



# *Valuation . . . Valuation . . . Valuation*

Presented By  
Adams Price  
*PMCF, Managing Director*

# About the Speaker



## ADAMS PRICE

Managing Director

Phone: 303.846.1342

Adams.Price@pmcf.com

Mr. Price is a Managing Director of P&M Corporate Finance (PMCF) and has more than 30 years of professional experience in strategic planning and execution for mergers and acquisitions (M&A); transaction development and execution; profit and loss (P&L) management; consulting services delivery in strategic services; software selection and implementation; e-commerce strategy, selection, and implementation; and management consulting. In addition, he has 17 years of direct experience in M&A transactions and capital formation transactions

Prior to joining PMCF, Mr. Price was the President of EKS&H Capital Advisors, LLC where he successfully led buy-side, sell-side, and strategic advisory projects for clients across industries, including software, business and financial services, energy, manufacturing and distribution, clean tech, and supply chain management. He is a member of the Association of Corporate Growth and contributes to M&A focused events

Mr. Price received his BSCS in Computer Science and Business at the University of Puget Sound, and earned his MBA from the University of Denver. He is a licensed securities representative, holding his Series 24, 63, and 79 registrations

## INDUSTRY INVOLVEMENT

### VISTAGE

Private advisory boards for CEOs,  
executives and business owners.



COLORADO  
TECHNOLOGY  
ASSOCIATION

Blackstone  
Entrepreneurs  
Network

 **SOFTWARE**colorado  
The Heart of Technology Innovation

<https://www.linkedin.com/in/adamsprice/>



# Table of Contents

Section I	PMCF Firm Overview
Section II	2020 M&A Review
Section III	Valuation Considerations

---





# Section I

## PMCF Firm Overview

# PMCF Snapshot

## *Sell-Side, Buy-side, & Capital Raising Investment Bank*

**PMCF** | INVESTMENT  
BANKING

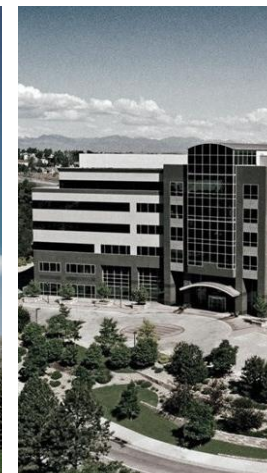
- Founded in 1995 – over 25 years of middle market M&A advisory experience
- Senior banker involvement and a high level of service provided through every step of the transaction
- Broad experience representing entrepreneurs, families, private equity groups, and large corporations
- Unique sale planning services to help our clients maximize value in a company sale in the short or long-term
- Extensive international coverage provided seamlessly through PMCF's ownership in Corporate Finance International (CFI)
- PMCF is an affiliate of Plante Moran, one of the nation's largest accounting and professional services firms



*Chicago*



*Detroit*



*Denver*

Average senior banker  
tenure of 16+ years

Transaction size range  
\$15 to \$250 million

FINRA registered  
broker dealer

Numerous awards  
including *M&A  
Advisor's Firm of the  
Year*

# Global Reach and Capabilities

P&M Corporate Finance is a founding member of Corporate Finance International® (CFI)

- Provides critical in-country investment banking professionals for negotiation with international parties and buyer/target identification
- Platform for seamless execution of cross-border transactions through shared international contacts and resources
- Over a decade of international collaboration and transaction experience between member firms

27  
COUNTRIES

17  
FIRMS

32  
OFFICES

~200  
PROFESSIONALS



Worldwide\* — Up to USD 500M

RANK 2020	Financial Advisor	# of Deals
1	PricewaterhouseCoopers	284
2	Deloitte	229
3	KPMG	207
4	Rothschild & Co	168
5	Houlihan Lokey	149
6	Ernst & Young LLP	115
7	Goldman Sachs & Co	112
8	Altius Group Limited	110
9	K3 Capital Group	109
10	Lazard	107
45	CFI	38

(\*) Through September 30, 2020





# Affiliate of Plante Moran

- Founded in 1924
- Headquarters in Southfield, MI
- 14<sup>th</sup> largest CPA and business advisory firm in U.S.
- 18 U.S. offices
- 3 International offices in China, Mexico and India
- 2,000+ employees
- 260+ partners and directors
- 8,000+ clients with revenues in excess of \$1B



As an affiliate of Plante Moran, PMCF is able to provide our clients with access to expertise across multiple disciplines.

## CONSULTING

- Due Diligence
- Global Services
- Financial Support
- Restructuring & Turnaround

## TAX

- M&A Tax Consulting
- Specialty Tax Situations
- Industry Specific Tax Planning & Compliance

## ASSURANCE / AUDIT

- Financial Statements
- Audits
- Reviews
- Compilations


## PLANTE MORAN CRESA

- Asset Positioning
- Sale/Leaseback
- Specific Leases
- 1031 Exchange

## PLANTE MORAN FINANCIAL ADVISORS

- Investment Management
- Estate Planning
- Insurance
- Trust Services

# Relevant Transaction Experience

<p>\$240,000,000</p> <p><b>HILLENBRAND</b></p> <p>has acquired</p> <p><b>ROTEX</b></p>	<p>\$435,000,000</p> <p><b>HILLENBRAND</b></p> <p>has acquired</p> <p><b>TR-N K</b></p>	<p><b>Crane Group</b></p> <p>has acquired a controlling interest in</p> <p><b>MR. ROOF</b></p>	<p><b>EFFICIENCY PRODUCTION</b> America's Trench Box Builder</p> <p>has been acquired by an entity of</p> <p><b>TRINITY INDUSTRIES</b></p>
<p><b>APCO SUPPLY</b> a Division of APCO Inc.</p> <p>has been acquired by</p> <p><b>Winsupply</b></p>	<p><b>OP</b> Olmsted Products Co.</p> <p>has been acquired by</p> <p><b>Oilgear</b> a portfolio company of</p> <p><b>MASON WELLS</b></p>	<p>HEAT CONTROLLER, INC.</p> <p><b>Century</b> <b>AITON</b> <i>Comfort Aire</i></p> <p>have been acquired by</p> <p><b>MAERS</b></p>	<p><b>NLB Corp.</b></p> <p>has sold a majority equity interest to</p> <p><b>INTERPUMP GROUP</b></p>
<p>Motor City Electric</p> <p></p> <p>has been acquired through a</p> <p><b>Management led buyout</b></p>	<p><b>LAKESIDE</b> BUILDING PRODUCTS, INC.</p> <p>has been acquired by</p> <p><b>Regional Building Products Company</b></p>	<p><b>Specialty Block, Inc.</b></p> <p>has been acquired by</p> <p><b>Consumers</b> CONCRETE CORPORATION</p>	<p><b>LIMBACH</b> OVER 100 YEARS OF SERVICE</p> <p>has been acquired by</p> <p>Management and <b>FdG ASSOCIATES</b></p>

*Meaningful and relevant experience within construction and building products gives PMCF a comprehensive view of the value drivers and positioning in the market*



# Select Recent M&A Experience

**GARMAT USA**  
has received an investment from  
**MPE PARTNERS**  
*The undersigned served as exclusive financial advisor to Garmat USA, LLC.*  
**PMCF** | INVESTMENT BANKING

**Structural Concepts**  
has been acquired by  
**MASON WELLS**

**APCO SUPPLY**  
a Division of APCO Inc.  
has been acquired by  
**Winsupply**

**EFFICIENCY PRODUCTION**  
America's Trench Box Builder  
has been acquired by an entity of  
**TRINITY INDUSTRIES**

**MOELLER AEROSPACE**  
has been acquired by  
**ae Industrial Partners**

**ADVANCED DISTRIBUTION** **ANNARBOR DISTRIBUTION**  
have been acquired by  
**DICOM**  
a portfolio company of  
**WIND POINT PARTNERS**

**Manitou PONTON BOATS**  
has been acquired by  
**BRP**

**X-Ray Industries**  
has been acquired by  
**Applus**

**IER INDUSTRIAL**  
has been acquired by  
**GRAINGER**  
FOR THE ONES WHO GET IT DONE

**PRISM**  
HIGH-PRECISION PLASTIC PRODUCTS  
has been acquired by  
**ALTUS CAPITAL PARTNERS**

\$545,000,000  
**HILLENBRAND**  
has acquired  
**coperion**  
confidence through partnership

**Lubar & Co.** and  
**Posselt Cook CAPITAL MANAGEMENT, LLC**  
have acquired  
**DALLTEC**  
a portfolio company of  
**HPA**

**COMAR**  
has completed a recapitalization with  
**GRAHAM PARTNERS**

**CORROSION FLUID PRODUCTS CORP.**  
has been acquired by  
**FCx performance**  
a portfolio company of  
**HP HARVEST PARTNERS**

**WRIGHT TOOL COMPANY**  
has been acquired by  
**FEDERAL RESOURCES**

**RELIANCE**  
has been acquired by  
**BODTKER**  
GROUP OF COMPANIES  
with an investment from  
**FULCRUM**

**TRANSFER TOOL PRODUCTS Incorporated**  
has been acquired by  
**CFB**  
CAPITAL FOR BUSINESS

**Tri-Delta Plastics**  
www.trideltaplastics.com  
has been acquired by  
**PRETIUM PACKAGING**  
a portfolio company of  
**GENSTAR CAPITAL LLC**

**weatherchem**  
INNOVATIVE DISPENSING CLOSURES  
has been acquired by  
**MRP MOLD-RITE PLASTICS**  
Innovative. Reliable. Responsive.  
a portfolio company of  
**IRVING PLACE CAPITAL**

**HATCH**  
has completed a recapitalization with Management and  
**Prophet Equity**

**DLH Industries, Inc.**  
has been acquired in a merger with  
**BOWLES FLUIDS CORPORATION**  
a portfolio company of  
**MORGENTHAU PRIVATE EQUITY**

**HILLSIDE PLASTICS, INC.**  
has been acquired by  
**CMi CARR MANAGEMENT, INC.**  
a portfolio company of  
**BEHRMAN CAPITAL**

**mp MERCURY PLASTICS, INC.**  
has been acquired by  
**MASCO**

**Central Conveyor COMPANY**  
and its subsidiaries  
have completed a recapitalization with  
**NEW STATE CAPITAL PARTNERS**



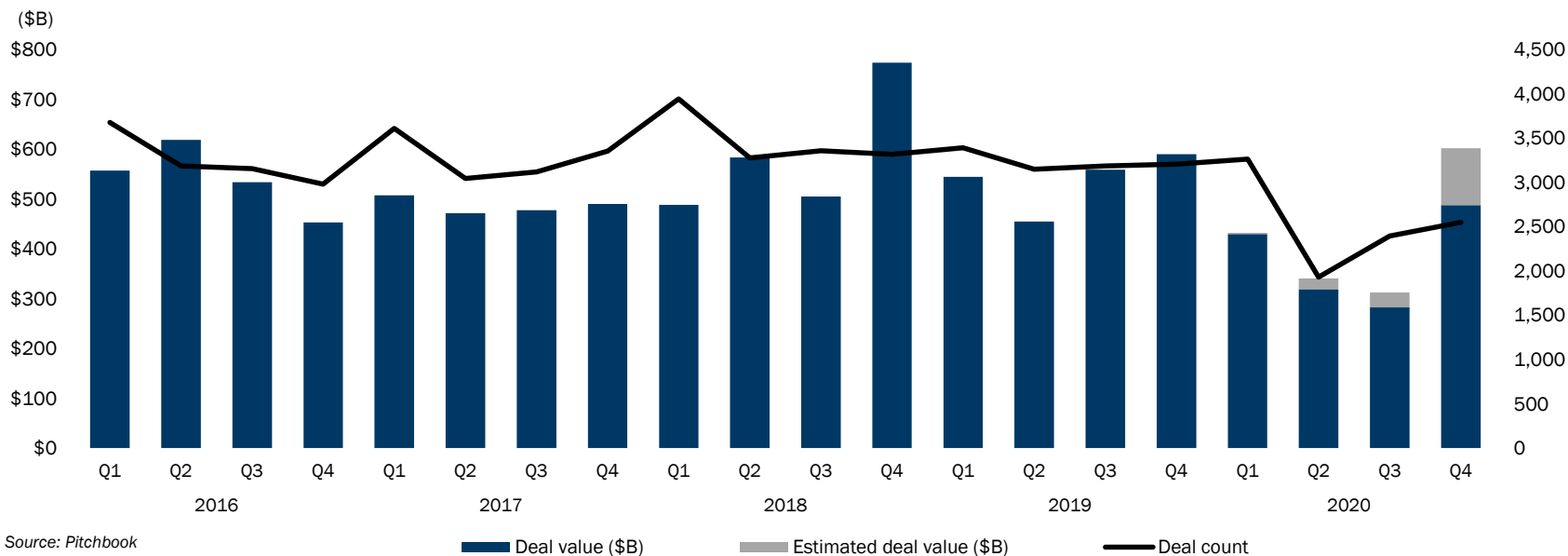
## Section II

### 2020 M&A Review

# 2020 United States M&A Activity

- In 2020, United States M&A deal value dipped below \$2.0T for just the second time since 2015 as total M&A transactions completed were over 10,100 for a total of \$1.7T in transaction value
- In most sectors, the COVID-19 pandemic brought dealmaking to a near standstill in the second quarter, before interventions by the Fed, vaccine approvals, and a strong stock market provided enough confidence to allow dealmaking in parts of the economy least affected by COVID-19 shutdowns, return to healthy levels
- While activity decreased precipitously throughout the majority of 2020, the rebound was unprecedented in the fourth quarter as deal volume increased 93% compared to the volume in the third quarter, as negative macroeconomic sentiment started to dissipate and buyers rushed to complete transactions pre-election

*United States M&A Activity by Quarter (2016-2020)*



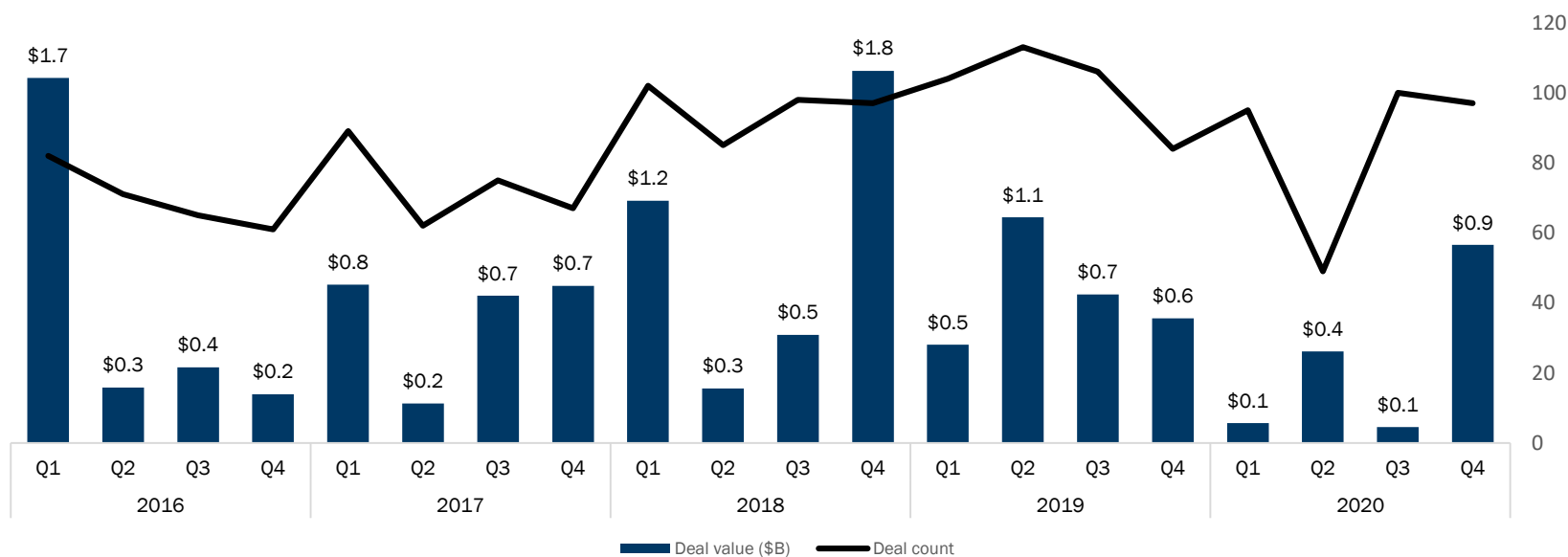
Source: Pitchbook



# 2020 United States Construction M&A Activity

- While federal and state governments took actions to shut down the economy to slow the spread of the Coronavirus, the construction industry was primarily viewed as a necessity across the nation, minimizing the financial impact compared to other industries
- M&A construction activity in the United States experienced a drastic decline in the second quarter as deal value volume fell \$1.2B, an 81% decline, from the previous quarter as only two M&A transactions were completed
- Despite the 81% reduction in M&A volume in the second quarter, activity rapidly recovered as deal volumes returned to the levels experienced in the first quarter. Furthermore, deal volumes increased \$2.6B, a 182% increase, in the fourth quarter when compared to the third quarter, which vastly outpaced overall M&A activity

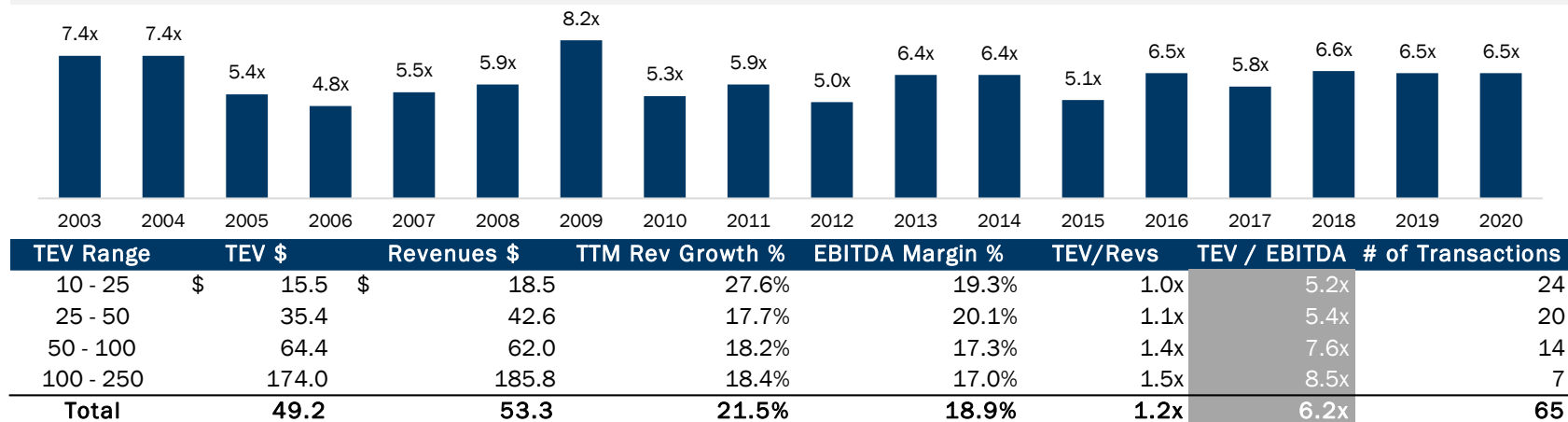
*United States Construction M&A Activity by Quarter (2016-2020)*



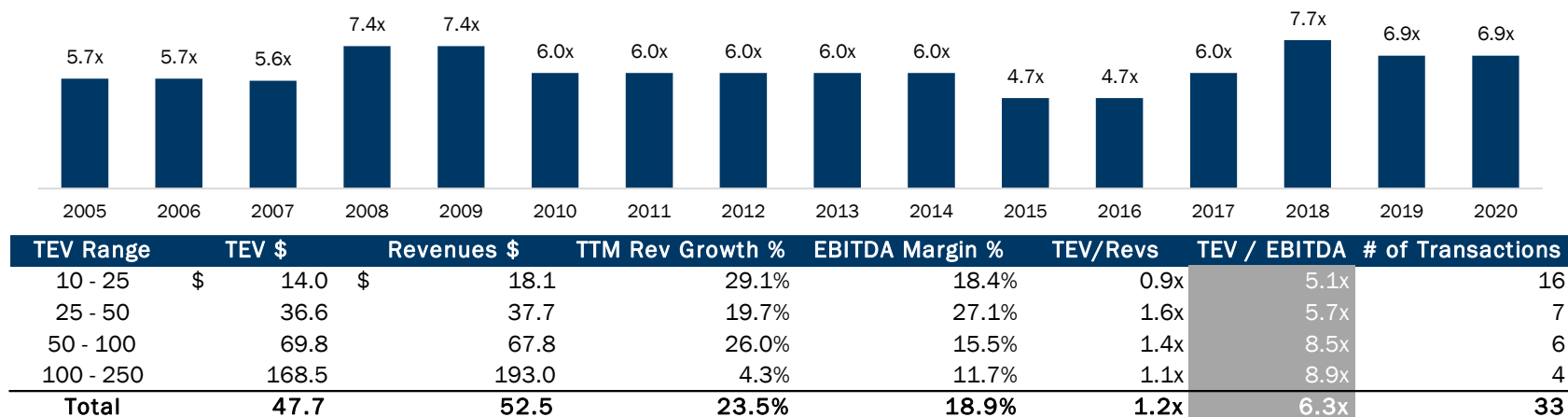
Source: S&P CapIQ - Note, not all transaction report transaction value

# Construction Contractors Valuations

## Specialty Trade Contractors



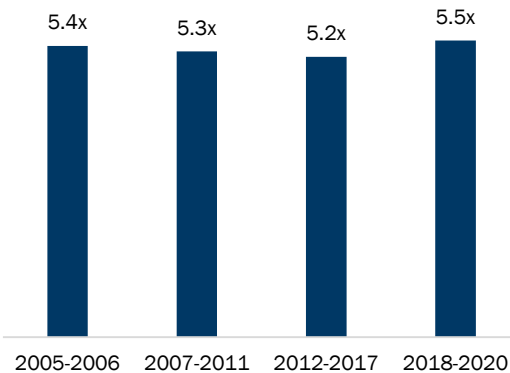
## Building Equipment Contractors



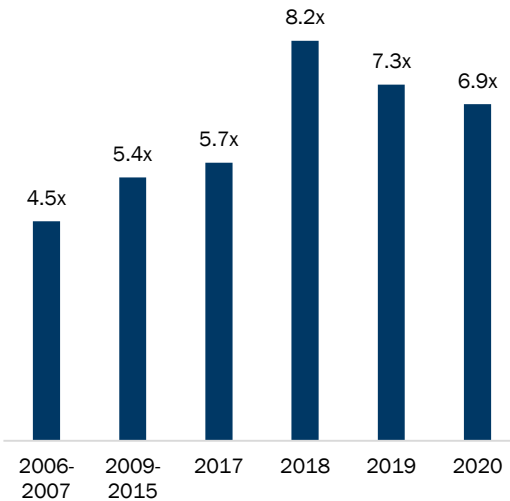
Source: GF Data, Enterprise Value of \$10 million - \$250 million

# Construction Contractors Valuations

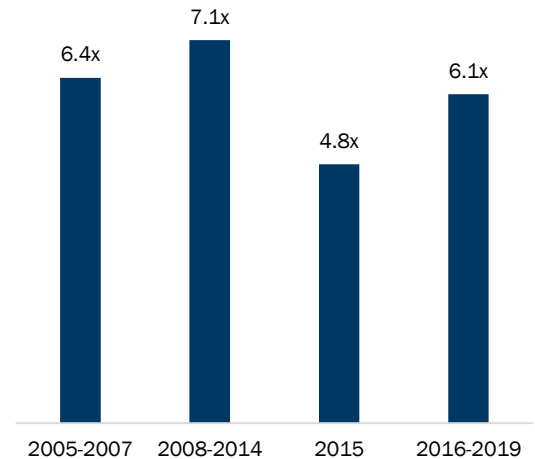
## Foundation, Structure, and Building Exterior Contractors EV/EBITDA



## Plumbing, Heating, and Air-Conditioning Contractors EV/EBITDA



## Electrical and Other Wiring Installation Contractors EV/EBITDA



## Foundation, Structure, and Building Exterior Contractors EV/EBITDA

TEV Range	TEV \$	TEV/Revs	TEV / EBITDA	N
25 - 50	\$ 36.8	0.8x	5.1x	4
50 - 250	97.9	0.9x	5.7x	3
<b>Total</b>	<b>63.0</b>	<b>0.8x</b>	<b>5.4x</b>	<b>7</b>

## Plumbing, Heating, and Air-Conditioning Contractors EV/EBITDA

TEV Range	TEV \$	TEV/Revs	TEV / EBITDA	N
10 - 25	\$ 13.8	1.0x	5.2x	11
25 - 50	40.2	1.0x	5.5x	3
50 - 100	68.5	1.7x	9.1x	4
100 - 250	168.5	1.1x	8.9x	4
<b>Total</b>	<b>55.5</b>	<b>1.1x</b>	<b>6.6x</b>	<b>22</b>

## Electrical and Other Wiring Installation Contractors EV/EBITDA

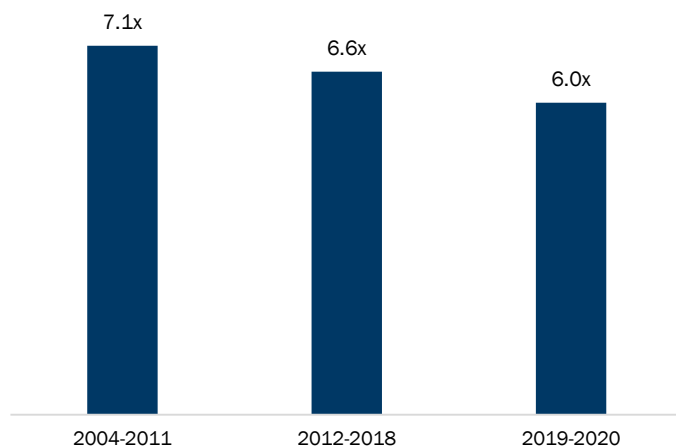
TEV Range	TEV \$	TEV/Revs	TEV / EBITDA	N
10 - 25	\$ 13.5	0.7x	4.7x	4
25 - 100	40.1	1.7x	6.6x	4
<b>Total</b>	<b>26.8</b>	<b>1.2x</b>	<b>5.7x</b>	<b>8</b>

Source: GF Data, Enterprise Value of \$10 million - \$250 million

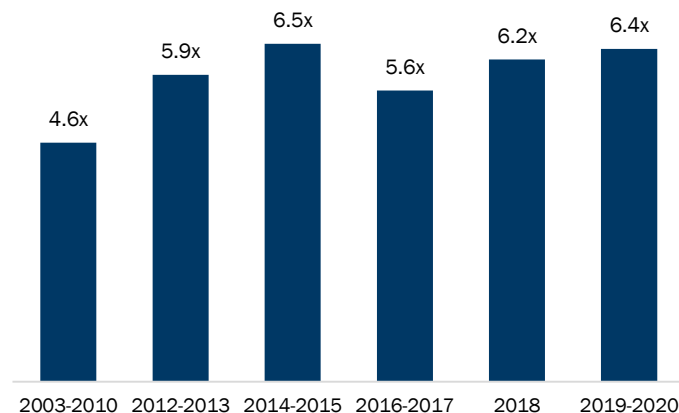


# Construction Contractors Valuations

## Building Finishing Contractors EV/EBITDA



## Other Specialty Trade Contractors EV/EBITDA



## Building Finishing Contractors Transaction Highlights

TEV Range	TEV \$	TEV/Revs	TEV/EBITDA	N
10 - 50	\$ 28.2	0.6x	5.1x	5
50 - 250	88.0	2.0x	8.2x	3
<b>Total</b>	<b>50.6</b>	<b>1.1x</b>	<b>6.2x</b>	<b>8</b>

## Other Specialty Trade Contractors Transaction Highlights

TEV Range	TEV \$	TEV/Revs	TEV/EBITDA	N
10 - 25	\$ 18.4	1.2x	5.6x	7
25 - 50	36.5	1.1x	5.6x	5
50 - 250	93.8	1.7x	7.5x	5
<b>Total</b>	<b>45.9</b>	<b>1.3x</b>	<b>6.2x</b>	<b>17</b>

Source: GF Data, Enterprise Value of \$10 million - \$250 million



## Section III

### Valuation Considerations

# Valuation Methods

*Business valuations usually includes the analysis of the management, capital structure, market value of its assets, and a company's future earnings prospects. The three primary valuation methods utilized to value a business enterprise include a discounted cash flow analysis, comparable company analysis, and precedent transactions*

## Discounted Cash Flow

- Based on projected free cash flow of company
- Present value calculation based on risk factor

### Enterprise Value

4.75x – 5.25x EBITDA<sup>(\*)</sup>

## Comps Analysis

- Compare the current value of a business to other similar businesses by looking at trading multiples including EV/EBITDA, EV/Revenue, or other ratios

### Enterprise Value

5.0x – 6.0x EBITDA<sup>(\*)</sup>

## Precedent M&A Transactions

- Multiples paid for comparable companies in acquisitions
- Typically include transactions that have occurred within the last 5 years

### Enterprise Value

4.5x – 5.5x EBITDA<sup>(\*)</sup>

*The three methods will offer a range of what a business owner can expect to receive when selling their business. The range of the three methods is intended to provide a proxy of an acceptable offer from prospective buyers*






### Estimated Range of Enterprise Value

4.75x – 5.25x<sup>(\*)</sup>

(\*) For Illustrative Purposes Only



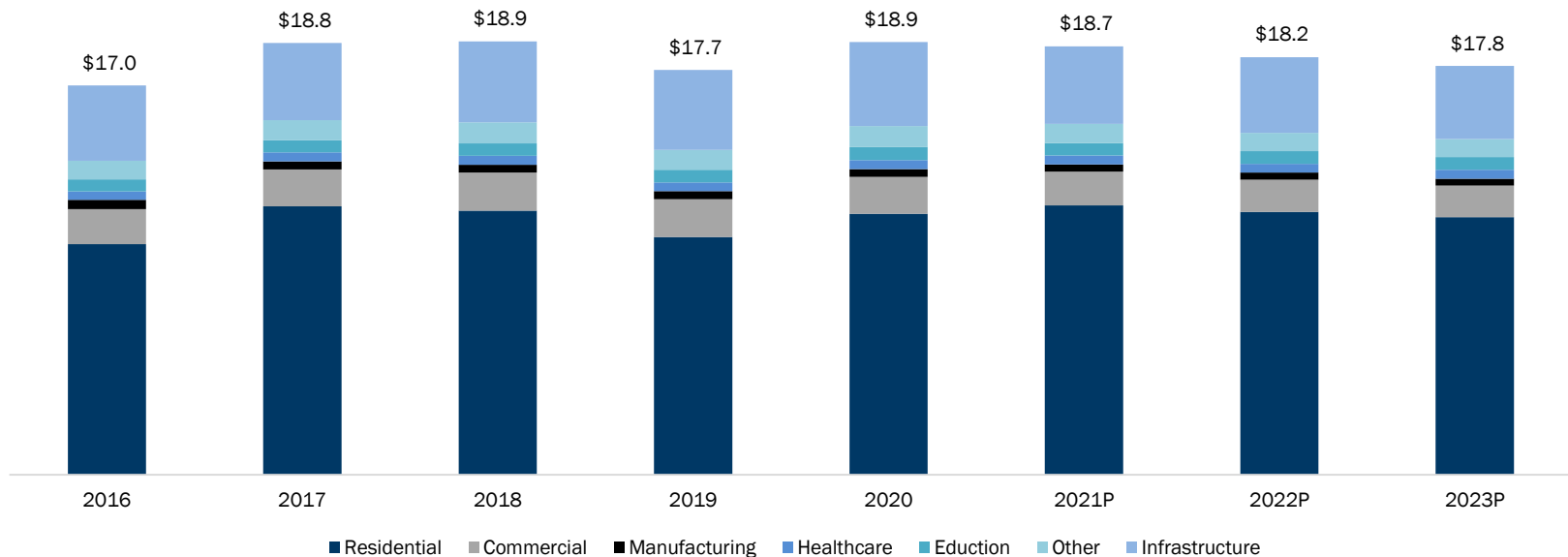
# Macroeconomic Factors Impacting Value Multiples

Factor	Impact
<b><i>Biden Administration Tax Plan</i></b> <ul style="list-style-type: none"><li>With the onset of a new presidential administration, Americans await the Biden's administration tax plan's impact. While not enacted today, President Biden's proposed tax plan will raise the corporate tax rate from 21% to 28%, which will likely make M&amp;A deals more expensive. Biden also voices support for an increase in capital gains taxes, which could impact M&amp;A activity. The legislation is expected to be voted upon in 2022</li></ul>	
<b><i>Amount of Private Equity Capital to Invest</i></b> <ul style="list-style-type: none"><li>According to a report by Ernst &amp; Young, global buyout dry powder rose by 9% in 2020 to \$865 billion, despite the COVID-19 economic environment. More dry powder almost always results in more deals at higher prices, whether or not justified by the underlying fundamentals or overlying macro conditions</li></ul>	
<b><i>Increase Supply of Companies in the Market</i></b> <ul style="list-style-type: none"><li>As sellers remain wary of the enactment of the Biden's administration proposed tax plan and the pending tax implications, more companies are expected to enter the M&amp;A market before the end of 2021, increasing the supply of companies available for acquisitions. With the increase in supply, prices tend to come down as strategic and financial buyers can be more selective for more opportunistic transactions and hold more leverage in dictating value multiples</li></ul>	
<b><i>Economic Recovery Post-COVID</i></b> <ul style="list-style-type: none"><li>While COVID-19 halted economic activity in 2020, vaccine and economic recovery efforts are expected to bolster economic activity in 2021. As of February 18th, 56.3M vaccinations have been administered, with 1.1M in Colorado. As state and local governments continue to lift restrictions, strategic and financial buyers alike are eager to acquire companies, specifically in industries least affected by COVID implications</li></ul>	
<b><i>Value of Construction</i></b> <ul style="list-style-type: none"><li>Value of construction is forecast to grow slightly lagging the overall economy, as measured by GDP, to 2026. While short-term uncertainties in the global economy and US economy may weigh down growth at the beginning of the period, it is expected that the construction sector will see long-term growth</li></ul>	

# Colorado Construction Market

- Single-family residential construction carried the industry in the past year, as large non-residential and non-building projects were more limited than prior years. Sector activity totaled nearly \$18.9B in 2020 but is expected to slightly decrease 1.0% in 2021 to \$18.7B
- Companies involved in construction currently are busy, but many are reporting fewer projects being added to their backlogs, with specific concerns about a lack of planned projects beginning in mid-2021
- Emerging challenges in the industry include regulatory and political uncertainty, supply chain problems created from the disruption in manufacturing production and imports caused by countermeasures to slow the spread of COVID-19, and fewer projects in the planning pipeline

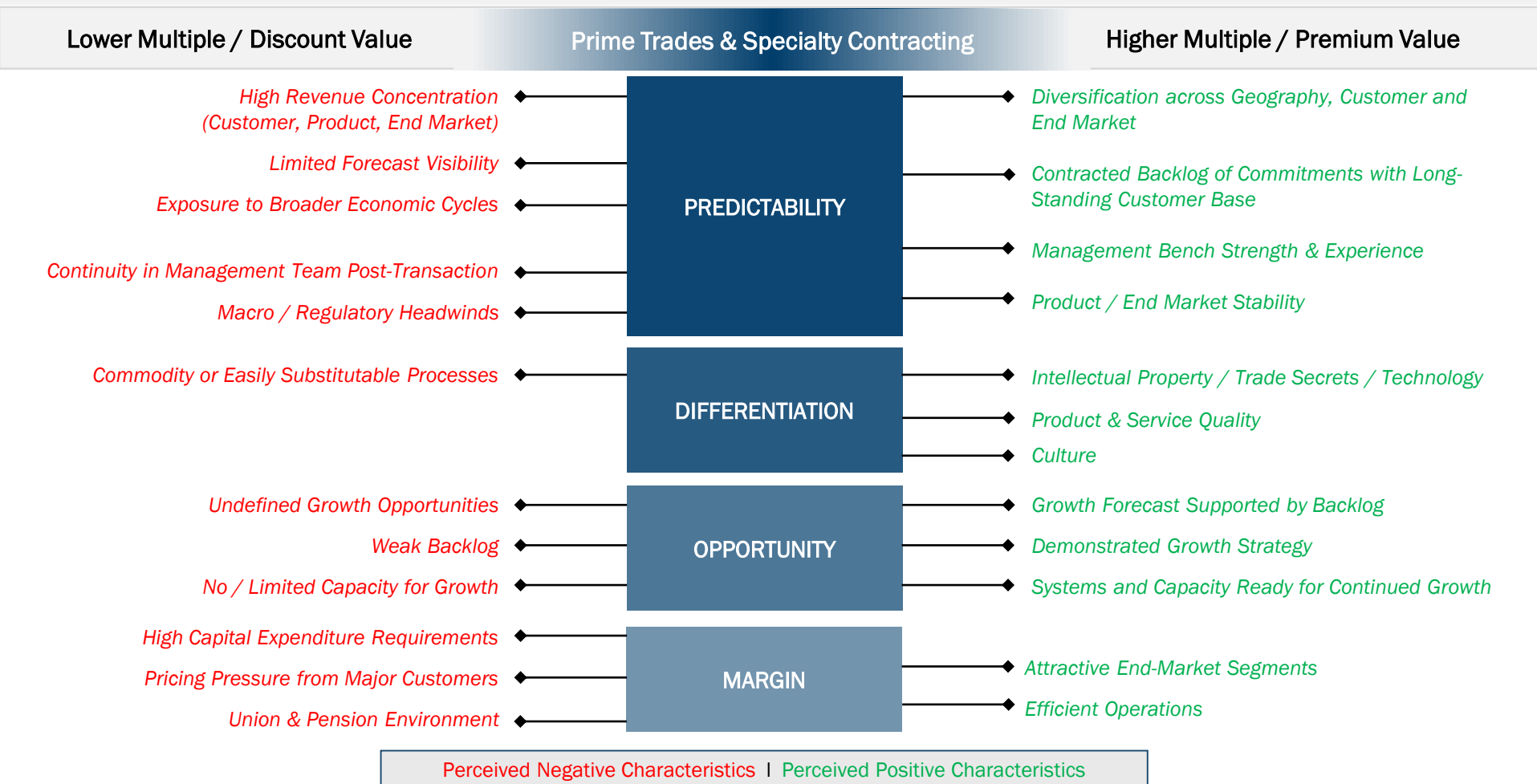
*Total Construction Market Volume by Sector (\$B)*



Source: Cumming Management Group

# Microeconomic Factors Impacting Value Multiples

*The market derives value primarily based on cash flow and risk, which is based on an assessment of company-specific characteristics as well as the ability to provide support on select operating / financial dimensions*





# Types of buyers

*It is imperative to understand the different groups of buyers when selling a business to understand the differentiators of each buyer, including the qualitative and quantitative interests of each buyer*

Type	Description	Advantages	Disadvantages	What to Look For
<b>Strategics</b>	Direct competitors Adjacent markets Geographic expansion Customer aggregation PE-backed strategic	Might pay a premium Can get credit for synergies (if you negotiate well) Access to customers/clients/geographies Opportunities for employees/management	Slower process (generalization) Less sophisticated financially Typically most disruptive	Done deals before? Have the capital to execute Have a strategy for acquisitions Have a strategy for integration Defined model for disposition of employees and assets
<b>Unfunded Sponsor</b>	Fund with sponsors covering expenses while looking for a deal - once deal found, investor decides whether to invest on a deal-by-deal basis	Spending their own money for getting deal done May have experience in the industry/market they seek If experienced, can get the capital fairly quickly	Must raise equity and debt Longer LOI to close cycle May not be able to get the deal done	Principals have done several deals before Have knowledge/experience in specific industry Have relationships with equity and debt sources Have references that you can meet/call Recap equity position Historical debt load on portfolio companies LOI to close ratio
<b>Funded Sponsor</b>	PE group using a pool of committed capital from institutional and individual investors	Pressure to deploy capital (overhang) Have the capital ready to deploy Can move quickly Sometimes know the market well	Other people's money Onerous due diligence Top dollar vendors Focus on proprietary deals	
<b>Growth Equity</b>	PE investment to fund accelerated growth	Same as funded sponsor	Only some proceeds go to owners; much is reinvested in business	
<b>Search Fund</b>	Vehicle to raise funds to acquire 1 company and run the business as CEO	GP desperate to get deal done	Seller note dependent "Value" buyers Often less-experienced Relying on proprietary deal flow	Historical management term More than "my money is greener than theirs"

**Adams Price**  
*Managing Director*

Direct: 303.846.1342  
Mobile: 303.570.3315  
E-mail: [adams.price@pmcf.com](mailto:adams.price@pmcf.com)



## Denver

8181 E. Tufts Avenue  
Suite 600  
Denver, Colorado 80237

Phone: 720.370.8181

## Chicago

120 S. Riverside Plaza  
Suite 2100  
Chicago, Illinois 60606

Phone: 312.602.3600

## Detroit

Two Towne Square  
Suite 425  
Southfield, MI 48076

Phone: 248.223.3300

[www.PMCF.com](http://www.PMCF.com)

# PMCF

INVESTMENT BANKING