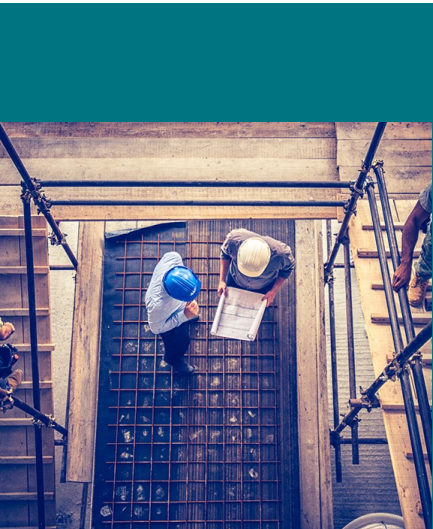


# Prairie Industry Perspective

## Construction Industry

PRAIRIE

August 2021

A photograph showing two construction workers in hard hats and safety vests looking at a set of plans on a construction site. The background shows scaffolding and structural elements of a building under construction.

The construction industry saw declining demand during 2020 due to the COVID-19 pandemic. While there is optimism that the economy will fully recover as more COVID-19 vaccines are administered, the construction industry continues to experience uneven demand and a variety of obstacles, such as high material prices and labor shortages.

### Recent Industry Performance

According to Dodge Data & Analytics (“Dodge Data”), total construction starts decreased 10.0% during 2020 to \$766.3 billion. As 2021 began, Richard Branch, chief economist for Dodge Data, noted that construction starts were likely to see a “long and rocky road ahead.” Branch indicated that, while high vaccination rates were giving hope for a strong economic recovery, the construction industry had become plagued with logistical problems and a rapid escalation in the prices of materials. As a result, during the first six months of 2021 (latest available), Dodge Data reports that total construction starts saw the following pattern: down 4.0% in January; down 2.0% in February; up 2.0% in March; down 2.0% in April; down 1.0% in May; and down 7.0% in June. Overall, the

seasonally-adjusted annual rate for construction starts in June 2021 totaled \$863.6 billion.

At the same time, Dodge Data reports that, despite some volatility month-to-month, when compared to the first six months of 2020, construction starts were up 15.0% in the first half of 2021, reaching \$436.0 billion.

Meanwhile, according to a July 2021 (latest available) statement from Anirban Basu, chief economist for Associated Builders and Contractors (“ABC”), the construction industry “is coming back with a vengeance.” Basu notes that, even though the COVID-19 pandemic continues and is, in fact, surging in many parts of the U.S., the construction industry “is on the path to normalcy.”

Looking ahead, Dodge Data’s Branch anticipates an “uneven” recovery through the second half of 2021 due to rising material prices and labor shortages. However, Branch sees “pent-up spending in the second half of the year as the ‘horse leaves the barn’ and starts running.” Overall, Dodge Data anticipates 4.0% growth for total construction starts in 2021 and an 8.0% increase in 2022.

“The construction industry continues to experience uneven demand and a variety of obstacles...”

## Residential Construction

While most segments of the construction industry struggled during 2020, the residential construction segment grew. Dodge Data reports that, during 2020, residential construction starts increased 4.0% to \$344.8 billion, with single-family starts up 11.0% and multifamily starts down 11.0%.

In addition, total residential starts were up 22.0% during the 12 months ending June 2021 when compared to the 12 months ending June 2020. Single-family starts increased 29.0% on a 12-month sum basis, while multifamily starts were up 5.0%.

However, due to the aforementioned challenges with material prices and labor, during the first half of 2021, monthly residential construction starts trended downward. Indeed, according to Dodge Data, residential construction starts saw the following pattern during the first six months of 2021: January, down 4.0%; February, down 7.0%; March, up less than 1.0%; April, down 12.0%; May, down 10.0%; and June, down 5.0%, to a seasonally-adjusted annual rate of \$403.8 billion. More specifically, single-family starts fell 3.0% in January 2021, decreased 7.0% in February, declined 9.0% in March; fell 18.0% in April; dropped 12.0% in May; and decreased 8.0% in June. Meanwhile, multifamily starts saw the following pattern: January, down 7.0%; February, down 7.0%; March, up 33.0%; April, up 5.0%; May, down 7.0%; and June, up 2.0%. Overall, though, total residential starts were up 32.0% during the first half of 2021 when compared to the first six months of 2020, with single-family starts up 37.0% and multifamily starts up 19.0%.

Meanwhile, the National Association of Home Builders (“NAHB”) reports different data, indicating that housing starts grew 6.3% in June 2021 (latest available) to a seasonally-adjusted annual rate of 1.64 million units. More specifically, the NAHB says single-family starts rose 6.3% to 1.16 million units, while multifamily starts increased 6.2% to 483,000 units. At the same time, when comparing the first six months of 2021 to the same period in 2020, total residential starts increased by 41.4% in the Northeast, 25.5% in the Midwest, 21.5% in the South and 28.0% in the West.

Even though housing production has increased, the NAHB notes that “there is concern over weakening permit numbers for both the single-family and multifamily markets.” Indeed, overall permits declined 5.1% in June 2021 to a 1.60-million-unit annualized rate; single-family permits dropped 6.3% to 1.06 million, while multifamily permits decreased 2.6% to 535,000 units. Weakening permit numbers have resulted from higher material costs, which have caused home prices to increase since the end of 2020. However, through the first six months of 2021, permits were up 33.2% in the Northeast, increased 31.9% in the Midwest, were up 29.6% in the South and rose 32.2% in the West when compared to the first half of 2020.

As of this writing, there are 675,000 single-family homes under construction, up 32.0% from mid-2020. Also, the number of multifamily units under construction is up 2.0% year-over-year, to 684,000 units.

With regard to the remodeling market, on July 15, 2021, the Joint Center for Housing Studies at Harvard University (“Joint Center”) released its most recent edition of the Leading Indicator of Remodeling Activity (“LIRA”), which projects that spending on home improvement and maintenance will likely accelerate during the second half of 2021 and continue through the first half of 2022. Indeed, LIRA forecasts that annual growth in expenditures on home renovation and repair will reach 8.6% during the second quarter of 2022 due to the strength of home sales, the appreciation of house prices and residential construction activity. According to Chris Herbert, managing director of the Joint Center, “A significant rise in permits for home improvements also indicates that owners are continuing to invest in bigger discretionary and replacement projects.” In addition, an increase in retail sales of building materials suggests that do-it-yourself activity is giving a boost to the remodeling market. LIRA anticipates that annual remodeling expenditures on owner-occupied homes will exceed \$380.0 billion by mid-2022.

## Nonresidential Construction

Dodge Data indicates that nonresidential building starts fell 24.0% in 2020 to \$239.9 billion, which was the lowest level of nonresidential building activity since 2015. Broken down further, commercial starts declined 26.0% during the year, while institutional starts decreased 13.0% and manufacturing starts fell 59.0%.

Then, during the first six months of 2021 (latest available), nonresidential building activity showed the following pattern: January, flat month-over-month; February, down 7.0%; March, up 13.0%; April, up 16.0%; May, up 10.0%; and June, down 7.0%. Overall, during the first six months of 2021, Dodge Data notes that nonresidential building starts were “slightly ahead” of the first half of 2020. Comparing the two periods, commercial starts were up 7.0% during the first half of 2021, institutional starts were down 5.0% and manufacturing starts rose 36.0%. Meanwhile, nonresidential building starts were down 14.0% for the 12 months ending June 2021 when compared to the 12 months ending June 2020. Commercial starts fell 18.0% on a 12-month sum basis, institutional starts were down 10.0% and manufacturing starts declined 42.0%.

Looking ahead, Dodge Data forecasts that commercial building starts will see a 6.0% increase in 2021, with office building starts up 8.0% and warehouse construction up a record-breaking 14.0%. Institutional building starts are projected to grow 1.0% during 2021, while manufacturing starts are forecast to be flat.

At the same time, according to the American Institute of Architects’ (“AIA”) July 2021 (latest available) Consensus Construction Forecast Panel (“Panel”)—which is an average of the forecasts issued by eight leading economists—spending on nonresidential construction will decrease 3.9% during 2021; however, the AIA indicates that this forecast is “an upgrade” from the 5.7% drop that was forecast in January 2021. Overall, the Panel projects that specific construction segments will record the following pattern in 2021: total commercial construction, down 5.4%; office construction, down 5.6%; retail and other commercial construction, down 1.3%; hotel

construction, down 19.9%; total industrial construction, down 4.4%; total institutional construction, down 2.3%; health construction, up 1.4%; education construction, down 2.1%; religious construction, down 0.9%; public safety construction, down 2.1%; and amusement and recreation construction, down 9.9%.

The AIA forecasts that spending on nonresidential construction will increase 4.6% in 2022, with “virtually all the nonresidential building sectors...expected to see healthy growth.” Specific sectors are expected to see the following results during 2022: total commercial construction, up 5.4%; office construction, down 0.1%; retail and other commercial construction, up 5.8%; hotel construction, up 18.9%; total industrial construction, up 4.8%; total institutional construction, up 3.6%; health construction, up 4.4%; education construction, up 3.6%; religious construction, down 0.9%; public safety construction, up 0.1%; and amusement and recreation construction, up 6.0%.

Meanwhile, Dodge Data forecasts that commercial building starts will grow 10.0% in 2022, institutional building starts will increase 7.0% and manufacturing starts will rise 8.0%.

## Nonbuilding Construction

Dodge Data reports that nonbuilding construction starts totaled \$181.5 billion in 2020, a decline of 14.0% when compared to 2019, due to “significant pullbacks” in the utility/gas plant and miscellaneous nonbuilding categories. Further, while environmental public works starts decreased 5.0% during 2020, the highway and bridge category increased by 8.0%.

Total nonbuilding starts dropped 6.0% during the 12 months ending June 2021 when compared to the 12 months ending June 2020. While environmental public works starts increased 23.0% during the 12-month period, the other categories saw declines. According to Dodge Data, utility/gas plant starts were down 20.0%, highway and bridge starts were down 3.0% and miscellaneous nonbuilding starts were down 22.0%.



During the first six months of 2021, Dodge Data indicates that nonbuilding construction starts saw the following pattern: January, down 10.0%; February, up 20.0%; March, down 7.0%; April, up 2.0%; May, up 5.0%; and June, down 13.0% to a seasonally-adjusted annual rate of \$171.8 billion. When compared to the first half of 2020, total nonbuilding construction starts were up 4.0% in the first half of 2021, with environmental public works up 35.0% and utility/gas plants up 13.0%. Dodge Data notes that miscellaneous nonbuilding, which declined by 6.0% during the six-month period, and highway and bridge starts, which dropped by 9.0%, “dragged on the sector.”

Looking ahead, while the American Road & Transportation Builders Association (“ARTBA”) forecast a 5.5% decline for transportation construction during 2021, the outlook was published before President Biden signed the \$1.9 trillion “American Rescue Plan” in March 2021, which includes \$10.0 billion in new funding for infrastructure projects. According to a statement issued by the ARTBA after the plan was announced, the funding package “takes pressure off transportation budgets and could allow some funds to flow to infrastructure-related activities.”

Moreover, in May 2021 (latest available), Dodge Data updated their nonbuilding construction forecast, projecting that starts in the segment would see a 5.0% increase during 2021 and a 6.0% increase in 2022. However, this outlook does not take into account any infrastructure legislation that may pass in the latter half of 2021.

## Construction Industry Trends

Some major trends and drivers currently impacting the construction industry include the following:

- *Infrastructure Package Passes Senate* – According to *The Wall Street Journal* (“WSJ”), the Senate passed the \$1.2 trillion “Infrastructure Investment and Jobs Act” on August 10, 2021, “that would amount to one of the most substantial federal investments in roads, bridges and rail in decades.” The package, which garnered broad bipartisan support, reauthorizes spending on current federal public works programs and contains an additional \$550.0 billion, which includes \$110.0 billion

for roads and bridges; \$66.0 billion for rail; \$65.0 billion for improving the electrical grid and energy production; \$65.0 billion for expanded access to broadband; nearly \$50.0 billion for making infrastructure more resilient to natural disasters and cyberattacks; \$40.0 billion for transit; \$7.5 billion to build charging stations for electric vehicles; and \$7.5 billion to replace current school buses and ferries with lower-emission vehicles. Under this bill, the states would largely decide which infrastructure projects will benefit from the federal funds.

Notably, the *WSJ* indicates that the infrastructure bill “will face a more complicated path in the House, where Democrats have yoked the fate of the infrastructure effort to the passage of a broad \$3.5 trillion antipoverty and climate effort.” House Speaker Nancy Pelosi says that the chamber will not address the infrastructure bill until the Senate passes the larger antipoverty and climate plan. Immediately after passing the infrastructure bill, Senate Majority Leader Chuck Schumer started the process for considering a budget outline for the \$3.5 trillion proposal. Regardless of the status of the second proposal, the earliest the House can vote on the “Infrastructure Investment and Jobs Act” is when the chamber reconvenes on September 20, 2021.

- *Material Costs Rise – Construction Dive* notes, “Materials prices are skyrocketing.” Construction input prices rose 0.6% in July 2020, according to ABC’s analysis of the U.S. Bureau of Labor Statistics’ Producer Price Index data released August 12, 2021. Further, nonresidential construction input prices increased 0.8% for the month. ABC notes that construction input prices are now 23.1% higher than one year ago, while nonresidential construction input prices increased 23.4% over that span. Energy prices continue to experience substantial year-over-year increases. The price of natural gas is up 146.7%, while crude petroleum and unprocessed energy materials prices are up 102.9% and 93.8%, respectively. Prices for steel mill products increased 10.8% in July and are up 108.6% for the year. According to Basu, “...a rebounding economy, ongoing

supply chain disruptions and limited productive capacity have conspired to generate rapid price increases. Many economists insist that the current situation is merely temporary; still, today's input price increases can meaningfully affect contractor fortunes by trimming margins and delaying the onset of projects." In that regard, the NAHB indicates that soaring lumber costs added an average of \$35,872 to the price of a new single-family home and \$12,966 to the value of the average new multifamily home. In light of these increases, Basu suggests, "Contractors should assiduously build contingencies into their contracts to protect themselves from additional materials price spikes. Given that construction firm services are in high demand, contractors should have enough negotiating leverage to accomplish that under most circumstances."

- *Unemployment and Hiring* – The Associated General Contractors of America ("AGC") reports that construction employment totaled 7.41 million in June 2021, a decline of 7,000 from May 2021. Notably, the June total was 238,000 fewer workers, or 3.1% less, than in February 2020, which was the high point for construction employment before the onset of the COVID-19 pandemic. During June 2021, modest gains in residential construction employment were offset by job losses in the nonresidential construction sector. Indeed, recovery for the two sectors has differed sharply, according to the AGC. Residential construction firms gained 15,200 employees during June 2021 and added 51,000 workers since February 2020, while the nonresidential sector lost 22,600 in June 2021 and employed 289,000 fewer workers than in February 2020.

Overall, the construction industry has struggled with labor shortages over the past several years. According to Brian Turmail, vice president of public affairs and strategic initiatives at AGC, the labor shortage problem "can be traced back to a broader cultural push toward desk jobs and away from construction jobs over the past 30 to 40 years." Complicating the situation is the advancing age of many construction workers; the NAHB reports that the median age of construction workers is 41. As a result, the AGC notes that "they are taking steps to recruit more people into the construction industry," launching a "Construction Is Essential" recruiting campaign, which focuses on talent recruitment, training and retention within the construction industry.

- *Nonresidential Contractor Optimism Rises* – ABC reports that their "Construction Backlog Indicator," which includes commercial, institutional, heavy industrial and infrastructure construction, rose in June 2021 (latest available). The total construction backlog was 8.5 months in June 2021, up from 8.0 months in May 2021 and 8.1 months in June 2020. Meanwhile, the "Construction Confidence Index" increased for all three metrics—sales, profit margins and staffing—in June 2021 when compared to both May 2021 and June 2020. ABC's Basu notes, "Despite recent weakness in industry employment and spending data, contractors collectively remain upbeat. The neck-snapping pace of economic recovery, along with low financing costs and the return of projects that had been placed on the back burner during the pandemic, is translating into rising backlog and optimistic perspectives on employment, sales and profit margins."
- *Civil Contractors Optimistic* – According to Dodge Data's most recent *Civil Quarterly*, the majority of civil contractors are optimistic about their work volumes, revenue and profit margins in 2021 and moving forward into 2022. Notably, 40.0% of civil contractors surveyed by Dodge Data report increases to their backlogs during the second quarter of 2021, up from 25.0% during the first quarter, while two-thirds of civil contractors surveyed anticipate a "robust" market through mid-2022. More than half of respondents expect increased revenues through June 2022, and 42.0% project that profit margins will grow as well. At the same time, though, Dodge Data notes that "optimism is overshadowed by increasing concerns around skilled worker shortages, including an expectation of rising costs for talent and reduced skill levels in the available workforce." Notably, 60.0% of civil contractors surveyed indicate that their need for skilled workers is "high," up from 43.0% in a survey during the fourth quarter of 2020. Moreover, 69.0% say that they anticipate a high degree of difficulty finding workers, up from 58.0% in the fourth quarter of 2020. Further, 81.0% of those questioned anticipate that the cost of skilled workers will likely increase, leading to challenges in meeting project budget requirements.

- *NAHB Builder Confidence Survey* – The NAHB/Wells Fargo Housing Market Index (“HMI”) fell one point, to 80.0, in July 2021 as a result of a combination of strong buyer demand and supply-side demand challenges regarding building materials, regulation and labor. (The NAHB/Wells Fargo HMI measures builder perceptions for the upcoming six months on a scale of “good,” “fair” or “poor.” Any reading above 50.0 indicates that builders view the outlook as positive.) Robert Dietz, NAHB’s chief economist, notes, “Builders are contending with shortages of building materials, buildable lots and skilled labor as well as a challenging regulatory environment. This is putting upward pressure on home prices and sidelining many prospective home buyers even as demand remains strong in a low-inventory environment.”
- *Commercial Contractors Pivot to Residential* – According to *Construction Dive*, “The impact of the pandemic on residential and nonresidential construction has been anything but even. While many commercial projects have been delayed, shuttered or canceled completely, homebuilding has boomed, as buyers seek single-family homes in less densely populated areas away from urban centers.” As a result, many commercial contractors are pivoting toward building houses in order to stay in business. “Nobody’s looking to open up new restaurants or gyms at this point,” says Michael Bordes, president of AA Jedson Company in New York City. “So we’re turning to our fallback, which is housing.” While Ken Simonson, chief economist at AGC, indicates that there is not currently any hard data that show nonresidential contractors are building more homes, he suspects that it is indeed happening. Simonson points to the previous housing boom that occurred between 2004 and 2006; he notes that residential construction spending grew at a faster rate than residential construction employment, likely due to nonresidential contractors taking on more residential work. “Conversely, when nonresidential construction continued increasing from 2006 to 2008, firms that had concentrated on residential, especially multifamily, switched to then-hot office, retail and other nonresidential work,” says Simonson. Notably, *Construction Dive* indicates that commercial contractors who are working in the residential market anticipate continuing in the space even after the COVID-19 pandemic has passed.
- *2021 Construction Cash Flow & Payment Report* – According to construction software firm Levelset’s *2021 Construction Cash Flow & Payment Report*, only 10.0% of construction firms are consistently paid in full, a decline of 75.0% from prior to the COVID-19 pandemic. Just 9.0% of companies are always paid on time, a drop of 60.0% from the prior year. However, Levelset notes that financial risk depends on a firm’s location on the construction payment chain. For instance, general contractors are four times as likely to be paid within 30 days and 50.0% more likely to be paid in full. Meanwhile, 20.0% of subcontractors and suppliers usually wait more than 60 days when collecting payments. Notably, residential construction companies are most likely to collect payment within 30 days. Indeed, residential firms are three times more likely to collect in a timely manner than commercial construction firms and five times more likely than firms that work on public projects. According to Levelset, construction companies are using the following means to help collect payments: preliminary notices and mechanics liens; accepting electronic payments; and using software for tracking and processing payments.
- *Data Center Construction Market Booms* – Before the COVID-19 pandemic began, the data center market was already booming. However, once the COVID-19 pandemic began, and more people started to work remotely and use virtual healthcare systems, demand for data centers increased even more. According to market research firm Accountability Information Management (“AIM”), the data center market was valued at \$8.4 billion in 2020 (latest available). Further, AIM indicates that approximately 11,200 of the 500,000 active construction projects in the U.S. and Canada involve data centers. Looking ahead, AIM forecasts that the data center market will grow to reach \$13.9 billion in 2026.
- *Contractors and Digital Transformation Strategy* – According to construction software company InEight, approximately 92.0% of construction firm owners and 96.0% of contractors have a digital transformation strategy in place. Notably, about 96.0% of those surveyed think that technology improves productivity,

and 71.0% believe that technology has already led to improvements in productivity. Overall, the most popular technologies for project managers include data analytics, artificial intelligence and machine learning (“AI/ML”), sensors and real-time physical data collection. Meanwhile, the most popular technologies with contractors are data analytics, AI/ML and project management software. Moreover, both owners and contractors feel that their organizations should invest more in data analytics, project management software, and operations and maintenance solutions over the next five years. However, respondents to InEight’s survey note that they face numerous challenges with regard to technology adoption moving forward. Indeed, 45.0% of construction firm owners and 35.0% of contractors note that there is difficulty with the integration of new technology with current systems, and about one-third of all surveyed are concerned about the difficulty of implementing new technology.

### Recent M&A Trends for the Construction Industry

The U.S. construction industry currently has a low level of market share concentration, according to industry analyst IBISWorld. The top five companies in the industry control less than 5.0% of total industry revenue. However, IBISWorld indicates that the level of concentration can vary depending on the subsector. For instance, the specialty trade contracting subsector—which includes painting contractors, masonry and stone contractors, tile installers and carpentry contractors—has very low concentration. Concentration is higher in the building construction and heavy and civil engineering construction subsectors.

Even though the construction industry has an overall lower level of market share concentration, during the past several years, several larger construction companies have been involved in merger and acquisition (“M&A”) activity, which has increased market share concentration. According to IBISWorld, some examples of major acquisitions over the past five years include PulteGroup Inc.’s acquisition of John Wieland Homes and Neighborhoods in January 2016; Jacobs Engineering Group Inc.’s acquisition of CH2M Hill Companies Ltd. in December 2017; and Lennar Corporation’s acquisition of CalAtlantic Homes Inc. in February 2018.

While the COVID-19 pandemic paused construction M&A during the first half of 2020, engineering and construction deal activity gained strength in the third quarter of the year. Indeed, PwC reports that, during the third quarter of 2020, engineering and construction deal value totaled \$48.0 billion, and deal volume reached 632. Then, during the next three quarters, activity saw the following pattern: the fourth quarter of 2020, \$36.0 billion in value and 757 in volume; the first quarter of 2021, \$21.0 billion in value and 646 in volume; and the second quarter of 2021, \$18.0 billion in value and 222 in volume. While deal volume and value declined during the first half of 2021, PwC indicates that activity levels were in line with those seen prior to the pandemic.

Following are several notable recent transactions or announced transactions in the construction industry:

- *Arcosa Acquires StonePoint Materials* – Arcosa, Inc.—a provider of infrastructure-related products and services—acquired StonePoint Ultimate Holding, LLC—one of the 25 largest aggregates companies in the U.S.—and affiliated entities from an affiliate of Sun Capital Partners in April 2021 for \$375.0 million. Antonio Carrillo, president and CEO of Arcosa, notes, “We are excited to complete the acquisition of StonePoint Materials, a premier, scaled aggregates platform that continues Arcosa’s repositioning towards a higher margin, higher growth, and infrastructure-focused portfolio. The acquisition adds a pipeline of organic growth opportunities and bolt-on acquisitions in attractive new geographies, as well as a top-notch operating reach with extensive experience in construction materials.”
- *Doman Building Materials Group Acquires Hixson Lumber Sales* – Doman Building Materials Group (“Doman”)—a leading North American distributor of building materials based in Vancouver, British Columbia—acquired Hixson Lumber Sales—a lumber and treated wood supplier based in Dallas, TX, in June 2021 for US\$375.0 million. Doman’s Chairman and CEO Amar Doman says, “The [t]ransaction is a great complement to our existing U.S. operations while further advancing our growth strategy and

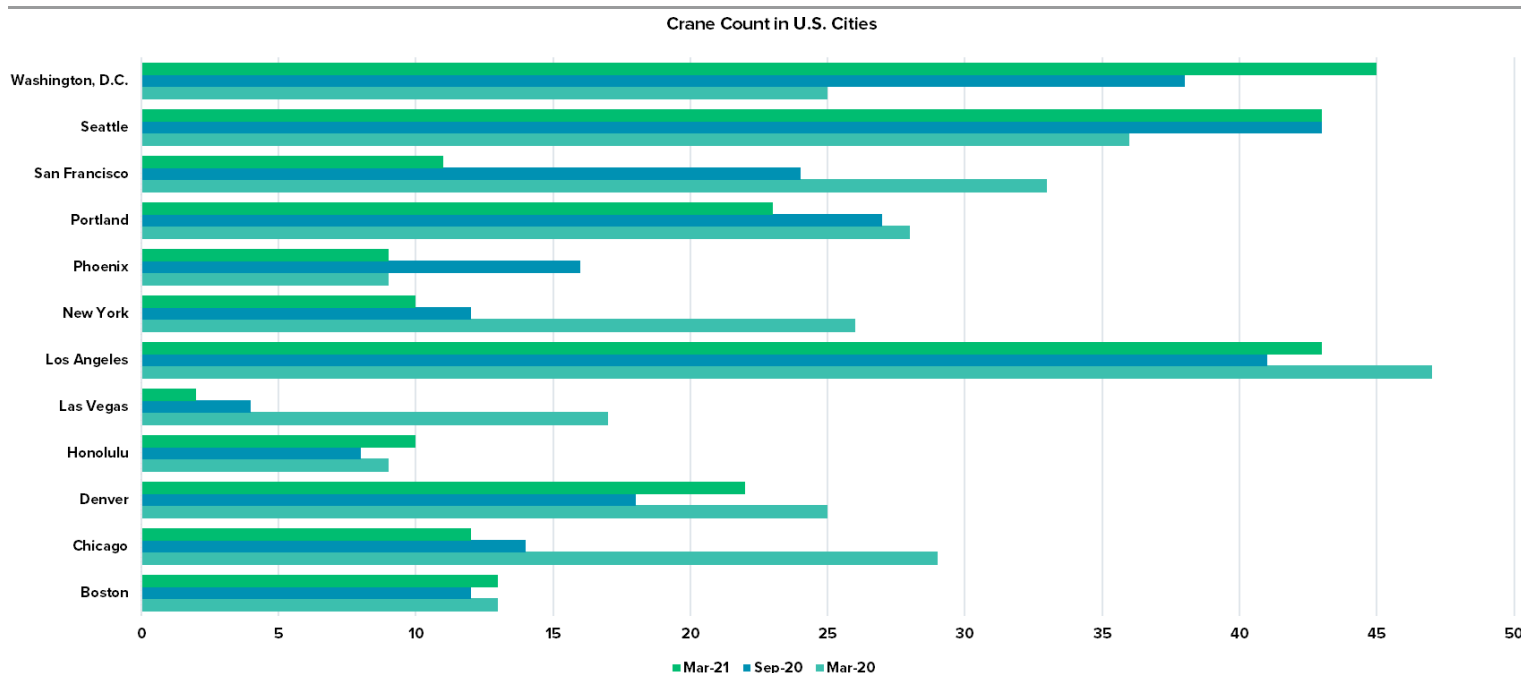
developing a leadership position in the central corridor of the U.S., in areas such as Texas that continue to have extremely strong growth activity.” Doman continues, “With the [t]ransaction, our U.S. footprint now extends from the West Coast and Hawaii across the mainland and into several high growth states in the middle of the U.S...”

- *Hardwoods Distribution Enters Into an Agreement to Purchase Novo Building Products* – On June 23, 2021, Hardwoods Distribution Inc. (“HDI”)—one of North America’s largest distributors of non-structural architectural-grade building products—announced that it has entered into an agreement to purchase Novo Building Products Holdings, LLC—a leading U.S. distributor of architectural-grade building products—for US\$303.0 million from an affiliate of Blue Wolf Capital Partners. “This highly strategic acquisition provides a symbiotic fit with our existing operations as a distributor of high value, specialty, non-commodity building materials with a national footprint and leading market position,” says Rob Brown, president and CEO of HDI. “The acquisition advances our strategy of growing market share and expanding our product offering and customer channel participation in the

architectural building products industry. In addition, Novo deepens our presence in the attractive residential and repair and remodel markets where we expect a multi-year runway for growth.”

Looking ahead, PwC anticipates that, with large-scale infrastructure spending likely, engineering and construction M&A activity will continue growing through 2021. Meanwhile, looking longer-term, IBISWorld projects that construction M&A activity will increase through 2026 as larger construction firms look to expand their market share across different geographic regions and construction subsectors.

## Construction Industry Trends

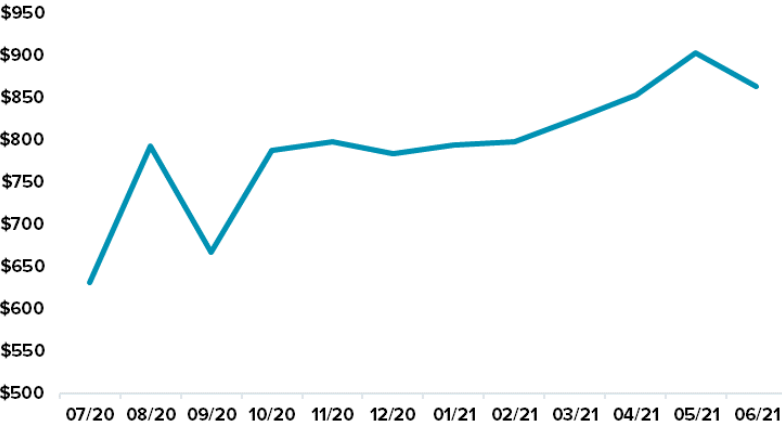


Source: *Construction Dive* and Rider Levett Bucknall



# Construction Industry Trends

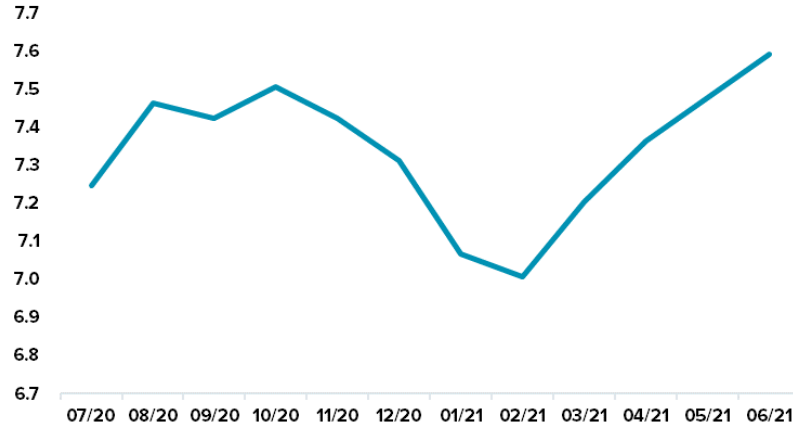
Construction Starts (\$ in billions)



Source: Construction Dive and Dodge Data & Analytics

Dodge Data & Analytics measures the seasonally-adjusted value of total U.S. construction starts each month, as well as the value of starts in nonresidential, residential and nonbuilding categories.

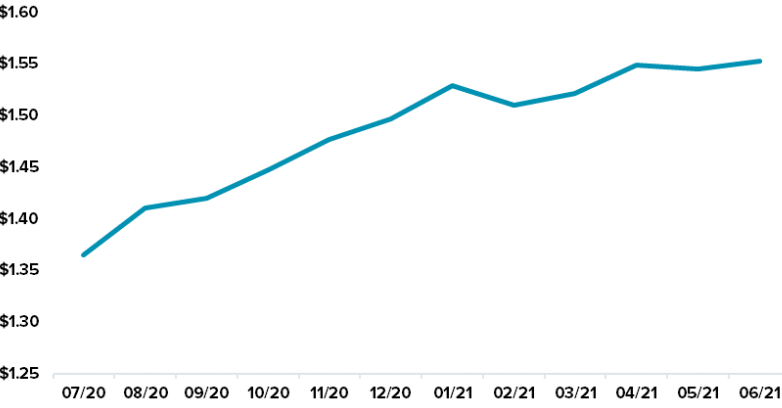
U.S. Construction Jobs (in thousands)



Source: Construction Dive and U.S. Bureau of Labor Statistics

The Bureau of Labor Statistics releases job gains or losses in the industry and divides the figures into residential and nonresidential sectors.

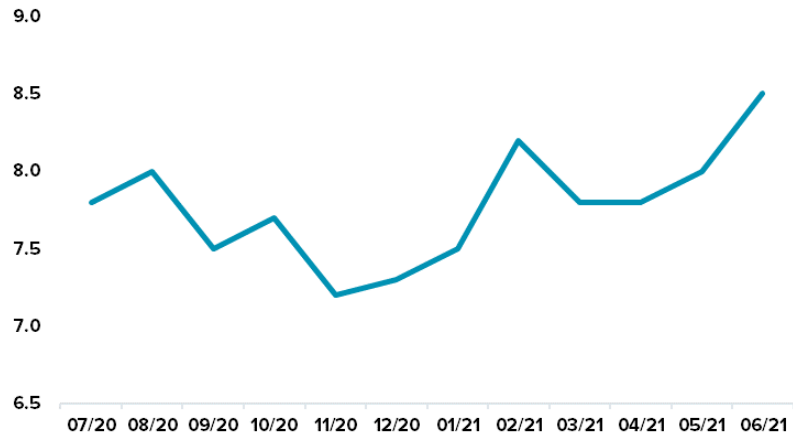
U.S. Construction Spending (\$ in trillions)



Source: Construction Dive and U.S. Census Bureau

While often revised in subsequent months, construction spending figures each month from the U.S. Commerce Department examine the private and public construction sectors. Within the private sector, the report tracks single-family residential, multifamily residential and nonresidential.

Backlog Indicator (in months)



Source: Construction Dive and Associated Builders and Contractors

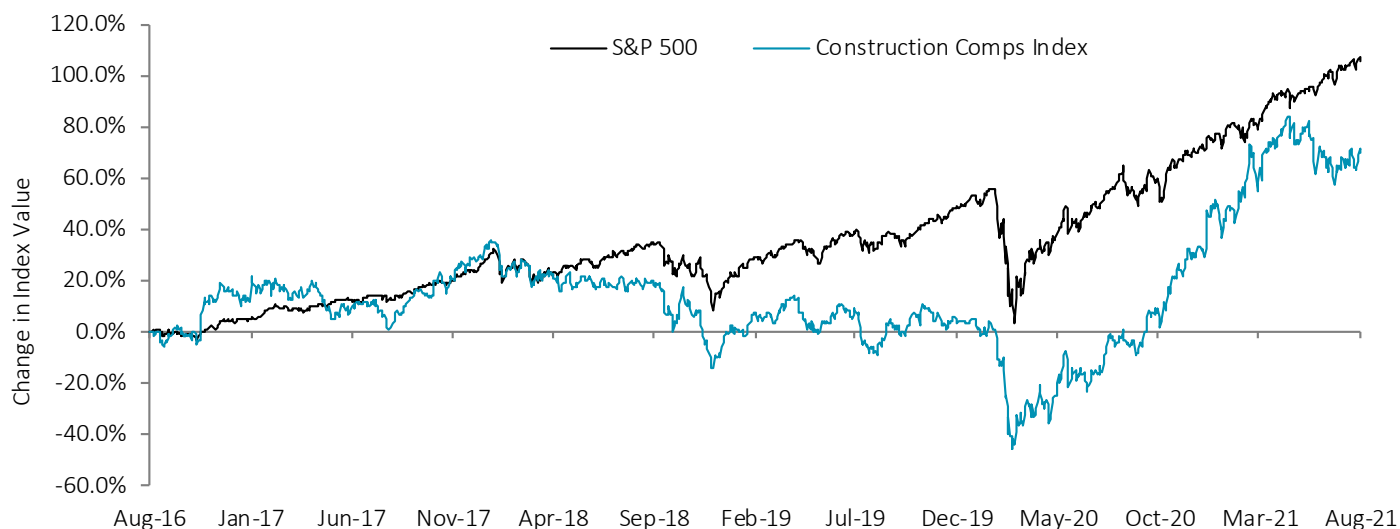
The Associated Builders and Contractors' backlog indicator is a forward-looking economic metric that reflects the amount of work under contract that will be performed by commercial and industrial construction contractors in the months ahead.

## Publicly -Traded Construction Companies

(\$ in millions)	Stock		Equity	Enterprise	% of 52-	LTM		Revenue Growth		LTM Margins		EV / LTM		EV / NFY
Company	Ticker	Country	Value	Value	Wk. High	Revenue	EBITDA	1 Year	3 Years	G. Profit	EBITDA	Revenue	EBITDA	EBITDA
Argan, Inc.	AGX	United States	709	247	80.2%	458	48	83.7%	(17.1%)	17.4%	10.4%	0.5x	5.2x	3.7x
Tutor Perini Corporation	TPC	United States	723	1,529	70.0%	5,218	399	6.6%	4.7%	9.5%	7.6%	0.3x	3.8x	4.2x
Sterling Construction Company, Inc.	STRL	United States	649	905	87.7%	1,448	140	8.4%	11.3%	13.7%	9.7%	0.6x	6.5x	6.5x
Comfort Systems USA, Inc.	FIX	United States	2,679	2,884	83.6%	2,797	240	(2.6%)	12.9%	19.1%	8.6%	1.0x	12.0x	10.8x
Construction Partners, Inc.	ROAD	United States	1,710	1,782	89.4%	856	93	7.3%	9.5%	14.8%	10.9%	2.1x	19.1x	14.7x
Dycom Industries, Inc.	DY	United States	2,335	2,952	75.0%	3,112	270	(6.3%)	2.1%	17.0%	8.7%	0.9x	10.9x	9.8x
EMCOR Group, Inc.	EME	United States	6,482	6,357	93.1%	9,225	638	2.4%	6.0%	15.9%	6.9%	0.7x	10.0x	9.9x
Fluor Corporation	FLR	United States	2,282	1,479	64.4%	14,411	225	(12.5%)	(6.1%)	2.7%	1.6%	0.1x	6.6x	4.1x
Granite Construction Incorporated	GVA	United States	1,845	1,666	90.9%	3,645	205	2.7%	5.2%	11.3%	5.6%	0.5x	8.1x	6.4x
Great Lakes Dredge & Dock Corporation	GLDD	United States	963	1,156	90.0%	696	110	(3.4%)	10.6%	19.1%	15.9%	1.7x	10.5x	7.1x
IES Holdings, Inc.	IESC	United States	1,029	1,110	87.9%	1,383	97	19.8%	17.9%	19.1%	7.0%	0.8x	11.5x	-
Infrastructure and Energy Alternatives, Inc.	IEA	United States	552	892	51.6%	1,751	106	(1.7%)	49.8%	9.8%	6.0%	0.5x	8.4x	5.3x
Limbach Holdings, Inc.	LMB	United States	83	106	50.2%	529	17	(5.8%)	1.0%	14.9%	3.2%	0.2x	6.3x	4.6x
MasTec, Inc.	MTZ	United States	6,656	8,233	75.1%	7,073	875	5.4%	2.5%	16.7%	12.4%	1.2x	9.4x	8.9x
MYR Group Inc.	MYRG	United States	1,717	1,680	98.9%	2,458	151	12.4%	19.7%	12.6%	6.1%	0.7x	11.1x	10.2x
Orion Group Holdings, Inc.	ORN	United States	169	220	82.2%	659	36	(12.1%)	3.2%	10.9%	5.4%	0.3x	6.1x	4.7x
Primoris Services Corporation	PRIM	United States	1,316	1,991	58.7%	3,540	289	7.1%	14.8%	11.7%	8.2%	0.6x	6.9x	6.3x
Quanta Services, Inc.	PWR	United States	14,136	15,539	98.7%	11,636	1,005	(0.9%)	4.6%	15.4%	8.6%	1.3x	15.5x	11.9x
Aecon Group Inc.	TSX:ARE	Canada	993	1,142	99.2%	2,673	101	10.7%	11.9%	9.0%	3.8%	0.4x	11.3x	5.2x
Bird Construction Inc.	TSX:BDT	Canada	391	422	93.5%	1,052	62	35.4%	11.6%	8.4%	5.9%	0.4x	6.8x	5.4x
				Median	85.7%	\$ 2,566	\$ 145	4.0%	7.7%	14.2%	7.3%	0.6x	8.9x	6.3x
				Mean	81.0%	\$ 3,731	\$ 255	7.8%	8.8%	13.5%	7.6%	0.7x	9.3x	7.0x

Note: Valuation date as of 08/26/21.

## Construction Index Performance vs. S&P 500



**Despite significant declines in March 2020, the construction industry has rebounded and is now trading in line with the S&P 500.**

Note: Valuation data as of 2/9/2021

Sources: S&P Capital IQ and public data

## Notable Closed M&amp;A Transactions — Construction Industry

#	Date Closed	Target Name:	Acquirer Name:	Classification
1	8/11/2021	Luken Construction, Inc.	HGC Construction, Inc	Commercial Construction and Engineering
2	8/10/2021	Lecon, Inc.	Resource Environmental Solutions, LLC	Specialty Contract Work
3	8/9/2021	Legacy Restoration LLC	Bessemer Investor Services, Inc.	Specialty Contract Work
4	8/6/2021	Binkley & Barfield, Inc.	DDCCM, LLC	Construction Support Services
5	8/4/2021	Sullivan Engineering, LLC	Rimkus Consulting Group, Inc.	Construction Support Services
6	7/31/2021	Parkfield Insulation Services Inc.	SRI Holdings, LLC	Specialty Contract Work
7	7/26/2021	Cs3, Inc.	Reedy Industries, Inc	Commercial Construction and Engineering
8	7/25/2021	Excel Utility Contractors, LLC	Brightwood Capital Advisors, LLC; Revive Holdings LLC	Specialty Contract Work
9	7/19/2021	Empire Roofing, Inc.	Tecta America Corporation	Specialty Contract Work
10	7/8/2021	Omicron Architectire Engineering Construction Ltd.	Nexii Building Solutions Inc	Construction Support Services
11	7/1/2021	Strike, LLC	Mill Point Capital LLC	Heavy Construction
12	7/3/2021	Ratliff Hardscape, Ltd.	RW Construction Services LLC	Heavy Construction
13	6/30/2021	Amteck LLC	Comfort Systems USA, Inc. (NYSE:FIX)	Specialty Contract Work
14	6/30/2021	ArchKey Solutions LLC	One Rock Capital Partners, LLC	Specialty Contract Work
15	6/29/2021	TDS Inc.	Stratagraph, Inc	Specialty Contract Work
16	6/15/2021	Backwoods Energy Services	Alexis Nakota Sioux Nation	Heavy Construction
17	6/10/2021	TowerMRI, LLC	Newlook Capital Inc.	Heavy Construction
18	6/10/2021	Moore Restoration Inc	FirstOnSite Property Restoration	Specialty Contract Work
19	6/3/2021	K.R. Swerdfeger Construction, Inc.	Artera Services, LLC	Commercial Construction and Engineering
20	6/3/2021	Coastal Mechanical Services, LLC	Rogers Mechanical Contractors, Inc	Specialty Contract Work
21	5/27/2021	Feeney Utility Services Group	Artera Services, LLC	Specialty Contract Work
22	5/18/2021	Great Lakes Mechanical, Inc.	Sylvan Group LLC	Specialty Contract Work
23	5/13/2021	ANS Advanced Network Services LLC	Charge Enterprises, Inc	Construction Support Services
24	5/10/2021	P.K. Contracting, Inc.	Frontline Road Safety	Specialty Contract Work
25	5/10/2021	Birdseye Renewable Energy, LLC	Dominion Energy, Inc. (NYSE:D)	Commercial Construction and Engineering
26	5/6/2021	Endurant Energy, LLC	LS Power Development, LLC	Commercial Construction and Engineering
27	5/4/2021	INTREN, LLC	MasTec, Inc. (NYSE:MTZ)	Heavy Construction
28	5/3/2021	The Byng Group Limited	Peerage Realty Partners, Inc.	Commercial Construction and Engineering
29	4/26/2021	ADB Companies, LLC	Warren Equity Partners, LLC	Heavy Construction
30	4/20/2021	Mellon Certified Restoration	BMS CAT, Inc.	Specialty Contract Work
31	4/15/2021	FNF Construction, Inc.	Wanzek Construction, Inc.	Commercial Construction and Engineering
32	4/15/2021	The Truesdell Corporation	Strength Capital	Specialty Contract Work
33	4/6/2021	Mighty Dog Roofing, LLC	Horse Power Brands	Specialty Contract Work
34	4/5/2021	Reel Broadband LLC	Full Circle Fiber Partners LLC	Specialty Contract Work
35	3/16/2021	CATCON Group, LLC	BMS CAT, Inc	Commercial Construction and Engineering
36	3/15/2021	MCS Group Inc	York Excavation & Grading Ltd	Specialty Contract Work
37	3/15/2021	Peak Professional Contractors, Inc.	CUSITech, LLC	Commercial Construction and Engineering
38	3/10/2021	Master Corporation	NOW Inc. (NYSE:DNOW)	Heavy Construction
39	3/5/2021	Ace Asphalt of Arizona, Inc.	Ace Asphalt of Arizona, Inc.	Specialty Contract Work
40	3/1/2021	I.W. International Insulation Incorporated	Installed Building Products, Inc	Specialty Contract Work
41	2/24/2021	LBVD, Inc.	North Wind, Inc.	Specialty Contract Work
42	2/24/2021	Cornerstone Construction, LLC	Solar Integrated Roofing Corporation	Specialty Contract Work
43	2/21/2021	Aegion Corporation	New Mountain Capital, L.L.C.	Heavy Construction
44	2/15/2021	H&K Engineering, LLC	Orbital Engineering, Inc.	Commercial Construction and Engineering

Sources: S&amp;P Capital IQ and public data

## About Prairie Capital Advisors

Prairie offers investment banking, ESOP advisory, valuation advisory and financial reporting valuations to support the growth and ownership transition strategies of middle-market companies. Headquartered in Oakbrook Terrace, Illinois, Prairie is a leading advisor to closely-held companies nationwide.



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## Construction Award



Prairie won the ESOP Deal of the Year  
(Transaction Size: Below \$100 Million)  
for **The Douglas Company** Sale of Douglas  
Construction Group, Employee Stock  
Ownership Trust.

## Select Construction Experience



ESOP Advisory

**THE DOUGLAS COMPANY**  
LEAD. BUILD. SUCCEED.

*has sold common stock to the*

Douglas Construction Group, Inc.  
Employee Stock Ownership Plan

Advisor to the Seller

Fairness Opinion

**PETRETTI & ASSOCIATES**  
CONSTRUCTION MANAGEMENT

*has sold common stock to the*

Petretti Corporation  
Employee Stock Ownership Plan

Advisor to the Buyer

Fairness Opinion

**Advanced Roofing Technologies**

*has sold common stock to the*

Advanced Roofing Technologies  
Employee Stock Ownership Trust

Advisor to the Buyer

Fairness Opinion

**cb**  
CURRENT BUILDERS

*has sold common stock to the*

Current Builders Construction Services, Inc.  
Employee Stock Ownership Plan

Advisor to the Buyer

ESOP Advisory

**AMS MECHANICAL SYSTEMS, INC.**  
An Employee Owned Company

*has sold common stock to the*

AMS Mechanical Holdings, Inc.  
Employee Stock Ownership Plan

Advisor to the Seller

ESOP Advisory

**FCL BUILDERS**

*has sold common stock to the*

FCL Holdings, Inc.  
Employee Stock Ownership Plan

Advisor to the Seller

Fairness Opinion

**DUFFEY SOUTHEAST**  
CONSTRUCTION

*has sold common stock to the*

Duffey Southeast Holdings, Inc.  
Employee Stock Ownership Plan

Advisor to the Buyer

ESOP Advisory

**SCHUBER MITCHELL HOMES**

*has sold common stock to the*

Schuber Mitchell Homes PBC, Inc.  
Employee Stock Ownership Trust

Advisor to the Seller

Fairness Opinion

**MORTON BUILDINGS**

*has sold common stock to the*

Morton Buildings  
Employee Stock Ownership Plan

Advisor to the Buyer

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