



# PCE Industry Report

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Building Products & Construction



# Middle Market M&A Summary

## Building Products & Construction

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4th Quarter 2016

### Key Highlights

- The average value of the top ten transactions was \$256 million.
  - The largest transaction was the acquisition of Contech Holdings Inc. by Quikrete Holdings, Inc. for \$950 million.
  - The smallest transaction was the acquisition of Bristol Fiberlite Industries, Inc. by Kingspan Group plc for \$37 million.
- The public company industry median TEV/EBIT multiple is 15.7x.
- The public company industry median TEV/EBITDA multiple is 10.9x.

### Key Trends

- Transaction volume in the Construction Materials subsector is trending positively. Transaction volume in the remaining subsectors is trending negatively.
- The Construction & Engineering subsector had the highest transaction volume at 36% of the industry over the past quarter.
- Despite the slowing construction industry as a whole, certain segments continue to exhibit growth. The Precast Concrete Manufacturing Industry is expecting growth at an annualized rate of 3.3% up to 2021. The main driver for this growth is increased government funding for infrastructure, rising values of utility construction, and strong demand for residential and commercial construction.
- Since the recession, the industry has been plagued with a large portion of the skilled labor population switching industries and these workers have not returned. It is anticipated this labor shortage will continue and thus an increase in wages to try to attract former skilled labor back into the industry.
- Technological advances for the construction industry, including employee tracking, wearables, and drone surveying, are expected to increase. These devices can track employees to alert regarding job hazards as well as monitoring employee productivity.

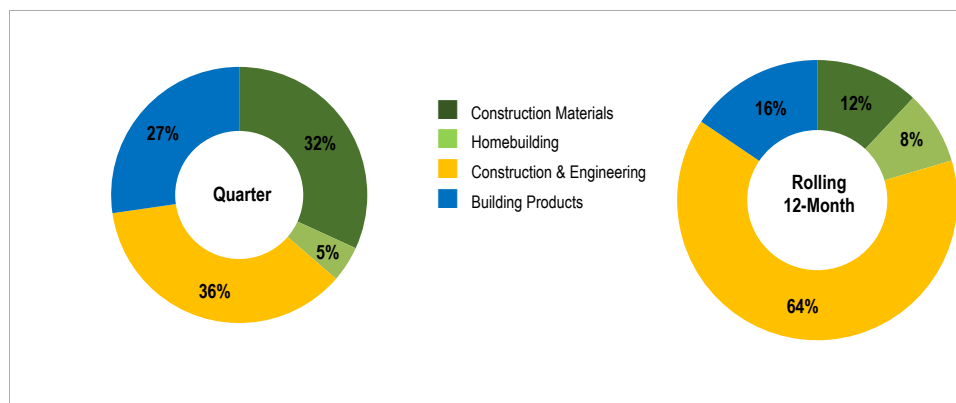
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

## Industry Trends During Quarter

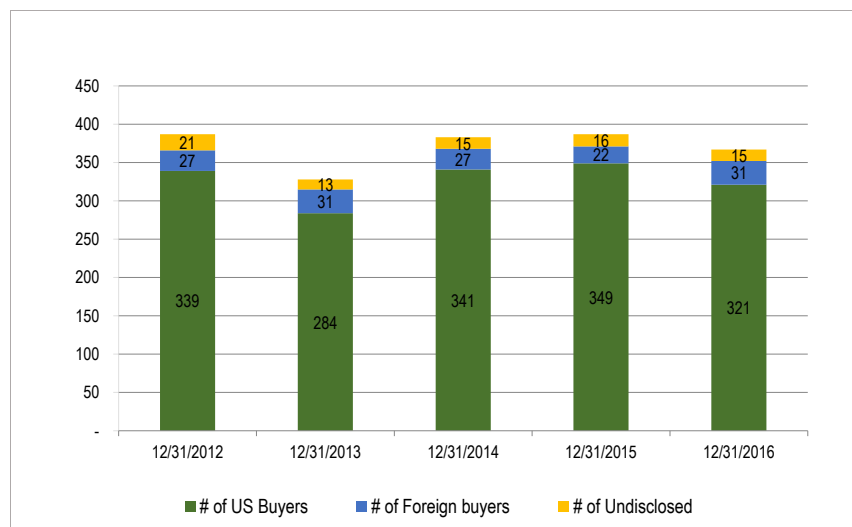
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Construction Materials	↑	↓	↓
Homebuilding	↓	↑	↑
Construction & Engineering	↓	↑	↓
Building Products	↓	↓	↑

\* 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)

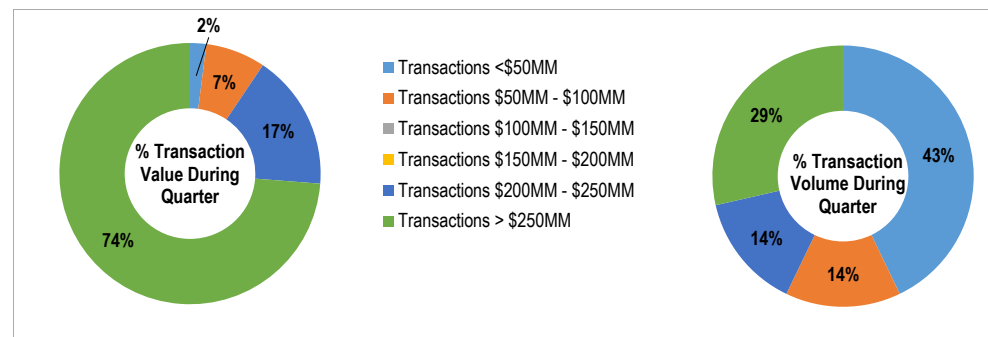
Sector	Target	Buyer	Transaction Value
Construction & Engineering	Contech Holdings, Inc	Quikrete Holdings, Inc.	\$950.0
Construction Materials	Plant and Eight Terminals in US	Argos USA Corporation	\$660.0
Construction Materials	CEMEX, S.A.B. de C.V., Certain assets in U.S.	Grupo Cementos de Chihuahua, S.A.B. de C.V.	\$306.0
Construction Materials	Giant Cement Holding, Inc.	Elementia, S.A.B. de C.V.	\$220.0
Building Products	Mesker Openings Group	dormakaba Holding AG	\$142.5
Construction Materials	Precast Concepts, LLC	Hanson Pipe & Precast LLC	\$97.1
Construction & Engineering	Camero Processing, LLC	Sanchez Production Partners LP	\$55.5
Building Products	Halex Corporation	GCP Applied Technologies Inc.	\$47.0
Construction & Engineering	Houston Interests, LLC	Matrix PDM Engineering, Inc.	\$46.0
Building Products	Bristol Fiberlite Industries, Inc.	Kingspan Group plc	\$37.0

Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

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

Transaction Volume	16
Number of Transactions with Disclosed Values	7
Transaction Value*	\$1,309.43
Average Transaction Value*	\$187.06
Median Transaction Value*	\$97.10
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

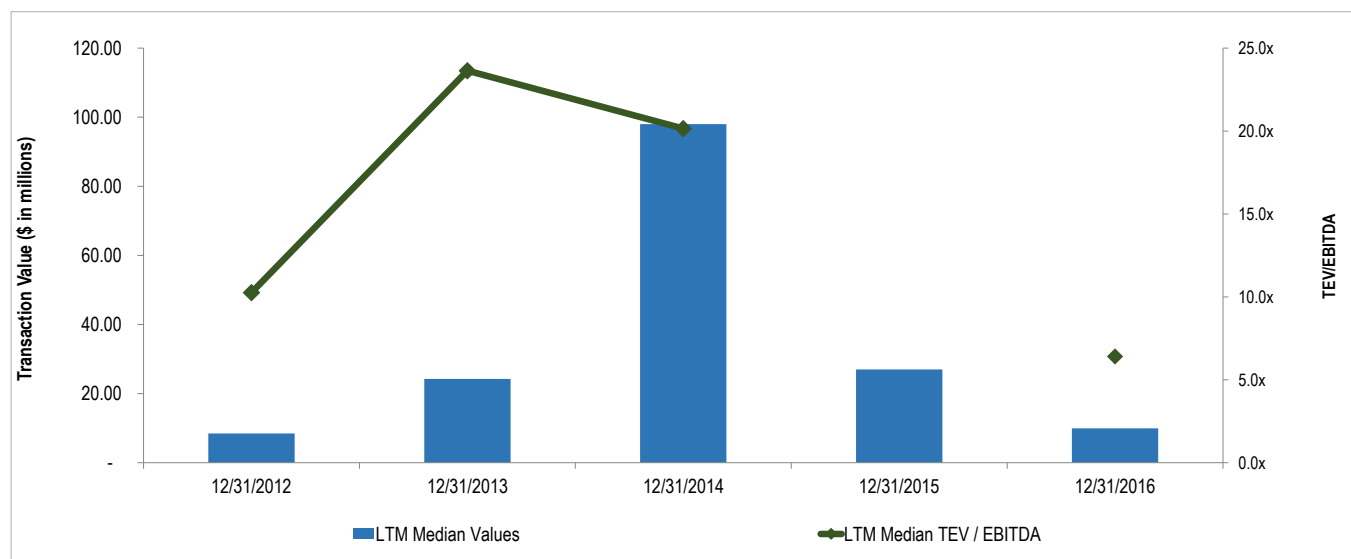
### Transactions by Value & Volume



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 1/17/2017 and PCE Proprietary Data

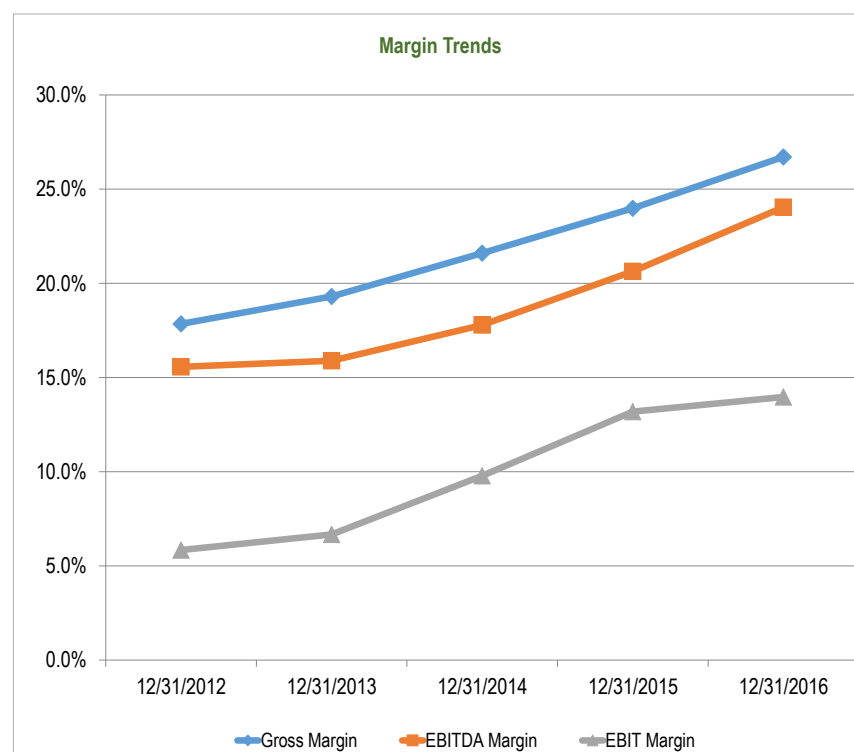
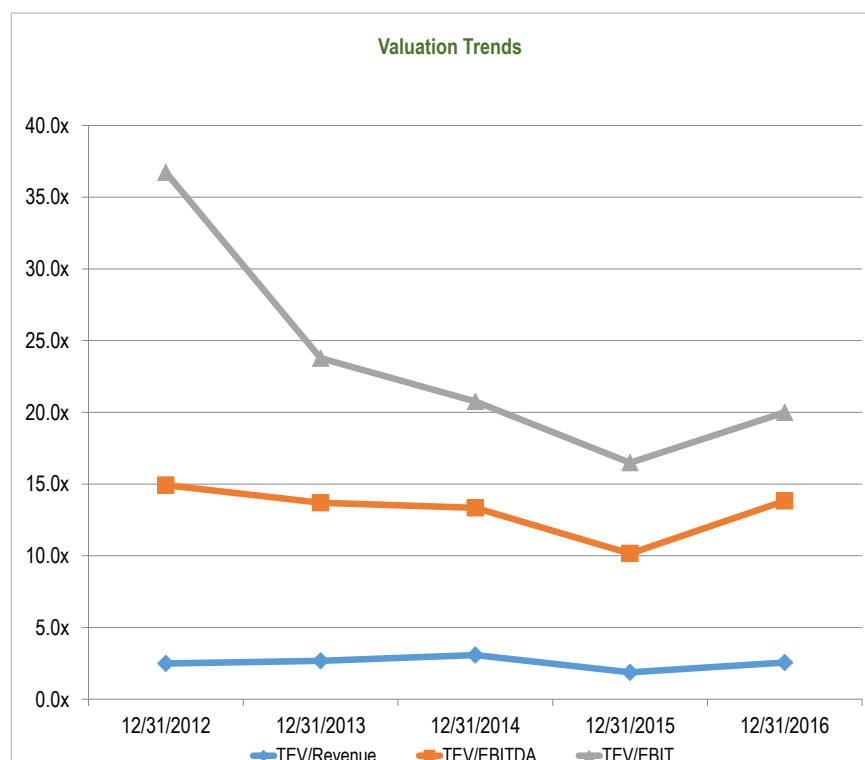
# Construction Materials

4th Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,300	3.1x	13.5x	21.1x	TEV/Revenue	↑
Median	\$1,807	2.6x	13.8x	20.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.1%	22.0%	14.2%	Gross Margin	↑
Median	26.7%	24.0%	14.0%	EBITDA Margin	↑
				EBIT Margin	↑



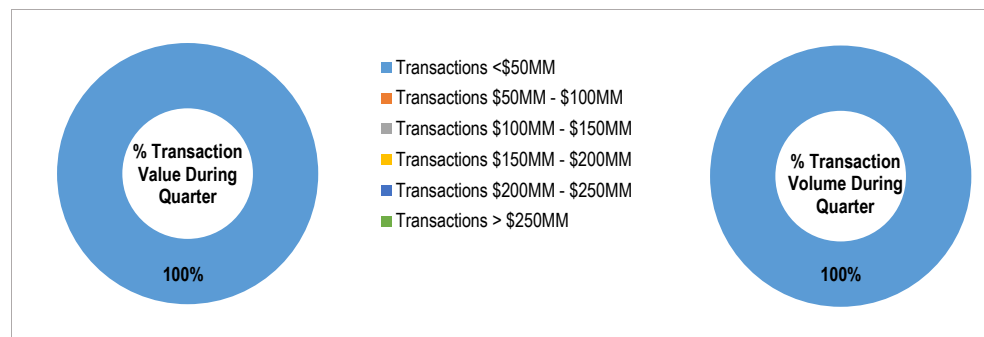
Source: S&P Capital IQ as of 1/17/2017 and PCE Proprietary Data



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

Transaction Volume	7
Number of Transactions with Disclosed Values	1
Transaction Value*	\$15.00
Average Transaction Value*	\$15.00
Median Transaction Value*	\$15.00
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

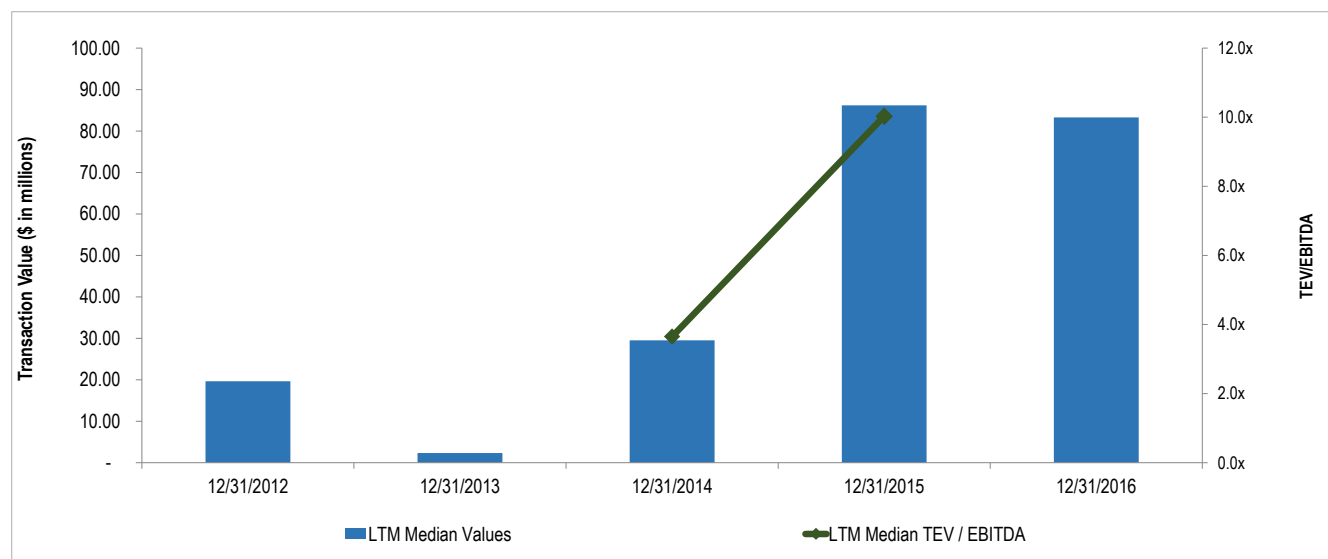
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### Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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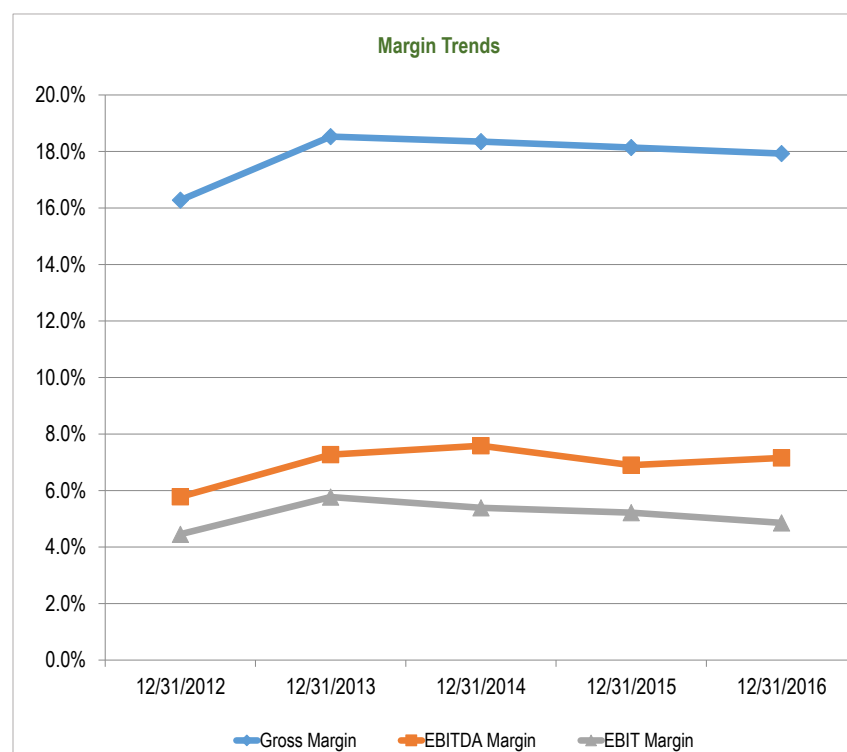
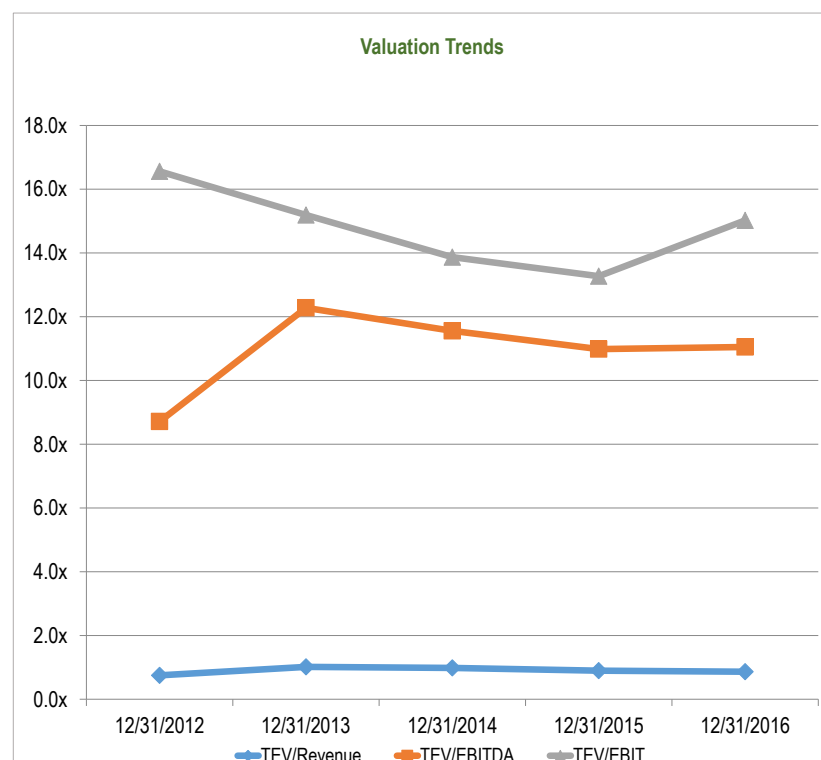
# Homebuilding

4th Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,077	1.0x	12.7x	19.6x	TEV/Revenue	↓
Median	\$886	0.9x	11.1x	15.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	16.9%	7.6%	5.7%	Gross Margin	↓
Median	17.9%	7.2%	4.9%	EBITDA Margin	↑
				EBIT Margin	↓

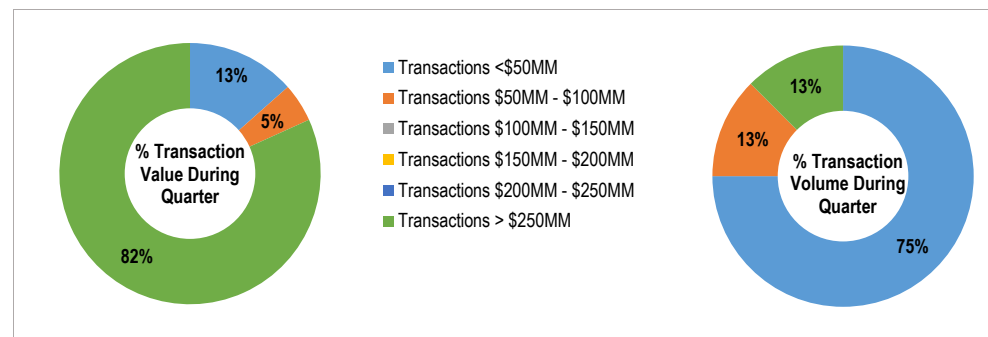


Source: S&P Capital IQ as of 1/17/2017 and PCE Proprietary Data

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

Transaction Volume	46
Number of Transactions with Disclosed Values	8
Transaction Value*	\$1,161.91
Average Transaction Value*	\$145.24
Median Transaction Value*	\$32.50
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

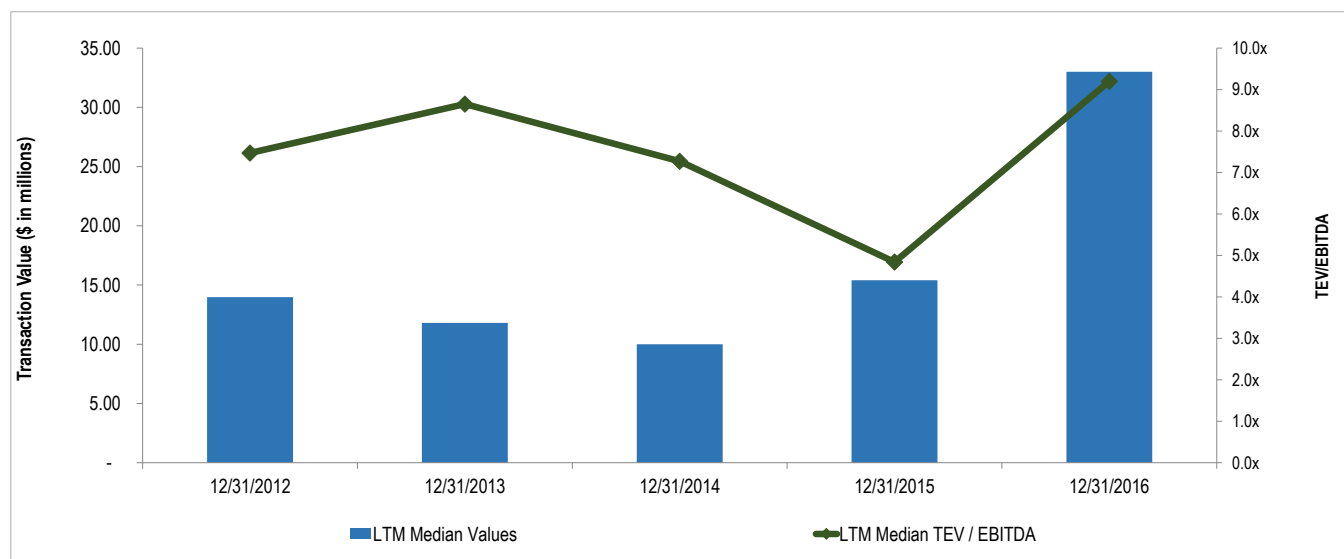
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## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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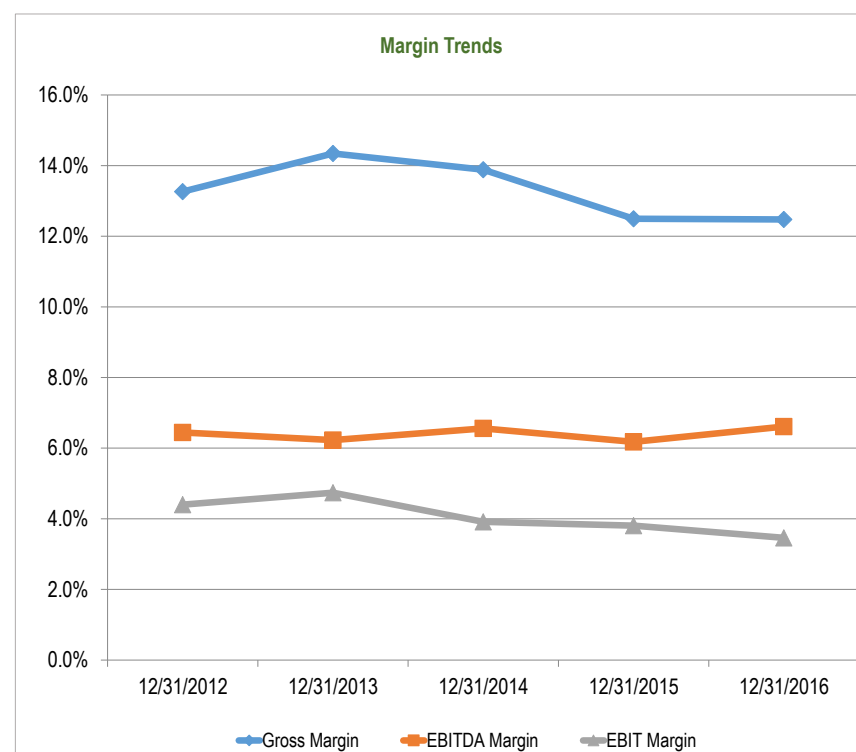
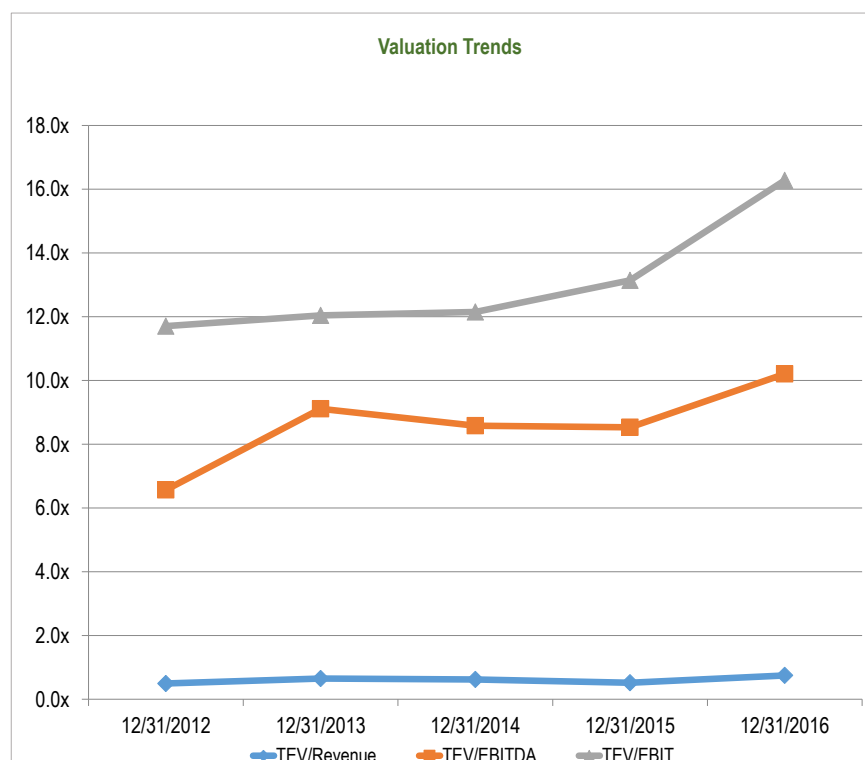
# Construction & Engineering

4th Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,940	0.8x	10.6x	22.2x	TEV/Revenue	↑
Median	\$1,098	0.7x	10.2x	16.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	14.6%	6.8%	3.7%	Gross Margin	↓
Median	12.5%	6.6%	3.5%	EBITDA Margin	↑
				EBIT Margin	↓



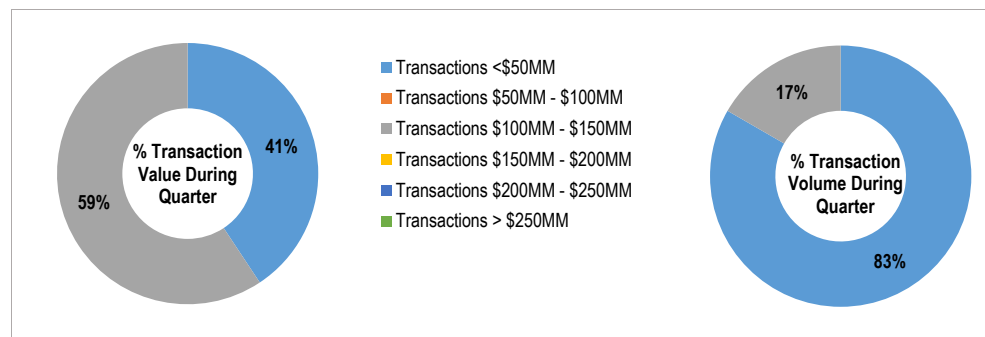
Source: S&P Capital IQ as of 1/17/2017 and PCE Proprietary Data

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

Transaction Volume	12
Number of Transactions with Disclosed Values	6
Transaction Value*	\$240.25
Average Transaction Value*	\$40.04
Median Transaction Value*	\$21.25

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

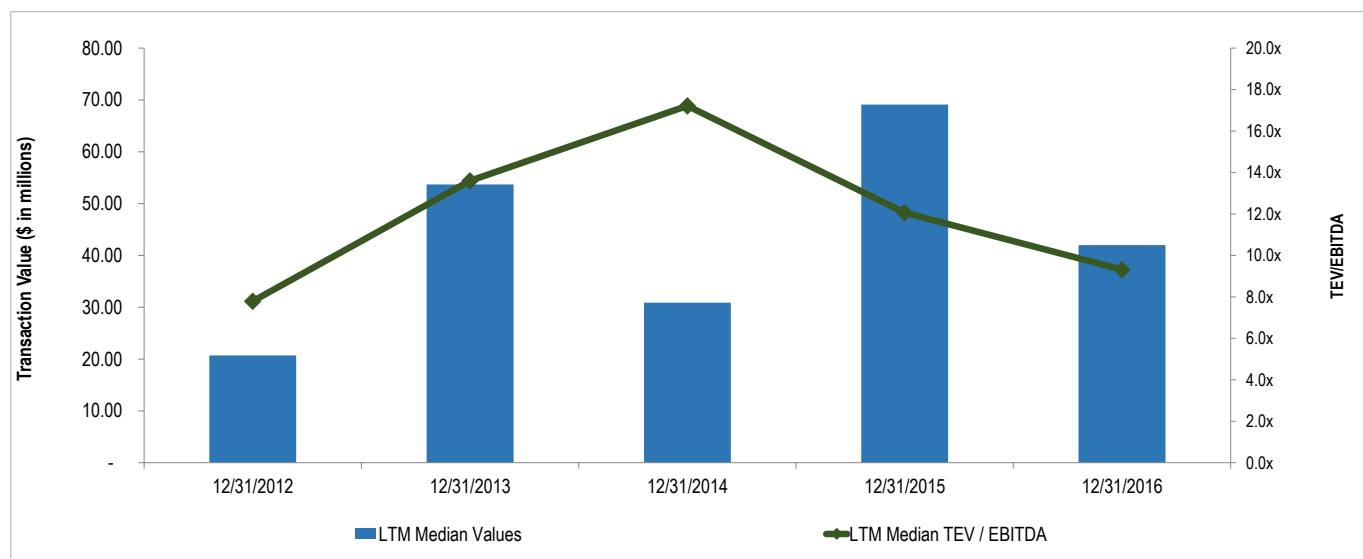
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Rolling 12-Month Value & Multiple Trends



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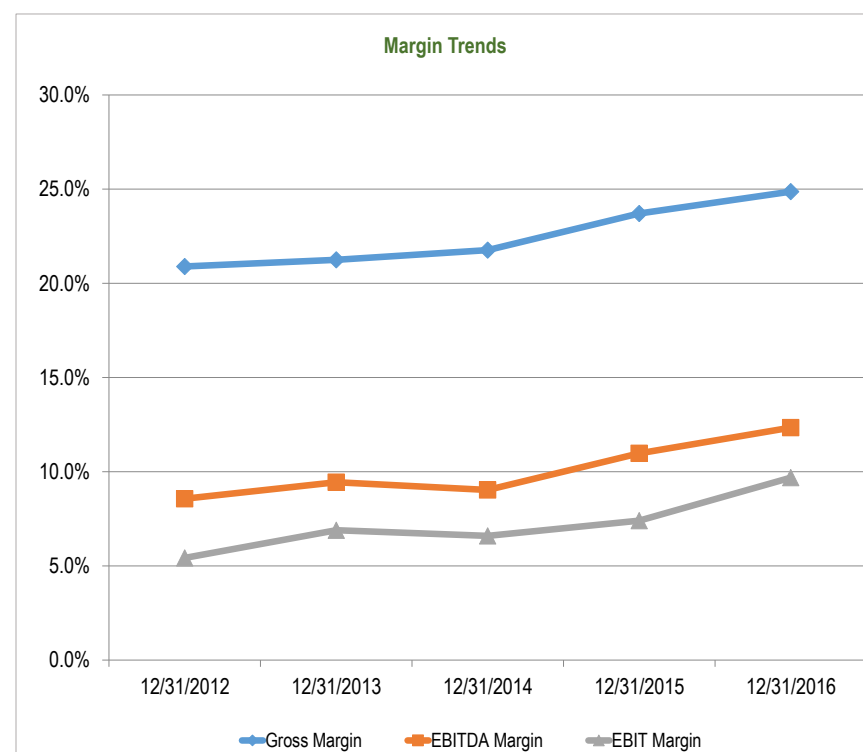
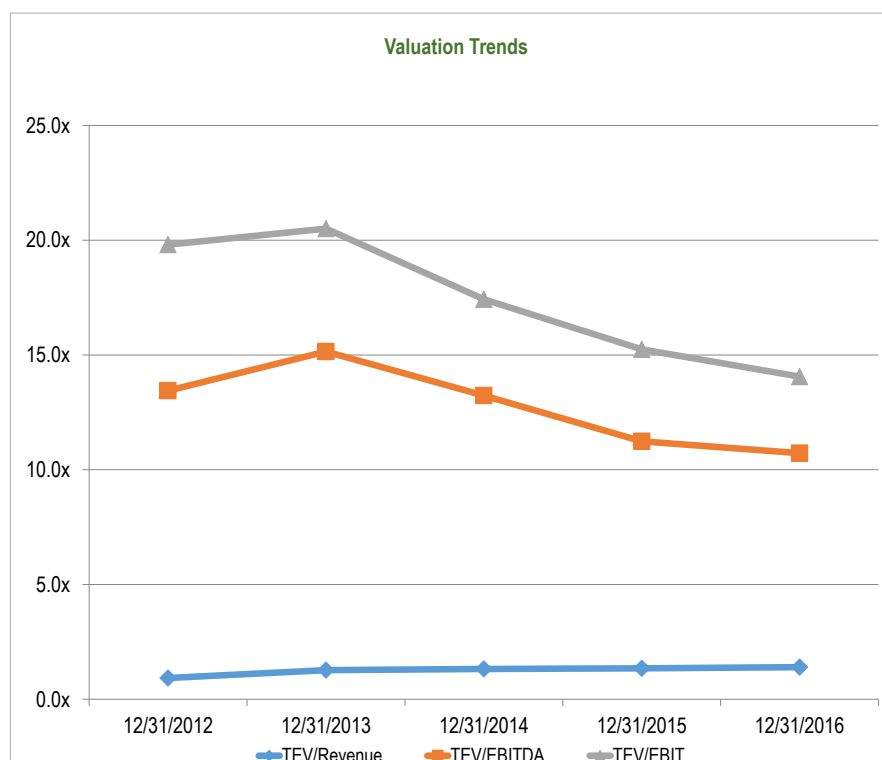
# Building Products

4th Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,393	1.6x	10.7x	14.9x	TEV/Revenue	↑
Median	\$1,266	1.4x	10.7x	14.1x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.2%	12.9%	9.7%	Gross Margin	↑
Median	24.9%	12.3%	9.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/17/2017 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

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

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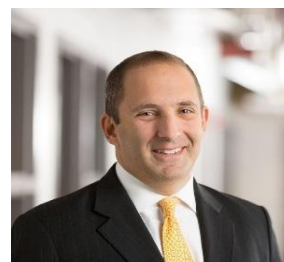


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## PCE Locations

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New York

## 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