Roofing Industry Report

Q1 2024 Review

DAVIDSON capital advisors, LLC

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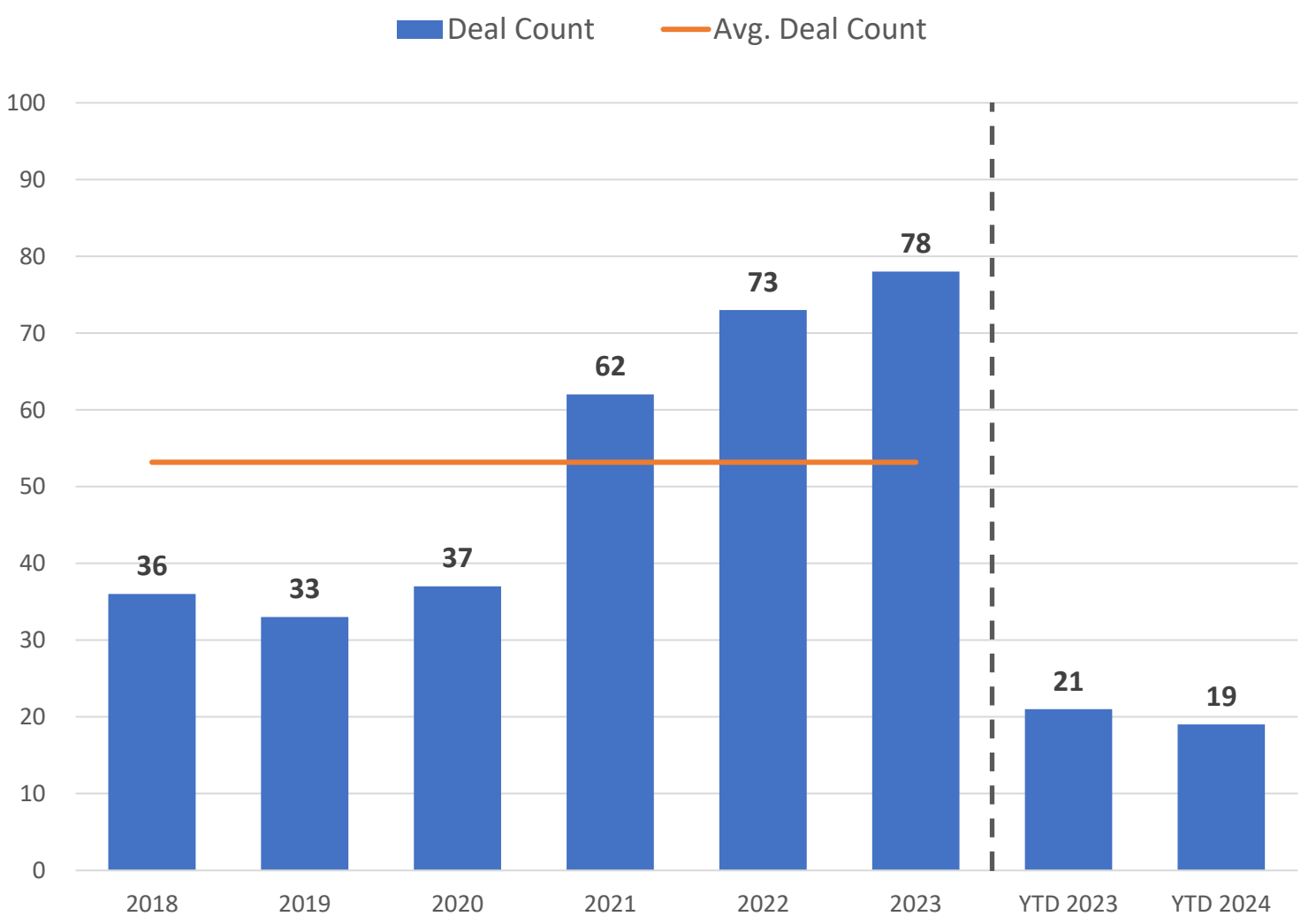
M&A Update

M&A Commentary: M&A transaction activity in the roofing industry has experienced steady growth since 2018 and has remained over the 6-year average in 2021, 2022, and 2023. The number of roofing M&A deals has increased by 116.7% over the past 6 years. YTD in 2024, deal count is around where 2023 numbers were, so roofing transactions can be expected to pass above the 6-year average once again this year.

Annual US Advertising M&A Activity



Sources: CapIQ, PitchBook, US BLS Data, FRED, IBIS

Industry Overview

Companies	Revenue	Market Share
Tecta America Corp.	$960.2m	1.7%
CentiMark Corporation	$777.7m	1.4%
Baker Roofing Company	$294.8m	0.5%
Nations Roof LLC	$185.1m	0.3%
Other Companies	$54.0bn	96.1%

External Drivers	Impact
Value of Private nonresidential Construction	Positive
Private Spending on Home Improvements	Positive
Value of Residential Construction	Positive
Per Capita Disposable Income	Positive
Housing Starts	Positive
Trade-Weighted Index	Negative

- Low interest rates in 2023 enabled consumers to secure accommodative mortgage financing for new homes.
- Industry revenue is expected to expand moving forward to a projected $60.9bn through the end of 2028.

Services	Revenue	Market Share
Asphalt Roofing	$15.6bn	27.8%
Single-Ply Roofing	$10.9bn	19.4%
Sheet Metal Roofing	$9.6bn	17.0%
Other Services	$20.1bn	35.8%

Sources: CapIQ, PitchBook, US BLS Data, FRED, IBIS

Performance Snapshot and SWOT

Revenue $6.2 bn	'18 – '23	(1.3)%
	'23 – '28	1.6%
Profit $3.6 bn	'18 – '23	(1.6)%
Employees 252k	'18 – '23	0.5%
	'23 – '28	1.4%
Profit Margin 6.4%	'18 – '23	(0.1) pp
Businesses 79,139	'18 – '23	(0.3)%
	'23 – '28	1.0%
Wages $14.1 bn	'18 – '23	1.5%
	'23 – '28	1.4%

Performance: The COVID-19 pandemic shifted demand, reducing commercial but boosting residential demand. Demand is expected to normalize post-pandemic. Eco-friendly roofing alternatives, like heat-reflective materials and solar panels, reshaped the industry, increasing the need for specialized contractors. Post-pandemic economic rebound will likely spur corporate profits, construction contracts, and demand for roofing contractors due to industrial expansion and heightened construction.

Strengths

S

- Low Imports
- High Profit vs. Sector Average
- Low Customer Class Concentration
- Low Product/Service Concentration
- Low Capital Requirements

Weaknesses

W

- Low & Steady Barriers to Entry
- Low & Steady Level of Assistance
- High Competition
- Low Revenue per Employee

Opportunities

O

- High Revenue Growth (2018-2023)
- High Revenue Growth (2023 – 2028)
- Per Capita Disposable Income

Threats

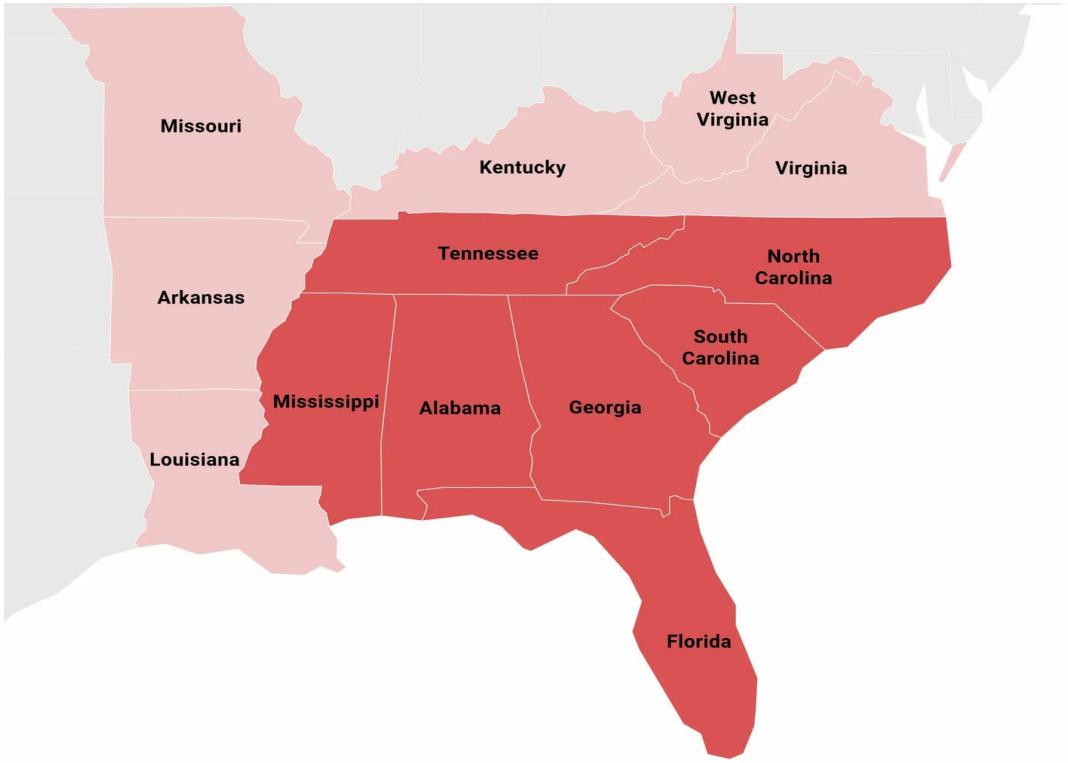
T

- Low Revenue Growth (2005 – 2023)
- Low Outlier Growth
- Low Performance Drivers
- Trade Weighted Index

Sources: CapIQ, PitchBook, US BLS Data, FRED, IBIS

Industry Structure

The Southeast is the largest region for roofing contractors. The region, especially Florida, is subject to volatile weather conditions. This means frequent storms and floods will damage housing, leading to more roofing renovation. Additionally, the Southeast is the most popular place in America to retire, leading to more housing starts and in turn, more roofing projects.



State	Revenue (billions)	Business Count
Florida	$ 6.7	6,397
Georgia	$ 1.8	2,655
North Carolina	$ 1.4	2,633
Virginia	$ 1.3	1,884
South Carolina	$ 0.8	932
Alabama	$ 0.4	851

TLO

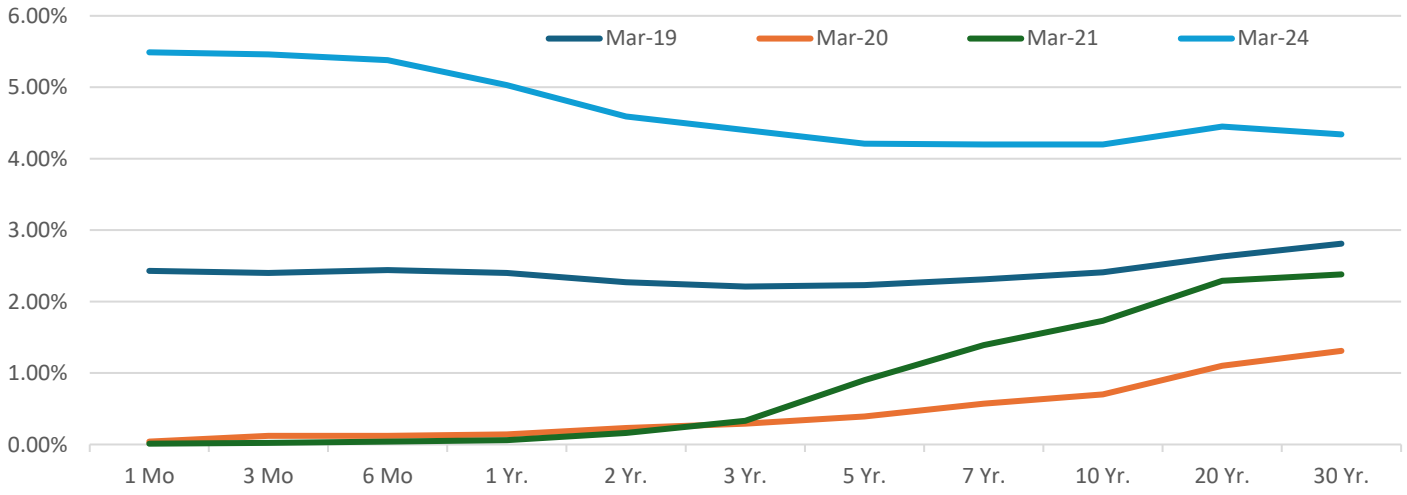
Credit Market Update

Overview: In the first three months of 2024, the U.S. economy remained resilient despite short-term rates sitting close to 20-year highs. The Federal Reserve will be cautious with the timing and magnitude of the anticipated rate cuts. The consensus is that the Fed will cut by 25bps in June, with more cuts later in the year. As the year progresses, the easing of monetary policy from the Federal Reserve and a soft landing for the U.S. economy have the potential to brighten credit conditions.

Credit Market Updates

Deal Component	This Month Mar-24	Previous Issue Feb-24	Last Year Mar-23
Cash Flow Senior Debt (x EBITDA)	•<$5.0MM EBITDA 1.50x-2.50x •>$10.0MM EBITDA 2.00x-3.50x •>$40.0MM EBITDA 3.00x-5.00x	•<$5.0MM EBITDA 1.50x-2.50x •>$10.0MM EBITDA 2.00x-3.50x •>$40.0MM EBITDA 3.00x-4.00x	•<$5.0MM EBITDA 1.50x-2.50x •>$10.0MM EBITDA 2.50x-3.00x •>$40.0MM EBITDA 3.00x-4.00x
Total Debt Limit (x EBITDA)	•<$5.0MM EBITDA 2.50x-3.50x •>$10.0MM EBITDA 3.50x-4.50x •>$40.0MM EBITDA 4.00x-6.00x	•<$5.0MM EBITDA 2.50x-3.50x •>$10.0MM EBITDA 3.50x-4.50x •>$40.0MM EBITDA 4.00x-5.50x	•<$5.0MM EBITDA 3.00x-4.00x •>$10.0MM EBITDA 3.50x-5.00x •>$40.0MM EBITDA 4.00x-5.50x
Senior Cash Flow Pricing	•Bank: S+3.00%-4.00% •Non-Bank: <$10.0MM EBITDA S+5.75%-7.50% •Non-Bank: >$40.0MM EBITDA S+5.00%-6.00%	•Bank: S+3.50%-5.00% •Non-Bank: <$10.0MM EBITDA S+5.75%-8.00% •Non-Bank: >$40.0MM EBITDA S+5.00%-6.00%	•Bank: S+3.75%-5.00% •Non-Bank: <$10.0MM EBITDA S+6.50%-8.00% •Non-Bank: >$40.0MM EBITDA S+6.00%-7.50%
Unitranche & Second Lien Pricing	•<$5.0MM EBITDA S+7.50%-9.50% •>$10.0MM EBITDA S+5.75%-7.50% •>$40.0MM EBITDA S+5.00%-7.00%	•<$5.0MM EBITDA S+7.50%-9.50% •>$10.0MM EBITDA S+5.75%-7.50% •>$40.0MM EBITDA S+5.25%-7.00%	•<$5.0MM EBITDA S+8.50%-11.00% •>$10.0MM EBITDA S+6.50%-8.50% •>$40.0MM EBITDA S+6.00%-8.00%
Subordinated Debt Pricing (Total Coupon: Cash + PIK)	•<$5.0MM EBITDA 13.50%-16.00% •>$10.0MM EBITDA 12.50%-14.50% •>$40.0MM EBITDA 11.50%-13.00%	•<$5.0MM EBITDA 13.50%-16.00% •>$10.0MM EBITDA 12.50%-14.50% •>$40.0MM EBITDA 11.50%-13.00%	•<$5.0MM EBITDA 13.00%-15.00% •>$10.0MM EBITDA 12.00%-14.00% •>$40.0MM EBITDA 11.00%-13.00%

Treasury Par Value Yield Curve



Sources: CapIQ, PitchBook, US BLS Data, FRED, IBIS

Transaction Activity

Q1 2024 Review

Precedent Transactions

Roofing Contracting Transactions

Deal Date	Company Name	Investors	Deal Size (million, USD)
1/1/23	Best Environmental Systems Technology	Eagle Merchant Partners (Brady Sumner), Eskola (Jon Eskola), PNC Erieview Capital	
1/1/23	On Top Roofing	Bestige Holdings	
1/1/23	Dawn Solar	Das & Co.	
1/1/23	Palluth Dachbau	HWP Handwerkspartner	
1/3/23	Bock Building Group		
1/5/23	Infinity Roofing and Siding	Capital Construction, O2 Investment Partners (Michael Cotant)	
2/4/23	Adler Warehouse And Sales	Gulfeagle Supply	
2/15/23	Northpoint Roofing Systems	Halmos Capital Partners (Daniel Adan), NewSpring Capital (Anne Vazquez)	
2/27/23	Universal Roofing & Exteriors	Elite Claim Solutions (Mike Braun)	
3/1/23	Roofed Right America	Great Range Capital	
3/6/23	Exteriors (Bowling Green)	Berkshire Partners (Joshua Lutzker), Leonard Green & Partners (Jonathan Seiffer), Princess Private Equity Holding, SRS Distribution (Daniel Tinker)	
3/15/23	Music City Roofers	Feazel Roofing (Leo Ruberto), Stonecutter Ventures, Tradepost (Jordan Hansell)	
3/15/23	L. D. Tebben Company	New State Capital Partners (Shaun Vasavada), Patuxent Roofing & Contracting (Michael Gowl)	
3/17/23	Skywalker Roofing	Ares Capital Corporation BDC, Ares Management, Ares Strategic Income Fund BDC, Freeman Spogli (Brad Brutocao), Infinity Home Services, LightBay Capital (David Burcham), North Branch Capital	
3/27/23	Tuscano-Maher Roofing	Altas Partners (David Brent), Leonard Green & Partners (Evan Hershberg), Tecta America (David Reginelli)	
3/28/23	Roofer Marketers	JobNimbus (Ben Hodson), Mainsail Partners (Vinay Kashyap)	
3/31/23	Duro-last	Holcim Group (Jan Jenisch)	1,293.00
3/31/23	Al's Roofing Supply	Beacon Roofing Supply (Nevin Holly)	
4/1/23	McHale Roofing	SIG Partners	
4/5/23	Henderson Roofing (Westerly)	Ares Capital Corporation BDC, Ares Management, Ares Strategic Income Fund BDC, Freeman Spogli (Brad Brutocao), Infinity Home Services, LightBay Capital (David Burcham), North Branch Capital	
4/7/23	Rogers Roofing	Alpine Investors, Vertex Service Partners	
4/11/23	Winans Dakwerken	Oak Island Capital Partners, Wessels Vakbouwers (Erwin Wessels)	
4/13/23	RoofCo	Gauge Capital, Main Street Capital BDC	8.00
4/26/23	Allstar Construction	Churchill Asset Management, Morgan Stanley Capital Partners (Adam Shaw)	200.00
5/3/23	PASA (Construction and Engineering)	Holcim Group (Oliver Osswald)	2.76
5/4/23	LCB Group	Buckthorn Partners, Cardo Group (Liam Bevan), Souter Investments	
5/5/23	Interstate Roofing	Peterson Partners, ProWest	
5/8/23	Front Range Roofing Systems	Roofing Corp of America (Atlanta) (Randall Korach), Soundcore Capital Partners (Jarrett Turner), Two Roads Partners (Feliks Zarotsky)	
5/8/23	Rising Star Roofing	Halmos Capital Partners (Daniel Adan), NewSpring Capital (Anne Vazquez), Northpoint Roofing Systems (Patrick Maginn)	
5/9/23	Bumble Roofing	Empower Brands (Scott Zide), MidOcean Partners (Eric Roth)	
5/11/23	Beaulieu Toiture	Vernier Toitures (Guillaume Destremau)	

5/23/23	Saint Raphael Roofing	Apple Roofing (Lincoln) (Shawn Lucht), Gauge Capital (Thomas McKelvey)	
6/13/23	Cardinal Roofing and Restoration	Halmos Capital Partners (Daniel Adan), NewSpring Capital (Anne Vazquez), Northpoint Roofing Systems (Patrick Maginn)	
6/15/23	Upstate Metal Supply	CID Capital (Cory Heck)	
7/5/23	Carolina Roofing Pros	A Call Away Roofing	
7/11/23	Crossroads Roofing Supply	Beacon Roofing Supply (Jason Taylor)	
7/26/23	Resnick Roofing & Contracting	Ares Capital Corporation BDC, Ares Strategic Income Fund BDC, Freeman Spogli (Brad Brutocao), Infinity Home Services (Josh Sparks), LightBay Capital (David Burcham)	
7/27/23	McHale Roofing	Alpine Investors, Ares Management, Vertex Service Partners (Dennis Elliott)	
7/27/23	Cherry Roofing & Siding	Alpine Investors (Dan Sanner), Ares Management, Vertex Service Partners (Dennis Elliott)	
7/31/23	O'Danny Boy Builders	Peterson Partners, ProWest	
7/31/23	Kingdom Roofing Systems	Allstar Construction, Churchill Asset Management, Morgan Stanley Capital Partners (Adam Shaw)	
8/1/23	Ets Lecuyer	Azulis Capital, Batibig Group, Capza, EMZ Partners (François Carré), Siparex Group (Alexandre Tremblin)	
8/1/23	Skycraft Roofing	HCI Equity Partners (Scott Gibaratz), Highland Commercial Roofing (Brett Maurer)	
8/15/23	Allphase Restoration	HighGround (Irving) (Ben Balsley), Trivest Partners (Reid Callaway)	
8/22/23	Royalty Roofing (North Olmsted)	Allstar Construction, Morgan Stanley Capital Partners (Adam Shaw)	
8/23/23	Jefferies Contractors	Buckthorn Partners, Cardo Group (Liam Bevan), Souter Investments	
8/29/23	Black Hills Exteriors	CCMP Growth Advisors (Mark McFadden), Omnia Exterior Solutions (Jim Ziminski)	
8/29/23	Société Bardage Étanchéité Mayennaise	Breizh Invest PME	
9/1/23	McCurdy-Walden	Core Roofing Systems, Harvey & Company, Shoreline Equity Partners (Michael Hand)	
9/1/23	Building Products Canada	Saint-Gobain (Benoit Bazin)	981.97
9/14/23	Growatt	Blackstone	1,000.00
9/20/23	Royalty Roofing	Centerfield Capital Partners, Concentric Investment Partners, Petra Capital Partners (Douglas Owen), Six Pillars Partners (Teddy Saltzstein), UMB Capital	
9/28/23	Waddle Exteriors	Allstar Construction, Churchill Asset Management, Morgan Stanley Capital Partners (Adam Shaw)	
9/28/23	Dave Jessop	Pierce and Geddes Investments	
9/30/23	Knight Commercial	OMERS Private Equity (Eric Haley)	
10/1/23	Worthmann Roofing	Allstar Construction, Churchill Asset Management, Morgan Stanley Capital Partners (Adam Shaw)	
10/2/23	Defluo Group	Kanalservice Gruppe, Ufenau Capital Partners	
10/3/23	CoMo Premium Exteriors	Allstar Construction, Churchill Asset Management, Morgan Stanley Capital Partners (Adam Shaw)	
10/27/23	Mälarfasad	Bragnum Invest (Lars Österberg), Layer Group (John Strand), Litorina (Mattias Letmark)	
10/31/23	Rapid Roofing	Allstar Construction, Churchill Asset Management, Morgan Stanley Capital Partners (Adam Shaw)	
11/1/23	H & H Roofing Supply	Beacon Roofing Supply	
11/1/23	Pinnacle Home Improvements	Boyne Capital	
11/6/23	Upstate Roofing & Painting	Great Range Capital, Roofed Right America (Adam Brissman)	
11/8/23	Kairos Roofing	Alpine Investors, Vertex Service Partners	

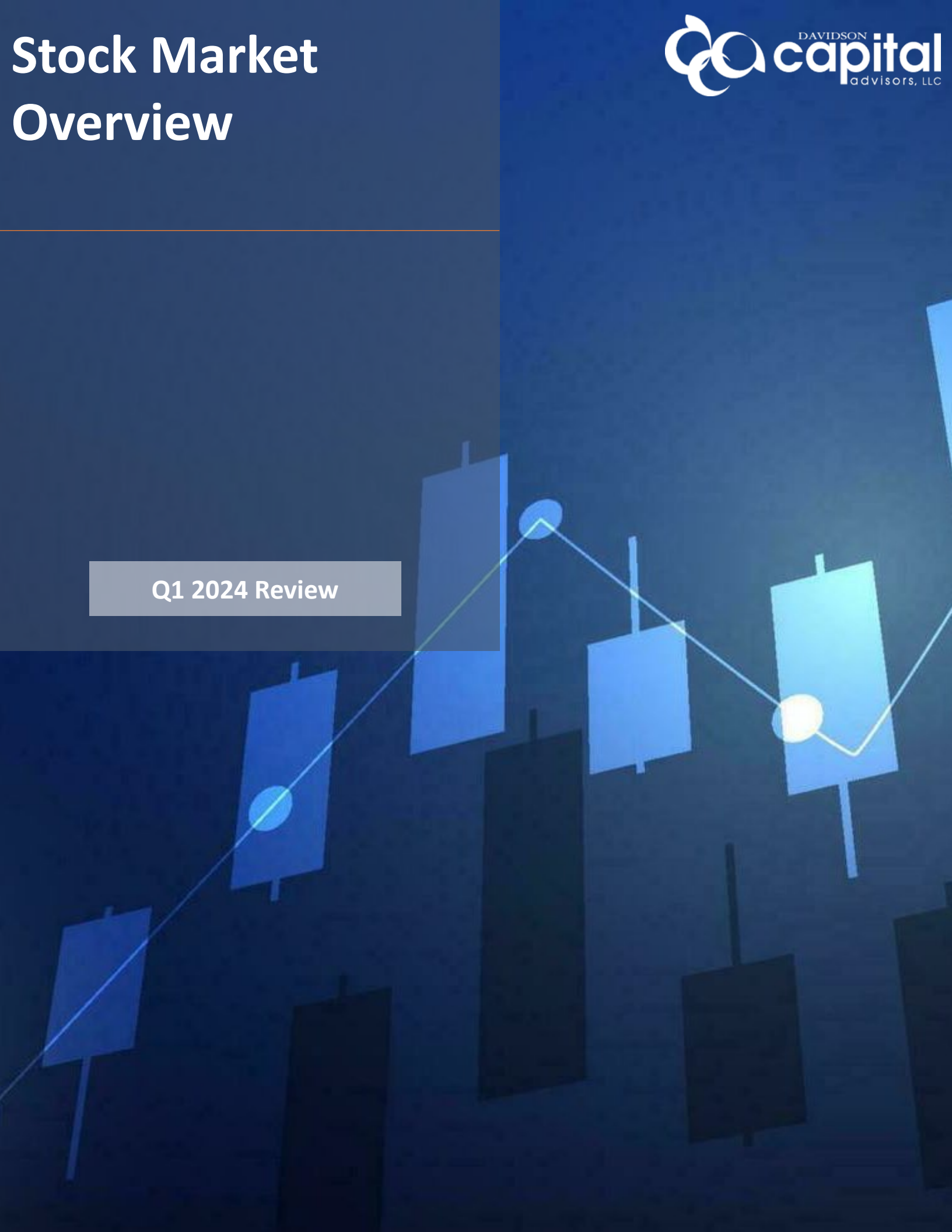
11/12/23	Holladay Grace Roofing	Allstar Construction, Morgan Stanley Capital Partners (Adam Shaw)	
11/14/23	Ashton McGee Restoration Group	FirstRidge Service Partners (Abraham Hidary), Garnett Station Partners (Alexander Sloane)	
11/15/23	A&M Home Services	Allstar Construction, Churchill Asset Management, Morgan Stanley Capital Partners (Adam Shaw)	
11/17/23	D'Angelo and Sons	Ares Capital Corporation BDC, Ares Strategic Income Fund BDC, Freeman Spogli (Brad Brutocao), Infinity Home Services (Josh Sparks), LightBay Capital (David Burcham)	
11/17/23	Ruff Roofers	Audax Private Equity	
11/30/23	Roof Technologies	Roofing Corp of America (Atlanta) (Randall Korach)	
12/11/23	Viking Products Group	Bitec (Joel Shealey)	
12/12/23	Campany Roof Maintenance	Broadwing Capital Management (Eliot Kerlin)	
12/13/23	AVENEL	Andera Partners (Laurent Tourtois), ERI (François Lhoutellier)	
12/14/23	Combles D'en France	Bpifrance (Nicolas Dardenne), Caisse d'Epargne (Agnes Louvet), Normandie Participations (Sandrine Petitjean)	
12/15/23	Brazos Commercial Roofing		
12/18/23	Roofing Corp of America (Atlanta)	FirstService	447.20
12/21/23	SRS Distribution	Leonard Green & Partners (Jonathan Sokoloff)	
12/26/23	Noland's Roofing	Dunes Point Capital	
1/2/24	Roofers Supply of Greenville	Beacon Roofing Supply (Munroe Best)	
1/5/24	Southern Roofing and Renovations	Bessemer Investors (Andrew Mendelsohn), Legacy Restoration (Scott Mullins)	
1/8/24	Quick Roofing	Centre Partners (Daniel Brinkenhoff)	
1/9/24	Ace Roofing	CCMP Growth Advisors (Mark McFadden), Omnia Exterior Solutions (Jim Ziminski)	
1/22/24	Topek Southern	Brickability Group	61.03
1/23/24	Eberhard	Altas Partners (David Brent), Leonard Green & Partners (Evan Hershberg), Tecta America (David Reginelli)	
1/30/24	Ridgeline Roofing and Restoration	Bertram Capital Management (Tom Beerle), Everberg Capital	
1/31/24	Zinco (Building Products)	Holcim Group (Jamie Gentoso)	
2/1/24	Cram Roofing	New State Capital Partners (Shaun Vasavada), Patuxent Roofing & Contracting (Michael Wade)	
2/1/24	Archline Service Partners	Colmont Group	
2/1/24	ATD Roofing	Colmont Group	
2/1/24	United Roofing Supply	ABC Supply Company (Matt Cooper)	
2/13/24	Elenta (Energy)	Fasadgruppen Group (Jan Pedersen)	
2/16/24	Castle Roofing Supplies	AJW Distribution (Thomas Woods)	
3/18/24	Creaton South-East Europe	Swisspor	
3/19/24	Metal-Era	Carlisle Companies (D. Koch)	410.00
3/26/24	All Canadian Building Products	ABC Supply Company (Mike Jost)	
3/27/24	SRS Distribution	The Home Depot (Edward Decker)	18,250.00
4/2/24	All Restoration Solutions	FIRST ONSITE (Jeff Johnson)	

Sources: CapIQ, PitchBook, US BLS Data, FRED, IBIS

Stock Market Overview

DAVIDSON capital advisors, LLC

Q1 2024 Review

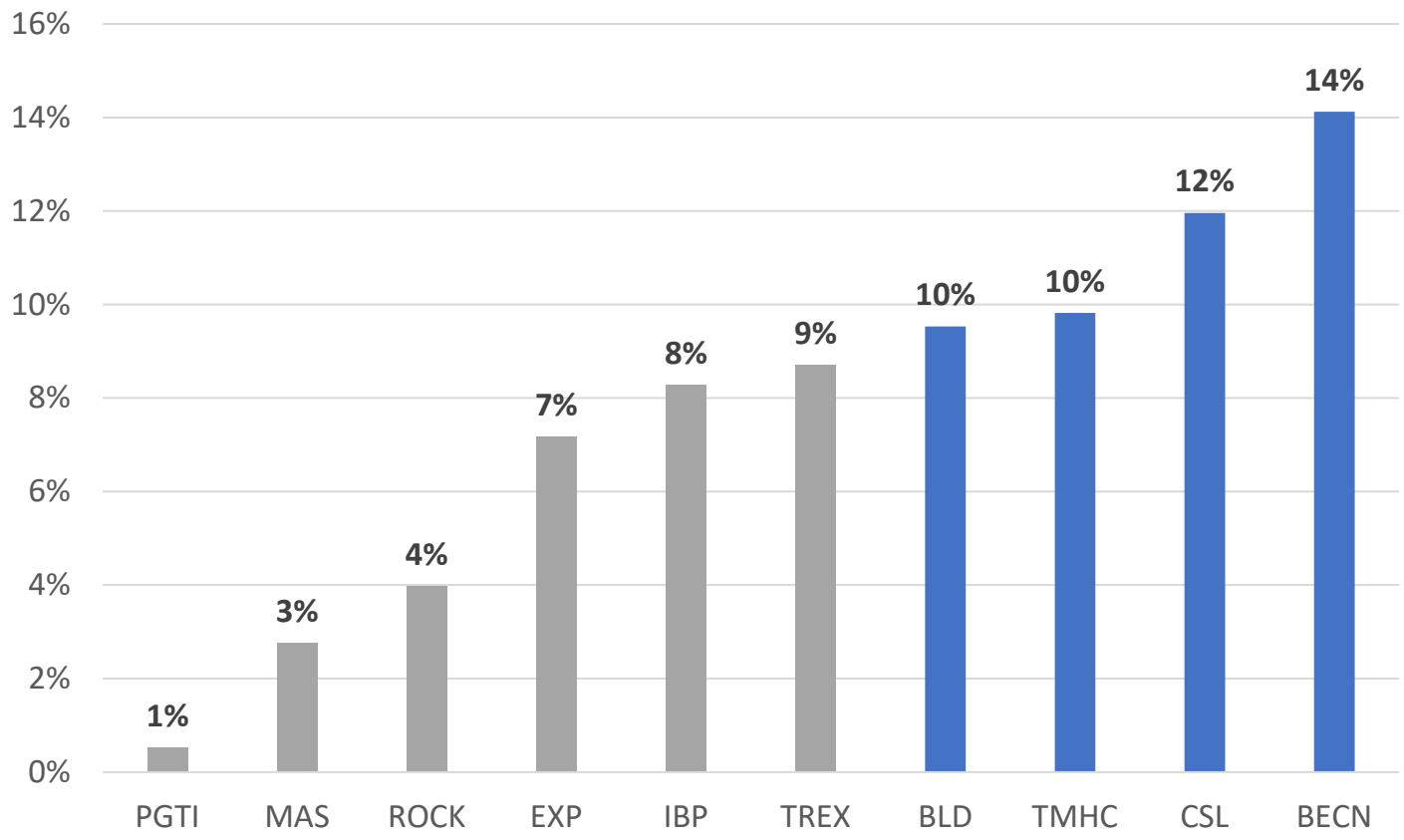


Stock Market Performance

Recent Stock Performance

Index	1-Month % Change	3-Month % Change	6-Month % Change	1-Year % Change
S&P 500 PR	1.6%	15.5%	5.6%	18.9%
S&P 500 Industrials (Sector)	(4.8%)	15.4%	0.0%	(6.2%)
S&P 500 Real Estate (Sector)	(4.8%)	15.4%	0.0%	(6.2%)
S&P 500 Utilities (Sector)	(3.0%)	4.0%	(6.8%)	(8.0%)
Roofing Peer Group	0.8%	37.6%	16.3%	42.6%

Monthly Movers



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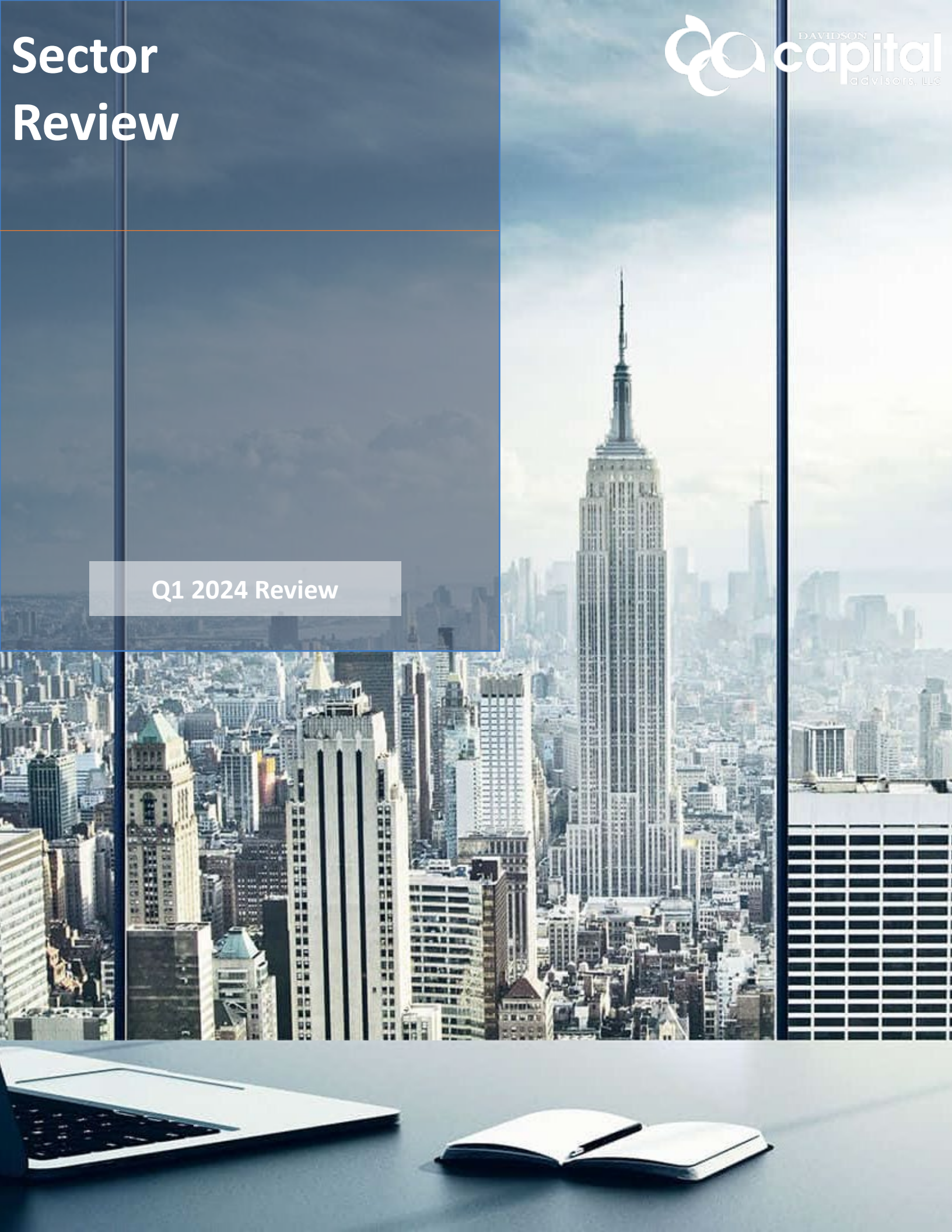
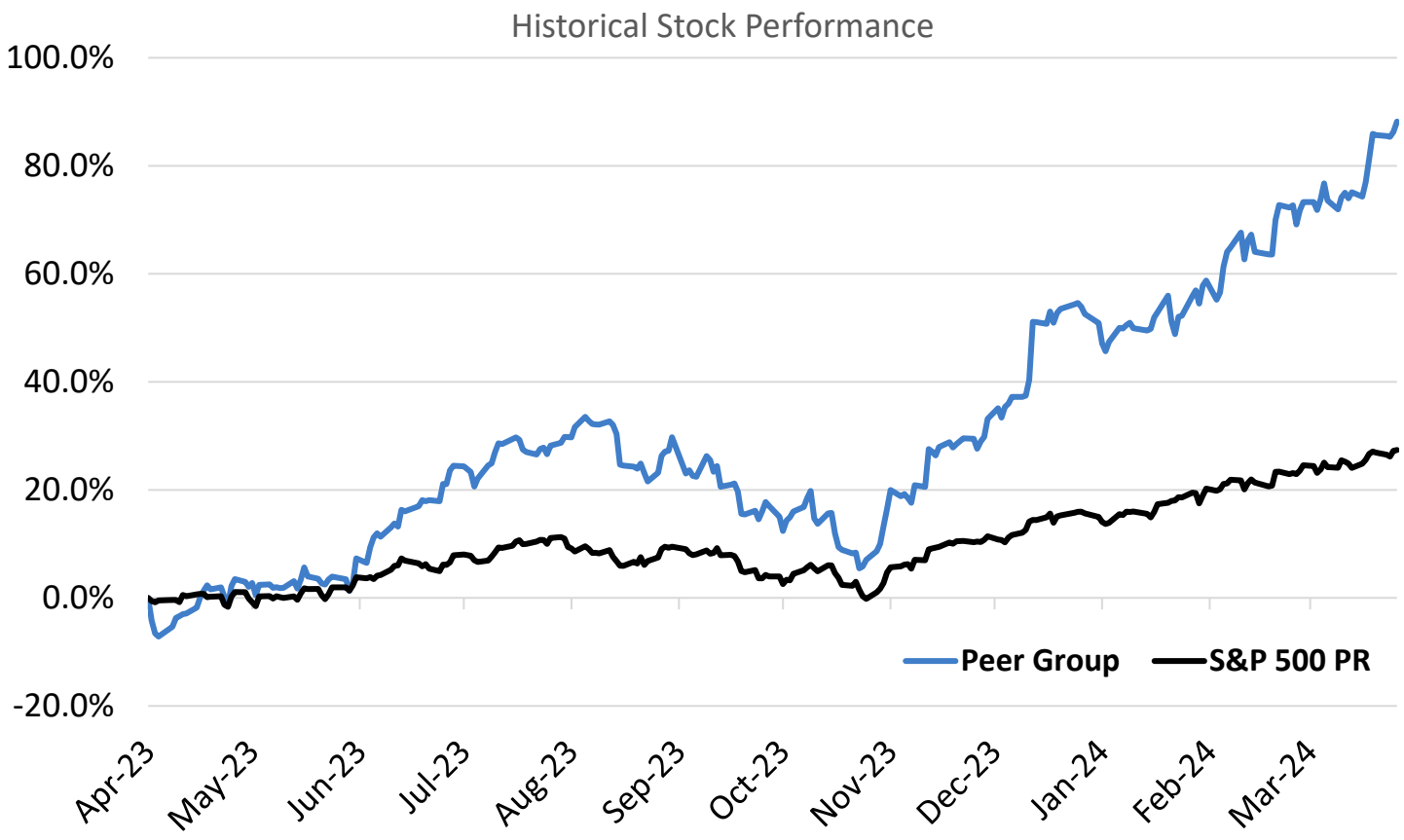
Prices as of March 31, 2024

Sector Review

Q1 2024 Review



Stock Performance – Last Twelve Months



Roofing Peer Group

BEACON
GIBRALTAR INDUSTRIES
PGT INNOVATIONS
Trex
MASCO
Eagle Materials
TopBuild
IBP
CARLISLE
taylor morrison

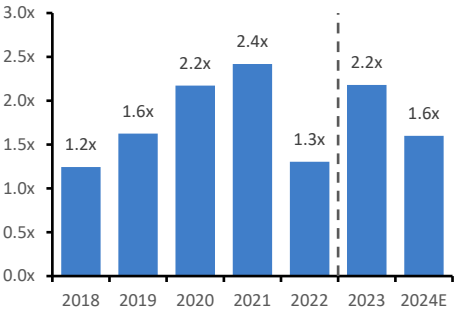
Sources: CapIQ, PitchBook, US BLS Data, FRED, IBIS

Roofing

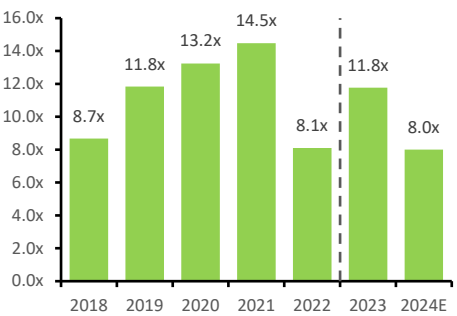
Company Name	Price Per Share	52 Wk High	% of 52 Week High	Mkt Cap	Enterprise Value	Revenue Growth %	Gross Profit %	EBITDA Margin %	EBIT Margin %	2023E	2024E	EV/Rev	EV/EBITDA	EV/EBIT
Beacon Roofing Supply	85.89	90.62	94.8%	5,448	8,286	8.2%	25.7%	10.2%	7.8%	11.2x	10.2x	0.9x	9.3x	11.6x
Masco	76.76	77.34	99.3%	16,869	19,683	(8.2%)	35.6%	12.3%	16.8%	18.6x	16.7x	2.5x	13.3x	14.7x
Installed Building Products	238.93	239.85	99.6%	6,778	7,346	4.1%	33.5%	17.5%	13.3%	20.5x	18.7x	2.6x	14.8x	19.8x
Gibraltar Industries	77.45	87.40	88.6%	2,358	2,305	(0.9%)	26.3%	15.3%	11.0%	16.6x	14.6x	1.7x	12.9x	15.2x
Trex	91.76	101.91	90.0%	9,967	9,997	(1.0%)	41.3%	29.5%	25.2%	41.6x	36.6x	9.1x	NM	NM
TopBuild	402.38	414.33	97.1%	12,786	13,576	3.7%	30.9%	20.2%	17.3%	18.9x	17.2x	2.6x	13.1x	15.1x
Carlisle Companies	350.00	357.78	97.8%	16,712	18,460	(15.8%)	35.6%	25.1%	21.5%	19.0x	16.9x	4.0x	15.5x	18.7x
PGT Innovations	41.77	41.97	99.5%	2,392	3,106	0.8%	39.3%	17.8%	11.8%	16.9x	14.7x	2.1x	12.8x	17.5x
Taylor Morrison Home	56.61	57.35	98.7%	6,025	7,346	(9.8%)	24.0%	16.9%	13.6%	7.6x	6.7x	1.0x	7.1x	7.3x
Eagle Materials	253.55	255.36	99.3%	8,735	9,747	7.7%	31.1%	37.8%	30.3%	15.9x	14.2x	4.3x	11.8x	14.3x
Mean			**96.5%**			**(1.1%)**	**32.3%**	**20.3%**	**16.9%**	**18.7x**	**16.6x**	**3.1x**	**12.3x**	**14.9x**
Median			**98.3%**			**(0.0%)**	**32.3%**	**17.6%**	**15.2%**	**17.7x**	**15.7x**	**2.5x**	**12.9x**	**15.1x**

Median Trading Multiples

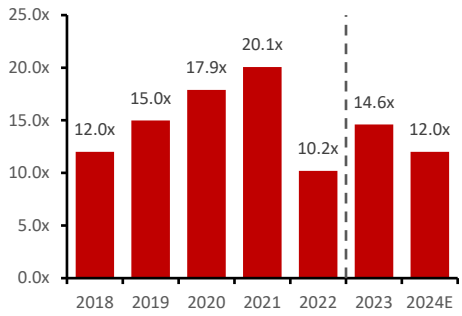
Revenue



EBITDA



EBIT



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