



Roofing Contracting Market Update

KPMG Corporate Finance LLC



August 2024

Significant Experience Advising on Roofing Transactions



has been acquired by



- KPMG Corporate Finance acted as the sole financial advisor to Sterling Commercial Roofing on its sale to Tecta America Corporation
- Sterling is a leading independent roofing contractor primarily serving commercial, government, and institutional end markets
 - HQ in Sterling, IL
 - Approximately 200 employees and a primarily union employee base



received a majority equity investment from



- KPMG Corporate Finance acted as the sole financial advisor to Pax Services Group on its sale to New State Capital Partners
- Pax is a leading provider of roofing installation and replacement, waterproofing, and related services
 - HQ in Laurel, MD
 - Focus on re-roofing services for government, institutional, industrial, and multi-family end markets



received a growth equity investment from



- While at a prior firm, members of the KPMG Corporate Finance team advised Nations Roof on its growth equity investment from Acacia Partners
- Nations Roof is a nationwide provider of roofing repair and replacement solutions, as well as related services
 - HQ in Mobile, AL
 - Provides new construction, re-roofing, and related services to customers in all 50 states

Roofing Contracting Industry and M&A Perspectives

Market Commentary

- Roofing Contracting is a highly fragmented industry, with the top two largest companies only representing approximately 5% market share in the U.S.
- M&A activity in the sector has increased in recent years, as small and mid-sized independent operators seek succession strategies and financial partners to facilitate growth opportunities
- A variety of fundamental industry characteristics contribute to a compelling investment thesis for institutional capital and strategic acquirors, including:
 - **Non-discretionary nature** of roof repairs mitigates economic cyclicality risk
 - **Recurring and re-occurring** revenue produced by service and maintenance and re-roofing work creates a durable revenue profile
 - **Ageing stock** of commercial and residential facilities drives the need for roof repairs and maintenance
 - Highly **fragmented competitive landscape** presents an opportunity for accretive M&A growth strategies

M&A Value Drivers and Key Considerations



Project Composition: Mix of re-roofing and service offerings vs. new construction; exposure to seasonality and economic cycles



Geography and Scale: Localized to a specific geographic region vs. broader coverage area; scalability of operating model



Labor and Employment Profile: Self-perform vs. subcontractor mix; union vs. non-union workforce



Customer and Project Concentration: Diversification of revenue vs. concentration among a few projects and/or customers

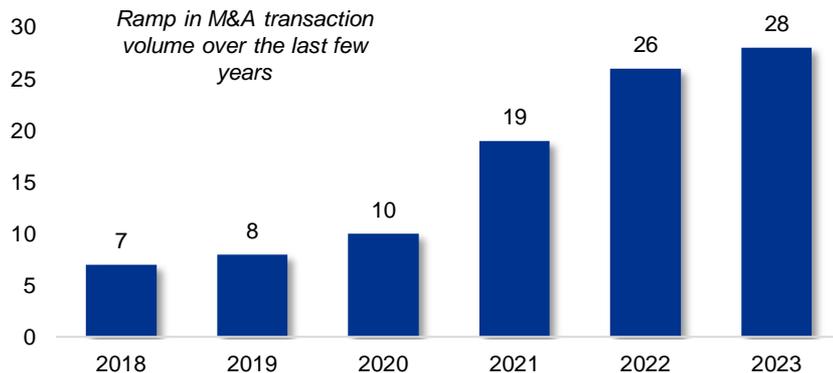


Systems and Accounting: Percentage of completion accounting; whether the existing systems and infrastructure are equipped to support growth



Strategic Alignment: How the operations, culture, and shareholder goals align with those of the acquiror

Robust M&A Activity in Recent Periods...



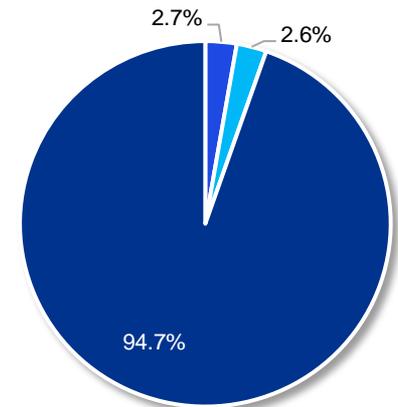
Note: Represents count of select U.S. transactions based on KPMG research
Source: Pitchbook, Capital IQ, IBISWorld

...While Remaining a Highly Fragmented Competitive Landscape

Largest companies represent ~5% of market

Significant fragmentation despite recent consolidation

- Tecta America
- CentiMark Corporation
- All Others



Experienced Transaction Team

KPMG Corporate Finance LLC Dedicated Industry Transaction Team



Rob White

Managing Director

- Co-head of the Industrials vertical at KPMG Corporate Finance
- Over 25 years of industry experience advising middle-market clients

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Adam Smith

Vice President

- Advised Sterling Commercial Roofing on its sale to Tecta America
- Advised Pax Services on its majority equity investment from New State Capital Partners
- Advised Nations Roof on its growth equity investment from Acacia Partners

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- Hands on, senior-level commitment
- Cohesive, experienced team with track record of success
- Senior team drives strategy, communication, negotiation and execution throughout the entire process

Sector Expertise

- Significant experience in roofing
- Strong understanding of key value drivers for industry acquirors
- Focus on middle-market businesses

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