



# The Blueprint: Trends in the Construction Industry



Chartwell Financial Advisory

Q1 2023

# The Blueprint: Trends in the Construction Industry

Chartwell’s construction practice serves more than 150 industry clients across the country. Our team has experience with construction firms of various sizes and specialties. We provide compensation and ownership advisory, corporate finance, transaction opinion, and business valuation services to middle-market companies.

The Blueprint focuses on current M&A and public market trends within the construction sector.

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Welcome to the Q1 2023 edition of The Blueprint! We are excited to feature a credit markets update by CIBC. Three years removed from the pandemic and challenges continue in the construction industry, intensified by rising interest rates and tightening financial conditions. Reflecting significant declines in the stock market during the first half of 2022, construction indices are higher than this time last year while M&A activity has been consistent during the past three quarters and remains above pre-pandemic levels.

Our intention with this newsletter is to provide you with information on the broader construction industry coupled with M&A and public market trends and insights from some of the biggest names in the construction world. The Blueprint is published bi-annually for Q1 and Q3.

We hope you enjoy this edition of The Blueprint. Please let us know if there is any additional information you would like to see in future issues.

– Your Friends at Chartwell



# Credit Markets Update, Provided by CIBC

Chartwell recently discussed the commercial banking environment with Matt Gibbons, Group Head of the Construction & Engineering group at CIBC. A summary of our conversation is highlighted below.



## How are your banking clients holding up in the current environment?

At CIBC we work with over 100 industry participants with close to \$2 billion in credit commitments across our construction industry vertical. Overall, I have been extremely pleased with how our clients have responded to what seems like one challenge after another. The many headwinds, of course, included the pandemic related shutdown and associated impacts, material pricing volatility, supply chain disruptions, project deferrals, lack of qualified labor and supervision, and wage inflation.

Despite all of this, portfolio performance has remained fairly stable over the last 36 months plus with criticized asset levels near historic lows at the most recent quarter's end. Overall health has been buoyed by government stimulus in the form of the Paycheck Protection Program and the Employee Retention Tax Credit program. Balance sheets not only survived the pandemic but exited, in many cases, better capitalized and more liquid than they were entering.

This proved to be critical in some segments as backlogs were exhausted and margins eroded due to the factors described above. Throughout FY22 we began to see backlogs improve as the market rebounded and as clients sought opportunities in those areas where capital was actively being deployed. As a result, I believe we will see overall better performance in FY23 than was experienced in FY22.

Looking beyond FY23, however, I am growing increasingly cautious around diminishing private sector opportunities and the impact on both top and bottom line performance. In particular, we are closely watching trends in the commercial office, retail, and metropolitan high rise multifamily markets. Firms with client, sector, and/or geographic diversification will be best positioned to navigate any headwinds that are presented.



## There are many headlines speaking to a tightening credit environment. What are your thoughts on this and how will it impact your contractor clients?

Bank loan markets have grown increasingly conservative driven by continued macro uncertainty. The era of cheap and ample credit is over for the time being. I am finding borrowers are reluctantly coming to this conclusion as they access the senior bank markets for leveraged transactions. There is still capacity for the right opportunity, but expectations will need to adjust to the current reality.

According to the Federal Reserve's January 2023 Senior Loan Officer Opinion Survey (SLOOS) on Bank Lending Practices, banks have tightened standards amid weaker demand for both business and commercial real estate loans. Borrowers can expect to see more restrictive financial covenants, increased loan pricing, and less appetite by lenders to deploy capital.

All borrowers, of course, are not created equal so the impact of these conditions will certainly vary. Banks are not preemptively seeking to change terms for performing borrowers with a strong credit profile. There also remains healthy competition for those firms with healthy free cash flow characteristics that are operating in end markets with good visibility. On the other hand, there is less tolerance for underperforming or criticized assets. Those borrowers can expect their lenders to proactively enhance their position and limit downside risks.

## Where are you spending your time and what trends do you see on the transaction front?

Despite the many challenges of the current environment, we continue to see relatively robust deal flow. I question how much of the activity will actually transact but do believe there will continue to be demand for assets with a differentiated offering operating in attractive end markets. Private equity continues to be an active player, but we are also seeing a higher level of

## Credit Markets Update (continued)

activity and interest from sellers in the ESOP space. ESOPs have proven to be a good alternative for those owners that have time to transition and have been strategic in developing the next level of leadership. From a lenders' perspective, the continued skin in the game by the selling shareholder(s), often in the form of seller notes, and the ability to enhance cash flow due to favorable tax treatment, provide attractive structural characteristics.

Whether private equity, ESOP, or strategic, the increasing interest rate environment has made all potential avenues that much more difficult to execute. Base rates are up some 5% and spreads are expanding. An elevated interest expense has made it much more difficult for borrowers to achieve bank coverage requirements. Ultimately, this will likely result in lower leverage valuations, higher cash equity requirements and, as a result, perhaps lower overall valuations.

As for areas where we are spending a lot of time, we are continuing to see healthy activity in the professional services segments, particularly the engineering space. There is a growing contingent of financial sponsors investing in this space and they are looking to strategically grow their platforms via targeted add-on acquisitions to expand competencies as well as geographical reach.

We have also seen quite a bit of activity in and around the utility and telecom space. Both strategics and private equity have added in these sectors, driven by favorable long-term trends including the need to upgrade and harden aging infrastructure as well as meaningful new capacity investment.

On both fronts we have been an active lender across a number of these transactions due, in part, to strong revenue visibility, attractive free cash flow characteristics, and favorable end market dynamics.

**Recently, there has been a lot of concern around the banking environment given the failure of SVB, Signature Bank, First Republic Bank, etc. How have you seen your clients respond?**

Those clients with excess liquidity certainly have a heightened level of awareness. They have prudently been asking questions around the bank's credit profile, including about our leverage and liquidity ratios as well as mark-to-market exposure on our securities portfolio. In some instances, clients have been proactively diversifying by evaluating investment alternatives, including treasury securities, money market mutual funds, etc.

Deposit outflow at CIBC has been limited as we are a very strong institution that has always strived to offer clients competitive rates. I expect these conversations will continue until it is clear we are beyond the current challenges.

**What advice would you offer industry participants as we stare down a potential recessionary environment?**

Market participants have enjoyed a favorable banking environment dating to the last downturn. This has led to an environment where many lenders have gotten back into the contractor game although they may not be entirely familiar with the risks inherent to the industry. Construction can be a tricky industry to lend into due to the impacts of cyclicity, project specific risk, and the nature of the collateral (i.e., progressive receivables that are likely subject to some form of offset). The concern is that in a recessionary environment where some market participants begin to experience stress, you will see a knee-jerk reaction at some institutions that results in a tightening of standards across all industry participants in a portfolio. Generally speaking, this is what we have seen in the past and something folks should be aware of given current market conditions.

**Keep an open dialogue with your banker and make sure they understand what is happening in your business, and likewise, understand what is important to them and what you can do to maximize the relationship. ■**

### About the Author



Matt Gibbons is a Managing Director and Group Head of the Construction & Engineering specialized banking practice with CIBC US in Chicago, Illinois. Matt has over 20 years of experience in financial services and serves on the Board of Directors of the Chicago Building Congress.

**[Connect with Matt Gibbons on LinkedIn](#)**

CIBC is a leading North American financial institution with 13 million personal banking, business, public sector, and institutional clients. CIBC Bank USA provides commercial, private, personal and small-business banking solutions and CIBC Private Wealth offers investment management, wealth strategies, and legacy planning.

**[Learn More About CIBC](#)**



# Chartwell Advises MacArthur on Acquisition of American Metals Supply

MacArthur Co. has acquired American Metals Supply Co. (AMS), a leading wholesale distributor of sheet and coil steel, prefabricated duct and fittings, and a complete line of HVAC products. Combined, MacArthur and AMS will service the western two-thirds of the U.S. and be one of the largest distributors of HVAC and related products.

Chartwell advised MacArthur's board of directors on investment considerations and purchase price as well as financing needs to fund the acquisition and the ongoing working capital requirements of the combined companies. Chartwell managed the due diligence process and effectively negotiated deal terms and conditions opposite AMS's financial advisors to successfully close the transaction.

*"Chartwell has been a trusted advisor to MacArthur for almost 20 years and has advised us in completing a number of strategic acquisitions. The purchase of AMS is yet another reason why we are so very fortunate to have Chartwell's expert advice. Chartwell's experience negotiating transactions, combined with their in-depth understanding of our unique business needs, make them the ideal partner for MacArthur and our employees."*

**– Barrett Moen, CEO, MacArthur Co.**

MacArthur and its wholly-owned subsidiaries provide the distribution of building products, including insulation, lumber, HVAC, and roofing products as well as the manufacture of pre-engineered buildings. MacArthur operates in over 50 U.S. locations.

American Metals Supply is a distributor of galvanized steel, HVAC, and related products. AMS serves commercial contractors and fabricators across multiple end markets, including manufacturing, distribution, office, government, education, and healthcare.



# Chartwell Advises Comet Electric on Sale to Undisclosed Acquirer

Comet Electric, Inc. has been sold to an undisclosed acquirer. The combined platforms further enhance Comet's capabilities as well as provide economic and strategic resources to better serve its customers. Comet will expand the buyer's geographic reach into Southern California while also providing deep experience in transportation and general electrical contracting.

Comet engaged Chartwell to lead and execute the full transaction process. With Chartwell's in-depth expertise in M&A transactions and the construction and engineering industries, Chartwell provided objective counsel and facilitated negotiations on behalf of Comet to ensure a successful outcome.

*"We couldn't have done this without the expertise and guidance of Chartwell's team. From the initial meeting to the final closing, Chartwell provided invaluable support and advice throughout the process. Chartwell's M&A knowledge, professionalism, and responsiveness led to the completion of this transaction despite market changes during negotiations. With their help, we were able to find a partner that will help Comet continue to grow."*

**– Adam Saitman, President & CEO, Comet Electric**

Comet Electric is an electrical design services and installation firm serving general contractor partners and end customers in the Greater Los Angeles area. It serves the utility infrastructure, aviation, public works, public transportation, industrial, commercial, street lighting and traffic signal, and education sectors and offers design-build, design-assist, and value engineering services.

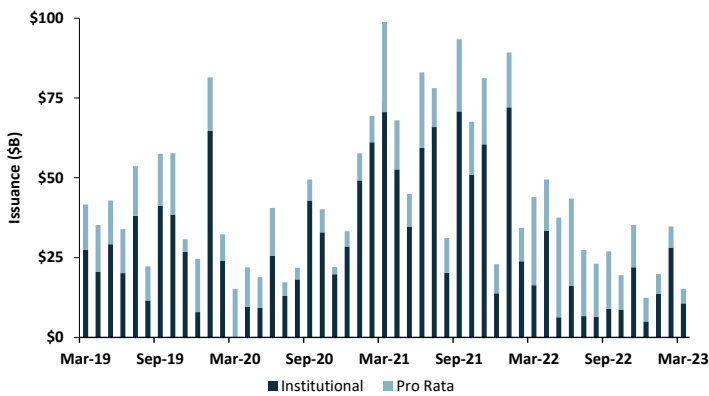


# Capital Markets Update

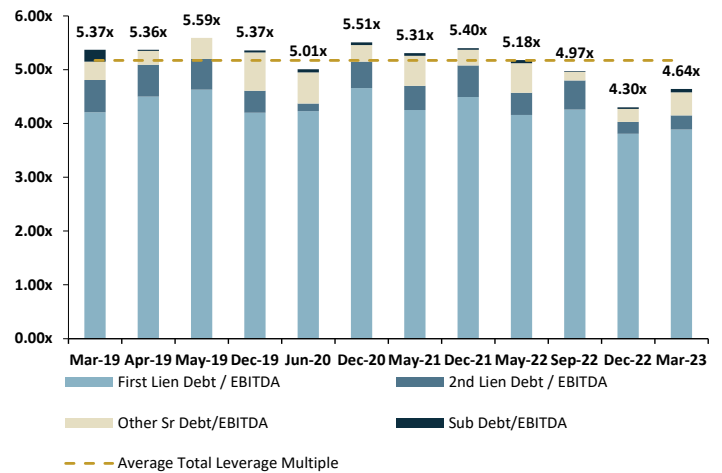
## Conditions in the private credit markets continue to be challenging.

- Though some recent indicators have been optimistic, all eyes remain on the Federal Reserve’s interest policy decisions which are directly influencing the capital markets’ environment
- Recent regional bank failures (e.g., Silicon Valley Bank, Signature Bank) can be tied to specific causes; however, this has created additional pressure on the regional bank system which, in turn, has impacted credit spreads, leverage multiples, and maximum hold levels
- In summary, loan volumes and leverage levels remain below historical levels while interest rates are rising primarily as a result of the above mentioned factors

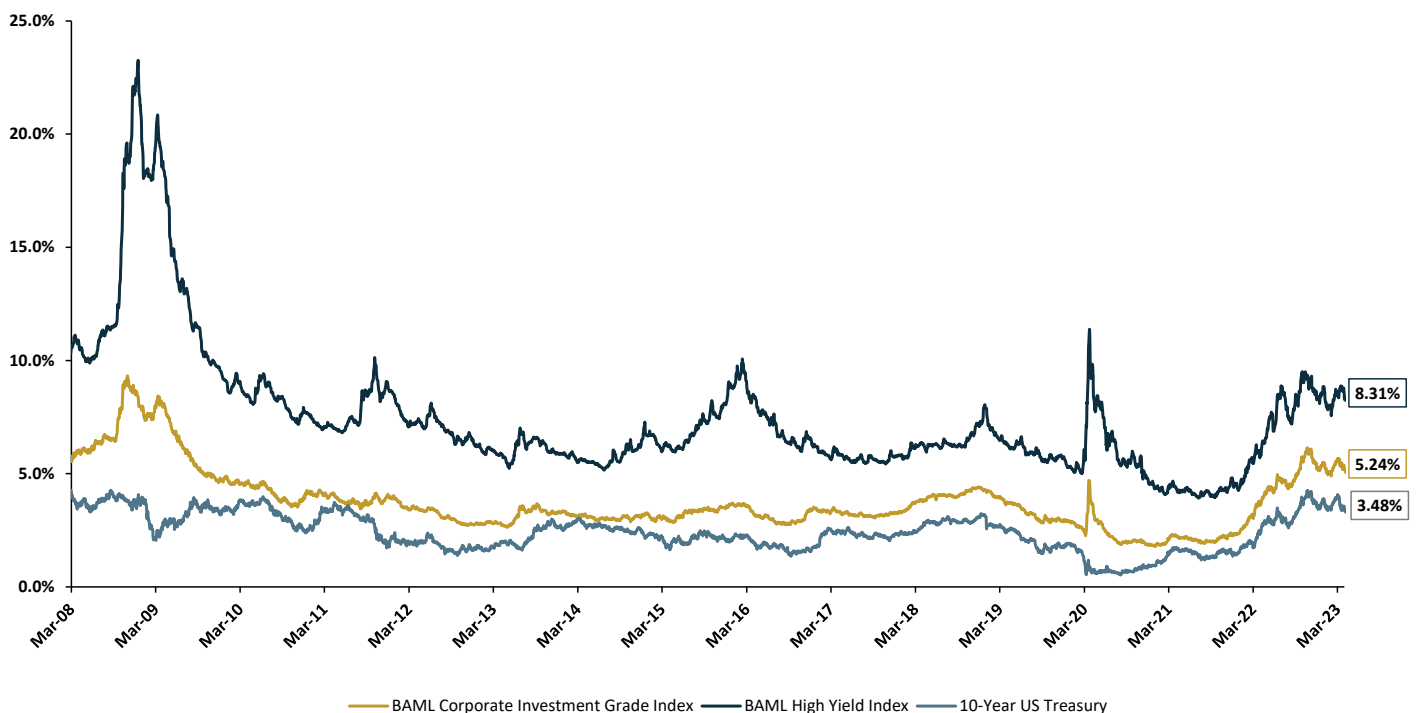
**U.S. Leveraged Loan Issuance**



**Historical Debt Multiples of Highly Leveraged Loans**



**Interest Rates**



# Industry Activity Indicators

March 2023 Construction Starts - Last 12 Months			
	Y-Y	M-M	% of Total
<b>Apartment</b>	<b>26.5%</b>	<b>0.5%</b>	<b>21.6%</b>
<b>Commercial</b>	<b>8.2%</b>	<b>2.5%</b>	<b>14.1%</b>
Commercial	10.7%	3.3%	6.5%
Lodging	51.4%	1.3%	1.4%
Office	(14.1%)	1.6%	3.3%
Other	7.3%	2.3%	2.9%
<b>Education/Healthcare</b>	<b>29.8%</b>	<b>4.1%</b>	<b>15.2%</b>
Education	17.2%	2.4%	8.8%
Healthcare	47.3%	6.1%	6.4%
<b>Industrial</b>	<b>74.4%</b>	<b>5.2%</b>	<b>24.0%</b>
Energy/Chemical	107.4%	(1.3%)	5.1%
Manufacturing	112.7%	13.1%	8.8%
Warehouse	0.1%	(1.6%)	8.9%
Data Center	199.0%	4.6%	1.2%
<b>Infrastructure</b>	<b>24.4%</b>	<b>3.8%</b>	<b>25.2%</b>
Bridge	(9.0%)	3.6%	3.3%
Environmental	(23.6%)	3.8%	0.3%
Highway	14.9%	2.1%	6.5%
Infrastructure	54.2%	4.0%	9.2%
Power	8.6%	5.6%	6.2%
<b>Total</b>	<b>35.4%</b>	<b>3.4%</b>	<b>100.0%</b>

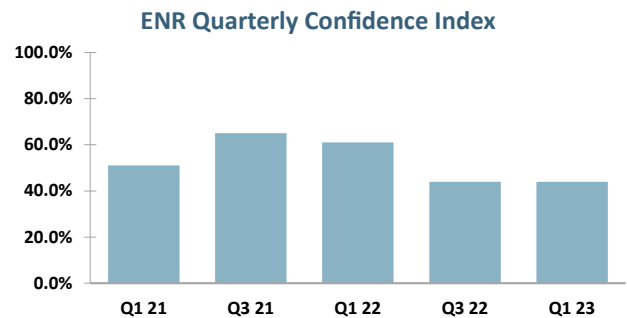
Projects \$20.0 million and above  
Sources: KeyBanc and Dodge Data & Analytics

AIA Consensus Construction Forecast		
	2023	2024
<b>Nonresidential</b>	<b>5.8%</b>	<b>0.8%</b>
<b>Commercial</b>	<b>2.6%</b>	<b>(1.4%)</b>
Office	(0.5%)	(0.7%)
Retail & Other	3.0%	(2.9%)
Hotel	9.5%	5.3%
<b>Industrial</b>	<b>15.1%</b>	<b>0.4%</b>
<b>Institutional</b>	<b>4.1%</b>	<b>3.8%</b>
Health	5.5%	3.2%
Education	3.0%	4.6%
Religious	(0.4%)	0.2%
Public Safety	4.9%	4.6%
Amusement & Recreation	5.3%	2.4%

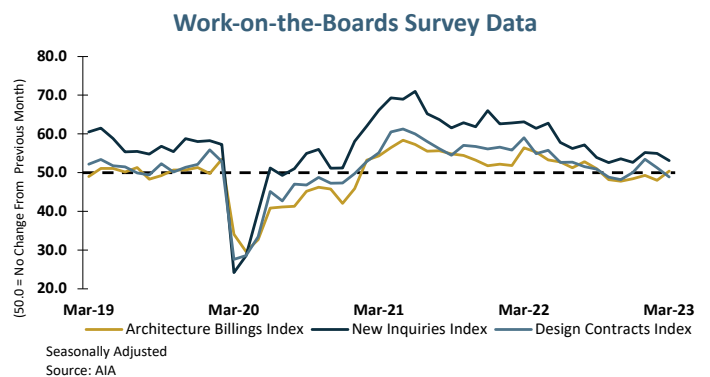
Source: American Institute of Architects (January 2023)

March 2023 Construction Spending			
	\$ Billion	3MMA	12MMA
<b>Private Nonresidential</b>	<b>\$827.7</b>	<b>(7.7%)</b>	<b>6.2%</b>
Manufacturing	\$147.0	56.4%	44.2%
Commercial	\$121.0	21.7%	23.3%
Power	\$102.1	(5.3%)	(10.5%)
Office	\$84.3	16.0%	5.8%
Healthcare	\$44.8	11.9%	10.4%
Communication	\$24.7	4.2%	0.1%
Lodging	\$22.0	39.6%	20.4%
Education	\$21.3	17.5%	17.9%
<b>Public Nonresidential</b>	<b>\$389.8</b>	<b>14.9%</b>	<b>9.0%</b>
Highway & Street	\$121.7	20.4%	11.9%
Education	\$86.9	7.9%	1.8%
Transportation	\$42.0	4.8%	1.5%
Sewage & Waste	\$36.6	24.8%	17.7%
Water Supply	\$23.8	25.8%	24.1%
Conservation & Development	\$11.7	25.1%	21.5%
Power	\$11.6	19.6%	19.6%

Seasonally Adjusted Annual Rate  
Source: U.S. Census Bureau

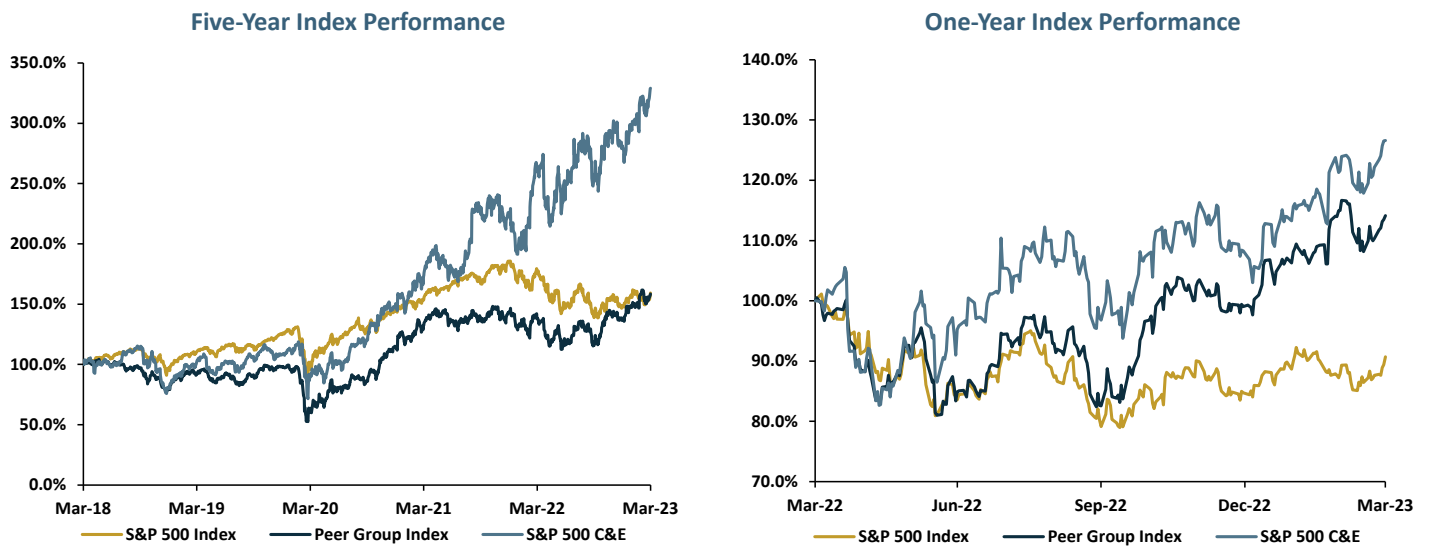


Source: Engineering News Record



Seasonally Adjusted  
Source: AIA

# Chartwell Public Company Construction Index



Chartwell’s Construction Index (“Construction Index”) is comprised of 24 companies representing a broad cross-section of firms in the commercial construction industry (excludes homebuilders). While many of these companies have multiple service lines, we have attempted to capture firms that generate the majority of their revenue from contracting services.

The S&P Construction & Engineering (“C&E”) Index outperformed both the S&P 500 Index and the Construction Index during the past year. The C&E Index was buoyed by continued investor appetite for engineering firms given their financial resiliency throughout the pandemic and continued optimism for the AE sector.

In general, companies in the Construction Index continue to perform well as median revenue growth totaled 19.9% during the twelve months ended March 31, 2023. Individual company performance continues to be affected by industry and end market concentration. Market expectations for member companies remains strong as all but one of the companies with estimates are expecting EBITDA growth during the next twelve months, resulting in median growth of 37.6%.

The median EBITDA margin of the Construction Index totaled 5.6% for the twelve months ended March 31, 2023 and all but two members generated positive margins during the past year. Expectations for profitability remain strong as all but three companies with estimates expect higher margins over the next twelve months.

Analyzing multiples continues to be a challenge, especially given the broader market declines during the first nine months of 2022 and limited reference points given volatile EBITDA for many companies over the past few years. The latest median EBITDA multiple for the Construction Index of 11.5x is up from 9.9x a year earlier and compares to 10.0x averaged over the past five years indicating minimal movement in valuation. However, when reviewing the companies individually, there has been quite a bit of volatility during the past year.

## Industry Involvement

**Chartwell is a proud Gold sponsor of the CFMA Annual Conference!**



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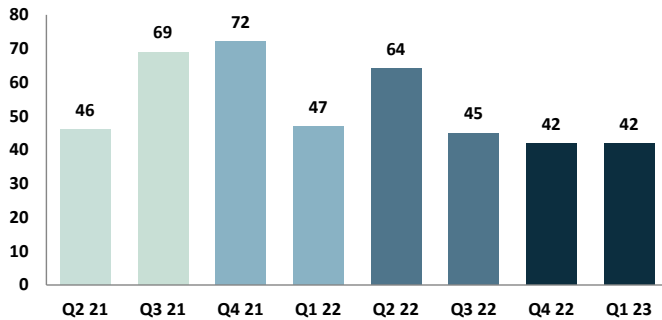
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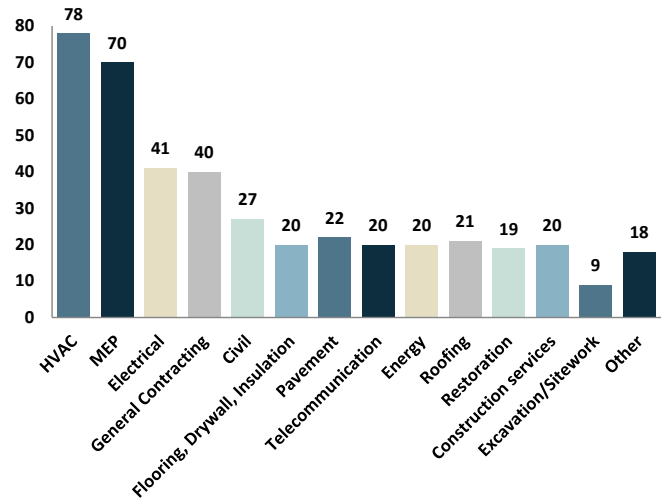
# Merger & Acquisition Activity - Q4 2022 & Q1 2023

Construction Industry Transactions by Quarter (Past 24 months)



Source: Capital IQ

Construction Industry Transactions by Sector (Past 24 months)



Deal activity peaked in the early days of the pandemic and has been remarkably consistent during the past three quarters. Deal activity for HVAC and MEP contractors has been particularly healthy during the past 24 months, accounting for 34.8% of total transactions. The Southeast region continues to lead the way with 21 closed deals during the past two quarters, followed by the Northeast with 19 and the West with 16.

Demand for companies remains strong from both strategic and financial buyers, particularly as private equity and family offices continue to reach lower into the middle market. Sellers remain plentiful based on demographics and the myriad of challenges that arise while transitioning ownership and/or leadership internally to the next generation.

## Executive Incentives at Construction Companies Webinar

Chartwell recently hosted a webinar discussing the elements of executive compensation with a focus on short and long-term incentives for construction companies. Industry-specific compensation trends impact valuation and company cash flows while also supporting growth.

Didn't get a chance to join us? [Request the Webinar Recording](#)



## Chartwell's Construction Leadership

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# Construction Index Market Performance - Q1 2023

		Enterprise Value					Equity Value				
Company Name	Ticker	3/31/ 2022	9/30/ 2022	3/31/ 2023	6-Mo. Δ	LTM Δ	3/31/ 2022	9/30/ 2022	3/31/ 2023	6-Mo. Δ	LTM Δ
HOCHTIEF Aktiengesellschaft	XTRA:HOT	9,837	8,525	11,905	39.6%	21.0%	4,631	3,602	6,279	74.3%	35.6%
Quanta Services, Inc.	NYSE:PWR	22,520	22,104	27,721	25.4%	23.1%	18,779	18,220	23,996	31.7%	27.8%
Skanska AB (publ)	OM:SKA B	10,474	6,110	7,270	19.0%	(30.6%)	9,332	5,177	6,295	21.6%	(32.5%)
EMCOR Group, Inc.	NYSE:EME	6,181	5,944	7,989	34.4%	29.2%	5,932	5,699	7,754	36.1%	30.7%
MasTec, Inc.	NYSE:MTZ	8,385	6,959	10,462	50.3%	24.8%	6,505	4,690	7,248	54.5%	11.4%
Balfour Beatty plc	LSE:BBY	2,947	2,766	3,256	17.7%	10.5%	2,137	2,045	2,618	28.0%	22.5%
API Group Corporation	NYSE:APG	6,657	6,727	8,670	28.9%	30.2%	4,891	3,102	5,272	70.0%	7.8%
Primoris Services Corporation	NYSE:PRIM	1,868	1,503	2,379	58.3%	27.3%	1,270	865	1,314	51.9%	3.5%
Comfort Systems USA, Inc.	NYSE:FIX	3,576	3,874	5,448	40.6%	52.4%	3,190	3,471	5,201	49.8%	63.0%
Dycom Industries, Inc.	NYSE:DY	3,644	3,638	3,556	(2.3%)	(2.4%)	2,821	2,823	2,749	(2.6%)	(2.5%)
Tutor Perini Corporation	NYSE:TPC	1,540	1,219	1,198	(1.7%)	(22.2%)	552	283	318	12.1%	(42.4%)
Aecon Group, Inc.	TSX:ARE	1,418	991	1,068	7.8%	(24.6%)	827	423	624	47.6%	(24.5%)
Granite Construction, Inc.	NYSE:GVA	1,848	1,418	2,090	47.4%	13.1%	1,505	1,119	1,797	60.5%	19.4%
MYR Group, Inc.	NasdaqGS:MYRG	1,598	1,470	2,139	45.5%	33.9%	1,594	1,411	2,100	48.8%	31.7%
IES Holdings, Inc.	NasdaqGM:IESC	932	691	947	37.2%	1.7%	835	566	869	53.3%	4.0%
Sterling Infrastructure, Inc.	NasdaqGS:STRL	1,229	1,069	1,568	46.7%	27.6%	810	651	1,166	79.2%	43.9%
Bird Construction, Inc.	TSX:BDT	511	341	466	36.4%	(8.9%)	393	233	361	55.0%	(8.0%)
Construction Partners, Inc.	NasdaqGS:ROAD	1,650	1,719	1,833	6.6%	11.1%	1,376	1,378	1,420	3.0%	3.3%
Matrix Service Company	NasdaqGS:MTRX	220	111	161	45.2%	(26.9%)	220	111	146	31.6%	(33.7%)
Orion Group Holdings, Inc.	NYSE:ORN	108	116	115	(0.8%)	6.5%	77	83	83	1.0%	8.5%
Great Lakes Dredge & Dock Corporation	NasdaqGS:GLDD	1,245	822	682	(17.1%)	(45.2%)	924	501	360	(28.1%)	(61.0%)
North American Construction Group Ltd.	TSX:NOA	702	535	736	37.4%	4.8%	413	261	440	68.6%	6.7%
Limbach Holdings, Inc.	NasdaqCM:LMB	105	107	204	91.8%	95.3%	72	79	181	127.7%	149.6%
Energy Services of America Corporation	NasdaqCM:ESOA	55	62	53	(15.0%)	(4.2%)	47	48	38	(19.9%)	(18.2%)
<b>Average</b>		<b>3,719</b>	<b>3,284</b>	<b>4,247</b>	<b>28.3%</b>	<b>10.3%</b>	<b>2,880</b>	<b>2,368</b>	<b>3,276</b>	<b>39.8%</b>	<b>10.3%</b>
<b>Median</b>		<b>1,624</b>	<b>1,444</b>	<b>1,961</b>	<b>35.4%</b>	<b>10.8%</b>	<b>1,323</b>	<b>992</b>	<b>1,367</b>	<b>48.2%</b>	<b>7.2%</b>

\$ in millions

Source: Capital IQ, Data as of 3/31/2023

# Construction Index Financial Performance – Q1 2023

Company Name	Revenue			EBITDA			EBITDA Margin		
	LTM \$	LTM % Δ	NTM % Δ	LTM \$	LTM % Δ	NTM % Δ	5-Year Avg.	LTM	NTM
HOCHTIEF Aktiengesellschaft	28,021	15.3%	0.1%	457	(30.2%)	183.7%	2.9%	1.6%	4.6%
Quanta Services, Inc.	17,074	31.5%	9.2%	1,483	40.9%	25.6%	7.9%	8.7%	10.0%
Skanska AB (publ)	15,654	(1.6%)	(1.1%)	897	(14.5%)	(3.0%)	5.6%	5.7%	5.6%
EMCOR Group, Inc.	11,076	11.8%	9.1%	678	4.8%	8.1%	6.3%	6.1%	6.1%
MasTec, Inc.	9,778	23.0%	32.5%	758	(13.0%)	47.8%	10.5%	7.8%	8.6%
Balfour Beatty plc	9,192	(5.5%)	4.5%	251	340.7%	58.1%	1.5%	2.7%	4.1%
API Group Corporation	6,558	66.4%	5.2%	508	50.3%	49.9%	6.8%	7.7%	11.0%
Primoris Services Corporation	4,421	26.4%	20.0%	274	(6.0%)	29.7%	7.3%	6.2%	6.7%
Comfort Systems USA, Inc.	4,140	34.7%	17.3%	334	30.4%	23.1%	8.4%	8.1%	8.5%
Dycom Industries, Inc.	3,808	21.7%	6.7%	373	52.7%	14.9%	9.4%	9.8%	10.5%
Tutor Perini Corporation	3,791	(18.3%)	3.1%	(138)	NA	NA	3.6%	(3.6%)	4.9%
Aecon Group, Inc.	3,470	10.4%	2.1%	95	(1.1%)	112.9%	3.7%	2.7%	5.7%
Granite Construction, Inc.	3,301	(5.7%)	5.1%	161	11.4%	82.9%	3.6%	4.9%	8.5%
MYR Group, Inc.	3,009	20.4%	8.7%	171	5.6%	16.6%	5.7%	5.7%	6.1%
IES Holdings, Inc.	2,261	32.8%	NA	89	(21.9%)	NA	5.2%	3.9%	NA
Sterling Infrastructure, Inc.	1,769	25.1%	7.4%	213	46.5%	8.4%	8.8%	12.1%	12.2%
Bird Construction, Inc.	1,757	0.1%	7.3%	66	(6.6%)	35.8%	3.1%	3.8%	4.8%
Construction Partners, Inc.	1,358	35.2%	15.2%	96	11.0%	64.2%	9.8%	7.1%	10.1%
Matrix Service Company	780	19.4%	12.3%	(44)	NA	NA	(1.0%)	(5.7%)	2.3%
Orion Group Holdings, Inc.	748	24.4%	0.8%	11	135.5%	200.5%	2.2%	1.5%	4.4%
Great Lakes Dredge & Dock Corporation	649	(10.7%)	5.0%	26	(79.1%)	106.8%	15.5%	4.1%	8.0%
North American Construction Group Ltd.	569	10.0%	14.4%	141	19.2%	37.6%	23.5%	24.8%	29.9%
Limbach Holdings, Inc.	497	1.3%	0.6%	22	9.3%	48.0%	3.3%	4.5%	6.7%
Energy Services of America Corporation	215	61.5%	4.4%	12	83.1%	2.9%	5.4%	5.6%	5.5%
<b>Average</b>	<b>5,579</b>	<b>17.9%</b>	<b>8.3%</b>	<b>289</b>	<b>30.4%</b>	<b>55.0%</b>	<b>6.6%</b>	<b>5.7%</b>	<b>8.0%</b>
<b>Median</b>	<b>3,386</b>	<b>19.9%</b>	<b>6.7%</b>	<b>166</b>	<b>10.1%</b>	<b>37.6%</b>	<b>5.6%</b>	<b>5.6%</b>	<b>6.7%</b>

\$ in millions

Source: Capital IQ, Data as of 3/31/2023

# Construction Index Implied Market Multiples – Q3 2021

Company Name	Enterprise Value / EBITDA					6-Mo. Δ	LTM Δ
	5-Year Avg.	Q1 2022	Q3 2022	Q1 2023	Q1 2024E		
HOCHTIEF Aktiengesellschaft	14.0x	15.0x	37.7x	26.1x	9.2x	(30.9%)	73.3%
Quanta Services, Inc.	13.8x	21.4x	17.1x	18.7x	14.9x	9.1%	(12.6%)
Skanska AB (publ)	9.1x	10.0x	7.5x	8.1x	8.4x	8.7%	(18.8%)
EMCOR Group, Inc.	9.5x	9.6x	9.4x	11.8x	10.9x	25.4%	23.3%
MasTec, Inc.	9.1x	9.6x	9.7x	13.8x	9.3x	42.3%	43.3%
Balfour Beatty plc	32.6x	51.8x	36.5x	13.0x	8.2x	(64.4%)	(74.9%)
API Group Corporation	14.1x	19.7x	15.7x	17.1x	11.4x	8.6%	(13.3%)
Primoris Services Corporation	6.8x	6.4x	6.5x	8.7x	6.7x	34.1%	35.5%
Comfort Systems USA, Inc.	12.0x	14.0x	13.7x	16.3x	13.3x	19.3%	16.9%
Dycom Industries, Inc.	9.6x	14.9x	12.3x	9.5x	8.3x	(22.4%)	(36.1%)
Tutor Perini Corporation	7.1x	4.4x	11.7x	NA	6.2x	NA	NA
Aecon Group, Inc.	12.4x	14.7x	16.4x	11.2x	5.3x	(31.8%)	(23.8%)
Granite Construction, Inc.	25.4x	12.8x	12.8x	13.0x	7.1x	1.8%	1.5%
MYR Group, Inc.	9.1x	9.9x	9.0x	12.5x	10.7x	38.8%	26.8%
IES Holdings, Inc.	10.0x	8.2x	8.0x	10.6x	NA	32.3%	30.3%
Sterling Infrastructure, Inc.	8.1x	8.4x	6.3x	7.4x	6.8x	16.8%	(12.9%)
Bird Construction, Inc.	14.4x	7.2x	4.3x	7.0x	5.2x	64.2%	(2.5%)
Construction Partners, Inc.	15.0x	19.0x	19.2x	19.0x	11.6x	(0.8%)	0.1%
Matrix Service Company	18.0x	NA	NA	NA	7.9x	NA	NA
Orion Group Holdings, Inc.	NA	23.0x	NA	10.4x	3.5x	NA	(54.8%)
Great Lakes Dredge & Dock Corporation	11.8x	9.9x	6.8x	25.9x	12.5x	281.3%	162.4%
North American Construction Group Ltd.	5.8x	5.9x	4.3x	5.2x	3.8x	22.4%	(12.1%)
Limbach Holdings, Inc.	7.6x	5.1x	5.0x	9.1x	6.2x	81.4%	78.6%
Energy Services of America Corporation	4.6x	8.4x	4.9x	4.4x	4.3x	(10.8%)	(47.7%)
<b>Average</b>	<b>12.2x</b>	<b>13.4x</b>	<b>12.5x</b>	<b>12.7x</b>	<b>8.3x</b>	<b>25.0%</b>	<b>8.3%</b>
<b>Median</b>	<b>10.0x</b>	<b>9.9x</b>	<b>9.5x</b>	<b>11.5x</b>	<b>8.2x</b>	<b>16.8%</b>	<b>(1.2%)</b>

Source: Capital IQ as of 3/31/2023

# Merger & Acquisition Detail

Western Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
8/4/2022	Superior Water & Air, LLC	Lee's Heating, Air Conditioning & Refrigeration	Salt Lake City, UT	HVAC
10/6/2022	Big-D Capital Corp.	CFC Construction, Inc.	Golden, CO	Construction Services
11/14/2022	Installed Building Products, Inc.	Surface Purveyors, LLC	Missoula, MT	Flooring, Drywall, Insulation
11/30/2022	Confidential	Myers & Sons Construction, LP	Sacramento, CA	Construction Services
12/1/2022	Commonwealth Electric Co. Of The Midwest, Inc.	Rydalch Electric, Inc.	Salt Lake City, UT	Electrical
12/31/2022	Alliance Creative Group, Inc.	Peak Construction Group, LLC	Mukilteo, WA	Carpentry
1/12/2023	ACCO Engineered Systems, Inc.	Pipe Line Specialties, Inc.	Colorado Springs, CO	MEP
1/18/2023	Intermountain Home Services, LLC	Beehive Plumbing	Salt Lake City, UT	MEP
1/23/2023	CMS Mechanical Services, LLC	Aire-Rite Air Conditioning & Refrigeration, Inc.	Huntington Beach, CA	HVAC
1/23/2023	Legence Holdings LLC	Trinity Process Solutions, Inc.	Anaheim Hills, CA	MEP
2/6/2023	Senseco Systems, Ltd.	Power Plus, Inc.	Boise, ID	Electrical
2/14/2023	Leap Service Partners, LLC	A-1 Heating & Air Conditioning, Inc.	Meridian, ID	HVAC
2/15/2023	GeoStabilization International, LLC	Access Limited Construction	Oceano, CA	Excavation/Sitework
3/2/2023	DKI808, LLC	Ohana Restoration, Inc.	Honolulu, HI	Restoration
3/14/2023	BMS CAT, Inc.	Colorado Premier Restoration, Inc.	Englewood, CO	Restoration
3/27/2023	Basalt Infrastructure Partners, LLC	Fatbeam, LLC	Coeur d'Alene, ID	Telecommunication

Southwestern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
10/4/2022	Cotton Creek Capital Management, LLC	Bobcat Heavy Civil, LLC	Waco, TX	Excavation/Sitework
10/4/2022	Holcim, Ltd.	ITW Polymers Sealants North America, Inc.	Houston, TX	Roofing
10/5/2022	John Staurulakis, LLC	Mitchell Engineering, Inc.	Wills Point, TX	Telecommunication
10/6/2022	Riverbend Sandler Pools	Backyard Paradise, LLC	Montgomery, TX	Tenant Improvement
11/7/2022	Olson Brothers Pro-Vac, LLC	Vac-One Services	Deer Park, TX	Excavation/Sitework
12/15/2022	HighGround Restoration Group, Inc.	Rocky Mountain Restoration, LLC	Mesa, AZ	Restoration
12/20/2022	Sterling Infrastructure, Inc.	Concrete Construction Services of Arizona, LLC	Maricopa, AZ	Excavation/Sitework
12/20/2022	Radiant Plumbing & Air Conditioning, Inc.	B. Carlson Heating & Air Conditioning, Inc.	Albuquerque, NM	HVAC
1/31/2023	The Shaw Group	KP Engineering, LP	Tyler, TX	Construction Services
2/1/2023	Strikepoint Group Holdings, Inc.	Weeks Service Company, LLC	League City, TX	HVAC
2/9/2023	Rack Electric, LLC	Energized Electric, LLC	Albuquerque, NM	Electrical
2/22/2023	American Pavement Preservation, LLC	Cactus Transport, Inc.	Tolleson, AZ	Pavement
3/15/2023	Patuxent Roofing & Contracting, Inc.	L.D. Tebben Company, Inc.	Austin, TX	Roofing

Midwestern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
10/6/2022	Orion Group	Marick, Inc.	Des Moines, IA	HVAC
10/6/2022	CPS HVAC Partners, Inc.	Craftsman Plumbing Company, LLC	Lake Saint Louis, MO	MEP
10/17/2022	Atlantic Southern Paving & Sealcoating, LLC	Paradise Asphalt Maintenance, LLC	Grandview, MO	Pavement
11/2/2022	Harmonic Heating & Air Conditioning	Official Heating & Cooling, Inc.	Mchenry, IL	HVAC



# Merger & Acquisition Detail

Midwestern Region (continued)				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
11/22/2022	Paschal Heating & Air Conditioning Company, Inc.	Lyerla Heating & Air	Joplin, MO	HVAC
12/21/2022	T.Y. Lin International Group, Ltd.	Greeley & Hansen, LLC	Chicago, IL	Civil
1/1/2023	Verità Telecommunications Corp.	Taylor Tele-communications, Inc.	Mogadore, OH	Telecommunication
1/3/2023	Tecta America Corp.	Oshkosh Industrial Roofing & Sheet Metal, LLC	Oshkosh, WI	Roofing
1/6/2023	User Friendly Home Services, LLC	Sal's Heating & Cooling, Inc.	NA, OH	HVAC
1/13/2023	J.F. Lehman & Company, LLC	Trans-Ash, Inc.	Cincinnati, OH	Energy
1/23/2023	RINA Consulting, SpA	Patrick Engineering, Inc.	Lisle, IL	Civil
1/24/2023	The Day & Zimmermann Group, Inc.	DPC Contractors, Inc.	Marietta, OH	General Contracting
2/21/2023	Greensburg Investment Group, LLC	Klear Enterprises, Ltd.	Ottawa, OH	Energy
3/21/2023	GridSource Incorporated, LLC	Wise Connect, Inc.	Overland Park, KS	Telecommunication

Northeastern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
4/29/2022	Confidential	Mel's Heater Service, LLC	Intercourse, PA	HVAC
9/1/2022	Crete Mechanical Group, Inc.	Reilly Electrical Contractors, Inc.	South Easton, MA	Electrical
10/3/2022	Yanmar America Corp.	Controlled Air, Inc.	Branford, CT	Construction Services
10/11/2022	Brookfield Asset Management, Inc.	Westinghouse Electric Company, LLC	Monroeville, PA	Energy
10/31/2022	New England Electrical Contracting Corp.	Eastern Communications, LLC	Bloomfield, CT	General Contracting
11/9/2022	One Nation Contracting	Nathan Contracting, LP	Allison Park, PA	Restoration
11/30/2022	B&B Siding & Roofing, Ltd.	Nu-Tek Roof Systems, Inc.	Lake Hopatcong, NJ	Roofing
12/5/2022	Installed Building Products, Inc.	Orr Industries, LLC	Dickson City, PA	Flooring, Drywall, Insulation
12/16/2022	Unique Indoor Comfort, LLC	Jackson Plumbing, Inc.	Erie, PA	MEP
1/1/2023	Kiewit Corp.	Weeks Marine, Inc.	Cranford, NJ	Marine
1/5/2023	The Waterproofing Company, LLC	Phoenix Bay State Construction Company, Inc.	Boston, MA	Construction Services
1/9/2023	Bristol Bay Native Corp.	Contracting Specialists, Inc.	North Attleboro, MA	Restoration
1/11/2023	Sila Heating & Air Conditioning, Inc.	CCH Holdings, Inc.	Woburn, MA	HVAC
1/24/2023	Confidential	A.J. Celiano, Inc.	Cranford, NJ	MEP
2/15/2023	Northpoint Roofing Systems, LLC	Master Roofers, LLC	Manchester, NH	Roofing
2/17/2023	P1 Service Group	Mchales, Inc.	Levittown, PA	MEP
3/2/2023	Hidden Harbor Capital Partners, LLC	Island Pump & Tank Corp.	East Northport, NY	Energy
3/12/2023	Installed Building Products, Inc.	Anchor Insulation Company, Inc.	Pawtucket, RI	Flooring, Drywall, Insulation
3/27/2023	Tecta America Corp.	Tuscano-Maher Roofing Inc.	Saltsburg, PA	Roofing

Southeastern Region				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
9/26/2022	Installed Building Products, Inc.	All Florida Insulation, LLC	Longwood, FL	Flooring, Drywall, Insulation
10/7/2022	SkyKnight Capital, LP	STR Mechanical, LLC	Charlotte, NC	MEP
10/10/2022	M.B. Kahn Construction Company, Inc.	Mckenzie Construction Corp.	Virginia Beach, VA	Construction Services
10/24/2022	FirstOnSite Property Restoration	Watermark Restoration, Inc.	Birmingham, AL	Restoration

# Merger & Acquisition Detail

Southeastern Region (continued)				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
10/31/2022	Southern HVAC Corp.	M.E. Flow, Inc.	Leesburg, VA	HVAC
11/2/2022	Astara Capital Partners	Del-Air Heating, Air Conditioning & Refrigeration	Sanford, FL	HVAC
11/9/2022	Leap Service Partners, LLC	Hornback Plumbing, LLC	Elizabethtown, KY	MEP
11/13/2022	Sila Heating & Air Conditioning, Inc.	Rye Heating & Air Conditioning, LLC	Lincolnton, NC	HVAC
11/28/2022	Bravo Infrastructure Group, LLC	Radiance Solar, LLC	Atlanta, GA	Energy
12/1/2022	Construction Partners, Inc.	Ferebee Corporation	Charlotte, NC	Pavement
12/15/2022	Cascade Services	Extreme Air & Electric, LLC	Melbourne, FL	Electrical
12/15/2022	Cascade Services	Mid-Fla Heating & Air, Inc.	Gainesville, FL	HVAC
12/19/2022	Hagerman Construction Corp.	F.W. Owens Company, Inc.	Louisville, KY	General Contracting
12/31/2022	Brighter Electrical, LLC	All Wire Electric, LLC	Bradenton, FL	Electrical
12/31/2022	ConnectM Technology Solutions, Inc.	Florida Solar Products, Inc.	Fort Pierce, FL	Energy
1/16/2023	Gehan Homes, Ltd.	Southern Impression Homes, LLC	Jacksonville, FL	Carpentry
2/1/2023	Comfort Systems USA, Inc.	ElDeCo, Inc.	Greenville, SC	Electrical
2/14/2023	Leap Service Partners, LLC	Engineered Heating & Air, LLC	Lexington, KY	HVAC
2/27/2023	Pavement Partners Holding, LLC	Brothers Paving & Concrete, LLC	Manassas, VA	Pavement
3/20/2023	Commercial Metals Company	Tendon Systems, LLC	Suwanee, GA	Construction Services
3/27/2023	SEM Holdings, LLC	Carolina Comfort Heating & Air Conditioning	North Wilkesboro, NC	HVAC

Select International				
Announce/ Close Date	Acquirer	Target	Target HQ Location	Target Primary Sector
5/31/2022	Municipal Enterprises, Ltd.	Monteith Underground Services, Ltd.	Fredericton, NB	Civil
11/3/2022	Right Time Group, Inc.	Northern Air & Mechanical Systems, Inc.	Sudbury, ON	HVAC
1/31/2023	Vinci Construction	H.J.R. Asphalt, LP	Saskatoon, SK	Pavement
2/1/2023	Bird Construction, Inc.	Trinity Communication Services, Ltd.	Brampton, ON	Telecommunication
3/9/2023	Transelec Common, Inc.	Elecso, Inc.	Sorel-Tracy, QC	Electrical

Source: Capital IQ, Data as of 3/31/2023

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