



Vantage
Strategic Advisors

Construction Materials Year in Review and The Year Ahead - April 2021



A Note From Managing Director, Dennis Coker

As we look back on a turbulent year, we are grateful to see things returning to a more normal state as we begin the second quarter of 2021. This year in review includes some of the highlights from what the major construction materials companies achieved over 2020, as well as insight as to how they see 2021 developing, and an overview of recent M&A activity and trends.

We hope you enjoy this update and look forward to working with you in the future. Please reach out to us if you have any questions.

To a better 2021-

Warmest regards,



Dennis Coker



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What Happened - 2020

After a year of uncertainty and sailing uncharted waters, what did the major construction materials producers achieve in 2020?

Martin Marietta Materials

Company wide improvement (+7%) in total revenues. Aggregates and cement established all-time records for both full year product revenues and gross profit, helped by record Texas cement shipments (+2%) and aggregates average sales price increase (+4% on a mix adjusted basis). Completed bolt-on acquisition in core DFW market.

Vulcan Materials

Company saw EBITDA improvement year over year on slightly lower revenues. Aggregates volumes were slightly down (-3%), while average price per ton improved (+3%), with aggregates gross profit per ton improving (+5.5%). Gross profit improved in both ready mix concrete and asphalt. Uncertainty around effects of pandemic postponed some operating capital expenditure and slowed M&A activity.

Summit Materials

Record revenues, (+5.1%) and record adjusted EBITDA, increasing (+5.1%) over 2019. Aggregates sales volume increased (+9.5%) while average sales prices increased in aggregates (+1.7%), cement (+1.7%), ready mix concrete (+3.2%), and asphalt (+2.1%). Completed bolt-on acquisitions in core markets, enhancing its position in Houston, TX and Vancouver, BC.

CRH PLC/Oldcastle

Lower sales revenue globally (-2%), with American Materials revenues down (-3%), EBITDA improvement (+5%) globally, with American Materials seeing an EBITDA improvement of (+10%). The Americas Materials division completed seven acquisitions in the US and Canada including aggregates, asphalt, readymixed concrete, paving and construction operations at a total cost of \$163 million. American aggregates volumes were down (-2%), while prices improved (+4%) on average. The American Building Products division divested two businesses while acquiring six companies.

US Concrete, Inc.

Revenues down (-7.6%) with an improvement in adjusted EBITDA (+4.8%). Significant average price improvement in aggregates to \$13.08/ton from \$11.93/ton, while readymix average pricing improved slightly to \$140.69/yard from \$138.97/yard. Completed the acquisition of a readymix business in California, and a significant expansion to its aggregate footprint in the east division.

CEMEX S.A.B.

Globally, Cemex saw a slight decrease (-1%) in revenues while seeing an increase in EBITDA of (+7%), due to uncertainty over Covid's effects on the economy, the company lowered their investment in 2020 capital expenditures. Cemex US operations achieved their highest reported EBITDA since 2007 and the highest cement volumes since 2016. United States cement volumes grew (+8%), aggregates (+1%), and readymix (+4%). While pricing was flat in cement, pricing for aggregates dropped (-1%), and readymix grew (+1%). US revenues grew (+6%) while US EBITDA improved (+19%) over 2019.

What Happened - 2020 - Cont.

Arcosa Inc.

Revenues increased 11%, while adjusted EBITDA increased 18%. Construction Products segment was a key driver of 2020 financial results. The segment reported (+35%) revenue growth and (+50%) Adjusted EBITDA growth. Results were driven by strong residential and infrastructure markets. Completed acquisitions of Cherry Companies and Strata Materials, primarily recycled aggregates producers with some natural aggregates production.

HeidelbergCement/Lehigh Hanson

Global revenues down (-7%), with an EBITDA improvement of (+6%). North American operations saw revenues decrease (-1.4%), and EBITDA decrease (-0.1%) results were impacted by volume decreases in cement (-3.5%), asphalt (-3%) and aggregate (-1.7%) segments with a slight increase in readymix (+0.8%) volumes.

LafargeHolcim Ltd.

Full year revenues down (-5.6%), with a decrease in EBITDA (-0.9%). Results were driven by volume decreases in cement (-6.9%), aggregates (-5.4%), and readymix (-9.9%). Globally, the company completed eight bolt-ons, with three of the acquisitions in North American aggregates. North America saw revenues decrease (-3.3%), however North American EBITDA improved (+2.9%). Revenue was impacted by volume decreases in all product lines in North America, cement (-4.8%), aggregates (-5.0%), and readymix (-1.7%).

Eagle Materials Inc.

Eagle's fiscal year-end is March 31. Through nine months of FY 21, Eagles revenues grew (+16.4%) over the same period in 2020, driven primarily by an increase in cement sales from the 2019 Kosmos Cement acquisition. Average prices for the same period increased in cement (+1%), aggregates (+2%), and readymix (+7%).

Forterra Inc.

Saw significant improvements across the business. Net sales revenue increased by (+4.2%), while gross profit grew (+27.1%) and Adjusted EBITDA increased (+36.8%). Drainage Pipe and Products shipment volumes were down (-11%), however average sales price increased (+8%). On February 22, 2021 the company announced it had entered into a definitive agreement to be acquired by Quikrete.

Key Trends

Most of the companies above indicated that in the first half of 2020 they saw a negative impact in their markets from COVID as lock downs and uncertainty over the direction of the economy caused a slow down in most regions. However, for the majority of the companies (North American operations) there was a "second half surge" that saw increased spending as construction projects got going again. The majority of these companies also decreased planned investment in capital expenditures in the the first half of the year, slowing reinvestment in the business (similar to what was done in the Great Recession) as they determined where they believed the economy was heading. The majority of the companies discussed above (except Heidelberg Cement nearly flat at -0.1% EBITDA change year-over-year in North America) were able to improve EBITDA in North America in a difficult 2020 market through an increased focus on cost control, and product pricing. Acquisition activity slowed, as producers stopped their acquisition growth efforts entirely, or only acquired bolt-on companies in core markets.



What The Majors Are Saying - 2021

“Looking ahead, we believe 2021 will be a year in which we see a return to a more normalized state as underlying demand fundamentals reset, and the nation's economy regains momentum.”

-C. Howard Nye, CEO of Martin Marietta Materials

Key Notes from Major Players

Martin Marietta Materials

Company expects to see improvements in all primary end-use markets (infrastructure, non-residential construction, and residential) and all key geographies. Infrastructure activity, particularly for aggregates-intensive highways, roads and streets, continues to be resilient. Projected average price increase in aggregates (+3% to +5%). Expect to pursue further bolt-on and platform acquisitions.

Vulcan Materials

Aggregate demand outlook is improving and expect shipments to continue to grow through 2021. Continued strength in residential and recent improvement in highway contract awards signal recovering demand during the year, light nonresidential construction expected to be challenging in first half, potentially improving later in the year. Pricing expected to improve between (+2% to +4%) in 2021.

Summit Materials

Spending increase in residential and infrastructure markets to drive volume overall, with slight volume increase across most product lines, with low to mid single digit price increases in most product lines. Plan to continue organic and acquisitive growth with a mix of greenfield expansion and bolt-on acquisitions.

CRH PLC/Oldcastle

Plan to increase the 2021 dividend by 25%. Expect to see a trough in non-residential construction, with price improvements across product lines this year. Bolt-on acquisition program to continue with potential platform expansion as opportunities arise.

US Concrete, Inc.

Projecting an increase in adjusted EBITDA of (+2% to +5%). Management has given minimal guidance on 2021, but plan to add cement terminals to strengthen its position in readymix raw materials supply on the west coast. Long term, the company has significant plans to continue growth in aggregates through organic and acquisitive growth.

CEMEX S.A.B.

US market should be supportive of price increases driven by tight supply/demand dynamics in most markets combined with rising energy costs. Material Gross Domestic Product recovery expected in all major markets, with significant fiscal stimulus in the US and Europe.

Arcosa Inc.

Key Texas and Gulf Coast markets expected to have resilient public and private construction activity. Company is focused on additional organic, bolt-on and platform acquisition growth opportunities in natural and recycled aggregates. Recent announcement on a platform aggregates acquisition into new geographic markets enhancing position as a major US aggregates producer.



What The Majors Are Saying - 2021 - *Cont.*

HeidelbergCement/Lehigh Hanson

Globally projecting a slight increase in revenue, operating EBITDA and operating EBIT. In the US market there is a positive outlook with further recovery projected in construction activity driven by recent leading indicators and large government stimulus, leading to a positive pricing environment. May consider bolt-on acquisitions, but no larger acquisitions targeted in 2021.

LafargeHolcim Ltd.

See housing and infrastructure spending (driven by stimulus plans) in the US as positive drivers for growth in 2021. Continued focus on bolt-on acquisitions after closing of Firestone transaction (expansion into roofing materials).

Eagle Materials Inc.

Views the housing market, and infrastructure spending as a positive for growth in its core markets.

Forterra Inc.

Due to the recent announcement of an agreement to be acquired and taken private by Quikrete, no forward guidance for 2021 has been given by management at this time.

Key Trends

The majority of companies listed above have stated that increased infrastructure spending, either a new transportation bill, or a continuation of the current bill plus stimulus spending as part of the COVID relief package will help drive an increase in volumes this year. Additionally, a majority of these companies believe the residential sector will lead to increased growth due to pent up demand in a number of markets. However, some negative impact in non-residential construction is expected as construction of retail, office and other non-residential space has slowed. In conversations with some of the senior management, they have indicated that they believe there may be a long term structural change in certain construction market segments, i.e. large hotels, and high rise office buildings may not (for a decade or more) return to the same levels of construction we have seen in the last several years. The pace of consolidation is expected to pick up in 2021 as companies that were more hesitant last year look at opportunities to expand. This is already starting to be seen in the market, as several transactions have been completed or announced.

KNOWN INCREASE IN INFRASTRUCTURE SPENDING

The proposed \$2 trillion infrastructure by the new White House administration is an ambitious one, and it would pour billions of dollars into the construction industry via improvements to building infrastructure (i.e. housing, schools, hospitals), transportation infrastructure (i.e. bridges, roads, waterways and ports), and water and sewer infrastructure (i.e. pipes and service lines).

This bill would be a massive catalyst to the construction industry by way of new projects, and aggregate companies would be one of the major beneficiaries of that spending. While price and volume of aggregates are already projected to increase, this bill could bolster that price and volume increase materially higher than projected with ripple effects extending to the cement, ready-mix, asphalt industries to boot. With these improvements in planned spending to roads, bridges, and other infrastructure, it is expected that both publicly traded and privately owned construction materials companies will see sustained increased sales volumes and profitability once the package passes.

Valuation and Trading Statistics for Major Players

Ticker	Company Name	Stock Price	% of 52-Week		Market Cap	Enterprise Value	LTM Revenue	LTM EBITDA	Enterprise Value /	
		4/23/2021	High	Low					LTM Revenue	LTM EBITDA

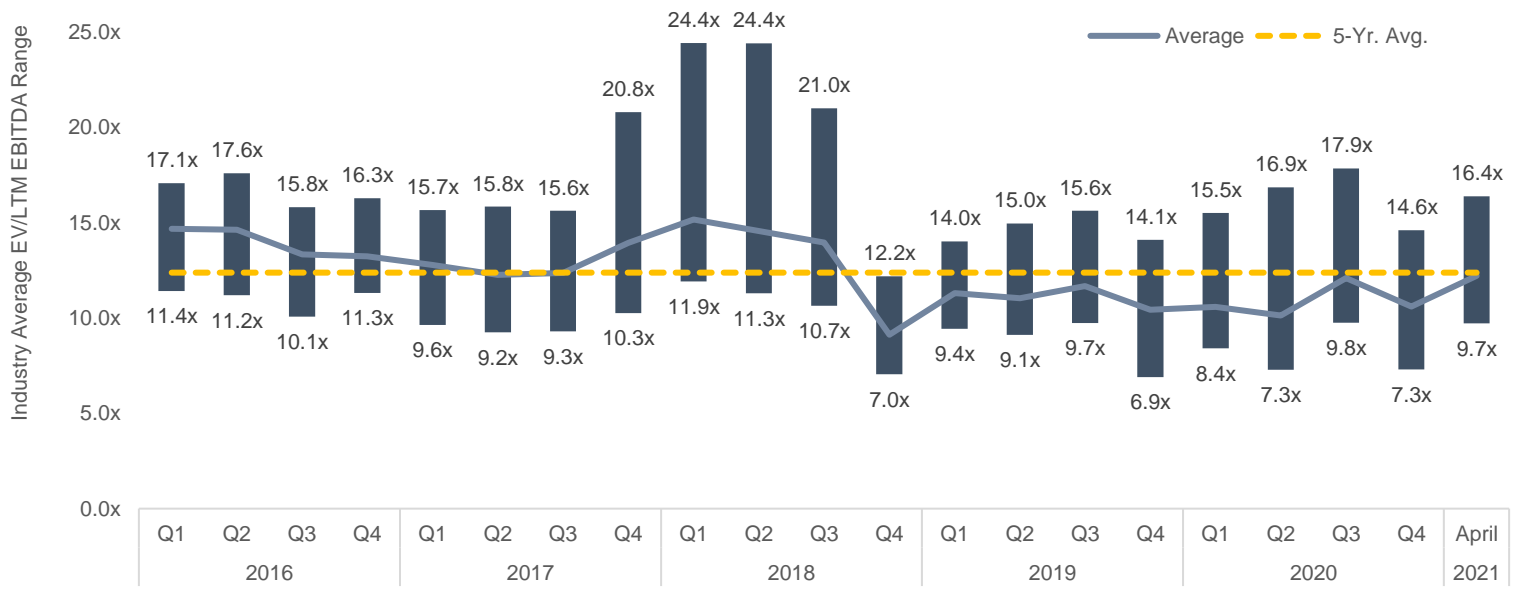
(All \$ in MM except for Stock Price)

Construction Materials Product Index

NYS: ACA	Arcosa	\$ 64	94%	207%	\$ 3,053	\$ 3,212	\$ 1,936	\$ 284	1.7x	12.2x
NYS: CX	Cemex	\$ 8	98%	413%	\$ 10,871	\$ 21,397	\$ 12,970	\$ 2,460	1.6x	35.7x
LON: CRH	CRH	\$ 47	95%	178%	\$ 37,265	\$ 44,087	\$ 27,587	\$ 4,630	1.6x	11.5x
NYS: EXP	Eagle Materials	\$ 144	99%	296%	\$ 5,900	\$ 6,808	\$ 1,631	\$ 479	4.3x	12.9x
NAS: FRTA	Forterra	\$ 23	98%	369%	\$ 1,563	\$ 2,655	\$ 1,595	\$ 279	1.7x	11.0x
ETR: HEI	HeidelbergCement	\$ 93	96%	222%	\$ 18,537	\$ 28,627	\$ 20,069	\$ 8,041	1.4x	7.2x
SWX: LHN	LafargeHolcim	\$ 62	98%	172%	\$ 38,001	\$ 50,722	\$ 24,645	\$ 6,364	2.1x	8.8x
NYS: MLM	Martin Marietta	\$ 357	100%	235%	\$ 21,877	\$ 24,757	\$ 4,730	\$ 1,426	5.2x	17.7x
NYS: SUM	Summit Materials	\$ 29	94%	281%	\$ 3,383	\$ 4,936	\$ 2,332	\$ 485	2.1x	11.5x
NAS: USCR	U.S. Concrete	\$ 66	83%	444%	\$ 1,082	\$ 1,876	\$ 1,366	\$ 231	1.4x	11.4x
NYS: VMC	Vulcan Materials Company	\$ 179	100%	203%	\$ 23,424	\$ 25,915	\$ 4,857	\$ 1,324	5.3x	20.6x

Statistics

Min	\$ 8	83%	172%	\$ 1,082	\$ 1,876	\$ 1,366	\$ 231	1.4x	7.2x
Median	\$ 64	98%	235%	\$ 10,871	\$ 21,397	\$ 4,730	\$ 1,324	1.7x	11.5x
Mean	\$ 98	96%	274%	\$ 14,996	\$ 19,545	\$ 9,429	\$ 2,364	2.6x	14.6x
Max	\$ 357	100%	444%	\$ 38,001	\$ 50,722	\$ 27,587	\$ 8,041	5.3x	35.7x



2020 Transaction Trends

During 2020 the majority of transactions completed were bolt-on acquisitions that should deliver immediate synergies to the acquirer. The synergies achieved by acquirers generally fall into three categories:

- 1 - Revenue synergies
- 2 - Cost synergies
- 3 - Financial synergies

Revenue synergies generally revolve around the sales function in some way, such as adding new products, and geographic expansion into contiguous markets. Adding new products (i.e. a sand and gravel acquisition for a crushed stone producer) allows cross-selling and the potential to gain new customers by becoming a "full line" supplier. Geographic bolt-ons can offer entry into a nearby market that the acquirer cannot serve with its existing assets. The StonePoint Materials acquisition of River Aggregates discussed on the next page is a good example of this type of synergy.

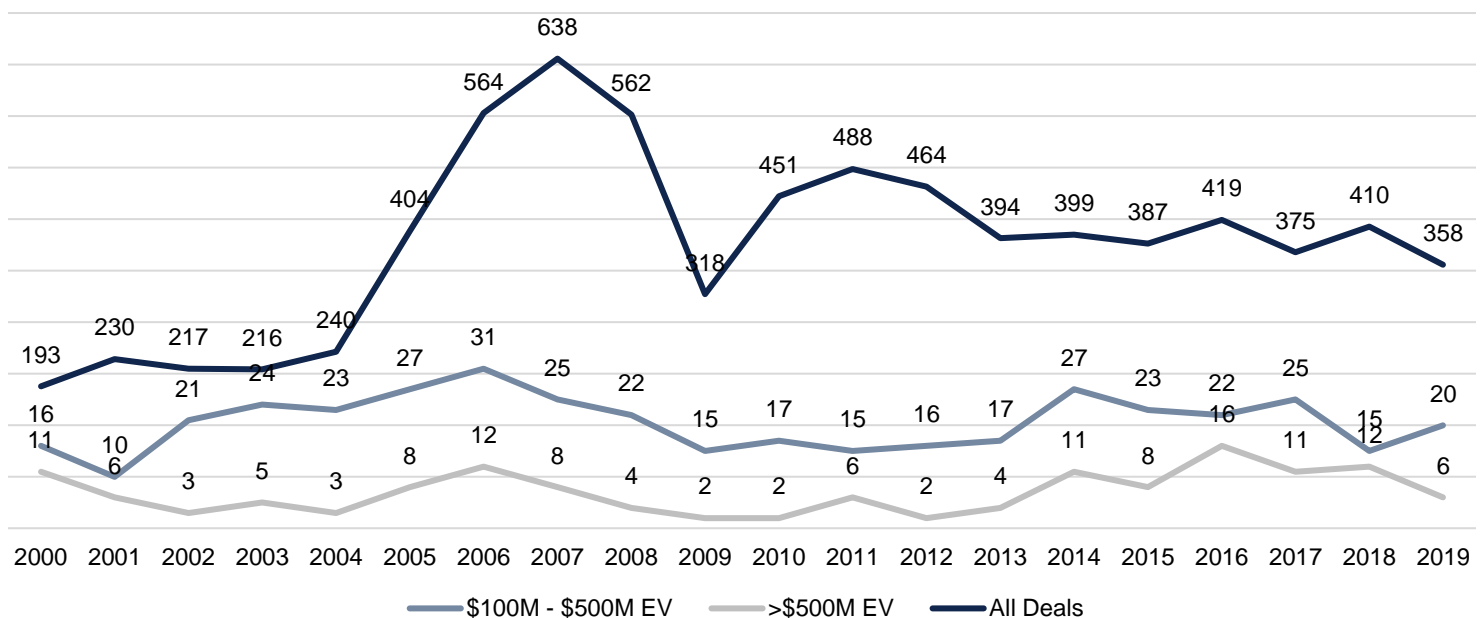
Cost saving synergies can be calculated a multitude of ways. In many acquisitions there is a reduction in staffing for certain roles, i.e. duplicative management roles, or savings on back-office expenses - as human resources, benefits, and many accounting roles are often centralized. There are operational improvements (the "low hanging fruit" cost savings generated through leveraging the strengths of the acquirer), or centralized purchasing for improved negotiating power with vendors, to name some of the more common cost synergies.

Financial synergies benefit the acquirer from increased revenues, which can lead to a lower cost of capital, or improving the debt capacity of the acquirer if they buy a business with little, or no debt.

Through vertical integration an acquirer gains other synergies such as guaranteeing themselves a supply of raw materials (i.e. an asphalt producer buying a crushed stone quarry, or a readymix producer buying a sand operation). Or a raw materials producer guarantees itself an outlet for material (i.e. a crushed stone producer buying a ready-mix operation, or a cement producer buying readymix).

Transaction volume slowed significantly in 2020 as uncertainty about the economy made acquirers more cautious. Bolt-on acquisitions generally offer a more conservative approach to growth due to the synergies that can more clearly be identified, quantified and achieved from the acquisition.

Lower Middle Market Deals Dominate Construction Materials M&A



2020 Notable Construction Materials Transactions

Target	Buyer	Rationale / Commentary
		Private investment group in real estate development acquired aggregate producer and distributor in the southeast
		Expanded the company into New Hampshire, adding construction aggregates
 		Cherry gives Arcosa a large presence in recycled materials and some natural aggregates. Strata further expanded those categories in Texas
		Added asphalt operations to Colas's presence in the Carolinas
  		Bolt-on expansions adding to asphalt operations in core NC and FL panhandle areas
		Bolt-on added to Martin Marietta's footprint in the core DFW market
		Synergistic bolt-on aggregate and asphalt acquisition that adds value to Peckham's 2018 acquisition of Palmer Paving
		Synergistic bolt-on acquisition with StonePoint's LA operations, expanding its sand and gravel business into TX.
Valley Gravel ; Multisource Sand & Gravel		Bolt-on acquisitions that added to Summit's Vancouver, BC, and Houston, TX operations
		Bolt-on to Sunroc's Idaho operations, adding sand & gravel and construction services
 		Teichert's highly synergistic bolt-on of non-core assets from Eagle Materials for their CA and NV locations
		After completing two acquisitions in Canada, Sunrock has a vertically integrated business around Toronto
 		CA acquisitions add to readymix in Bay Area and enhances aggregate sales from Orca quarry. Coram adds to position in mid-Atlantic area for self-supply
Elk City Construction		Expands construction business and vertical integration for aggregates in Nashville market

Early 2021 Construction Materials Transactions

As a number of the public construction materials companies indicated, it does indeed appear that 2021 is going to be a busy year for M&A in the construction materials sector. By the end of the first quarter, several transactions were announced (deals agreed to but not yet closed), and others closed.

Rogers Group has acquired Reed Contracting Services in north Alabama, adding aggregates, asphalt and construction as a bolt-on to the existing Rogers business in the area. These assets are complementary to Rogers existing business and should yield synergies to the company in a multitude of areas.

Cemex has acquired a ready mix concrete producer in the San Antonio, TX market. This acquisition is a bolt-on to the existing business in San Antonio, adding to their existing ready mix business, and expanding their opportunities to self-supply aggregates and cement in the market.

Arcosa has announced an agreement to acquire StonePoint Materials. This acquisition offers a number of benefits to Arcosa. It is a significant geographic expansion that allows Arcosa to enter new markets in Pennsylvania, West Virginia, Kentucky, Tennessee and Louisiana, while the StonePoint assets in Houston, TX are complementary to the existing Arcosa aggregates operations in the Houston area. The acquisition adds 4 active limestone quarries (surface and underground), 10 sand & gravel mines, and 4 asphalt plants with related paving services, plus 2 marine terminals. The significant expansion of Arcosa's footprint into new markets will enhance the company's ability to add more synergy driven bolt-on acquisitions in the new regions. StonePoint is a private equity backed roll-up company that has focused on creating a "critical mass" of aggregates businesses that would be large enough to be attractive to a strategic acquirer. StonePoint was started by Sun Capital and the StonePoint management team when they acquired the VantaCore aggregate business from Natural Resource Partners LP. StonePoint then began implementing its roll-up strategy by adding bolt-on businesses (Louisiana, Kentucky, and Texas) to the VantaCore platform. While it does have synergies (operational/cost, back-office consolidation, sales: Houston market, etc.), the Arcosa acquisition of StonePoint is more of a platform for entry into other geographic markets and adds over 9.0 million tons of natural aggregate production, putting Arcosa clearly in the ranks of top US aggregates producers.

Forterra Inc. has announced it reached an agreement to be acquired by Quikrete Holdings Inc. This acquisition makes Quikrete the largest producer of reinforced concrete pipe and drainage structures in North America through the combination of its pipe and products business with Forterra's. Forterra was created through the spin-off of Hanson Pipe by Heidelberg Cement after it acquired Hanson PLC. Quikrete previously entered the pipe and products business through its acquisition of Rinker Pipe, from Cemex as a non-core Cemex asset after its Rinker Group acquisition. Quikrete has a wide array of concrete products from pipe and precast, to concrete pavers (acquisition of Pavestone), clay brick and concrete block (acquisition of Midwest Products Group), masonry cement and other complementary packaged products. This acquisition will offer significant synergies and cost savings for the combined business, as well as delivering Quikrete new avenues for growth, i.e. ductile pipe, and potable water transmission pipe.



Vantage

Strategic Advisors

VANTAGE STRATEGIC ADVISORS offers clients its unique expertise, gained from decades spent working in the construction materials industry. The professionals at Vantage have experience in aggregates, cement, ready mix concrete, concrete pipe, block, and other concrete products, sales, production and P&L management experience.

From development and implementation of strategic growth plans, to operations review and performance analysis, development of greenfield operations, and buying and selling businesses, Vantage can leverage its knowledge of, and familiarity with, a broad spectrum of the construction products and minerals industries to help you achieve your goals.

We provide our clients a new perspective on their business, with access to our unmatched network of industry contacts and relationships, deep market knowledge, and a focused dedication to service.

Services

For Buyers

- Acquisition Candidate Identification
- Acquisition Target Prospecting
- Target Market Evaluation
- Target Valuation and Financial Analysis
- Synergy Assessment
- Proposal Development
- Transaction Structuring
- Valuation Negotiation
- Contract Development
- Purchase Agreement Negotiation
- Due Diligence Assistance

For Sellers

- Review of Business
- Detailed Valuation Range Development
- Create Information Memorandum and Marketing Documents
- Identification of Prospective Strategic Purchasers
- Oversight of Sale Process and Buyer Communication
- Oversight of Preliminary Due Diligence
- Establishment of Electronic Data Room
- Transaction Structuring
- Valuation Negotiation
- Purchase Agreement Negotiation



Strategic Growth Planning

Vantage professionals work with company ownership and company management to determine a path forward—Organic growth involving expansion with new markets, products, or vertical integration (forward or supply integration) and other options



Greenfield Development

- Strategic Evaluation
- Financial Evaluation
- Financing Feasibility
- Capital Sourcing



Financing

- Recapitalization
- Growth Capital
- Debt
- Equity Investment
- Royalty Sales (Sale/Leaseback)

Numerous Successful Transactions Across the Spectrum of Construction Materials

- Sand and Gravel
- Industrial Minerals
- Cement
- Brick
- Crushed Stone
- Concrete Pipe
- Pre-Cast Concrete
- Concrete Masonry (Block)
- Frac Sand (Proppant)
- Ready Mix Concrete
- Concrete Pressure Pipe
- Concrete Roof Tile

With decades of industry experience, we will maximize the value to your company. From the greenfield development of new mines, and cement terminals, to growing an existing business and future exit planning, Vantage Strategic Advisors realizes that every deal is different. So we focus not only on the needs of your business, but your needs, as well.