



PCE Industry Report

Building Products & Construction



Middle Market M&A Summary

Building Products & Construction

4th Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$215 million.
 - The largest transaction was the acquisition of Aggregates USA, Inc. by Vulcan Materials for \$900 million.
 - The smallest transaction was the acquisition of Nickell Moulding Company, Inc. by Patrick Industries Inc. for \$11 million.
- The public company industry median TEV/EBIT multiple is 15.7x.
- The public company industry median TEV/EBITDA multiple is 12.5x.

Key Trends

- Construction spending reached an all-time high of nearly \$1.26 trillion in November, which was a 2.4% improvement over last year's amount. Annual construction spending was up 4% as compared to last year.¹
- As the year drew to a close, construction companies found it increasingly difficult to find enough qualified workers to keep up with overflowing demand. The shortage is expected to continue into 2018, as planned infrastructure projects are put into place.²
- Home prices continue to remain strong through October as prices were up 6.2% nationally. While many believe gains will continue in 2018, there is a possibility that overall prices may be mixed as a result of the new tax law which reduces the benefits of owning a home.³
- As companies like Amazon and Walmart continue to drive growth in the e-commerce space, the need for warehouse space used for fulfillment centers will continue to expand. However, a spike in land prices have dampened the construction of warehouses and distribution centers which continues to exacerbate the shortage of these buildings.⁴

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

¹ "Monthly Construction Spending, November", US Census Bureau, January 3, 2018.

² "Worker Shortage Could Hamper Construction Boom", WOSU, January 1, 2018.

³ "Home Sales Flatten in November after a busy few months", CNBC, December 27, 2017.

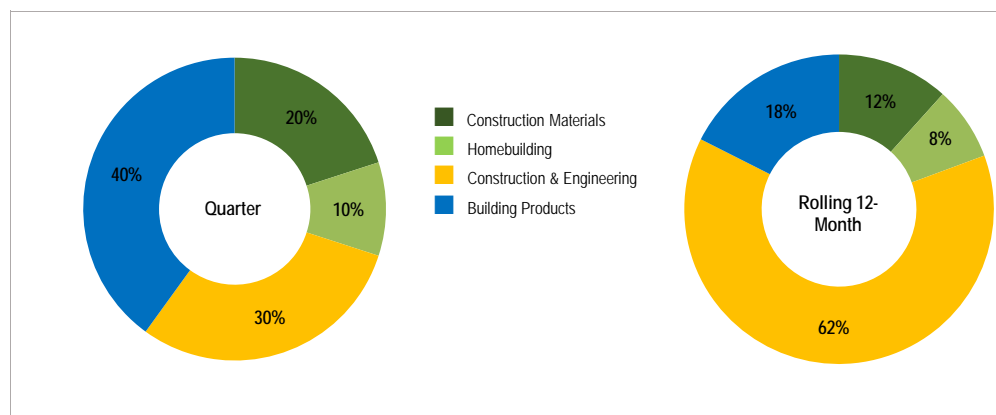
⁴ "Internet Giants Fuel Warehouse Demand as Land Prices Surge", CNBC, January 2, 2018.

Industry Trends During Quarter

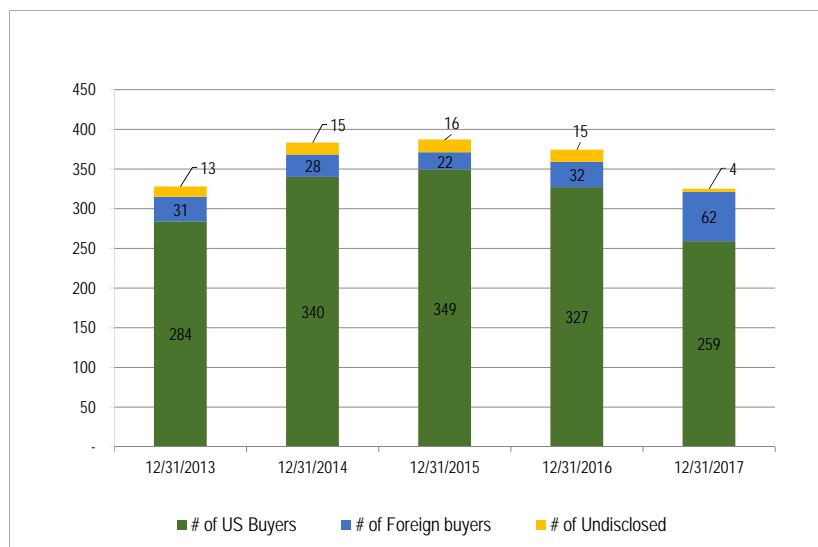
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Construction Materials	↓	↑	↓
Homebuilding	→	↓	↓
Construction & Engineering	↑	↓	↑
Building Products	↑	↓	↓

* 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	Aggregates USA, LLC	Vulcan Construction Materials, LLC	\$900.0
Construction & Engineering	Westinghouse Electric Company LLC	Toshiba Corporation	\$522.0
Construction Materials	Aggregates USA, LLC	Blue Water Industries LLC	\$290.0
Construction & Engineering	Heery International, Inc.	CBRE Group, Inc.	\$55.1
Building Products	Ceilings Plus Inc.	USG Corporation	\$52.0
Homebuilding	Sundquist Homes, LLC	Century Communities, Inc.	\$51.5
Construction & Engineering	Ductilcrete Technologies, LLC	GCP Applied Technologies Inc.	\$32.0
Building Products	Blue Diamond Industries, LLC	Hexatronic Group AB	\$23.0
Building Products	Nickell Moulding Company Inc.	Patrick Industries, Inc.	\$11.0

Source: S&P Capital IQ as of 1/17/2018 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
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- Litigation Support

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

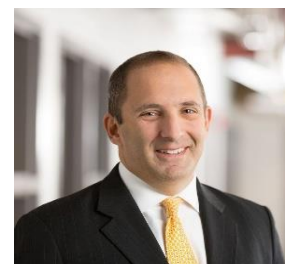
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- Building Products & Construction
- Business Services
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- Diversified Industrials
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- Transportation & Logistics

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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 dates only.

Glossary

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