



# 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 cyclical risk
  - Recurring and re-occurring** revenue produced by service and maintenance and re-roofing work creates a durable revenue profile
  - Aging 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

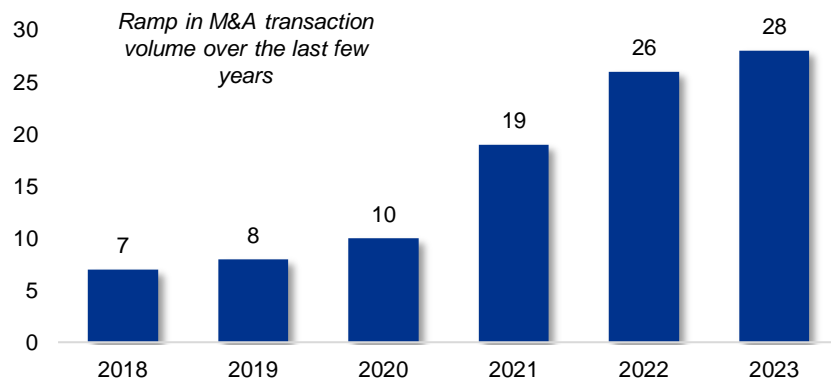


**Systems and Accounting:** Percentage of completion accounting; whether the existing systems and infrastructure are equipped to support growth



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

## Robust M&A Activity in Recent Periods...



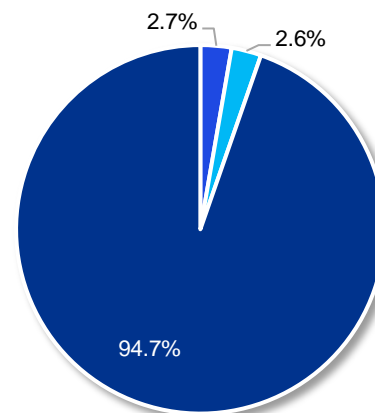
Note: Represents count of select U.S. transactions based on KPMG research  
Source: Pitchbook, Capital IQ, IBISWorld

## ...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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**Miles Renwick**
































*Associate*

- Advised Sterling Commercial Roofing on its sale to Tecta America
- Experience advising Industrials, Business Services, and Consumer Services transactions

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Global Advisor	Middle Market Services with Deep Vertical Expertise	Industry Recognition																				
<p>More than 2,500 professionals...</p> <p>...working from more than 170 offices...</p> <p>...in more than 80 countries</p> 	<table border="1"> <tr> <td>Advisory Services</td> <td> Business Services</td> <td> Consumer Markets</td> <td> Energy &amp; Natural Resources</td> </tr> <tr> <td>Debt &amp; Equity Financing</td> <td></td> <td></td> <td></td> </tr> <tr> <td>M&amp;A</td> <td> Financial Services</td> <td> Healthcare &amp; Pharmaceuticals</td> <td> Industrial Markets</td> </tr> <tr> <td>Special Situations</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Fairness Opinions</td> <td> Real Estate</td> <td> Private Equity</td> <td> Technology, Software &amp; Telecom</td> </tr> </table>	Advisory Services	 Business Services	 Consumer Markets	 Energy & Natural Resources	Debt & Equity Financing				M&A	 Financial Services	 Healthcare & Pharmaceuticals	 Industrial Markets	Special Situations				Fairness Opinions	 Real Estate	 Private Equity	 Technology, Software & Telecom	<p> <i>Has awarded</i> <b>KPMG Corporate Finance LLC</b> Middle Market Investment Bank of the Year 2021</p> <p> <i>Has awarded</i> <b>KPMG Corporate Finance LLC</b> Corporate/Strategic M&amp;A Deal of the Year Award (Mid-Market) 2023</p> <p> <i>Has awarded</i> <b>KPMG Corporate Finance LLC</b> Software &amp; IT Deal of the Year Award (Mid-Market) 2023</p>
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(1) Refers to the global Corporate Finance practices of KPMG International's network of independent member firms



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**One stop shop:** Ability to leverage across multiple service lines, a single source for all transaction needs



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## Senior-Level Attention

- 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

## Investor Relationships

- Long-term and meaningful relationships with decision makers at key investors
- Seamless, local access to investors
- Unique insights into investor priorities and behaviors



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