



# PCE Industry Report

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Building Products & Construction



# Middle Market M&A Summary

## Building Products & Construction

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3rd Quarter 2016

### Key Highlights

- The average value of the top ten transactions was \$657 million.
  - The largest transaction was the acquisition of Nortek, Inc. by Melrose Industries PLC for \$2.7 billion.
  - The smallest transaction was the acquisition of Limbach Facility Services LLC by Limbach Holdings, Inc. for \$67 million.
- The public company industry median TEV/EBIT multiple is 14.2x.
- The public company industry median TEV/EBITDA multiple is 10.0x.

### Key Trends

- The Homebuilding subsector's transaction volume is trending neutrally, while the Construction Materials, Construction & Engineering, and Building Products subsectors are trending negatively.
- The Construction Materials, Construction & Engineering, and Building Products subsector's transaction volume tied as the largest at 27% of the industry over the past quarter.
- Expenses for home repairs and remodeling are expected to surpass \$300 billion by the end of 2016 (up from \$285 billion in 2007).<sup>1</sup>
- Spending on transportation related construction continued showing negative trends as spending in August dropped by 11% on a year-over-year basis despite the passage of the federal highway bill in 2015. However, several scenarios are likely holding back the industry, most notably the weak government spending in the 2016 election cycle.<sup>2</sup>
- According to the American Institute of Architects (AIA), the nonresidential construction industry is forecasted to see healthy but slower growth in 2016 and 2017 at 5.8% and 5.6%, respectively, with hotel and office spending leading the way.<sup>3</sup>

Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

<sup>1</sup> "Spending on Home Improvement", Wall Street Journal, August 2016.

<sup>2</sup> "Construction Economic Update", Associated Builders & Contractors, October 2016.

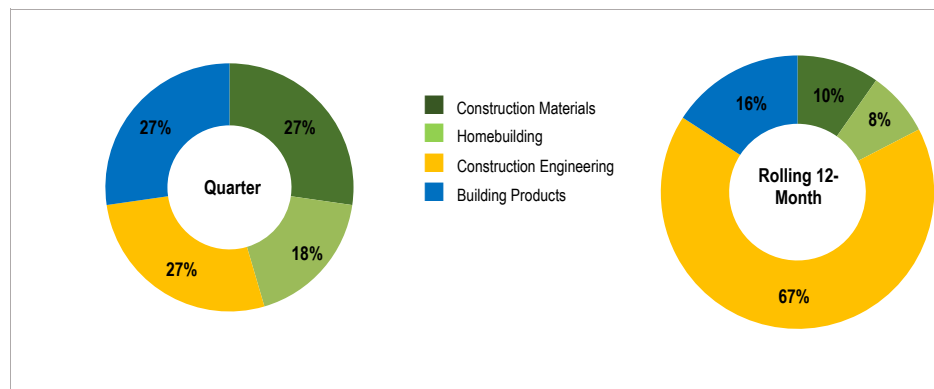
<sup>3</sup> "Healthy Advances forecast for Nonresidential Building Market", AIA, October 2016.

## Industry Trends During Quarter

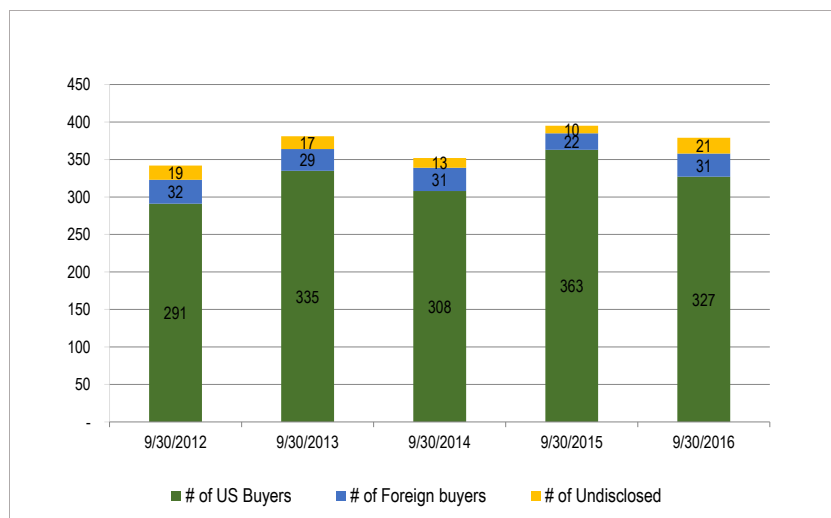
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Construction Materials	↓	↑	↓
Homebuilding	→	↓	↓
Construction & Engineering	↓	↓	↓
Building Products	↓	↓	↓

\* 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)

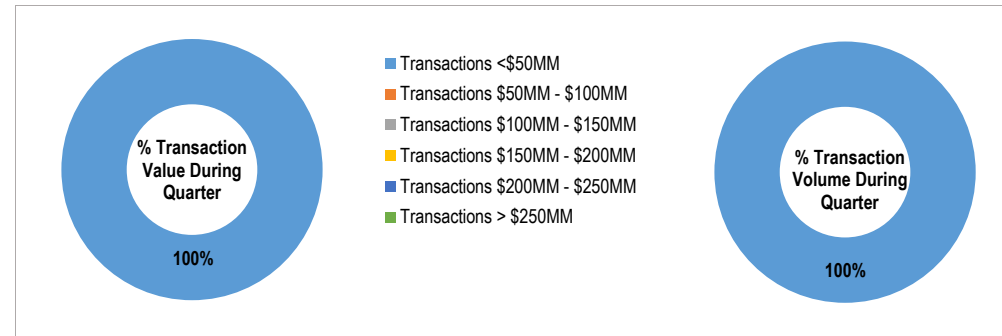
Sector	Target	Buyer	Transaction Value
Building Products	Nortek Inc.	Melrose Industries PLC	\$2,673.0
Building Products	Krestmark Industries, L.P. and Crest Vinyl Extrusions, LLC and Legacy	Headwaters Windows, LLC	\$240.0
Construction & Engineering	Tecta America Corp.	ONCAP	\$215.2
Homebuilding	Wilson Parker Homes Inc.	DR Horton Inc.	\$90.0
Construction & Engineering	Limbach Facility Services LLC	Limbach Holdings, Inc.	\$67.0

Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

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

Transaction Volume	8
Number of Transactions with Disclosed Values	3
Transaction Value*	\$2.34
Average Transaction Value*	\$0.78
Median Transaction Value*	\$0.56
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

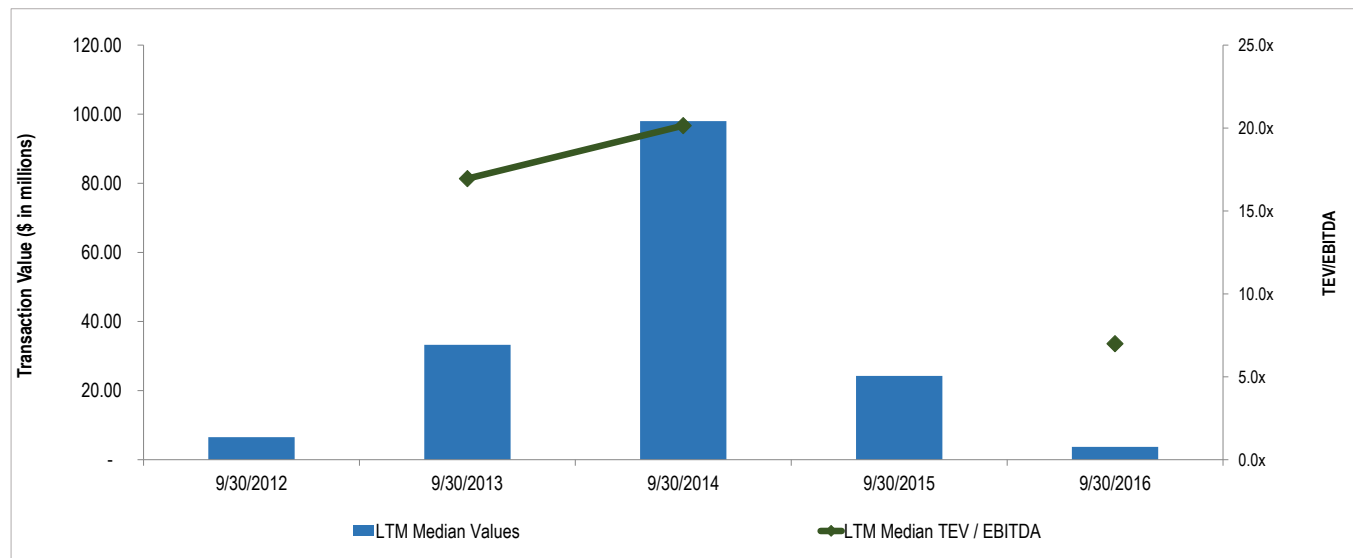
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

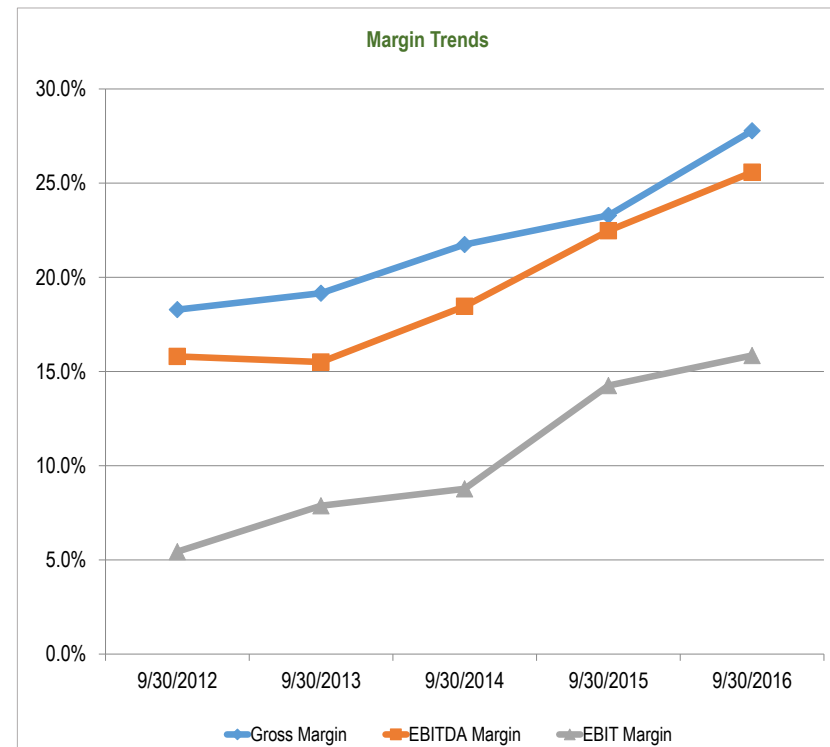
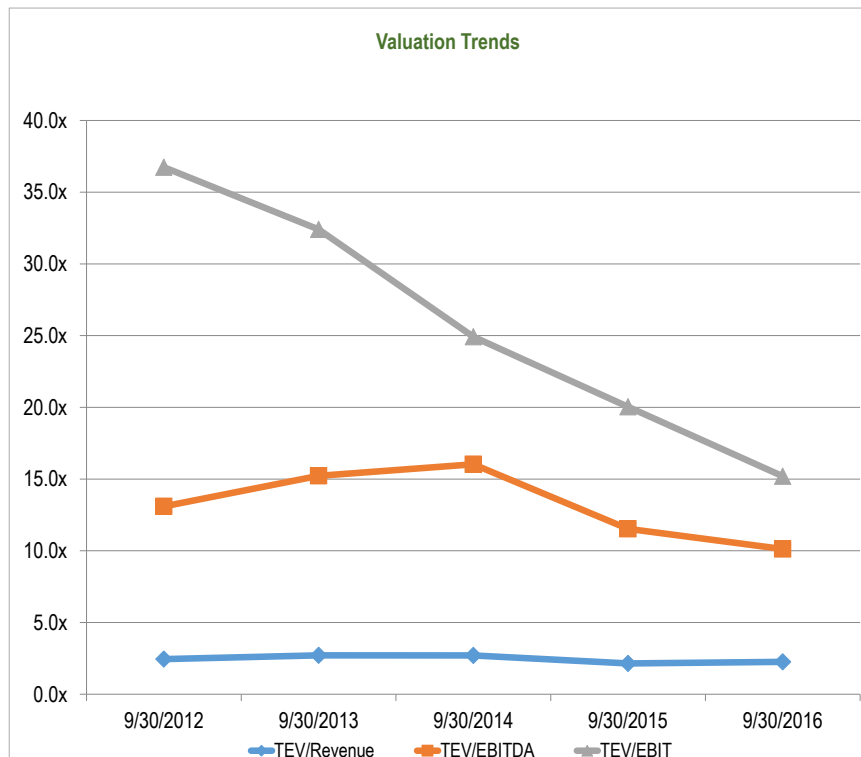


Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	09/30/2016 Trends	
Average	\$4,678	2.7x	11.4x	17.4x	TEV/Revenue	↑
Median	\$1,432	2.3x	10.1x	15.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	09/30/2016 Trends	
Average	27.8%	22.8%	14.8%	Gross Margin	↑
Median	27.8%	25.6%	15.9%	EBITDA Margin	↑
				EBIT Margin	↑



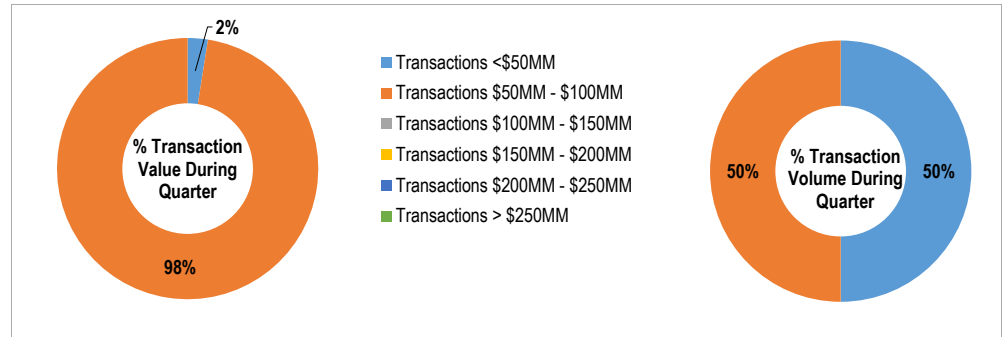
Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

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

Transaction Volume	7
Number of Transactions with Disclosed Values	2
Transaction Value*	\$92.30
Average Transaction Value*	\$46.15
Median Transaction Value*	\$46.15

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

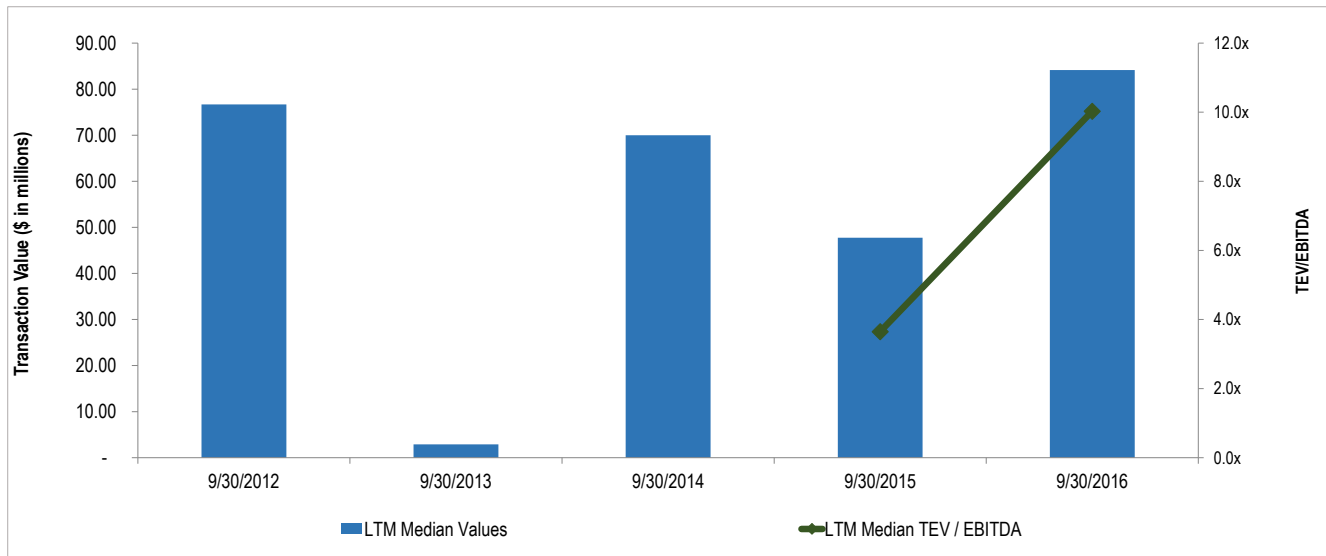
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

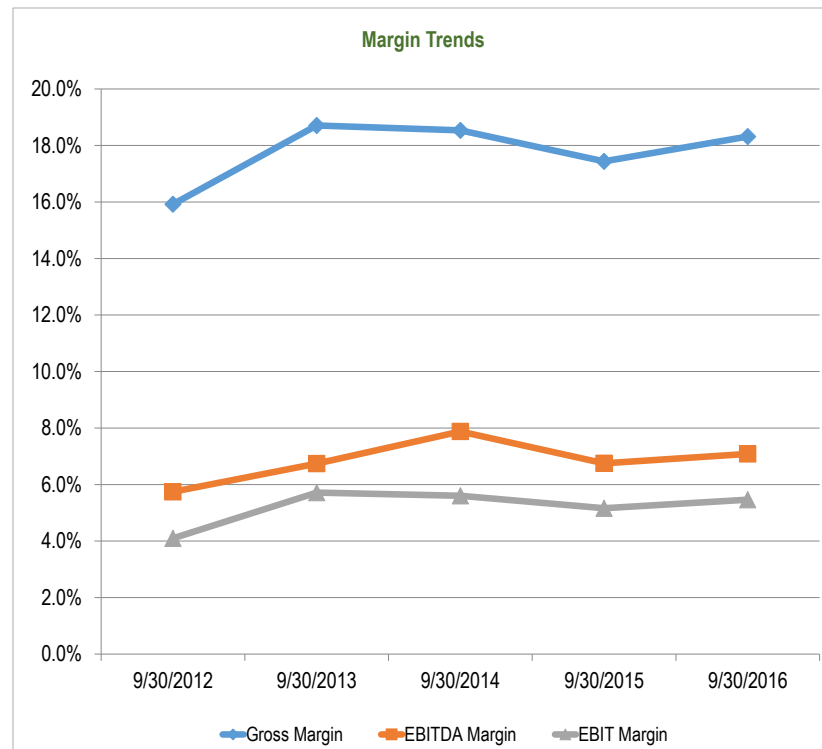
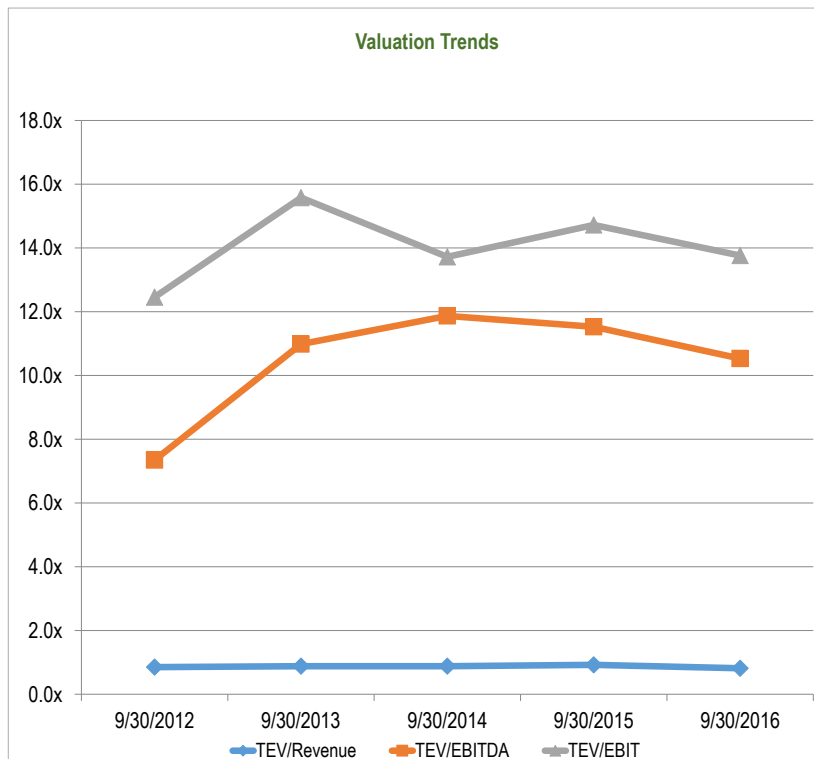


Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

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

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,960	0.9x	13.0x	18.2x	TEV/Revenue	↓
Median	\$883	0.8x	10.5x	13.8x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	17.0%	7.5%	5.7%	Gross Margin	↑
Median	18.3%	7.1%	5.5%	EBITDA Margin	↑
				EBIT Margin	↑



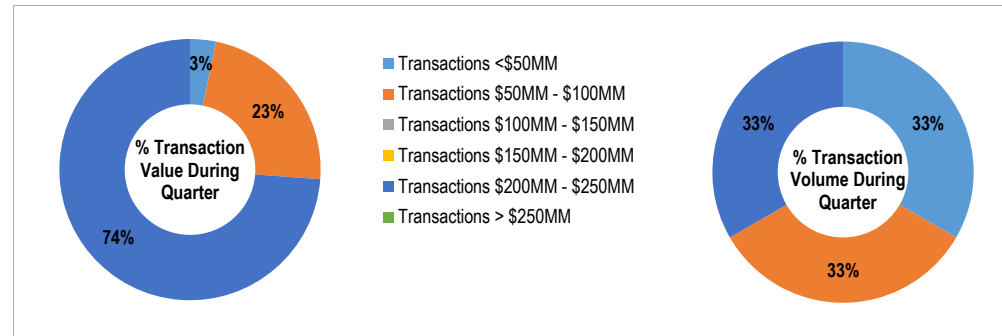
Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

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

Transaction Volume	44
Number of Transactions with Disclosed Values	3
Transaction Value*	\$291.48
Average Transaction Value*	\$97.16
Median Transaction Value*	\$67.00

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

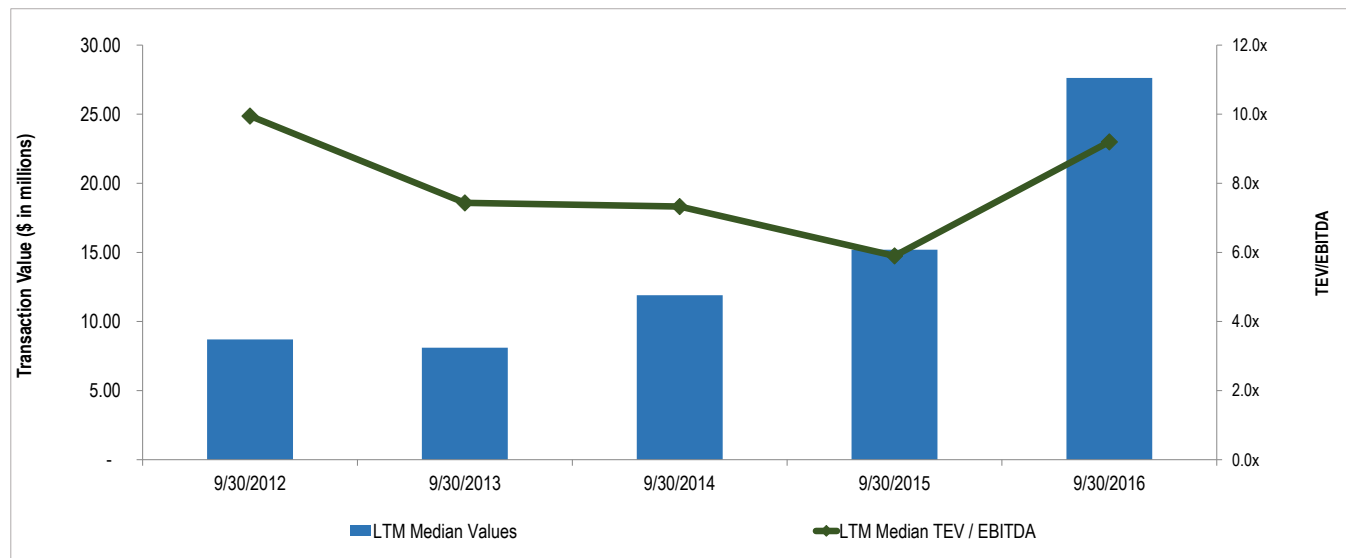
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data



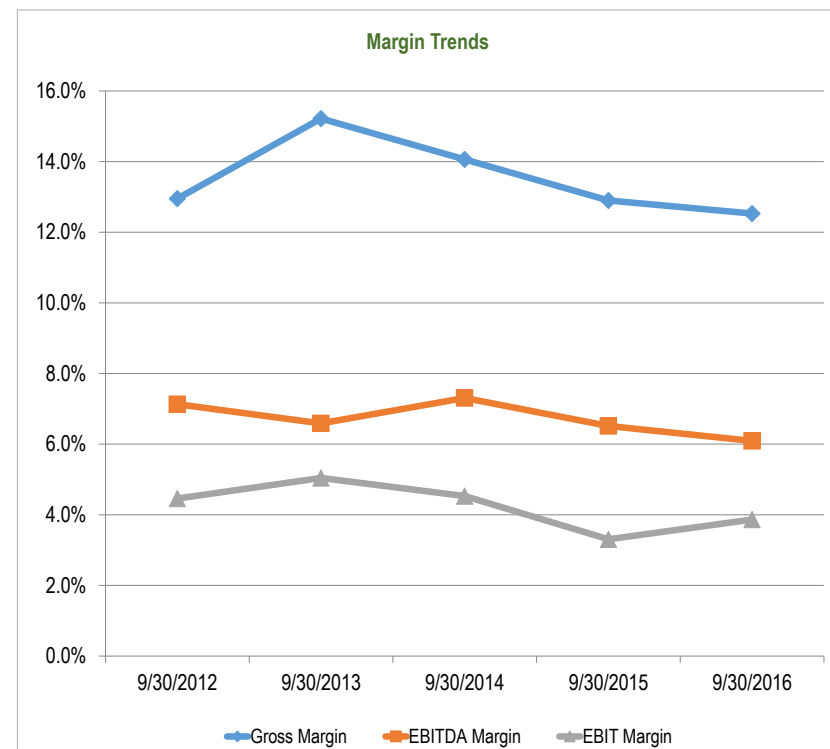
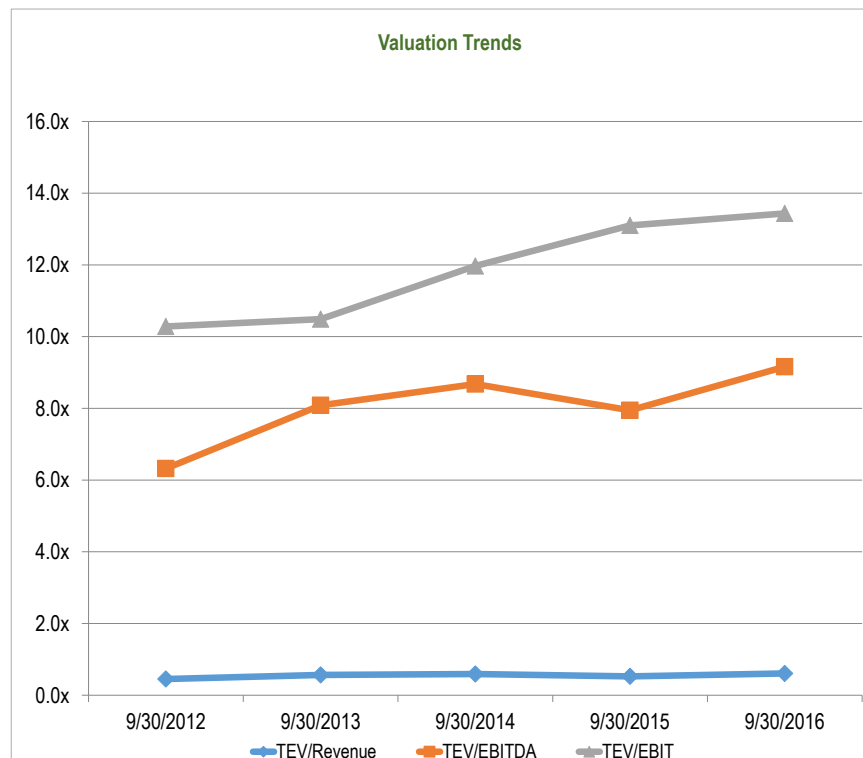
# Construction & Engineering

3rd Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,745	0.7x	9.7x	15.9x	TEV/Revenue	↑
Median	\$962	0.6x	9.2x	13.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	14.7%	6.8%	3.8%	Gross Margin	↓
Median	12.5%	6.1%	3.9%	EBITDA Margin	↓
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

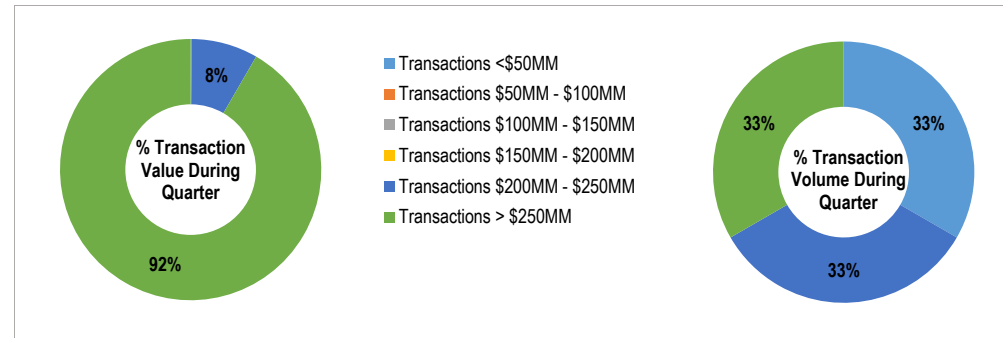


## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	12
Number of Transactions with Disclosed Values	3
Transaction Value*	\$2,917.00
Average Transaction Value*	\$972.33
Median Transaction Value*	\$240.00

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

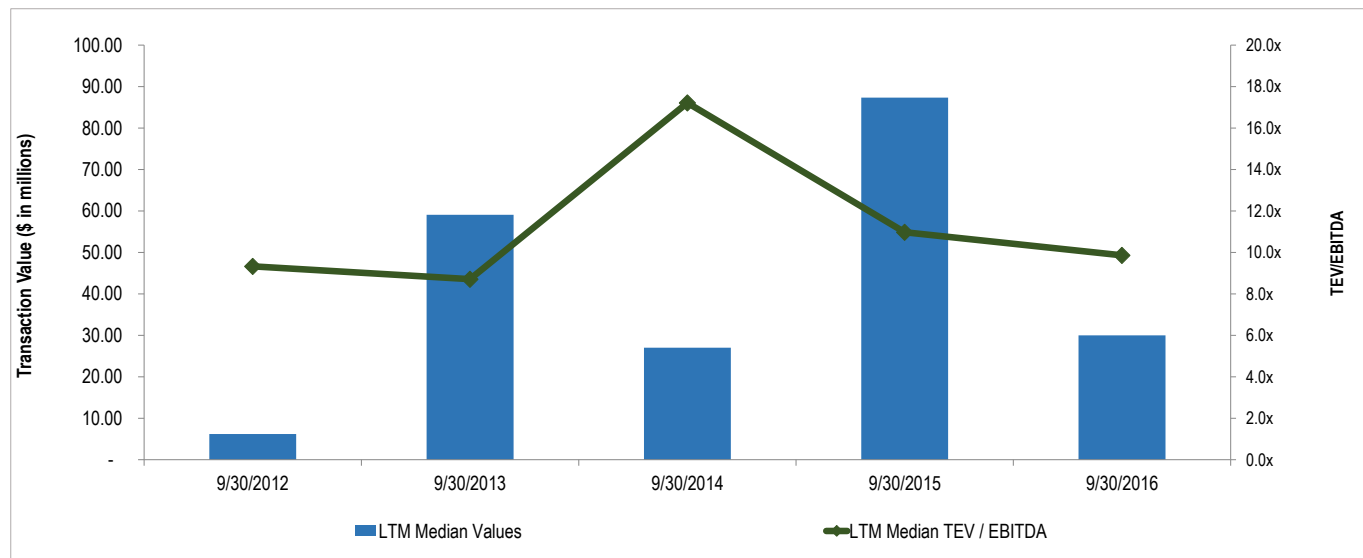
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

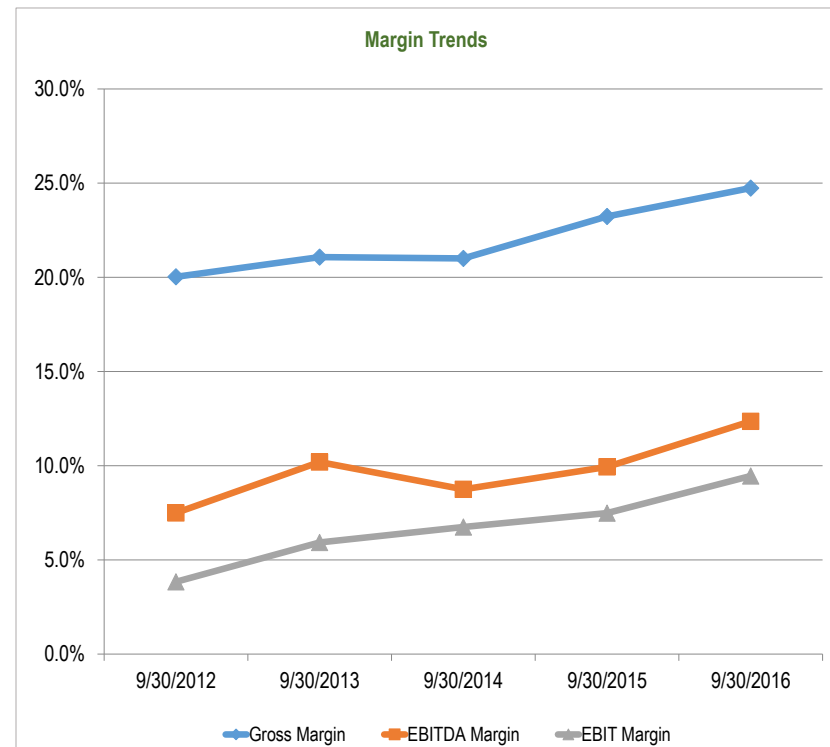
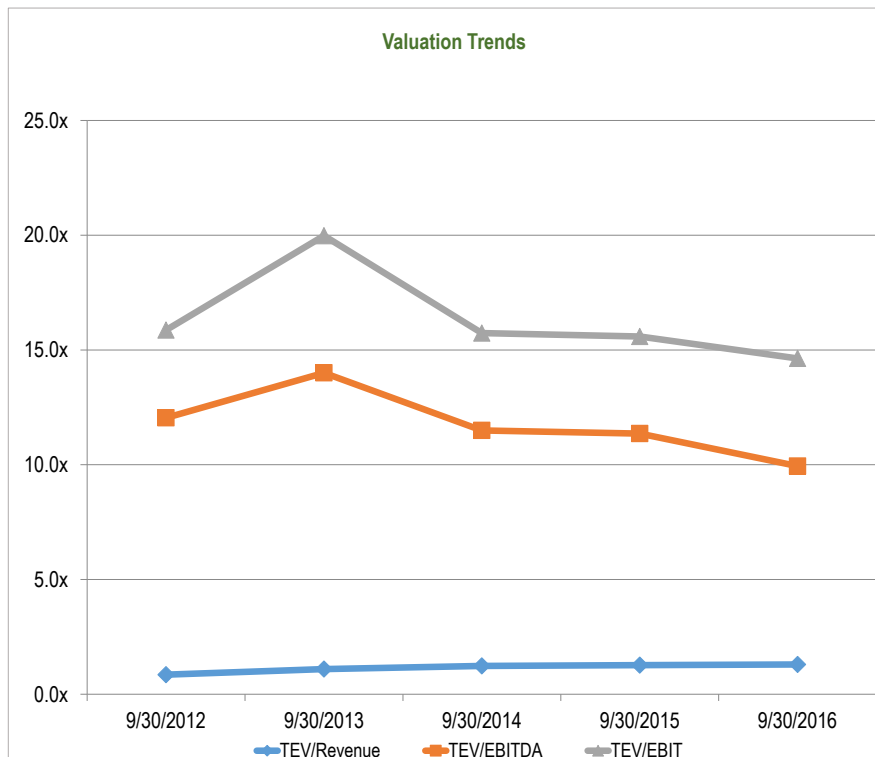
# Building Products

3rd Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,379	1.6x	10.7x	15.4x	TEV/Revenue	↑
Median	\$1,252	1.3x	9.9x	14.6x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.0%	12.6%	9.3%	Gross Margin	↑
Median	24.7%	12.4%	9.5%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/12/2016 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:

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

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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 dates only.

## Glossary

EBIT - Earnings Before Interest and Taxes  
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization  
LTM - Last Twelve Months  
TEV - Total Enterprise Value