

Building Momentum

Construction & Engineering Trends During 2Q 2024



CONSTRUCTION & ENGINEERING SERVICES

Carleton McKenna & Co

TABLE OF CONTENTS

Construction Sector Trends & Key Takeaways	3
U.S. & Canada Sector M&A Activity Overview	4
Publicly-Traded Construction & Engineering Valuation Multiples	5
Lower Middle-Market Construction & Engineering Valuation Multiples	6
Notable Construction & Engineering Transactions, 2Q 2024	7
Carleton McKenna Team & Track Record	8

CARLETON MCKENNA CONSTRUCTION & ENGINEERING SERVICES BANKERS



Christopher J. McKenna
Managing Partner
cjm@carletonmckenna.com



Chuck G. Fenske
Director
cgf@carletonmckenna.com



Building Momentum

Construction & Engineering Trends

During 2Q 2024

KEY TAKEAWAYS

Carleton McKenna is pleased to share its latest Construction report following [Navigating 1Q 2024's Construction and Engineering M&A Landscape](#). In this report, Carleton McKenna explores the key developments shaping the Construction and Engineering industry. Despite economic challenges, the industry has shown remarkable resilience, driven by strategic acquisitions and smart capital reallocation.

- 1. Resilience Amid Economic Challenges:** The Construction and Engineering industry demonstrated strong resilience in the first half of 2024, adapting to high interest rates and supply chain challenges. Companies are divesting non-core assets to reduce costs and reallocating capital toward high-value areas such as core infrastructure.
- 2. Strategic Acquisitions Lead the Market:** Strategic buyers were more active than private equity investors in 2Q 2024, with a notable increase in acquisitions in industries such as civil infrastructure, electrical engineering and HVAC. However, as interest rates fall and commercial construction activity rises, private equity investors are expected to increase their share of M&A activity.
- 3. Valuation Multiples Show Positive Trends:** Valuation multiples are trending upwards for the Building Contractors, Heavy & Civil Engineering, and Specialty Trade Contractors verticals. Most notably, recent transaction data indicates that building contractors are earning almost one full turn of EBITDA more today than they were historically.
- 4. Rising Investor Confidence:** Investor confidence in the Construction and Engineering industry remained strong due to sustained profitability and strategic realignments within companies. 2Q 2024 transaction volume grew approximately 15% quarter-over-quarter, with 192 total transactions reported during the quarter, primarily driven by strategic acquirers.

Carleton McKenna has meaningful experience in the Construction and Engineering industry. To learn more about Carleton McKenna's wide range of transaction experiences, strategies for growth or exit, and current construction industry trends, please [contact us](#).

U.S. & CANADA CONSTRUCTION & ENGINEERING M&A ACTIVITY OVERVIEW

The Construction & Engineering industry proved resilient in the first half of 2024, despite persistent economic headwinds driven by high interest rates and ongoing supply chain challenges. Companies have adapted to these conditions by divesting noncore assets in order to reduce costs and create efficiencies, while others have reallocated capital to high-value areas such as core infrastructure.¹ These adaptations have led to sustained profitability and increasing investor confidence, as demonstrated by a slight pick-up in deal activity quarter-over-quarter.

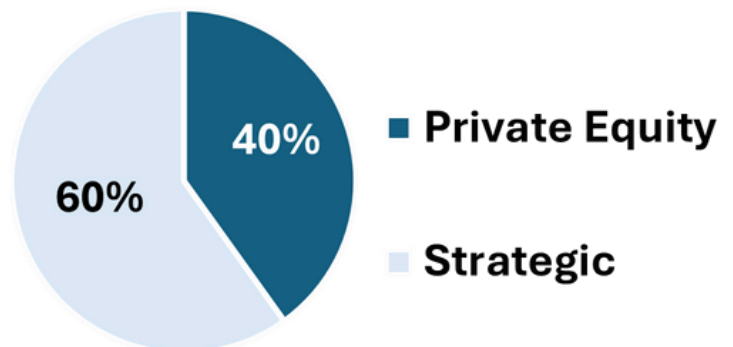
A renewed focus on sustainable business practices and the ever-present need for technological advancements has encouraged growth by acquisition, enabling legacy players to drive innovation.

U.S. and Canada Construction & Engineering Deal Activity by Quarter²



Strategic acquirers operating within the Construction and Engineering industry were more active than Private Equity (“PE”) investors during Q2, as indicated by the chart on right. However, as interest rates fall and commercial construction activity increases, it is anticipated private equity investors will make up a larger portion of Construction and Engineering related transactions as they continue to raise capital and look for opportunities to invest dry powder.

Q2 Transactions by Buyer Type²



Source: (1) PwC, (2) Pitchbook

PUBLICLY-TRADED CONSTRUCTION & ENGINEERING VALUATION MULTIPLES



■ Q2 2023

■ Q2 2024

Note: It is widely accept in M&A that valuation multiples will generally increase as total enterprise value (TEV) increases. The above companies have a significantly larger TEV than the average lower middle-market company, resulting in higher multiples. The purpose of this chart is to display valuation trends period-over-period.

Source: (3) Yahoo Finance as of 6/30/24

LOWER MIDDLE-MARKET CONSTRUCTION & ENGINEERING VALUATION MULTIPLES

The charts below present EBITDA multiples for the Construction & Engineering vertical grouped by Total Enterprise Value ("TEV") range for 2003-present and 2019-present, respectively.

For building contractors in the \$10-50M TEV range, valuations increased approximately one full turn of EBITDA when comparing all-time data (beginning in 2003) to the most recent five years of data. Heavy & Civil Engineering contractors with a TEV in the range of \$100-250M experienced a significant increase in valuations, equivalent to approximately 1.5 turns of EBITDA, while smaller companies operating in the same vertical experienced consistent valuations. Specialty trade contractors within the \$10-50M TEV range experienced valuation increases of slightly less than a half turn of EBITDA while larger firms earned consistent valuations.

EBITDA Multiples by Construction & Engineering vertical, 2003 to present⁴

TEV Range (\$ millions)	Building Contractors	Heavy & Civil	Specialty Trade
\$10-25	5.1x	5.0x	5.7x
\$25-50	5.0x	5.3x	6.0x
\$50-100	7.2x	6.6x	7.2x
\$100-250	8.7x	7.1x	7.9x
Total	5.9x	5.5x	6.2x
N=	29	52	203

EBITDA Multiples by Construction & Engineering vertical, 2019 to present⁴

TEV Range (\$ millions)	Building Contractors	Heavy & Civil	Specialty Trade
\$10-25	5.7x	5.2x	6.0x
\$25-50	6.0x	5.0x	6.3x
\$50-100	N/A	6.7x	7.1x
\$100-250	8.6x	8.7x	7.9x
Total	6.7x	5.8x	6.4x
N=	18	25	121

Source: (4) GF Data

NOTABLE CONSTRUCTION & ENGINEERING TRANSACTIONS, 2Q 2024²

Date	Target	Acquirer	Target Description
Aug-24	Emerald Built Environments	Crete United	Consulting firm specializing in sustainable building and business practices. CM&Co acted as the exclusive provider of sell-side M&A advisory services to Emerald Built Environments.
Jun-24	Coast Landscaping	Verde Equity Partners	Further enhances ability to provide comprehensive and sustainable landscaping solutions to both new and existing clients
Jun-24	Action Roofing	Exuma Capital Partners Peak Roofing Partners	Aligns with company's vision to establish a strong presence in the roofing industry and provide top-notch services to clients.
Jun-24	The Birch Co	ATWEC Technologies	Supports company's vision of becoming a leader in the Residential New Construction and "Build to Rent" space, positioning them for long-term success.
May-24	Landry & Sons Acoustics	Optimum Building Systems	Nearly doubles Optimum's acoustical tile division, adding an experienced group of acoustical technicians and deepening its presence throughout Maine.
May-24	Klekamp & Company	Soundcore Capital Partners (Heartland Paving Partners)	Enhances ability to serve clients not only in Ohio, but also strengthens operations in neighboring states.
May-24	Sunbelt Asphalt Surfaces	Construction Partners	Target served an area that is a key geographic focus for Buyer and reinforces the solid reputation for quality and dependability in north Georgia market.
Apr-24	Environmental Solutions	Heritage Links	Partnership allows collaboration on key projects in the U.S. and beyond and expands offerings while retaining current footprint and staff.
Apr-24	Timber Block	Kairos Capital Management (Pro-Fab)	Partnership will accelerate Timber Blocks' growth across all markets, especially in the U.S.A., by leveraging the platform's existing footprint.
Apr-24	Landmark Landscape Group	KeyServ	Complements current Alabama operations with an existing platform company that already performs services in Birmingham and Huntsville.

Middle Market M&A Advisory & Capital Raise Sectors



Construction & Engineering



Business-to-Business Services



Consumer Products



Healthcare



Specialty Manufacturing & Industrials

Construction & Engineering Professionals



Christopher J. McKenna
Managing Partner
cjm@carletonmckenna.com



Chuck G. Fenske
Director
cgf@carletonmckenna.com



Joseph G. Belz III, CPA
Associate
jgb@carletonmckenna.com

20%

Average increase in purchase price through diligence

2023 Honoree



500+

Transactions Closed

Maximizing Value



Aligning Values

For previous updates as well as additional industry reports, please see our [Insights](#) page on the Carleton McKenna website.





has acquired



CM&Co



has been acquired by



CM&Co



SERVICE-TECH CORPORATION

has been acquired by



CM&Co



has been acquired by



CM&Co



Reliable Construction Heaters, Inc.

has been acquired by



CM&Co

Project Apex

Fully-integrated architectural design, facilities engineering, and specialty services

CM&Co



has acquired



CM&Co



Provider of outsourced facilities maintenance solutions

CM&Co



has acquired



CM&Co



has been acquired by



CM&Co



has been acquired by



CM&Co



has been acquired by



CM&Co



has been acquired by



CM&Co

Project Premier

National Group Purchasing Organization providing members with account management, sales and contracting services

CM&Co



has successfully closed on the sale of equity financing

CM&Co



has been acquired by



CM&Co

ENDNOTES

1. PwC
2. Pitchbook
3. Yahoo Finance
4. GF Data