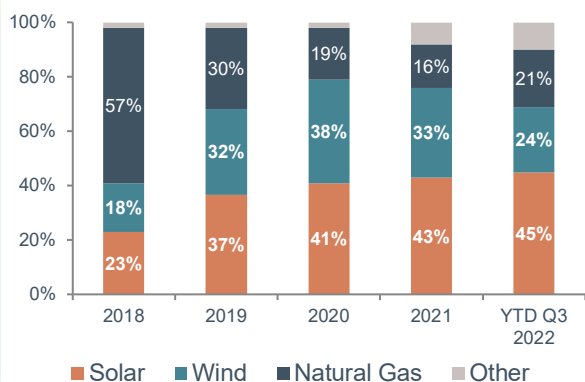
Solar Installation Services



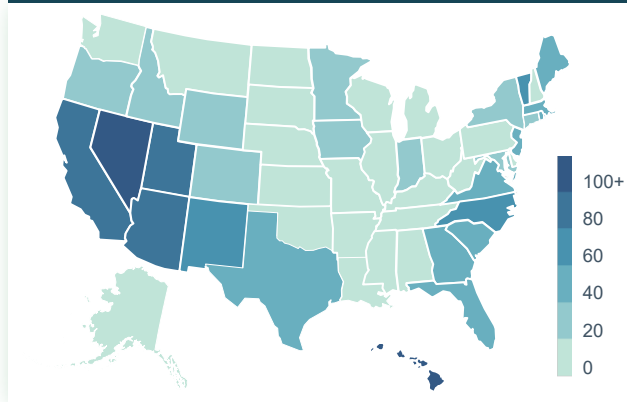
The Solar Installation Services market size is estimated at

\$15 billion

US Electricity Generation Additions by Type



Solar Capacity (in MW) per 100,000 Residents



- The United States Solar Installation Services market is projected to grow at an average of 21% per year between 2023 and 2027. The sustained growth of the industry is largely driven by the decreasing costs of new solar installations compared to other forms of electricity generation and tailwinds from new and expanded state and federal incentives.
 - The Inflation Reduction Act, signed into law in August 2022, expands the Investment Tax Credit in amount and duration, decreasing the overall cost of a new solar installation by up to 30% through 2032.
- Legacy solar states like California, Arizona, and Nevada have produced established solar installation market participants who are seeking higher growth rates in emerging markets such as North Carolina and Georgia. While most near-term installations are expected to be in legacy markets, entry into a smaller market by an established platform is likely to drive future growth.
- With over 90% of solar installers in emerging markets generating less than \$5M in annual revenue, there is an attractive opportunity for industry consolidation for larger platforms to spur growth with more established lead generation and financing capabilities.

NOTABLE PLATFORMS

SUNPOWER®

of Acquisitions: **16**
States Served: **50**

SUNRUN

of Acquisitions: **6**
States Served: **21**

SUNNOVA

of Acquisitions: **2**
States Served: **36**

Selected ENC&BP Roll-ups

Highlighted Construction Materials Roll-up



Description: Global provider of sustainable construction, with services lines including building solutions and materials such as cement, aggregates, and concrete.

Holcim

Location: Jona, Switzerland Ownership: Public (SWX: HOLN)

31 Founded: 2001

Total 2022 Acquisitions: **15**

Recent Add-Ons



Jan. 2023



Jan. 2023



Dec. 2022



Nov. 2022



Oct. 2022



Oct. 2022



Oct. 2022



Sept. 2022



Sept. 2022



Jul. 2022

Highlighted Residential Services Roll-up



Description: Provider of residential plumbing, electrical, heating, ventilation and air conditioning replacement and maintenance services primarily in the Midwest region.

Heartland Home Services

Location: Grand Rapids, MI Ownership: Cobepa, The Jordan Company

31 Founded: 2017

Total 2022 Acquisitions: **19**

Recent Add-Ons



Sept. 2022



Sept. 2022



Sept. 2022



Sept. 2022



Aug. 2022



Aug. 2022



Jun. 2022



Jun. 2022



Jun. 2022



May 2022

Highlighted Building Products Roll-up



Description: Distributor of interior and exterior building supplies. The Company is the country's largest wholesaler distributor of roofing supplies and one of the largest distributors of siding and windows.

ABC Supply Company

Location: Beloit, WI Ownership: Private

31 Founded: 1982

Total 2022 Acquisitions: **7**

Recent Add-Ons



Nov. 2022



Nov. 2022



Oct. 2022



Pending



Jun. 2022



Jun. 2022



Apr. 2022



Feb. 2022

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	\$ 21,748	\$ 25,700	\$ 16,581	\$ 1,370	8.3%	1.5x	18.8x	48 %	
MasTec, Inc.	NYSE:MTZ	7,722	10,108	8,579	649	7.6%	1.2x	15.6x	13 %	
EMCOR Group Inc.	NYSE:EME	7,065	7,375	10,766	644	6.0%	0.7x	11.5x	26 %	
Comfort Systems USA, Inc.	NYSE:FIX	4,328	4,752	3,879	306	7.9%	1.2x	15.5x	36 %	
Dycom Industries, Inc.	NYSE:DY	2,819	3,648	3,652	326	8.9%	1.0x	11.2x	10 %	
Granite Construction Inc.	NYSE:GVA	1,862	1,737	2,828	141	5.0%	0.6x	12.3x	17 %	
MYR Group Inc.	NAS:PRMG	1,644	1,730	2,791	165	5.9%	0.6x	10.5x	4 %	
Primoris Services Corporation	NAS:PRIM	1,413	2,666	3,976	268	6.7%	0.7x	10.0x	1 %	
Sterling Infrastructure, Inc.	NAS:STRL	1,104	1,457	1,879	187	9.9%	0.8x	7.8x	37 %	
Great Lakes Dredge & Dock Company	NAS:GLDD	455	825	712	88	12.4%	1.2x	9.4x	(50)%	
Matrix Service Co.	NAS:MTRX	218	243	748	(26)	-3.5%	0.3x	nm	8 %	
Orion Group Holdings, Inc.	NYSE:ORN	92	168	714	17	2.4%	0.2x	9.9x	(10)%	
Median		\$ 1,753	\$ 2,201	\$ 3,240	\$ 227	7.2%	0.7x	11.2x	11 %	
Average		\$ 4,206	\$ 5,034	\$ 4,759	\$ 345	6.5%	0.8x	12.0x	12 %	

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	\$ 19,886	\$ 23,171	\$ 5,416	\$ 1,316	24.3%	4.3x	17.6x	0 %	
Jacobs Engineering Group, Inc.	NYSE:J	15,643	19,344	14,923	1,273	8.5%	1.3x	15.2x	(5)%	
Aecom Technology Corporation	NYSE:ACM	12,126	13,883	13,148	827	6.3%	1.1x	16.8x	25 %	
Tetra Tech, Inc.	NAS:TTEK	8,278	8,556	3,504	387	11.1%	2.4x	22.1x	10 %	
CACI International Inc.	NYSE:CACI	7,243	8,990	6,481	649	10.0%	1.4x	13.8x	25 %	
KBR, Inc.	NYSE:KBR	7,029	8,642	7,455	497	6.7%	1.2x	17.4x	14 %	
Stantec, Inc.	TSX:STN	5,740	7,129	4,185	451	10.8%	1.7x	15.8x	(2)%	
Fluor Corporation	NYSE:FLR	5,222	4,158	11,935	207	1.7%	0.3x	20.1x	67 %	
VSE Corporation	NAS:VSEC	703	1,023	926	80	8.6%	1.1x	12.8x	7 %	
Tutor Perini Corp.	NYSE:TPC	472	1,093	3,921	33	0.9%	0.3x	nm	(24)%	
Perma-Fix Environmental Services, Inc.	NAS:PESI	55	57	71	(3)	-4.5%	0.8x	nm	(29)%	
Median		\$ 7,029	\$ 8,556	\$ 5,416	\$ 451	8.5%	1.2x	16.8x	7 %	
Average		\$ 7,490	\$ 8,731	\$ 6,542	\$ 520	7.7%	1.4x	16.8x	8 %	

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	\$ 11,998	\$ 15,339	\$ 8,779	\$ 1,333	15.2%	1.7x	11.5x	(16)%	
Builders FirstSource, Inc.	NYS:BLDR	11,730	15,334	23,004	4,367	19.0%	0.7x	3.5x	14 %	
Owens-Corning Inc	NYSE:OC	9,033	11,499	9,607	2,398	25.0%	1.2x	4.8x	7 %	
Trex Company, Inc.	NYSE:TREX	5,785	5,891	1,218	306	25.1%	4.8x	19.2x	(45)%	
UFP Industries, Inc.	NAS:UFPI	5,766	5,749	9,730	1,082	11.1%	0.6x	5.3x	16 %	
Simpson Manufacturing Company, Inc.	NYSE:SSD	4,563	4,975	2,059	518	25.1%	2.4x	9.6x	(6)%	
Armstrong World Industries, Inc.	NYSE:AWI	3,535	4,168	1,211	355	29.3%	3.4x	11.8x	(21)%	
Gibraltar Industries, Inc.	NAS:ROCK	1,659	1,777	1,411	149	10.5%	1.3x	12.0x	(2)%	
Quanex Building Products Corp	NYSE:NX	860	893	1,222	152	12.5%	0.7x	5.9x	18 %	
Median		\$ 5,766	\$ 5,749	\$ 2,059	\$ 518	19.0%	1.3x	9.6x	(2)%	
Average		\$ 6,103	\$ 7,292	\$ 6,471	\$ 1,184	19.2%	1.9x	9.3x	(4)%	

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	\$ 24,366	\$ 29,003	\$ 7,190	\$ 1,540	21.4%	4.0x	18.8x	(4)%	
Martin Marietta, Inc.	NYSE:MLM	22,330	27,639	6,181	1,707	27.6%	4.5x	16.2x	(8)%	
Eagle Materials Inc.	NYSE:EXP	5,267	6,301	2,091	723	34.6%	3.0x	8.7x	(1)%	
Boral Ltd	ASX:BLD	2,678	2,988	2,172	214	9.9%	1.4x	13.9x	(45)%	
United States Lime & Minerals, Inc.	NAS:USLM	861	743	224	74	33.0%	3.3x	10.0x	22 %	
Median		\$ 5,267	\$ 6,301	\$ 2,172	\$ 723	27.6%	3.3x	13.9x	(4)%	
Average		\$ 11,100	\$ 13,335	\$ 3,572	\$ 852	25.3%	3.2x	13.5x	(7)%	

As of January 31st, 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. NTM figures are based on the median estimate of Wall Street analysts

Select ENC&BP M&A Transactions

Announced Date	Target	Acquirer/Investor	Target Description
Pending	Atlas Technical Consultants (NASDAQ: ATCX)	GI Partners	Provider of infrastructure and environmental testing, inspection, engineering, and consulting services.
Pending	U.S. LBM Standalone Wallboard Division	ABC Supply Co.	Five U.S. LBM brands comprising its standalone wallboard division.
Jan-23	Marsh Building Products	SRS Distribution (Leonard Green, Berkshire Partners)	Distributor of residential and commercial building products based in Kentucky.
Jan-23	SRI Holdings	TopBuild (NYSE: BLD)	Provider of residential insulation, garage doors, and specialty building products based in Ohio.
Jan-23	Clean Water Environmental	Valicor Environmental Services	Provider of wastewater treatment and recycling services based in California.
Jan-23	Patrick Engineering	RINA	Provider of engineering, design, and construction management services.
Jan-23	3 Mountains Plumbing	Any Hour Services (Knox Lane)	Provider of residential HVAC services based in Oregon.
Jan-23	Nevada Heating, Cooling, Plumbing, Fireplace	Goettl (Cortec Group)	Provider of residential HVAC services based in Nevada.
Jan-23	Trans Ash	NorthStar Group Holdings (J.F. Lehman, PhenixFIN BDC)	Provider of civil construction and environmental services based in Ohio.
Jan-23	Nicem	Holcim (SWX: HOLN)	Provider of crushed calcium carbonate based in Italy.
Jan-23	Amerhart	U.S. Lumber Group (The Jordan Company)	Distributor of building materials and home improvement centers throughout the Midwest.
Jan-23	Gannett Fleming	OceanSound Partners	Provider of engineering and infrastructure solutions based in Pennsylvania.
Jan-23	Hudson Design Group	Tower Engineering Professionals (Aldine Capital Partners)	Provider of engineering and architectural services throughout New England.
Jan-23	Chrono Chape	Holcim (SWX: HOLN)	Provider of on-site self-leveling screeds based in France.
Jan-23	Amyx	Tetra Tech (NASDAQ: TTEK)	Provider of enterprise technology services and management consulting based in Virginia.
Jan-23	Vortex Glass	Guardian Glass	Manufacturer of laminated and insulated glass based in Florida.
Jan-23	Xcel Engineering	MartinFederal	Provider of civil and environmental engineering and consulting services based in Tennessee.
Jan-23	Carmichael Engineering	Universal Engineering Sciences (BDT Capital)	Provider of geotechnical, environmental, and construction monitoring and testing services based in Alabama.
Jan-23	Anston-Greenlees	WGI	Provider of mechanical, electrical, plumbing, and fire protection engineering services based in Florida.
Jan-23	First Coastal Exteriors	Beacon Roofing Supply (NAS: BECN)	Distributor of building products based in Alabama.
Jan-23	WorldTech Engineering	Tighe & Bond	Provider of civil engineering and consulting services for the public sector based in Massachusetts.
Jan-23	Weeks Marine	Kiewit	Provider of construction services for the marine sector based in New Jersey.
Dec-22	Infinity Home Services	LightBay Capital, Freeman Spogli	Provider of roofing replacement and other exterior home services for residential and commercial clients based in Wisconsin.

Select ENC&BP M&A Transactions

Announced Date	Target	Acquirer/Investor	Target Description
Dec-22	Hill International (NYS: HILL)	Global Infrastructure Solutions	Provider of construction management and site supervision services.
Dec-22	CM Rubber Technologies	Holcim (SWX: HOLN)	Provider of tire recycling services based in Michigan.
Dec-22	ABS Insulating	Installed Building Products (NYS: IBP)	Provider of insulation and gutters based in North Carolina.
Dec-22	TTL Associates	CT Consultants	Provider of environmental and geotechnical engineering and materials testing services based in Ohio.
Dec-22	Diamond Home Improvement	Kodiak Building Partners (Court Square Capital Partners)	Distributor of building products based in Oregon.
Dec-22	Gonzalez Companies	Trilon Group (Alpine Investors)	Provider of civil engineering and construction management services based in Missouri.
Dec-22	Northwest Geotech	RMA Group (OceanSound Partners)	Provider of geotechnical engineering, environmental consulting and construction inspection services based in Oregon.
Dec-22	East Coast Mechanical	Air Pros USA (Peak Rock Capital)	Provider of HVAC services based in Florida.
Dec-22	Midcoast Construction Enterprises	MarineMax (NYSE: HZO)	Provider of marine construction services based in Florida.
Dec-22	Cal Engineering & Geology	Haley & Aldrich	Provider of geotechnical engineering consultancy services based in California.
Nov-22	Mountain Air	Wrench Group (Leonard Green & Partners)	Provider of HVAC services based in Utah.
Nov-22	RGM Kramer	Cumming Group (New Mountain Capital)	Provider of construction services for the education sector based in California.
Nov-22	Wrench Group (Leonard Green)	TSG Consumer Partners, Oak Hill Capital	Provider of home repair, replacement, and maintenance services based in Georgia (Minority investment).
Nov-22	Carbocia	Holcim (SWX: HOLN)	Producer of limestone fillers based in France.
Nov-22	Monarch Group of Companies	ABC Supply Co.	Supplier of siding, roofing, and select exterior building materials.
Nov-22	Georgia Truss	US LBM Holdings (Bain Capital)	Manufacturer of roof and floor trusses.
Oct-22	Kaycan (US Distribution Business)	ABC Supply Company	Manufacturer and distributor of exterior building products.
Oct-22	Matthews Design Group	DCCM (White Wolf Capital)	Provider of civil engineering services based in Florida.
Oct-22	Infrastructure & Energy Alternatives (NYS: IEA)	MasTec	Provider of construction services specializing in the energy and heavy civil sectors.
Oct-22	Dana Wallboard	L&W Supply (ABC Supply Co.)	Distributor of drywall and plaster for residential construction based in Massachusetts.
Oct-22	Mercurio's Heating & Air Conditioning	TurnPoint Services (OMERS Private Equity, Ares Management)	Provider of HVAC services based in Washington.
Oct-22	Vandermeer Forest Products	BlueLinx Holdings (NYSE: BXC)	Distributor of building products based in Washington.
Sep-22	IBI Group (TSX: IBG)	Arcadis NV	Provider of technology-driven architecture, engineering, and planning services.

Indicates Meridian Capital completed transaction

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

Mercurio's



- Acquired by -





CM Heating




- Acquired by -



NW Building Components & Mandere Construction

- Acquired by -



GE Johnson



Joins DPR Family of Companies



Shoemaker



- Acquired by -



Landmark Irrigation



- Acquired by -



Weatherhaven




Proven Expertise in Redeployable Shelter Systems


- Acquired by -



McKinstry



- Recapitalization of -




Manor Hardware




- Acquired by -




Brundage-Bone Concrete Pumping



- Acquired by -




Burton Saw and Supply




- 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.**

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End-to-End Services

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