



PCE Industry Report

Building Products & Construction



Middle Market M&A Summary

Building Products & Construction

3rd Quarter 2015

Key Highlights

- The average value of the top ten transactions was \$97.6 mm
 - The largest transaction was the acquisition of Qualspec, Inc. by Team, Inc. for \$265.0 mm.
 - The smallest transaction was the acquisition of The RBA Group, Inc. by NV5 Holdings, Inc. for \$17.0 mm.
- The public company industry median TEV/EBIT multiple is 16.1x.
- The public company industry median TEV/EBITDA multiple is 10.6x.

Key Trends

- The Building Products subsector's transaction volume is trending positively, while the Construction & Engineering, Construction Materials, and Homebuilding subsectors are trending negatively.
- The Construction & Engineering subsector's transaction volume was the largest at 71% of the industry over the past quarter.
- Industrial construction industry revenue is expected to expand over the next five years, as the economy improves and companies seek to reinvest profits.
- Construction is expected to grow at 4.5%, leading to a demand in larger products and a need for full service construction companies which can collaborate better than smaller ones.¹

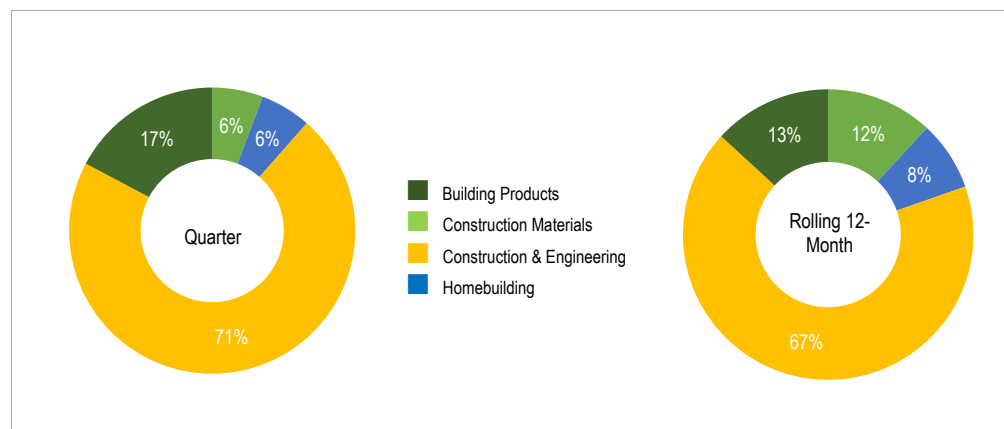
Source: ¹ *US Construction Market Expected to Grow at 4.5% CAGR over the Period 2014-2019*, (2015, May), AZO Build, Retrieved: October 22, 2015, from: <http://www.azobuild.com/news.aspx?newsID=20070>

Industry Trends During Quarter

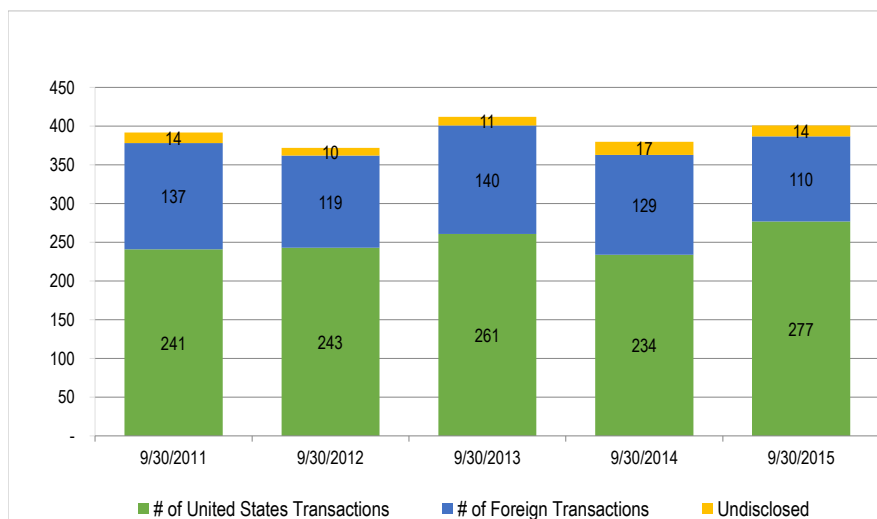
Sector	Transaction Volume	TEV / Revenue	TEV / EBITDA
Construction Materials	↓	↑	↓
Homebuilding	↓	↓	↑
Construction & Engineering	↓	↑	↑
Building Products	↑	↓	↑

* 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	Qualspec Inc.	Team, Inc.	\$265.0
Homebuilding	Charlotte, Raleigh And Chicago Operations And Homebuilding Assets	Taylor Morrison Home Corporation	\$166.0
Construction & Engineering	TAS Commercial Concrete Construction, LLC	Orion Marine Group, Inc	\$142.8
Construction & Engineering	Northstar Agri Industries, LLC	CHS, Inc.	\$127.0
Homebuilding	Bonterra Builders, LLC	AV Homes, Inc.	\$101.3
Construction & Engineering	TelCom Construction Inc.	Dycom Industries Inc.	\$48.6
Construction & Engineering	Layne Christensen Company, Geoconstruction Business	Keller Foundations Ltd.	\$43.0
Building Products	Watts Water Technologies, Inc., Assets Relating to Brass Fittings, Brass &	Sioux Chief Manufacturing Company, Inc.	\$35.5
Construction & Engineering	Energy Source Partners, LLC	Revolution Lighting Technologies, Inc.	\$30.1
Construction & Engineering	The RBA Group, Inc.	NV5 Holdings, Inc.	\$17.0

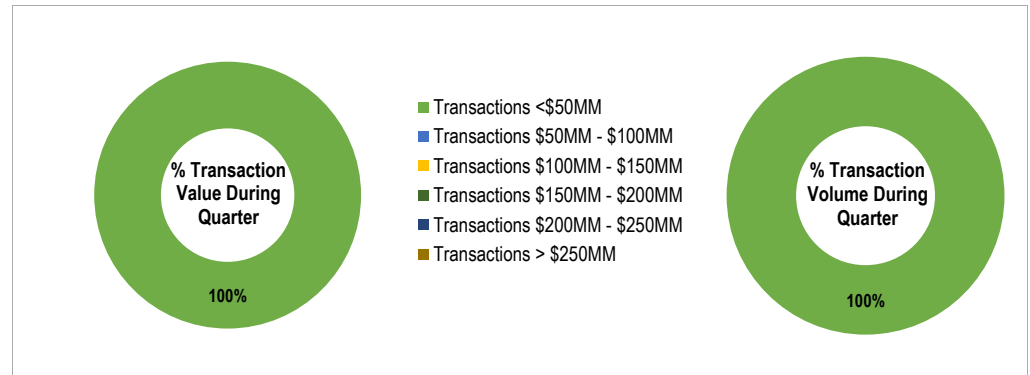
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	5
Number of Transactions with Disclosed Values	1
Transaction Value*	\$21.39
Average Transaction Value*	Not Available
Median Transaction Value*	Not Available

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

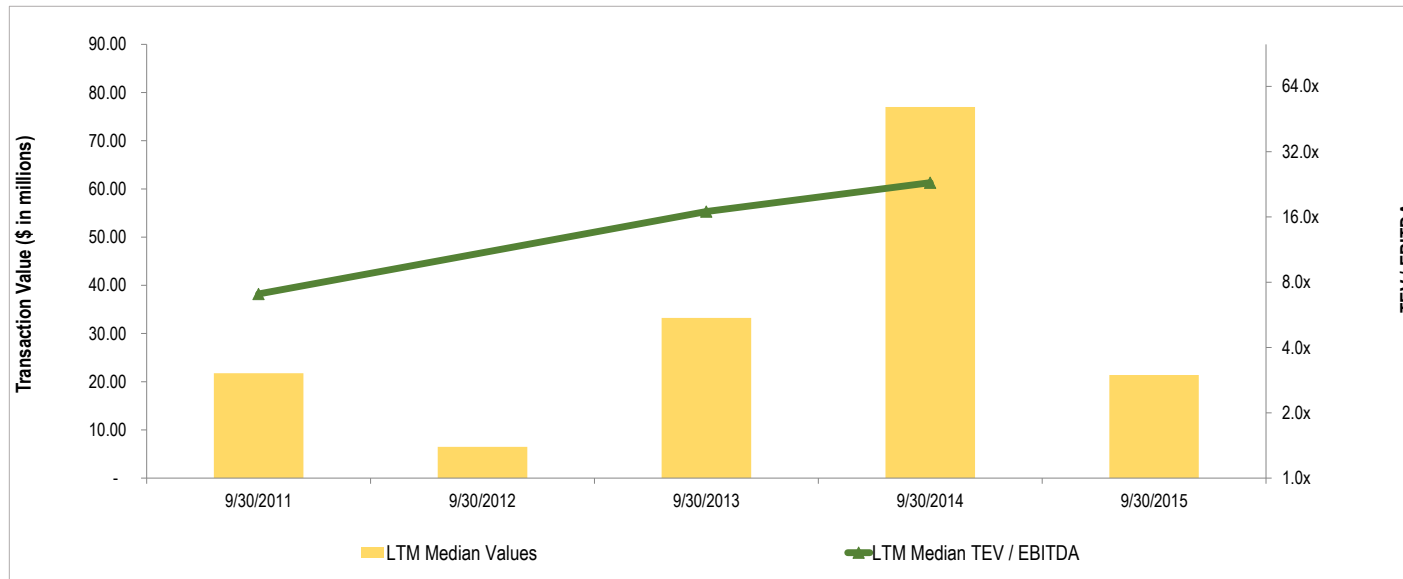
Transaction by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value & EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



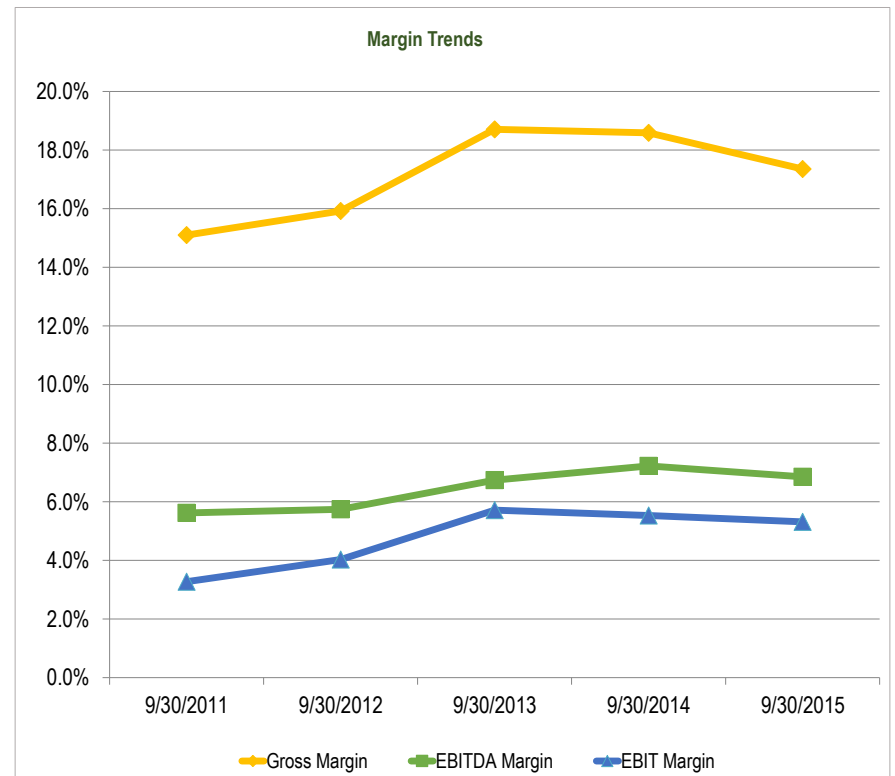
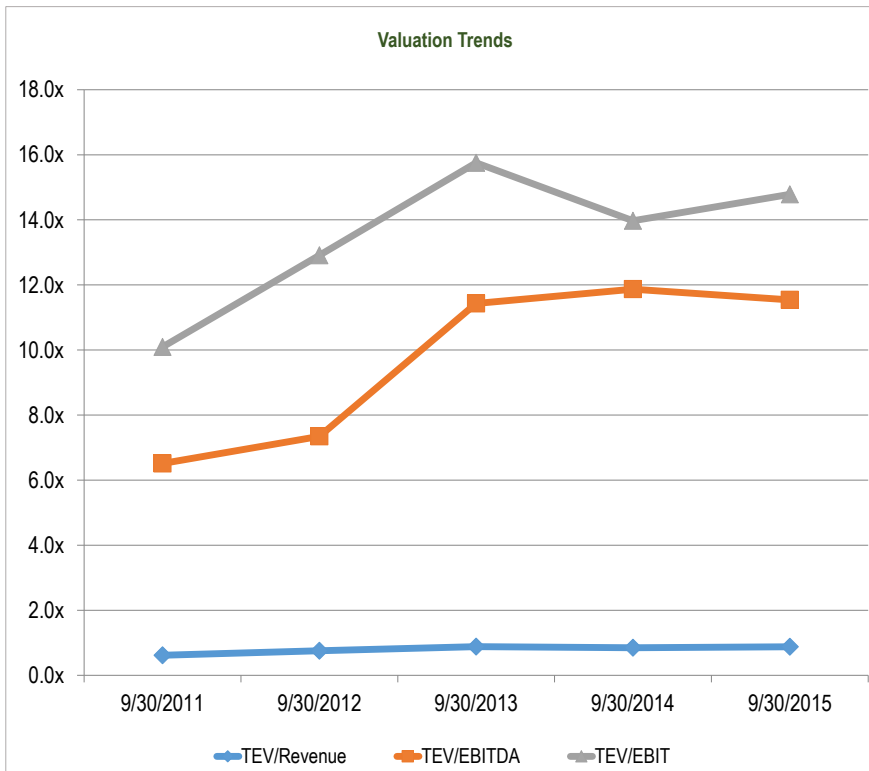
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Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$4,191	2.6x	12.7x	21.9x	TEV/Revenue	↑
Median	\$1,474	2.1x	11.4x	20.0x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	1/0/1900 Trends	
Average	25.2%	20.1%	12.2%	Gross Margin	↓
Median	23.9%	21.5%	12.8%	EBITDA Margin	↓
				EBIT Margin	↓



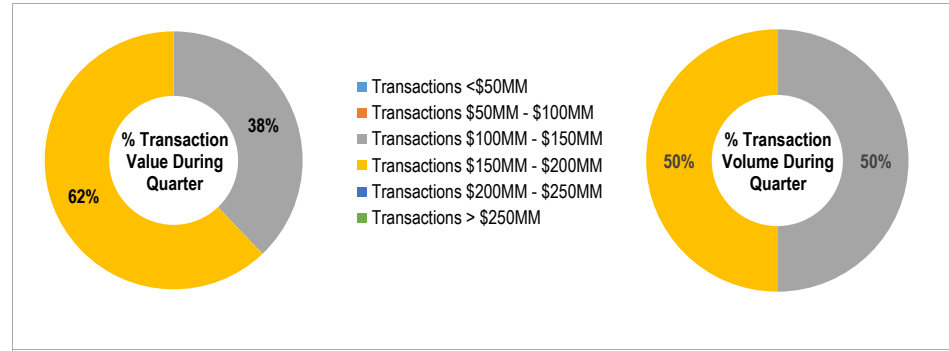
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	5
Number of Transactions with Disclosed Values	2
Transaction Value*	\$267.30
Average Transaction Value*	\$133.65
Median Transaction Value*	\$133.65

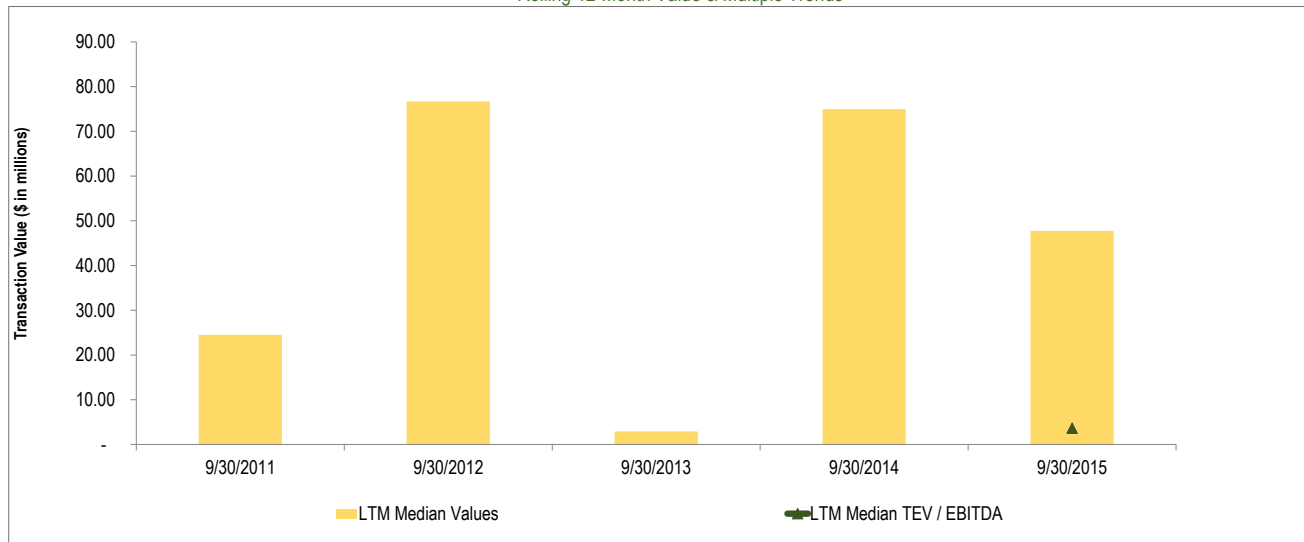
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Transaction by Value & Volume



Private Sector Value Trends

Rolling 12-Month Value & Multiple Trends

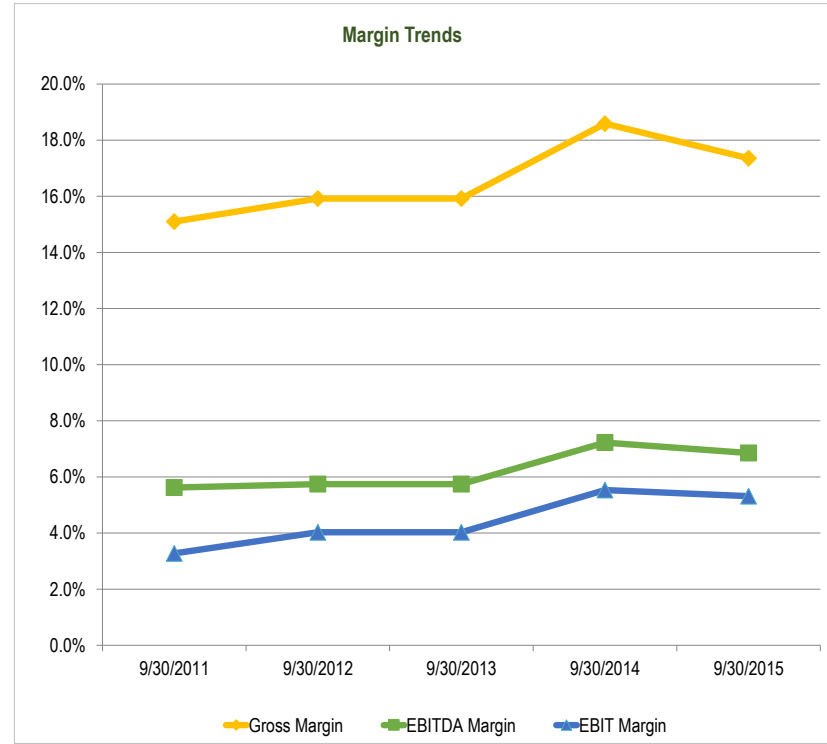
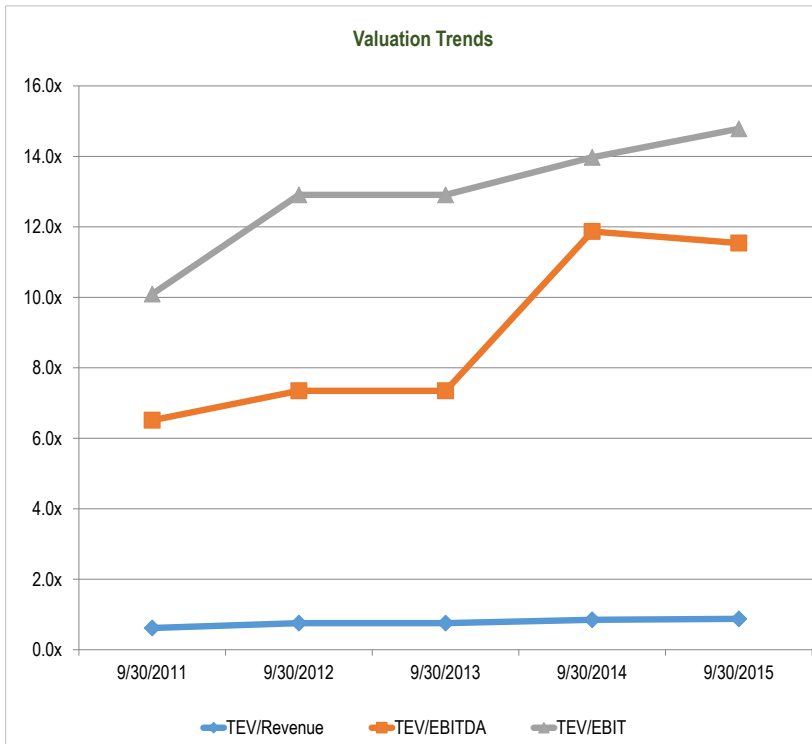


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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,855	1.0x	13.5x	17.6x	TEV/Revenue	↑
Median	\$669	0.9x	11.5x	14.8x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 3/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	17.2%	7.1%	5.3%	Gross Margin	↓
Median	17.4%	6.8%	5.3%	EBITDA Margin	↓
				EBIT Margin	↓



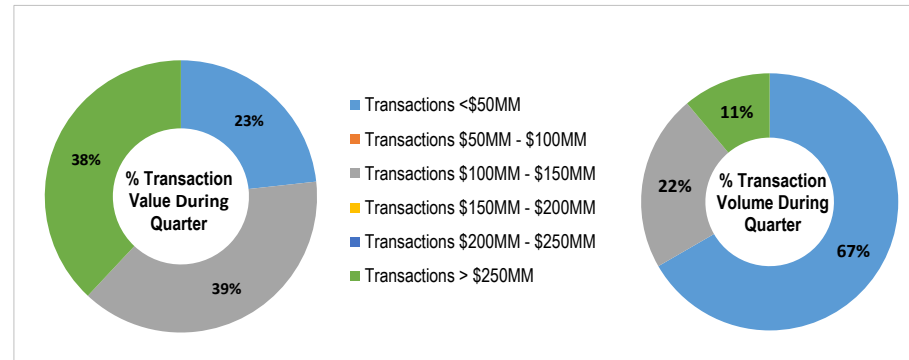
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	62
Number of Transactions with Disclosed Values	9
Transaction Value*	\$696.99
Average Transaction Value*	\$84.37
Median Transaction Value*	\$45.80

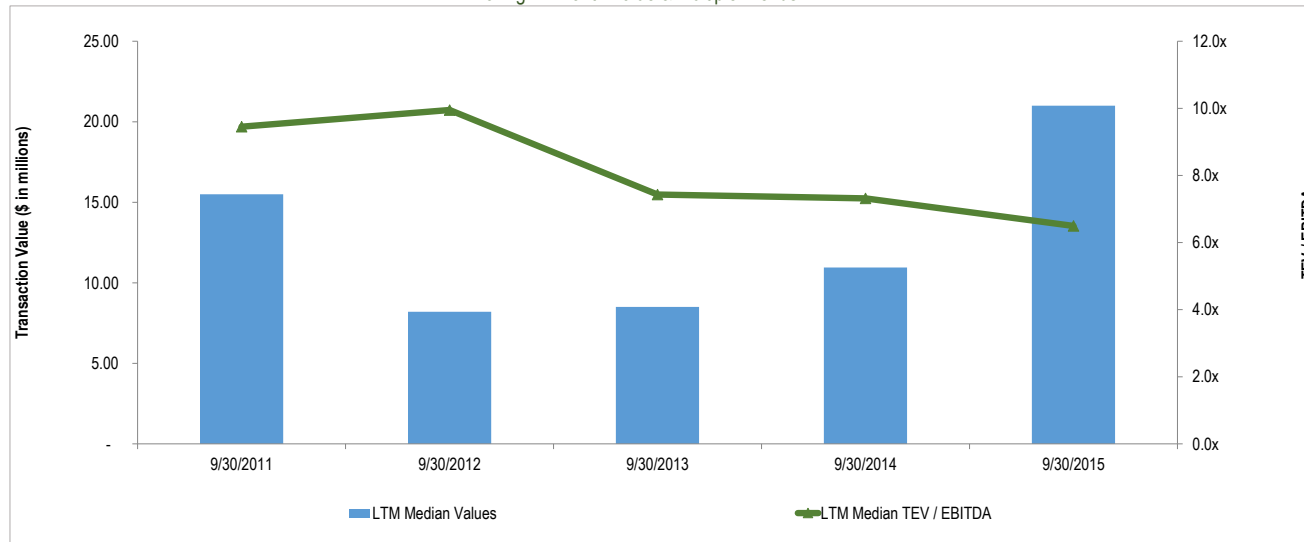
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Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

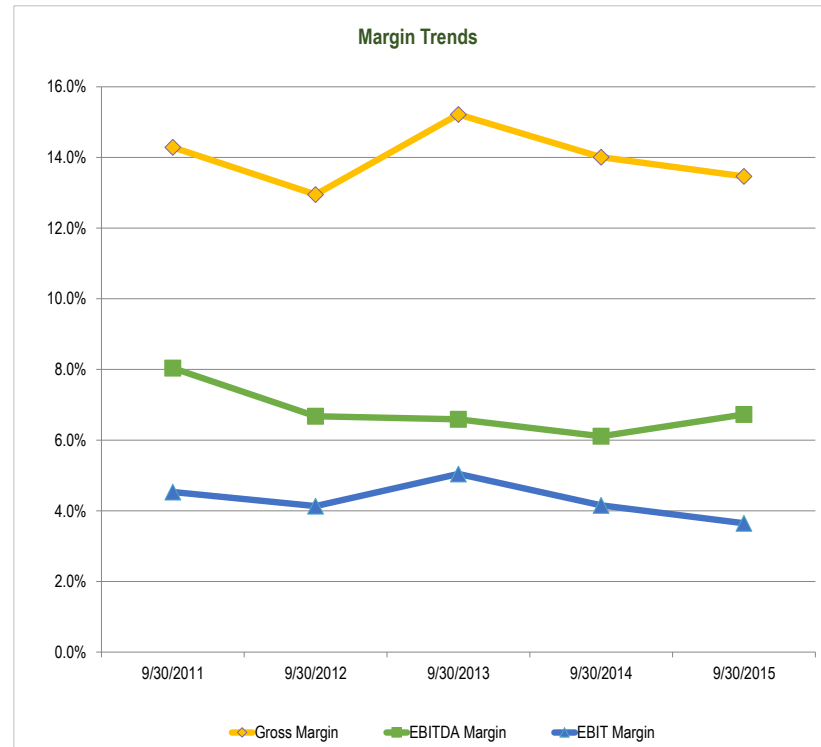
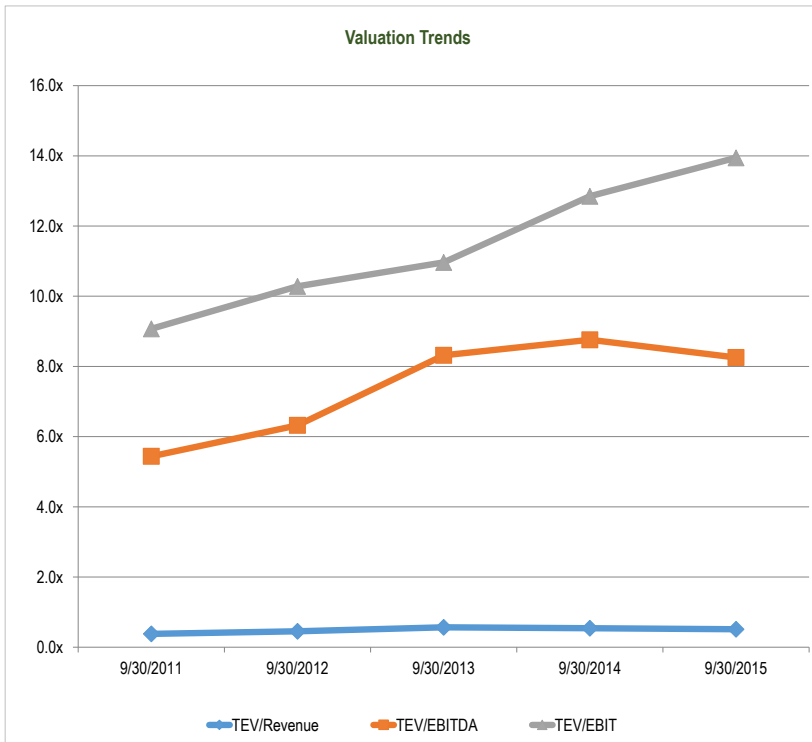


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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,410	0.5x	10.4x	16.4x	TEV/Revenue	↓
Median	\$599	0.5x	8.3x	13.9x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	14.4%	6.5%	3.6%	Gross Margin	↓
Median	13.5%	6.7%	3.6%	EBITDA Margin	↑
				EBIT Margin	↓



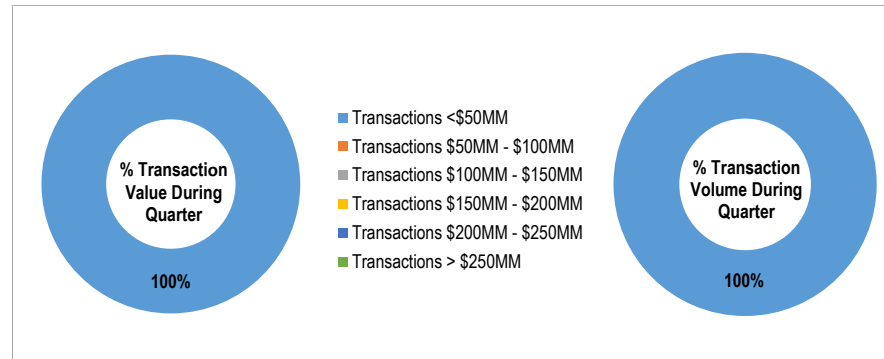
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Summary of Sector Transactions During Quarter (\$ in millions)

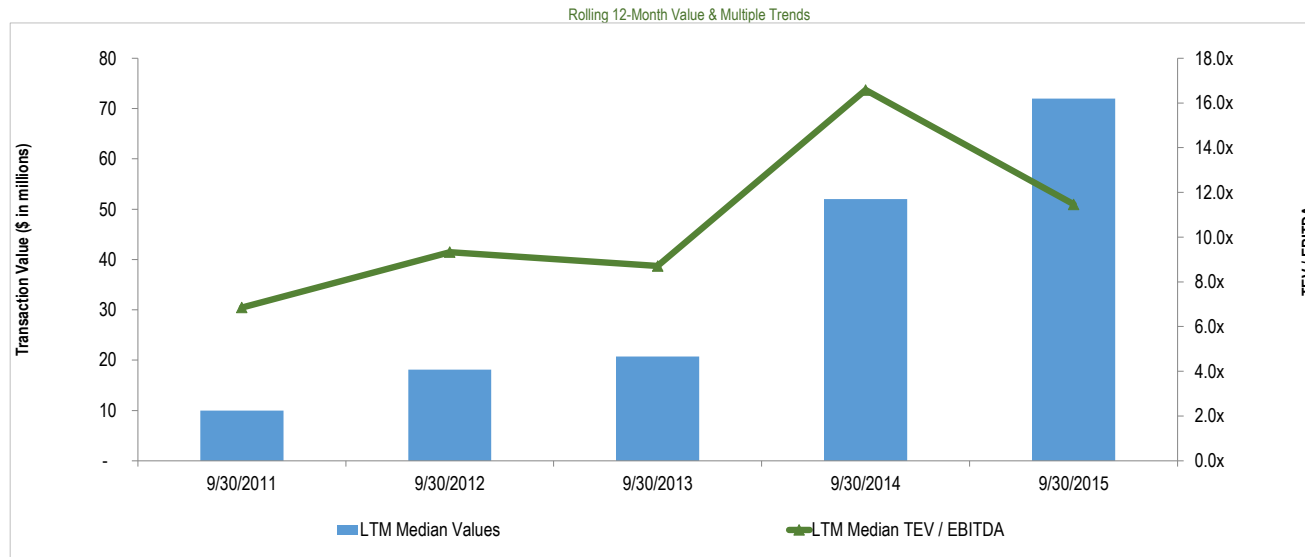
Transaction Volume	15
Number of Transactions with Disclosed Values	1
Transaction Value*	\$35.50
Average Transaction Value*	\$35.50
Median Transaction Value*	\$35.50

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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends



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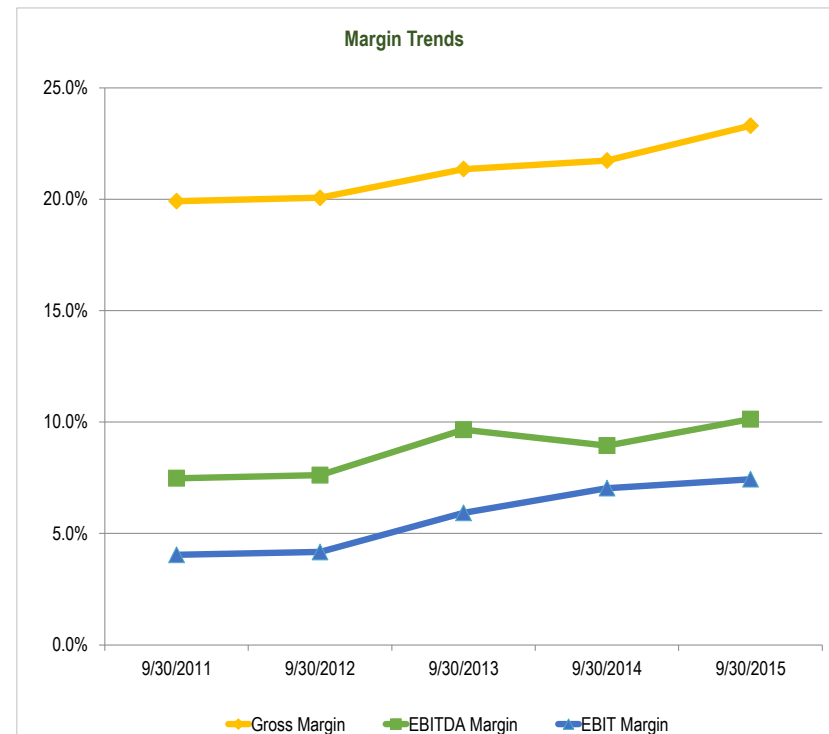
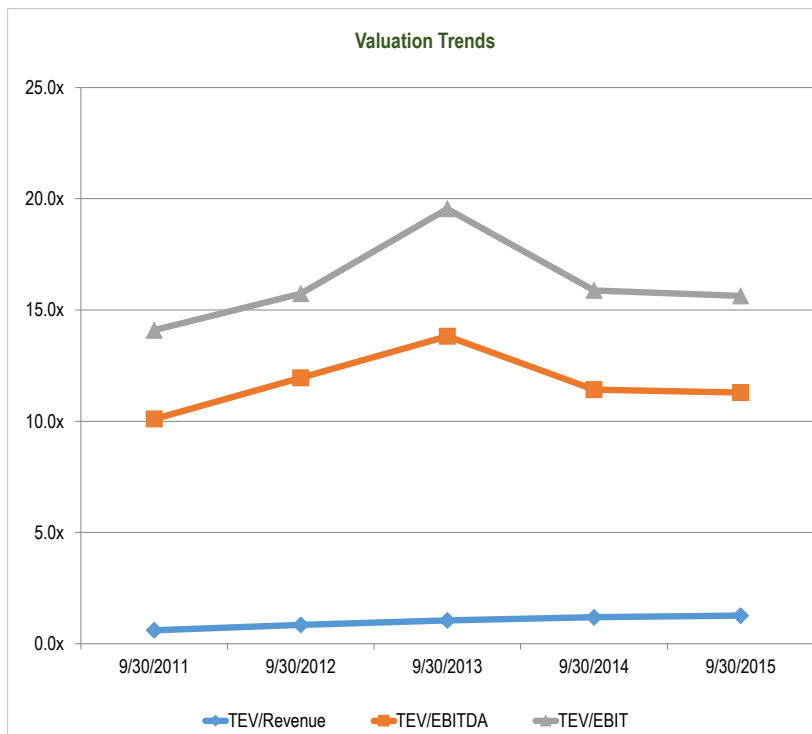
Building Products

3rd Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,048	1.4x	13.1x	17.9x	TEV/Revenue	↑
Median	\$1,151	1.3x	11.3x	15.6x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.1%	11.0%	7.8%	Gross Margin	↑
Median	23.3%	10.1%	7.4%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 11/4/2015 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.

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- 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

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- 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/disclosed dates only.

Glossary

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