



# PCE Industry Report

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Building Products & Construction



# Middle Market M&A Summary

## Building Products & Construction

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1st Quarter 2016

### Key Highlights

- The average value of the top transactions was \$204.6 million
  - The largest transaction was the acquisition of JW Homes LLC by PulteGroup, Inc. for \$450 million.
  - The smallest transaction was the acquisition of Synthetic Materials, LLC. by Headwaters Resources, Inc. for \$45 million.
- The public company industry median TEV/EBIT multiple is 14.6x.
- The public company industry median TEV/EBITDA multiple is 10.8x.

### Key Trends

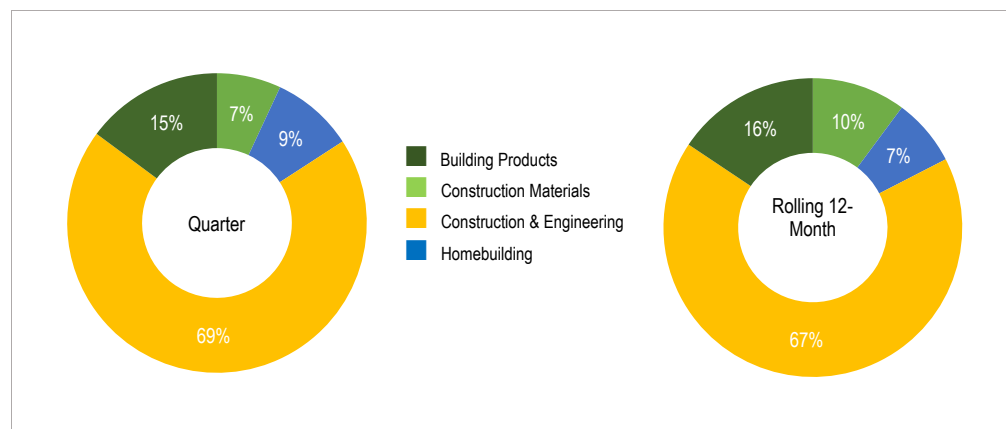
- The Homebuilding and Construction & Engineering subsectors' transaction volume was trending positively while the Construction Materials and Building Products subsectors were trending negatively.
- The Construction & Engineering subsector's transaction volume was the largest at 69% of the industry over the past quarter.
- Pending home sales dropped 2.5% in January '16 due to inadequate housing inventory according to a recent National Association of Realtors report.
- U.S. Construction employment has reached a total of 6.5M, the most since early-2009 and a 4.2% increase from last year. The Associated General Contractors of America found that approximately 71% of firms report that they plan to increase employment headcount in 2016.
- Congress enacted the Fixing America's Surface Transportation (FAST) Act in January 2016 which will invest \$305B over 5 years to provide full funding for transportation infrastructure projects.

## Industry Trends During Quarter

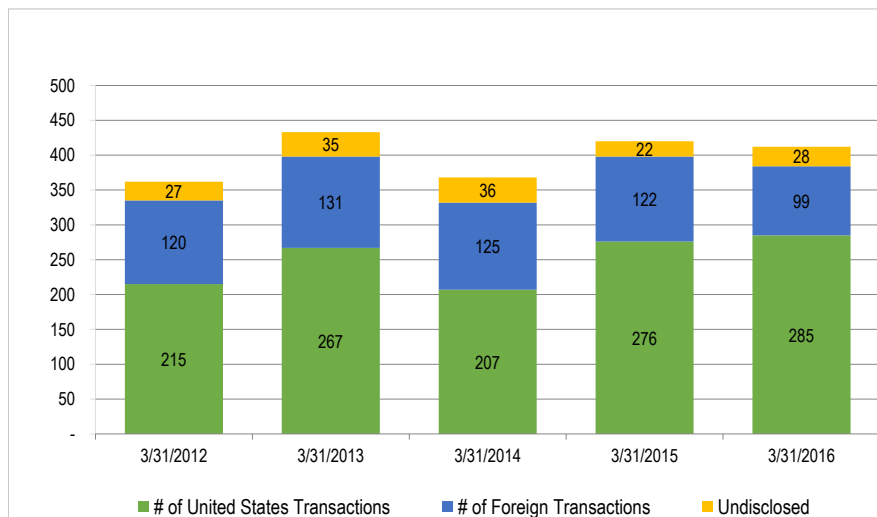
Sector	Transaction Volume	TEV / Revenue	TEV / EBITDA
Construction Materials	↓	↑	↓
Homebuilding	↑	↑	↑
Construction & Engineering	↑	↓	↓
Building Products	↓	↓	↓

\* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

## Transaction Volume as % of Industry



## Rolling 12-Month Transaction Volume Trends by Buyer Origin



## Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Homebuilding	JW Homes, LLC	PulteGroup, Inc.	\$450.0
Construction & Engineering	Furmanite Corporation	Team, Inc.	\$359.7
Homebuilding	Acadia Homes & Neighborhoods LLC	Taylor Morrison Home Corporation	\$85.0
Homebuilding	DRB Enterprises, Inc.	Sumitomo Forestry America Inc.	\$83.3
Construction Materials	Synthetic Materials LLC	Headwaters Resources, Inc.	\$45.0

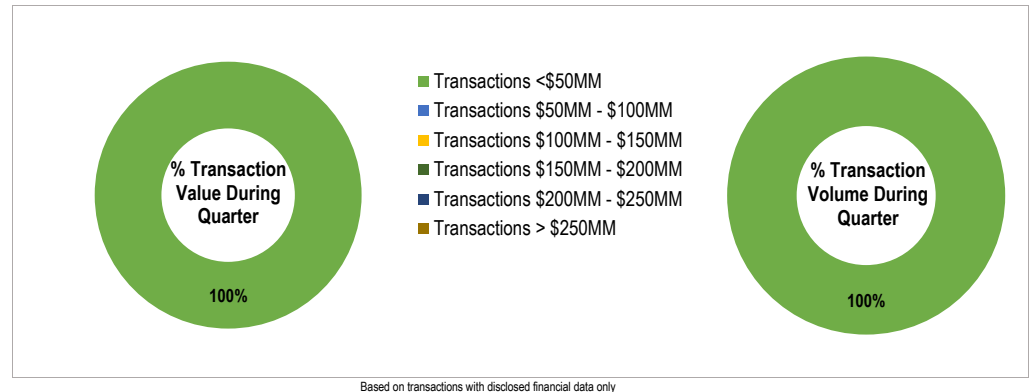
Source: S&P Capital IQ as of 4/21/2016 and PCE Proprietary Data

## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	7
Number of Transactions with Disclosed Values	1
Transaction Value*	\$45.00
Average Transaction Value*	\$45.00
Median Transaction Value*	\$45.00

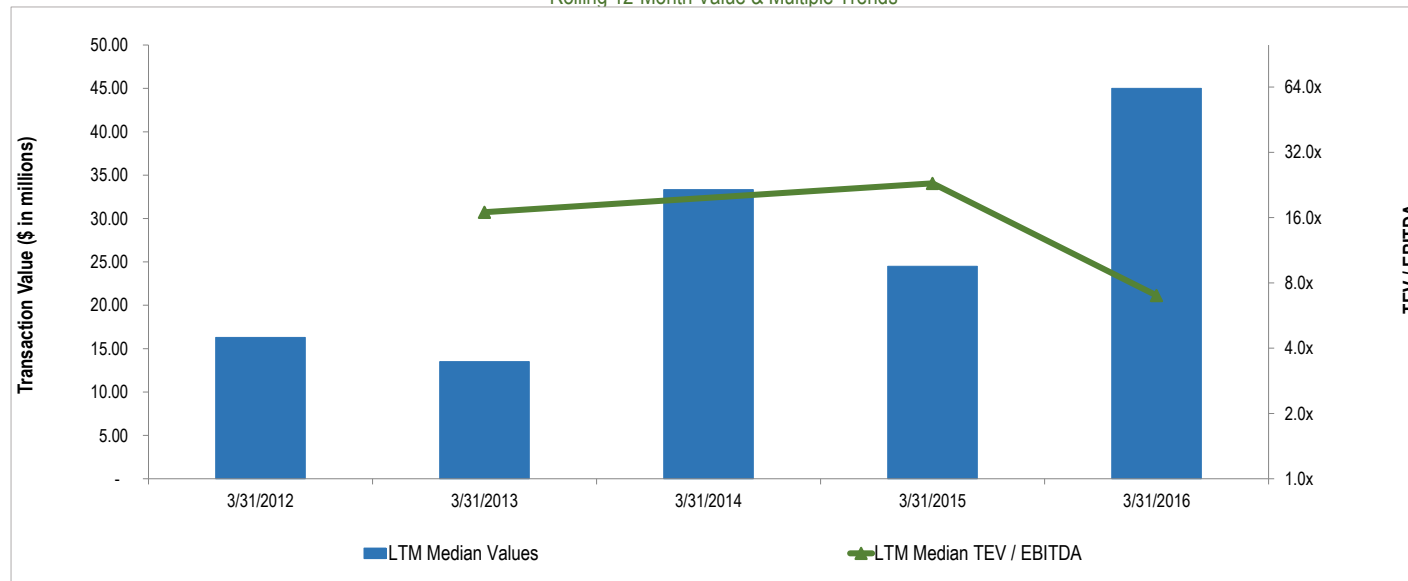
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## Transaction by Value & Volume



## Private Sector Value & EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



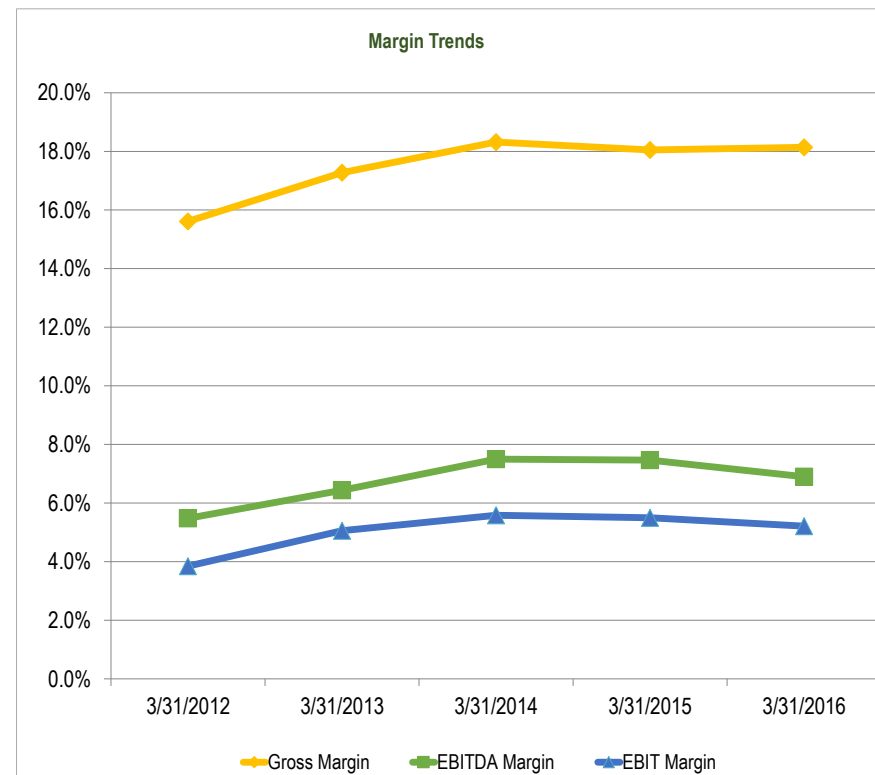
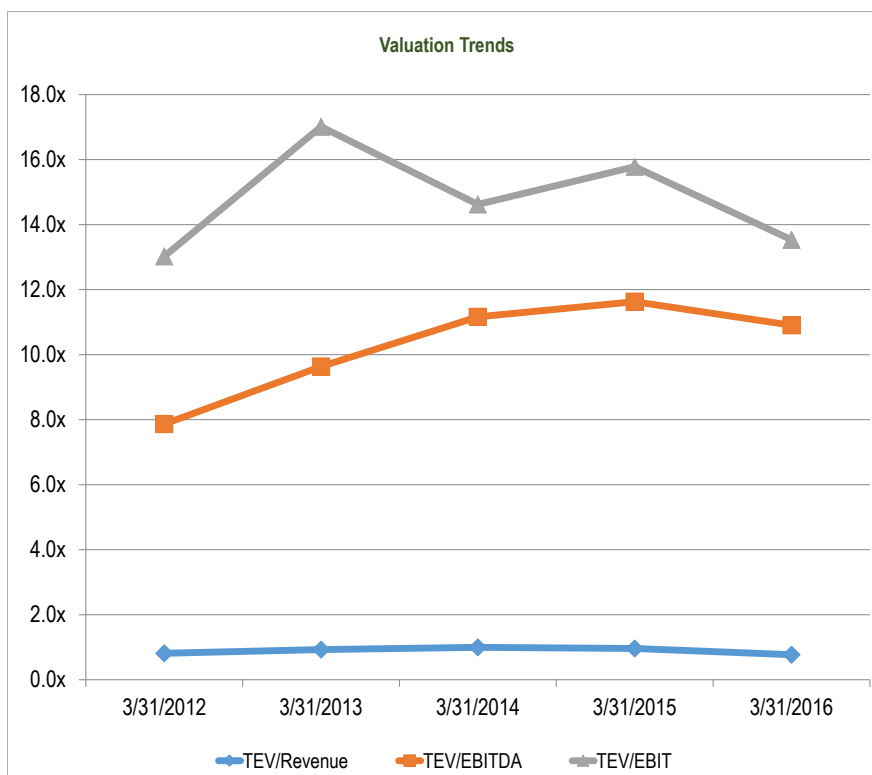
\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 4/21/2016 and PCE Proprietary Data

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	3/31/2016 Trends	
Average	\$4,522	2.7x	11.8x	18.4x	TEV/Revenue	↓
Median	\$1,457	2.1x	11.2x	15.7x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	3/31/2016 Trends	
Average	26.5%	21.8%	13.7%	Gross Margin	↑
Median	25.1%	23.5%	14.6%	EBITDA Margin	↓
				EBIT Margin	↓



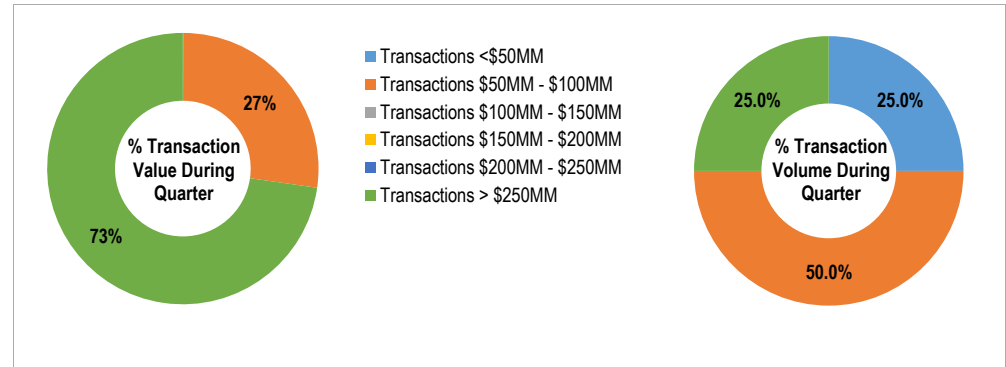
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## Summary of Sector Transactions During Quarter (\$ in millions)

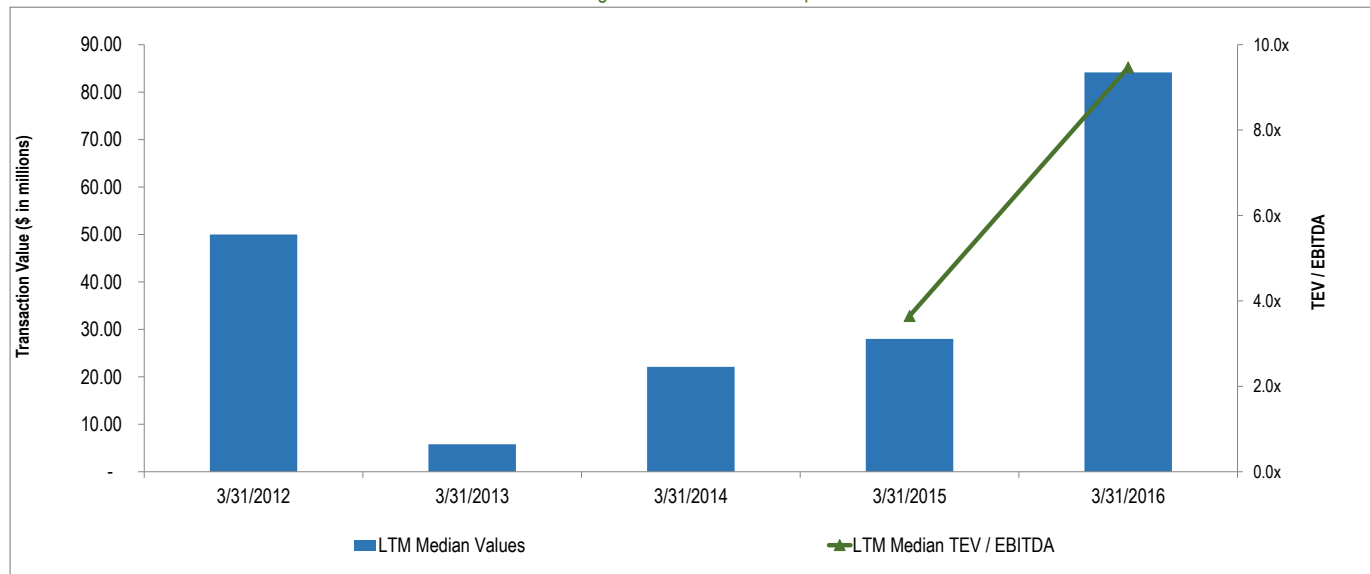
Transaction Volume	9
Number of Transactions with Disclosed Values	4
Transaction Value*	\$618.61
Average Transaction Value*	\$154.65
Median Transaction Value*	\$84.15

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## Transaction by Value & Volume



## Private Sector Value Trends Rolling 12-Month Value & Multiple Trends



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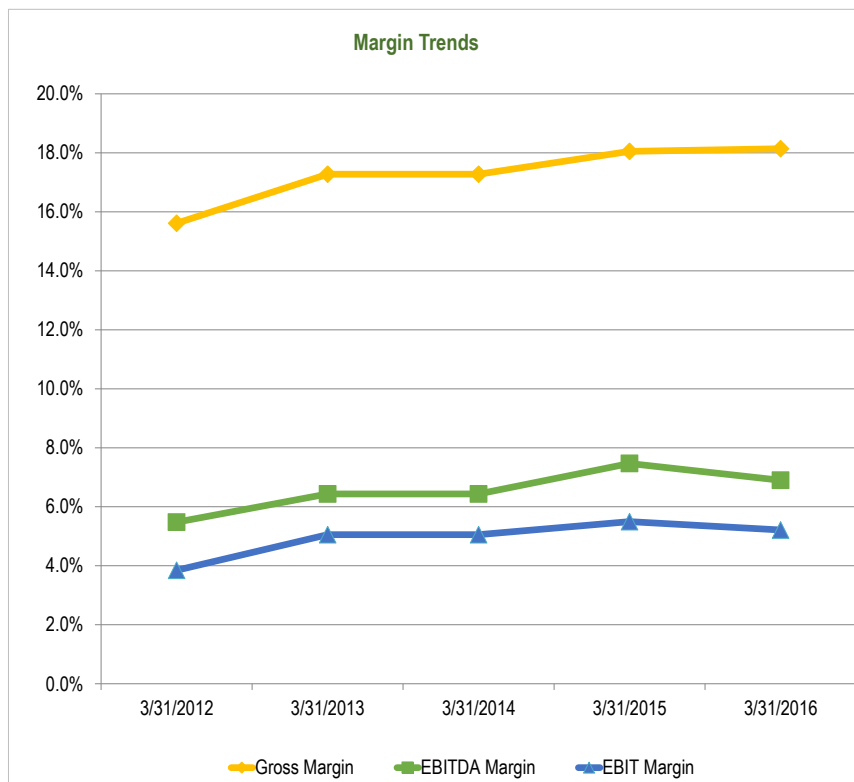
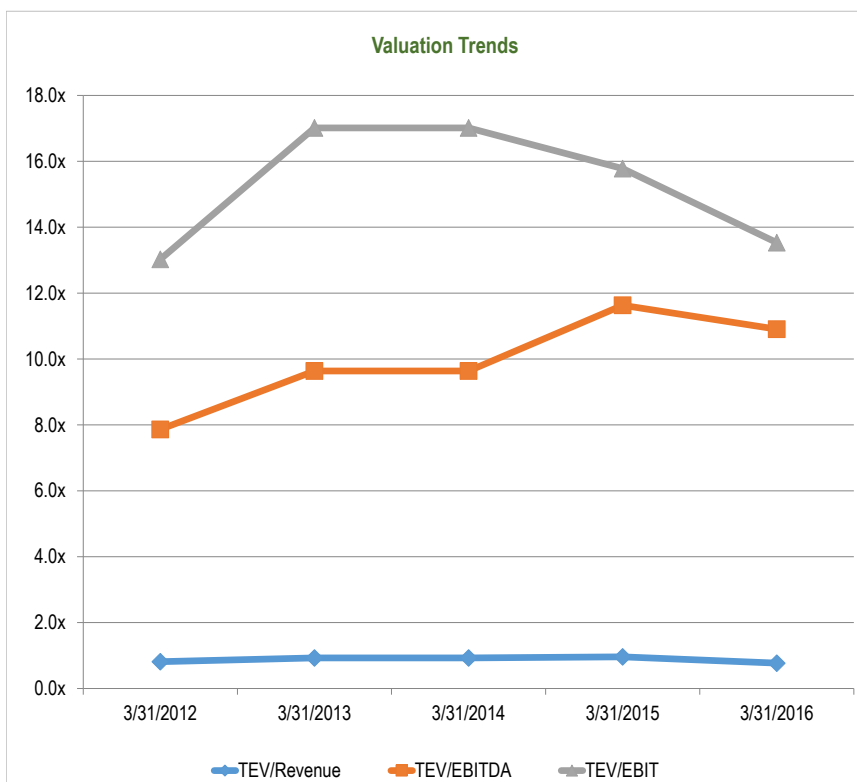
# Homebuilding

1st Quarter 2016

## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,831	0.9x	12.9x	17.4x	TEV/Revenue	↓
Median	\$712	0.8x	10.9x	13.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	17.0%	7.4%	5.6%	Gross Margin	↑
Median	18.1%	6.9%	5.2%	EBITDA Margin	↓
				EBIT Margin	↓



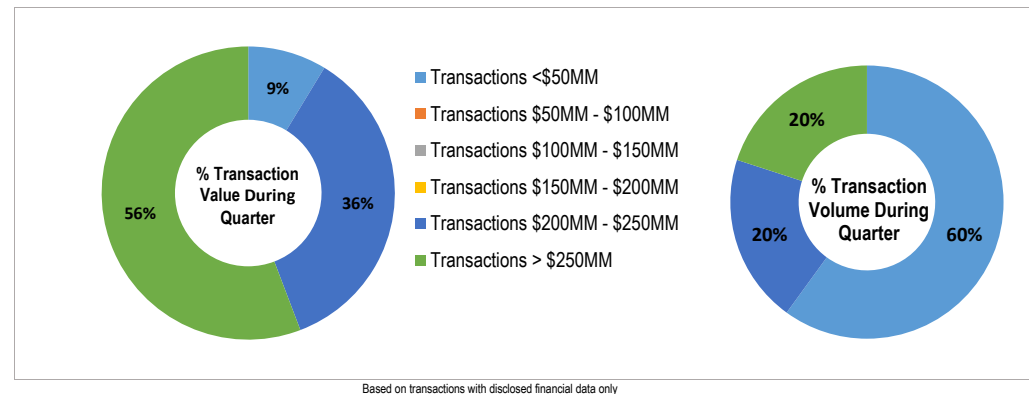
Source: S&P Capital IQ as of 4/21/2016 and PCE Proprietary Data

## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	70
Number of Transactions with Disclosed Values	5
Transaction Value*	\$644.76
Average Transaction Value*	\$132.25
Median Transaction Value*	\$24.50

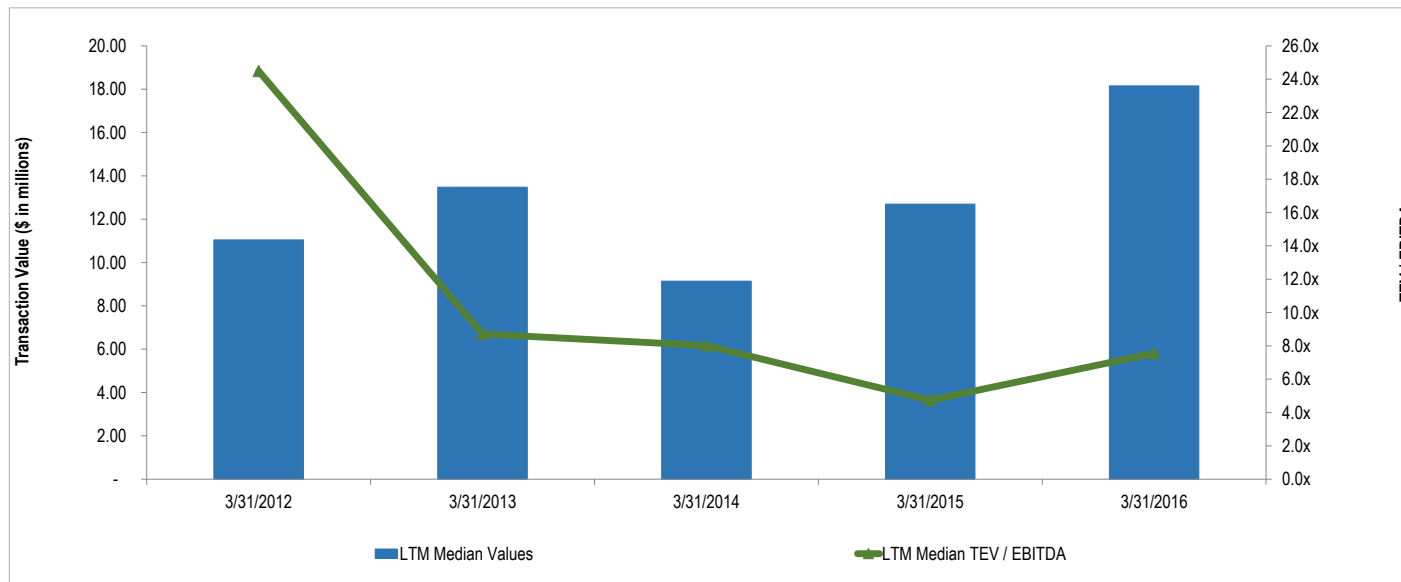
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## Transaction by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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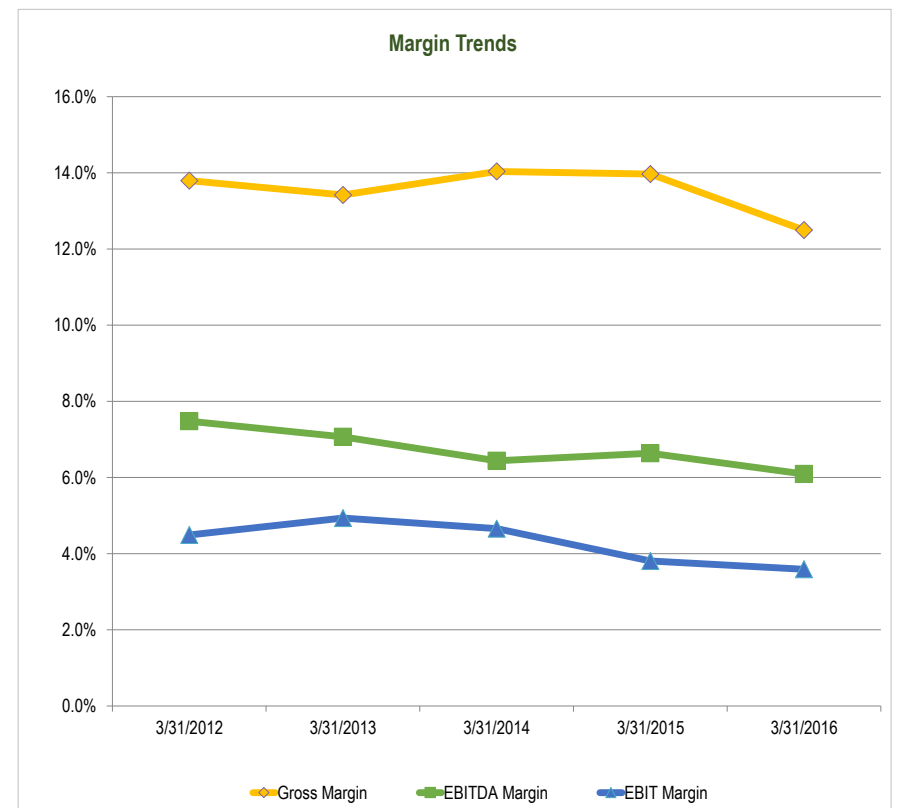
# Construction & Engineering

1st Quarter 2016

## Summary of Public Comparables as of Quarter End (\$ in millions)

Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT	
Average	\$1,519	0.6x	10.2x	17.3x	TEV/Revenue ↓
Median	\$712	0.5x	10.1x	13.6x	TEV/EBITDA ↑
					TEV/EBIT ↑

Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT	
Average	14.2%	6.4%	3.4%	Gross Margin ↓
Median	12.5%	6.1%	3.6%	EBITDA Margin ↓
				EBIT Margin ↓



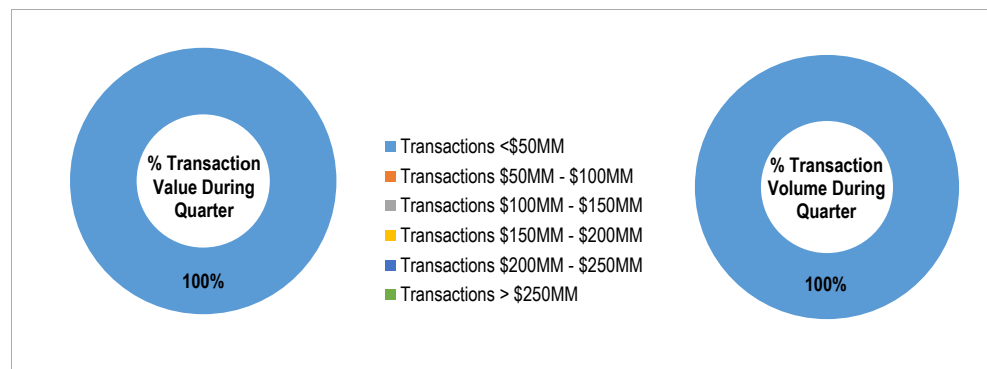
Source: S&P Capital IQ as of 4/21/2016 and PCE Proprietary Data

## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	15
Number of Transactions with Disclosed Values	1
Transaction Value*	\$22.20
Average Transaction Value*	\$22.20
Median Transaction Value*	\$22.20

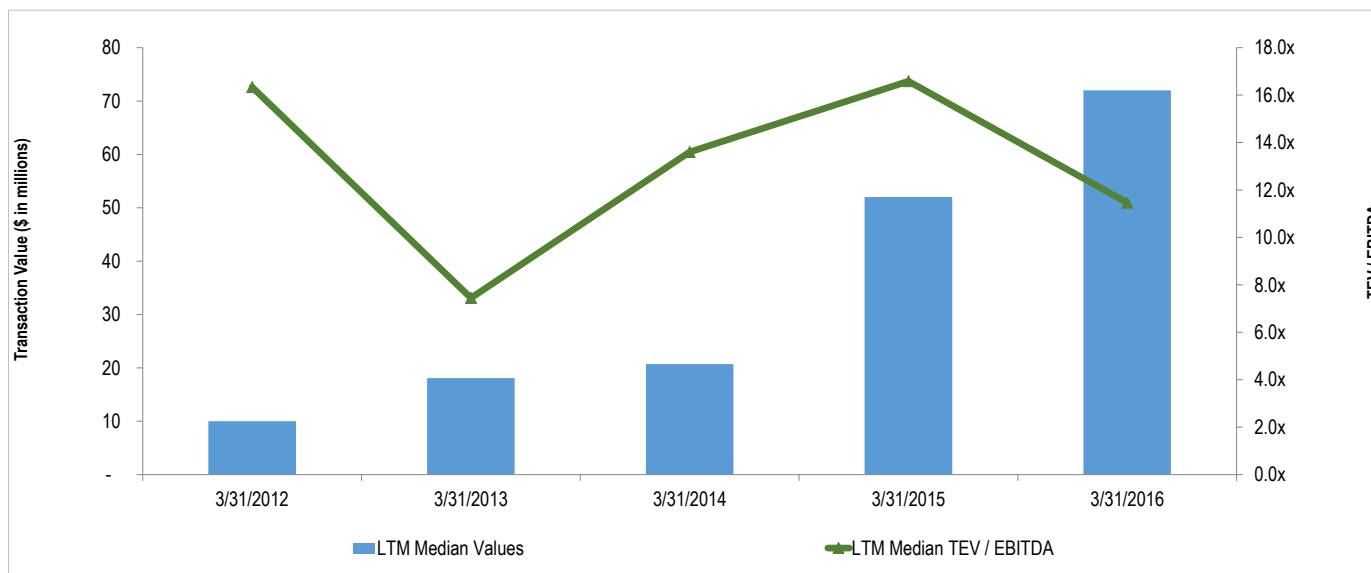
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## Transactions by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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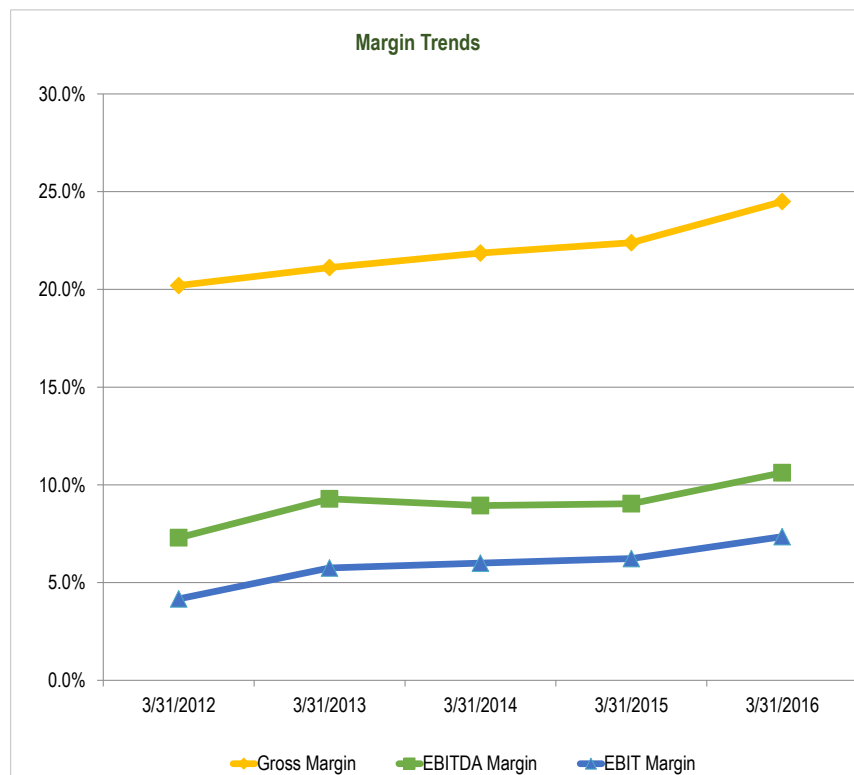
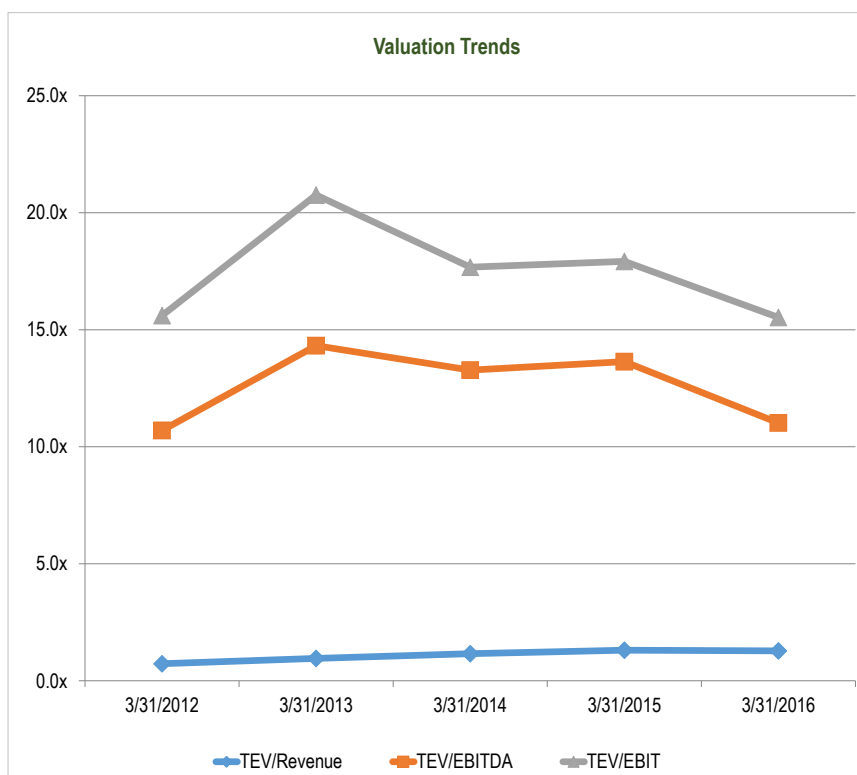
# Building Products

1st Quarter 2016

## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,051	1.5x	11.6x	17.7x	TEV/Revenue	↓
Median	\$1,142	1.3x	11.0x	15.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	26.1%	11.5%	8.2%	Gross Margin	↑
Median	24.5%	10.6%	7.4%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/21/2016 and PCE Proprietary Data

## About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

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- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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### PCE Locations

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### Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed/announced dates only.

### Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value