

M&A DISCOVERY CONSTRUCTION 2024

TULLY RYAN

Certified M&A Advisor

Jesse Stone

Certified M&A ADVISOR

JASON ROWE, PHD

SENIOR M&A ADVISOR



M&A DISCOVERY

..... NAVIGATING YOUR PATH TO SUCCESS

You've worked hard to build a successful company and create a legacy. Selling your business is a high-stakes and emotional event. You need a no-surprises approach to help guide you through the final few steps to realizing the value you have worked so hard to achieve.



M&A DISCOVERY

NAVIGATING YOUR PATH TO SUCCESS



We're in one of the longest-running positive M&A cycles in recent history. Even as global economic headwinds develop, corporate and private equity investors continue to experience unparalleled access to capital for potential deals. This suggests that the current wave of US industry consolidations and aggressive private equity investing will continue into the foreseeable future, even as deal volume has slowed from recent peaks.

At the same time, with increasing valuations for companies, expectations on sellers are more rigorous. Proactive preparation has become mandatory; processes are more accelerated and data-driven, quality of earnings analysis and sell-side due diligence have become critical. Sellers have to respond appropriately and with confidence as experienced buyers move toward a close.

Selling your company takes informed planning. Whether you are divesting the business completely or bringing in a private equity investor to fuel additional growth, the strategy you develop and follow will play a critical role in creating value for your shareholders and family. Everyone has access to a lot more data to value your business,. The one piece of information the market doesn't have is your story: what you've done and what the business can do next. Your story, when told effectively, can set up a clear and credible case for terms you can justify. A successful transaction will require that you are clear about buyers' expectations, understand your company's value and can evaluate and explain the prospects for your business. Many business owners approach selling their businesses as a finite deal while others have more than a one-time payout in mind. An optimum transaction will structure the deal to meet your long term goals. Before you take the first steps, you will want to work through what you want to accomplish for yourself and your stakeholders with a prospective transaction.

Whatever path you may be considering, we hope this guide serves as a useful starting point for the conversations you will have with your stakeholders, trusted employees and family, as well as your advisers as you realize the value you've worked hard to create.

Tully Ryan
Managing Director / Certified M&A Advisor
Murphy Business & Financial – North Carolina
252-339-6471

Jesse Stone
Managing Director / Certified M&A Advisor
Murphy Business & Financial – South Carolina
803-603-5377



M&A DISCOVERY

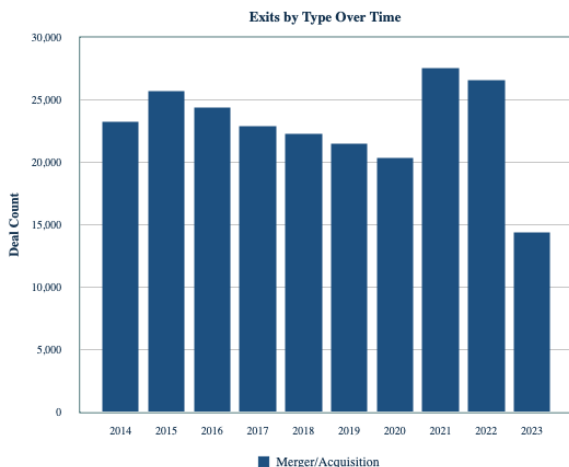
ANALYZING TRENDS FOR 2024 & BEYOND

As we delve into the current market landscape, there's a distinct sense of optimism surrounding the M&A arena, particularly as we anticipate 2024 and the transition into 2025.

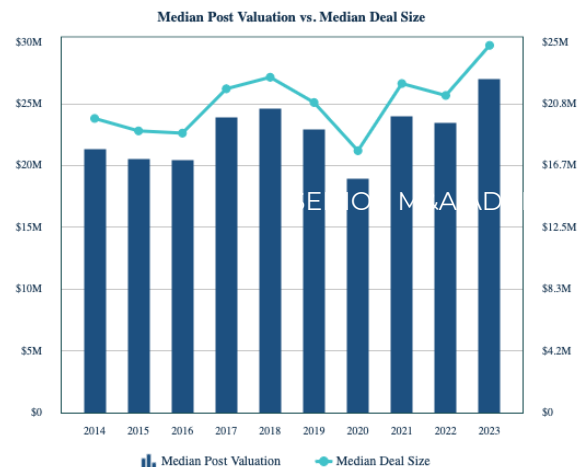
While we acknowledge that the broader macroeconomic conditions will undoubtedly continue to exert influence over dealmaking activities, there is a notable silver lining on the horizon—an impending period of increased interest rate stability. This newfound stability is poised to create an environment that is far more conducive for dealmakers, enabling them to confidently and accurately assess transaction pricing.

In our assessment, M&A has evolved into a pivotal "growth driver" unlike any we've witnessed in recent years. Business leaders across industries are increasingly recognizing its potential as a potent tool for strategically repositioning their enterprises, catalyzing growth through targeted acquisitions, and ultimately delivering sustainable, long-term outcomes.

US M&A VOLUME & VALUE TRENDS



Source: PitchBook Data



Source: PitchBook Data



M&A DISCOVERY

SELLERS PREPARE FOR SUCCESS

As we cast our sights forward, we anticipate the emergence of strategic buyers with cash on their balance sheet actively seeking strategic opportunities. Main street to the mid-market segment, encompassing lower to mid-tier M&A activities, is expected to take center stage, with divestitures playing a pivotal role in shaping the deal pipeline. For prospective buyers, securing access to capital will be of paramount importance, necessitating a meticulous approach to financial and non-financial due diligence.

Conversely, for those contemplating the sale of their businesses, meticulous preparation will be the linchpin to achieving success in this dynamic and ever-evolving M&A landscape. Business owners should be prepared and primed to capitalize on the fast-paced and potentially transformative M&A opportunities that lie ahead.

PREPARATION IS KEY

What buyers want

Buyers are paying more attention to:

- new strategic growth and value creation levers
- business model transformation opportunities
- technological capabilities (i.e., cloud, cyber, AI)
- a clear hypothesis of impact of generative AI on the business model
- deeper data analysis
- operating model robustness and durability
- Acquiring and retaining talent
- roadmaps to sustainable transformation

How can sellers get “deal ready”?

Savvy sellers need to prepare:

- a compelling equity story with quality supporting data
- a transformation strategy with targets and KPIs
- a detailed M&A roadmap
- new growth levers
- cost reduction opportunities
- a technology roadmap
- a scenario analysis of upsides and risks (including AI)
- an operations strategy and leverage
- a workforce strategy and metrics
- financial and operating data to meet sustainability reporting requirements



M&A DISCOVERY

MARKET OVERVIEW

Market Challenges Pre-2023: The Construction sector grapples with persistent hurdles, struggling to rebound from COVID-19's impact. Operators, engaged in building and engineering, witness revenue fluctuations tied to macroeconomic conditions.

Pre-2022 Opportunities: Historically low interest rates pre-2022 favored borrowing for residential and nonresidential clients. However, post-pandemic recovery in 2021 faced obstacles due to rising interest rates.

Revenue Trends: A 1.3% CAGR decline led sector revenue to \$2.6 trillion by 2023, marked by a 4.2% drop in 2023. COVID-19 caused a 6.4% revenue plunge in 2020, triggered by reduced business activity, declining consumer confidence, rising unemployment, and project delays. Nonresidential construction weighed on revenue since 2020, while residential construction thrived in the low-interest rate environment until 2022's shift, prompting another decline. Supply chain disruptions added uncertainty, decreasing sector profitability with a 3.4% profit margin in 2023.

Future Outlook: Anticipating recovery, the Construction sector eyes expansion post-COVID-19, supply chain challenges, and high inflation. Key industries project accelerated growth, driven by commercial and infrastructure construction improvements. Legislative backing, like the 2021 Infrastructure Investment and Jobs Act and the 2022 Inflation Reduction Act, supports this growth trajectory. Overall, a 0.7% CAGR is projected, reaching \$2.7 trillion in five years, fueled by heightened demand for construction services.



M&A DISCOVERY

INDUSTRY TRENDS

Pre-COVID, the construction sector enjoyed prosperity, benefiting from robust growth fueled by rising corporate profits, increased consumer spending, and historically low interest rates, creating an ideal environment for investment.

The sector's growth had diverse trajectories, with private nonresidential and utilities construction flourishing, driven by property development and infrastructure investments. However, the rising interest rates, particularly in 2022-2023, had a significant impact, leading to a decline in residential construction and hindering overall revenue growth.

The onset of the COVID-19 pandemic in 2020 brought substantial setbacks, slashing revenue due to work stoppages, profit reductions, surging unemployment, and decreased consumer spending. The nonresidential construction segment faced challenges as reduced office demand and corporate profitability in remote work settings negatively impacted the entire sector. Amid the pandemic, lowered interest rates spurred a residential construction rebound, acting as a counterbalance and mitigating overall sector declines. Despite challenges, the sector demonstrated resilience in 2021, driven by consumer spending and employment rebound, marking the only anticipated year of overall revenue growth since 2019.

Government initiatives played a crucial role in the sector's recovery. The 2021 Infrastructure Investment and Jobs Act and the 2022 Inflation Reduction Act revitalized the utilities construction segment, contributing to growth in 2023. However, supply chain disruptions from the pandemic increased construction material costs, introducing uncertainty and delays, negatively impacting sector efficiency. Transportation hurdles, including high fuel costs and driver shortages, further complicated material transportation, with worker shortages affecting the construction materials supply chain and average sector profitability.

In summary, the construction industry faced a complex landscape with pre-pandemic prosperity, pandemic-induced challenges, and subsequent recovery driven by a mix of government support, sector resilience, and ongoing hurdles in the form of supply chain disruptions and transportation challenges.



M&A DISCOVERY

INDUSTRY OUTLOOK

The construction sector faces challenges from high inflation and interest rates, hindering growth by increasing capital costs and dampening consumer spending. Anticipated gradual declines in interest rates may not immediately affect mortgage rates, potentially discouraging homeowners from relocating. Supply chain resilience is expected to improve as material costs decrease, but ongoing geopolitical uncertainties, such as the conflict in Ukraine, threaten global commodity supplies.

Environmental challenges, including extreme weather events, pose ongoing threats to the construction industry and global supply chains. Federal funding initiatives like the 2021 Infrastructure Investment and Jobs Act, the 2022 Inflation Reduction Act, and the 2022 CHIPS and Science Act provide consistent infrastructure funding, reducing greenhouse gas emissions, and supporting domestic semiconductor production. Existing housing assistance programs contribute to reliable sector revenue.

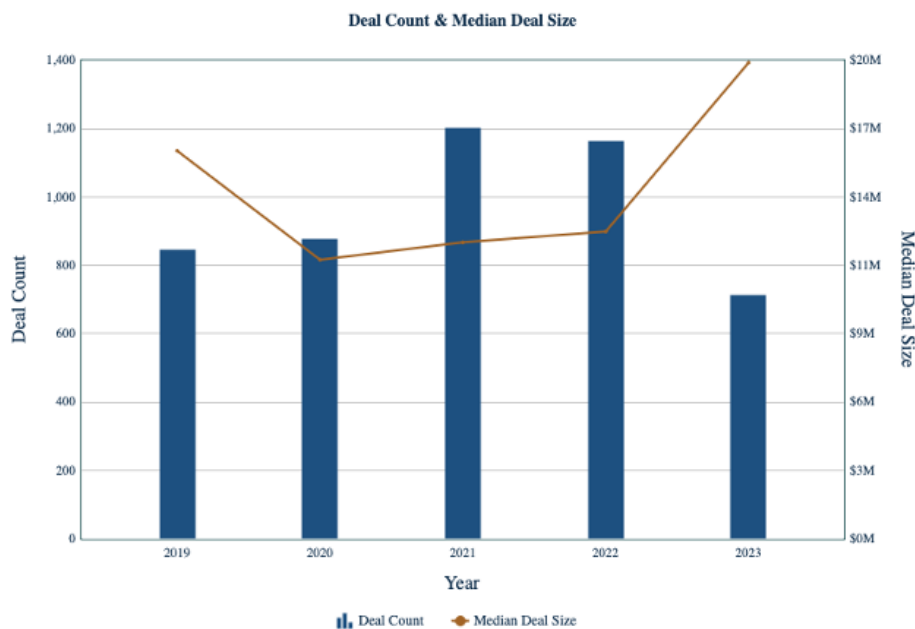
Demographically, millennials are a significant and expanding segment of homeowners, driving residential construction growth. As the largest generation in the U.S. and the dominant workforce, their housing demand is expected to stimulate construction activity. The retirement of baby boomers may further increase the supply of residential housing, contributing to heightened investments in residential construction. Despite challenges, a mix of government support, demographic trends, and environmental considerations will shape the construction sector's outlook.



M&A DISCOVERY

CONSOLIDATION

We are observing that the degree of consolidation within the construction sector varies considerably across different industries. However, as a broad trend, the manufacturing sector typically exhibits a moderate level of consolidation.



Created on 17-Sep-2023 | Source: PitchBook Data

PitchBook

In the context of the Murphy M&A Discovery report, we can observe that over the preceding five years, the manufacturing sector has experienced significant merger and acquisition activity, with its peak occurring in 2021 and 2022. The median deal size has exhibited somewhat consistent fluctuations, reaching its lowest point at \$11.6M million in 2020. Notably, in 2023, there has been a remarkable resurgence, as the median deal has size surged to \$319.9M despite involving fewer than transactions.



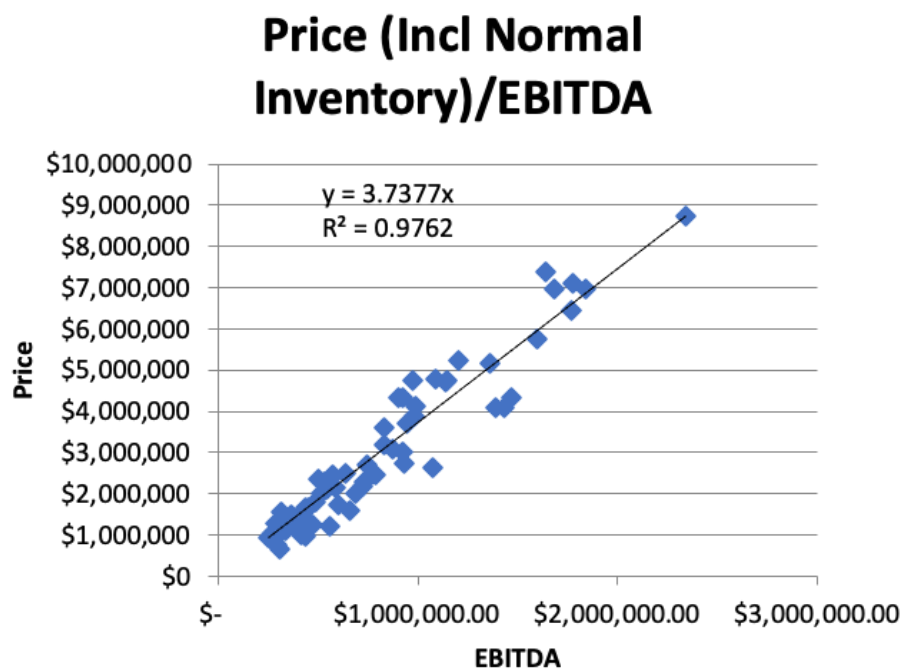
M&A DISCOVERY

LARGE MAIN STREET BUSINESSES TRANSACTIONS

Regression Analysis of Construction Transactions

Below is a chart illustrating the results of a regression analysis conducted on Construction Equipment Dealerships transactions using data sourced from PeerComps. In this chart, each diamond symbolizes a company that has been sold, and its position on the chart represents the corresponding sale price (on the left axis) in relation to a specific financial metric (on the bottom axis).

In the equation that characterizes the line that best fits these observations, "y" denotes the value (sale price), and "x" signifies the financial metric (EBITDA). The numerical value associated with this equation represents the multiple applied. Additionally, we use R-squared as a statistical metric to assess how well this equation aligns with the actual outcomes. R-squared ranges from 0 (indicating no correlation) to 1.0 (indicating a perfect correlation).



M&A DISCOVERY

..... INDICATION OF VALUE: MAIN STREET BUSINESSES

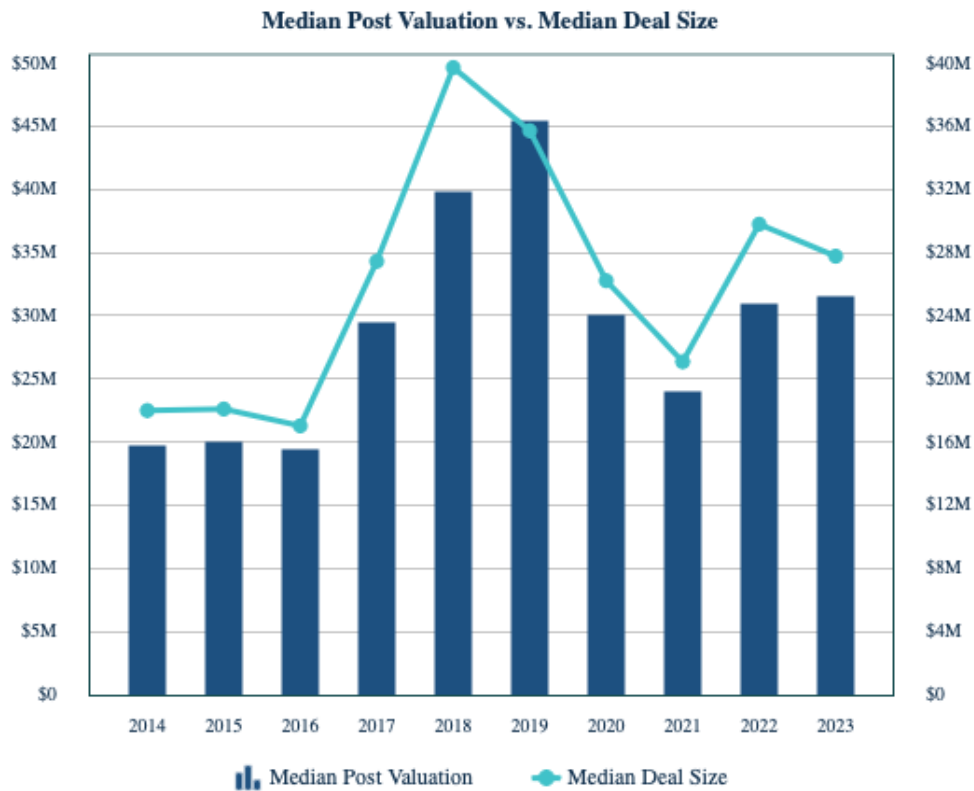
This indicative valuation range is based on EBITDA analysis relative to other companies that have sold. Once we receive detailed financials, we can perform a more thorough assessment based on Seller's Discretionary Earnings (SDE) and EBITDA, that may increase the value, or could decrease it, depending on the various expenses of each location.

EBITDA	Indicative Value Range
Less Than \$100,000	N/A
\$100,000 - \$250,000	\$388,000 - \$970,000
\$250,000 - \$500,000	\$970,000 - \$1,940,000
\$500,000 - \$1,000,000	\$1,940,000 - \$3,880,000
\$1,000,000 - \$2,500,000	\$3,880,000 - \$9,700,000
\$2,500,000 - \$5,000,000	\$9,700,000 - \$19,400,000



M&A DISCOVERY

MULTIPLE RANGES PAID BY STRATEGIC BUYERS



Understanding Median Post Valuation vs. Median Deal Size is vital for business owners eyeing a sale. It gauges industry competitiveness, helping assess where your business stands in terms of valuation and deal size, ensuring informed decisions in the selling process.

WHO WE ARE



We are a skilled team of trusted and experienced M&A advisors specializing in lower-middle market companies ranging from \$5MM to \$50MM in annual revenue. Our primary objective is to help your clients determine an accurate business valuation and develop an exit strategy that matches their timeline and meets their financial expectations. Our dedicated team of advisors will handle the complexities and noise of searching for the right buyer and completing the transaction so that your clients can stay focused on running and growing their business.

Our client-centric approach and demonstrated results have made us the partner of choice for many great companies. Our goal is to maximize the value of your client's company and maximize cash to shareholders. When you choose to partner with us, you are opting for the full-service approach. Your clients enjoy:

**AN INITIAL DEEP-DIVE
CONSULTATION AND
BUSINESS VALUATION**

**OUR CONFIDENTIAL
MARKETING PROCESS
DESIGNED TO SELL
YOUR BUSINESS**

**A THOROUGH
SCREENING OF
PROSPECTIVE BUYERS**

**PROVEN SALES PROCESS
CONFIDENTIALLY,
DISCREETLY,
AND PROFITABLY**

**NEGOTIATING OFFERS
AND STRUCTURING
THE DEAL**

**EXPERTISE DURING
DUE DILIGENCE AND
CLOSING**

We have extensive real-world experience in business research and advanced analytics. We understand the importance of data, information, and action. This gives us a unique perspective on M&A deals and allows us to deliver similarly unique outcomes for your clients. We welcome the opportunity to discuss our process with you and share our blueprint for success.



OUR SERVICES



**BUSINESS
BROKERAGE**



**MERGERS &
ACQUISITIONS**



**BUSINESS
VALUATION**

OUR SUCCESS

96%

BUSINESSES WE
SELL TRANSACT FOR
AT LEAST 96% OF
THE LISTED PRICE,
ON AVERAGE

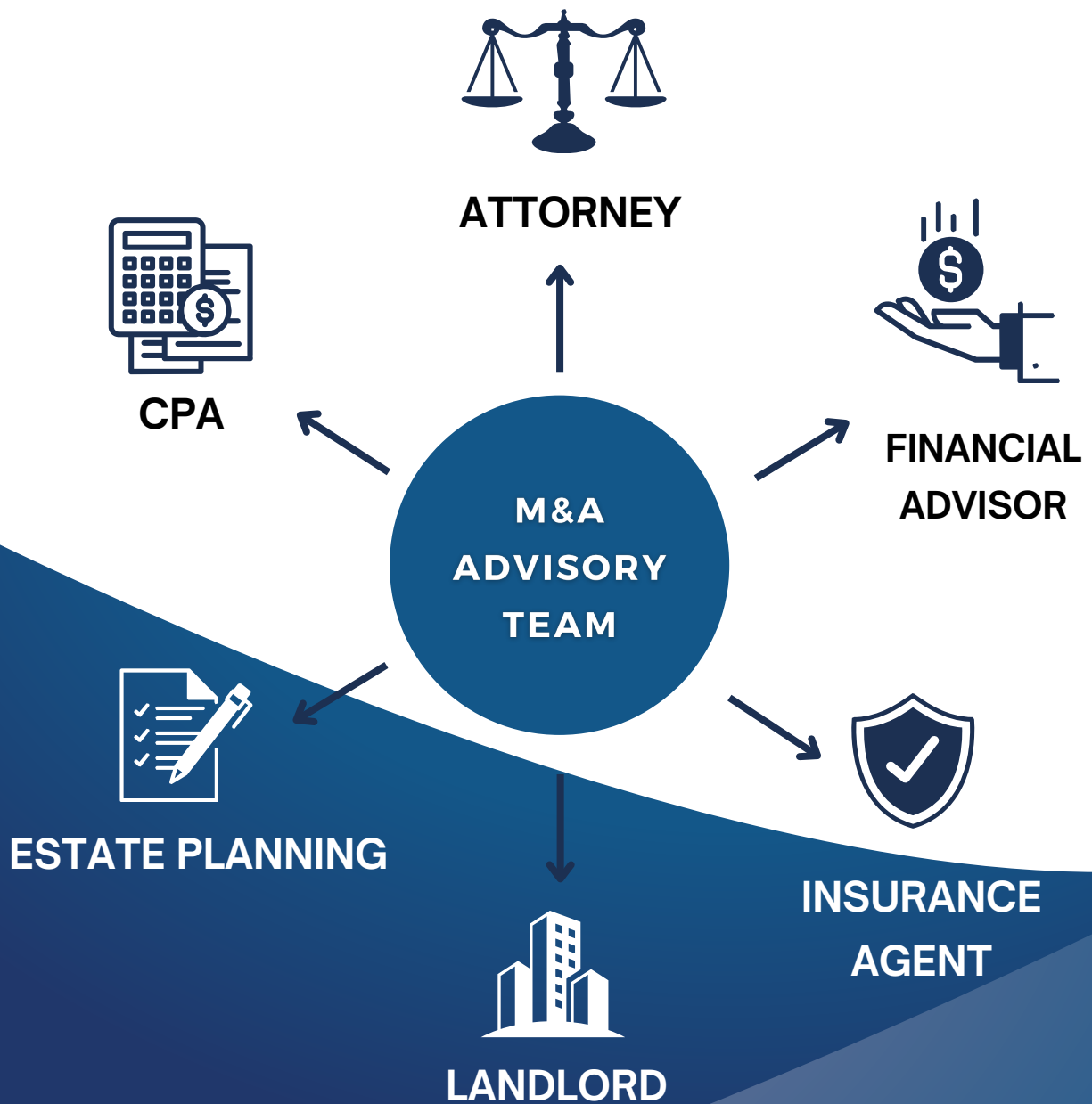
\$419MM

TOTAL TRANSACTION
VOLUME NATIONWIDE
IN 2022

140+

OVER 140 OFFICES
ACROSS THE U.S. HELPING
TO CONNECT YOUR
BUSINESS WITH BUYERS

HOW WE MANAGE THE DEAL TEAM



WE BRING BUYERS TO THE TABLE



Our network of buyers share our passion for building strong relationships and thinking long-term when it comes to mergers and acquisitions. We have a proven track record of working with many types of buyers across multiple industries.

STRATEGIC BUYERS

**PRIVATE EQUITY
GROUPS**

**HIGH NET
WORTH INDIVIDUALS**

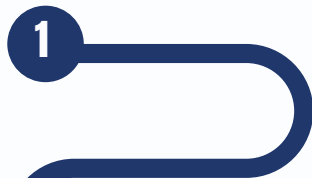
FAMILY OFFICES

We leverage our buyer network to provide our sell-side clients with rich opportunities and to entice prospective buyers to bring in compelling offers. Our buyers are interested in acquiring great companies.

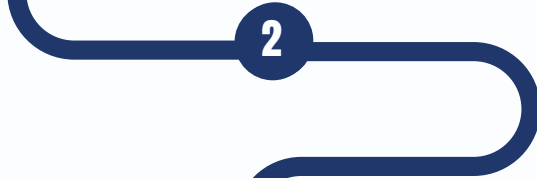


4 STEPS TO QUALIFIED OFFERS

BUSINESS VALUATION



OFFERING PACKAGE



MARKETING PLAN



SCREEN PROSPECTS

EVALUATE OFFERS



TULLY RYAN

CERTIFIED M&A ADVISOR

Tully Ryan, a recognized industry leader, serves as the firm's managing director. A Certified M&A Advisor and licensed real estate broker, Tully has over 30 years of experience leading companies in all facets of business including business development, go-to-market planning and execution, financial controls, capital raises, and acquisitions. Tully has also served on various boards including the East Carolina University Board of Visitors and the Carolina Virginia Business Brokers Board of Directors.



JESSE STONE

CERTIFIED M&A ADVISOR

Jesse Stone, is a South Carolina native who has been a top Merger and Acquisition Advisor for close to a decade. Jesse has 20 years' experience starting, acquiring, selling and brokering companies in the Southeast. Jesse has served on several chamber of commerce boards, community development and economic boards in the Carolinas. Jesse has a passion to assist business owners in successfully exiting their company.

JASON ROWE, PHD

SENIOR M&A ADVISOR

Jason Rowe has over 25 years of business-to-business sales and marketing experience. Jason specializes in the use of historical databases and predictive analytics to maximize business valuation across all industry sectors. He holds a PhD in Business Administration (Marketing) from the University of Kentucky and an MBA and BBA in Marketing, both from Marshall University.



CLIENT TESTIMONIALS

”

Tully Ryan and the team at Murphy Business Sales have a deep understanding of our market, the competitive landscape and important trends. Their tailored approach resulted in a terrific outcome for the acquisition of our (business) as well as our employees who are excited about the next phase of the company. Murphy Business’ valuable counsel, experience, and diligent process management were all critical in achieving a great result.

-George Leviton

COO OF TWIN TOWERS TRADING SITE MANAGEMENT LLC

CLIENT TESTIMONIALS

”

Tully, and the entire Murphy Business Team, streamlined our acquisition management processes through seamless communication and collaboration between Monro and Murphy. They Identified existing automotive repair and tire chains for acquisitions, assisted with due diligence and negotiating the purchase, directed real estate lease related activities, and managed the process through closing — all in coordination with our Legal and Finance team. Tully and his team got things done in an expeditious and efficient manor, adding value to our M&A group by allowing us to focus on priority issues and close more transactions.

-Paul Barrata

VICE PRESIDENT OF REAL ESTATE MONRO, INC.

CLIENT TESTIMONIALS

”

We were looking for a team that had experience with middle market acquisitions. Our Wells Fargo Wealth Advisor referred us to Ron Buck and Tully Ryan with Murphy Business Sales, and we got exactly what we were looking for. Ron, Tully, and the entire Murphy team not only met, but far surpassed our expectations. We were extremely satisfied with their expertise, thoroughness, and level-headed navigation through the inevitable noise of the transaction. Not to mention the price, terms, strength of the buyer, and the time it took to complete the transaction. We really appreciate all that they did for us, from initial engagement to closing (and even post-closing), and would highly recommend them to other owners interested in selling their business.

-Mark Edelman and Ken McMullen

CO-OWNERS, MARK-AIR, INC

CLIENT TESTIMONIALS

”

Overwhelmingly positive experience with Murphy Business. I tried selling my business for 3 years with a different business broker and within 167 days after listing, Murphy Business found a buyer and closed the sale for 100% of our asking price. I have had an overwhelmingly positive experience with the Murphy Business Services team and Tully Ryan. I have found Tully to be honest, knowledgeable, and attentive to the needs of both buyer and seller.

By setting realistic expectations and using his expertise and past experiences, Tully brings incredible value to both sides of the transaction, facilitating successful transactions which maximize value for sellers, while simultaneously setting up a buyer for long-term success. I would not hesitate in recommending him to anyone who is seriously considering selling their business.

-Chris Carpenter

PRESIDENT

CONTACT US



TULLY RYAN

CERTIFIED M&A ADVISOR

t.ryan@murphybusiness.com



JESSE STONE

CERTIFIED M&A ADVISOR

j.stone@murphybusiness.com



JASON ROWE, PHD

SENIOR M&A ADVISOR

j.rowe@murphybusiness.com