



Specialty Construction & Residential Services Market Update

Q4 2023 - Sector Spotlight

Pockets of Optimism Despite Ongoing Uncertainty

Contractors and service providers predict softened private sector demand in 2024 across certain segments

Non-Residential Market Update

The current outlook for non-residential contracting services remains heavily dependent on market and subvertical focus. While overall project backlogs have slightly moderated in recent months, robust ongoing activity in the heavy non-residential sector bodes well for continued performance for commercial HVAC, electrical, plumbing, and roofing services.

...the majority of the growth was driven by heavy industrial projects

Total commercial construction spending increased in 2023. However, its important to note the majority of the growth was driven by heavy industrial projects. Large projects in the manufacturing, distribution and data center spaces accounted for significant portions of the overall dollar value.

Thoughts for the 4th Quarter

- Residential remodeling and repair market is seeing meaningful headwinds driven by historically low existing home sales, high borrowing costs, and COVID demand pull forward
- Large projects in industrial and manufacturing segments are driving strong commercial construction demand in certain markets, however longer-term outlook is uncertain as backlogs may be falling
- Lodging, retail and private office project values are expected to drop considerably
- Non-discretionary residential and commercial services remain a hot sector for PE buyers, though new platform creation slowed in 2023 with add-on acquisitions driving the majority of transactions



Other categories, such as retail, office and hospitality continue to face significant headwinds. And while the investments required to repurpose or modernize existing structures will eventually be deployed, the timing remains well into the future.

Residential Market Update

Residential services, specifically discretionary, project-oriented work is faced with soft demand, driven by higher borrowing costs and COVID-driven demand pull forward.

Discretionary, project-oriented work is faced with soft demand, driven by higher borrowing costs

While mortgage rates have come down from the near 8% highs reached in October 2023, they remain significantly elevated relative to the recent historically low-rate environment. The combination of affordability challenges and the reluctance of would-be sellers to let go of existing low mortgages has resulted in a sustained environment of historically low existing home sales that serve as

the primary driver of remodeling activity.

Additionally, borrowing costs have impacted the ability of existing owners to finance larger scale home improvement projects, and many smaller DIY projects were already completed during the pandemic.

Despite overall challenges, less discretionary service providers for products with break-fix dynamics such as HVAC, roofing, gutters, and garage doors have proven to be more resilient.

Industry executives remain optimistic that historically low inventory levels and the aging housing stock combined with pent up demand from younger generations of homebuyers and anticipated interest rate cuts will fuel longer-term growth for remodel service providers.

M&A Update

M&A activity in the specialty construction services sector remained resilient amid a challenging dealmaking environment in 2023. Strategic or PE-backed strategics drove transaction activity, as strong project backlogs and percentage of recurring service revenue continue to

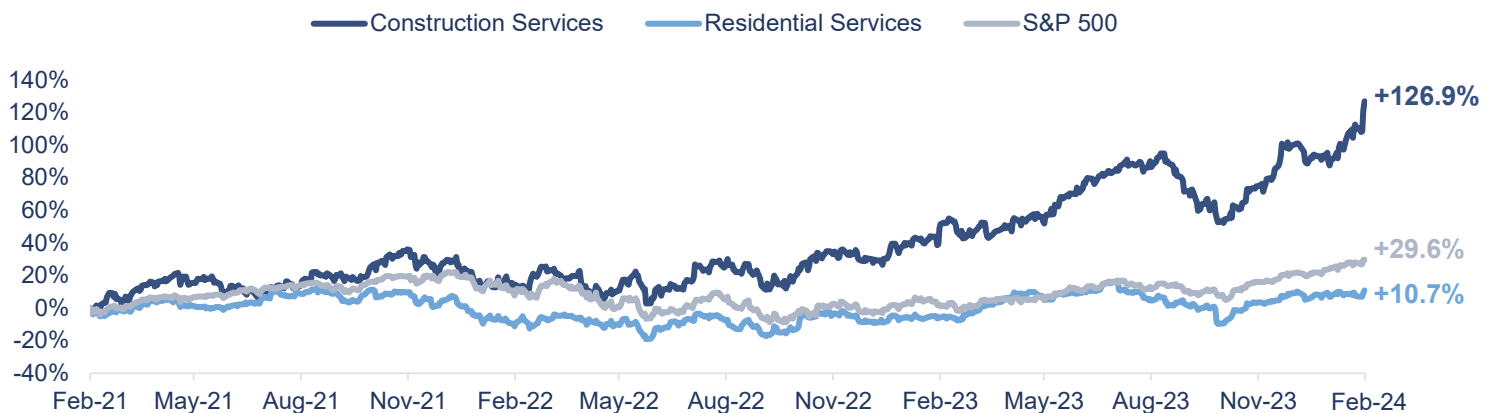


play vital roles in overall valuation outcomes.

In 2024, the outlook is improving for both volumes and valuations, as interest rate cuts and economic uncertainty begin to ease. However, near-term sector headwinds for independent players in certain sectors may hold activity levels flat as buyer scrutiny remains high.

Finally, the 2024 presidential election may be top of mind, as the last cycle in 2020 generated a surge in owners seeking an exit in response to the threat of higher tax rates. However, that phenomenon is unlikely to repeat, as the tax rate threat does not appear to exist this time around.

3-Year Share Price Performance¹

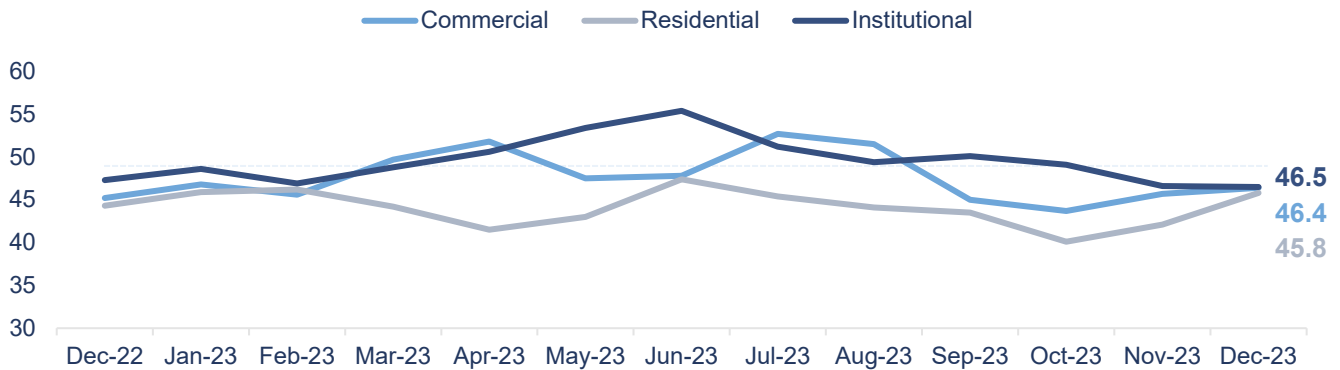


10-Year NTM EBITDA Multiples¹



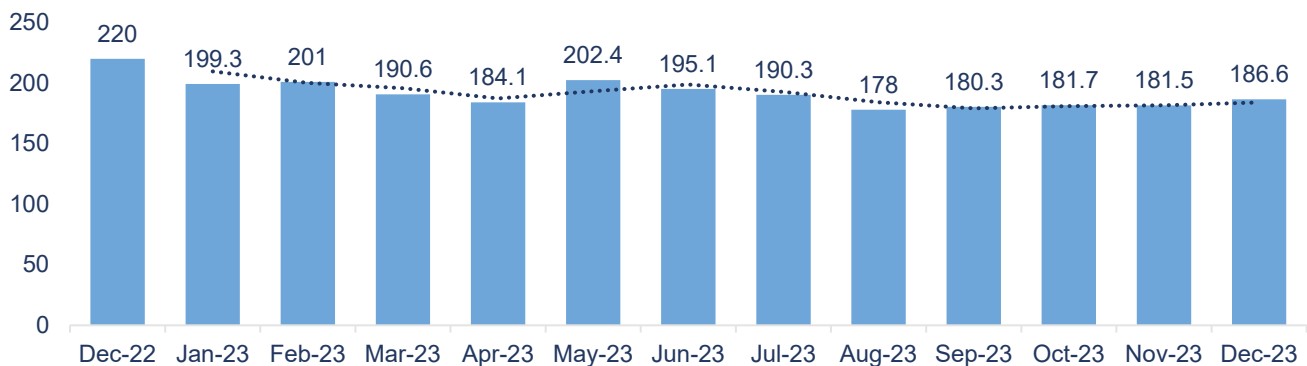
Specialty Construction and Residential Services Market Indicators

Architecture Billing Index (“ABI”) by Sector¹



The ABI ended the year below 50 across all sectors, signaling slowing conditions

Dodge Momentum Index (“DMI”)²



The Dodge Momentum Index (DMI) finished 2023 down 15.1% from Dec. '22 levels

Leading Indicator of Remodeling Activity (“LIRA”)³

(\$ in bn)

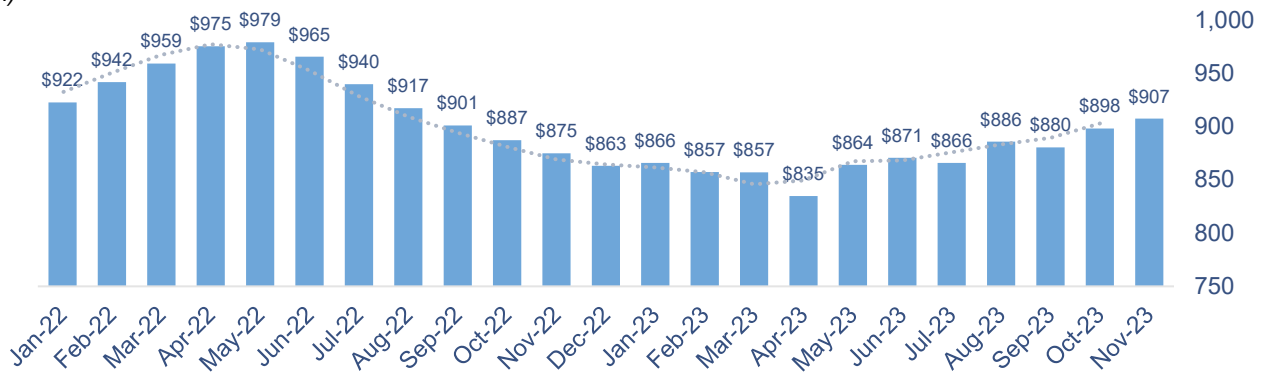


Projected declines in the remodeling space throughout 2024

Specialty Construction and Residential Services End Market Performance

Residential Construction Put in Place¹

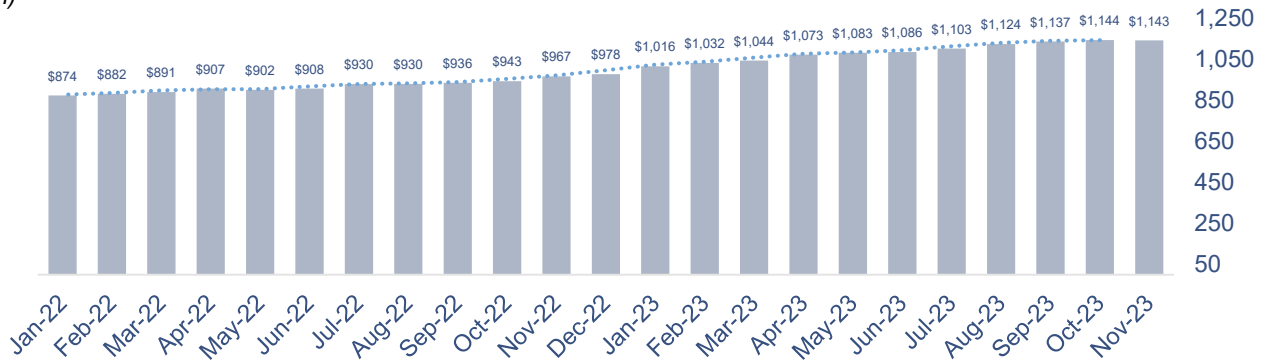
(\$ in bn)



Slowly recovering levels of housing starts are leading to increasing new residential construction

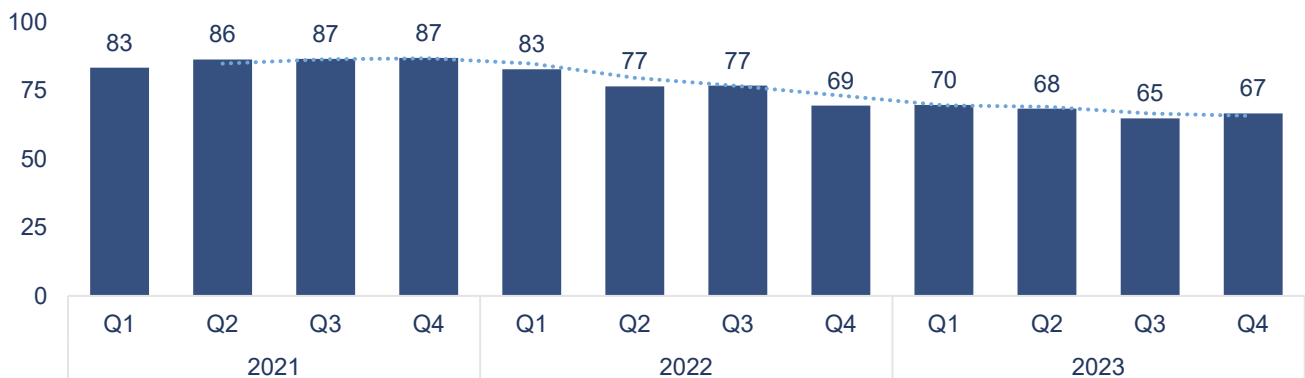
Non-Residential Construction Put in Place¹

(\$ in bn)



Overall non-residential activity has remained positive, but growth may be falling

Remodeling Market Index ("RMI")²



The RMI improved slightly from Q3, but remains depressed from highs seen in late 2021



Q4 Public Company Performance

	Q4 2023 vs Q4 2022			2023 Analyst Estimates	
Contractor Services	Sales Growth	Gross Margin	EBITDA Margin	Sales Growth	Q4 Sales Over/Under
COMFORT SYSTEMS USA	21.52%	218 BPS	202 BPS	25.71%	↑
EMCOR IES	13.49%	239 BPS	201 BPS	12.92%	↑
MYR GROUP	10.36%	606 BPS	441 BPS	0.00%	↑
QUANTA SERVICES, INC.	17.46%	(96) BPS	(4) BPS	17.81%	↑
TopBuild Home Services	30.96%	(141) BPS	(77) BPS	8.22%	↑
CONCRETE PUMPING HOLDINGS	1.93%	130 BPS	128 BPS	3.79%	↑
GRANITE	4.62%	(164) BPS	(291) BPS	6.50%	↑
MasTec	18.63%	(152) BPS	(263) BPS	10.62%	↑
Tutor Perini CORPORATION	29.58%	(144) BPS	(182) BPS	22.46%	↓
Tutor Perini CORPORATION	(0.95%)	10 BPS	(95) BPS	1.50%	↓
Mean	14.76%	51 BPS	6 BPS	10.95%	
Residential Services					
IBP	4.99%	242 BPS	97 BPS	7.90%	↑
frontdoor	8.26%	776 BPS	725 BPS	6.66%	↑
ROLLINS	14.02%	50 BPS	43 BPS	8.97%	↑
Rentokil Initial	69.91%	122 BPS	12 BPS	44.46%	↑
CHEMED	7.23%	171 BPS	(4) BPS	6.10%	↑
FirstService Residential	5.80%	(52) BPS	(53) BPS	13.48%	↑
Mean	18.37%	218 BPS	137 BPS	14.60%	



Public Market Overview Industrial Services

(\$ in millions, except per share data)

	Stock	% of 52	Equity	Enterprise	2023E Growth		2023E Margin		EV / EBITDA		Price / EPS		Net Debt /
	Price	Week High	Value	Value	Revenue	EBITDA	Gross	EBITDA	LTM	NTM	LTM	NTM	LTM EBITDA
Contractor Services													
Comfort Systems USA, Inc.	\$248	84.8%	\$8,816	\$8,868	26.7%	48.3%	18.6%	9.2%	15.3x	15.9x	31.0x	25.1x	0.1x
EMCOR Group, Inc.	259	95.9%	12,194	12,106	13.8%	44.4%	15.7%	7.5%	10.3	13.0	23.5	20.8	-0.1
IES Holdings, Inc.	106	98.2%	2,139	2,181	8.3%	85.0%	0.0%	6.3%	9.3	NA	20.2	0.0	-0.1
MYR Group Inc.	161	6.0%	2,686	2,750	22.8%	14.0%	10.3%	5.3%	13.9	13.0	30.1	25.7	0.3
Quanta Services, Inc.	233	0.7%	33,841	37,026	19.5%	14.5%	14.7%	9.5%	12.5	17.0	46.9	28.1	1.9
TopBuild Corp.	405	3.2%	12,799	13,839	4.2%	12.9%	30.6%	20.1%	12.6	13.0	21.4	20.0	1.0
Concrete Pumping Holdings, Inc.	8	1.9%	443	869	13.4%	6.9%	40.8%	28.4%	6.8	6.6	15.5	14.6	3.3
Granite Construction Inc.	51	2.3%	2,257	2,401	6.8%	32.8%	12.2%	8.0%	12.5	6.0	51.0	11.4	2.1
MasTec, Inc.	72	1.3%	5,596	9,008	23.6%	9.2%	11.6%	7.1%	5.9	9.9	NM	32.1	4.2
Tutor Perini Corporation	9	1.9%	460	1,130	(0.3%)	(51.5%)	6.4%	(0.1%)	NM	3.9	NM	6.6	-4.6
Mean	\$155	29.6%	\$8,123	\$9,018	13.9%	21.6%	16.1%	10.1%	11.0x	10.9x	29.9x	18.4x	0.8x
Median	\$133	2.7%	\$4,141	\$5,809	13.6%	14.2%	13.4%	7.8%	12.5x	13.0x	26.8x	20.4x	0.7x
Residential Services													
Installed Building Products, Inc.	\$8	90.7%	\$785	\$2,199	1.6%	3.0%	24.4%	10.5%	7.1x	6.9x	NM	12.2x	3.6x
Frontdoor, Inc.	40	75.8%	2,545	3,933	3.5%	5.3%	13.0%	6.5%	7.0	8.0	10.7	12.3	3.0
Rollins, Inc.	627	98.9%	63,570	66,352	13.0%	12.8%	47.0%	25.0%	28.9	26.2	45.9	41.2	1.3
Rentokil Initial plc	220	98.8%	62,651	70,366	7.8%	11.9%	39.9%	19.9%	21.7	20.3	46.4	34.8	2.5
Chemed Corporation	12	76.4%	898	794	(0.6%)	41.6%	11.8%	4.7%	12.2	7.3	23.8	15.6	-0.2
FirstService Corporation	167	83.2%	3,130	3,109	11.7%	3.9%	33.7%	12.9%	10.4	9.5	27.9	22.4	0.0
Mean	\$179	87.3%	\$22,263	\$24,459	6.1%	13.1%	28.3%	13.2%	14.5x	13.0x	30.9x	23.1x	1.7x
Median	\$104	87.0%	\$2,838	\$3,521	5.6%	8.6%	29.0%	11.7%	11.3x	8.8x	27.9x	19.0x	1.9x



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Industry Takeaways

Industry Performance & 2024 Outlook

“As we look ahead, we remain optimistic about the prospects of service and construction across our vast markets. With our backlog over 20% higher than even the robust levels of the prior year, and with persistent strength across our markets, we believe that we can continue to grow and invest in 2024” – **Brian Lane, CEO, Comfort Systems USA**



“Our expectation is that single-family starts are going to be in that 1 to 1.1 million range, which would represent sort of mid-single-digit growth in single family. We do believe that growth is going to be weighted more heavily, much more heavily towards the big production builders. And then on the multi-family side, we think that starts are going to probably be down 12%, maybe 15%.” – **Michael Miller, CFO, Installed Building Products**

“Our pipelines remain strong. Our revenue mix continues to trend towards data centers, life science, food, chip fabs and battery plants. Those industrial customers accounted for 55% of total revenue in 2023, and they are the main drivers of pipeline and backlog. Technology, which is included in industrial was 21% of our revenue, a substantial increase from 13% in the prior year.” – **Brian Lane, CEO, Comfort Systems USA**



“During the fourth quarter, our residential end market remained stable due to the continued momentum in new residential housing construction, given not only the ongoing structural supply-demand imbalance in housing, but the fact that homebuilders have enticed a new home buyer with creative home design and financing options. With interest rates falling subsequent to quarter end and the projection of additional interest rate cuts in 2024, we expect residential housing projects to remain healthy for our business.” – **Bruce Young, CEO, Concrete Pumping Holdings**

“You have data centers, you have load growth, that's pushing in every jurisdiction we're in. The data centers are not going away, that load is not going away. The onboarding of manufacturing is not going away. EV penetration may stall a bit. We've always said we think that this is a longer build, not shorter... we do need to get in front of that, but we also have to be cognizant of the state regulators and as well as affordability at the customer level” – **Earl Austin, CEO, Quanta Services**





Notable Recent Transactions

(\$ in millions, except per share data)				Enterprise	EV / LTM	
Date	Target Name	Description	Acquiror Name	Value	Revenue	EBITDA
Feb-24	Mecon	Provider of heating, ventilation and air conditioning (HVAC) services intended for commercial and industrial sectors.	FirstCall Mechanical, SkyKnight Capital	-	-	-
Feb-24	Mercury Mechanical	Provider of HVAC, sheet metal, and piping contractor services for small to mid-size companies.	PremiStar, Partners Group	-	-	-
Feb-24	Weatherford Electric	Provider of electrical services intended for residential and commercial needs.	Quality Heating Cooling & Plumbing	-	-	-
Feb-24	Wright Paving Contractors	Operator of a paving contractor intended to serve the government, commercial, and residential clients.	Armada Materials, Kelso & Company	-	-	-
Feb-24	Johansen & Anderson	Provider of residential and commercial HVAC services based in Joliet, Illinois.	PremiStar, Partners Group	-	-	-
Feb-24	Kurtis Kitchen & Bath (Builder and Contractor Division)	Provider of building and contracting services based in Clarkston, Michigan.	Mans Lumber & Millwork	-	-	-
Feb-24	Cram Roofing	Provider of roofing, maintenance, and emergency repair services based in San Antonio, Texas.	Patuxent Roofing & Contracting, New State Capital Partners	-	-	-
Feb-24	Hero Plumbing, Heating, Cooling, Drains & Electrical	Provider of residential plumbing, heating, cooling, and electrical services located in Minneapolis, Minnesota.	Apex Service Partners, Alpine Investors	-	-	-
Feb-24	Summit Industrial Construction	Provider of construction and engineering services intended for oil and gas, power and chemicals industries.	Comfort Systems USA	-	-	-
Jan-24	Eberhard	Provider of construction management and roofing services intended to manage and deliver large small-scale projects for the business.	Tecta America, Leonard Green & Partners	-	-	-
Jan-24	Frontier Service Partners	Operator of a holding company intended to acquire companies in the residential heating, ventilation and air conditioning (HVAC), plumbing and electrical industry.	Apex Service Partners, Alpine Investors	-	-	-
Jan-24	Entek Solutions	Provider of HVAC, building automation, and energy services intended for commercial clients like corporate offices, retail facilities, university campuses, healthcare settings, and industrial and manufacturing companies throughout the United States.	PremiStar, Partners Group	-	-	-
Jan-24	Ace Solves It All	Provider of plumbing, and electrical services intended for residential clients.	Southern Home Services, Gryphon Investors	-	-	-
Jan-24	Ace Roofing	Provider of roofing services intended to serve commercial and residential clients.	Omnia Exterior Solutions, CCMP Growth Advisors	-	-	-
Jan-24	Quick Roofing	Provider of roofing services intended for residential and commercial properties.	Centre Partners	-	-	-
Jan-24	Southern Roofing and Renovations	Provider of exterior restoration and remodeling services based in Memphis, Tennessee.	Legacy Restoration, Bessemer Investors	-	-	-
Jan-24	Engineered Electric Services	Provider of industrial electrician services catering to Florida clients.	Rev 1 Power Services	-	-	-
Jan-24	Dixie Electric, Plumbing & Air	Provider of heating, ventilation, air conditioning (HVAC), electrical and plumbing services for commercial and industrial, construction and residential needs.	MSouth Equity Partners	-	-	-
Jan-24	Robert B. Payne	Provider of heating, ventilation and air conditioning (HVAC) services intended for residential and commercial sectors in Fredericksburg, Stafford and King George County.	United Air Temp, Air Conditioning and Heating, Capitala Group, Pareto & Company, Summit Park	-	-	-

Notable Recent Transactions (Cont.)

(\$ in millions, except per share data)				Enterprise	EV / LTM	
Date	Target Name	Description	Acquiror Name	Value	Revenue	EBITDA
Dec-23	Interstate AC Service	Provider of Heating, ventilation & air conditioning (HVAC) services for commercial and residential clients.	Point 41 Capital Partners	-	-	-
Dec-23	Kimbro Mechanical	Provider of heating, ventilation & air conditioning (HVAC) services intended for industrial and commercial clients.	Point 41 Capital Partners	-	-	-
Dec-23	Open Source Controls	Provider of systems integration and controls services dedicated to bringing modern functional technology advantages.	Point 41 Capital Partners	-	-	-
Dec-23	Noland's Roofing	Provider of re-roofing and building exterior services intended for residential customers.	Dunes Point Capital	-	-	-
Dec-23	Vulcan Mechanical Services	Provider of heating, ventilation and air conditioning (HVAC) services intended to help reduce owning and operating costs of mechanical systems.	Investcorp	-	-	-
Dec-23	Roofing Corp of America (Atlanta)	Provider of roofing services intended for building owners, property and facility managers, homeowners' associations and general contractors.	FirstService	\$413	-	-
Dec-23	Tebarco Mechanical	Provider of mechanical contracting and engineering services based in Alpharetta, Georgia.	Modigent, OMERS Private Equity	-	-	-
Dec-23	Total Electric	Operator of an electrical contracting firm based in Upper Marlboro, Maryland.	ArchKey Solutions, One Rock Capital Partners	-	-	-
Dec-23	McGee Heating & Air	Provider of heating, ventilation, and air conditioning (HVAC) services based in Hartwell, Georgia.	Grove Mountain Partners	-	-	-
Dec-23	Lehman-Roberts Company	Operator of an asphalt paving contractor company intended to construct, maintain and improve roadways.	Granite Construction	\$278	-	-
Dec-23	Stoner Electric Group	Provider of electrical contracting services intended for commercial and residential premises.	Prime Electric, WestView Capital Partners	-	-	-
Dec-23	Weltman Home Services	Provider of plumbing, heating, air conditioning and electrical services to residents of northern and central New Jersey.	HomeX Services Group	-	-	-
Dec-23	American Asphalt (Construction)	Provider of asphalt paving solutions catering to general contractors, home builders, municipalities and commercial clients.	Earle	-	-	-
Dec-23	Liberty Restoration	Provider of property restoration and cleanup services for damages caused by water, fire, storms, mold, and biohazards.	BluSky Restoration Contractors, HarbourVest Partners, Kohlberg & Company, Partners Group	-	-	-
Nov-23	Roof Technologies	Provider of roofing services catering to commercial businesses in Southeast Louisiana.	Roofing Corp of America	-	-	-
Nov-23	K&K Electric	Provider of premier electrical services intended for businesses in the petroleum and electric vehicle (EV) industry.	SPATCO Energy Solutions, Apogem Capital, Kian Capital, RF Investment Partners	-	-	-
Nov-23	Hamilton Thomas Homes	Provider of construction services intended to serve residential clients.	The New Home Company, Apollo Global Management	-	-	-
Nov-23	Multi Mechanical	Provider of heating, ventilation, and air conditioning installation services intended for commercial and residential markets.	AMPAM Parks Mechanical, Gemspring Capital	-	-	-
Nov-23	Patriot Services	Provider of plumbing, heating, ventilation and air conditioning (HVAC) services intended to serve both residential and commercial customers.	Leap Service Partners, Concentric Equity Partners	-	-	-

Notable Recent Transactions (Cont.)

(\$ in millions, except per share data)				Enterprise	EV / LTM	
Date	Target Name	Description	Acquiror Name	Value	Revenue	EBITDA
Nov-23	Ideal Fencing	Provider of contracting services intended to install fencing products.	GeoStabilization International, Kohlberg Kravis Roberts	-	-	-
Nov-23	Powerlink Electric	Provider of electrical contracting services intended for residential, commercial, and industrial sectors.	PirTano Construction Company, Rising Point Capital, Spring Capital Partners, The Cambria Group	-	-	-
Nov-23	A&M Home Services	Operator of a construction roofing company intended to serve residential and commercial clients.	Allstar Construction, Morgan Stanley Capital Partners	-	-	-
Nov-23	A/C Designs	Provider of HVAC services intended to serve residential and commercial clients.	Conditioned Air, Gemini Investors, Genesis Park	-	-	-
Nov-23	Ashton McGee Restoration Group	Provider of roofing and home improvement services intended to serve across Minnesota and Wisconsin.	FirstRidge Service Partners, Garnett Station Partners	-	-	-
Nov-23	C&C Service	Provider of heating, ventilation, and air conditioning services intended for both residential and commercial sectors.	Crete United, Ridgemont Equity Partners	-	-	-
Nov-23	Kennon Heating & Air Conditioning	Provider of heating, ventilation and air conditioning (HVAC) services intended to serve from North Metro Atlanta to North Georgia.	CenterOak Partners(William Henry), HomeTown Services	-	-	-
Nov-23	Holladay Grace Roofing	Provider of roofing services intended for residential and commercial properties in Colorado Springs and surrounding areas.	Allstar Construction, Morgan Stanley Capital Partners	-	-	-
Nov-23	Kairos Roofing	Operator of residential roofing contraction company based in Fort Lauderdale, Florida.	Vertex Service Partners, Alpine Investors,	-	-	-
Nov-23	OnTime Service	Provider of heating, ventilation, and air conditioning (HVAC) services intended to serve across Birmingham, Alabama.	MSouth Equity Partners, USA Hometown Experts	-	-	-
Nov-23	Upstate Roofing & Painting	Provider of reroofing, painting, and repair services intended to serve commercial customers.	Great Range Capital, Roofed Right America	-	-	-
Nov-23	AIRX Climate Solutions	Provider of HVAC services intended for educational, industrial, and commercial markets.	Gryphon Investors	-	-	-
Nov-23	East Coast Plumbing, Heating & Air	Provider of around-the-clock plumbing, heating, ventilation, and air conditioning services intended for residential and commercial customers of Southern Delaware and the Eastern Shore of Maryland.	Aldine Capital Partners, Ally Services, Watchtower Capital Partners	-	-	-
Nov-23	Pinnacle Home Improvements	Provider of home improvement services intended to serve residents across Knoxville, Nashville, Chattanooga, Charlotte and Atlanta.	Boyne Capital	-	-	-
Mean				\$346	-	-
Median				\$346	-	-



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Cascadia Capital

Industrial Services Investment Banking Team

Sub-vertical
Industry Expertise



Customized
Approach



Proven Results

Cascadia Overview

80+

Investment Banking
Professionals

495+

Transactions
Completed

\$16+

\$16+ Billion in Total
M&A Transactions
Closed

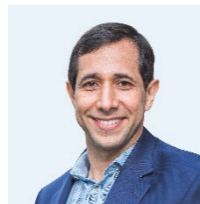
Sector Overview

Specialty Construction & Services

- Commercial & Residential
- New Construction, Retrofit, Service & Maintenance
- Electrical, Mechanical, Plumbing, HVAC, Roofing, Gutters, Windows, Etc.

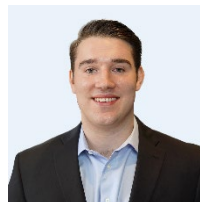
ATLANTA
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LOS ANGELES
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