



# PCE Industry Report

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Building Products & Construction



# Middle Market M&A Summary

## Building Products & Construction

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2nd Quarter 2016

### Key Highlights

- The average value of the top transactions was \$554.6 million.
  - The largest transaction was the acquisition of University House Communities Group Inc. by Scion Student Communities LP for \$1.24 billion.
  - The smallest transaction was the acquisition of Commonwealth Dynamics, Inc. by Global Dominion Access, S.A. for \$6 million.
- The public company industry median TEV/EBIT multiple is 14.6x.
- The public company industry median TEV/EBITDA multiple is 10.85x.

### Key Trends

- The Construction Materials subsector's transaction volume was trending positively. The Construction & Engineering, Homebuilding, and Building Products subsectors were trending negatively.
- The Construction & Engineering subsector's transaction volume was the largest at 65% of the industry over the past quarter.
- As residential and nonresidential construction activity rebounded from recessionary lows, the demand for building products has increased in 2016; for example, the revenue growth for cement is on pace to grow at 4.5% to \$7.7 billion in 2016 compared to just 1.1% revenue growth the prior year.
- While U.S. manufacturing activity expanded for the third straight month in May, construction spending recorded a significant decline despite strong consumer spending and industrial production, and this is largely being attributed to weak spending on nonresidential structures such as gas and oil well drilling.<sup>1</sup>
- Despite opposition from the Associated Builders and Contractors, the Obama administration recently introduced an Overtime Rule in May, which mandates heavy expenses to employees that work overtime, and the effects of which will force many businesses in the industry to either eat the increased cost of labor or reduce the size of their workforce.<sup>2</sup>

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

<sup>1</sup> "As the economy accelerates, the construction industry falters", The Christian Science Monitor, June 2016.

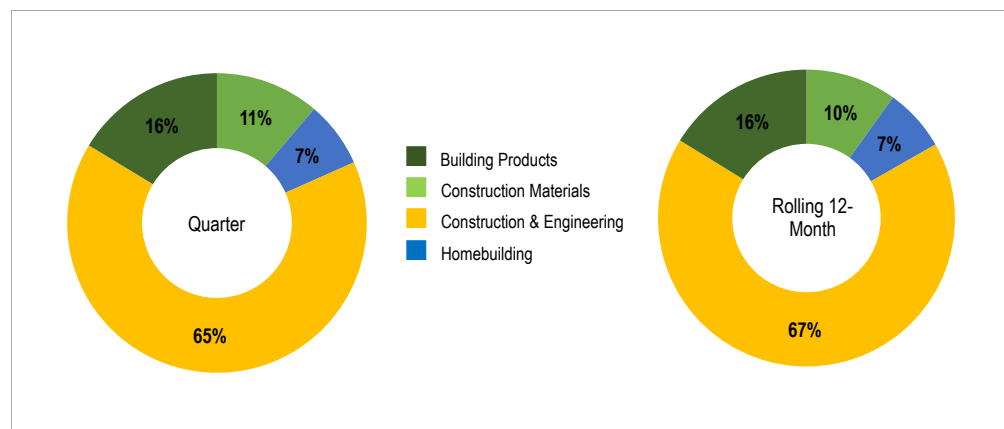
<sup>2</sup> "Feds ignore private sector, construction industry with overtime rule change", Daily Reporter, June 2016.

## Industry Trends During Quarter

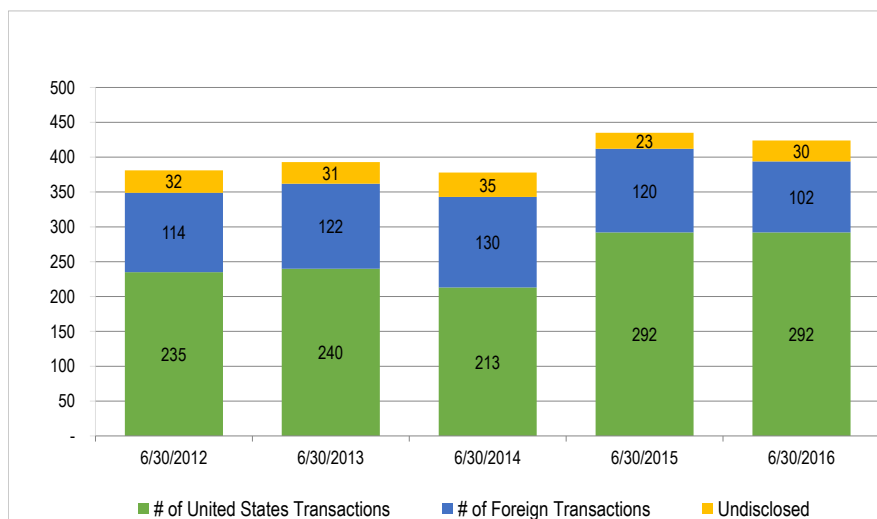
Sector	Transaction Volume	TEV / Revenue	TEV / EBITDA
Construction Materials	↑	↑	↑
Homebuilding	↓	↓	↓
Construction & Engineering	↓	↑	↑
Building Products	↓	↑	↓

\* 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
Homebuilding	University House Communities Group, Inc.	Scion Student Communities LP	\$1,235.9
Construction & Engineering	MWH Global, Inc.	Stantec Inc.	\$793.0
Construction & Engineering	PEG Bandwidth, LLC	Communications Sales & Leasing, Inc.	\$422.3
Construction & Engineering	Ardent Services, L.L.C. and Rabalais Constructors, LLC	EMCOR Group Inc.	\$205.0
Building Products	Waterworks Operating Company LLC	Restoration Hardware Holdings, Inc.	\$117.0
Construction & Engineering	Global Resource Options, Inc.	EDF Renewable Energy, Inc.	\$34.8
Building Products	JMF Company	Zhejiang Hailiang Co., Ltd.	\$30.0

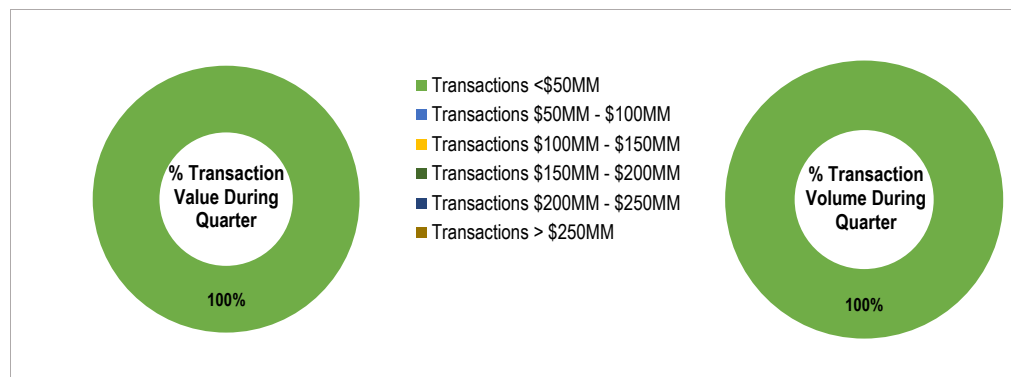
Source: S&P Capital IQ as of 7/18/2016 and PCE Proprietary Data

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

Transaction Volume	11
Number of Transactions with Disclosed Values	1
Transaction Value*	\$12.75
Average Transaction Value*	\$12.75
Median Transaction Value*	\$12.75

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

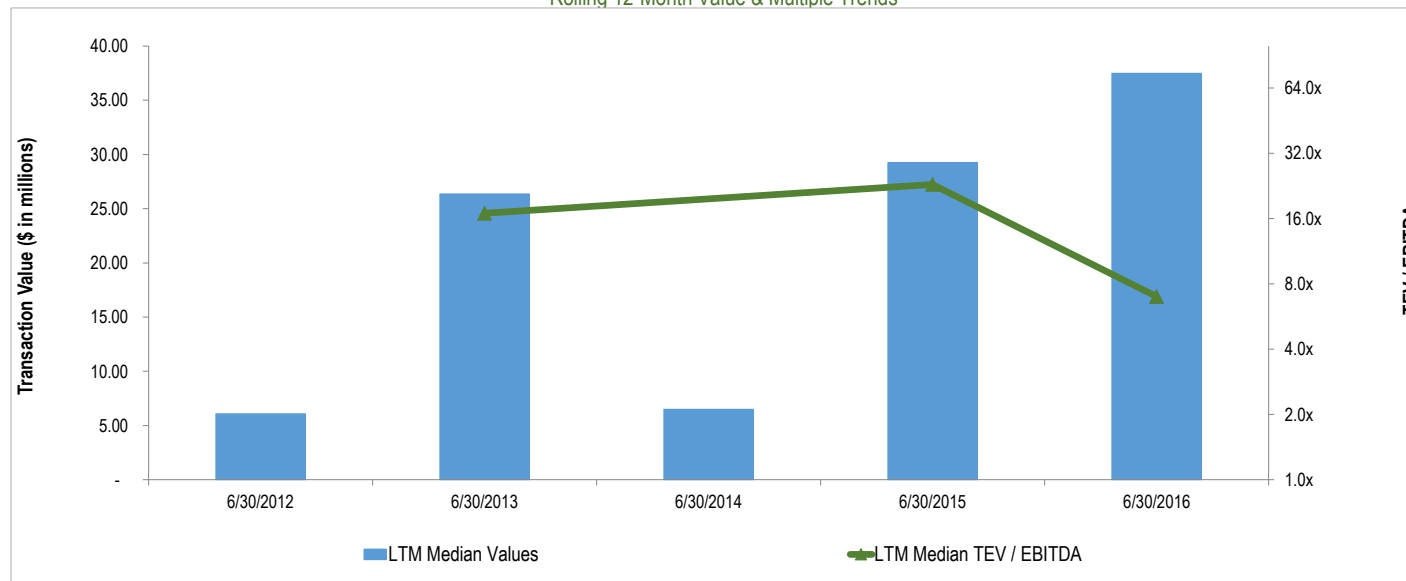
## Transaction by Value & Volume



Based on transactions with disclosed financial data only

## 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.

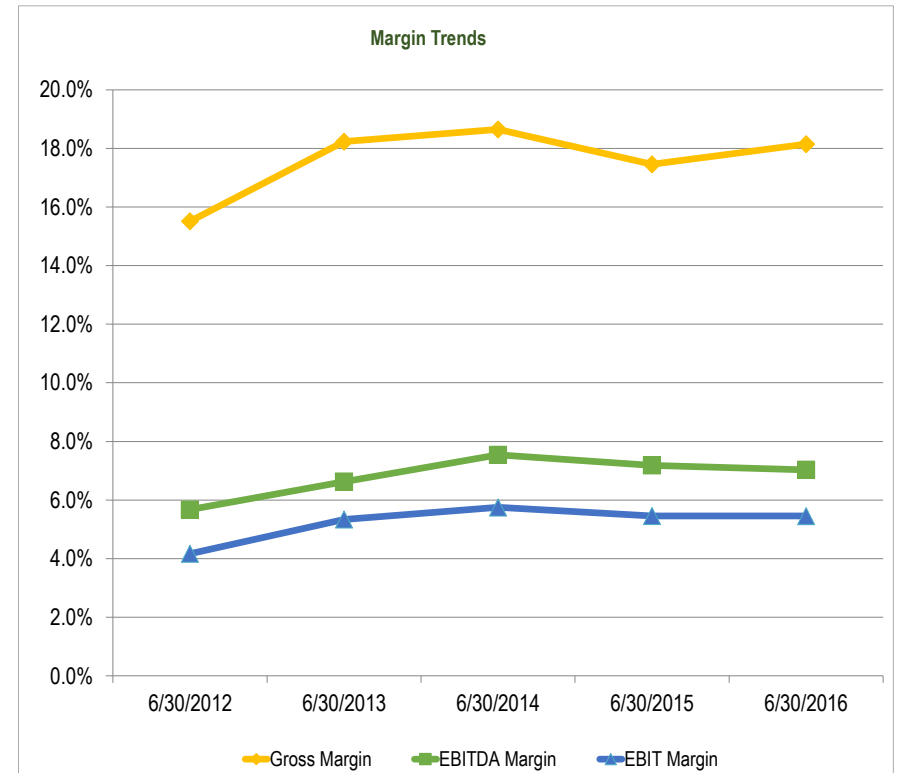
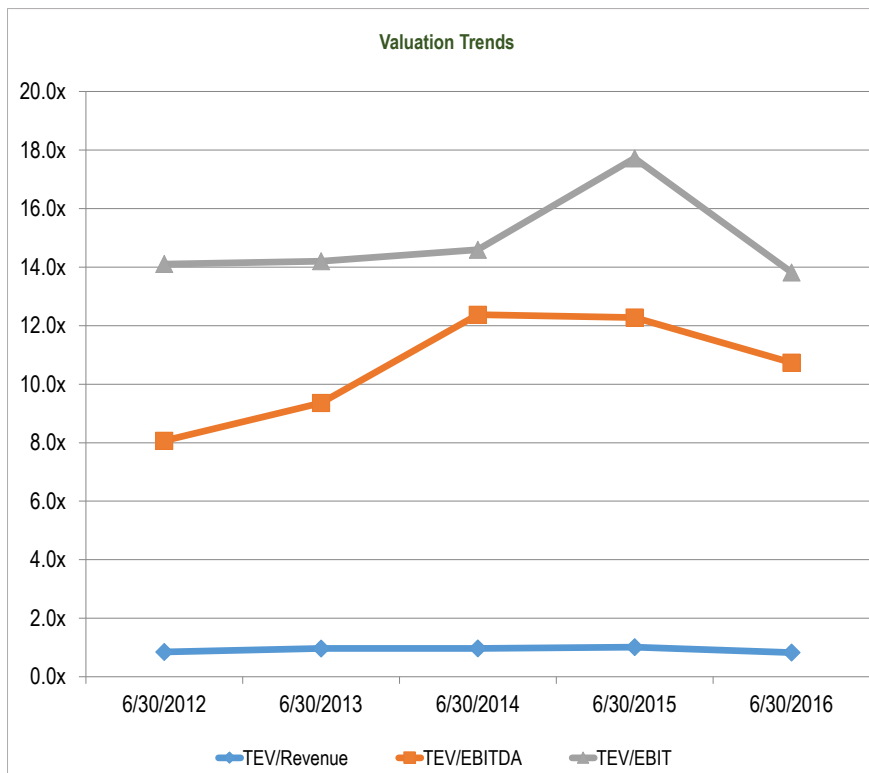
Source: S&P Capital IQ as of 7/18/2016 and PCE Proprietary Data



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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$5,044	2.8x	12.1x	18.4x	TEV/Revenue	↓
Median	\$1,318	2.0x	11.0x	15.7x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	1/0/1900 Trends	
Average	27.3%	22.6%	14.7%	Gross Margin	↑
Median	26.6%	24.5%	15.7%	EBITDA Margin	↓
				EBIT Margin	↓



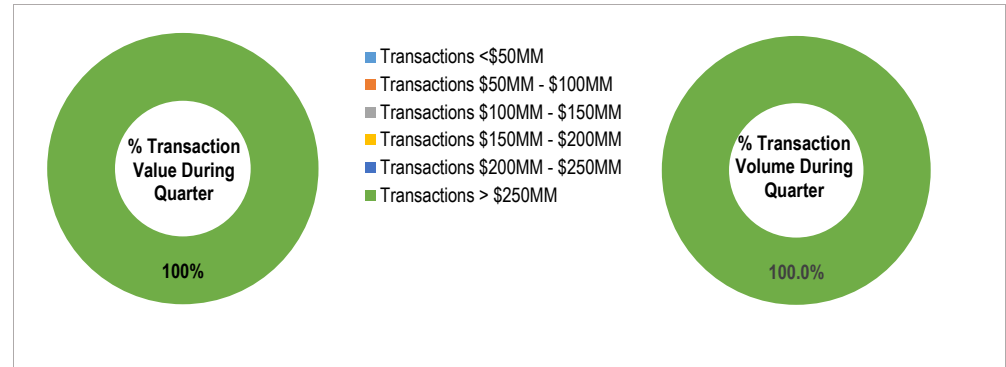
Source: S&P Capital IQ as of 7/18/2016 and PCE Proprietary Data

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

Transaction Volume	7
Number of Transactions with Disclosed Values	1
Transaction Value*	\$1,235.92
Average Transaction Value*	\$1,235.92
Median Transaction Value*	\$1,235.92

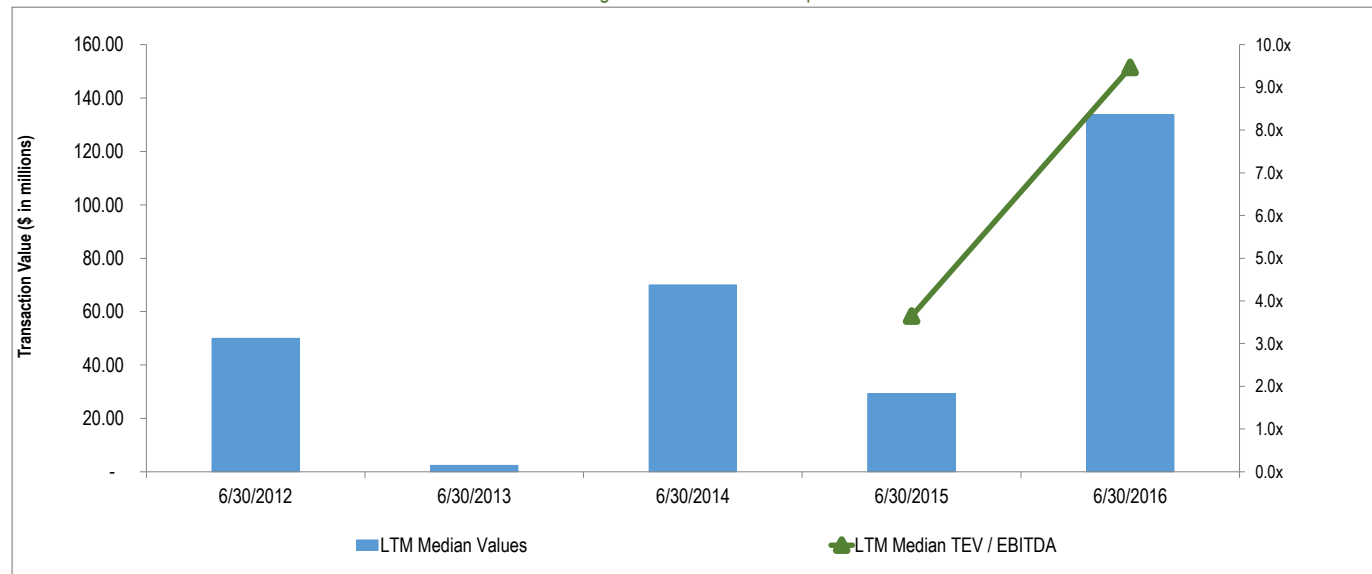
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## Transaction by Value & Volume



## Private Sector Value Trends

Rolling 12-Month Value & Multiple Trends



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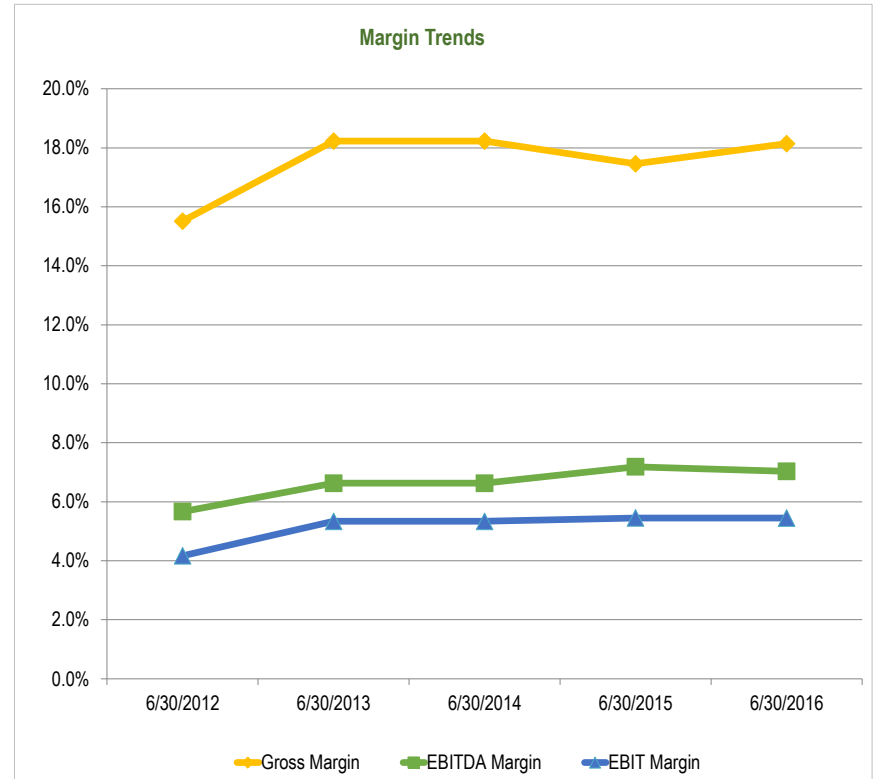
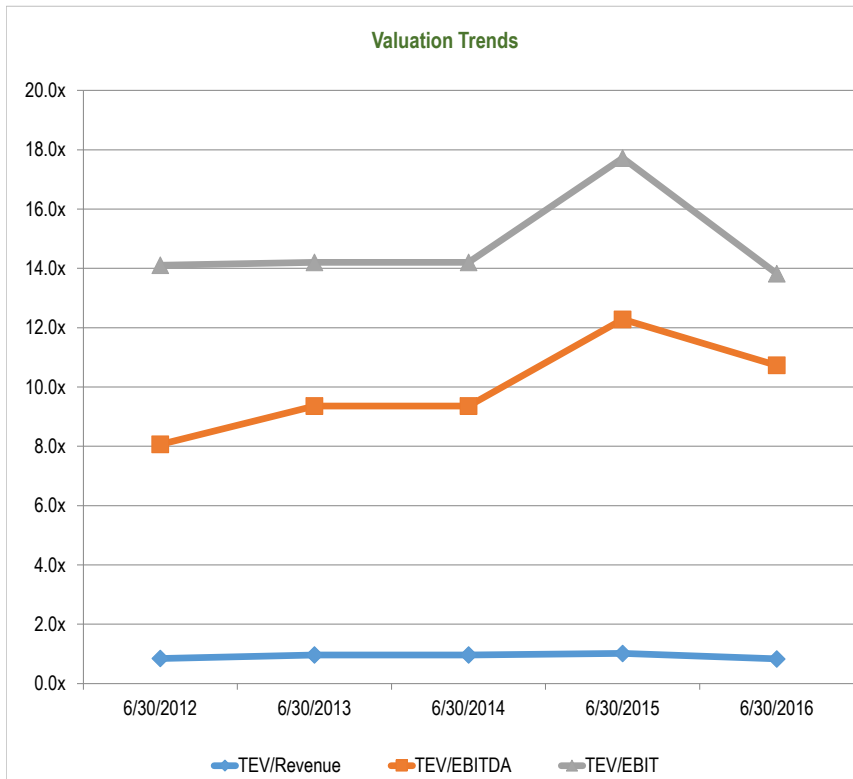
# Homebuilding

2nd Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,914	0.9x	13.3x	21.6x	TEV/Revenue	↓
Median	\$740	0.8x	10.7x	13.8x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	17.0%	7.4%	5.6%	Gross Margin	↑
Median	18.1%	7.0%	5.5%	EBITDA Margin	↓
				EBIT Margin	↓



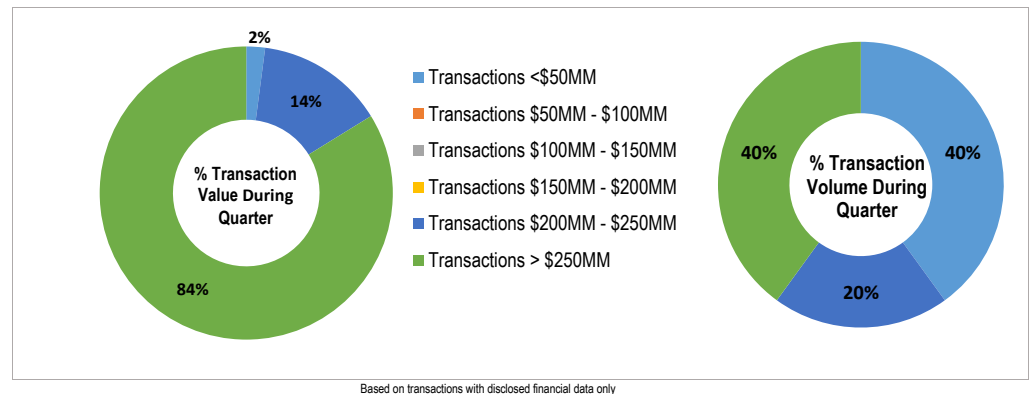
Source: S&P Capital IQ as of 7/18/2016 and PCE Proprietary Data

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

Transaction Volume	64
Number of Transactions with Disclosed Values	5
Transaction Value*	\$1,450.29
Average Transaction Value*	\$290.06
Median Transaction Value*	\$205.00

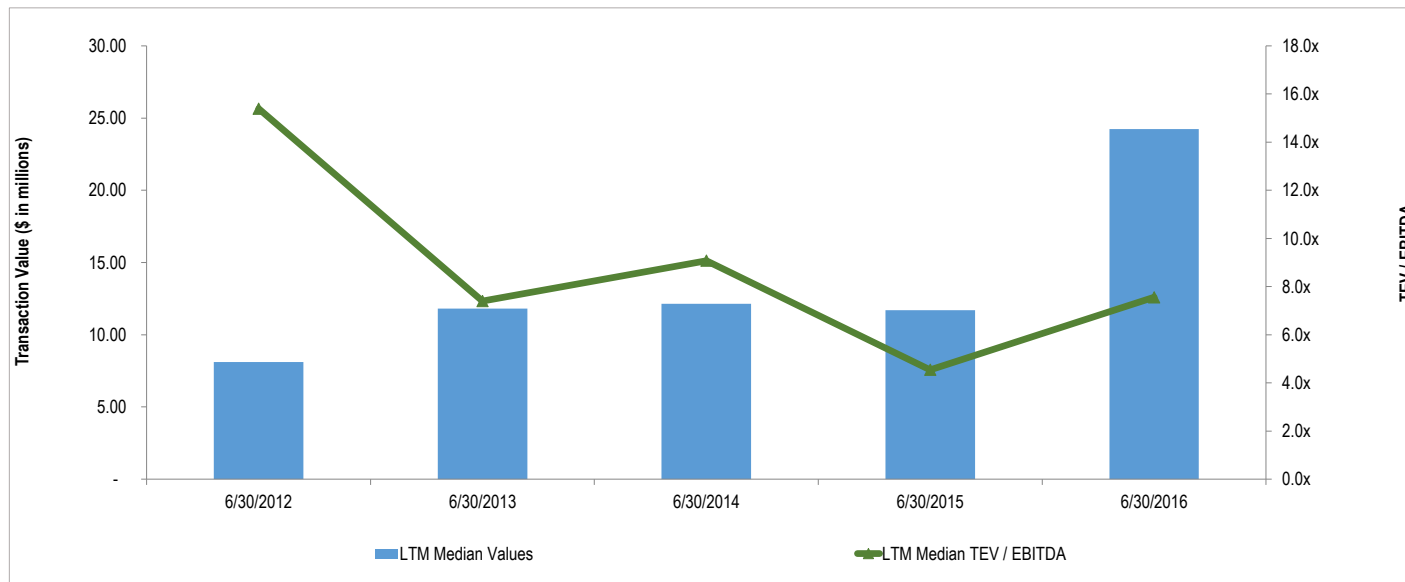
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## Transaction by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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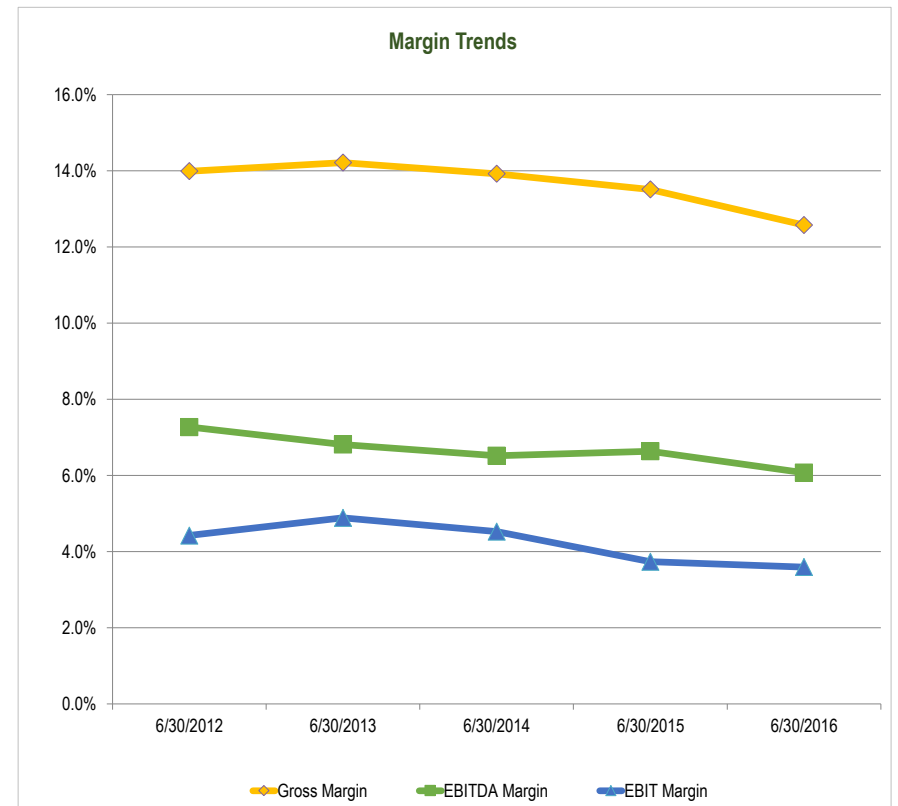
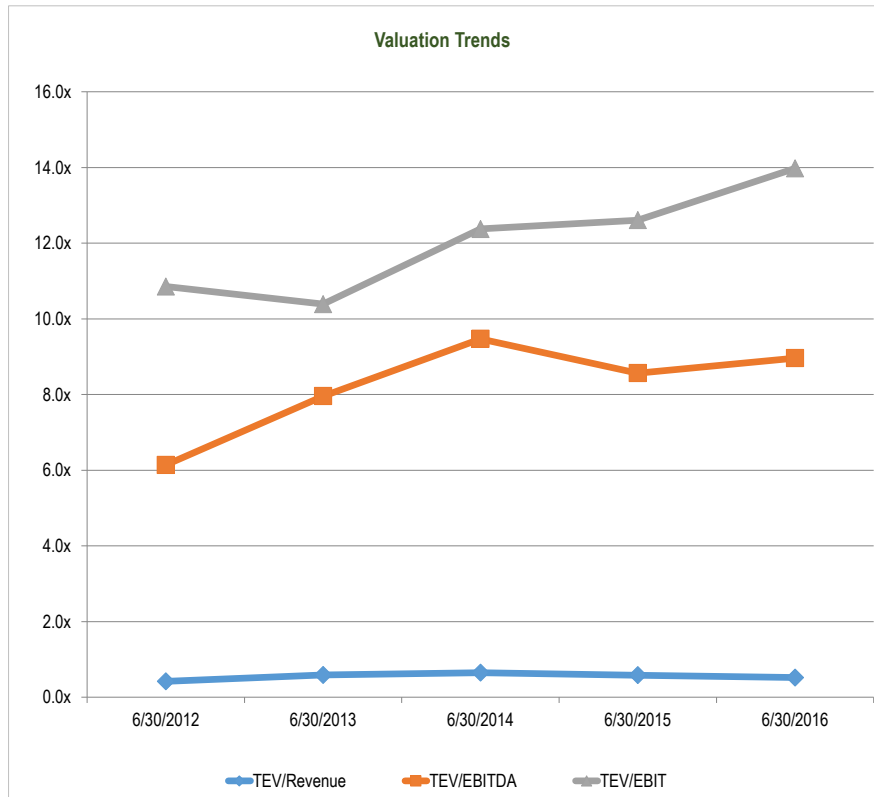
# Construction & Engineering

2nd Quarter 2016

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

Total Enterprise Value					Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,616	0.6x	9.8x	14.8x	TEV/Revenue	↓
Median	\$801	0.5x	9.0x	14.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

Margins				Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	14.4%	6.5%	3.5%	Gross Margin	↓
Median	12.6%	6.1%	3.6%	EBITDA Margin	↓
				EBIT Margin	↓



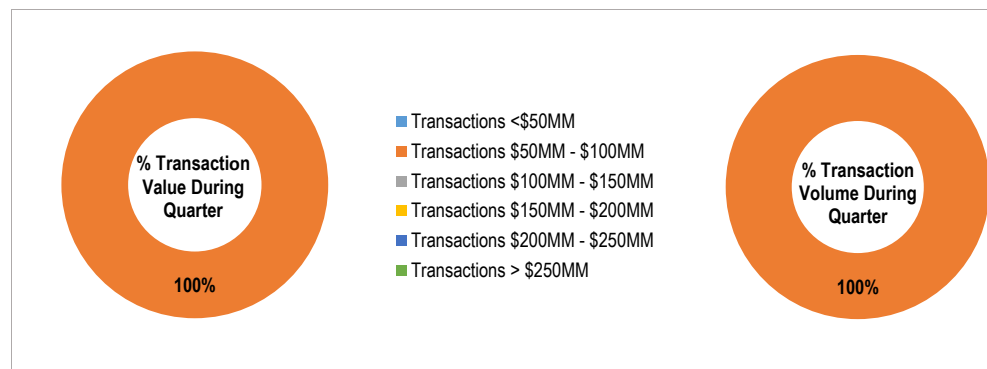
Source: S&P Capital IQ as of 7/18/2016 and PCE Proprietary Data

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

Transaction Volume	16
Number of Transactions with Disclosed Values	1
Transaction Value*	\$52.00
Average Transaction Value*	\$52.00
Median Transaction Value*	\$52.00

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

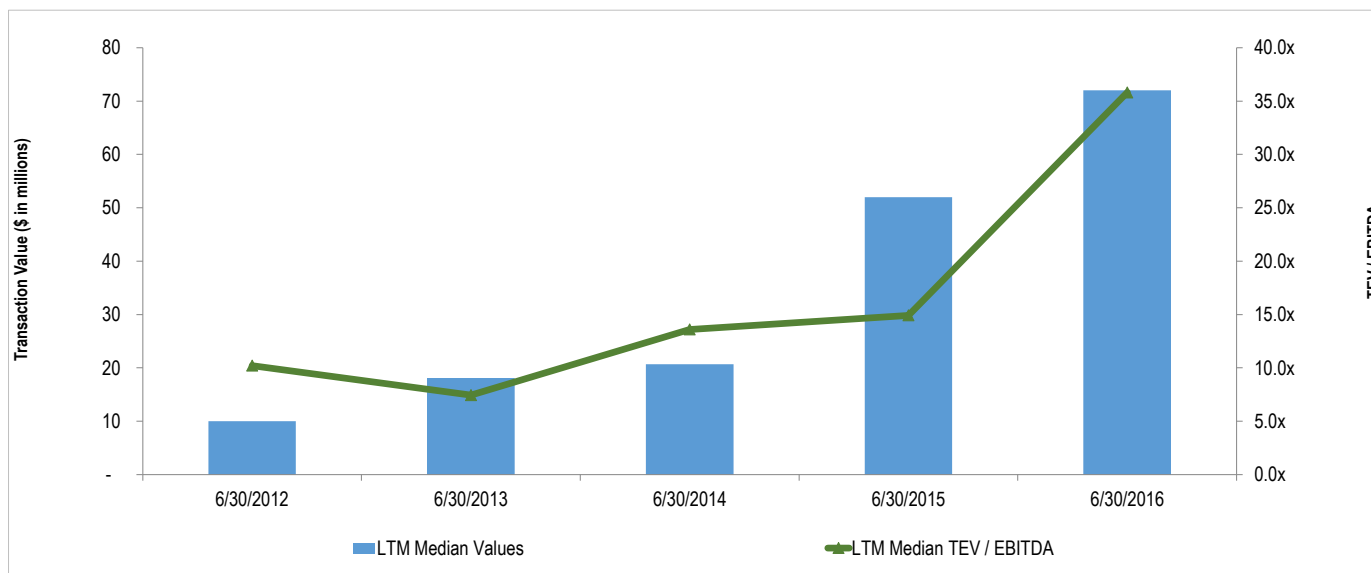
### Transactions by Value & Volume



Based on transactions with disclosed financial data only

### Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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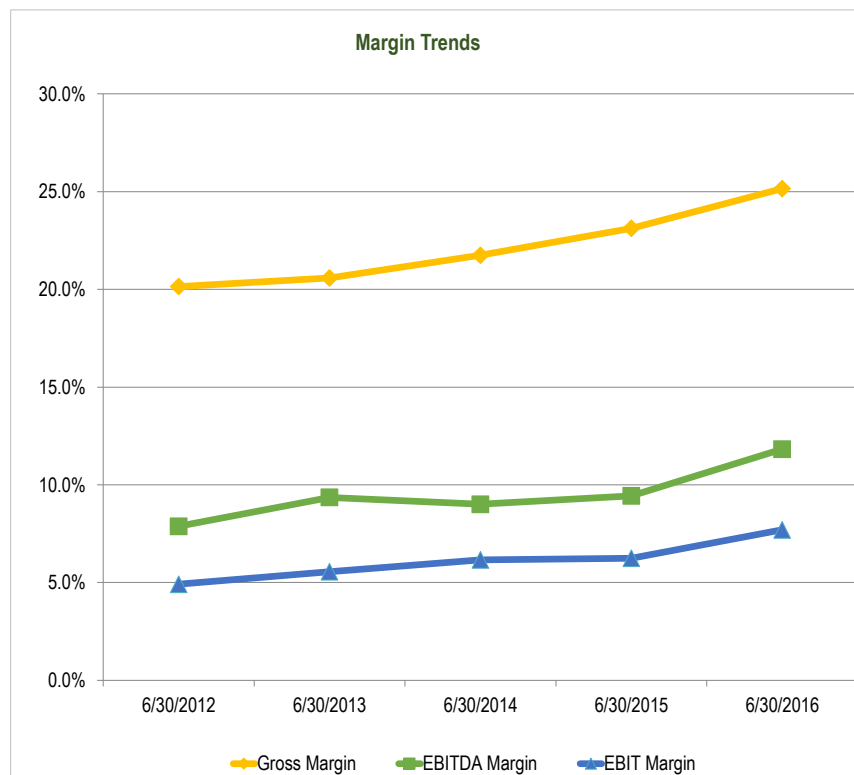
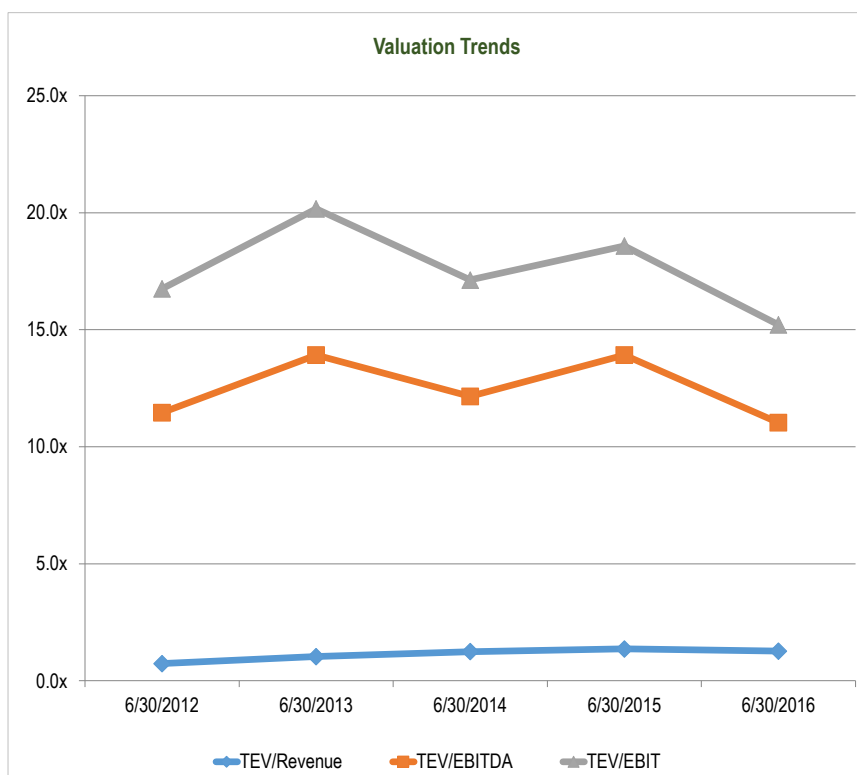
# Building Products

2nd Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,202	1.6x	10.9x	15.7x	TEV/Revenue	↓
Median	\$1,169	1.3x	11.0x	15.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	26.9%	12.1%	8.9%	Gross Margin	↑
Median	25.2%	11.8%	7.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 7/18/2016 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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### 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