



PCE Industry Report

Building Products & Construction



Middle Market M&A Summary

Building Products & Construction

2nd Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$402 million.
 - The largest transaction was the acquisition of Headwaters, Inc. by Boral Industries, Inc. for \$2.6 billion.
 - The smallest transaction was the acquisition of Bock & Clark Corporation by NV5 Global, Inc. for \$42 million.
- The public company industry median TEV/EBIT multiple is 18.8x.
- The public company industry median TEV/EBITDA multiple is 12.3x.

Key Trends

- While demand for homes remains strong with low unemployment, buyers have faced tight supply in the market. The industry data reveals mixed signals when it comes to future supply changes with housing completions up 14.6% compared to a year ago in May, but both building permits and housing completions lagged last year's rates by 1.1% and 2.4% respectively.¹
- As building material prices continued to rise throughout the second quarter, the U.S. Commerce Department imposed a new tariff of up to 31% on Canadian softwood lumber. The National Association of Home Builders estimates this tax will raise the price of lumber by an average of 6% or add \$3,000 to the cost of construction for the average home.²
- Through the first half of the year overall construction spending remains steady. While data shows construction spending up 6.1% through the first five months of the year, compared to the same period last year; private residential construction continues to disappoint with five straight months of declines.³

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

¹ U.S. Census Bureau, June 16, 2017.

² U.S. Department of Commerce, June 26, 2017.

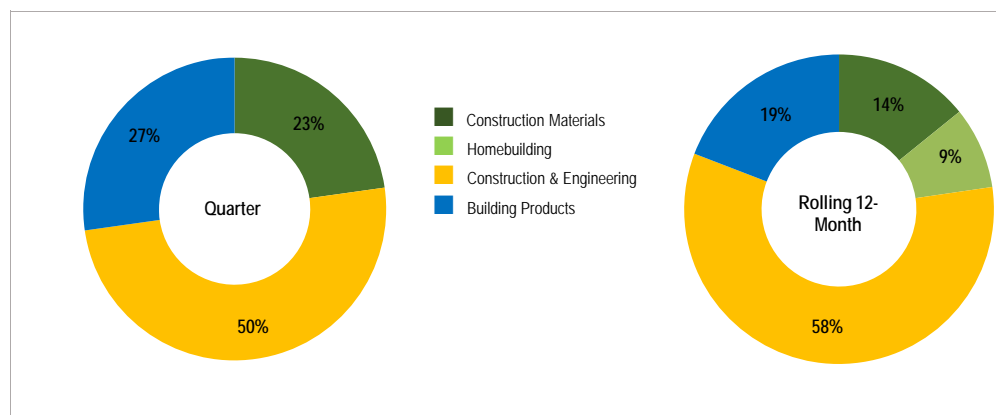
³ "U.S. Census Bureau, July 3, 2017. "Construction Spending Flat in May", ABC News, July 3, 2017.

Industry Trends During Quarter

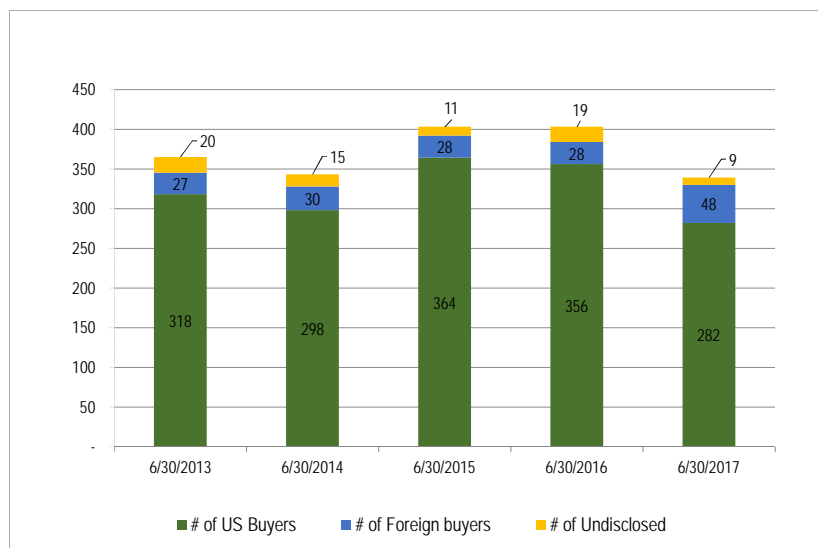
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Construction Materials	→	↑	↑
Homebuilding	↑	↑	↑
Construction & Engineering	↓	↓	↓
Building Products	↑	↑	↓

* 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 Materials	Headwaters Incorporated	Boral Industries, Inc.	\$2,629.7
Building Products	Pittsburgh Corning Corporation	Owens Corning	\$560.0
Building Products	EFCO Corporation	Apogee Enterprises, Inc.	\$195.0
Construction Materials	CEMEX, S.A.B. de C.V.	Cadman Materials, Inc.	\$150.0
Building Products	Advanced Environmental Recycling Technologies, Inc.	Oldcastle Architectural, Inc.	\$104.1
Construction & Engineering	Tealstone Commercial, Inc.	Sterling Construction Company, Inc.	\$102.3
Construction & Engineering	BCH Holdings, Inc.	Comfort Systems USA, Inc.	\$100.0
Construction & Engineering	Benchmark Builders, Inc.	FTE Networks, Inc.	\$90.2
Construction Materials	Sand Products Wisconsin LLC	Source Energy Services Ltd.	\$45.0
Construction & Engineering	Bock & Clark Corporation	NV5 Global, Inc.	\$42.0

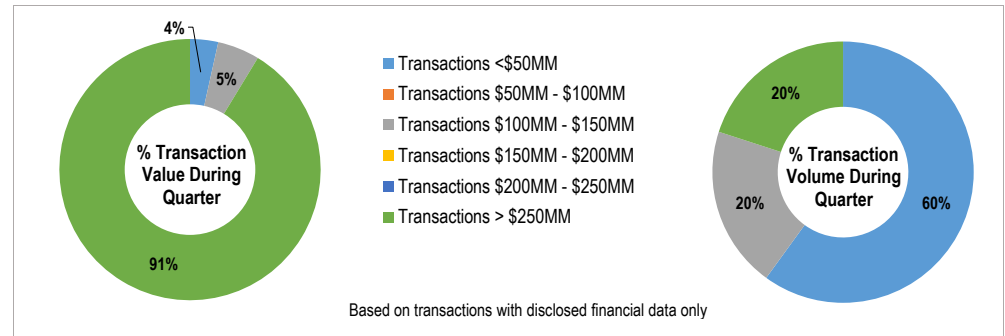
Source: S&P Capital IQ as of 7/21/2017 and PCE Proprietary Data

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

Transaction Volume	12
Number of Transactions with Disclosed Values	5
Transaction Value*	\$2,879.90
Average Transaction Value*	\$575.98
Median Transaction Value*	\$45.00

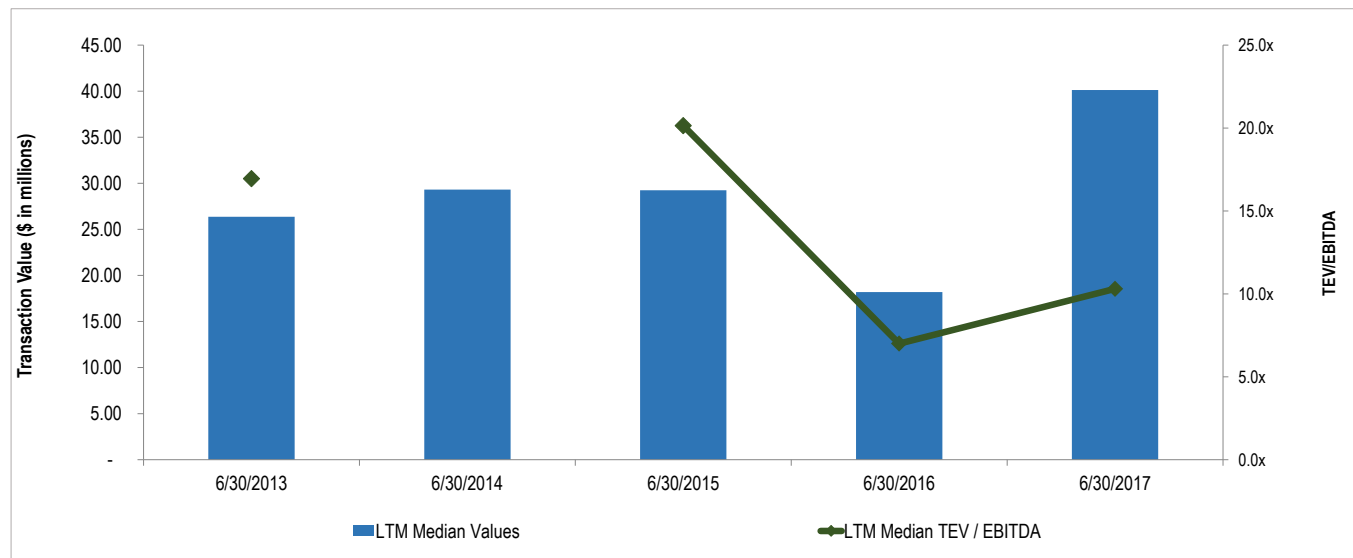
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data



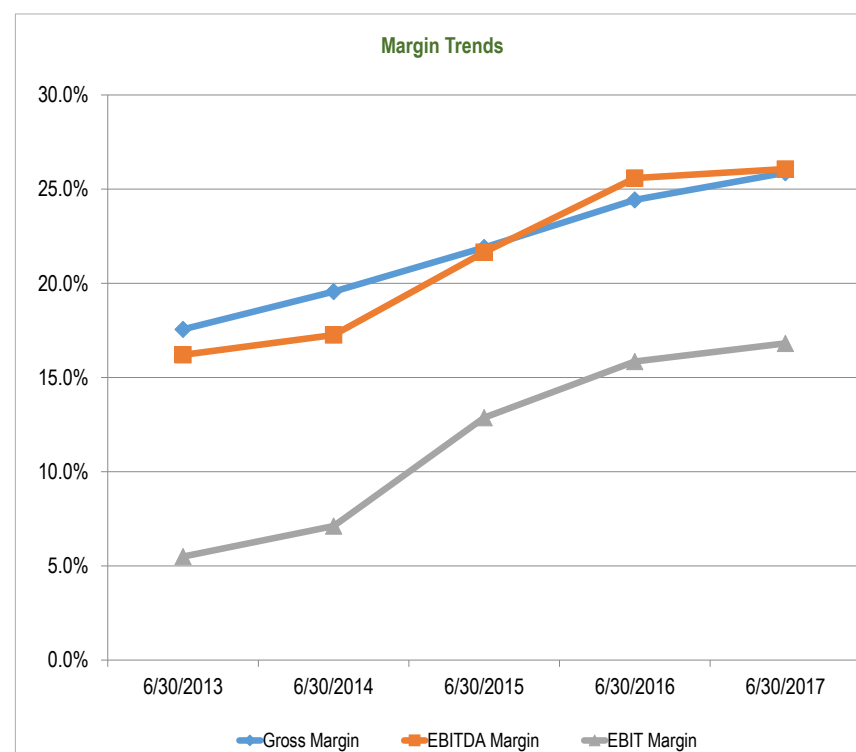
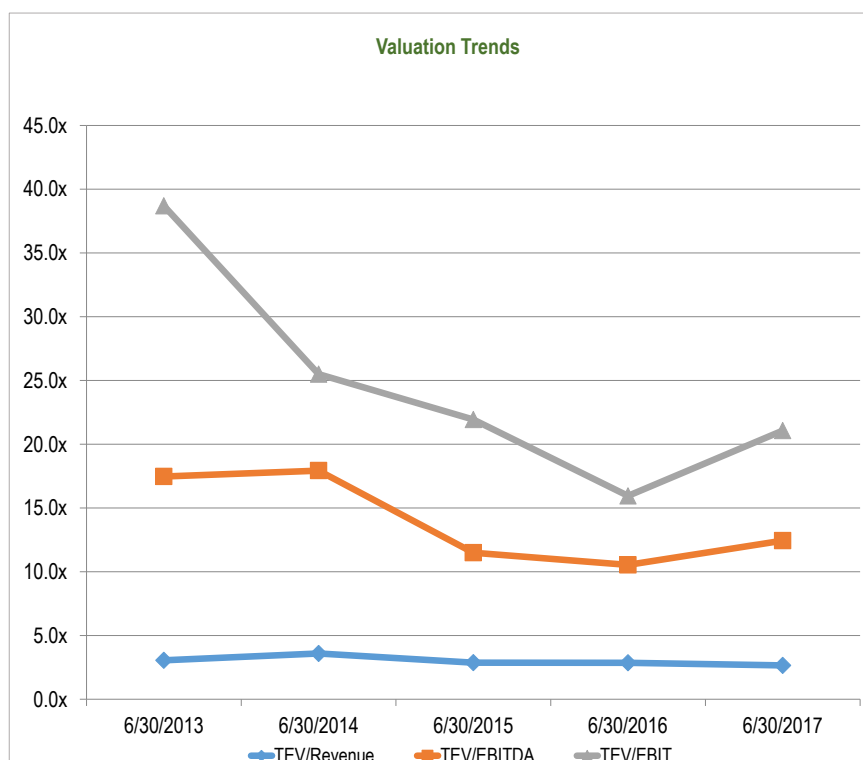
Construction Materials

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	06/30/2017 Trends	
Average	\$5,785	3.1x	12.9x	21.3x	TEV/Revenue	↓
Median	\$3,127	2.7x	12.4x	21.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	06/30/2017 Trends	
Average	27.0%	22.2%	14.1%	Gross Margin	↑
Median	25.9%	26.1%	16.8%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

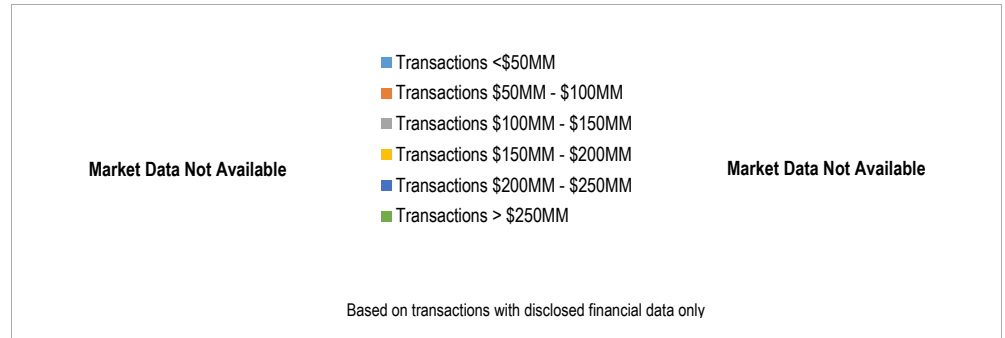


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	7
Number of Transactions with Disclosed Values	0
Transaction Value*	\$0.00
Average Transaction Value*	N/A
Median Transaction Value*	N/A

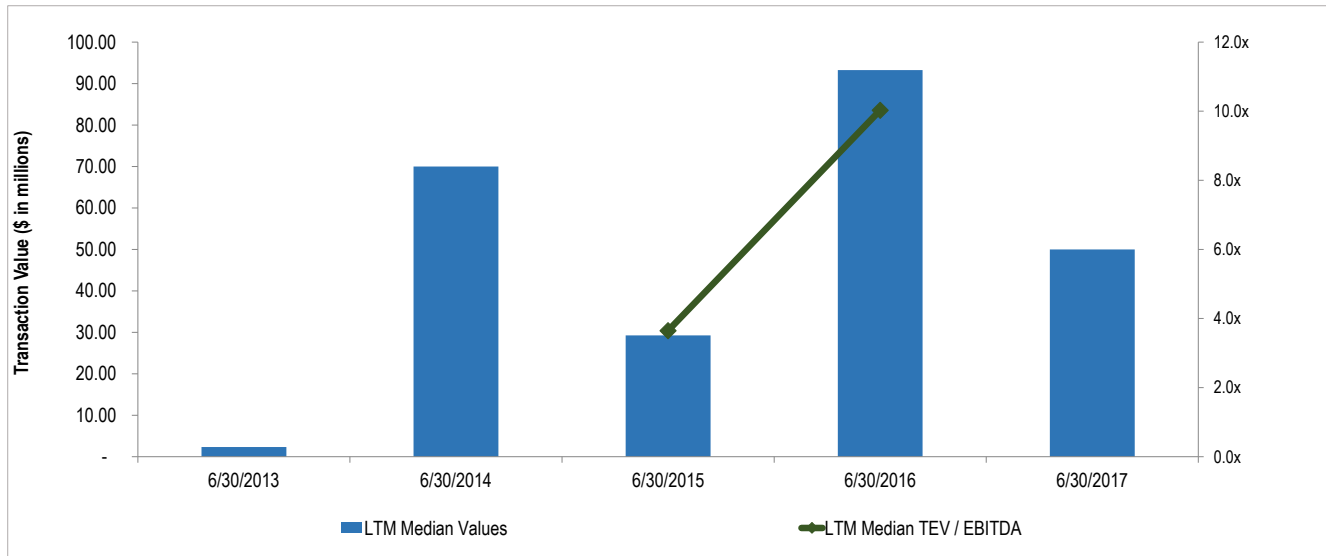
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

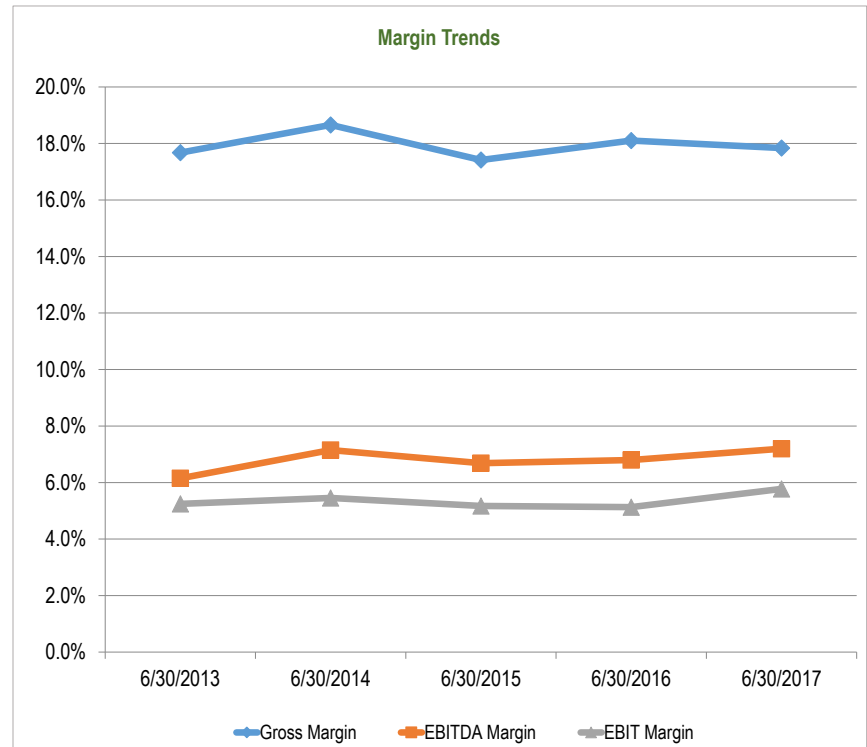
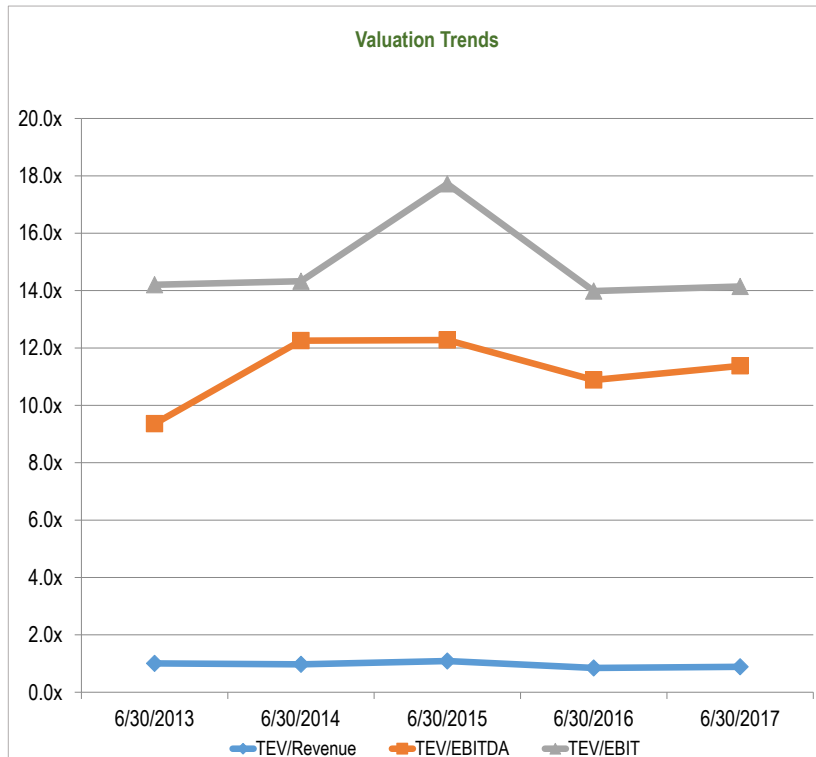
Homebuilding

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,309	0.9x	13.6x	28.1x	TEV/Revenue	↑
Median	\$1,059	0.9x	11.4x	14.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	16.9%	7.2%	5.5%	Gross Margin	↓
Median	17.8%	7.2%	5.8%	EBITDA Margin	↑
				EBIT Margin	↑



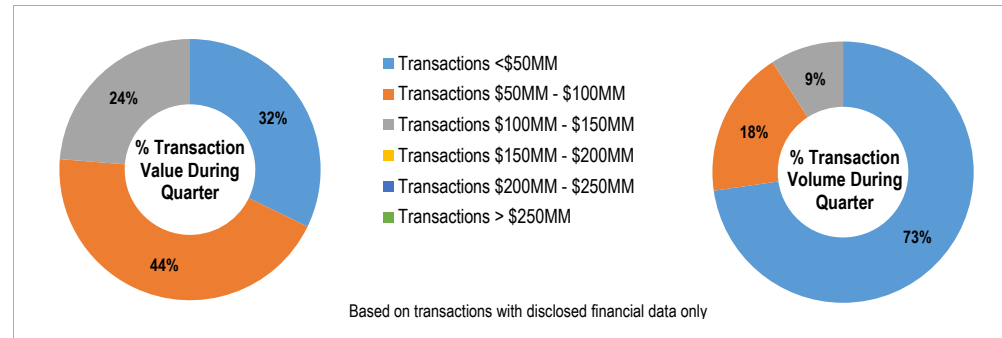
Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data



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

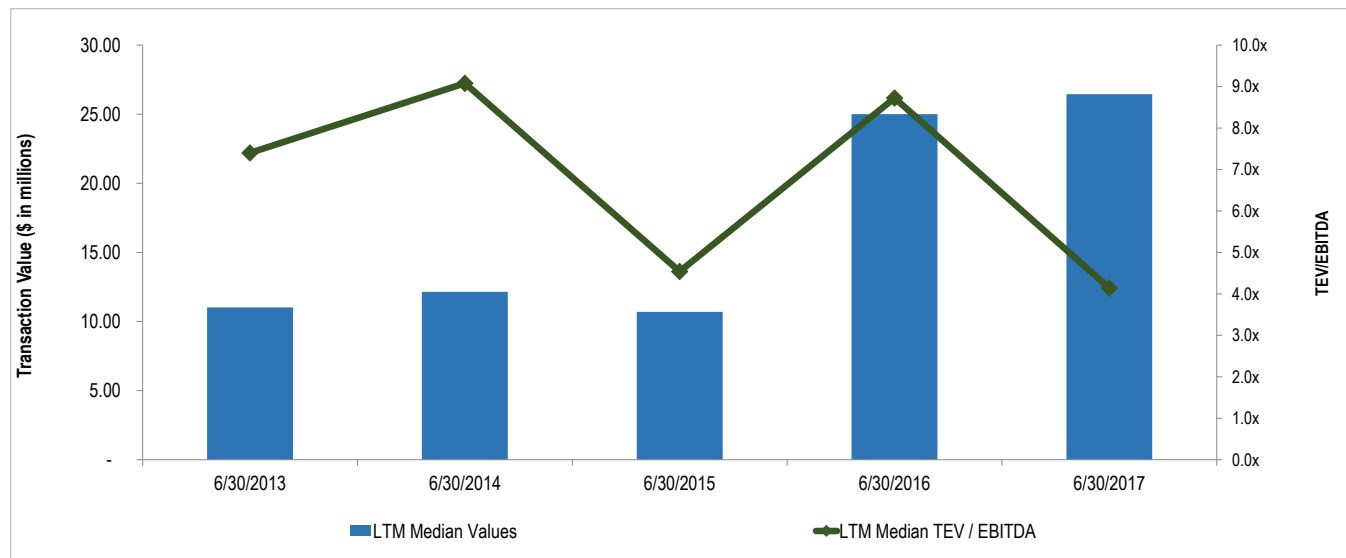
Transaction Volume	38
Number of Transactions with Disclosed Values	11
Transaction Value*	\$431.36
Average Transaction Value*	\$39.21
Median Transaction Value*	\$25.50
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

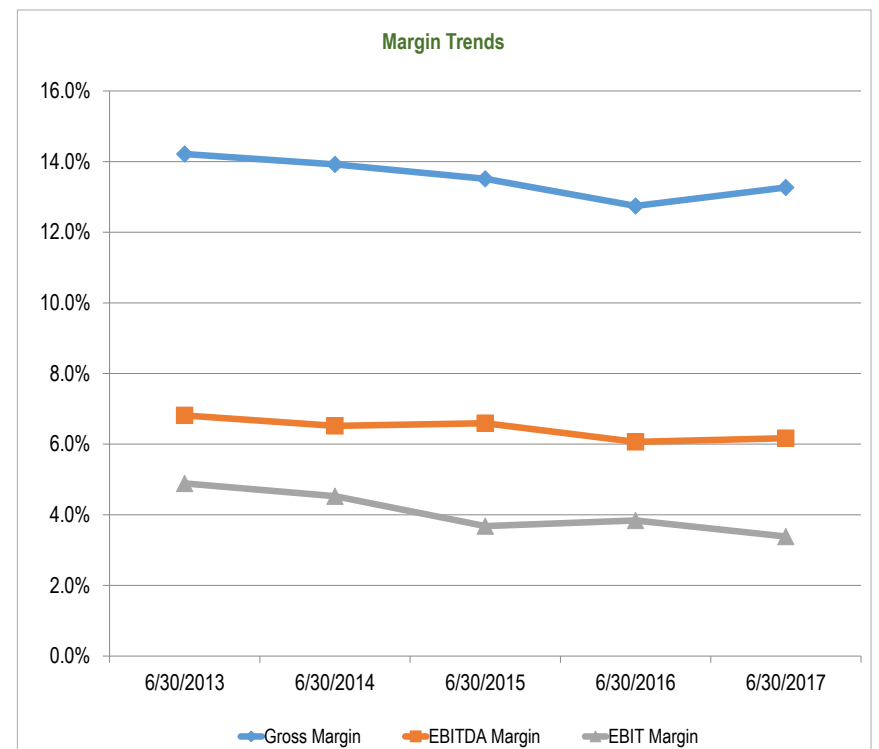
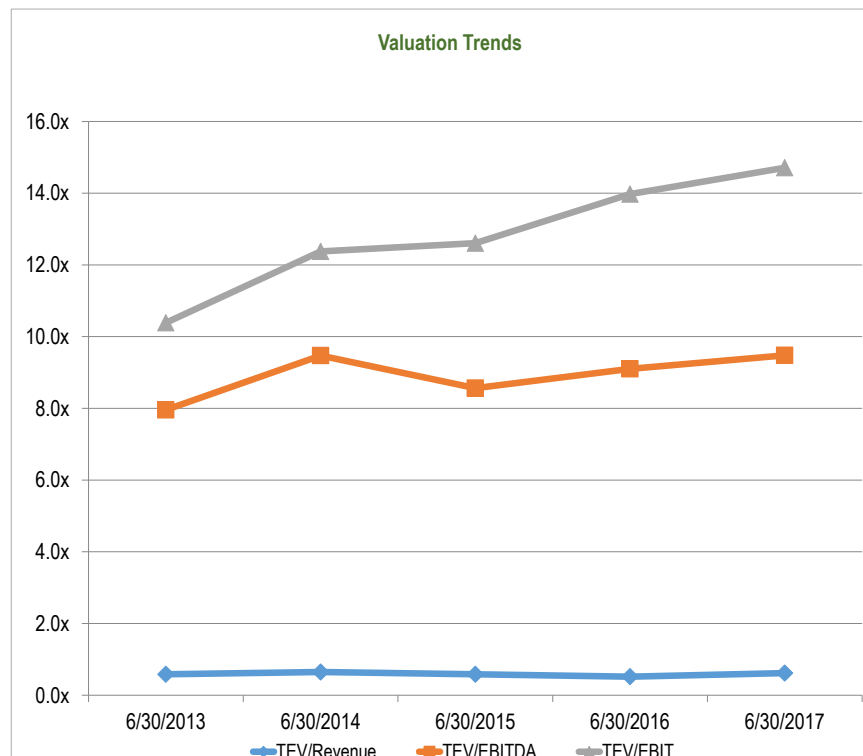
Construction & Engineering

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,853	0.7x	11.3x	40.1x	TEV/Revenue	↑
Median	\$940	0.6x	9.5x	14.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	15.0%	6.9%	3.9%	Gross Margin	↑
Median	13.3%	6.2%	3.4%	EBITDA Margin	↑
				EBIT Margin	↓



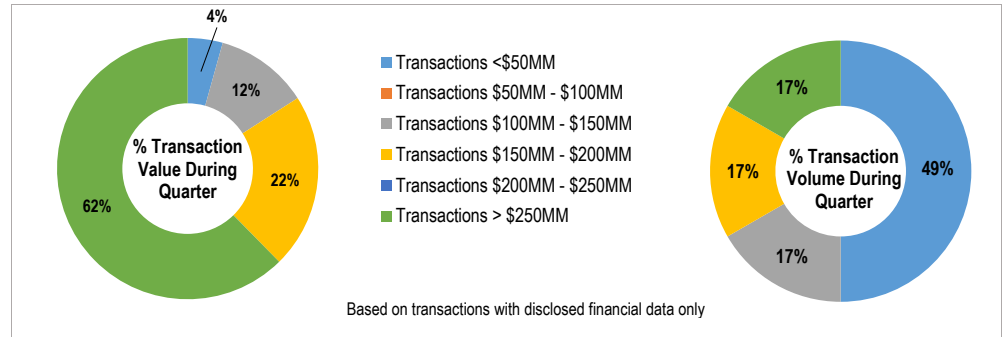
Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data



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

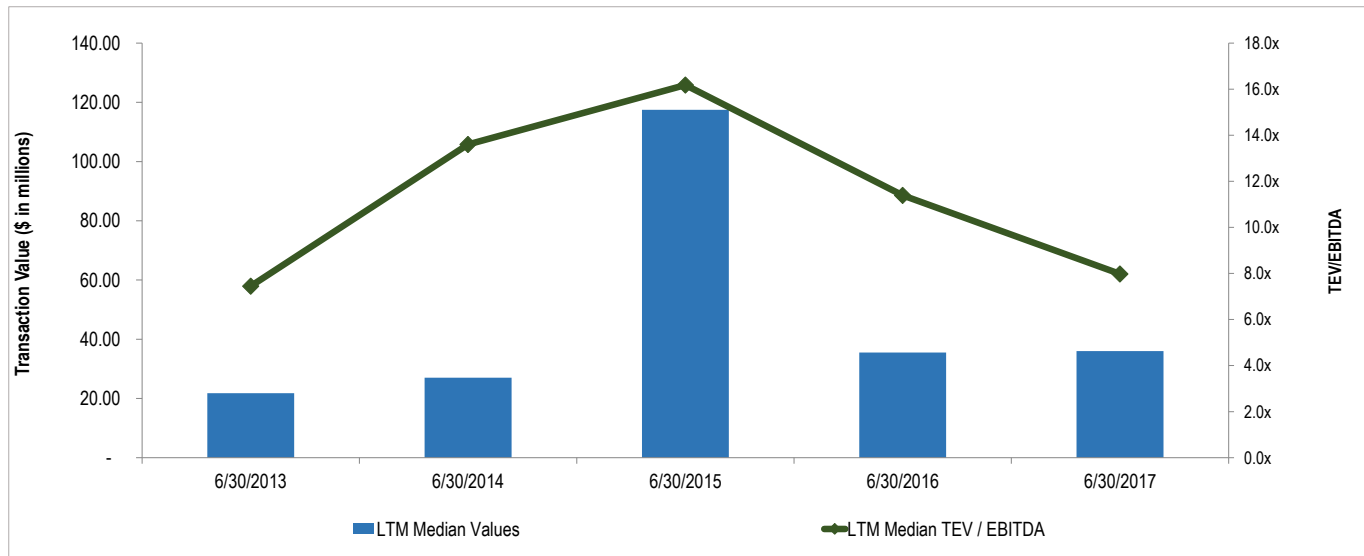
Transaction Volume	18
Number of Transactions with Disclosed Values	6
Transaction Value*	\$898.04
Average Transaction Value*	\$149.67
Median Transaction Value*	\$70.07
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

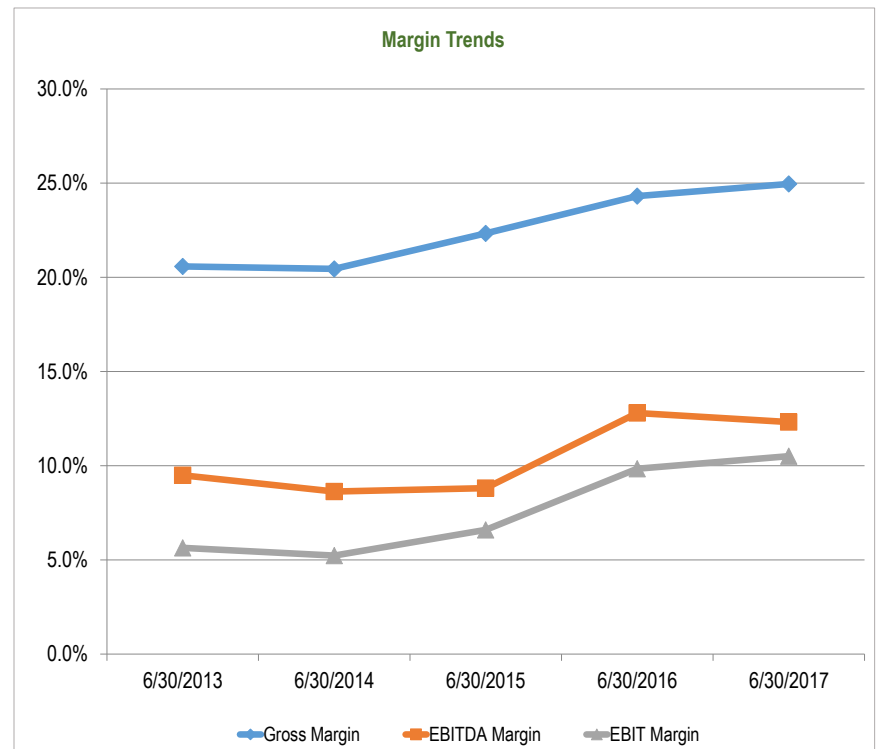
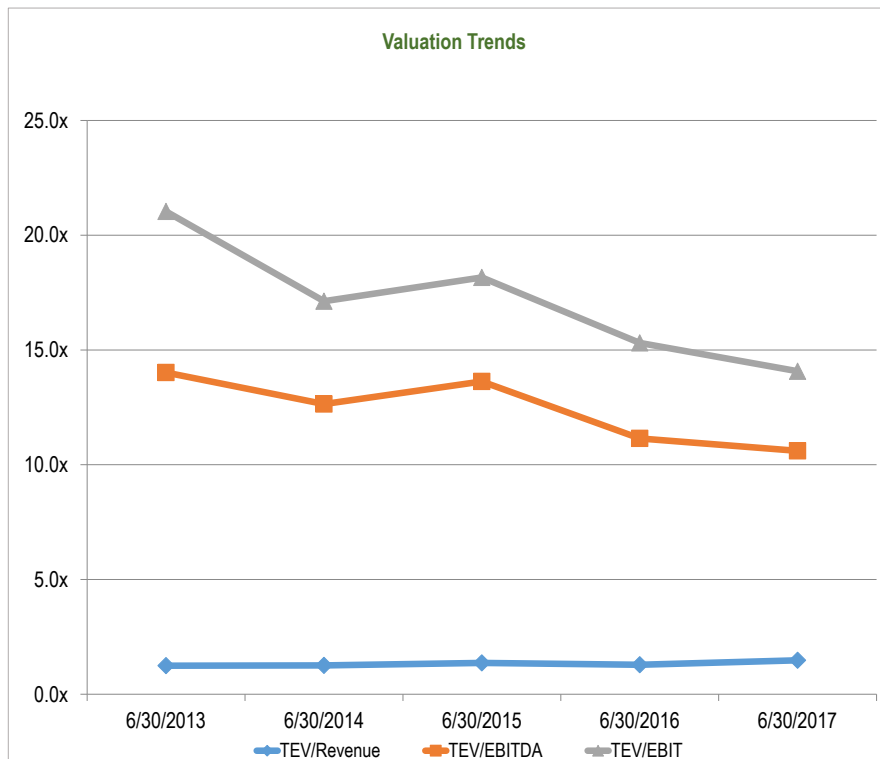
Building Products

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	06/30/2017 Trends	
Average	\$2,689	1.7x	11.2x	15.6x	TEV/Revenue	↑
Median	\$1,579	1.5x	10.6x	14.1x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	06/30/2017 Trends	
Average	27.5%	13.5%	10.3%	Gross Margin	↑
Median	25.0%	12.3%	10.5%	EBITDA Margin	↓
				EBIT Margin	↑



Source: S&P Capital IQ as of 7/24/2017 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:

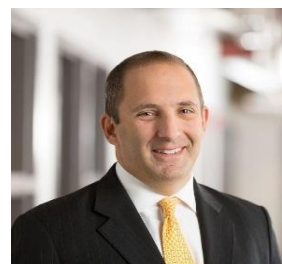
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- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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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