


Prairie Industry Perspective

Construction Industry

PRAIRIE

August 2022



Even amid ongoing materials price increases, supply chain issues and labor shortages, the construction industry has managed to recover strongly following the economic fallout surrounding the COVID-19 pandemic. Depending on the specific sector, experts have mixed expectations for the rest of 2022 and into 2023. Due to increasing interest rates, the strong growth registered by the residential sector in 2021 is currently experiencing a slowdown, and this will likely continue in the near future. Meanwhile, the nonresidential and nonbuilding sectors are experiencing recovery in 2022 due to strong backlogs and funding from the Infrastructure Investment and Jobs Act (“IIJA”). However, analysts caution that inflationary pressures and a possible recession could constrain growth in all three sectors as 2022 progresses.

Recent Industry Performance

While the industry was threatened by multiple waves of COVID-19 infections, labor shortages and higher material prices in 2021, total construction starts reached a value of \$901.0 billion during the year. This was an increase of 12.0% from \$800.9 billion in 2020, according to Dodge Data & Analytics (“Dodge Data”).

During the first six months of 2022 (latest available), total construction starts reached a value of \$484.8 billion, up 5.0% from \$461.8

billion during the same period in 2021. For the 12 months ending June 2022, total construction starts were 7.0% higher when compared to the 12 months ending June 2021. However, June 2022 saw construction starts fall by 5.0% month-over-month after recording the following pattern during the first five months of the year: January, up 4.0%; February, up 9.0%; March, down 12.0%; April, up 3.0%; and May, up 4.0%. According to Richard Branch, chief economist for Dodge Construction Network, “Construction markets are getting jittery as the odds of recession increase. While projects are still moving through the planning process, the velocity has downshifted reflecting uncertainties over how rising interest rates will impact the economy, construction material prices, and ultimately, construction starts.”

Branch projects that the probability of a recession within the next year is 35.0%, which he calls “uncomfortably high.” However, he also anticipates that, if a recession occurs, it will likely be similar to the one in 2001, which lasted less than one year. In addition, Dodge Data reports the U.S. construction backlog is currently strong, which leads Branch to believe that construction starts will grow throughout the rest of 2022, albeit while facing some volatility.

Overall, Dodge Data’s May 2022 (latest available) forecast—which does not take into

“...experts have mixed expectations for the rest of 2022 and into 2023.”

account the possibility of a recession—indicates that total construction starts will increase by 9.0% in 2022. Meanwhile, in their May 2022 (latest available) outlook, commercial construction analyst firm ConstructConnect projects that total construction starts will increase by 10.9% in 2022.

Still, Ken Simonson, chief economist for Associated General Contractors of America (“AGC”), notes that, while construction employment has grown, it is currently not enough to resolve the “pervasive underemployment” that is plaguing the industry.

Following is a more detailed look at the recent performance of the residential, nonresidential and nonbuilding construction sectors.

Residential Construction

Residential construction starts reached a value of \$421.6 billion in 2021, up 20.0% from \$351.9 billion in 2020, according to Dodge Data. Single-family starts grew by 18.0% during the year, while multifamily starts increased by 25.0%.

Through the first half of 2022 (latest available), residential construction starts totaled \$224.7 billion, up 3.0% from \$218.1 billion during the first half of 2021. Due to ongoing challenges with material prices and labor, as well as increased interest rates, on a month-over-month basis, residential starts saw the following pattern during the first half of 2022: January, down 1.0%; February, down 3.0%; March, down 3.0%; April, up 4.0%; May, down 4.0%; and June, down 6.0%. More specifically, multifamily starts were up 23.0% and single-family starts dropped 4.0% in the first six months of 2022. Dodge Data also notes that, for the 12 months ending June 2022, residential construction starts were up 5.0% from the 12 months ending June 2021. While multifamily starts were 25.0% higher on a 12-month rolling sum basis, single family starts were down by 2.0%.

The National Association of Home Builders (“NAHB”) reports slightly different data, indicating that housing starts declined by 2.0% in June 2022 (latest available) to a seasonally-adjusted rate of 1.56 million units. More specifically, single-family starts declined by 8.1% to a seasonally-adjusted rate of 982,000, which is the lowest pace for single-family starts since June 2020. Multifamily starts grew by 10.3% to 577,000 due to continuing strength in the rental market which has resulted from increasing mortgage interest rates.

Year-to-date, total residential starts were down 4.4% in the Northeast; up 4.7% in the Midwest; up 11.1% in the South; and down 0.4% in the West.

Looking at permits, the NAHB reports that single-family permits fell by 8.0% in June 2022 to a 967,000-unit rate, while multifamily permits were up 11.5% to an annualized rate of 718,000. Regionally, permits were down 5.1% in the Northeast during the first half of 2022; up 2.5% in the Midwest; up 2.9% in the South; and up 3.0% in the West.

Further, at the end of June 2022, 824,000 single-family homes were under construction, up 21.0% from one year prior, while 856,000 apartments were under construction, up 24.0%. The NAHB reports that, as the second half of 2022 began, total housing under construction was up by 24.0% compared to the same period in 2021. However, the NAHB notes, “The number of single-family units in the construction pipeline is now peaking for the business cycle and will decline in the months ahead given recent declines in buyer traffic.”

With regard to the remodeling market, the Joint Center for Housing Studies of Harvard University’s (“Joint Center”) “Leading Indicator of Remodeling Activity” projects that remodeling expenditures will grow by 17.4% in 2022 but then decelerate to 10.1% by the second quarter of 2023. According to Carlos Martín, project director of the Remodeling Futures Program at the Joint Center, “Slowing sales of existing homes, rising mortgage interest rates, and moderating house price appreciation are expected to dampen owners’ investments in home improvements and maintenance over the coming year. Steep slowdowns in homebuilding, retail sales of building materials, and renovation permits all also point to a cooling environment for residential remodeling.” Even so, spending growth for home remodeling will likely remain well above the 5.0% historical average. Indeed, the Joint Center forecasts that annual remodeling expenditures will total nearly \$450.0 billion during the first half of 2023.

Nonresidential Construction

Nonresidential construction starts reached a value of \$285.6 billion in 2021, up 12.0% from \$256.0 billion in 2020, according to Dodge Data. Commercial starts rose by 8.0%, institutional starts grew by 5.0% and manufacturing starts increased by 89.0%.

Then, during the first half of 2022 (latest available), nonresidential construction starts reached a value of \$161.0 billion, up 13.0% from \$142.2 billion during the same period in 2021, with commercial starts up 14.0%, institutional starts up 1.0% and manufacturing starts up 83.0%. Further, nonresidential starts were up 17.0% in the 12 months ending June 2022 when compared to the 12 months ending June 2021, with commercial starts up 13.0%, institutional starts up 7.0% and manufacturing starts up 109.0%. Dodge Data notes that, month-over-month, total nonresidential starts saw the following pattern: January, up 4.0%; February, up 32.0%; March, down 29.0%; April, up 6.0%; May, up 20.0%; and June, down 14.0%.

In their mid-year outlook, Dodge Data projects that commercial starts will grow by 14.0% in 2022, with the retail sector up 21.0%, the warehouse sector up 15.0%, the hotel sector up 21.0% and the office sector up 9.0%. Institutional starts are forecast to increase by 11.0% in 2022, with the education sector up 13.0% and the healthcare sector up 11.0%. Manufacturing construction starts are anticipated to rise by 26.0% in 2022.

Meanwhile, a forecast issued on July 22, 2022, by the American Institute of Architects (“AIA”) indicates that a recovery for commercial construction is underway in 2022, while “key institutional categories are bottoming out.” At the same time, the AIA reports that the industrial sector is seeing a “disproportionate share of growth.” According to the AIA’s Consensus Construction Forecast Panel (“Panel”)—which is an average of the forecasts issued by eight leading economists—total nonresidential construction spending is projected to increase by 9.1% in 2022, with specific construction segments recording the following pattern: total commercial construction, up 6.7%; office construction, up 2.6%; retail and other commercial construction, up 11.5%; hotel construction, down 5.4%; total industrial construction, up 31.0%; total institutional construction, up 2.6%; healthcare construction, up 5.0%; education construction, up 2.0%; religious construction, down 8.7%; public safety construction, down 10.0%; and amusement and recreation construction, up 7.5%.

The Panel notes, “This outlook is somewhat more optimistic than what was projected at the beginning of the year, largely due to the extremely strong gains in the manufacturing category, as well as surprising strength in retail facilities.” Both categories benefited from increases in consumer spending on goods during the COVID-19 pandemic as well as the reshoring of some manufacturing and the increasing of storage capacity in an effort to cope with any potential disruptions to the supply chain.

Looking to 2023, the AIA Panel forecasts that total nonresidential construction spending will increase by 6.0%, with all construction segments—except religious construction—seeing spending increases. Following is the projected pattern for specific construction segments in 2023: total commercial construction, up 4.5%; office construction, up 3.5%; retail and other commercial construction, up 3.2%; hotel construction, up 13.8%; total industrial construction, up 9.9%; total institutional construction, up 5.5%; healthcare construction, up 5.7%; education construction, up 5.2%; religious construction, down 1.1%; public safety construction, up 5.5%; and amusement and recreation construction, up 5.8%.

Nonbuilding Construction

Nonbuilding construction starts reached a value of \$193.9 billion in 2021, up 0.4% from \$193.0 billion in 2020, according to Dodge Data. Highway and bridge starts declined by 6.0%, environmental public works starts grew by 21.0%, utilities/gas plants starts increased by 6.0% and miscellaneous nonbuilding starts fell by 16.0%.

Through the first six months of 2022 (latest available), nonbuilding construction starts totaled \$99.1 billion, down 2.0% from \$101.6 billion during the first six months of 2021. Dodge Data notes that highway and bridge starts were up 15.0% during the first half of 2022, but the remaining three categories—environmental public works, utility/gas plants and miscellaneous nonbuilding—all fell, by 4.0%, 28.0% and 19.0%, respectively. Further, total nonbuilding starts were down by 2.0% for the 12 months ending June 2022 when compared to the 12 months ending June 2021. Highway and

bridge starts were up 7.0%, environmental public works starts rose 3.0%, miscellaneous nonbuilding starts fell 27.0% and utility/gas plant starts were down 5.0%. Month-over-month, total nonbuilding starts saw the following pattern during the first half of 2022: January, up 18.0%; February, flat; March, down 2.0%; April, down 4.0%; May, down 2.0%; and June, up 13.0%.

According to the American Road & Transportation Builders Association (“ARTBA”), during fiscal year 2021—before the IIJA was signed into law—more than 16,000 highway and bridge improvement projects were started. Dr. Alison Premo Black, ARTBA’s chief economist, notes, “...states leveraged \$31.4 billion in federal funds with their own funds to advance nearly \$57.0 billion in projects.” The five states with the most projects include Missouri (1,040 projects), Michigan (903), Ohio (796), Indiana (731) and Tennessee (663). Approximately 43.0% of the projects were for reconstruction or repair work, while 20.0% was for adding capacity, including adding lanes to highways. Meanwhile, 6.0% of the projects were for new roads and bridges. Black adds that, with the additional funding from the IIJA, states will see many more projects moving forward. According to a forecast issued by ARTBA in late 2021 (latest available), due to the infusion of funds from the IIJA, highway and bridge funding is expected to increase by 6.0% in 2022.

Meanwhile, in their mid-year outlook, Dodge Data projects that total nonbuilding starts will increase by 5.0% in 2022. More specifically, the highway and bridges category is expected to grow by 14.0%, the environmental category is anticipated to increase by 2.0% and the “other” nonbuilding category is projected to rise by 6.0%. At the same time, the power and gas plants category is forecast to fall by 11.0% in 2022.

Notably, Dodge Data’s Branch says that there was a delay in passing the appropriations bill for the IIJA. As a result, it has taken longer than expected for IIJA funds to be disbursed. Therefore, the biggest impacts of the IIJA’s passage will not be felt until 2023 and 2024.

Construction Industry Trends/Drivers

Major trends and drivers currently impacting the construction industry include the following:

- *Materials Prices Continue to Increase* – Due to ongoing supply chain issues that resulted from both the COVID-19 pandemic and the Russia-Ukraine war, construction input prices grew by 1.9% in June 2022 (latest available) when compared to May 2022 and by 20.1% when compared to June 2021, according to Associated Builders and Contractors (“ABC”). Nonresidential construction input prices were up 1.8% month-over-month and 20.3% year-over-year. When compared to February 2020, before the COVID-19 pandemic began, overall construction input prices were 46.0% higher in June 2022, while nonresidential construction input prices were up 46.4%. In June 2022, construction input prices rose in most segments compared to one year prior as follows: plumbing fixtures and fittings, up 11.0%; fabricated structural metal products, up 26.2%; iron and steel, up 16.3%; steel mill products, up 22.4%; nonferrous wire and cable, up 15.1%; concrete products, up 13.5%; prepared asphalt, tar roofing and siding products, up 22.2%; crude petroleum, up 77.1%; natural gas, up 224.5%; and unprocessed energy materials, up 126.8%. Only softwood prices fell year-over-year, by 38.1%. “It’s no secret that contractors and their customers have been walloped by massive increases in construction materials prices,” notes Anirban Basu, ABC’s chief economist. “That inflation continued through June.” Although July 2022 data has not yet been published, Basu says that, according to anecdotal reports, some key commodity prices declined during the month, causing him to suggest that peak inflation may have already been achieved. Basu also indicates that, as the possibility of a recession increases, commodity prices will likely experience downward pressure. Meanwhile, AGC’s Simonson has a slightly different perspective, stating that, since the time ABC’s June figures were released, some materials prices have declined, although others seem likely to experience

further increases. Simonson notes, "...the supply chain remains fragile and persistent difficulties filling job openings mean construction costs are likely to remain elevated despite declines in some prices."

- *Labor Shortages and Construction Unemployment* – The Bureau of Labor Statistics reports that the nonresidential construction sector added 16,500 jobs in June 2022 (latest available), which offset a loss of 4,100 jobs in the residential sector. June 2022 gains pushed the construction industry's overall unemployment rate down to 3.7%, the lowest rate for June in the 23-year history of the data series. However, according to AGC's Simonson, the number of construction workers looking for employment fell by 47.0% from June 2021 to June 2022, which means that there are fewer experienced job seekers to fill the 466,000 construction jobs still open, the highest number of unfilled jobs for the sector since data was first collected in 2000. According to Simonson, "With industry unemployment at a record low for June and openings at an all-time high for May, it is clear contractors can't fill all the positions they would like to."
- *Construction Backlog Indicator and Construction Confidence Index Fall* – ABC's "Construction Backlog Indicator"—which includes commercial, institutional, heavy industrial and infrastructure construction—stood at 8.9 months in June 2022 (latest available), down 0.1 month from May 2022 but up 0.4 month from June 2021. Further, ABC's "Construction Confidence Index" registered declines in all three metrics—sales, profit margins and staffing levels—both month-over-month and year-over-year. While the metrics for sales and staffing were above the 50.0 threshold—which indicates expectations of growth for the following six months—the profit margins metric fell below 50.0 for the first time since October 2021. "In the context of rising fears of recession and rising borrowing costs, the stage has been set for softer nonresidential construction activity going forward," notes ABC's Basu. "That said, public contractors can expect to remain busy in the context of a significant infrastructure spending package. Still, the market may not prove as robust as anticipated given

delayed project start dates as public agencies determine the right moment to purchase construction services. Despite all of these considerations, contractors continue to expect industry sales and employment to expand over the next six months."

- *NAHB Builder Confidence Survey* – The NAHB/Wells Fargo Housing Market Index ("HMI") fell 12.0 points, to 55.0, in July 2022 (latest available) as a result of markedly slowing sales and buyer traffic. (The NAHB/Wells Fargo Housing Market Index 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.) The July 2022 HMI reading is the lowest since May 2020 as well as the second-largest single-month decline in the history of the index. (The HMI fell 42.0 points in April 2020.) Moreover, all three components of the HMI fell in July 2022. Traffic of prospective buyers declined 11.0 points to 37.0; sales expectations dropped 11.0 points to 50.0; and current sales conditions fell 12.0 points to 64.0. "Production bottlenecks, rising home building costs and high inflation are causing many builders to halt construction because the cost of land, construction and financing exceeds the market value of the home," says Jerry Konter, NAHB's chairman. "In another sign of a softening market, 13% of builders in the HMI survey reported reducing home prices in the past month to bolster sales and/or limit cancellations." Robert Dietz, NAHB's chief economist, adds that the biggest challenge to the housing market is affordability. He notes, "Significant segments of the home buying population are priced out of the market."
- *The Distribution of IIJA Funds* – Having received \$660.0 billion for highways, bridges, airports, transit and port projects, the U.S. Department of Transportation ("DOT") is set to receive the largest share of IIJA funding. *Engineering News-Record ("ENR")* reports that, as of mid-July 2022 (latest available), DOT had apportioned \$75.0 billion in IIJA fiscal year 2022 highway transit and airport funds to states and other recipients. In addition, according to *ENR*, DOT has issued funding-availability notices for "tens of billions" of additional dollars to "flow through 22 new or existing competitively awarded grant programs." At the same time, though, inflation is

negatively affecting both state DOTs and companies that would typically bid on projects. In a House Transportation and Infrastructure Committee hearing that took place on July 19, 2022, Transportation Secretary Pete Buttigieg noted that DOT is looking at possible steps to address inflation, saying that one approach is “simply doing everything we can to ensure that projects move forward swiftly.”

- *Contractor Hiring and Cash Flow Increase* – According to construction software solutions firm Trimble Viewpoint, hiring and cash flow have increased since the signing of the IIJA, which indicates that contractors are “preparing to spend and launch new projects.” During the second quarter of 2022 (latest available), cash flow grew by approximately 30.0% when compared to the first quarter of 2022. Meanwhile, net hiring increased by 3.0% quarter-over-quarter, with hiring for heavy highway and civil contractors up by 2.0%. Trimble Viewpoint notes that this reflects a high rate of confidence among civil contractors even in the midst of economic uncertainty, high material costs and supply chain issues.
- *Civil Contractors Focus on Improving the Resilience of U.S. Infrastructure* – According to Dodge Data, 92.0% of civil engineers and 82.0% of civil contractors have worked on infrastructure projects that focus on resilience, such as reducing the impact of flooding (86.0% of engineers and 47.0% of contractors); hardening infrastructure to strengthen against attacks (49.0% of engineers and 38.0% of contractors); and disaster preparedness as a function of design (37.0% of engineers and 30.0% of contractors). At the same time, though, only 28.0% of civil contractors feel that they are experts at resilience-related infrastructure projects. Meanwhile, 81.0% of contractors who believe themselves to be experts say that their expertise is a competitive advantage for their business.
- *Data Center and Manufacturing Projects Increase* – According to *Construction Dive*, technology companies are increasingly investing in large data center projects as well as manufacturing projects, which include electric vehicle factories, semiconductor plants and food-related production facilities. Major investments include Meta’s \$1.6 billion in data centers; Google’s \$9.5 billion in U.S.

offices and data centers; Samsung’s \$191.0 billion in chip plants in Texas; SkyWater Technology’s \$1.8 billion semiconductor plant in Indiana; and Panasonic’s \$4.0 billion electric vehicle battery plant in Kansas.

Recent M&A Trends for the Construction Industry

The U.S. construction industry is highly fragmented. According to industry analyst First Research, the residential construction industry includes approximately 170,000 companies, and the 50 largest firms generate just 11.0% of industry revenue. Meanwhile, the nonresidential construction industry’s top 50 firms account for just over 20.0% of revenue; the industry consists of approximately 42,000 companies. Further, First Research notes that there are about 40,000 heavy and civil engineering construction firms in the U.S. The top 50 firms generate around 25.0% of industry revenue. However, in recent years, the construction industry has seen increasing merger and acquisition (“M&A”) activity, which has caused market share concentration to increase somewhat.

According to PwC, after both deal volume and deal value increased significantly in 2021, during the first half of 2022 (latest available), M&A activity in the engineering and construction sector slowed, mainly due to fewer megadeals (deals of at least \$1.0 billion in value) as well as economic and geopolitical uncertainty. During the third quarter of 2021, engineering and construction deal value totaled \$43.0 billion, and deal volume reached 799. Then, during the next three quarters, activity saw the following pattern: the fourth quarter of 2021, \$27.0 billion in deal value and 861 in volume; the first quarter of 2022, \$23.0 billion in deal value and 740 in volume; and the second quarter of 2022, \$18.0 billion in deal value and 256 in deal volume. Notably, both deal value and deal volume were down significantly in the second quarter of 2022 when compared to the second quarter of 2021, when deal value reached \$37.0 billion and deal volume totaled 799. Regardless, PwC anticipates that deal activity will “remain stable in the near term” as a result of capital availability as well as the strength of private equity investors and balance sheets.

Following are several notable recent transactions in the construction industry:

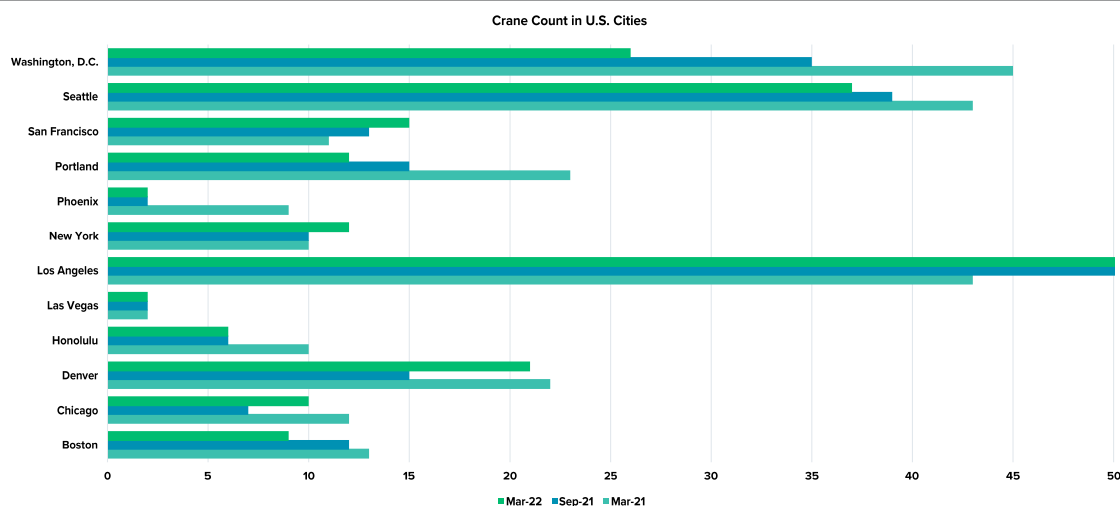
- *LeChase Construction Services Acquires Sano-Rubin Construction Services* – In April 2022, Rochester, NY-

based LeChase Construction Services (“LeChase”) acquired Albany, NY-based Sano-Rubin Construction Services (“Sano-Rubin”) in an effort to grow its business in New York’s Capital Region. With this acquisition, LeChase will be able to pursue a wide range of projects in its specialty markets, including multifamily housing, healthcare, education, hospitality and entertainment. Operations will be merged over time; Dave Hollander, Sano-Rubin’s current president, will remain the leader of Sano-Rubin, a division of LeChase. According to William H. Goodrich, CEO and managing partner of LeChase, “We’re extremely proud of what LeChase has built in the Capital Region since opening our office here in 2003. Taking our local presence to the next level has been in our plans, and when the opportunity arose to bring in Sano-Rubin, we jumped at it. With the strength of our combined resources, we will be able to deliver any project, regardless of size or complexity.”

- *Comfort Systems USA Acquires Atlantic Electric* – Comfort Systems USA—a commercial, institutional and industrial heating, ventilation, air conditioning and electrical contracting services provider based in Houston, TX, with 169 locations throughout the U.S.—acquired Charleston, SC-based electrical contractor Atlantic Electric, LLC, and its related subsidiary in April 2022. Brian Lane, CEO of Comfort Systems USA, notes, “Atlantic Electric and its affiliated companies bring us well-established reputations and capabilities in important Carolina markets, as well as expertise in industrial markets including runway lighting capabilities across the Southeast.”

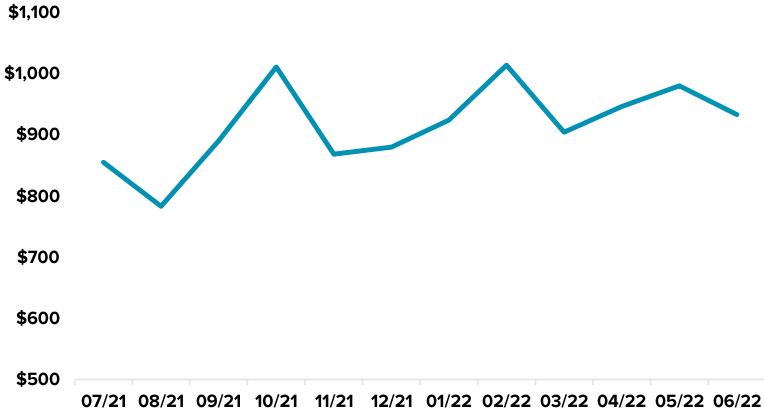
- *W.E. O’Neil Construction Acquires DCA Construction* – Chicago, IL-based, 100.0% employee-owned W.E. O’Neil Construction (“O’Neil”) acquired general contracting firm DCA Construction (“DCA”) in May 2022. DCA primarily focuses on commercial construction in the Austin, TX, area. Over the past two decades, O’Neil has completed a number of projects in the Texas market, and with this acquisition, the company is able to formally expand into the market. “We’re thrilled to welcome DCA to the company and look forward to combining the reputation and relationships they’ve established in the Austin market with our expertise and financial resources to create many new opportunities,” says Brian Ramsay, CEO of O’Neil Industries, O’Neil’s parent company.
- *Primoris Services Corporation Acquires PLH Group* – In August 2022, Dallas, TX-based specialty contractor Primoris Services Corporation (“Primoris”) acquired Irving, TX-based utility-focused specialty services company PLH Group, Inc. (“PLH”) for \$470.0 million. Primoris primarily serves the pipeline services, utility and energy/renewables markets in the U.S. and Canada. “The addition of PLH is an important step in enhancing both the size and scale of our operations in the Power Delivery and Gas Utilities markets,” says Tom McCormick, president and CEO of Primoris. “This acquisition will help us capture substantial growth tailwinds as the U.S. transitions to greater dependence on both traditional and renewable energy sources.”

Construction Industry Trends



Construction Industry Trends

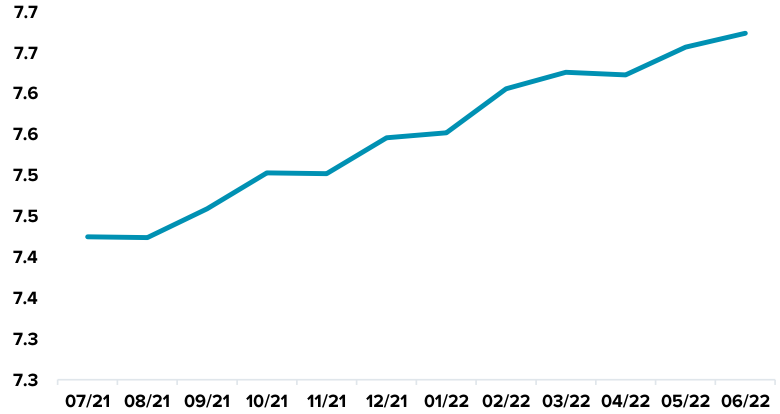
Construction Starts (\$ in billions)



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.

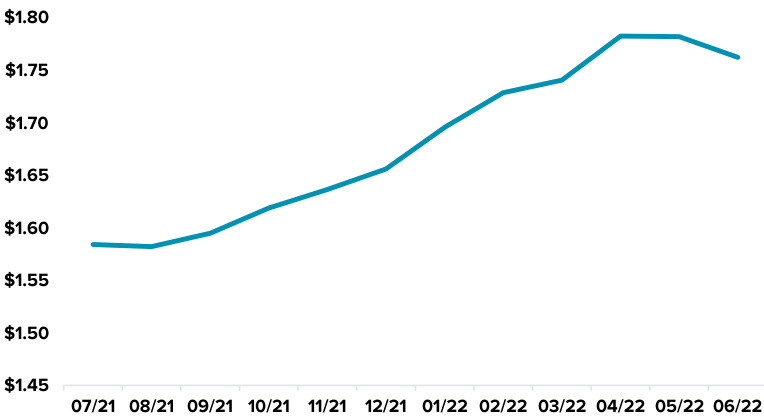
U.S. Construction Jobs (in thousands)



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.

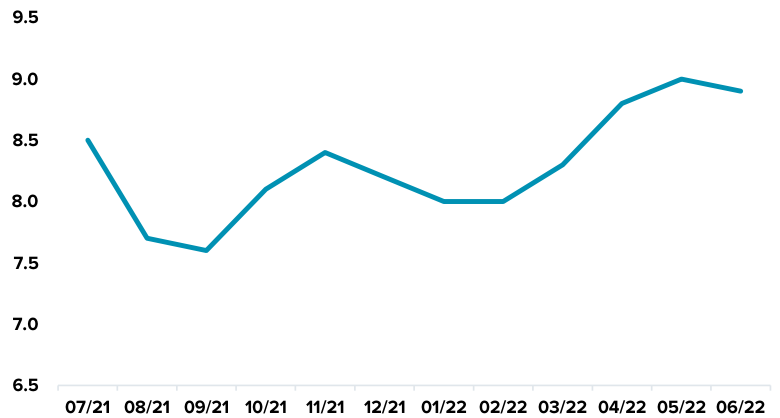
U.S. Construction Spending (\$ in trillions)



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 construction spending.

Backlog Indicator (in months)



Source: *Construction Dive* and Associated Builders and Contractors

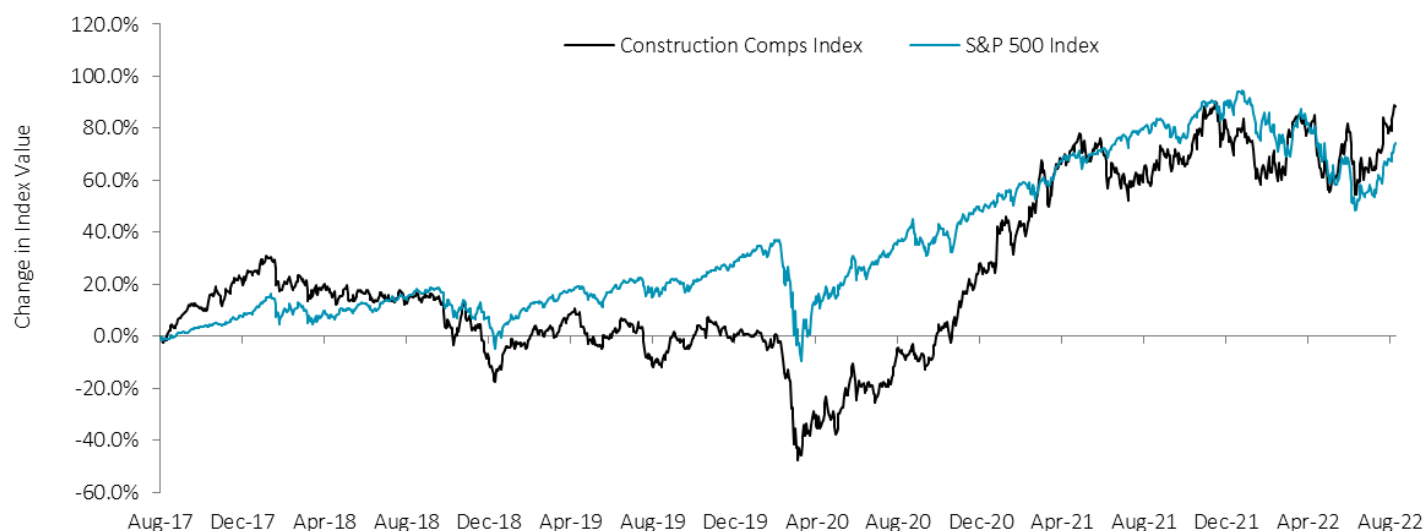
The Associated Builders and Contractors' backlog indicator is a forward-looking economic metric that reflects the amount of work under contract that will be performed by commercial and industrial construction contractors in the months ahead.

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	\$536	\$168	76.1%	\$483	\$52	5.4%	7.4%	19.4%	10.7%	0.3x	3.2x	3.0x
Tutor Perini Corporation	TPC	United States	366	1,023	45.4%	4,028	105	(22.8%)	(2.8%)	6.1%	2.6%	0.3x	9.7x	n/a
Sterling Infrastructure, Inc.	STRL	United States	790	1,161	81.1%	1,786	169	23.3%	20.0%	13.3%	9.5%	0.7x	6.9x	5.9x
Comfort Systems USA, Inc.	FIX	United States	3,861	4,198	99.3%	3,593	283	28.5%	14.9%	17.9%	7.9%	1.2x	14.8x	13.7x
Construction Partners, Inc.	ROAD	United States	1,601	1,929	67.7%	1,188	91	38.7%	16.0%	10.5%	7.7%	1.6x	21.1x	16.8x
Dycom Industries, Inc.	DY	United States	3,291	3,927	99.3%	3,279	255	5.4%	0.5%	15.8%	7.8%	1.2x	15.4x	11.9x
EMCOR Group, Inc.	EME	United States	5,990	5,989	89.3%	10,462	633	13.4%	6.1%	14.5%	6.0%	0.6x	9.5x	9.2x
Fluor Corporation	FLR	United States	3,764	2,911	84.6%	11,826	340	(14.0%)	(9.6%)	4.0%	2.9%	0.2x	8.6x	6.4x
Granite Construction Incorporated	GVA	United States	1,390	1,305	71.7%	2,925	112	(1.8%)	(4.6%)	9.6%	3.8%	0.4x	11.7x	7.1x
Great Lakes Dredge & Dock Corporation	GLDD	United States	696	942	64.7%	722	121	3.9%	(0.3%)	18.4%	16.8%	1.3x	7.8x	10.4x
IES Holdings, Inc.	IESC	United States	703	810	61.2%	2,033	86	47.0%	25.7%	15.4%	4.2%	0.4x	9.4x	n/a
Infrastructure and Energy Alternatives, Inc.	IEA	United States	696	1,041	99.0%	2,283	113	30.4%	28.6%	8.8%	5.0%	0.5x	9.2x	7.2x
Limbach Holdings, Inc.	LMB	United States	75	90	77.7%	487	21	(7.9%)	(4.1%)	18.4%	4.4%	0.2x	4.2x	3.5x
MasTec, Inc.	MTZ	United States	6,073	8,207	78.9%	8,470	723	19.7%	4.8%	12.9%	8.5%	1.0x	11.3x	11.0x
MYR Group Inc.	MYRG	United States	1,665	1,702	82.4%	2,601	163	5.8%	13.8%	12.6%	6.3%	0.7x	10.5x	9.7x
Orion Group Holdings, Inc.	ORN	United States	84	142	46.4%	672	(1)	2.0%	8.0%	6.0%	(0.2%)	0.2x	n/a	4.9x
Primoris Services Corporation	PRIM	United States	1,183	1,793	75.7%	3,605	233	1.8%	3.6%	10.3%	6.5%	0.5x	7.7x	6.4x
Quanta Services, Inc.	PWR	United States	20,448	24,209	97.4%	15,474	1,371	33.0%	9.6%	14.9%	8.9%	1.6x	17.7x	14.6x
Aecon Group Inc.	TSX:ARE	Canada	549	806	52.2%	3,388	72	8.3%	7.8%	7.3%	2.1%	0.2x	11.2x	4.8x
Bird Construction Inc.	TSX:BDT	Canada	297	363	66.1%	1,763	84	14.2%	19.1%	9.7%	4.8%	0.2x	4.3x	4.9x
				Median	76.9%	\$2,763	\$117	7.0%	7.6%	12.8%	6.2%	0.5x	9.5x	7.2x
				Mean	75.8%	\$4,053	\$251	11.7%	8.2%	12.3%	6.3%	0.7x	10.2x	8.4x

Note: Valuation date as of 08/15/22.

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 8/15/2022

Sources: S&P Capital IQ and public data

Notable Closed M&A Transactions — Construction Industry

#	Date Closed	Target Name:	Acquirer Name:	Classification
1	8/2/2022	ACI Asphalt & Concrete, Inc.	Soundcore Capital Partners, LP	Heavy Construction
2	7/28/2022	JG Companies, Inc.	Bullseye Builders, Inc.	Commercial Construction and Engineering
3	7/27/2022	R. Brooks Mechanical Inc.	Flow Service Partners Tennessee Op-Co LLC	Specialty Contract Work
4	7/26/2022	Massey Asphalt Paving, Inc.	Atlantic Southern Paving and Sealcoating, LLC	Specialty Contract Work
5	7/26/2022	Home Repair Team, Inc.	Skogman Companies	Commercial Construction and Engineering
6	7/25/2022	SB Architects, Inc.	10 Design	Architectural Services
7	7/25/2022	Rowland, Inc.	Calvert Street Capital Partners, Inc.	Commercial Construction and Engineering
8	7/22/2022	Kuhlmann Design Group Inc.	Shive-Hattery, Inc.	Commercial Construction and Engineering
9	7/18/2022	Project Design Consultants, LLC	Bowman Consulting Group Ltd. (NasdaqGM:BWMN)	Civil Engineering
10	7/18/2022	300 Engineering Group, P.A.	Ardurra Group, Inc.	Heavy Construction
11	7/15/2022	Schuler Enterprises, LLC	CPS HVAC Partners, Inc.	Specialty Contract Work
12	7/13/2022	Andersen Commercial Plumbing, Inc.	Sun Capital Partners, Inc.	Specialty Contract Work
13	7/8/2022	CM3 Building Solutions, Inc.	Daikin Applied Americas Inc.	Specialty Contract Work
14	7/8/2022	Eckles Architecture and Engineering, Inc.	DRAW Collective	Architectural Services
15	7/5/2022	RQAW Corporation	DCCM, LLC	Architectural and Engineering Services
16	6/29/2022	Thad Hedrick Builders, LLC	Southern HVAC Corporation	Specialty Contract Work
17	6/27/2022	PLH Group, Inc.	Primoris Services Corporation (NasdaqGS:PRIM)	Specialty Contract Work
18	6/14/2022	Martins Construction Corp.	Posillico Civil, Inc.	Heavy Construction
19	6/14/2022	Symbiont Science, Engineering and Construction,	Mead & Hunt, Inc.	Commercial Construction and Engineering
20	6/13/2022	Metzger & Willard, Inc.	V&A Consulting Engineers, Inc.	Civil and Environmental Consulting
21	6/6/2022	Matchmark Construction, Inc.	Tecta America Corporation	Specialty Contract Work
22	6/3/2022	Fabre Engineering, Inc.	Bowman Consulting Group Ltd. (NasdaqGM:BWMN)	Civil Engineering
23	5/25/2022	Draper Aden Associates, Inc.	TRC Companies, Inc.	Civil Engineering
24	5/18/2022	Evolution Engineering Consultants, Inc.	CDR Maguire Inc.	Commercial Construction and Engineering
25	5/18/2022	AIC Professional Services, LLC	Barton & Loguidice, D.P.C.	Architectural and Engineering Services
26	5/12/2022	Hypower Inc.	Infra Build Holdings, LLC	Specialty Contract Work
27	5/12/2022	HSQ Group Inc.	The HFW Companies	Civil Engineering
28	5/12/2022	DRMP, Inc.	Trilon Group	Civil Engineering
29	5/11/2022	Air NOW Heating & Cooling, Inc.	Southern HVAC Corporation	Specialty Contract Work
30	5/10/2022	Pioneer Roofing, LLC	Tecta America Corporation	Specialty Contract Work
31	5/10/2022	Graeber, Simmons & Cowan, Inc.	Method Architecture, LLC	Architectural Services
32	5/9/2022	Nelson Engineering Co Inc.	Salas O'Brien South, LLC	Engineering Services
33	5/8/2022	DCA Construction, LP	W.E. O'Neil Construction Company, Inc.	Commercial Construction and Engineering
34	5/6/2022	Zwick + Gandt Architects Inc.	Fox Architects	Architectural Services
35	5/4/2022	McMahon Associates, Inc.	Bowman Consulting Group Ltd. (NasdaqGM:BWMN)	Engineering Services
36	5/3/2022	Harbor Offshore, Inc.	J.F. Brennan Company, Inc.	Heavy Construction
37	4/26/2022	Blue Frost Heating & Cooling	Heartland Home Services, Inc.	Specialty Contract Work
38	4/25/2022	P.E. Structural Consultants, Inc.	Hardesty & Hanover, LLC	Architectural and Engineering Services
39	4/15/2022	Atlantic Design Group, Inc.	JS Global, LLC	Commercial Construction and Engineering
40	4/14/2022	Sano-Rubin Construction Co., Inc.	LeChase Construction Services, LLC	Commercial Construction and Engineering
41	4/4/2022	Atlantic Electric, LLC	Comfort Systems USA, Inc. (NYSE:FIX)	Specialty Contract Work
42	4/4/2022	Brandt Mechanical Services, Inc.	Southland Industries, Inc.	Specialty Contract Work
43	3/29/2022	Horsfield Construction, Inc.	Bard Materials LLC	Commercial Construction and Engineering
44	3/15/2022	JM Construction Inc.	Altius Building Company	Commercial Construction and Engineering
45	3/8/2022	Fulton Consulting Engineers, Inc.	NV5 Global, Inc. (NasdaqCM:NVEE)	Specialty Contract Work
46	3/7/2022	Southern Asphalt, Inc.	Construction Partners, Inc. (NasdaqGS:ROAD)	Specialty Contract Work

Sources: S&P Capital IQ and public data

About Prairie Capital Advisors

Prairie offers investment banking, ESOP advisory, valuations & opinions 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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Transaction Highlight



About Active Roofing, Inc.

Established in 1965 and headquartered in Chicago, Illinois, Active Roofing is an industrial-commercial-institutional full-service roofing contractor providing full roof replacement, maintenance and repair. The Company, which promotes a proactive, preventative maintenance approach to roofing, provides high-quality roofing solutions to its growing customer base. With an energetic team committed to the relentless pursuit of quality with uncompromising integrity, Active Roofing prides itself on being the most dependable commercial/ industrial roofing company in the country. Active Roofing Company was acquired by Woodlawn Partners and Lightspring Capital Partners.

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