



Target | Commercial Due Diligence

Final Report

June 2026

Client logo

Target
logo

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Client is considering an acquisition in the mechanical insulation market and has engaged DPO&Co to conduct a multi-scope commercial due diligence

Project Background

- Client is a growth-focused private equity firm investing in lower middle-market businesses in industrial and other sectors that serve professional and technical customers
- Client has identified Target, a City A-based specialty contractor with eleven locations across the Region A, as an acquisition target
- Target provides mechanical insulation, thermal insulation, and firestopping services to commercial and industrial customers, primarily through mechanical contractors, with additional exposure to general contractors and select direct customers on larger projects
- DPO&Co has been engaged to conduct a structured commercial market study to support Client's platform strategy and investment evaluation
- The study will assess market attractiveness, competitive dynamics, customer demand drivers, and the target's positioning to evaluate the platform's growth potential

Project Objectives

- ✓ Assess market size, outlook, and competitive dynamics
- ✓ Understand contractor needs and purchasing behavior
- ✓ Analyze sales performance, vendor spend, and backlog trends
- ✓ Identify and prioritize most attractive growth opportunities

Activities required to achieve objectives have been structured around four modules, market assessment, contractor interviews, business analysis, and value creation planning

01. Market and Competitive Assessment

- Size Total Addressable Market for Target's core service offerings, with segmentation by geography and end market
- Identify market headwinds / tailwinds and assess impact of regulations, raw material pricing, and disruptive technologies
- Map roles of key contractors across the project lifecycle
- Outline competitive landscape, including direct competitors and adjacent market participants
- Conduct high level geographic density analysis to identify states with high/low levels of competition

02. Customer and Contractor Interviews

- Conduct targeted interviews with GCs and mechanical contractors
- Assess sourcing and selection process for subcontractors
- Evaluate contractor engagement across the project lifecycle and identify when insulation subcontractors are brought in
- Rank key purchasing and selection criteria
- Understand project pipeline dynamics across customer accounts and near-term outlook
- Assess when mechanical contractors are more likely to self-perform versus subcontract

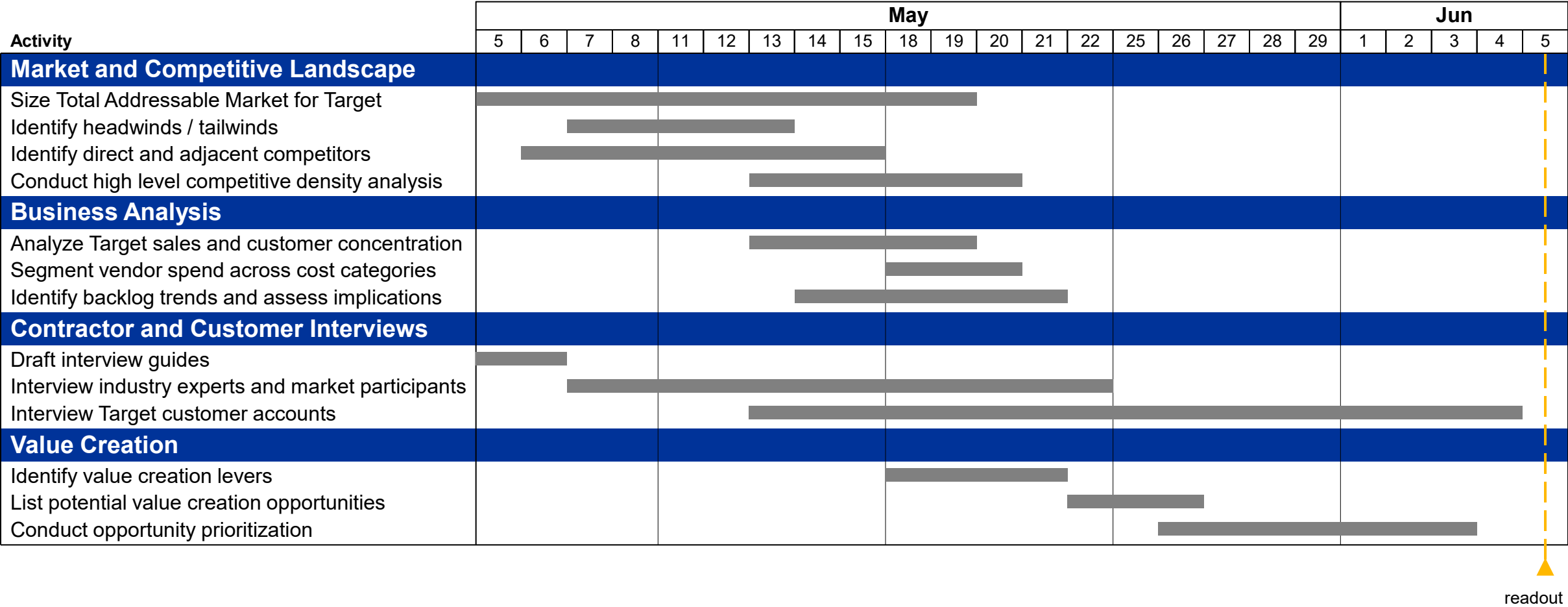
03. Sales, Vendor, and Backlog Analysis

- Analyze customer concentration and contract size over time
- Assess geographic sales mix
- Segment vendor spend and supplier count across direct and indirect cost categories
- Identify backlog trends and gaps relative to historical sales
- Assess implications of backlog, including future customer and end-market concentration

04. Value Creation Planning and Prioritization

- Synthesize market findings, interviews, and internal data to identify growth opportunities
- Develop a list of actionable initiatives to deepen Target's core focus and expand into adjacencies
- Build a scoring framework to evaluate each opportunity based on attractiveness, feasibility, and strategic fit
- Estimate potential impact of each opportunities and prioritize target initiatives

All four work modules will be executed over the span of four weeks, with a final report readout on June 5th



Insights were enhanced through interviews with experts and market participants

Company	Job Title	Role
[Redacted]	Director of Project Controls & Commercial	Competitor
[Redacted]	Director of Business Development	Competitor
[Redacted]	Project Manager	Contractor
[Redacted]	Vice President	Contractor
[Redacted]	Project Coordinator	Contractor
[Redacted]	Director of Preconstruction	Target Customer
[Redacted]	Business Operations Manager	Target Customer
[Redacted]	Commissioning Project Manager	Target Customer
[Redacted]	Project Manager	Target Customer
[Redacted]	Senior Project Manager	Target Customer



A. Executive Summary



Target is an attractive target in a growing industry with clear opportunities for growth



Mechanical insulation and firestopping market offers an attractive, structurally supported growth runway

- US market is projected to grow from \$39B to \$49B by 2030 (~5.8% CAGR), driven by sustained construction activity, code-driven requirements, and growing focus on energy efficiency
- Heavy Commercial is largest and fastest-growing segment, with Data Center as fastest growing end market at a ~15.2% CAGR and Manufacturing the largest single end market at ~24% of TAM
- Pricing tailwinds as nonresidential construction spend has outpaced labor growth by 148 p.p. since 2002, with ~41% of construction workforce expected to retire by 2031, constrained labor supply should keep pushing specialty-trade prices upward



Target is well positioned to compete in an industry where service, not product, wins business

- Products are largely spec-driven, so differentiation comes from service and operations, which is where relationships and bids are won
- Target's regional model aligns with the top purchasing criteria cited by customers (quality of work, previous experience, and relationships rank highest; price is secondary)
- Demand-side support is strong: interviewed customers like Customer C, Customer B, and Customer A subcontract ~90–100% of insulation work and expect continued outsourcing

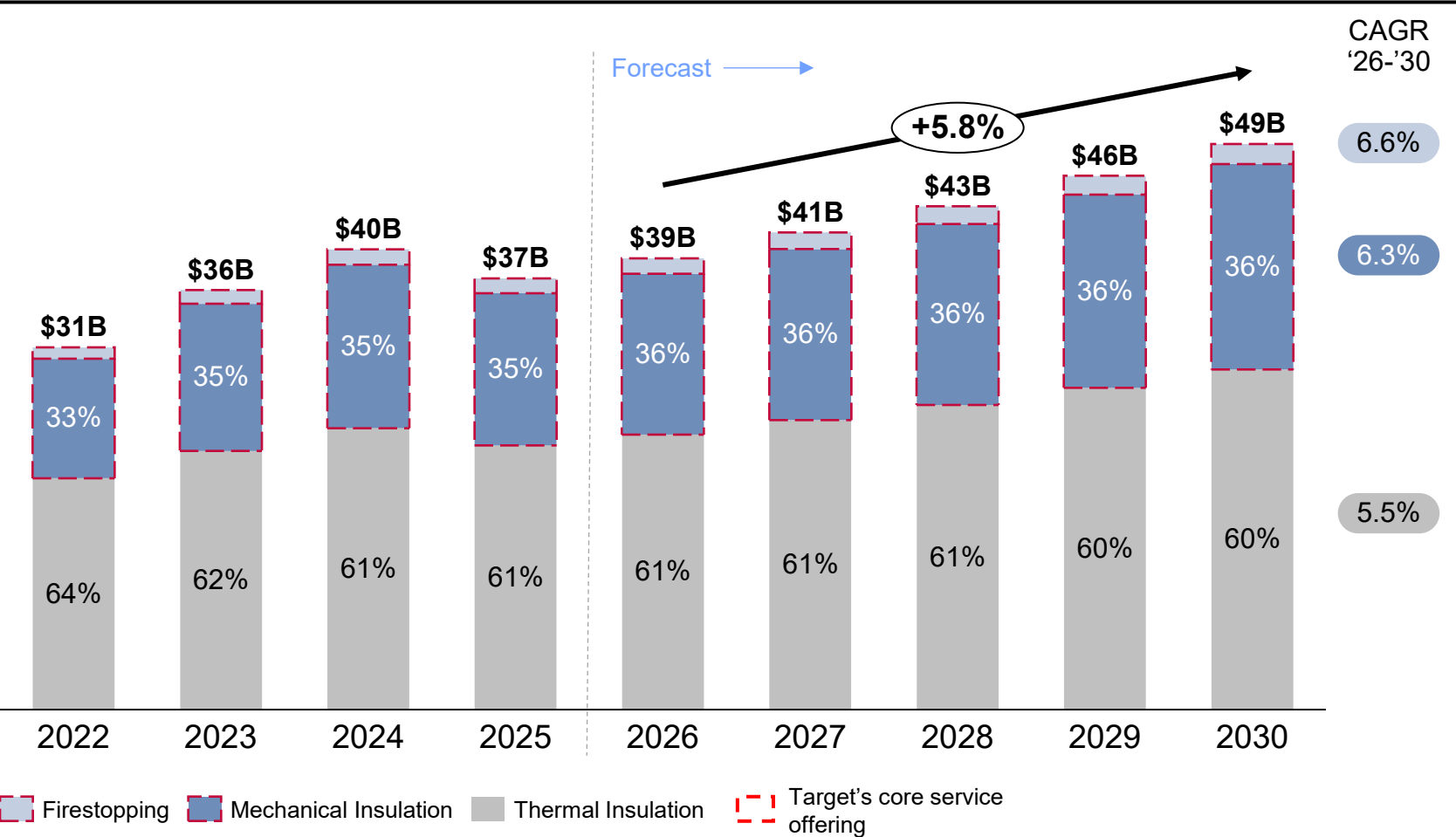


There is a clear, multi-pronged, path to growth

- Lean into Data Center - the ~15% CAGR end market that makes up the bulk of Target's verbally awarded pipeline (\$XXM of \$XXM)
- Expand Firestopping, Target's highest-margin service (~47% gross margin, 9–16pp above other services) that today is ~10% of revenue
- Focus geographic expansion on attractive heavy-commercial markets, with entry strategy calibrated to local union and/or non-union labor dynamics
- Deepen penetration of existing Region A footprint, where market remains fragmented with no national leader and Target holds meaningful share (e.g., State C, State E)

Insulation and Firestopping market is projected to grow from \$39B to \$49B by 2030, driven by sustained construction activity, building requirements, and growing focus on energy efficiency

2022-2030 US Market Size by Service

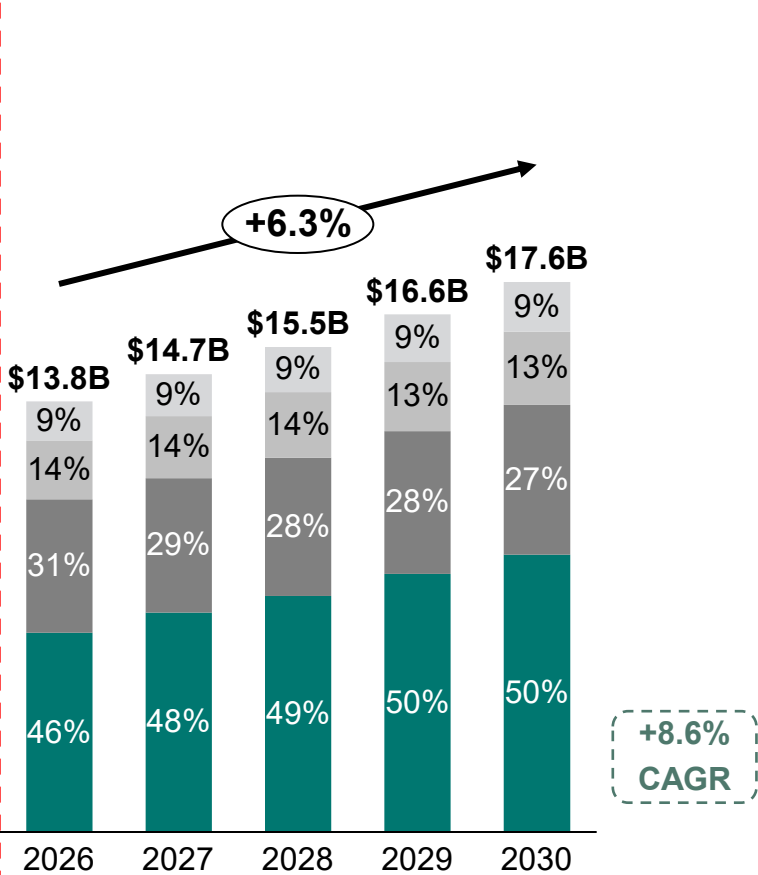


Key Takeaways

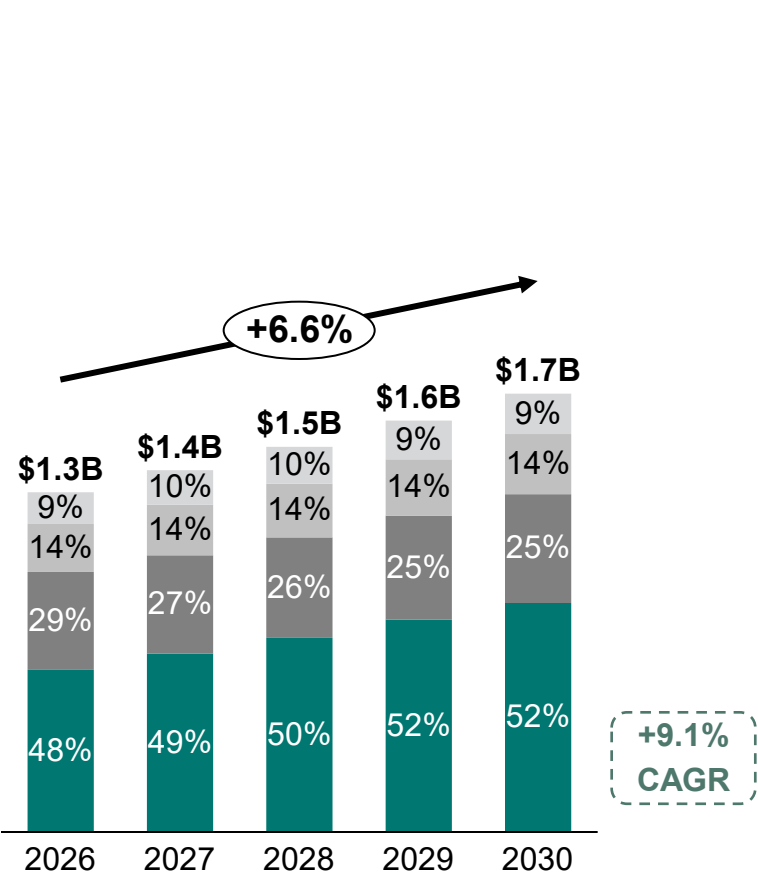
- After a softer 2025, the market is expected to recover as project pipelines normalize and delayed construction projects resume
 - Strong nonresidential backlogs supported elevated activity through 2024, but activity slowed in 2025 as tariffs and shifting policies created investment uncertainty
 - The outlook is favorable, with growth supported by code-driven requirements and a stronger focus on energy efficiency and asset preservation
- Thermal insulation growth is expected to lean residential, while firestopping and mechanical insulation are driven by more mechanically intensive applications
- New construction accounts for ~55-65% of market activity, with the remaining tied to renovations, expansions, and improvements
- Labor drives most of mechanical insulation project costs, representing ~65-70% of total costs versus ~30-35% for materials

Heavy Commercial is the largest end market segment in mechanical insulation and firestopping
- Growing faster than the broader market at 8.6% and 9.1%, respectively

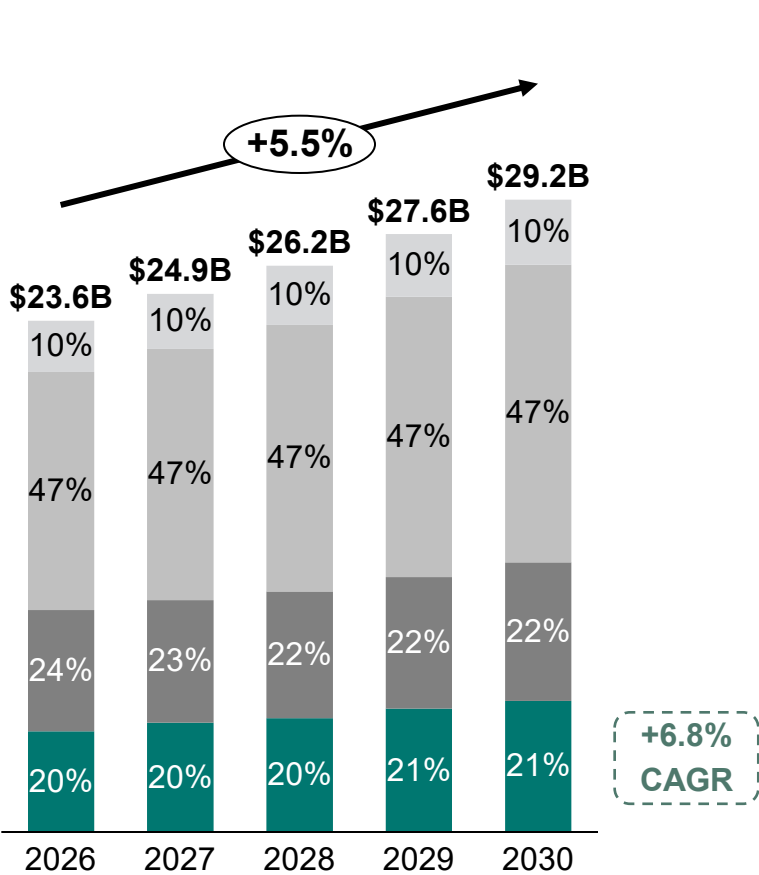
US Mechanical Insulation Market Forecast



US Firestopping Market Forecast



US Thermal Insulation Market Forecast

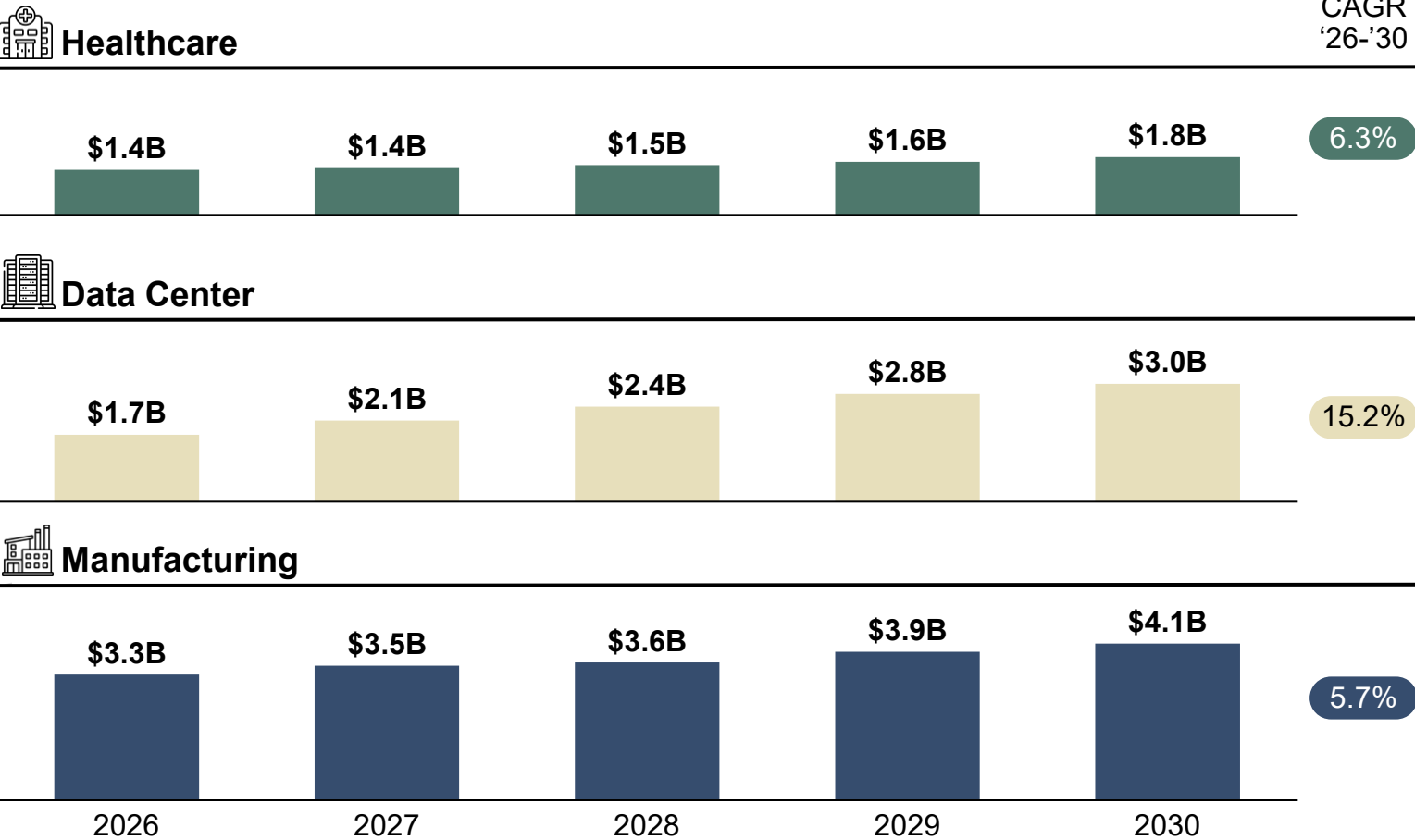
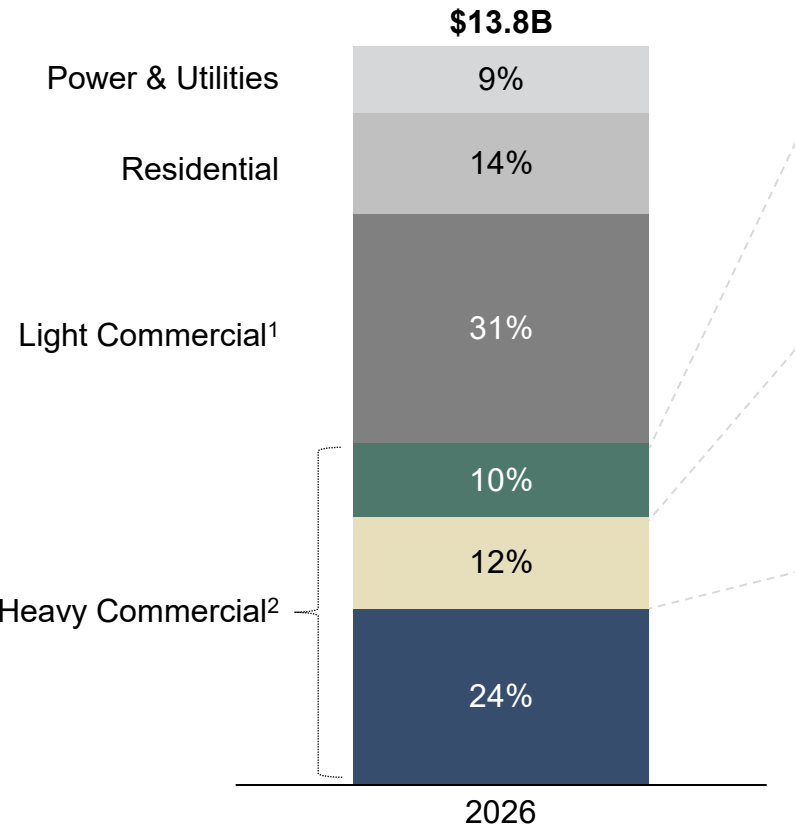


■ Heavy Commercial¹ ■ Light Commercial² ■ Residential ■ Power & Utilities ■ Target's core service offering

1. Heavy Commercial includes Manufacturing, Healthcare, and Data Center; 2. Light Commercial includes General Commercial, Education, and Other

Within Heavy Commercial, Data Center is the fastest-growing end market at 15.2%, while manufacturing is the largest at ~24% of TAM

US Mechanical Insulation Market

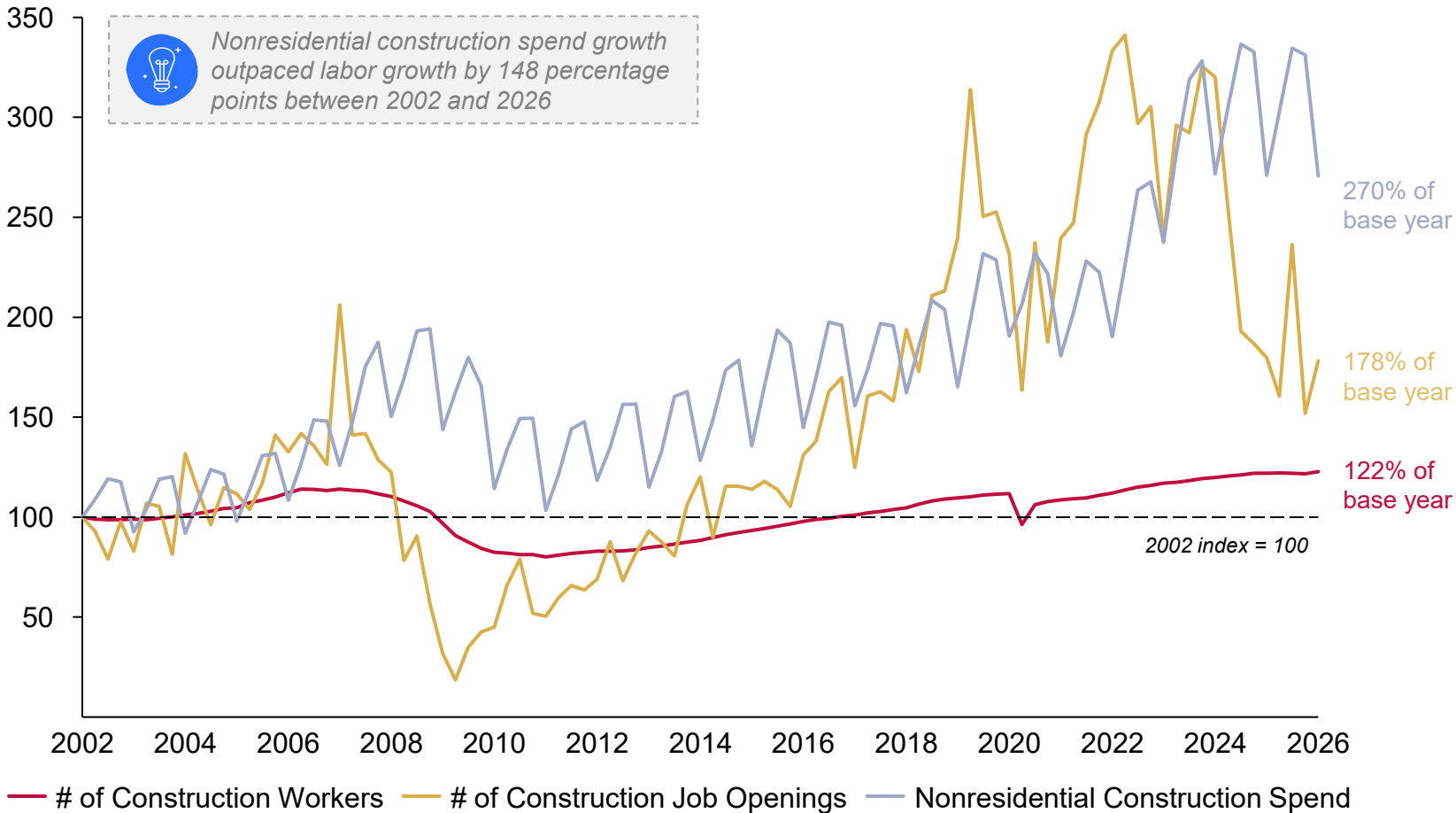


■ Manufacturing ■ Data Center ■ Healthcare

1. Light Commercial includes General Commercial, Education, and Other; 2. Heavy Commercial includes Manufacturing, Healthcare, and Data Center

Prices for mechanical insulation projects likely to rise as construction demand continues to outpace constrained labor supply

Number of US Construction Workers, Job Openings, and Total Spend¹ [Index = 2002]



1. Only includes nonresidential construction spend

Comments



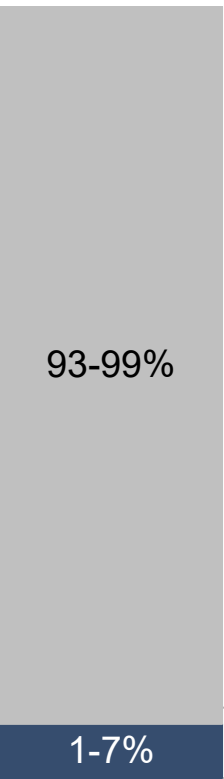
- Rising population growth and industrial development continue to drive construction activity, while labor supply has not kept pace
- Labor availability remains constrained as retirements outpace new entrants and the replacement pipeline remains too thin
 - 41% of the current construction workforce is expected to retire by 2031
 - 68% of firms report applicants lack the skills needed to work in construction
- With demand rising and labor supply constrained, pricing for specialty trades and related services is likely to increase

"I think the volume of work will increase and there will be a labor shortage, and the labor shortage is going to be growing...If you can't get people to do the work, you can't do the work...prices are going to have to go up because there just aren't going to be as many people."

- Director of Business Development, Competitor A

Beyond labor constraints, mechanical insulation’s small share of MEP spend offers building owners an attractive return through rapid payback, energy savings, and emissions reduction

Mechanical Insulation as % of MEP



Value Proposition



Fast payback

Code-compliant steam pipe insulation **pays back in less than one year** across most industrial sectors



Meaningful utility savings

Mechanical insulation **proven to reduce utility costs** by ~\$2.25/ft² in hospitals and \$0.20/ft² in schools



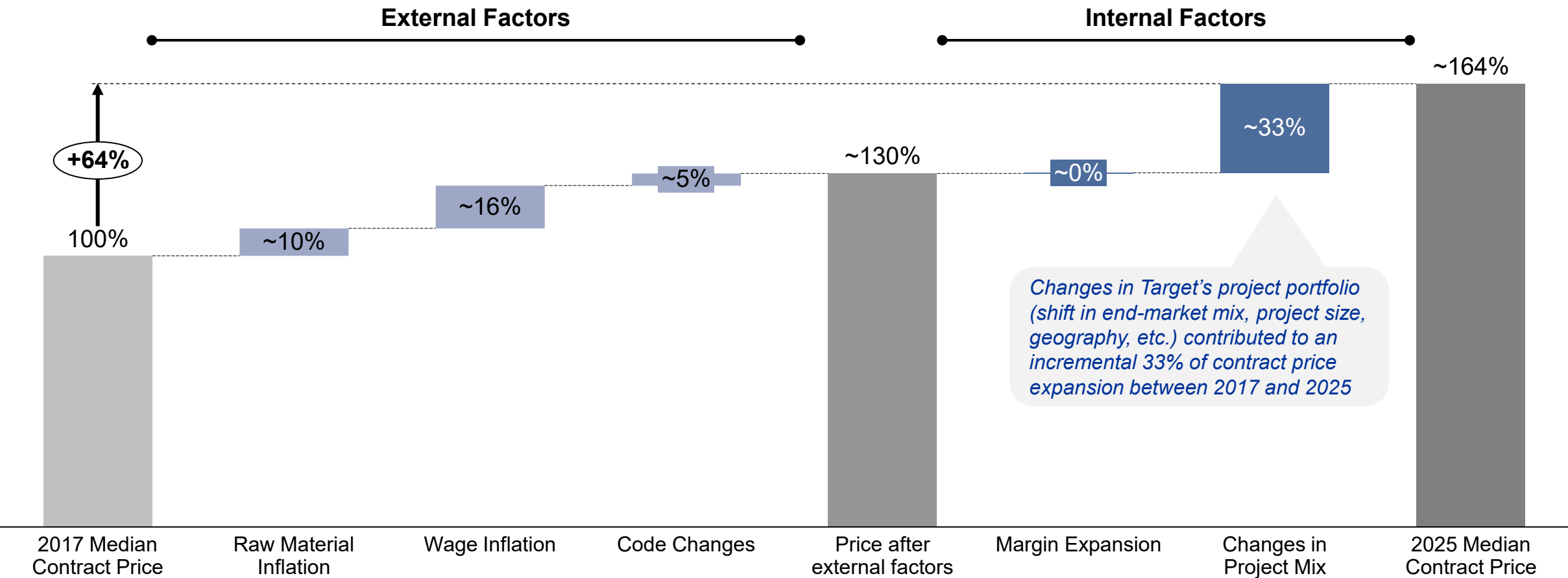
Material emissions impact

Insulation can **lower annual CO₂e¹ emissions** by millions of tons per facility, including 14.3M per year for a chemical facility and 4.3M per year for a food facility

■ Mechanical Insulation ■ Other MEP Spend

1. CO₂e = carbon dioxide equivalent, a standard unit that expresses all greenhouse gases as the amount of CO₂ with the same warming impact

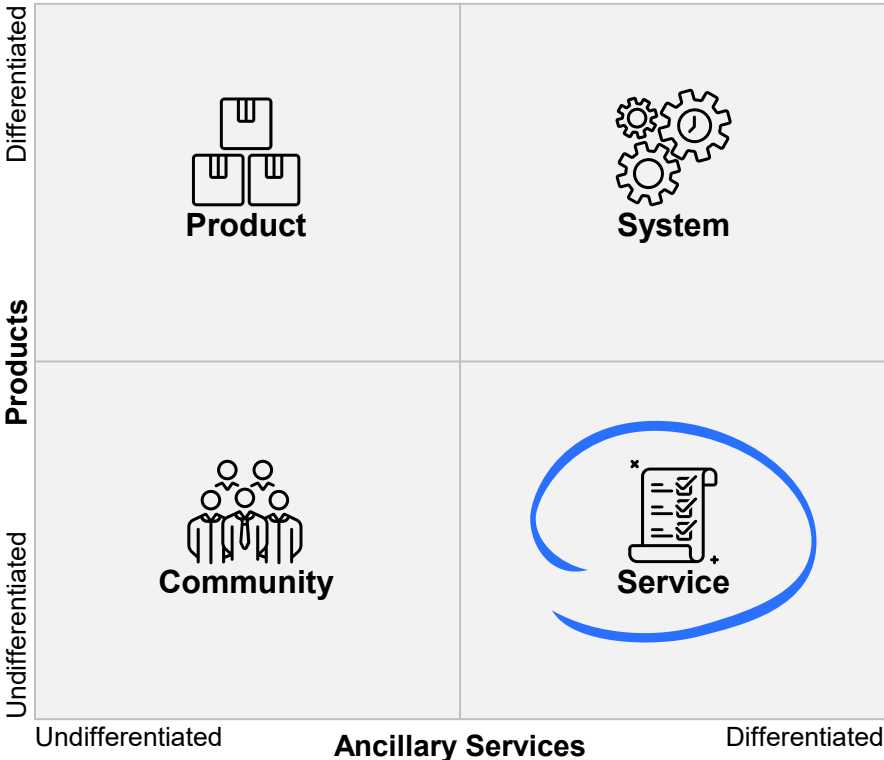
Target’s median contract price has expanded 64% since 2017, with nearly half of that growth driven by external inflation and code factors and the rest by portfolio mix



Note: Raw Material Inflation is derived from FRED Producer Price Index (PPI) for insulation materials and assumes materials represent ~30% of total project costs; Wage Inflation is based on Bureau of Labor Statistics hourly wage growth for Mechanical Insulation workers and assumes labor represents ~70% of total costs; Code Changes reflect estimate from JP Morgan report that the 2022 building code requires ~15% more material than the 2015 code

In an industry where Products are spec-driven, approach to Service and Operations are differentiating factors that influence customer relationships and/or winning bids

Industry Differentiation Matrix



- Service**
Ancillary services (e.g., delivery, support, expertise, customization) is where companies compete. Sales positioning emphasizes delivery, not what is delivered
- Community**
Neither product nor services stand out. Differentiation comes from belonging (e.g., brand loyalty, user communities, relationships, and shared identity)
- Product**
Core offering stands on its own. Sales efforts target product's unique features and quality. "the product sells itself"
- System**
The product and surrounding services are differentiated. Full ecosystem creates a compelling, hard-to-replicate offer. Sellers offer the complete solution, not just the product

What We Heard

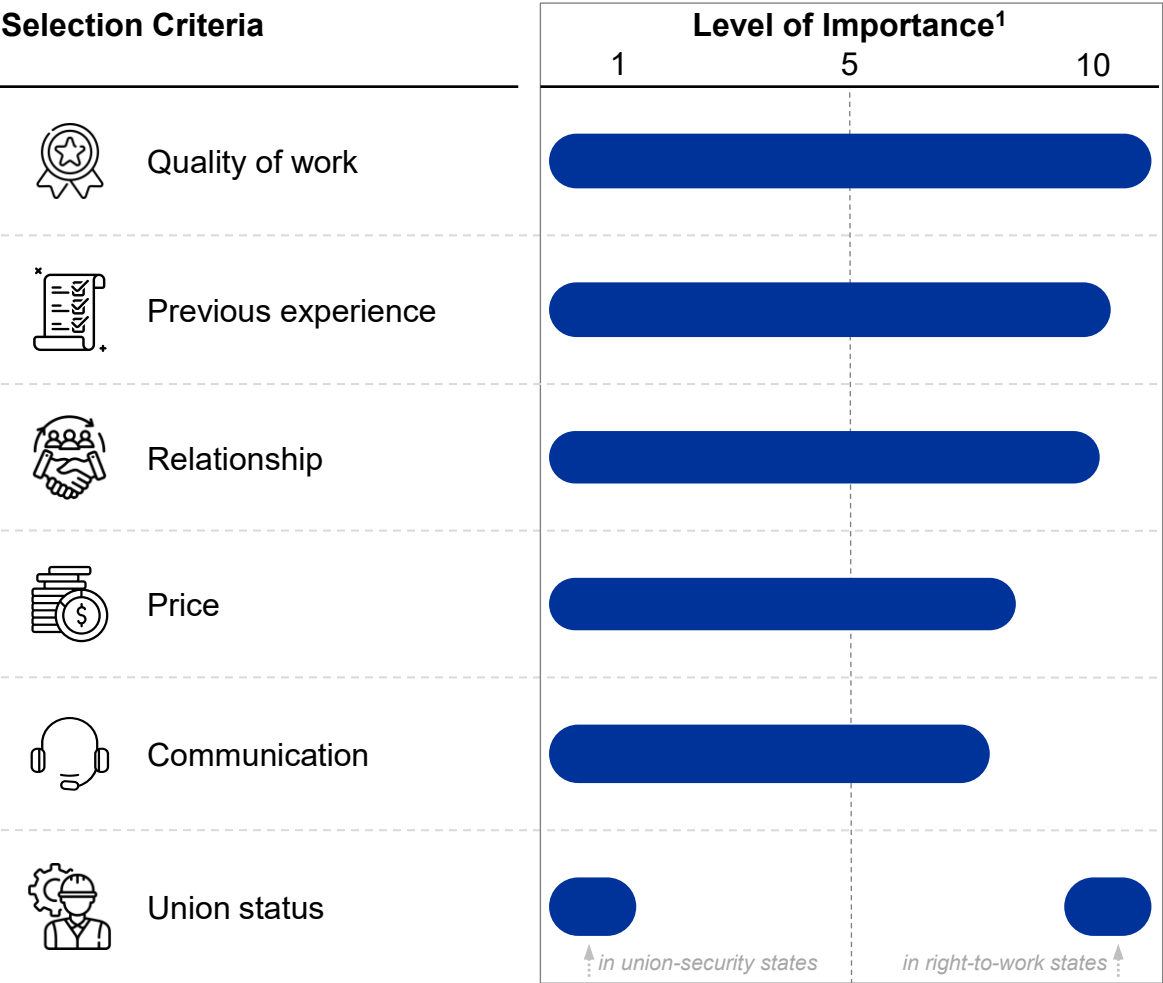


"We will go with the company who is going to answer the phone and send eight guys to the job site tomorrow if we need them to."
- Project Manager, Company A

"What separates one company from the other is how the staff interacts with the customer. Client engagement is key."
- Project Coordinator, Company B

"On larger projects, we select professionals who regularly perform this type of work, with decisions driven by project experience."
- Vice President, Company C

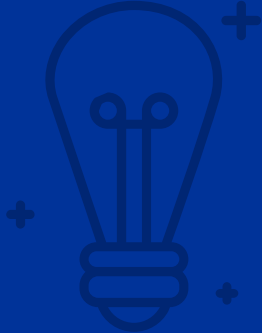
Target’s regional model positions it well against customer selection criteria by enabling strong local relationships without sacrificing the scale and execution customers expect



1. Importance score ranges from 1 (least important) to 10 (most important)

Comments

- Quality of work is the primary selection criterion, and consistent execution is what typically earns sticky customer relationships
- Price matters, yet relevant experience is often more important as customers seek confidence in scope execution
- Union status is a binary consideration: critical in union-security states and far less relevant in right-to-work states



What We Heard

“The number one criterion is qualifications and the ability to perform the work. Experience is part of that, but it really comes down to technical capability.”

- Senior Project Manager, Customer A

“The top three things are: first, have I worked with them, or has someone on my team worked with them; second, price; and third, whether they can meet the schedule we’ve laid out.”

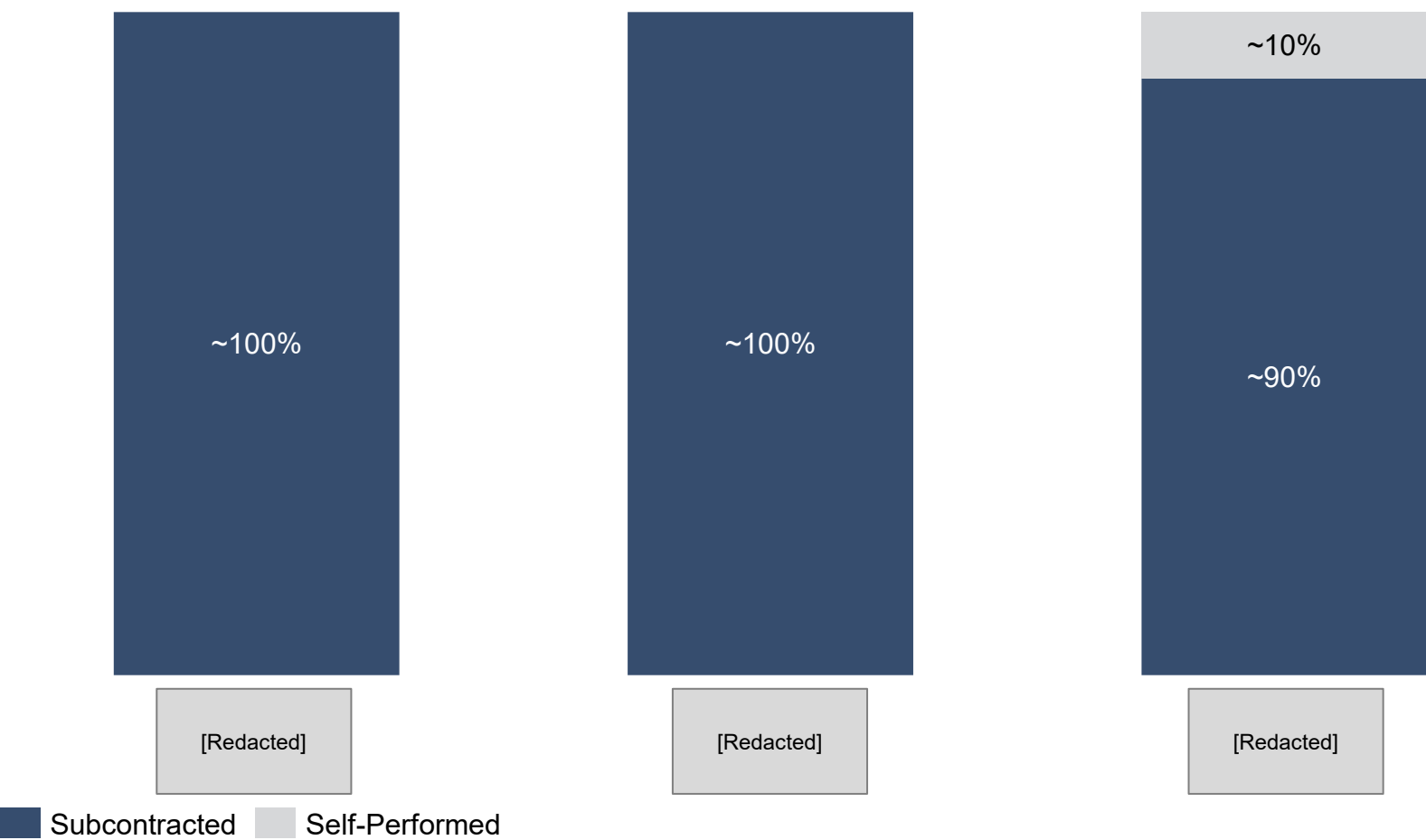
- Project Manager, Customer B

“The first thing we consider is our past experience with the subcontractor...The second piece is how responsive and detailed the subcontractor is during the early budgeting process.”

- Director of Preconstruction, Customer C

Interviewed customers expect strong activity and continued outsourcing of insulation work, with Customer C’s particularly positive outlook supported by its diversified project portfolio

Share of Insulation Work Subcontracted vs. Self-Performed by Customer Account



What We Heard

*“I think my company is in a very unique position in that **we have a very robust pipeline. We’ve got a lot of optimism for the next few years**, and a lot of that ties to the fact that we are highly diversified across different vertical markets.”*

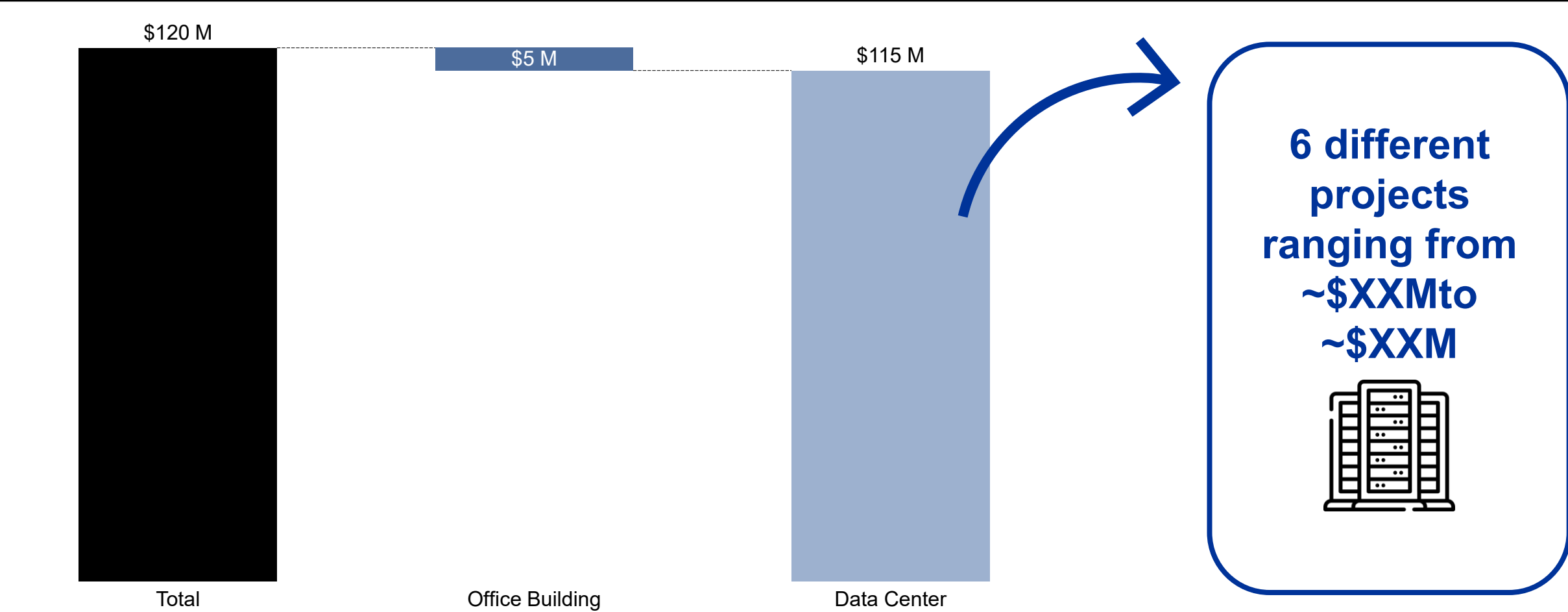
- Director of Preconstruction, Customer C

*“Customer B did \$1B in data center work in 2025, and they told us in the beginning of the year that we were on pace to do \$10B in the first quarter of 2026...**Work hasn’t slowed down for Customer B**...I would imagine there’s probably some type of risk management built into their processes to make sure that the projects get to the finish line.”*

- Commissioning Project Manager, Customer B

Target’s projected pipeline is Data Center heavy, supporting inroads into a fast-growing end market and strengthening relationship with Customer E, a long-standing customer

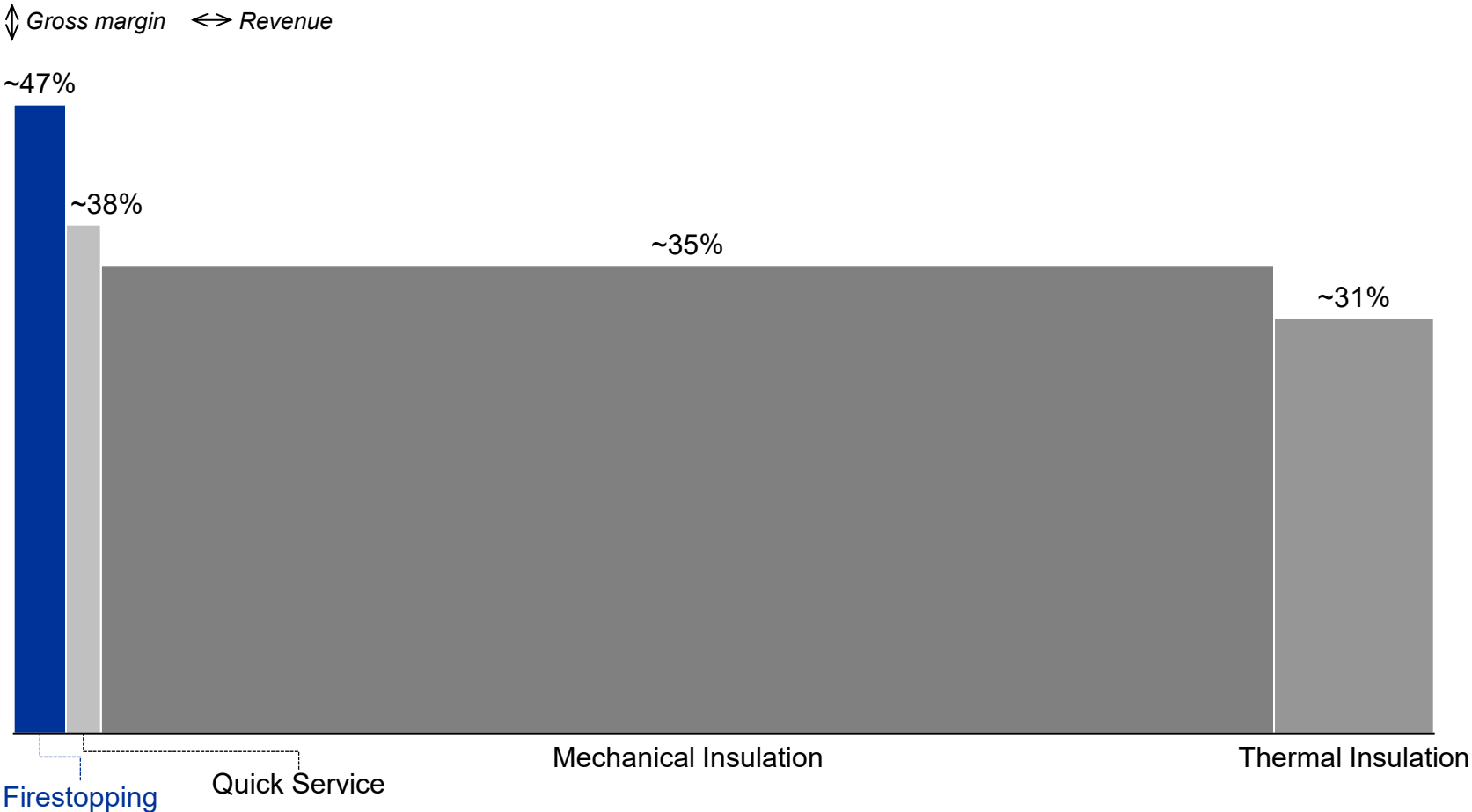
Verbally Awarded Projects by Job Type



1. Includes school, carpentry, residential, food service, quick response, intel, marine, “job type P”, and “other” job types

Firestopping is a small share of Target’s revenue today (~10%), but its higher margin profile (~9-16pp higher than others) creates an opportunity for margin improvement if expanded

Target Revenue and GM % by Service



What We Heard

“Some of our contractors offer firestopping, and that’s very helpful. Many are picking that up so you don’t have to hire a separate subcontractor, and those two things go together. It works out well.”

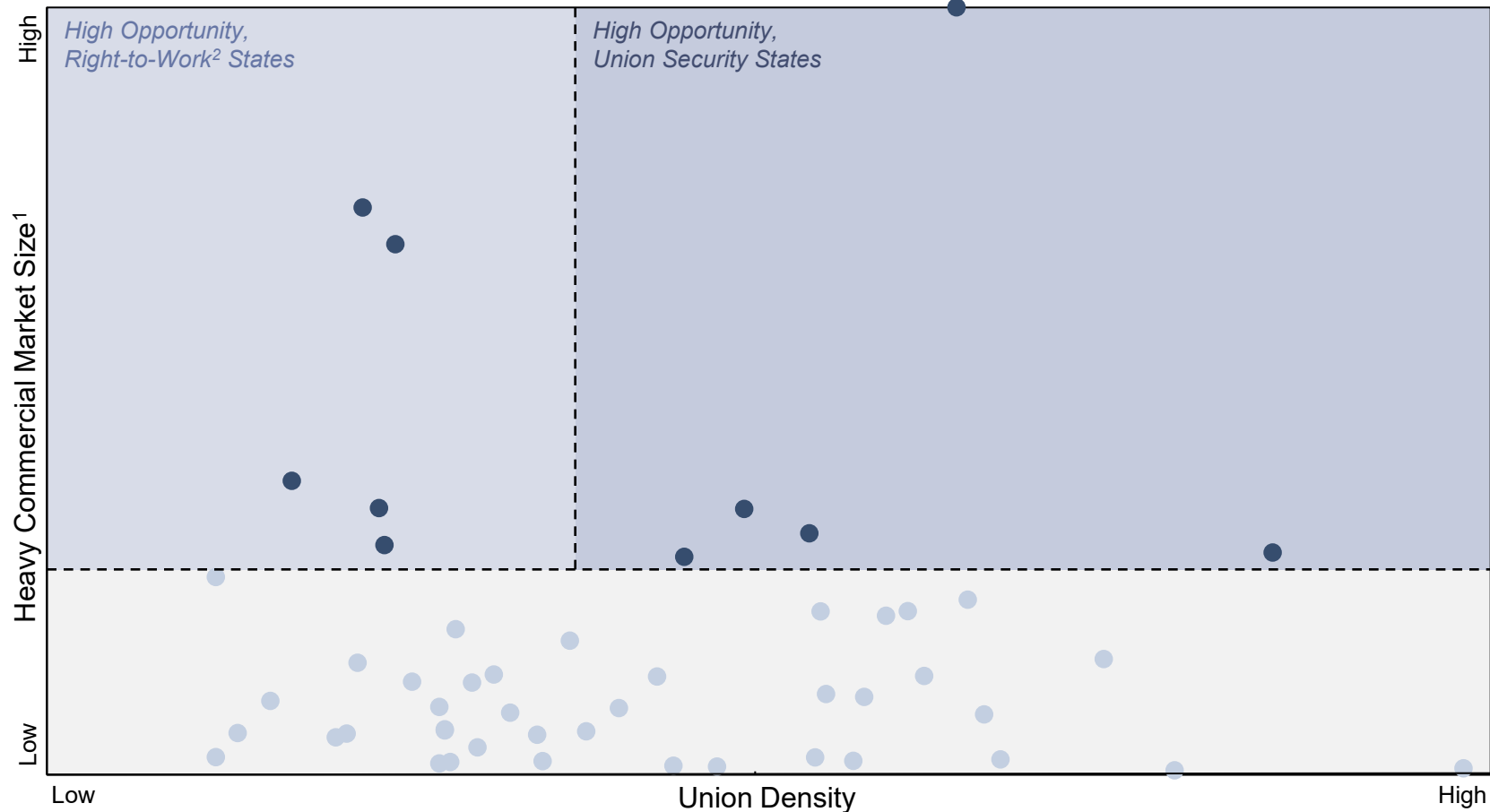
- Senior Project Manager, Customer A

“The people that do our insulating don’t do firestopping, but I think it would be less of a headache if it was paired together. If you’ve got somebody wrapping your pipe, and then somebody else doing the firestopping, it becomes another person you need to watch over.”

- Vice President, Company C

State J, State K, and select Midwest states represent attractive opportunities in union-favorable states, while entry into State I or N reflect right-to-work dynamics that favor non-union labor

Heavy Commercial Market Size¹ x Union Density



Comments

- Ten states offer a compelling opportunity in heavy commercial markets, though entry strategy differs based on union penetration
 - Right-to-work² states such as State I, State N, State Q, State P, and State O are generally less favorable for union contractors
- Capturing just 0.25% share¹ in high opportunity, union security states would add ~\$4M of revenue
 - State J is the most attractive in this group, supported by semiconductor investment around City M and a durable healthcare project pipeline
- Capturing just 0.10% share¹ in high opportunity, right-to-work states would add ~\$2M of revenue
 - State I and State N are large opportunities, though deep non-union labor pools may make union-led expansion challenging

1. Only inclusive of the heavy commercial mechanical insulation market; 2. Right-to-work states prohibit agreements that require workers to join a union or pay union dues as condition of employment

Target has meaningful runway to deepen penetration across its Region A footprint, where favorable labor dynamics and heavy commercial demand support expansion

State		Mech. Insulation Market Size		Labor Status	Target Market Share	Growth Possibilities
Redacted	State A	\$115.5M (~26%)	\$321.0M (~74%)	Union Secure	~XX%	- Capture Eastern State A data center growth, led by a hyperscaler's City V campus - Anchor around City A healthcare, where major hospital groups support durable, code-driven demand
Redacted	State B	\$175.0M (~39%)	\$275.5M (~61%)	Union Secure	~XX%	- Leverage State B's emerging data center and semiconductor pipeline - Use public and federally funded projects to drive engagement with universities and infrastructure work
Redacted	State D	\$37.3M (~29%)	\$89.5M (~71%)	Right-to-Work	~XX%	- Expand with Confidential Project's City H semiconductor build-out - Pair a hyperscaler's City O campus with healthcare expansion to build durable project flow
Redacted	State C	\$8.1M (~20%)	\$33.1M (~80%)	Union Secure	~XX%	- Build around State C's concentrated data center pipeline across City N and City F - Engage early on phased projects where local presence should matter most
Redacted	State E	\$92.9M (~26%)	\$264.5M (~74%)	Union Secure	~XX%	- Lean into City J's expanding hyperscale cluster, led by a data center operator - Complement data center exposure with semiconductor and related manufacturing projects

Heavy Commercial Non-Heavy Commercial

1. Represents the state's mechanical insulation market size divided by the total number of mechanical insulation employees

B. Target Overview

Target is a Region A mechanical insulation leader with XX offices, ~\$XXM in revenue, and growing reach into the Region B

General Information

Redacted	Provider of mechanical insulation, thermal insulation, and firestopping services primarily for industrial and commercial sectors
HQ:	City A
Primary geography:	Region A
Service coverage:	Regional
Revenue [FY '25]:	\$ XX M
Headcount:	~XXX

Core business segments:

	Mechanical Insulation	Insulation for mechanical systems in commercial, industrial, and residential applications
	Thermal Insulation	Insulation for walls, ceilings, and floors in commercial, industrial, and residential applications
	Firestopping	Sealing penetrations and joints to maintain fire-resistance ratings and enhance building safety

Company Timeline

●	199X	Target was founded as an insulation installation service company
●	2011	Settled HQ in City A and opened offices in City B and City C
●	2014	Launched an office in City D to serve the City D area
●	2016	Established an office in City E to expand into the Region B
●	2018	Penetrated the Region B area further through a new office in City F
●	2022	Increased Northwest State A presence with an office in City G
●	2023	Opened offices in City H & City I
●	2025	Reached XX offices total with the introduction of the City J and City K offices



Target provides integrated insulation services spanning mechanical insulation, thermal insulation, and firestopping to improve energy efficiency and enhance building safety



Mechanical Insulation

Description

Application of insulation products to piping, ductwork, and equipment



Thermal Insulation

Installation of insulation products in walls, ceilings, and floors



Firestopping

Sealing penetrations and joints in walls, floors, and ceilings

Primary Objective

- Improve energy efficiency across mechanical systems
- Control condensation and prevent moisture buildup
- Maintain stable process operating temperatures in production facility
- Reduce overall heat loss and decrease energy consumption

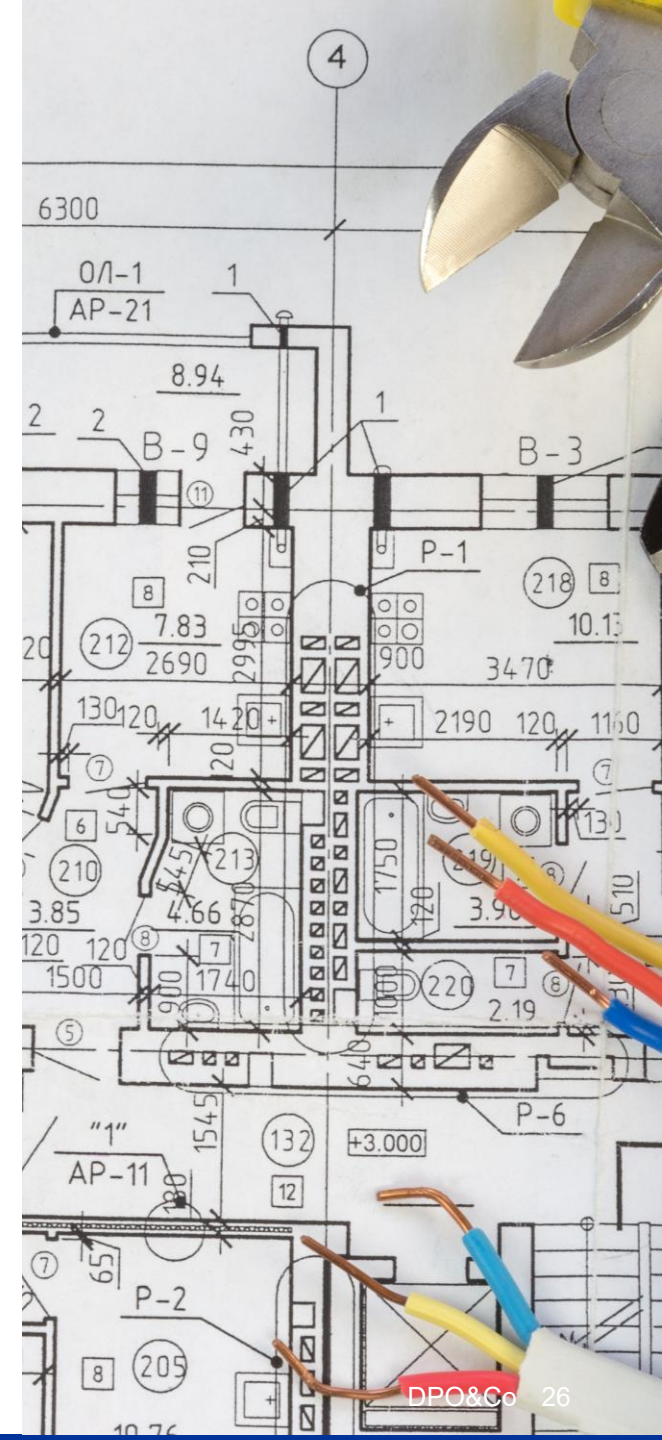
- Minimize heat transfer and energy loss
- Improve temperature stability and thermal performance inside the building
- Increase HVAC and building energy efficiency/ratings
- Lower building heating and cooling operating costs

- Prevent the spread of fire, smoke, and toxic gases
- Maintain fire-resistance ratings of walls and floors
- Enhance overall building life safety
- Protect critical infrastructure and occupied spaces

C. Market Overview

Building codes and operations cost-control pressures drive market growth, with forecasted expansion to \$49B by 2030

- **2026 US Insulation and Firestopping market is valued at \$39B and projected to grow at 5.8% CAGR to \$49B by 2030**
 - Market share of core services are thermal insulation ~61% share (for reducing heat transfer across building surfaces), mechanical insulation ~36% (for pipes/ducts/equipment) and firestopping ~3% (sealing penetrations through fire-rated assemblies)
 - For mechanical insulation, MEP-intensive end markets remain the largest customers, led by manufacturing (~24%); data centers are expected to grow to ~17% market share in 2030
 - Market demand is closely tied to industrial development, with states like State J (12%) and State I (9%) representing the largest markets due to strong population and construction activity
- **Ongoing code development and growing focus on energy efficiency and cost control are key growth drivers, while labor constraints may surface growth headwinds**
 - Building code requirements continue to tighten over time as new technical standards are introduced, increasing non-discretionary demand for insulation to support energy efficiency
 - Labor remains a key headwind, as growth in construction labor (up 122% since 2002) continues to lag nonresidential construction spending (up 270% since 2002)
- **Of the 64% increase in Target's median contract price from 2017 to 2025, ~30% is explained by market factors, with the remaining ~34% driven by internal factors**



Top-down modeling exercise was conducted to estimate the size of the Insulation and Firestopping market across key end markets and geographies

Construction spending forecast [\$]



Construction spend breakout by type [\$]



MEP / Non-MEP spend breakout by service [\$]



Total US Insulation and Firestopping Market Size [\$]



Construction spending, segmented into end markets:

- Manufacturing
- General Commercial¹
- Residential
- Education
- Healthcare
- Power & Utilities
- Data Center
- Marine
- Others²

By region:

- US States

Source: US Census, IHS Markit Data, Construct Connect, & IIR

Construction spending is broken down by:

- MEP spend
- Non-MEP spend

Source: RSMeans, Expert Interviews

MEP spend is broken down by:

- Mechanical insulation
- Firestopping
- Other MEP spend

Non-MEP spend is broken down by:

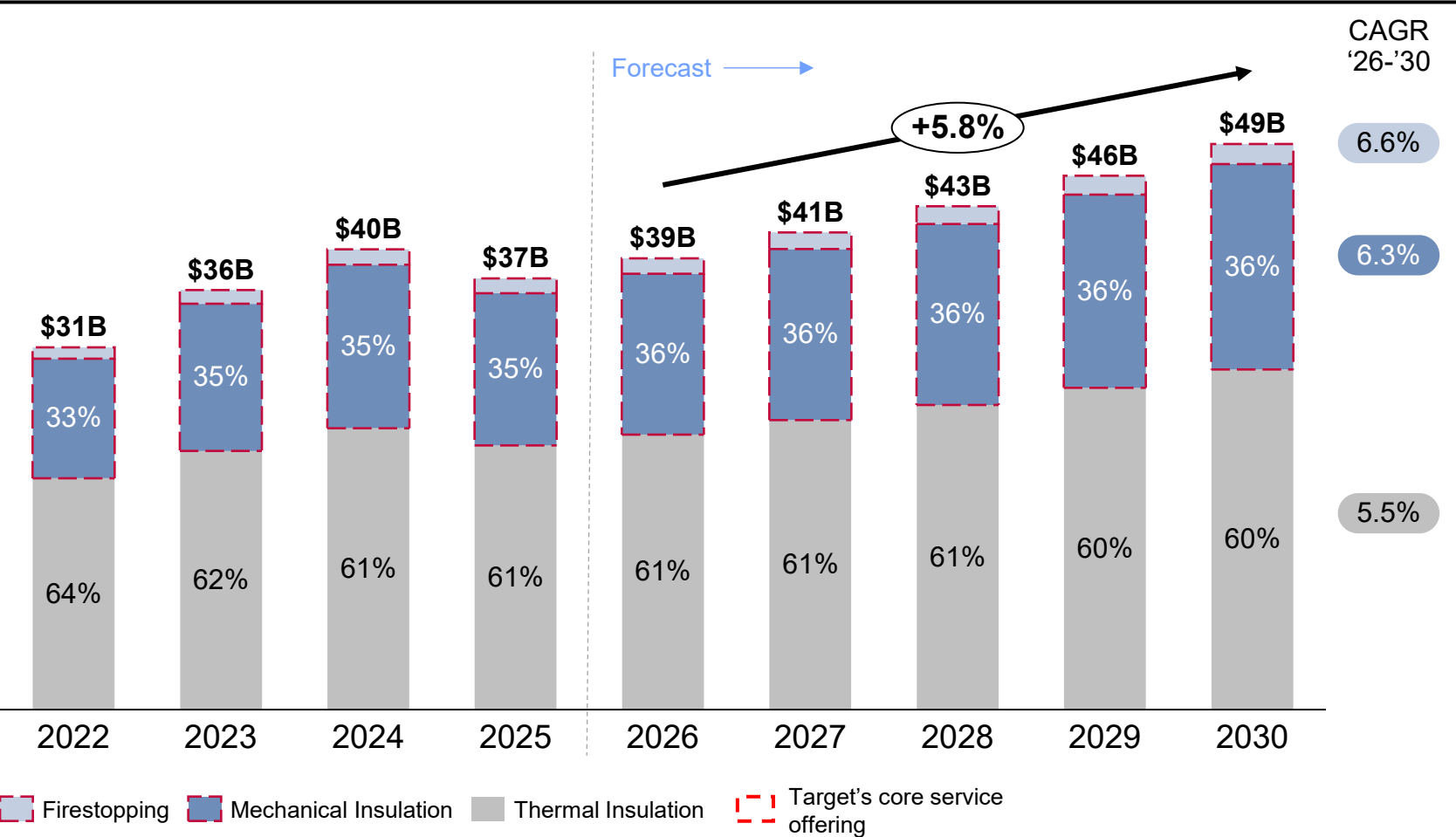
- Thermal insulation
- Other Non-MEP spend

Source: Expert Interviews, Desk Research

1. General Commercial includes Office, Retail, Restaurants, and Gov. & Public Safety; 2. Others includes Marine, Amusement & Recreational facilities, Non-Residential Lodging, and Religious facilities

Insulation and Firestopping market is projected to grow from \$39B to \$49B by 2030, driven by sustained construction activity, building requirements, and growing focus on energy efficiency

2022-2030 US Market Size by Service

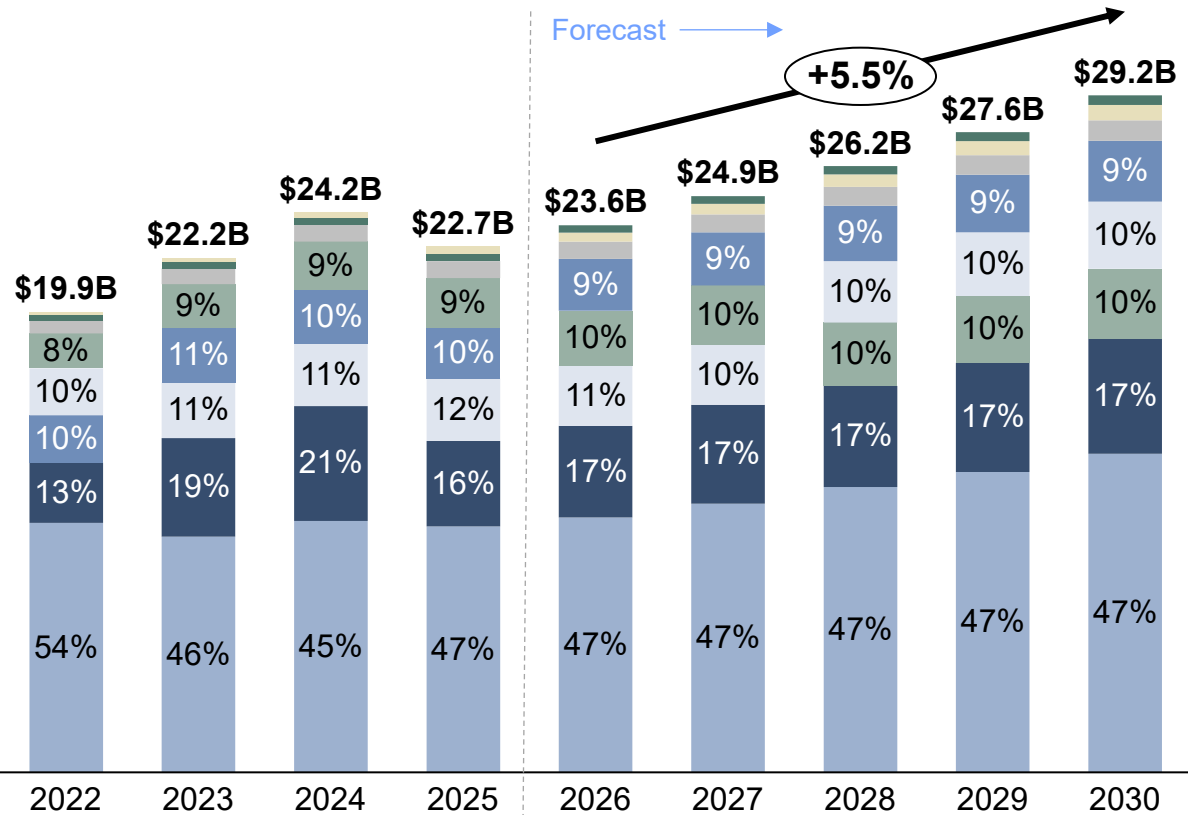


Key Takeaways

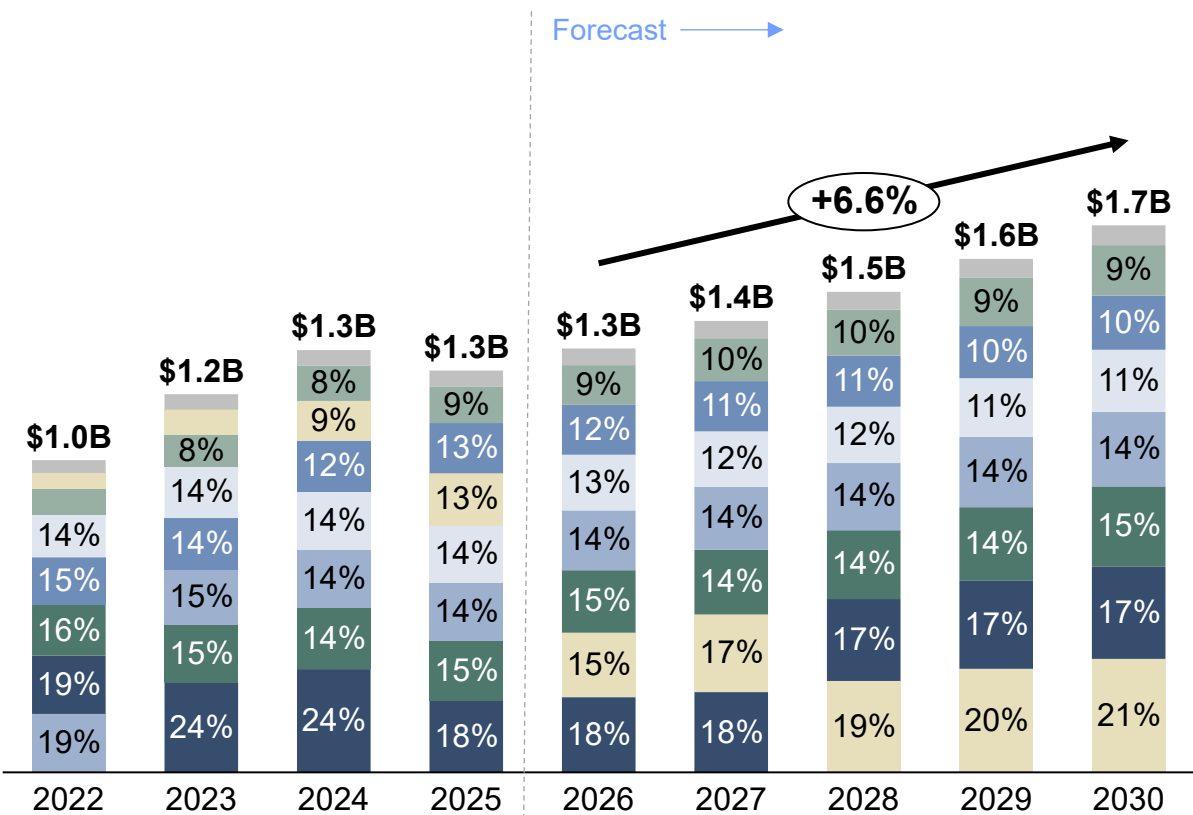
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 - Strong nonresidential backlogs supported elevated activity through 2024, but activity slowed in 2025 as tariffs and shifting policies created investment uncertainty
 - The outlook is favorable, with growth supported by code-driven requirements and a stronger focus on energy efficiency and asset preservation
- Thermal insulation growth is expected to lean residential, while firestopping and mechanical insulation are driven by more mechanically intensive applications
- New construction accounts for ~55-65% of market activity, with the remaining tied to renovations, expansions, and improvements
- Labor drives most of mechanical insulation project costs, representing ~65-70% of total costs versus ~30-35% for materials

Thermal Insulation (\$23.6B in 2026) is more residential-driven, while Firestopping (\$1.3B) leans into industrial and heavy commercial markets, driving faster growth

2022-2030 US Thermal Insulation Market Size by End Market



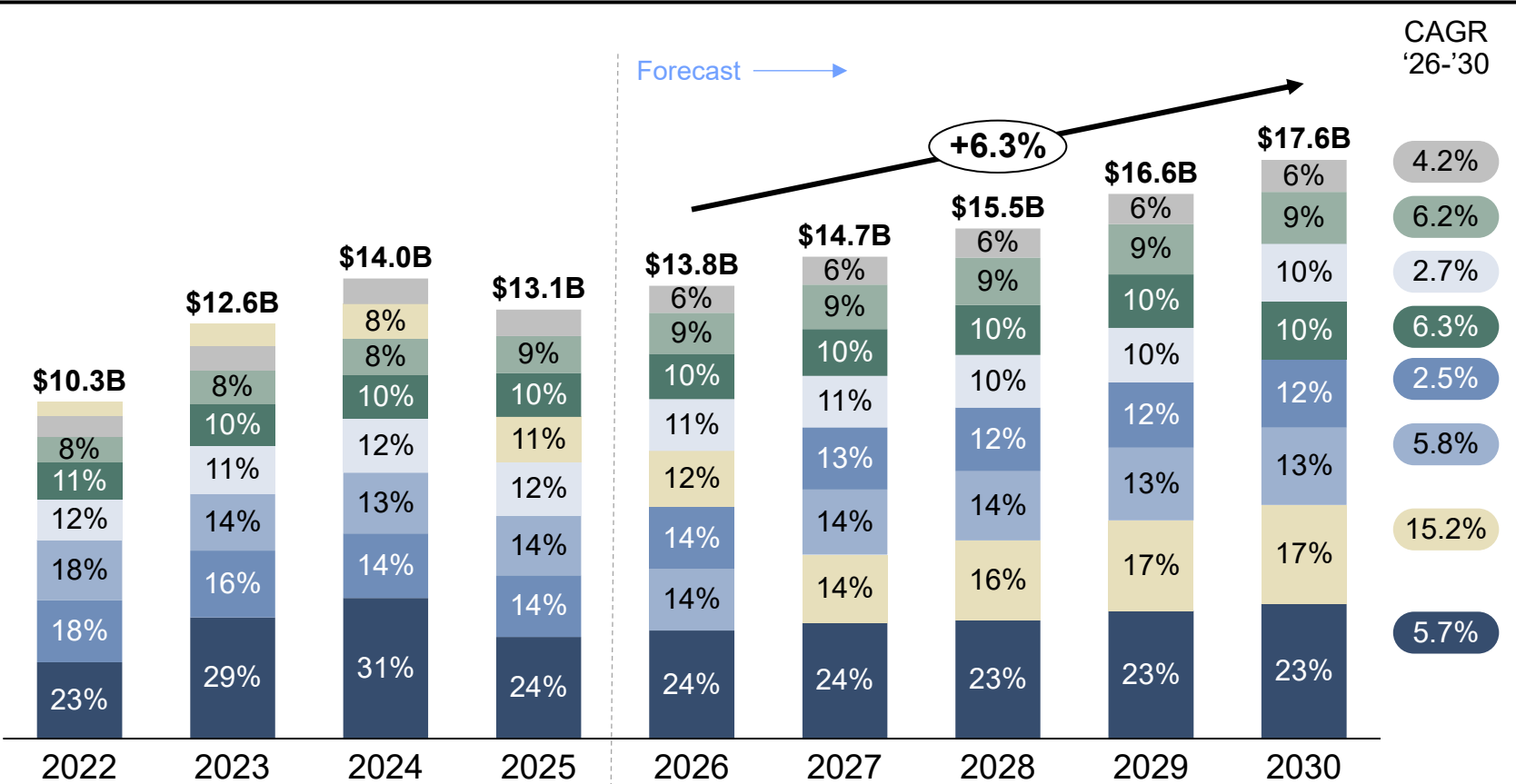
2022-2030 US Firestopping Market Size by End Market



■ Manufacturing ■ General Commercial¹ ■ Residential ■ Education ■ Healthcare ■ Power & Utilities ■ Data Center ■ Other²
1. General Commercial includes Office, Retail, Restaurants, and Gov. & Public Safety; 2. Others includes Marine, Amusement & Recreational facilities, Non-Residential Lodging, and Religious facilities

MEP-intensive end markets remain the largest mechanical insulation customers, with manufacturing the largest segment (~24%) and data centers gaining share to ~17% by 2030

2022-2030 US Mechanical Insulation Market Size by End Market



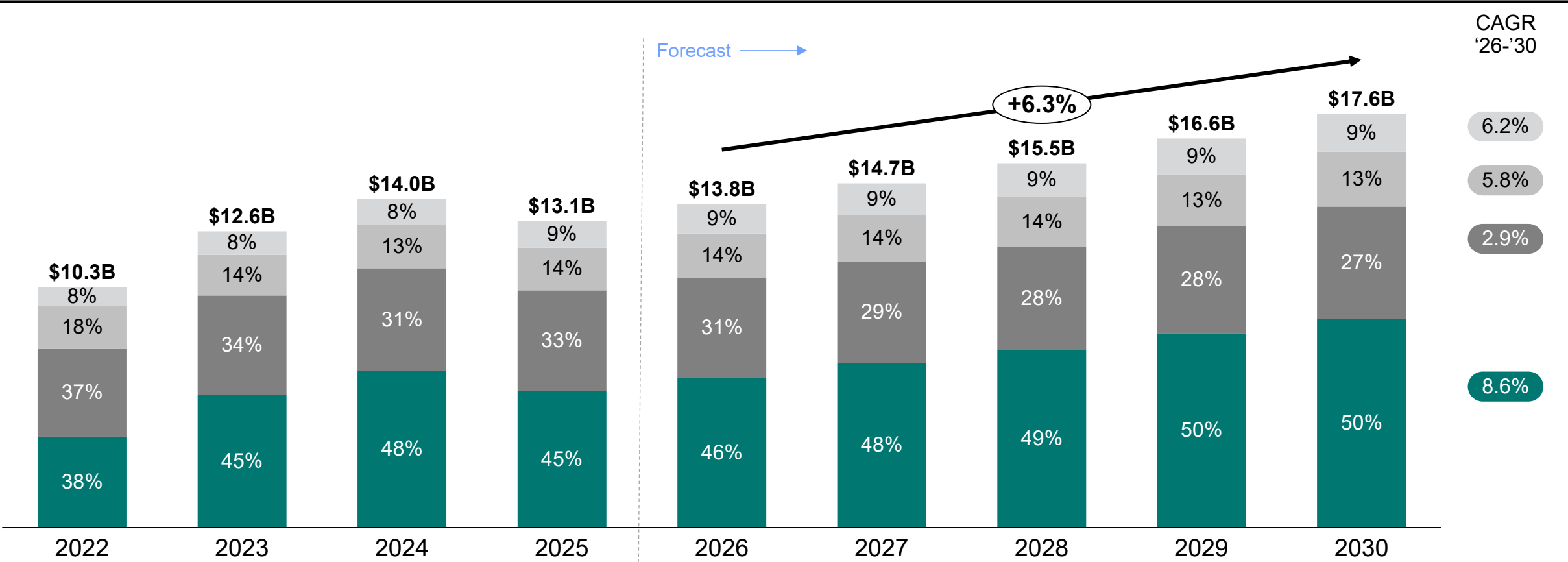
Key Takeaways

- Manufacturing is expected to remain the largest end market, with demand spanning both discrete and process facilities
 - Process manufacturing is typically more insulation-intensive due to tighter temperature control requirements
- Healthcare remains sizeable at ~10% share
 - Insulation aligns well with hospital design priorities, particularly around HVAC efficiency and broader sustainability goals
- Data center is the fastest growing market at 15.2%, driven by a large construction pipeline, heavy cooling infrastructure needs, and an emphasis on operating cost control
- Residential is a notable contributor to market demand at ~14% share, supported by housing growth, especially as urban areas experience higher focus in multifamily

■ Manufacturing ■ General Commercial¹ ■ Residential ■ Education ■ Healthcare ■ Power & Utilities ■ Data Center ■ Other²
1. General Commercial includes Office, Retail, Restaurants, and Gov. & Public Safety; 2. Others includes Marine, Amusement & Recreational facilities, Non-Residential Lodging, and Religious facilities

After combining end markets into most common industry categories, Heavy Commercial is the largest and fastest growing segment

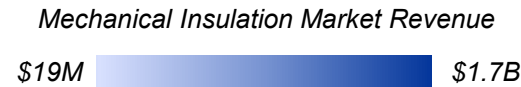
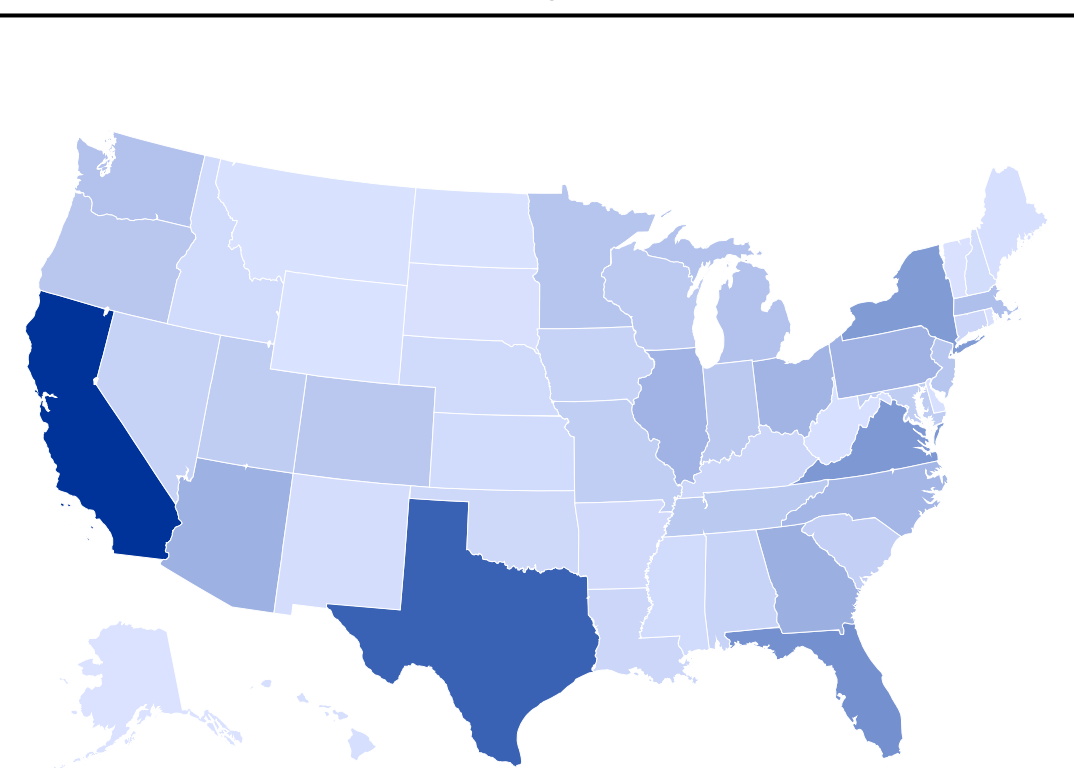
2022-2030 US Mechanical Insulation Market Size by End Market [Grouped]



■ Heavy Commercial¹ ■ Light Commercial² ■ Residential ■ Power & Utilities
1. Heavy Commercial includes Manufacturing, Healthcare, and Data Center; 2. Light Commercial includes General Commercial, Education, and Other

State J (12%), State I (9%), and State O (6%) are the largest state-level markets for mechanical insulation, as demand closely tracks construction activity and industrial development

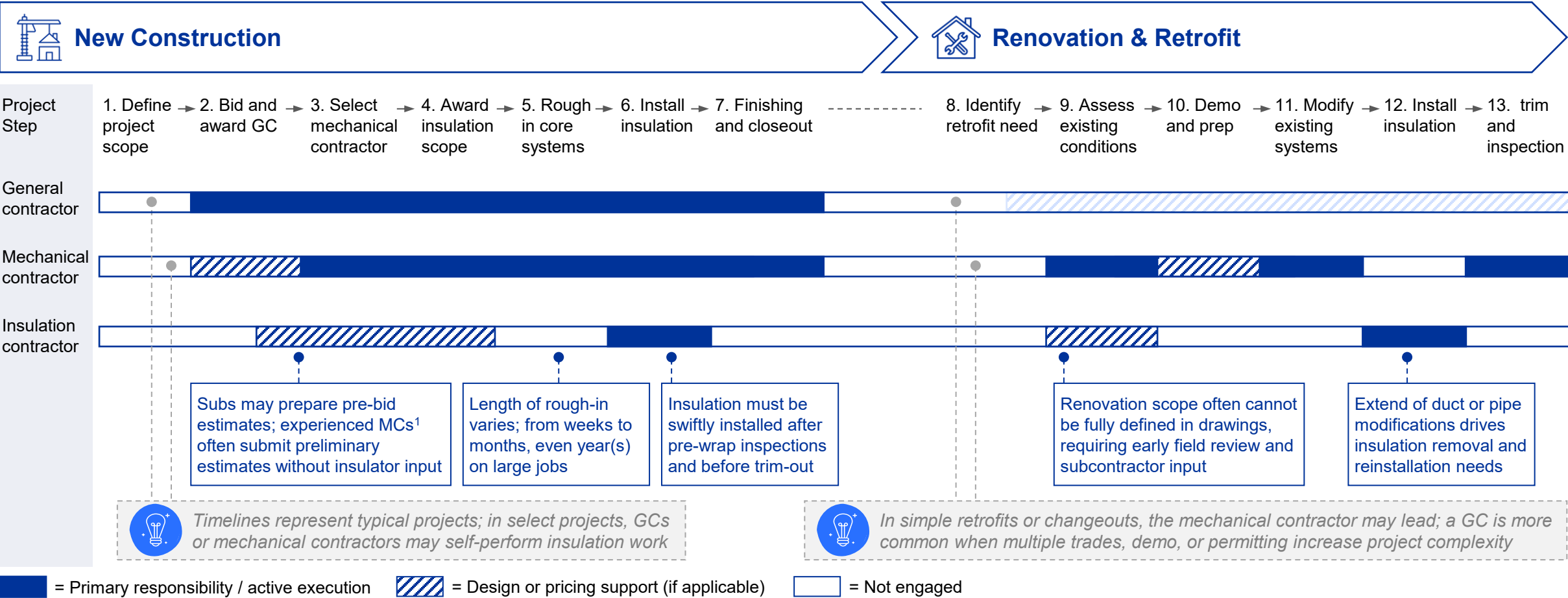
Mechanical Insulation Market by State (2026)



State	Size (\$)	Share (%)	Key Takeaways
State J	\$1.7B	12.3%	- State J and State I represent the largest market opportunities, driven by population scale and underlying construction activity - Both states benefit from manufacturing and residential demand, but State I has more exposure to data center megaprojects
State I	\$1.3B	9.1%	
State O	\$0.8B	5.8%	
State N	\$0.7B	5.3%	
State K	\$0.7B	5.1%	- State K, State O, and State N are the largest markets on the East Coast - State N is disproportionately supported by data center construction - State K demand is closely tied to education and healthcare - State O is skewed to residential and healthcare
State P	\$0.5B	3.6%	
State Q	\$0.5B	3.6%	
State M	\$0.5B	3.4%	
State L	\$0.5B	3.4%	High growth states, including State N (10.0%), State Q (9.1%) and State P (7.6%), are primarily driven by strong data center development pipelines
State R	\$0.5B	3.4%	
Other	\$6.1B	45.0%	- The Northwest (State A, State B, State D, State C, State E) accounts for 7.1% of national demand and is expected to grow at ~5% CAGR to 2030 - Manufacturing is the region’s largest end market at 24.8% share
Total	\$13.8B	100%	

New construction is typically GC-led with defined trade handoffs, while renovations/retrofits often shift leadership to the mechanical contractor unless broader coordination is required

Contractor Involvement Timeline



1. Mechanical Contractors

Experts expect building codes to continue tightening, reinforcing compliance-driven demand and making mechanical insulation a resilient, non-discretionary market

Standard	2007	2010	2013	2016	2019	2022	2025
Required insulation for high-temp steam pipe (1.5-4in)	3.0"	! 5.0"	5.0"	5.0"	5.0"	5.0"	5.0"
Minimum efficiency requirements for water-source heat pumps	General table	General table	General table	General table	! Dedicated table	Dedicated table	Dedicated table
Required insulation level for exterior supply air ducts		All CZ ¹ : R ² -8	! CZ 1-4 = R-8 CZ 5-8 = R-12	CZ 1-4 = R-8 CZ 5-8 = R-12	CZ 1-4 = R-8 CZ 5-8 = R-12	CZ 1-4 = R-8 CZ 5-8 = R-12	CZ 1-4 = R-8 CZ 5-8 = R-12
Requirements for insulated pipes and ducts in return-air plenums ³		General table	General table	! Dedicated table	! Dedicated table (Tightened)	Dedicated table	

What We Heard

*“What happened was, what used to be half-inch insulation on piping went to one inch, and then one-inch on certain sizes went to an inch-and-a-half or even two...It’s code driven compliance. Contractors have seen their insulators get bigger and bigger bites of the same job because they have to use thicker insulation...**that’s the way our industry is going.**”*

- Vice President, Company C

***“I do see code pushing.** Where one-inch thick used to be fine here, now for this application we want two-inch thick. Code is definitely driving more insulation, but so are building owners who just want to save money.”*

- Project Manager, Company A

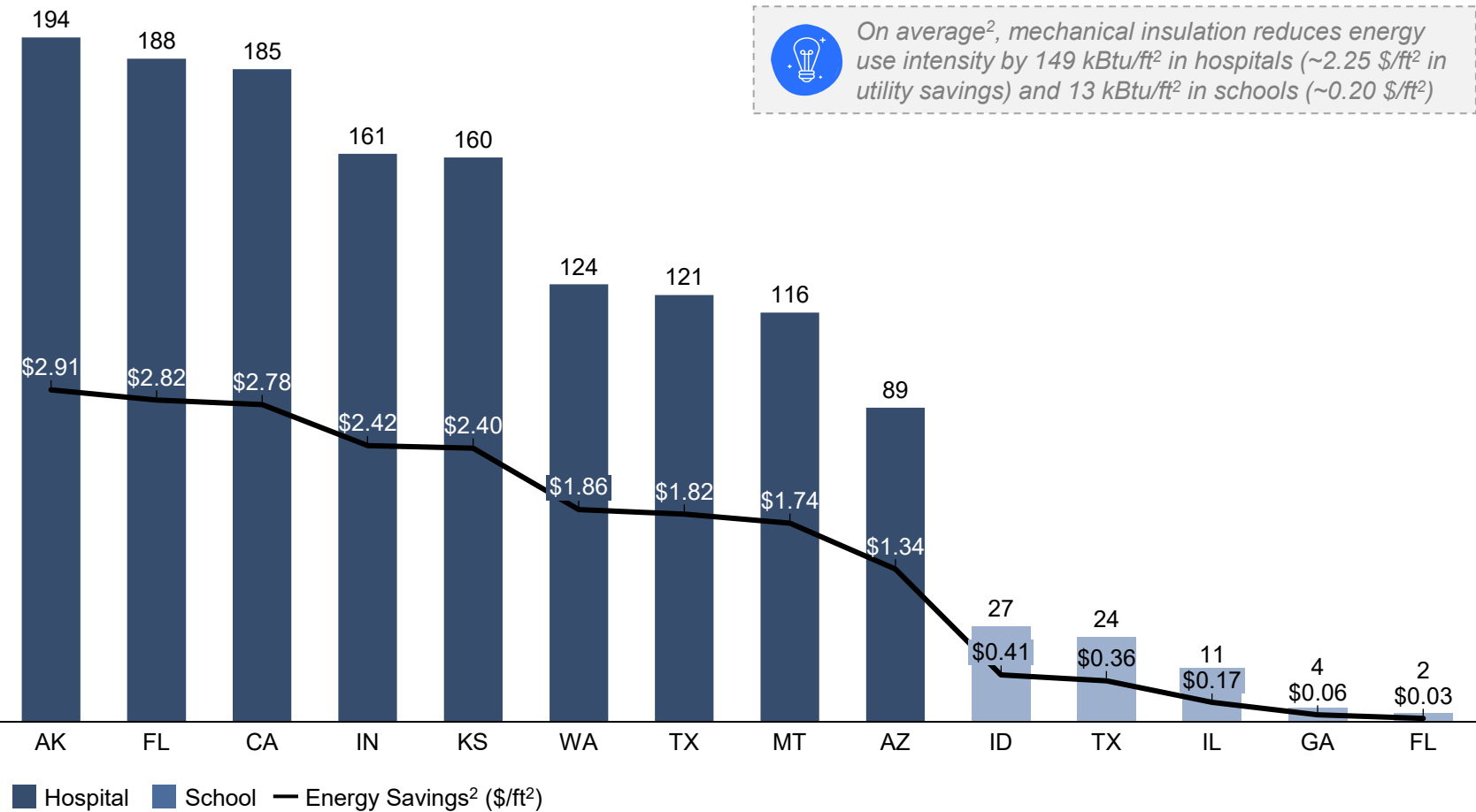
!

 = Step change in stringency

1. CZ = Climate Zone; 2. R-value is a measure of insulation’s resistance to heat flow (higher R-values mean better thermal protection); 3. A plenum is an air-filled space in a building used to collect and distribute HVAC air

Contractors increasingly see building owners recognizing mechanical insulation as a key lever to reduce operating costs through measurable energy savings

Annual Energy Savings per Square Foot from Mechanical Insulation by State (kBtu/ft²)¹



Comments

- Growing recognition of mechanical insulation’s cost-savings benefits has driven introduction of FMIA³, supporting broader adoption of insulation in federal buildings

“I see increasing energy prices as a major demand driver for mechanical insulation. Electrical and utility prices in State J are getting so high. I think a lot of building owners say, ‘Hey, we have all this cheap insulated pipe and it’s falling apart. Let’s do it right. It’s cost savings.’”

- Project Manager, Company A

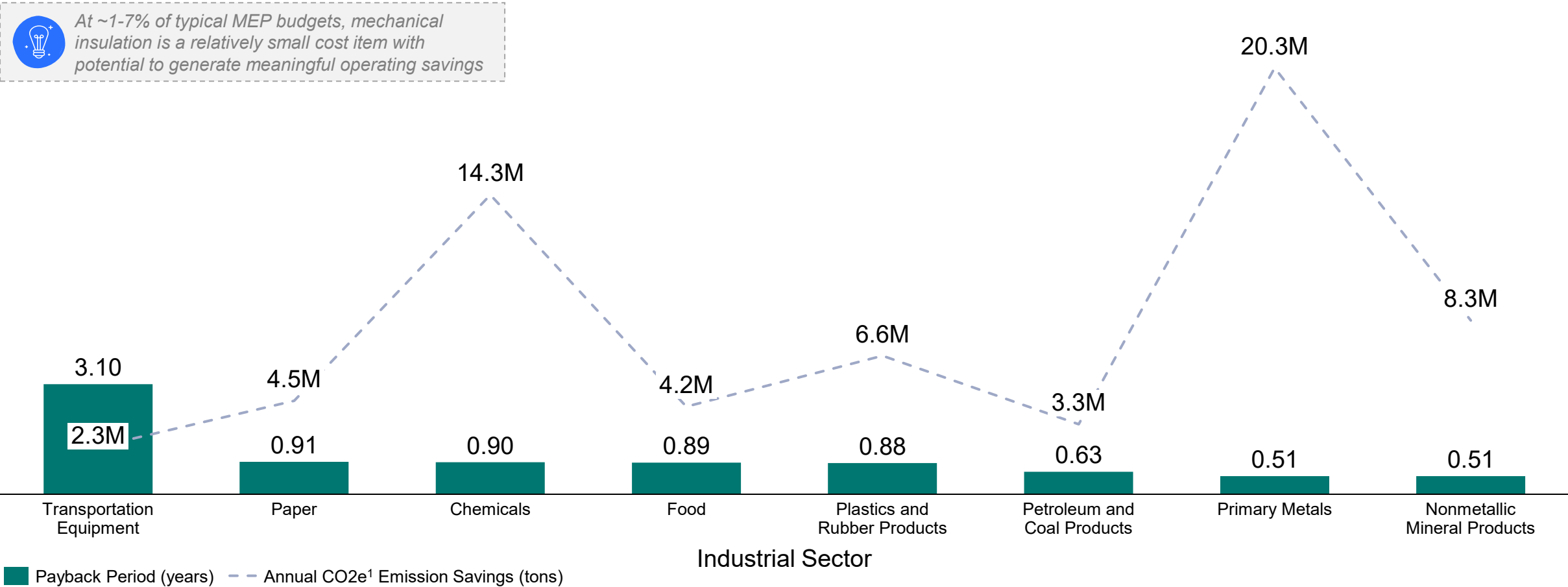
“If an HVAC system is installed and there’s no proper insulation, that unit is going to run more than expected. It’s going to cost the owner, and you are going to be losing energy...There will always be a need for mechanical insulation, and the need will continue to grow.”

- Project Coordinator, Company B

1. kBtu/ft² = thousand British thermal units per square foot (measures how much energy a building uses or saves relative to its size); 2. Assumes a typical blended energy cost of ~0.015 \$/kBtu; 3. Federal Mechanical Insulation Act of 2026, a bipartisan bill introduced by Sens. Cortez Masto and Daines to classify mechanical insulation as an energy or water efficiency measure under federal policy

Across industrial end markets, mechanical insulation stands out as a high-return efficiency investment, pairing fast payback (often <1 year) with significant emissions reduction

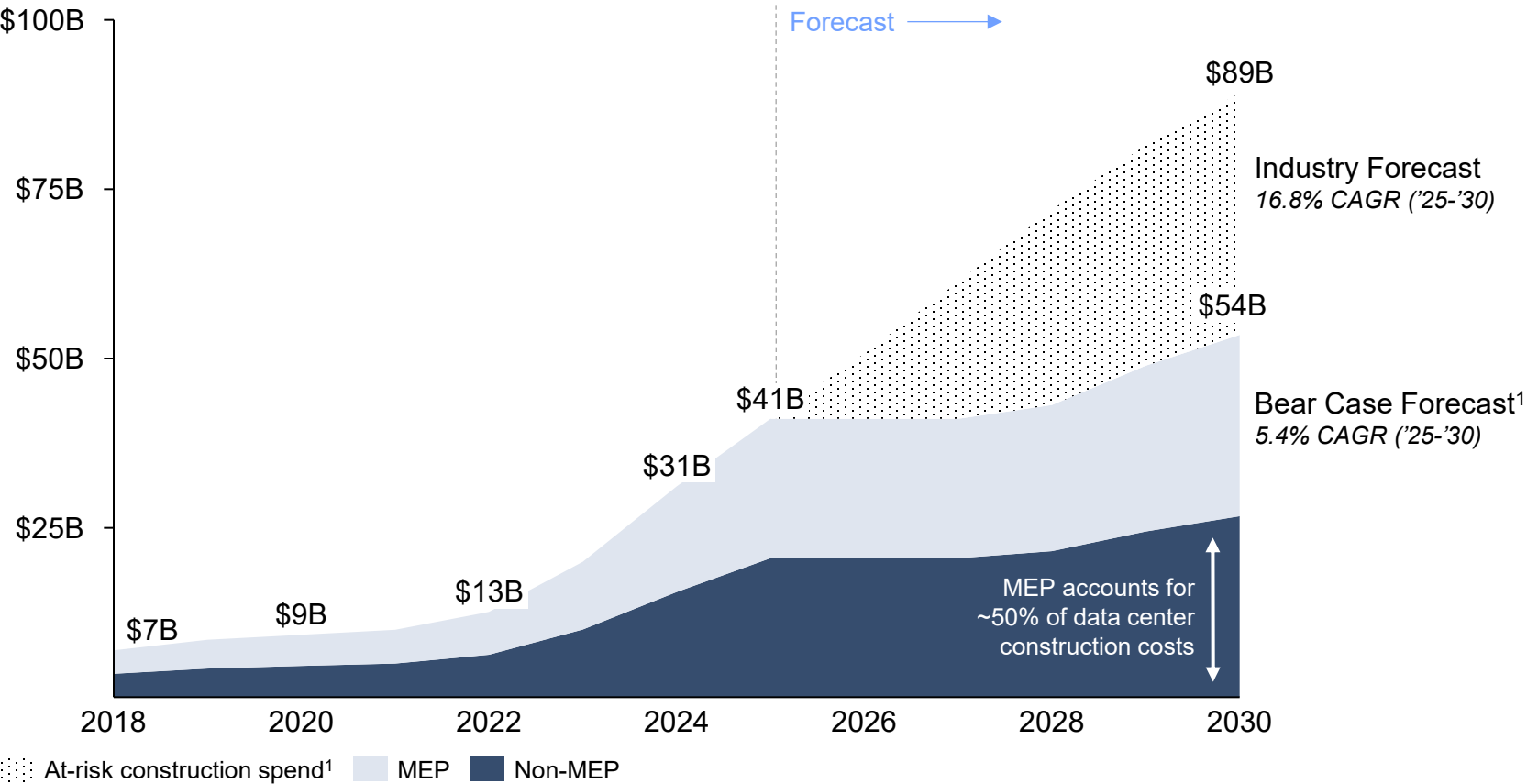
Payback Period and Emissions Savings of Installing Code-Compliant Steam Pipe Insulation by Industrial Sector



1. CO2e = carbon dioxide equivalent, a standard unit that expresses all greenhouse gases as the amount of CO2 with the same warming impact

Criticality of cooling systems to manage data center operating costs will drive added investment in mechanical insulation, supporting strong opportunity even with potential delays

Annual US Data Center Construction Spend



1. Bear case assumes 40% of scheduled construction is cancelled or delayed beyond the forecast period

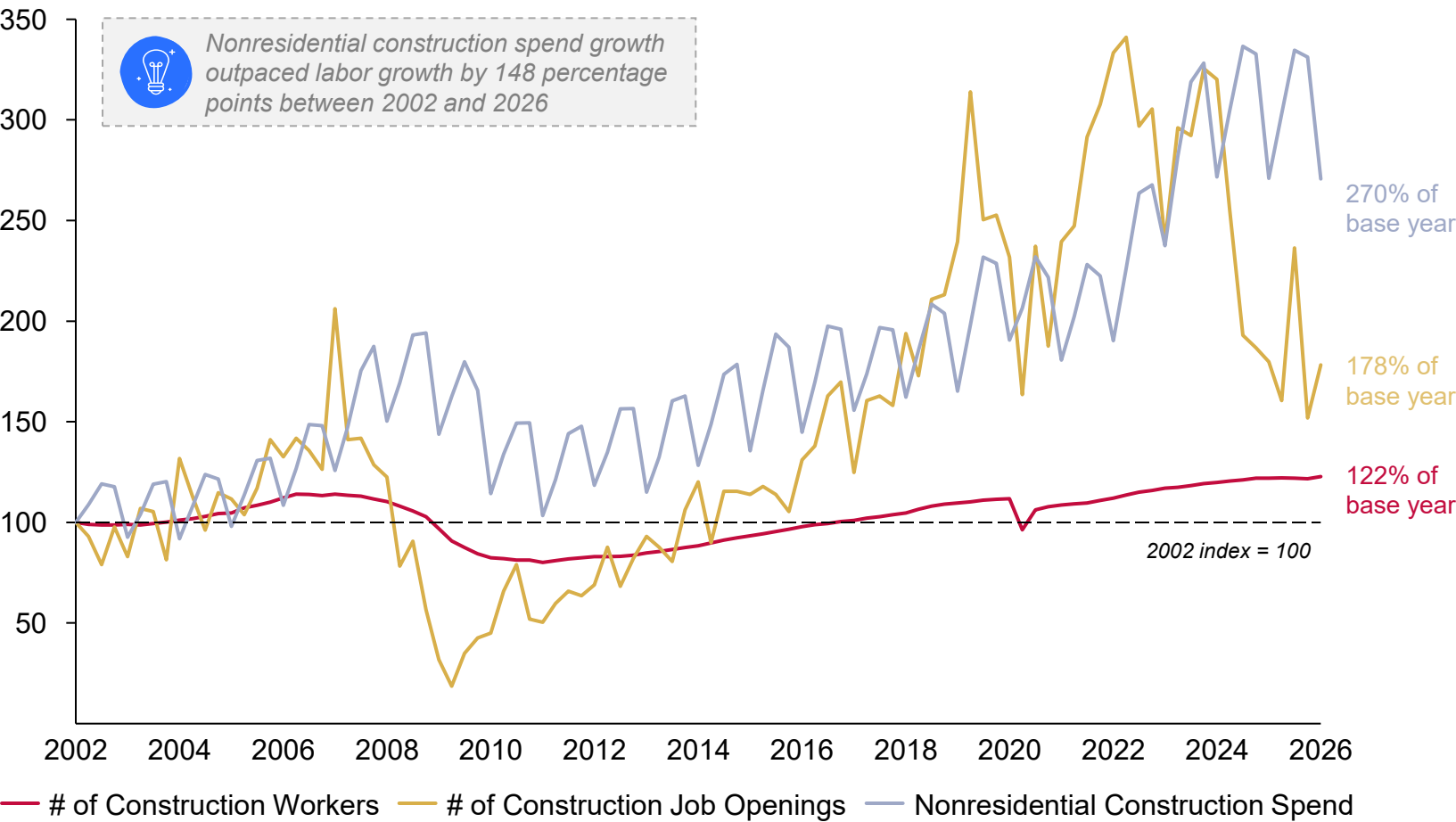
Key Takeaways



- Recent surge in data center construction to meet computing demand, rising from \$13B in 2022 to \$41B in 2025
- Data Center pipeline is projected to continue expanding to \$89B by 2030, though some projects have experienced delays due to power constraints and permitting challenges
- Even if 40% of projects are delayed or canceled, data center construction spend still reaches \$54B, with roughly 50% in MEP, of which 5-10% would be allocated to mechanical insulation

Constrained labor supply as 2026 nonresidential construction spend reached 270% of 2002 levels, while construction workforce only grew to 122% of base levels

Number of US Construction Workers, Job Openings, and Total Spend¹ [Index = 2002]



1. Only includes nonresidential construction spend

What We Heard



“I think the volume of work will increase and there will be a labor shortage, and the labor shortage is going to be growing...If you can't get people to do the work, you can't do the work...prices are going to have to go up because there just aren't going to be as many people.”

- Director of Business Development, Company A

“Right now, labor is a constraint to growth. Cost sensitivity and the uncertainties in the market are also constraints, but there are still opportunities because there are new markets, like data centers, that will need insulation.”

- Director of Project Controls and Commercial, Company D

Potential disruptions from new technologies in the mechanical insulation market appear limited, with contractors broadly expecting installation methods to remain unchanged

Product	Level of Disruption		Description
	Low	High	
 3D Scanning & Scan-to-Building Information Modeling (BIM)			• Laser scanning creates millimeter-accurate BIM-ready as-builts, improving fit certainty on retrofit or constrained jobs • Reduces rework and favors contractors with digital measurement and prefab workflow capabilities
 Removable Insulation Blankets			• Custom-fabricated, reusable covers for valves, turbines, and exhaust equipment, designed for easy removal • Reduces repeat tear-off/reinstall labor and shifts value toward contractors with in-house fabrication capabilities
 Robotically Installed Spray Foam Insulation			• Automated robotic systems apply spray-foam insulation with greater precision and consistency, reducing material waste • Adoption remains limited; commercialization could automate repetitive work and favor automation-capable contractors
 Digital Simulation			• Simulation tools like Computational Fluid Dynamics (CFD) thermal analysis and thermo-hydraulic modeling predict optimized insulation design before installation • Reduces over-insulation and favors engineering-led contractors

What We Heard

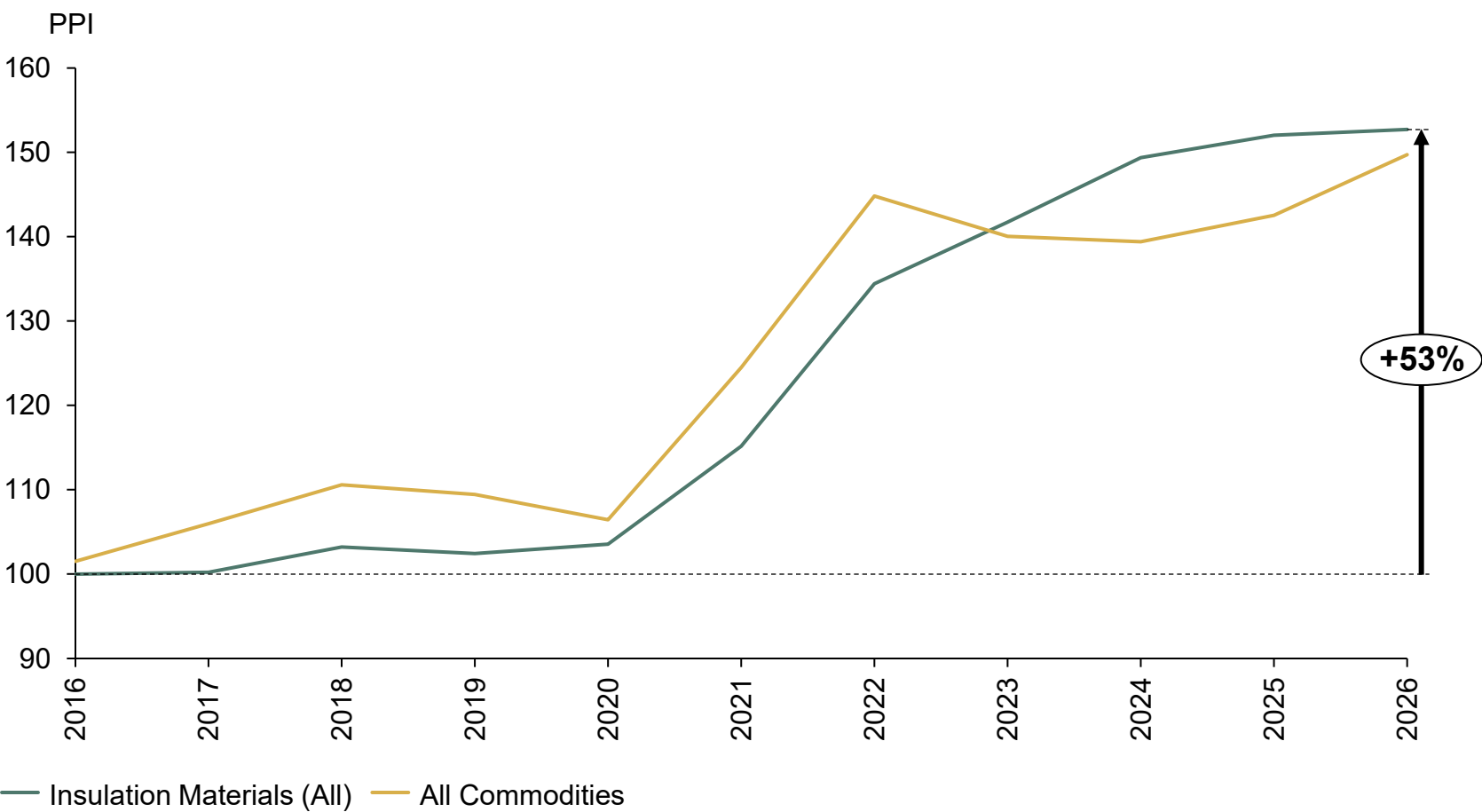
“In the five years I’ve been in the industry, I haven’t really seen any changes or innovation. It’s a pretty static industry.”
- Project Manager, Company A

“I don’t see any massive disruptors. I don’t see anything that’s really going to change the nature of the market in the next few years.”
- Director of Project Controls and Commercial, Company D

“There will always be a need for insulation contractors. It takes people with the competence and specialized skills to install these systems. We cannot be so quick to write off any existing system.”
- Project Coordinator, Company B

Insulation PPI¹ outpaced the broader commodity basket in the last three years, and despite signs of slowing down, still expected to remain 50% above historical levels

Producer Price Index¹ of Insulation Materials over Time

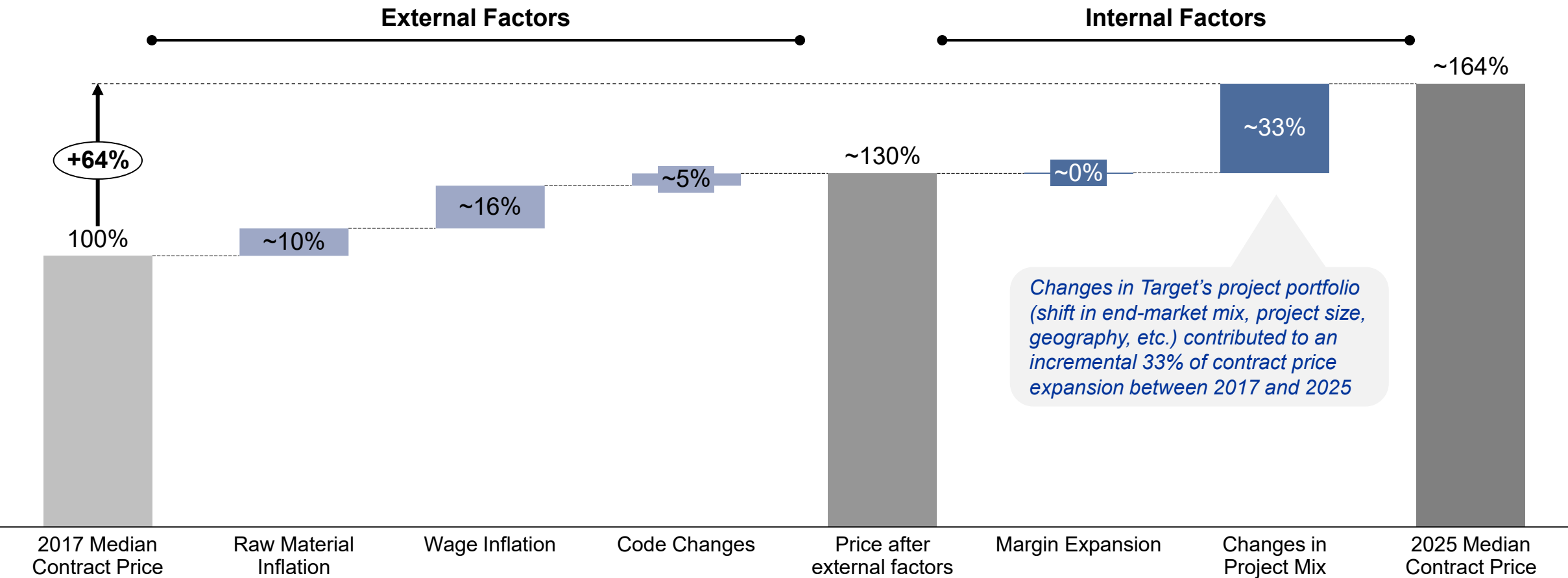


Key Takeaways

- All commodity markets dipped slightly in 2020 as COVID-19 suppressed global economic activity
 - Dips were limited for insulation as it remains a core component of building code compliance
- Prices surged in 2021–2022 driven by post-pandemic demand, energy price shocks, geopolitical disruptions, and broader supply chain disruptions
- By 2023, broader commodities moderated as energy prices and supply chains normalized, while insulation materials continued rising
- Insulation material prices are expected to remain high over the next five years, supported by building compliance and increased construction demand

1. The Producer Price Index (PPI) measures the change in prices paid to producers of goods and services

Target’s median contract price has expanded 64% since 2017, with nearly half of that growth driven by external inflation and code factors and the rest by portfolio mix



Note: Raw Material Inflation is derived from FRED Producer Price Index (PPI) for insulation materials and assumes materials represent ~30% of total project costs; Wage Inflation is based on Bureau of Labor Statistics hourly wage growth for Mechanical Insulation workers and assumes labor represents ~70% of total costs; Code Changes reflect estimate from JP Morgan report that the 2022 building code requires ~15% more material than the 2015 code

D. Competitive Landscape



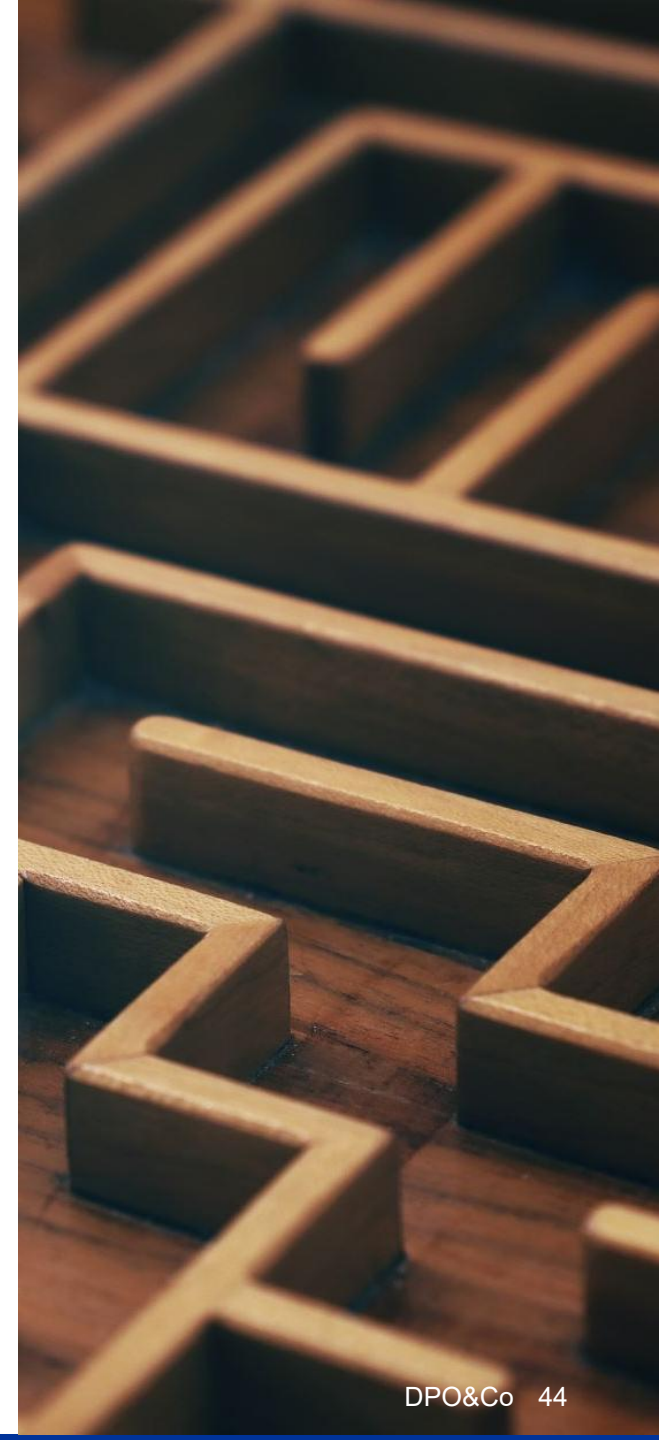
The competitive landscape supports Target's differentiated position and provides whitespace for geographic and service offering expansion

» Target competes in a structurally fragmented market with localized competition, creating room for scaled regional players

- Mechanical insulation remains highly fragmented, with local contractors holding roughly 45–55% of the market, versus ~20–30% each for national and regional players
- Competitive density varies by state, with underpenetrated labor markets outside Target's current footprint offering attractive expansion opportunities, particularly where manufacturing, data center, semiconductor, and automotive investment is increasing
- General contractors often prefer local relationship-driven providers, but constrained labor supply can favor operators with travel capability and scalable labor access

» Because mechanical insulation products are spec-driven, competitive advantage is determined by service and operating model

- Given Products are spec-driven, Service and Operations are factors that influence customer relationships and bid wins, placing relationship depth, mobilization, and labor flexibility at the center of competitive positioning
- Competitive density varies materially by state on a market-size-to-labor-supply basis; in underserved states, lower local labor supply relative to available work translates into higher revenue generated per insulation employee



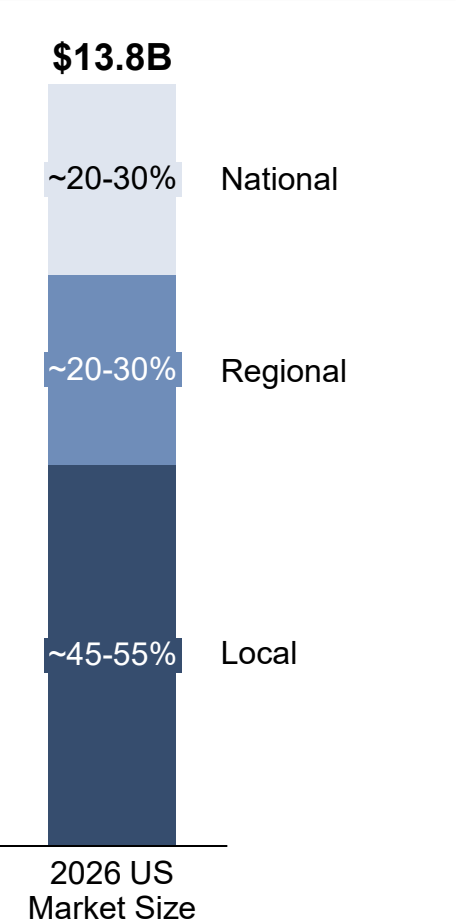
Target occupies a differentiated position between local contractors and national specialty providers, combining broader geographic reach and service depth with greater flexibility

	Local Competitors	Regional Competitors	National Competitors
Sample Companies	Redacted	Redacted	Redacted
Description	Small, owner-led insulation contractors typically serving a limited local radius, with narrower capabilities, specialized end markets, and limited ability to travel for projects	Mechanical insulation contractor with multiple branch locations, serving projects across several states through a distributed office footprint, often with adjacent service offerings	Large specialty industrial and commercial service providers with multi-regional, national, or international reach, supported by a broad service portfolio extending beyond insulation ¹
Average FTE Size	5-30	30-800	>1,000
Average Revenue	\$1M-\$5M	\$5M-\$60M	>\$90M
Right-to-Win	Low-cost, local relationships, small / simple jobs	Complex projects, multi-market reach, relationship-driven	National accounts, mega-project scale, heavy industrial / utility scope

1. Mechanical insulation is usually a part of a single brand within the broader corporation (such as refrigeration insulation, fireproofing, waterproofing, acoustical services, scaffolding, painting & coatings, and other mechanical/construction work)

Mechanical insulation landscape remains highly fragmented with local players capturing the largest share of the market, despite the scale and visibility of regional and national players

US MI¹ Market Share



2025 Target Market Share by State



Key Takeaways

- The broader market remains fragmented with no scaled national leader
 - General contractors tend to favor local partners, making geographic density and relationships key competitive advantages
- Competitors differ primarily by relationship depth and geographic reach:
 - Local players tend to have strong relationships with a narrow customer base
 - Regional players balance relationships across broader footprints
 - National players rely on broader account coverage, supported by other service lines
- Target sits at the intersection of these segments, with meaningful market share across multiple states
 - Limited presence in surrounding states highlights an opportunity for expansion

1. MI = Mechanical Insulation

Competitive landscape includes local, regional, and national providers, though few local or regional competitors match Target’s combination of regional density and service breadth

Company	Union Status ^{2,3}	US Service Footprint ⁴	End Markets Served				Adjacent Services					
			Commercial & Industrial	Marine	Residential	Data Center	Firestopping	Thermal Insulation	Scaffolding	Siding/ Roofing ⁵	Coatings ⁶	Abatement
Target	Union	Region A	●	●	●	●	●	●	●	●	●	●
Competitor A	Union	National	●	●	●	●	●	●	●	●	●	●
Competitor B	Union	National	●	●	●	●	●	●	●	●	●	●
Competitor C	Union	National	●	●	●	●	●	●	●	●	●	●
Competitor D	Union	National	●	●	●	●	●	●	●	●	●	●
Competitor E	-	Region C	●	●	●	●	●	●	●	●	●	●
Competitor F	Non-Union	Region A	●	●	●	●	●	●	●	●	●	●
Competitor G	-	Region A	●	●	●	●	●	●	●	●	●	●
Competitor H	Union	Region A	●	●	●	●	●	●	●	●	●	●
Competitor I	Union	Local - State A	●	●	●	●	●	●	●	●	●	●
Competitor J	Union	Local - State A	●	●	●	●	●	●	●	●	●	●
Competitor K	Non-Union	Local - State E	●	●	●	●	●	●	●	●	●	●
Competitor L	Union	Local - State B	●	●	●	●	●	●	●	●	●	●

● Offered ● Not Offered

1. Estimated FTE based on LinkedIn and available reports; 2. Union status based on listings in the LMCT Contractor Database; 3. Disclaimer: National competitors may be non-union in some locations; 4. Service footprint is based on office locations and highlighted projects; 5. Industrial siding and roofing; 6. Protective and sometimes thermal- insulating paint systems applied to pipes, vessels, and equipment to protect the underlying metal and improve performance

In an industry where Products are spec-driven, approach to Service and Operations are differentiating factors that influence customer relationships and/or winning bids

Industry Differentiation Matrix



- Service**
Ancillary services (e.g., delivery, support, expertise, customization) is where companies compete. Sales positioning emphasizes delivery, not what is delivered
- Community**
Neither product nor services stand out. Differentiation comes from belonging (e.g., brand loyalty, user communities, relationships, and shared identity)
- Product**
Core offering stands on its own. Sales efforts target product's unique features and quality. "the product sells itself"
- System**
The product and surrounding services are differentiated. Full ecosystem creates a compelling, hard-to-replicate offer. Sellers offer the complete solution, not just the product

What We Heard



"We will go with the company who is going to answer the phone and send eight guys to the job site tomorrow if we need them to."
- Project Manager, Company A

"What separates one company from the other is how the staff interacts with the customer. Client engagement is key."
- Project Coordinator, Company B

"On larger projects, we select professionals who regularly perform this type of work, with decisions driven by project experience."
- Vice President, Company C

Low-density states present higher opportunity as local competitors in underserved states may be constrained to meet rising construction and insulation demand

Mechanical Insulation Market Density by State



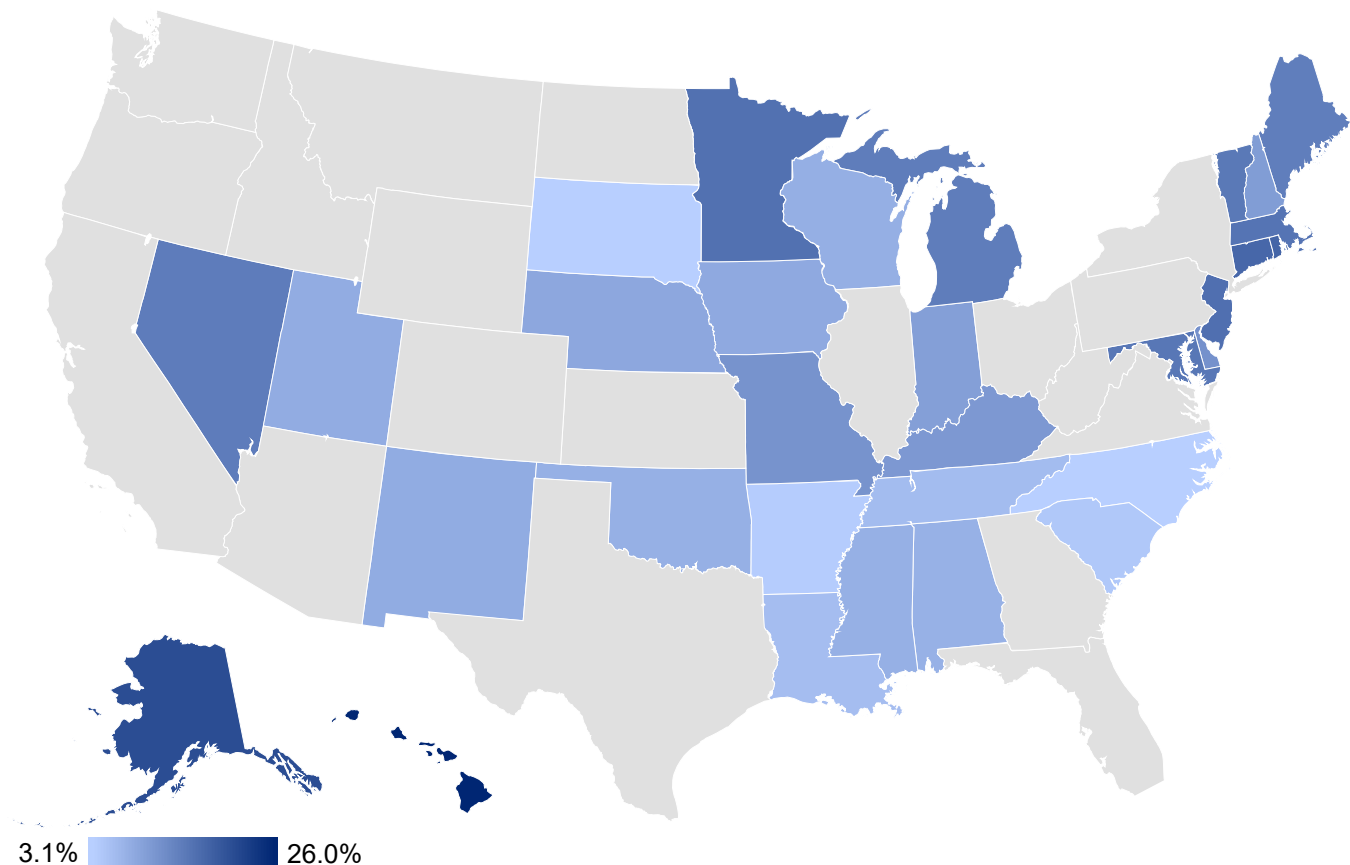
Key Takeaways

- Competitive density varies meaningfully, with market size-to-labor supply ratios highlighting opportunity across several states
 - Darker states appear more underserved on a market-size-by-employee basis
 - Underserved states offer potentially stronger pricing and win rates due to lower labor supply relative to available work
- High data center and semiconductor investments are driving mechanical insulation demand across multiple states
 - Alabama’s strong industrial base, growing construction pipeline, and limited insulator workforce present a market opportunity
 - Automotive, data center, and advanced manufacturing sectors are driving mechanical insulation demand in Kentucky

Union labor concentration, which is often driven by state policy, is highest in the Northeast, Midwest, and West Coast, and weakest across the Gulf Coast and South

Percent of Employees Represented by Unions by State – Across All Industries¹

of Employees Represented by a Union ÷ # of Employees = Darker states indicate higher concentration of union laborers



Key Takeaways

- Union density is shaped in part by state labor policy, particularly whether a state permits union security agreements or operates under right-to-work laws
 - Right-to-work laws limit mandatory union support under collective bargaining agreements
- In lower-density markets, union contractors may face pricing pressure from non-union labor, but can still differentiate through training, safety, and execution quality
- Mechanical insulation labor is represented nationally by the International Association of Heat and Frost Insulators and Allied Workers

1. Bureau of Labor Statistics data reflects union representation across all industries (not specific to mechanical insulation)

E. Voice of Customer

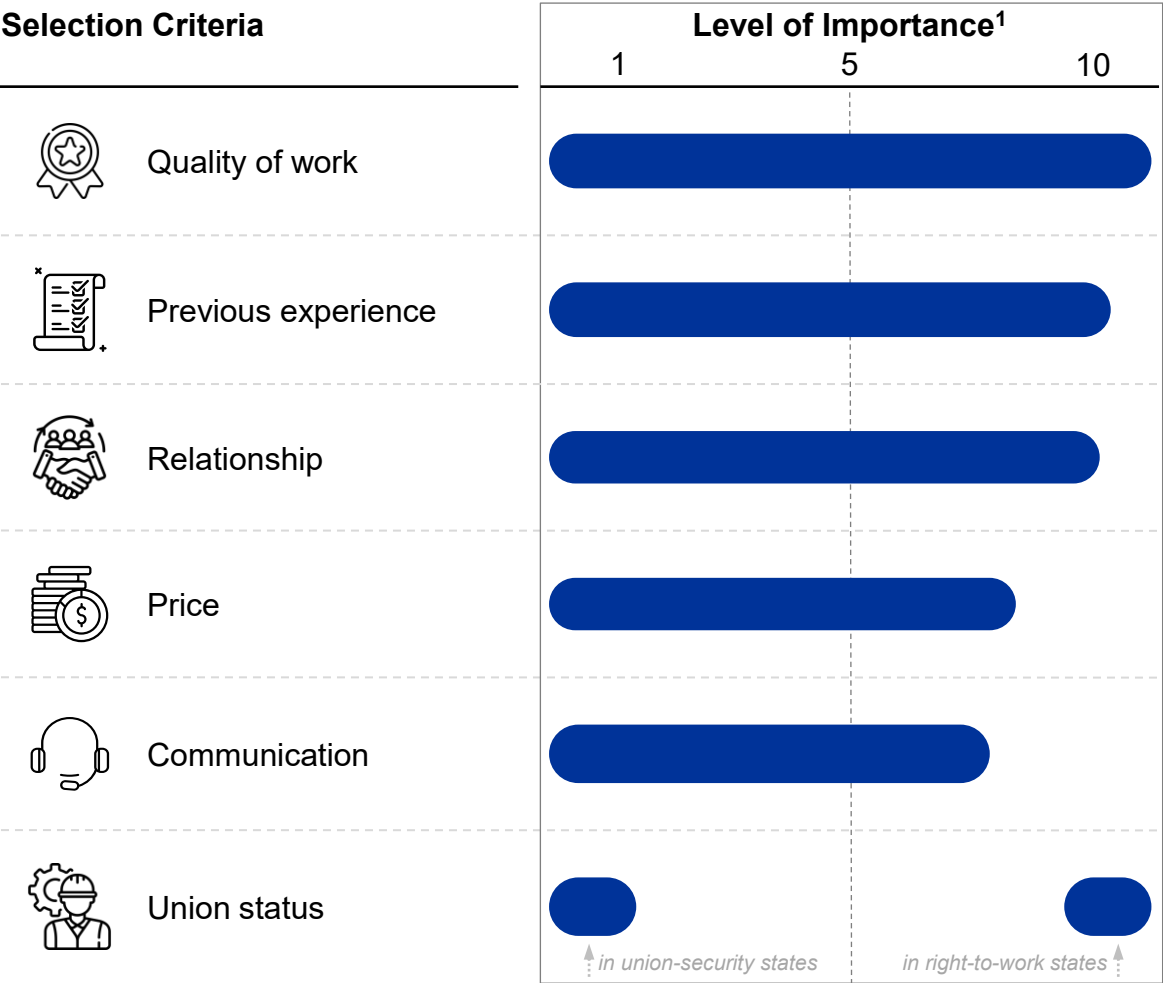


Customer feedback points to healthy near-term project activity and continued reliance on subcontracted mechanical insulation scope

- **Most interviewed customers, including Customer C, Target's second-largest account, remain optimistic on growth and expect to continue outsourcing mechanical insulation work**
 - Customer C cited a robust Region A pipeline supported by a diversified project base, with particularly strong momentum in data centers and healthcare
 - Customer B expects near-term growth to be driven primarily by data centers and other mission-critical work, while Customer A expects project execution to remain stable moving forward despite macroeconomic pressures
- **Quality of work is table stakes in subcontractor selection, while relevant project experience and established relationships are the key criteria to win**
 - Consistent execution is the main factor in building trust and securing repeat business
 - Union status matters selectively, with high importance in union-security states and limited relevance in right-to-work markets
- **Target's customers rely predominantly on union labor in the Region A, and note that union contractors may face added challenges expanding into right-to-work states with higher availability of lower-cost labor**
 - Despite increased costs in non-union markets, union affiliation can serve as a positive signal of training, quality, and execution standards



Quality of work is table stakes; customers favor established relationships or directly relevant project experience, while union status matters in select geographies



1. Importance score ranges from 1 (least important) to 10 (most important)

Comments

- Quality of work is the primary selection criterion, and consistent execution is what typically earns sticky customer relationships
- Price matters, yet relevant experience is often more important as customers seek confidence in scope execution
- Union status is a binary consideration: critical in union-security states and far less relevant in right-to-work states



What We Heard

“The number one criterion is qualifications and the ability to perform the work. Experience is part of that, but it really comes down to technical capability.”

- Senior Project Manager, Customer A

“The top three things are: first, have I worked with them, or has someone on my team worked with them; second, price; and third, whether they can meet the scheduled we’ve laid out.”

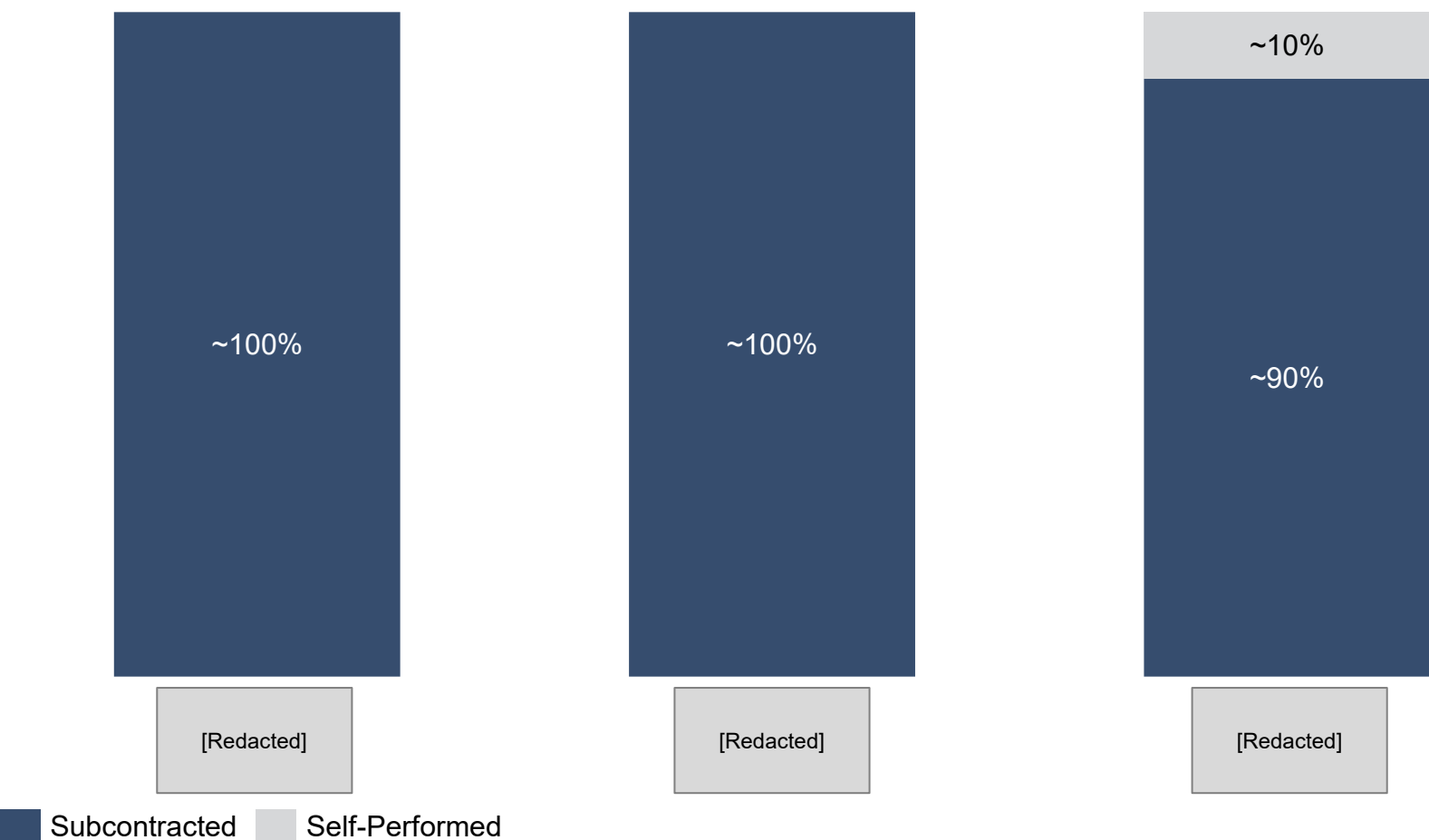
- Project Manager, Customer B

“The first thing we consider is our past experience with the subcontractor...The second piece is how responsive and detailed the subcontractor is during the early budgeting process.”

- Director of Preconstruction, Customer C

Interviewed contractors almost universally outsource mechanical insulation scope, viewing potential upside of self-performance as insufficient to justify added investment and risk

Share of Insulation Work Subcontracted vs. Self-Performed by Customer Account



What We Heard

“There’s not a ton of benefit in terms of self-performing. Even if you get a little higher markup on that scope of work, it’s not necessarily going to translate into enough return to justify the additional upfront investment or the added risk that comes with having all of that scope self-performed.”

- Director of Preconstruction, Customer C

“Very minimal insulation work is done in-house. 90% of the time, we are subcontracting it out, and I don’t see that changing much.”

- Senior Project Manager, Customer A

“A lot of construction is about managing and spreading risk. If you can subcontract a portion of the project out, then you can hold that sub accountable for their portion.”

- Commissioning Project Manager, Customer B

Target customer accounts largely expect current pipelines to translate into increased activity in the coming years; Cust. C highlighted a robust pipeline supported by a diversified portfolio

Customer Account	Outlook	Description	What We Heard
[Redacted]	↗	• Large construction services company with exposure across a diversified set of end markets • Pipeline in the Northwest remains strong, driven primarily by data center and healthcare – Emerging opportunities in commercial segments as building owners invest in efficiency and sustainability upgrades	<i>“I think my company is in a very unique position in that we have a very robust pipeline. We’ve got a lot of optimism for the next few years, and a lot of that ties to the fact that we are highly diversified across different vertical markets...At the same time, we are hearing that quite a few competitors, as well as clients, are struggling.”</i> - Director of Preconstruction, Customer C
[Redacted]	↗	• National general contractor with projects spanning commercial end markets – Mission-critical construction, particularly data centers, has become a rapidly growing segment • Interviewees have observed other data center project cancellations across the US, but do not see this currently impacting Customer B’s pipeline	<i>“Customer B did \$1B in data center work in 2025, and they told us in the beginning of the year that we were on pace to do \$10B in the first quarter of 2026...Work hasn’t slowed down for Customer B...I would imagine there’s probably some type of risk management built into their processes to make sure that the projects get to the finish line.”</i> - Commissioning Project Manager, Customer B
[Redacted]	→	• Full-service union mechanical contractor, – Primarily operates in West Coast, expanding to Utah and the Midwest – Serves data centers, energy, life sciences, and commercial buildings • Projects are generally expected to run smoothly – No major delays in data center projects	<i>“I think upcoming projects will run relatively smoothly, with some caveats. Demand will be there, but I realize market conditions are not fully conducive to capital investment...Skilled tradesmen will continue to be harder to find across the board. That always has been, and always will be, the case.”</i> - Senior Project Manager, Customer A
↑ High → Medium ↓ Low			

Customers perceive a competitive disadvantage for union contractors in markets where union labor is not mandated; customer trust is earned through reliable, consistent performance

Labor Considerations

“The two states that come to mind are State D and State I in terms of very strong competition from non-union contractors. We’re not going to go into a market like that and try to build a commercial office building against other contractors that don’t hire union labor, you’re going to see a huge price differential. But in a more technically challenging market, such as a pharmaceutical manufacturing facility, you can walk in and say that, with union labor, we bring a higher level of training, quality, and qualifications compared to a non-union workforce.”

- Director of Preconstruction, Customer C

“I would only ever use a union if it’s required by law...From my experience in those markets [State I and State N], I can’t imagine that people would be looking to utilize union employees...They also have a ton of low-cost labor.”

- Building Operations Manager, Customer C

Sources of Differentiation

“At the end of the day, it’s about who, project after project, delivers quality results and predictable outcomes, not someone who surprises you by failing on one job and excelling on the next. It’s about consistently doing great work across a variety of projects, teams, and product types.”

- Project Manager, Customer B

“Experience and relationship are first and foremost selection factors...We’re also interested in partnering with companies that have a goal to reduce carbon in the environment and bring buildings to net neutral. That’s actually a deciding factor for us sometimes, the shared mission.”

- Building Operations Manager, Customer C

“Some of our contractors offer firestopping, and that’s very helpful. Many are picking that up so you don’t have to hire a separate subcontractor, and those two things go together. It works out well.”

- Senior Project Manager, Customer A

Project Timeline

“For smaller projects, we’ll just include a number for insulation...We generally know what it costs, so we don’t engage those contractors early...For bigger projects, we want partners. If it’s a large data center or mission-critical project, you want the insulation team involved early in the bid stage.”

- Senior Project Manager, Customer A

“There are two ways it can happen. In one scenario, Customer B or the general contractor puts the subcontractor work out to bid, and then we separately decide which insulation companies will also bid on the project. In the other scenario, the HVAC work is bid out as one package, and the insulation work is included under that subcontractor’s scope. In that case, the subcontractor chooses the insulation company.”

- Commissioning Project Manager, Customer B

F. Sales, Vendor, and Backlog



Target's core customer relationships support a stable base of business, while data centers projects in the pipeline are poised to drive growth



Target's revenue is becoming more concentrated among its top five customers, who accounted for ~XX% of revenue in 2024 and 2025 compared to ~XX% in 2022 and 2023

- Top customer relationships have remained consistent, with three of the top five customers in 2025 (Customer E, Customer C, and Customer D) ranking in Target's top five every year since 2018
- Revenue is concentrated in the Northwest, with nearly half coming from State A; expansion beyond the region has increased but remains limited



Direct expenses make up 96% of Target's spend, presenting the main opportunity for consolidation, particularly in Materials & Supplies (56 vendors) and in a long tail of miscellaneous expenses (76 vendors)



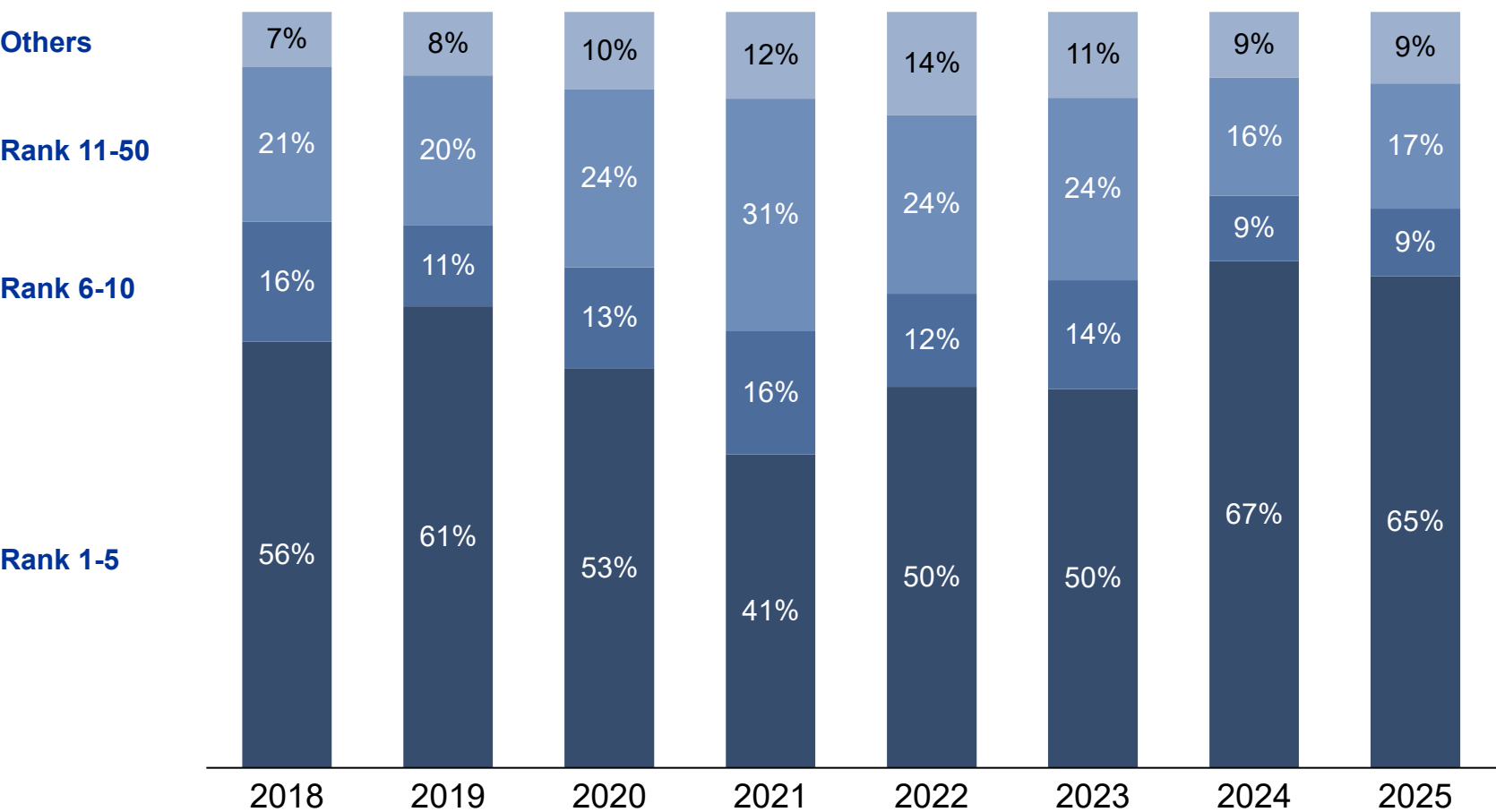
Technology and hospitals comprise the largest shares of Target's March 2026 backlog at 30% and 20%, respectively, but a ~\$XXXM verbally awarded pipeline suggests data centers will represent a larger share of future work

- A shift toward data center work will extend project durations, as data center projects average over two more months (6.4) than the average project (4.1)
- Target exceeded estimated margins in '25, where actual COGS came in 17% below initial estimates, reinforcing the team's ability to manage costs and protect profitability

F1. Sales Analysis

Target’s top customers continue to represent a large portion of sales, with the top five contributing roughly two-thirds of revenue in 2024 and 2025

2018-2025 Sales by Customer Group



Key Takeaways

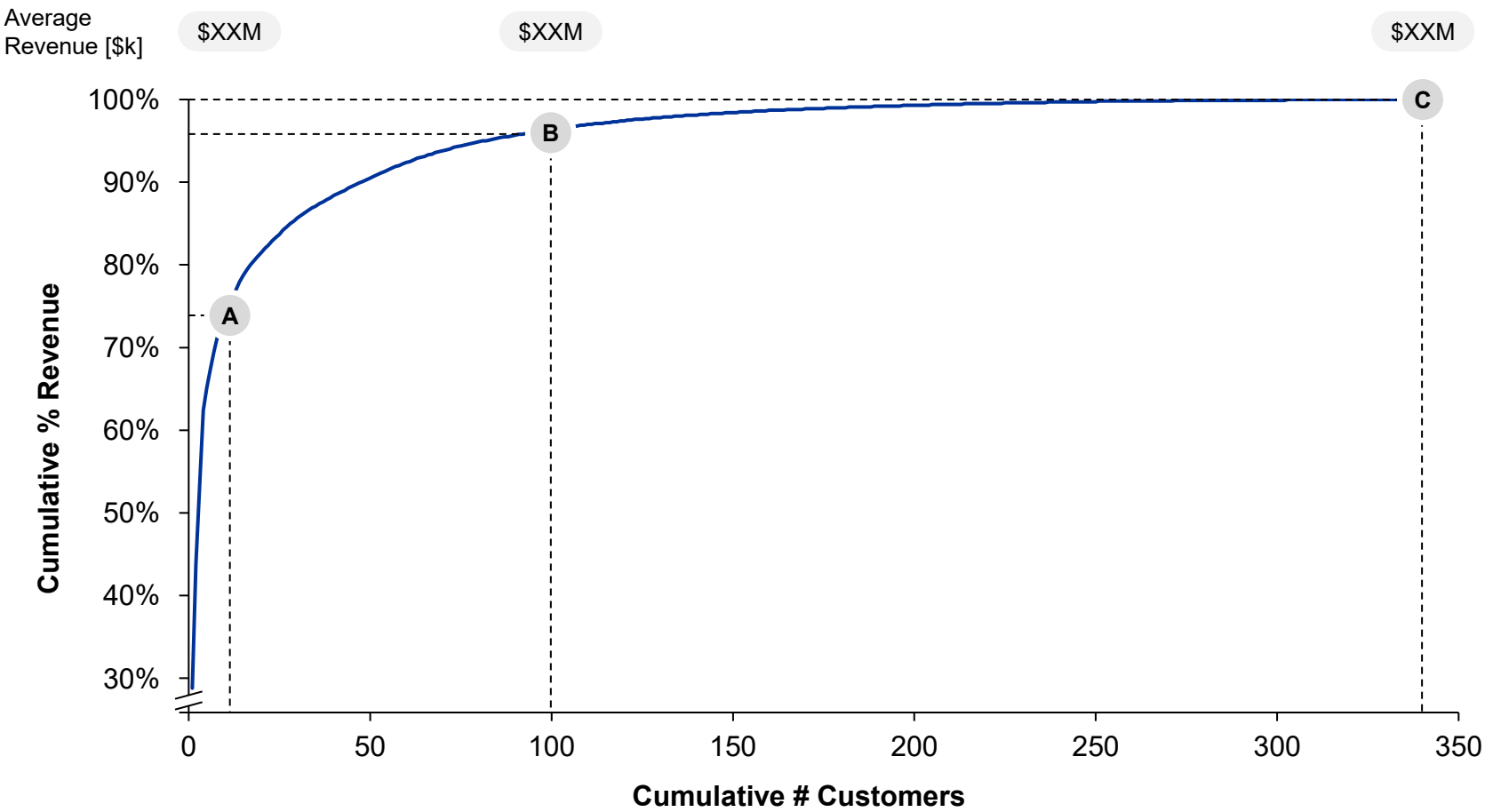


- Target’s sales are moderately concentrated among the top customers, with the top five accounting for ~65% of 2025 sales
 - Customers that have shown up in the top five every year since 2018:
 - Customer E
 - Customer C
 - Customer D
 - Rank 1-5 has only dipped below 50% share in one of the last eight years
- Rank 6-10 and 11-50 have represented a smaller share of revenue in recent years
 - Rank 6-10 decreased from 16% in 2021 to less than 10% in '24/'25
 - Rank 11-50 decreased from 31% in 2021 to 16-17% in 2024 and 2025

Notes: Figures in the sales analysis section are not adjusted for over- or under-billing and may differ from management-reported materials

Revenue is fairly concentrated among the top customers, with Customer E representing ~XX% of 2025 revenue and the entire top 10 contributing the majority of 2025 revenue

2025 Revenue by Customer [Cumulative % Revenue, Cumulative # Customers]



Key Takeaways



- A** Top 10 customers contribute the majority of total 2025 revenue, with top customer, Customer E, representing a meaningful share (\$XXM) of 2025 revenue
- B** Customers ranked 11th through 100th represent an additional 22% of cumulative revenue, with average sales of ~\$XXk
- C** Beyond the top 100, revenue distribution extends into a tail of much smaller clients
 - The remaining customers contribute an additional 4% of revenue, with an average revenue of \$XXk per customer

Notes: Figures in the sales analysis section are not adjusted for over- or under-billing and may differ from management-reported materials

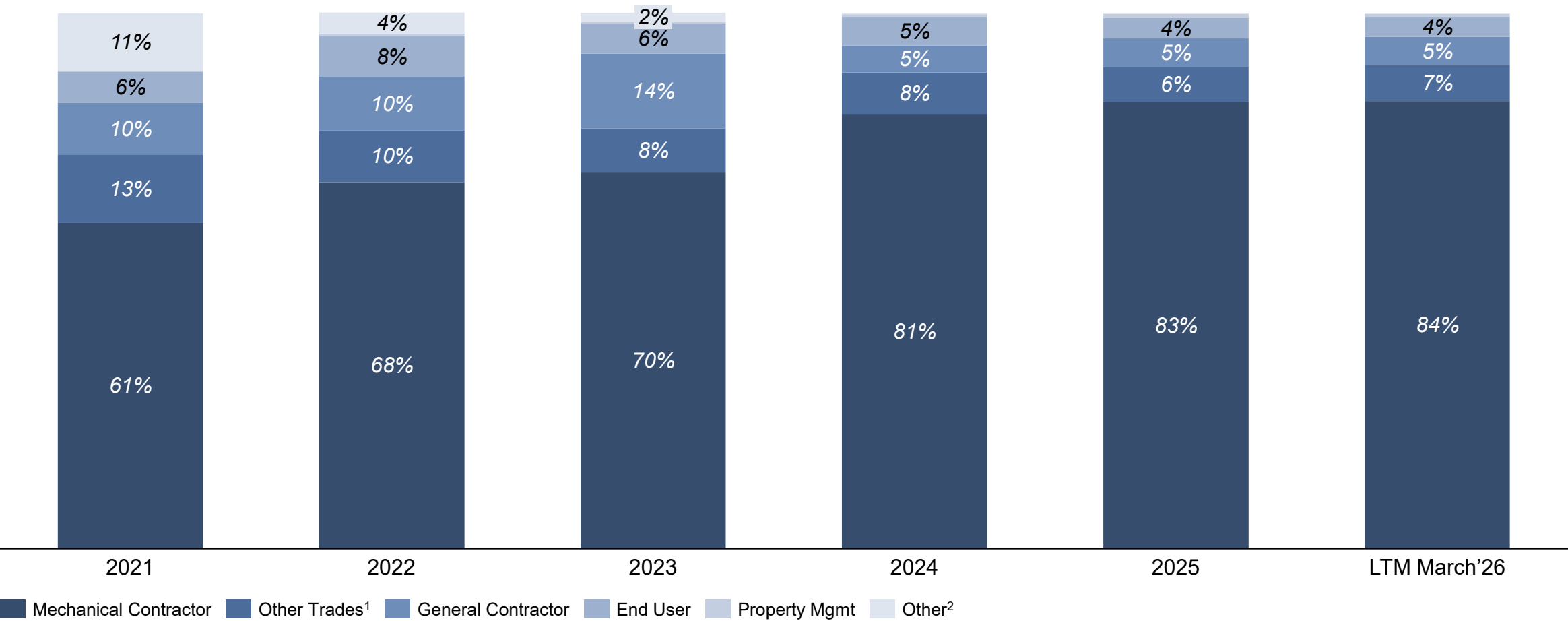
Revenue footprint is heavily region A-concentrated, with State A representing the largest share of revenue and only light penetration beyond core markets

2025 Revenue by State

2025 Revenue by State		State	Revenue	% of Revenue
Redacted		State A	\$XXM	XX%
		State F	\$XXM	XX%
		State C	\$XXM	XX%
		State B	\$XXM	XX%
		State D	\$XXM	XX%
		State I	\$XXM	XX%
		State E	\$XXM	XX%
		State G	\$XXM	XX%
		State H	\$XXM	XX%
		Total	\$XXM	100%

Mechanical Contractors are historically the most effective sales channel, generating over 80% of revenue since 2024 – General Contractors and Other Trades are a distant second

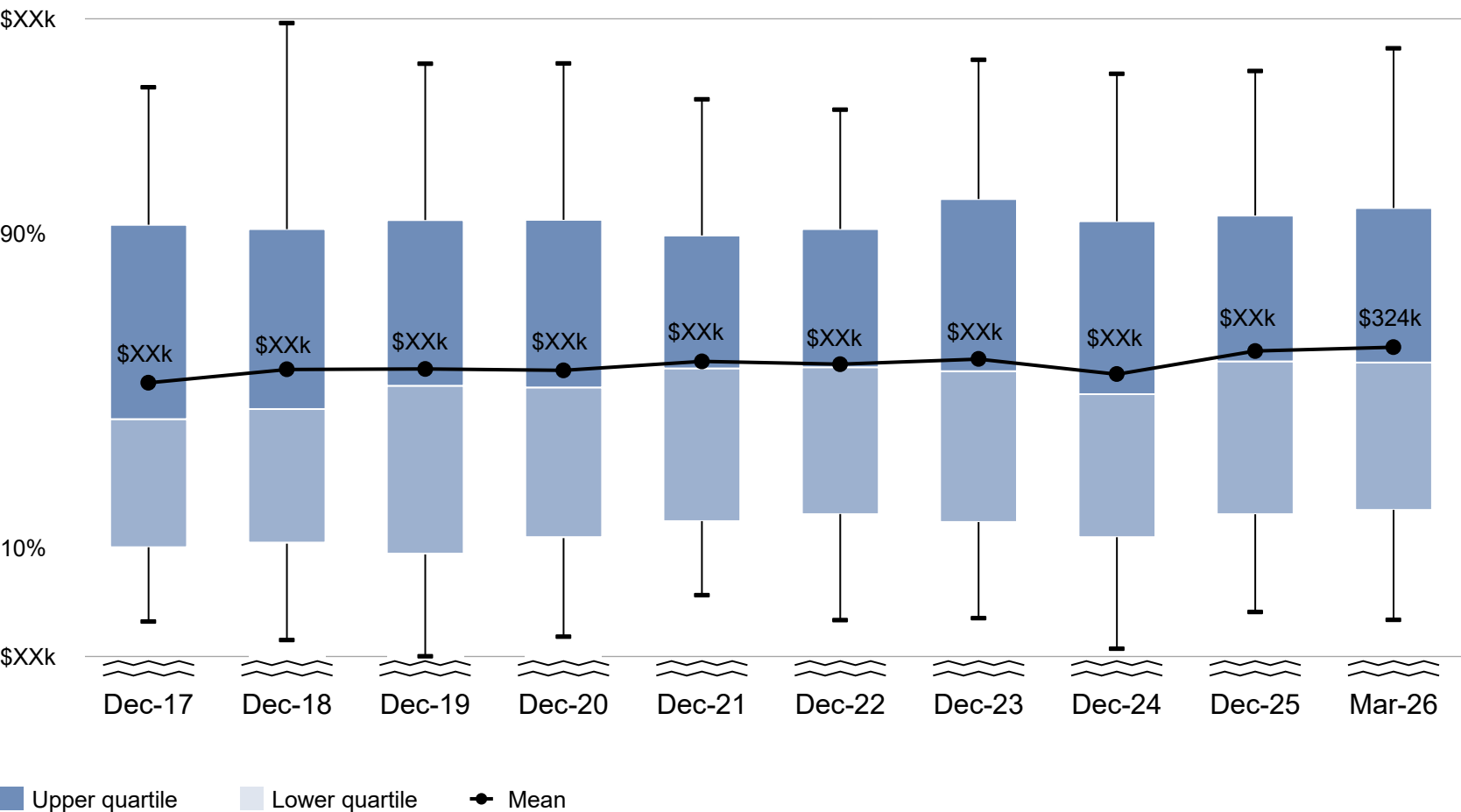
2021 – LTM March '26 Revenue by Customer Type



1. Other trades includes electrical, HVAC services, fire protection, sheet metal, and low voltage data work; 2. Other includes construction firms, government agencies, electrical contractors, and public-sector entities

Average contract size has doubled since 2017 from \$XXk to \$XXk, driven by a thickening tail of large contracts rather than broad-based price increases

YoY Project Price Spread [December WIP Projects¹, Log(10)]



1. Excludes firestopping, correction accounts, quick response, and projects with no assigned job type; Figures are not adjusted for over- or under-billing and may differ from management-reported materials

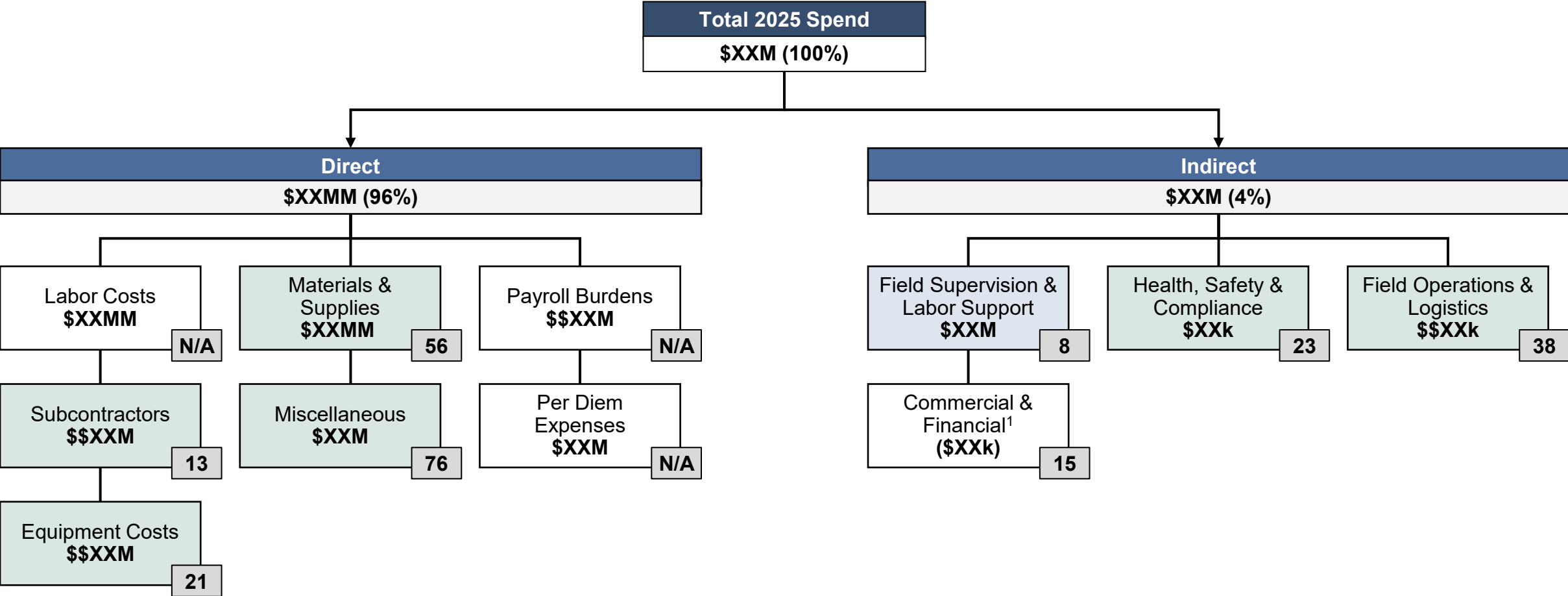
Key Takeaways



- Mix shift, not price hikes, is primary cause of contract price increase
- Contract price median and minimum values are roughly flat across the nine-year window, further supporting steady price behavior
- Mar 2026 WIP projects exhibits the highest upper quartile and maximum project value (~\$XXk), indicating continued momentum toward larger-scale opportunities within the active WIP portfolio
- As trend continues toward larger contracts, operational scalability becomes the primary concern as larger contracts typically have longer durations, larger crew requirement, and tighter schedule penalties
- Execution question shifts from "can Target win the work" to "can it staff, supervise, and execute at this scale without margin slippage"

F2. Vendor Analysis

~XX% of Target’s spend (\$XXM) is in categories spread across multiple vendors, with consolidation opportunities in Materials & Supplies (56 vendors) and Field Operations (38)



Multiple Vendors Limited Vendors # Number of Vendors
1. Negative expense balance in Commercial & Financial mainly reflects discounts and financial adjustments

In direct spend, Vendor A and Vendor B are critical vendors supporting Target operations, with relationships expanding 16.7% and 38.5% YoY, respectively

Category	Purchase Amount of Suppliers '25 [\$k]		'25 YoY%	Total Spend %
Materials & Supplies	Total	\$XXM	-2.2%	22.2%
	[Redacted]	\$XXM	16.7%	
	55 Others	\$XXM	-12.6%	
Subcontractors	Total	\$XXM	25.3%	8.0%
	[Redacted]	\$XXM	38.5%	
	12 Others	\$XXM	1.3%	
Miscellaneous	Total	\$XXM	40.6%	5.1%
	Business Card	\$XXM	52.9%	
	75 Others	\$XXM	38.2%	
Equipment Costs	Total	\$XXM	-31.1%	1.3%
	[Redacted]	\$XXM	6.2%	
	20 Others	\$XXM	-39.0%	

Key Takeaways



- Vendor A is Target’s largest direct vendor, with 16.7% YoY growth, increasing supplier concentration in Materials & Supplies despite a ~2% category decline
- Vendor B accounted for 71.5% of Subcontractor spend in '25 and drove majority of category growth from '24 to '25
- Miscellaneous is the most fragmented category, though 40% of spend is tied to unidentified vendors
- Equipment Costs declined sharply YoY alongside a net reduction of 8 vendors, suggesting consolidation or lower external equipment reliance

Indirect expense categories appear to be a lower priority for consolidation, given low share of total spend (4%) and lower vendor counts across categories

Category	Purchase Amount of Suppliers '25 [\$k]		'25 YoY%	Total Spend %
Field Supervision & Labor Support	Total	\$XXM	-3.7%	2.4%
	[Redacted]	\$XXM	-5.1%	
	7 Others	\$XXM	-3.5%	
Field Operations & Logistics	Total	\$XXk	4.5%	1.3%
	[Redacted]	\$XXk	6.9%	
	37 Others	\$XXk	0.7%	
Health, Safety & Compliance	Total	\$XXk	-25.6%	0.4%
	[Redacted]	\$XXk	178.4%	
	22 Others	\$XXk	-46.6%	

Key Takeaways

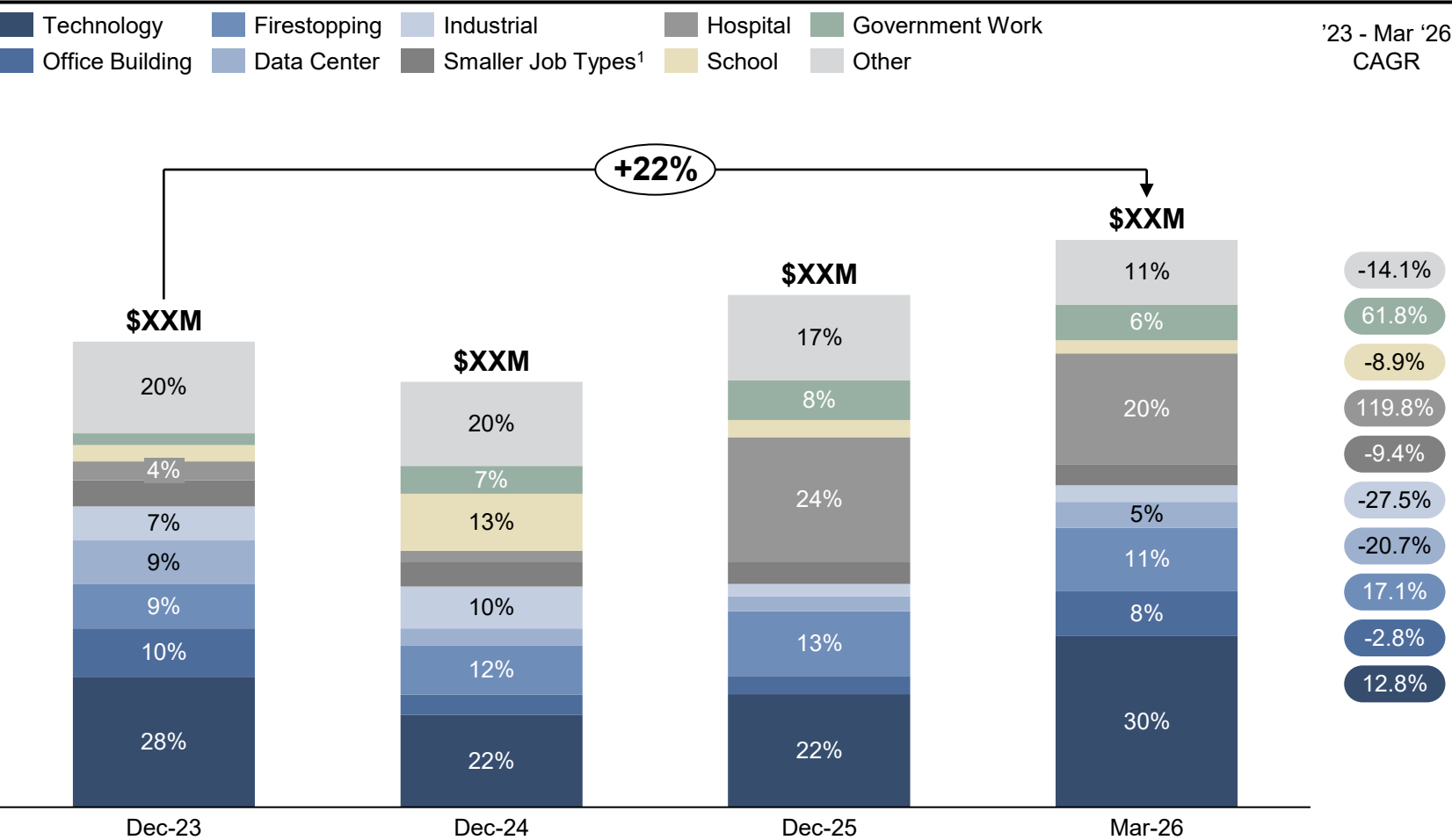


- Majority (88%) of Field Supervision & Labor Support spend is classified as internal payroll, with the remainder allocated to insurance and benefits programs
- Vendor D (commercial fuel card program) and Vendor E together account for 74% of Field Operations & Logistics spend
- Spend with Vendor F, a safety and industrial protective distributor, nearly doubled from '24 to '25, while spend with Vendor G, an industrial supply house, fell ~49% from \$XXk to \$XXk

F3. Backlog Analysis

Hospitals witnessed the largest increases in backlog from Dec-23 to Mar-26, while technology retains its spot as Target’s top end market throughout the years

Historical and Current Backlog by Project Mix



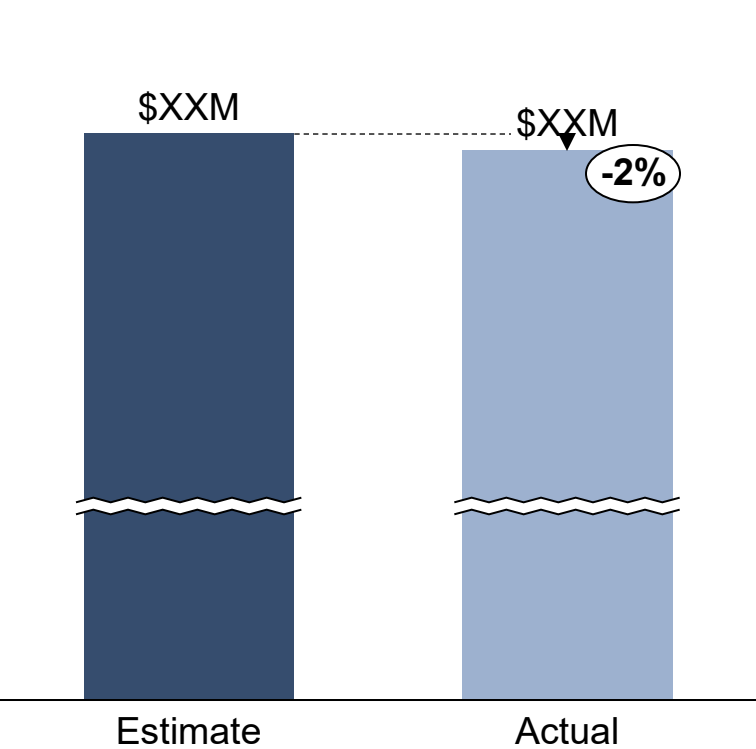
Key Takeaways

- Project types have shifted sharply by March 2026, with a stronger focus on hospital projects and government work
 - Hospitals are a clear standout having gone from less than 5% of backlog in Dec-23 to 20% by Mar-26
 - Despite a dip in Dec-24, backlog has increased in value by over 20% from Dec-23 to Mar-26
- Notably, Technology has secured the leading spot in Backlog for every period, affirming their spot as a top end market for Target
- On the opposite end, Industrial projects have dropped considerably in backlog
 - Starting off at 7% of backlog in Dec-23, the end market weakened further down to 3% in Mar-26

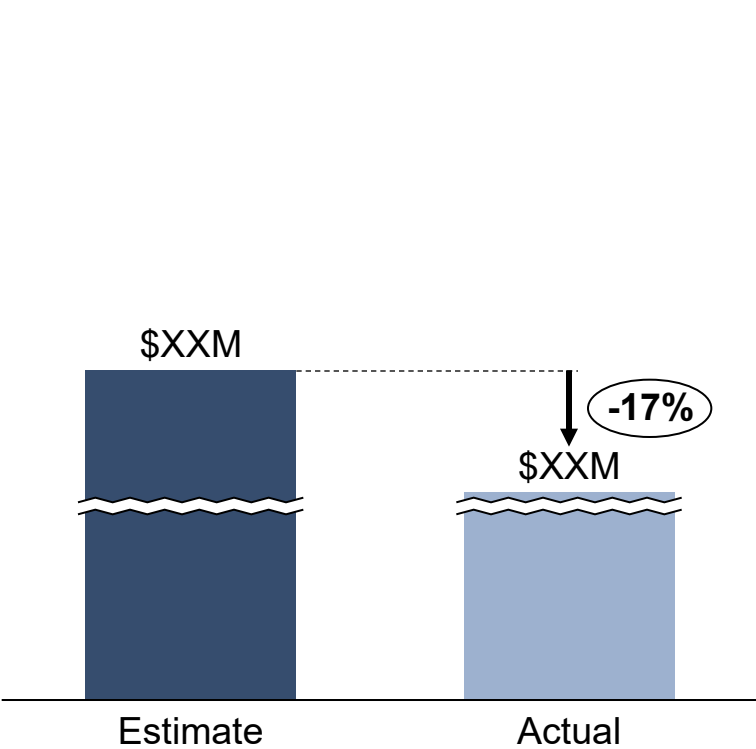
1. Grouped job types where their backlogs never exceeded \$XXM in any of the displayed time periods, which includes: Carpentry, Residential, No Job Type, Food Service, Quick Response, Intel, Marine, Retro, Cold, and State C

Target delivers higher margins via effective cost management, despite a frequent drop in actual City F versus initial contract estimate

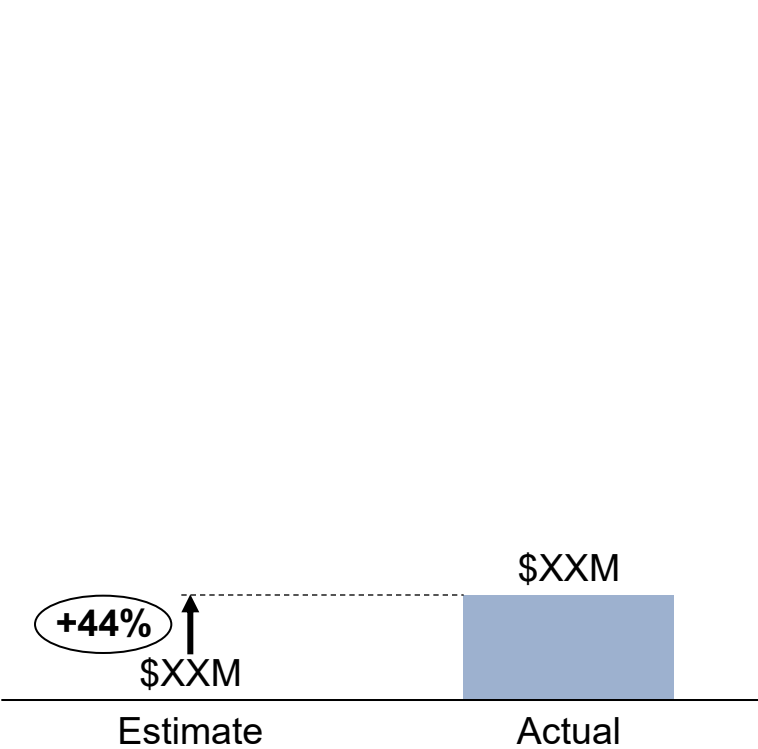
2025 Revenue: Estimate vs. Actual¹



2025 COGS: Estimate vs. Actual¹

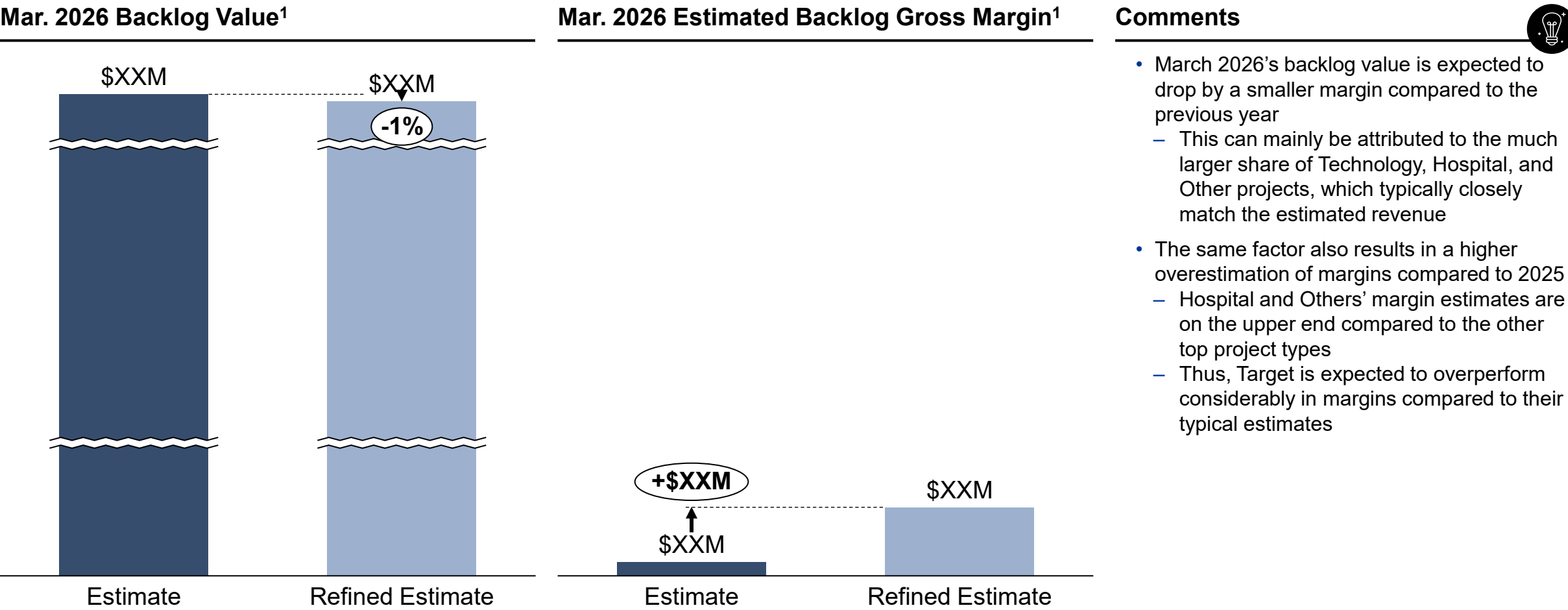


2025 Margin: Estimate vs. Actual¹



1. Revenue, COGS, and margins' data is only inclusive of closed projects with comparable estimates data from the WIP reports

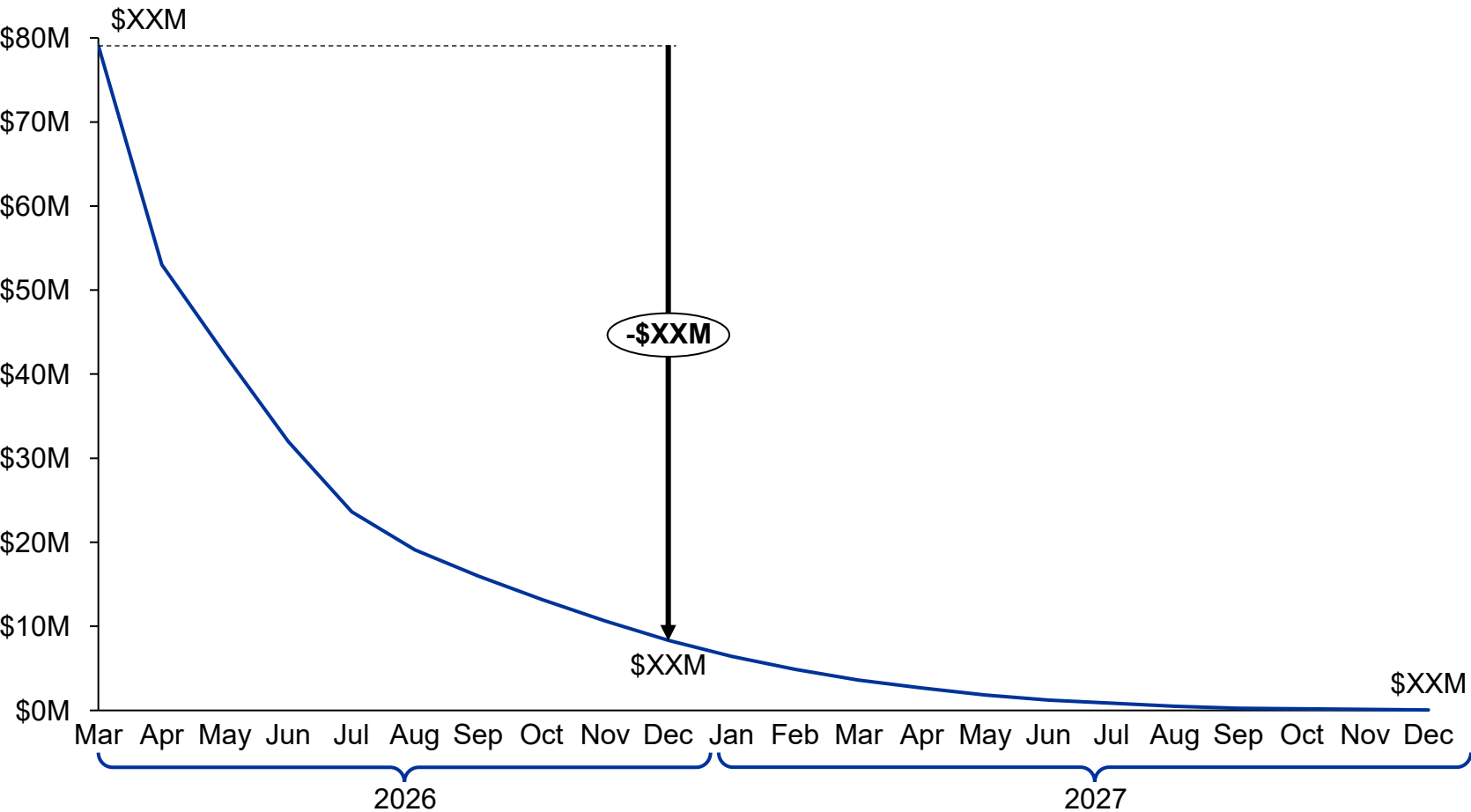
Backlog value in March 2026 is expected to remain broadly in line with estimates, and if past behavior holds, backlog gross margin would outperform initial estimates by ~\$XXM



1. Estimated using comparisons from 2025's WIP estimates versus actual project revenue, weighted by project type

Of the \$XXM backlog, \$XXM (~89%) is expected to convert by year-end 2026, while the remaining \$XXM is expected to run off through December 2027

Projected Backlog Run-off Through 2026-2027



Key Takeaway

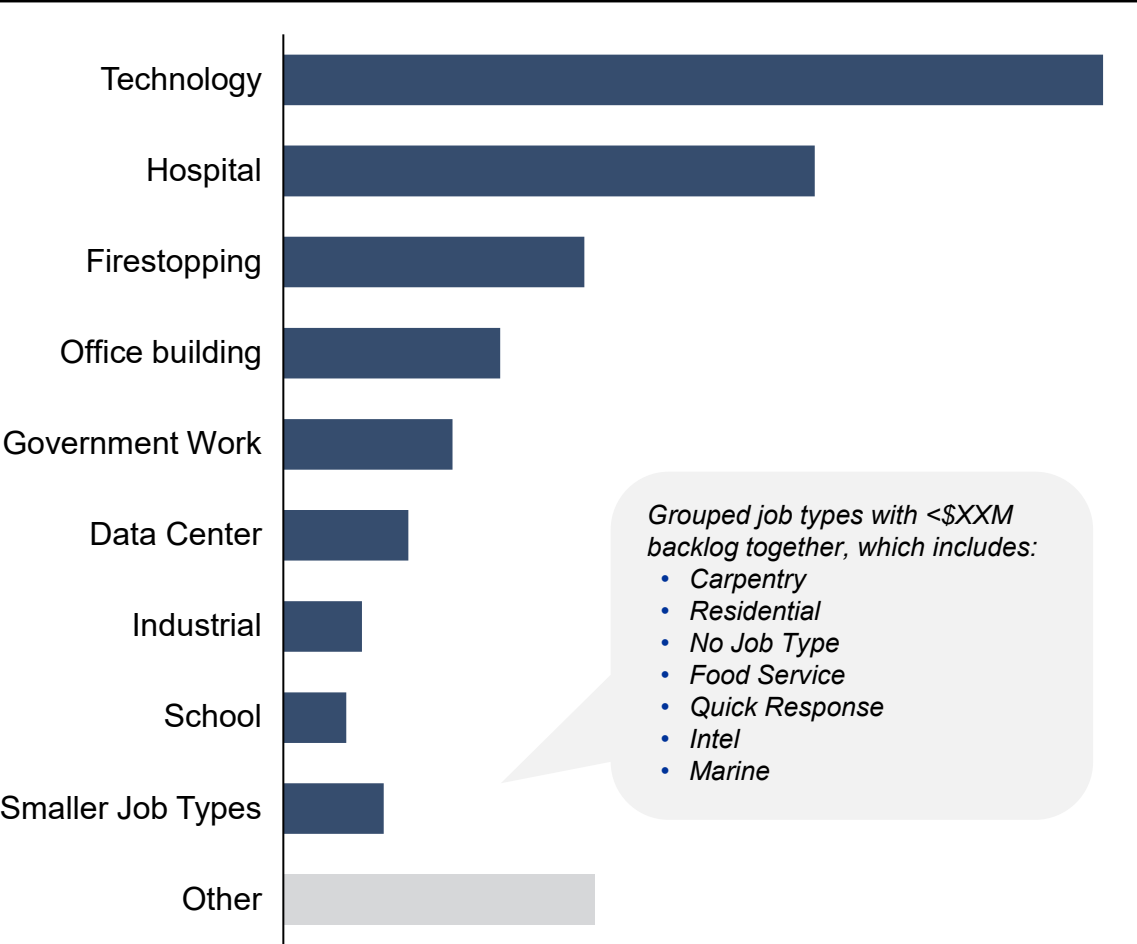


- Steady backlog decline reflects consistent revenue recognition, with ~89% expected to convert by December 2026, at an average monthly burn of ~\$XXM
- December 2027 is the last full month of backlog burn, with the \$XXM backlog expected to run-off by the start of 2028
- *This assumes that revenue is recognized evenly over estimated project durations*
 - *Estimated project durations are based on job type and size, with a few exceptions for top projects^{1,2}*
 - *Projects which have progressed longer than the average expected duration are assumed to finish in the following month*

1. Job 2G24589 uses an average duration based only on job size due to limited data for its job type and size combination
2. Job 1A25031 exceeded its original average duration; a revised duration was estimated using the backlog burn-down trend, assuming a monthly contract value of ~\$XXk, to project completion based on its current trajectory

The top 10 projects account for \$XXM, or 51% of total backlog in March 2026, without skewing to only a select few job types, raising little to no concerns over segment concentration risk

Backlog by Job Type as of March 2026

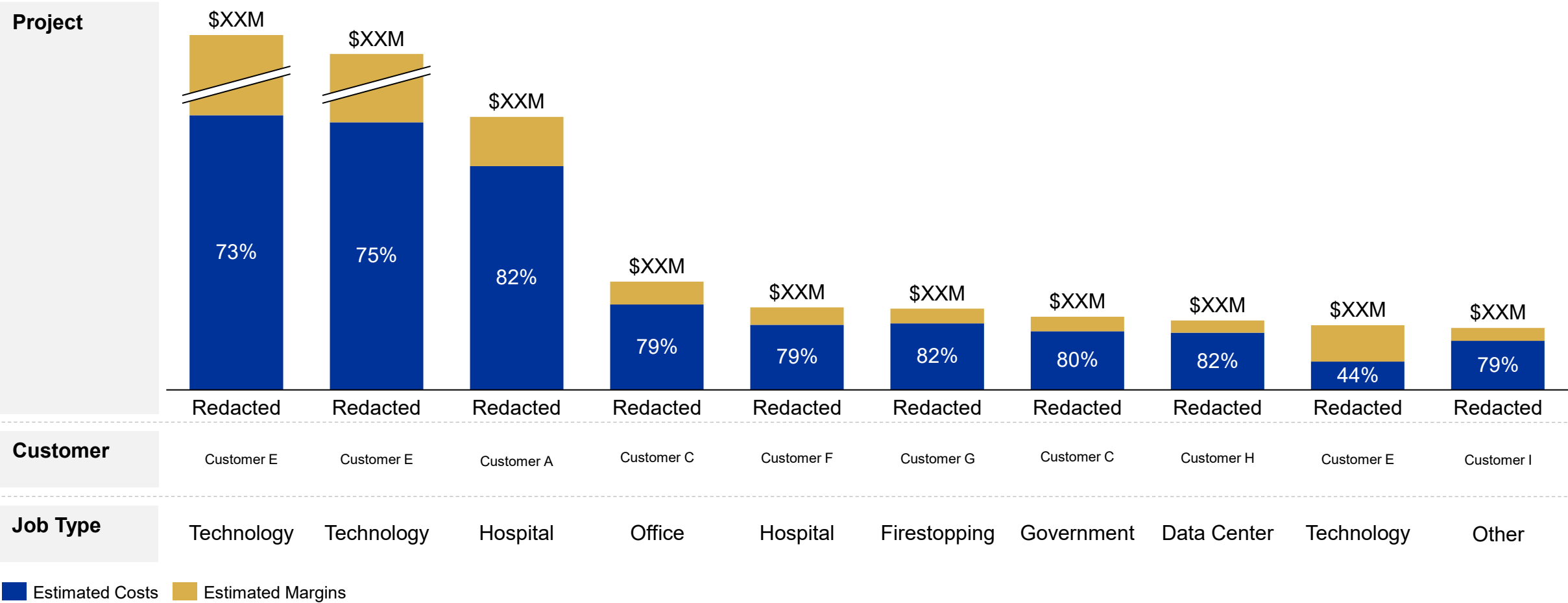


Project #	Job Type	Backlog	GM % ¹	Duration ²
1A25073	Technology	\$XXM	26.8%	17 months
6O25006	Technology	\$XXM	24.9%	17 months
5H25034	Hospital	\$XXM	18.0%	13 months
1C25164	Office	\$XXM	21.0%	21 months
3H25300	Hospital	\$XXM	21.2%	13 months
1V25968	Firestopping	\$XXM	18.0%	15 months
2G24589	Govt Work	\$XXM	20.0%	16 months
2D26021	Data Center	\$XXM	17.0%	18 months
1A25031	Technology	\$XXM	56.1%	22 months
5O25032	Other	\$XXM	20.8%	16 months
Other 734 Jobs	N/A	\$XXM	24.4%	N/A
Total	N/A	\$XXM	25.9%	N/A

1. Margin % estimated from most recent revenue and costs, and not pulled from margins; 2. Expected duration is estimated based on average duration of projects of the same job types and size groups

Technology and hospital are the most frequent job types among Target's top backlog projects, while Customer E stands out as a key customer, owning 3 of the top 9 projects

Mar. 2026 Top Backlog Project Revenue & Margin¹



1. Remaining revenue and margins from backlog, not total project size

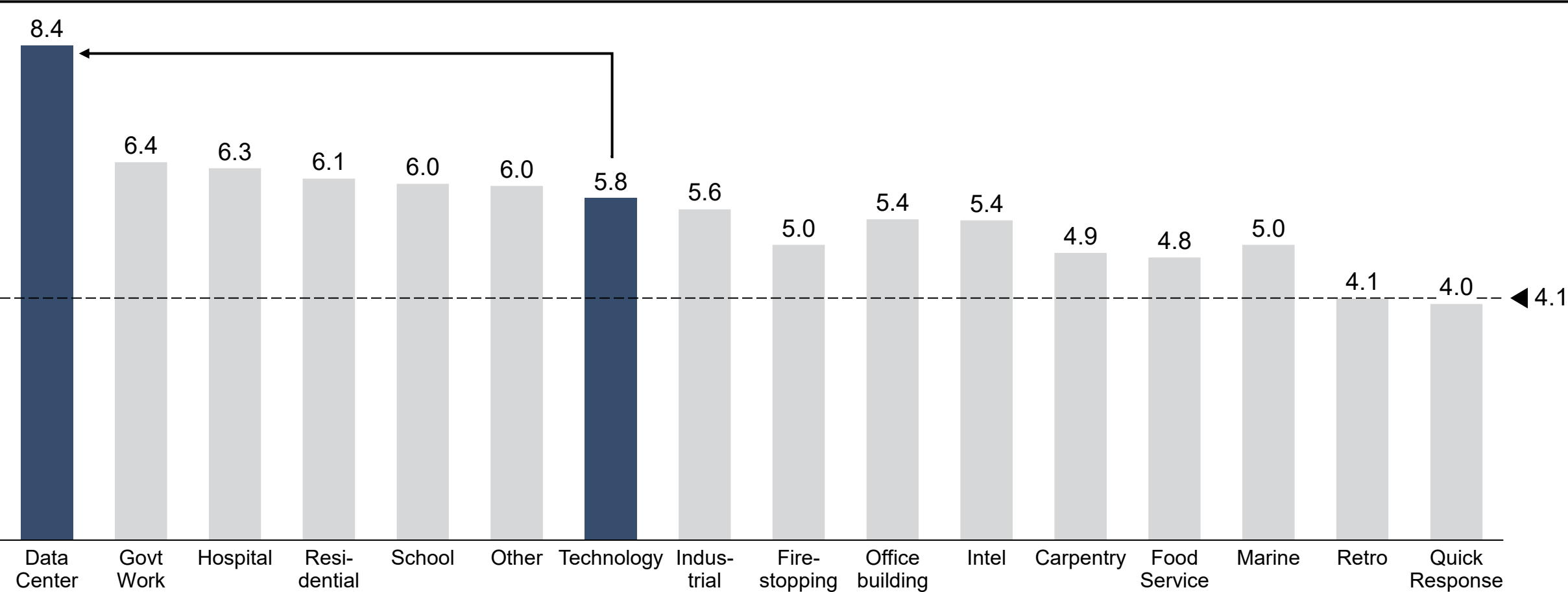
Target’s projected pipeline is Data Center heavy, supporting inroads into a fast-growing end market and strengthening relationship with Customer E, a long-standing customer

Verbally Awarded Projects by Job Type		Project Name	Customer	Job Type	Contract Price
Data Center	\$XXXM	Project Gamma	Customer E	Data Center	\$XXM
		Project Delta	Customer E	Data Center	\$XXM
		Project Delta	Customer E	Data Center	\$XXM
Office Building	\$XXM	Project Delta	Customer E	Data Center	\$XXM
		Project Delta	Customer E	Data Center	\$XXM
Total	\$XXM	Confidential Project	Customer C	Office Building	\$XXM
		Confidential Project	Customer C	Data Center	\$XXM

1. Includes school, carpentry, residential, food service, quick response, intel, marine, “job type P”, and “other” job types

Data Center projects have the longest average duration at 8.4 months, likely extending revenue recognition timelines relative to Target's legacy Technology-centered job mix

Average Project Duration by Job Type (in Months)^{1,2}



1. Calculated from ~3.8k projects which occurred between December 2023 to March 2026 and closed before March 2026; 2. Excluded Cold, State C, and projects with no job type

G. Value Creation



The most compelling growth opportunities for Target are geographic expansion and deeper penetration in heavy commercial markets



Geographic levers appear most impactful for Target, with greenfield expansion into attractive states and deeper penetration across core Region A geographies offering an estimated ~\$13.0M - \$14.0M and ~\$9.0M - \$10.0M of equity upside, respectively

- Attractive opportunities exist beyond Target's core footprint, but labor dynamics should shape market entry; union-security states (e.g., State J, State K, State L) may offer a smoother path than right-to-work states (e.g., State N, State I) where deeper non-union labor pools could complicate union-led expansion
- Significant headroom remains in the Region A, where labor dynamics are generally favorable and heavy commercial demand continues to expand

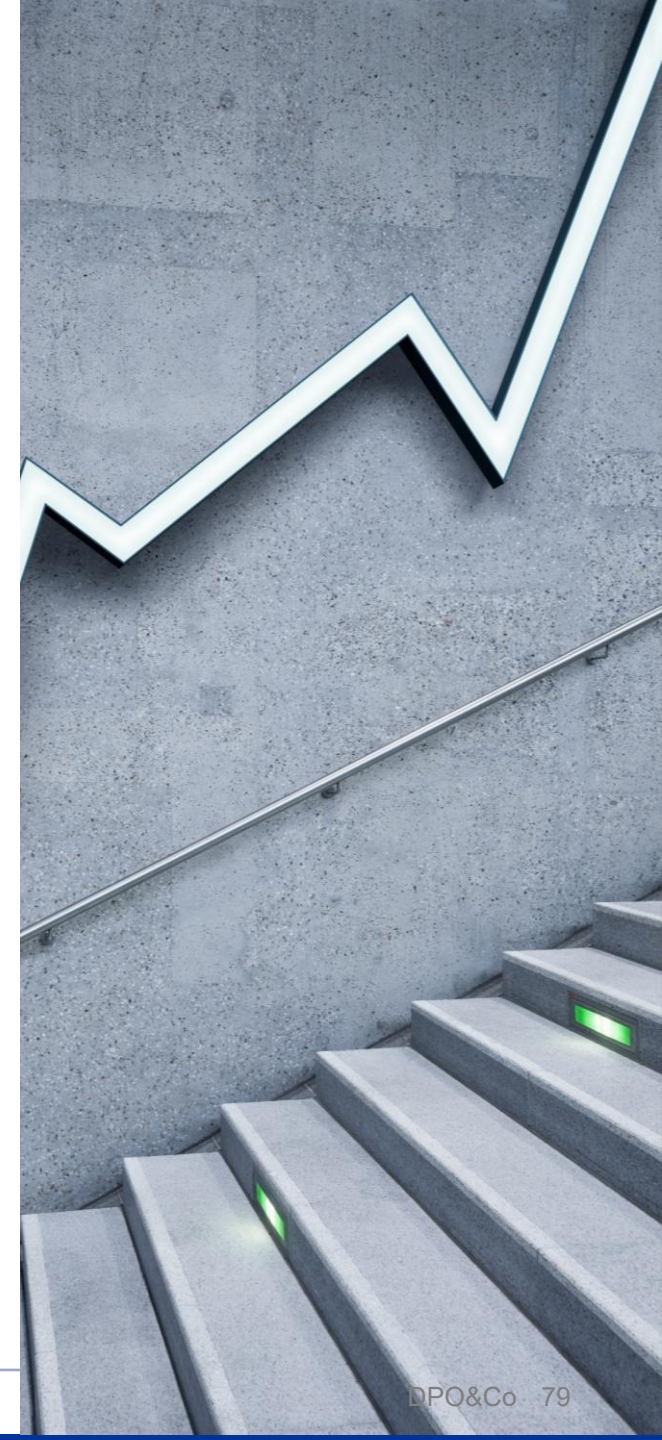


Strengthening Target's presence in heavy commercial markets could support EBITDA expansion and investor appeal by increasing exposure to durable, high-demand end markets

- Data centers represent a particularly attractive market, where market tailwinds alone could drive ~\$1.1M of incremental project revenue



Firestopping remains a smaller share of Target's service mix, but its ~12pp margin premium versus mechanical insulation could translate to ~\$5M - \$6M of equity value if Target increases firestopping's share of revenue



Value creation initiatives were evaluated and ranked based on which factors have the largest impact on Target's projected equity value

Equity Value Breakdown

Revenue – COGS =
Gross Profit (% margin)

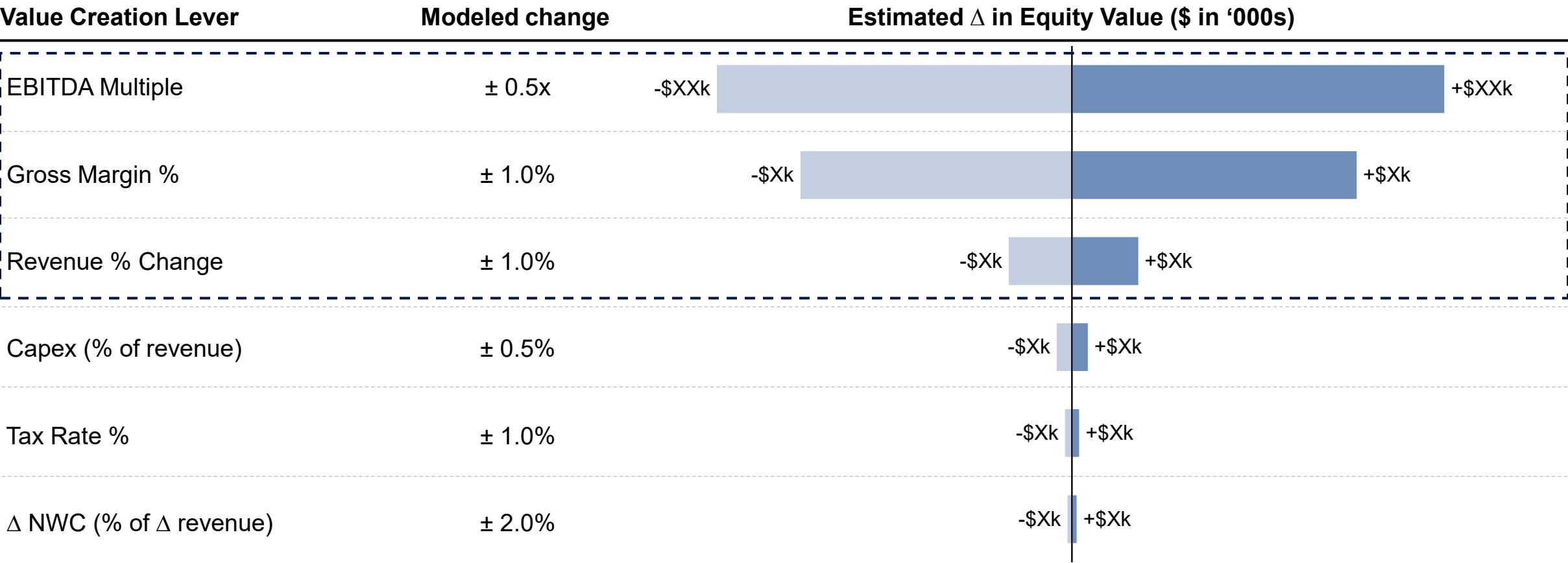
Gross Profit – SG&A (% of revenue) =
EBIT (Operating Income)

EBIT + D&A =
EBITDA

$$\left\{ \text{Equity Value} = (\text{EBITDA} * \text{Multiple}) - \text{Net Debt} \right\}$$

Beginning Net Debt + EBIT * (1 – Tax Rate) + D&A – Capex (% of revenue) – Δ Net Working Capital (% of Δ revenue) – Debt =
Net Debt

Changes to EBITDA multiple, gross margin percent, and revenue percent change have the largest effect on Equity Value, providing focus areas for ideation of value creation initiatives

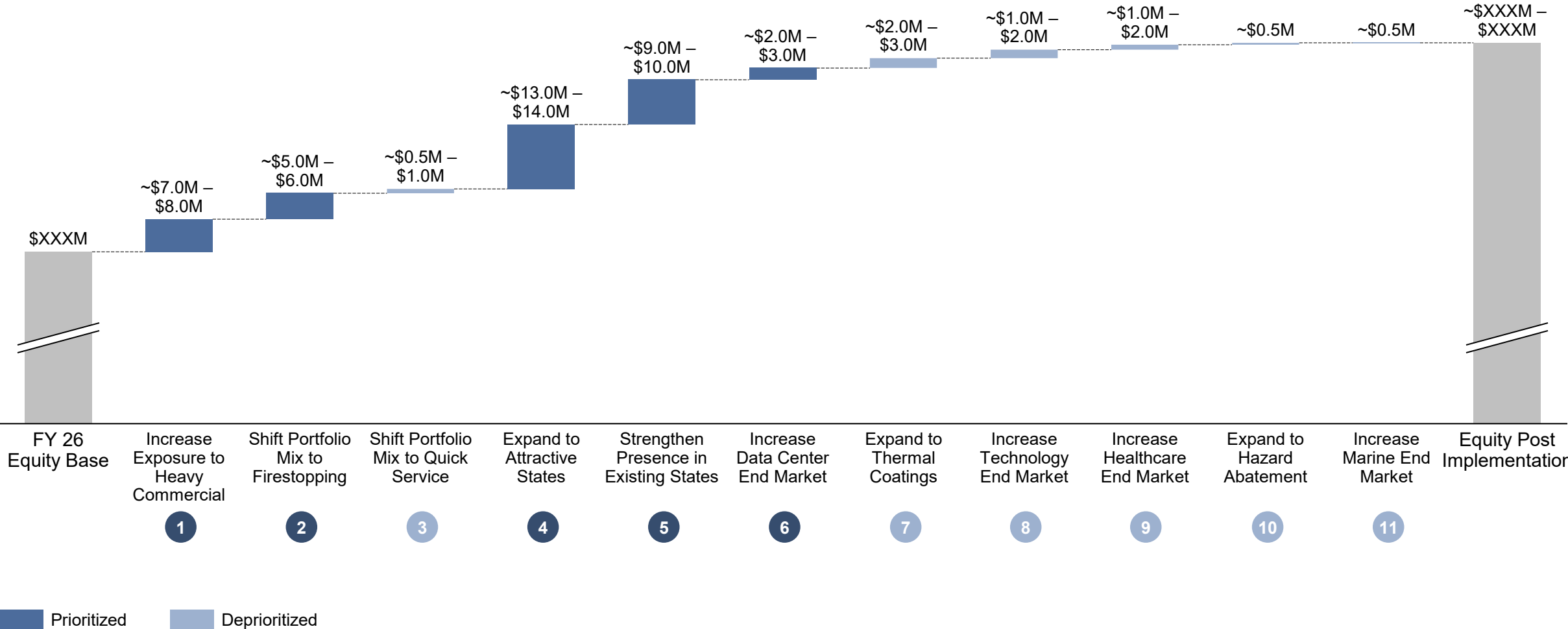


Areas of Focus

DPO&Co identified and modeled eleven value creation initiatives across multiple, margin, and revenue expansion to quantify potential impact on Target's future equity value

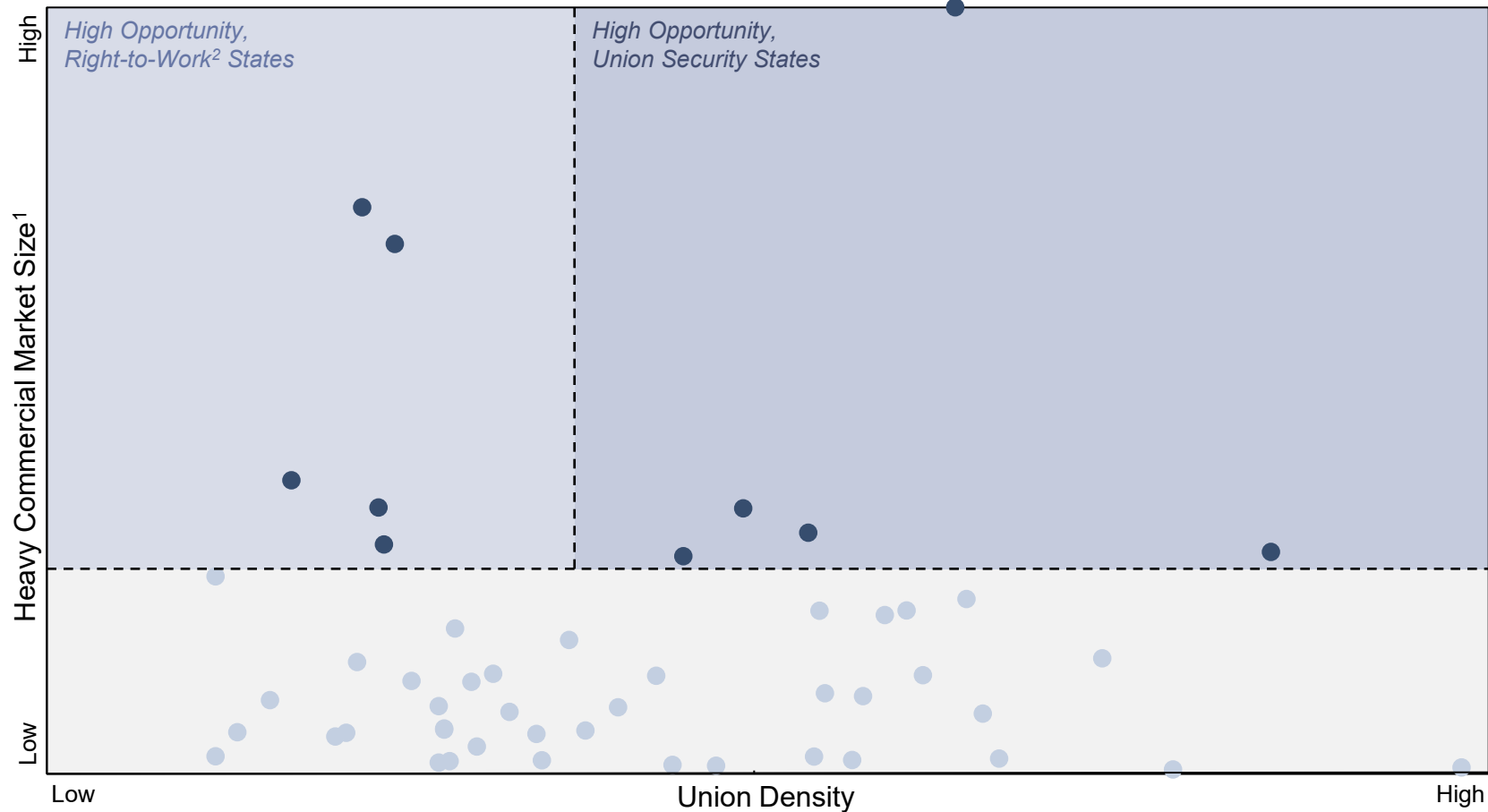
Value Creation Levers	Initiative	Description	Equity Value Impact
EBITDA Multiple	1 Increase Exposure to Heavy Commercial	Shift Target's end-market mix further towards high-growth heavy commercial segments, where project complexity supports stronger demand	~\$7.0M – \$8.0M
	2 Shift Portfolio Mix to Firestopping	Capture higher-margin firestopping jobs within existing and new relationships	~\$5.0M – \$6.0M
Gross Margin %	3 Shift Portfolio Mix to Quick Service	Increase quick-turn service and small-project work to improve margin through higher pricing and utilization	~\$0.5M – \$1.0M
	4 Expand to Attractive States	Enter and scale in attractive heavy commercial states, with labor dynamics shaping market entry	~\$13.0M – \$14.0M
Revenue % Change	5 Strengthen Presence in Existing States	Deepen Target's penetration across core Region A geographies	~\$9.0M – \$10.0M
	6 Increase Data Center End Market	Leverage data center market tailwinds to capture incremental project work	~\$2.0M – \$3.0M
	7 Expand to Thermal Coatings	Add thermal insulation coating services across Target's existing footprint	~\$2.0M – \$3.0M
	8 Increase Technology End Market	Grow share of technology projects with existing and new customers, capturing growth in advanced manufacturing and electronics	~\$1.0M – \$2.0M
	9 Increase Healthcare End Market	Expand exposure to high-growth hospital and healthcare projects	~\$1.0M – \$2.0M
	10 Expand to Hazard Abatement	Add hazard and asbestos abatement services alongside insulation scopes to increase cross-sell opportunities	~\$0.5M
	11 Increase Marine End Market	Strengthen the marine insulation offering as a differentiated service offering	~\$0.5M

Five value creation initiatives prioritized based on highest projected impact on equity value, representing an estimated increase of ~\$34M – \$39M to equity value



State J, K, and select Midwest represent attractive opportunities in union-favorable states, while entry into State I or N should reflect right-to-work dynamics that may favor non-union

Heavy Commercial Market Size¹ x Union Density



Comments

- Ten states offer a compelling opportunity in heavy commercial markets, though entry strategy should differ based on union penetration
 - Right-to-work² states such as State I, State N, State Q, State P, and State O are generally less favorable for union contractors
- Capturing just 0.25% share¹ in high opportunity, union security states would add ~\$4M of revenue
 - State J is the most attractive in this group, supported by semiconductor investment around City M and a durable healthcare project pipeline
- Capturing just 0.10% share¹ in high opportunity, right-to-work states would add ~\$2M of revenue
 - State I and State N are large opportunities, though deep non-union labor pools may make union-led expansion challenging

1. Only inclusive of the heavy commercial mechanical insulation market; 2. Right-to-work states prohibit agreements that require workers to join a union or pay union dues as condition of employment

Target has meaningful runway to deepen penetration across its Region A footprint, where favorable labor dynamics and heavy commercial demand support expansion

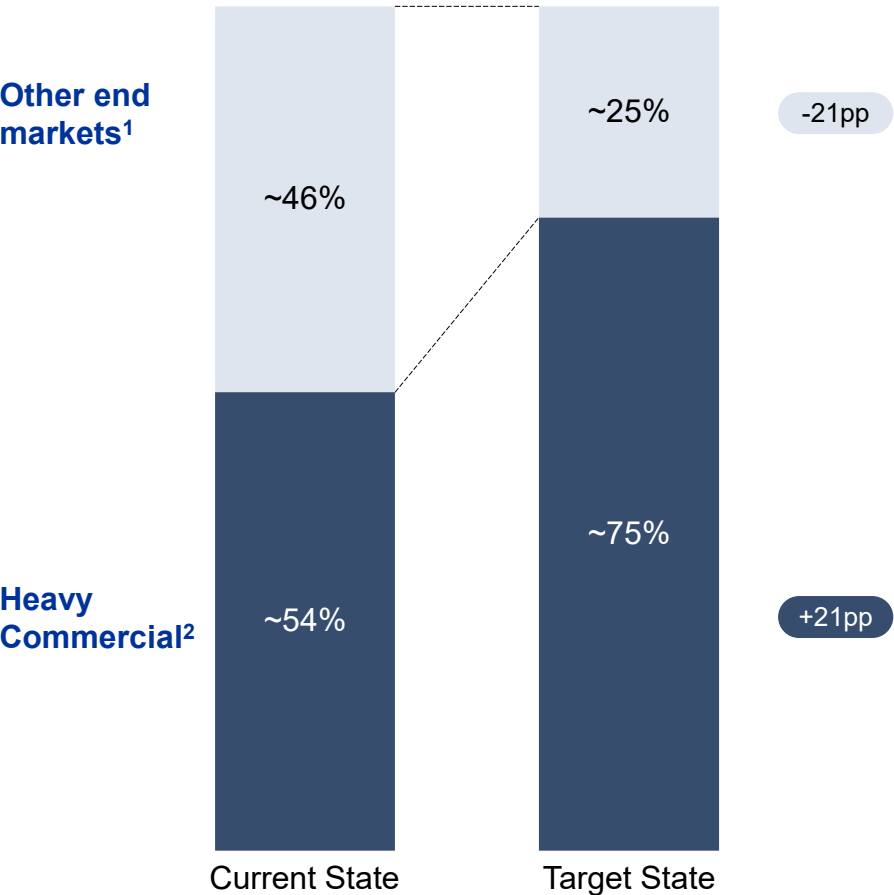
State		Mech. Insulation Market Size		Labor Status	Target Market Share	Growth Possibilities
Redacted	State A	\$115.5M (~26%)	\$321.0M (~74%)	Union Secure	~XX%	- Capture Eastern State A data center growth, led by a hyperscaler's City V campus - Anchor around City A healthcare, where major hospital groups support durable, code-driven demand
Redacted	State B	\$175.0M (~39%)	\$275.5M (~61%)	Union Secure	~XX%	- Leverage State B's emerging data center and semiconductor pipeline - Use public and federally funded projects to drive engagement with universities and infrastructure work
Redacted	State D	\$37.3M (~29%)	\$89.5M (~71%)	Right-to-Work	~XX%	- Expand with Confidential Project's City H semiconductor build-out - Pair a hyperscaler's City O campus with healthcare expansion to build durable project flow
Redacted	State C	\$8.1M (~20%)	\$33.1M (~80%)	Union Secure	~XX%	- Build around State C's concentrated data center pipeline across City N and City F - Engage early on phased projects where local presence should matter most
Redacted	State E	\$92.9M (~26%)	\$264.5M (~74%)	Union Secure	~XX%	- Lean into City J's expanding hyperscale cluster, led by a data center operator - Complement data center exposure with semiconductor and related manufacturing projects

Heavy Commercial Non-Heavy Commercial

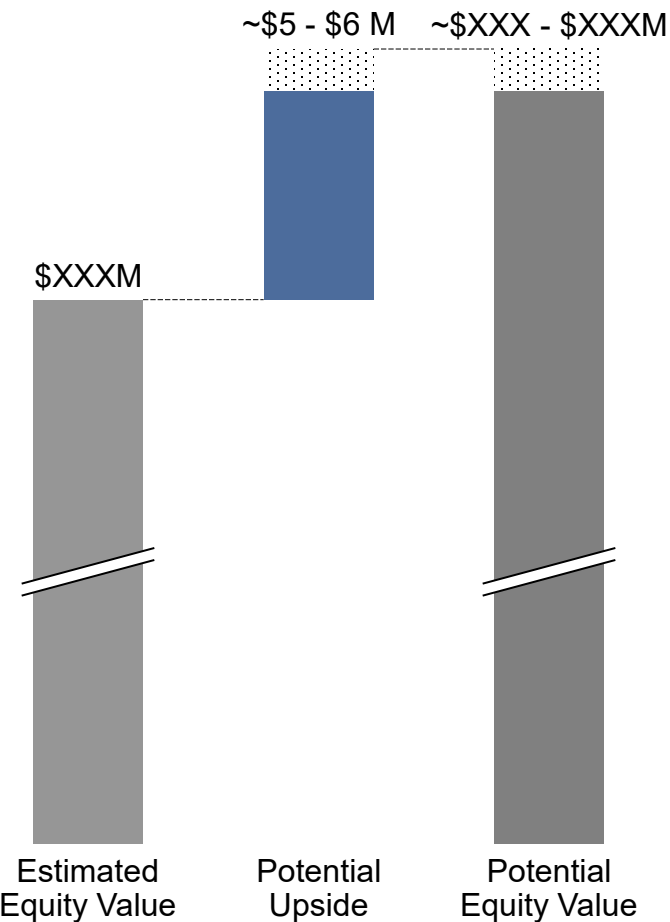
1. Represents the state's mechanical insulation market size divided by the total number of mechanical insulation employees

Shifting end-market concentration to heavy commercial could drive EBITDA multiple expansion by growing exposure into high growth markets, increasing overall investor confidence

Backlog Concentration



Equity Value Upside



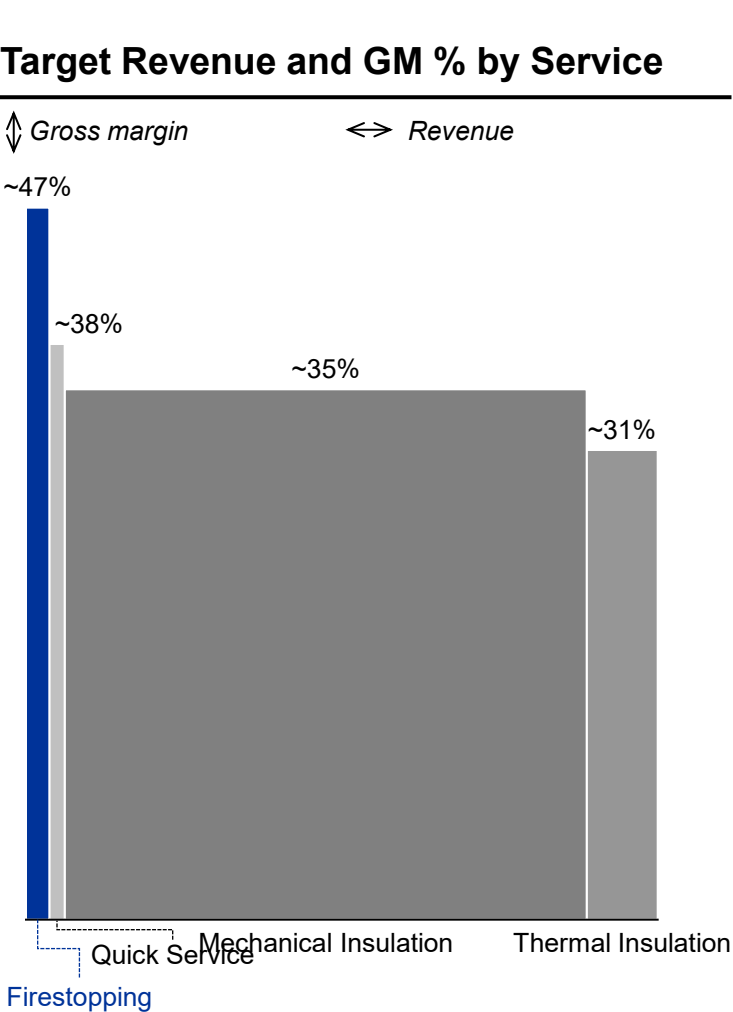
Comments

- In recent years, heavy commercial has been the fastest-growing sector
 - Investors assign higher valuations to companies with greater exposure to high growth markets
- Shifting the backlog mix to 75% heavy commercial work would result in an EBITDA multiple uplift of ~0.3x
 - A ~20pp increase in heavy commercial concentration could drive a ~0.3x multiple uplift
 - Requires adding ~\$XXM of backlog across hospital, technology, and data center end markets



1. Includes office building, government work, food service, residential; 2. Includes technology, hospital, and data center; 3. DC = Data Center

Increasing firestopping mix from XX% to XX% could generate an additional \$5-6M of equity value while strengthening Target’s competitive position as a full-service specialty contractor



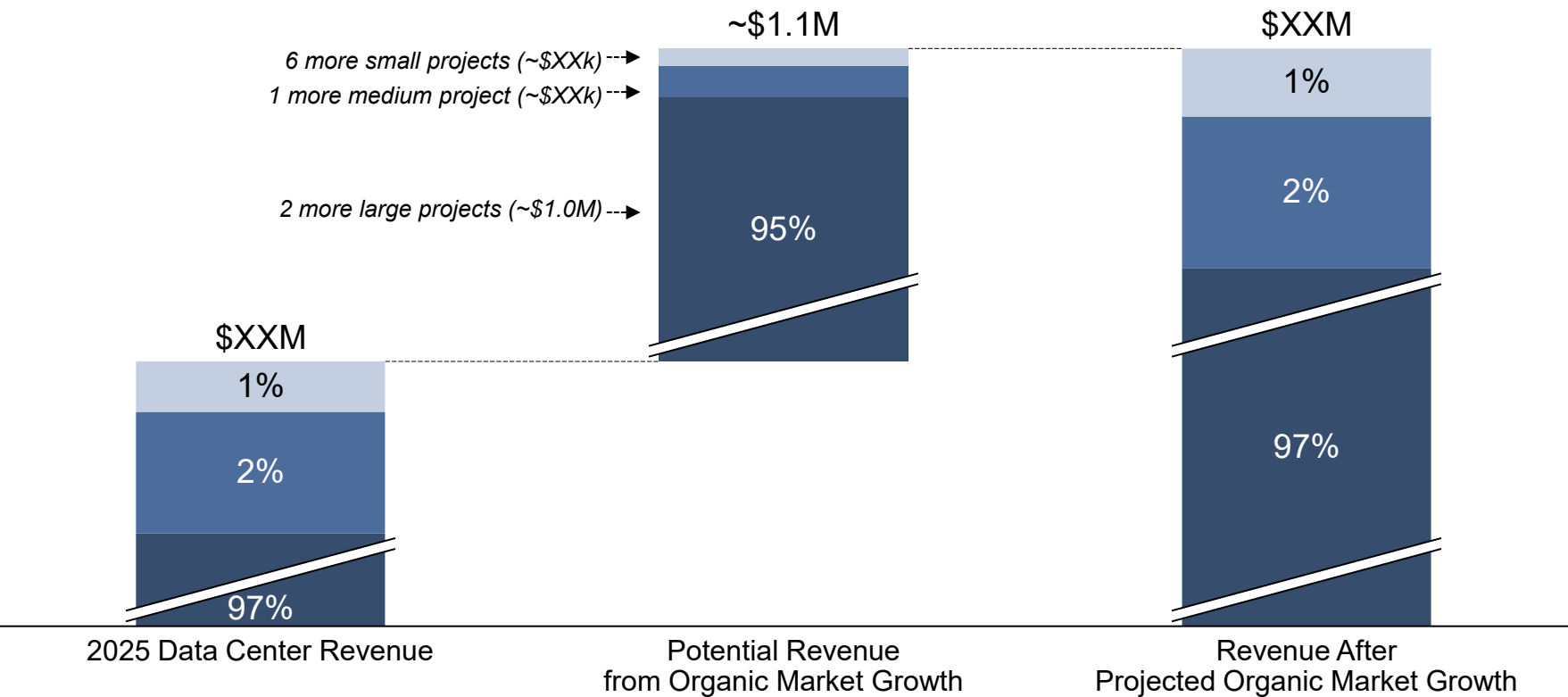
Firestopping Revenue Share	Incremental \$	Equity Upside
XX-XX%	\$XXk	~\$0.5M – \$1.5M
XX-XX%	\$XXk	~\$2.0M – \$3.0M
XX-XX%	\$XXk	~\$3.0M – \$3.5M
XX-XX%	\$XXk	~\$4.5M – \$5.0M
XX-XX%	\$XXk	~\$5.0M – \$6.0M

Comments

- Increasing firestopping mix could drive margin expansion in a natural adjacency to Target’s core service line
 - Mechanical contractors often view firestopping and mechanical insulation as complementary, with added convenience when bundled
- A 5pp increase in firestopping’s service share could drive ~\$XXk in incremental gross profit in 2026, implying ~\$5-6M of equity upside

Data centers remain a target market for MEP-associated trades; market tailwinds alone could drive ~\$1.1M of incremental revenue and ~\$2.0M - \$3.0M of equity value for Target

Target Data Center Revenue



Comments

- Data center mechanical insulation market is growing at ~15% CAGR, driven by a large pipeline and intensive infrastructure needs
- In 2025, Target generated ~\$XXM from data centers (~X% of revenue)
- Underlying market growth should expand Target's opportunities even without commercial outperformance
 - Based on market tailwinds alone, Target could add ~9 projects, including 2 large projects (>\$100k), driving ~\$1.1M of incremental revenue

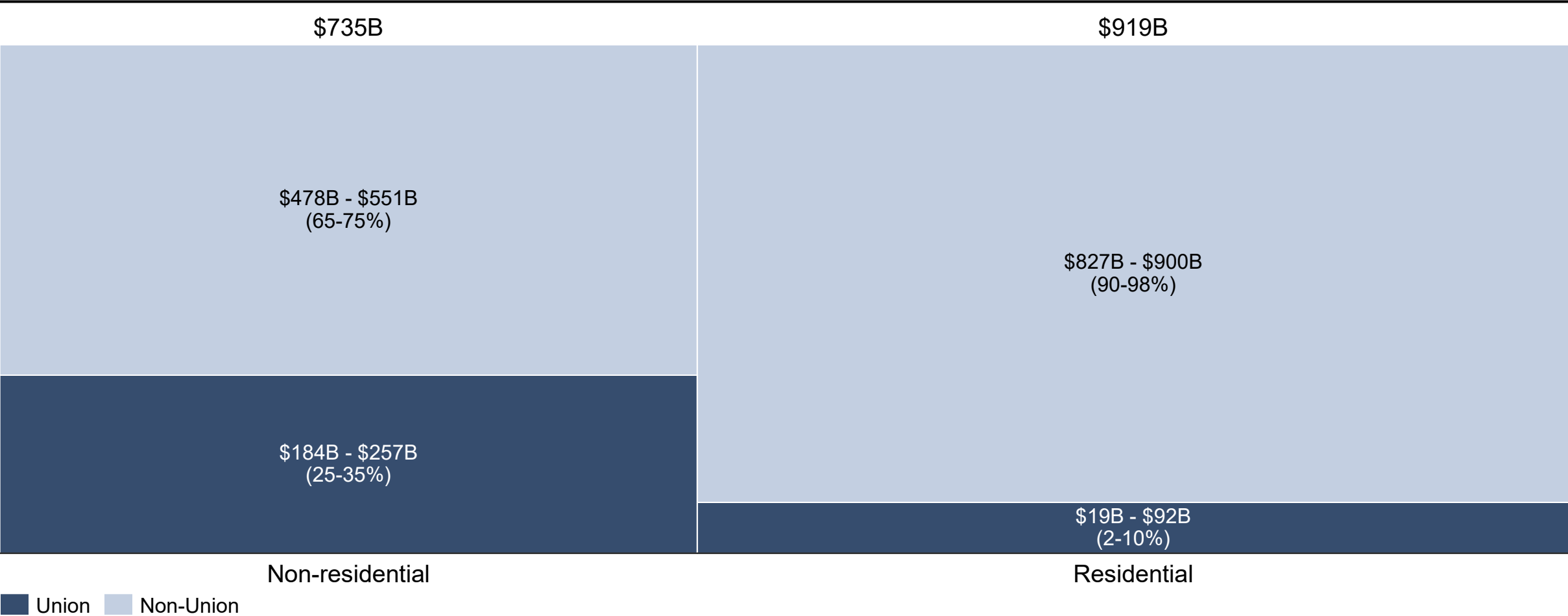


Small Projects (<\$10k) Medium Projects (\$10k - \$100k) Large Projects (>\$100k)

H. Appendix

Non-residential skews more union (25-35% share) versus residential, which is effectively open-shop dominated (2-10% union share), though union penetration will vary by geography

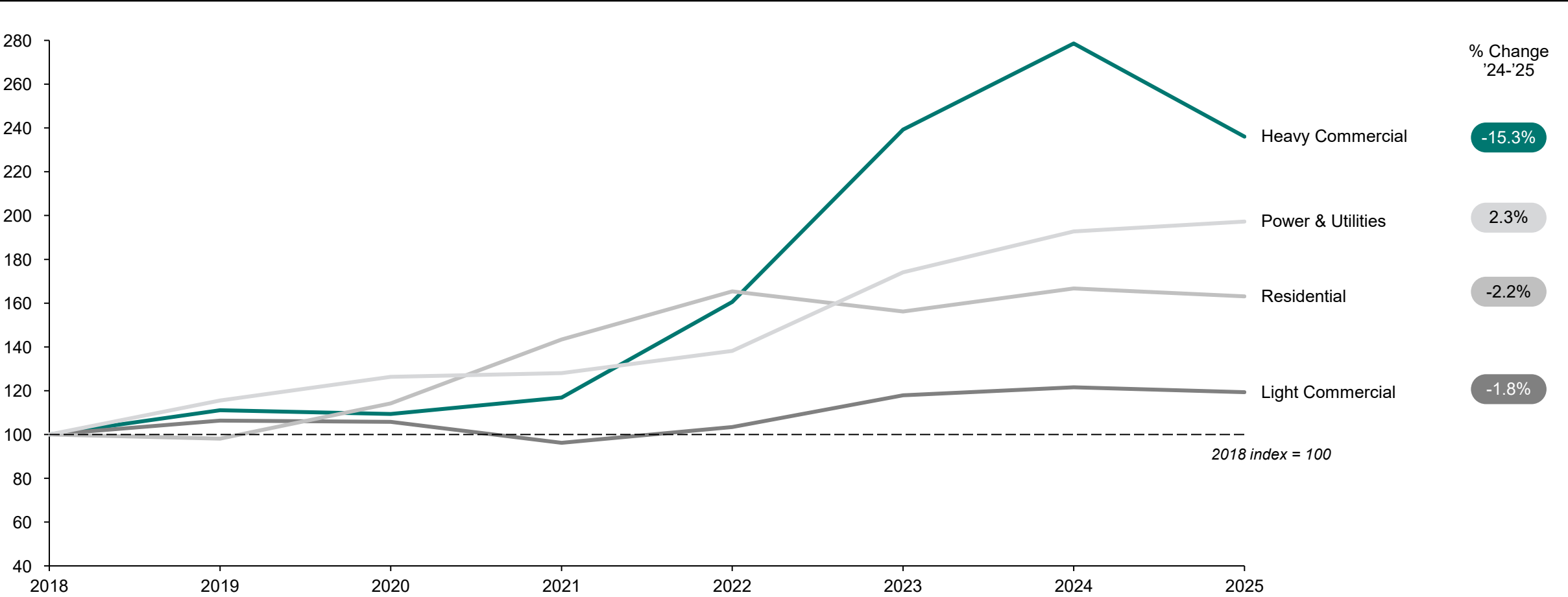
Union vs. Non-Union Share of Total US Construction Spend¹



1. Includes construction spend for new builds, renovations, alterations, expansions, improvements, etc.

High interest rates and economic uncertainty drove market contractions between 2024 and 2025, with Heavy Commercial the hardest-hit segment, declining 15.3% year-on-year

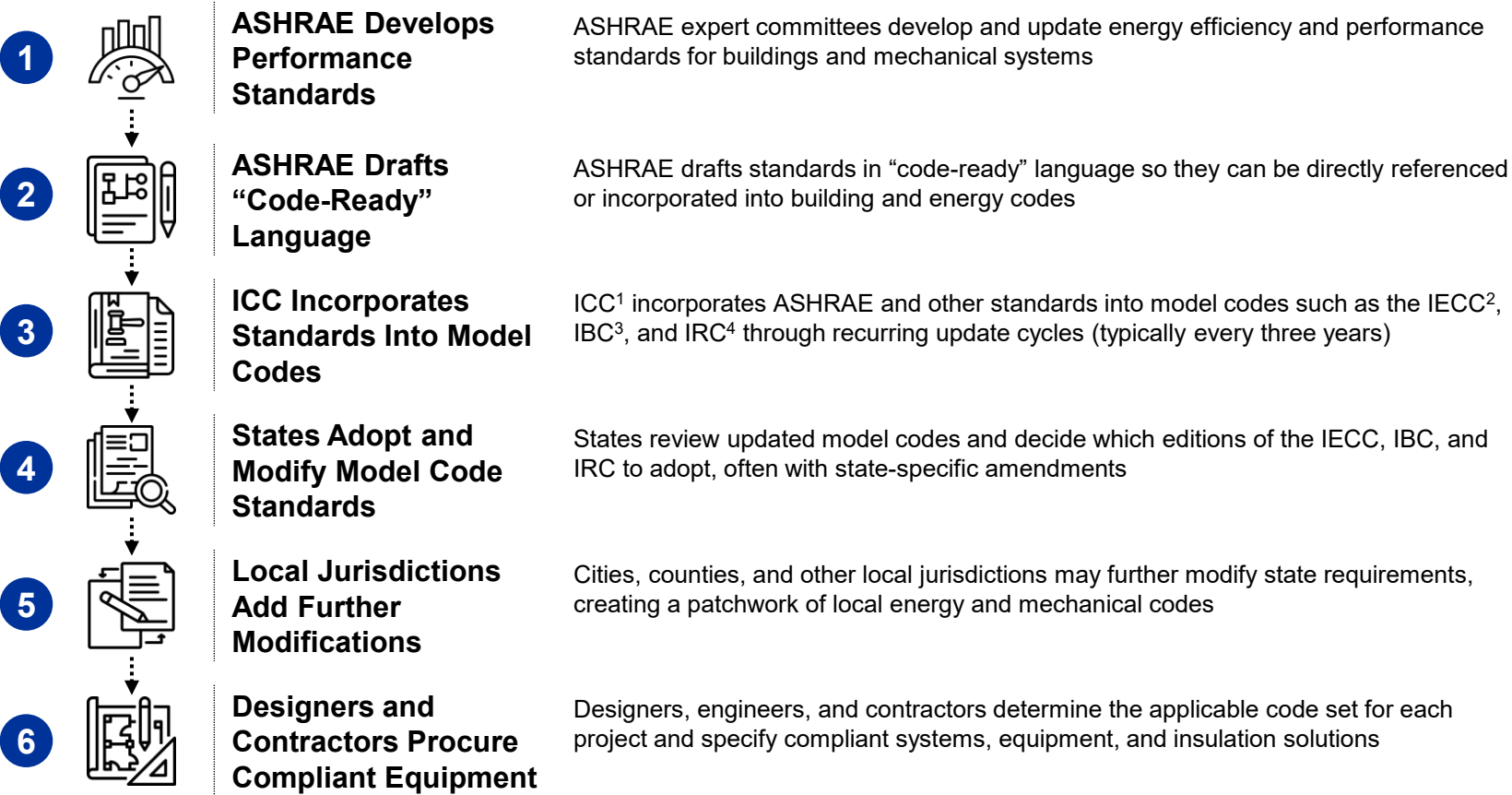
Total US Construction Spend¹ by End Market Segment [Index = 2018]



1. Includes construction spend for new builds, renovations, alterations, expansions, improvements, etc.

ASHRAE develops technical standards for building and mechanical system performance, which are incorporated into model codes that states and local jurisdictions adopt and enforce

Building Code Adoption Process



Notable Organizations



American Society of Heating, Refrigerating, and Air-Conditioning Engineers

- Global association of engineers and building professionals focused on HVACR and energy performance
- Develops technical standards widely referenced in building and energy codes



- US-based organization that develops model building, fire, plumbing, mechanical, and energy codes, including
 - IECC: focused on energy efficiency
 - IBC: for most commercial, industrial, and multifamily construction
 - IRC: for one-and two-family dwellings and townhouses
- Uses ASHRAE standards, along with other technical standards, as key technical references when writing codes

1. International Code Council; 2. International Energy Conservation Code; 3. International Building Code; 4. International Residential Code

Target’s key customer, Customer E, is an established contractor with various mechanical construction capabilities serving commercial, institutional, and public works environments

Customer Overview



- **Description:**
 - Customer E is a full-service mechanical contractor delivering high-quality sheet metal, piping, and plumbing systems for complex, high-performance environments
- **Year Established:** 19XX
- **HQ:** City L
- **Revenue:** \$300-500M
- **FTE:** 400-500
- **Services:**
 - Mechanical construction
 - HVAC sheet metal, piping, plumbing, medical & laboratory gas, specialty metals
 - Design-build engineering
 - Lean fabrication
 - Standardization of system components, off-site prefabrication, and processed pipe
 - Service and maintenance

Main Project Types

Hospital/Medical

- Top projects include:
 - Confidential Project
 - Confidential Project
 - Confidential Project



Commercial

- Top projects include:
 - Confidential Project
 - Confidential Project
 - Confidential Project

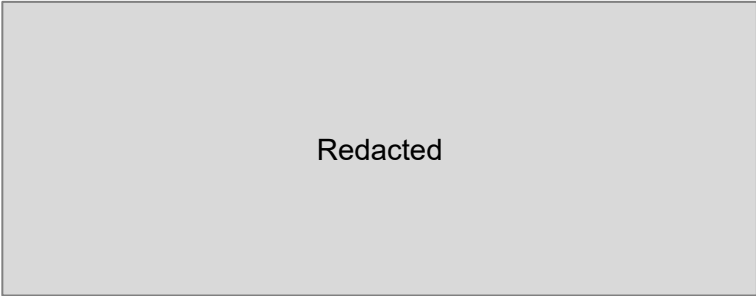


Schools & Government

- Top projects include:
 - Confidential Project
 - Confidential Project
 - Confidential Project



Select Customer E Customers



Confidential Project (2021)

- City A
- XXXk square feet
- Infrastructure & Public Works project



Confidential Project (2021)

- City A
- XXXk square feet
- Critical Environments project

Phase 1 of the Data Center Project project has been awarded, supported by an executed early-works contract, with final-round pricing submitted and execution targeted for July 2026

Project Metrics

Client	[Redacted]
Project Price	\$XXM (Phase 1)
Margin	N/A
Project Start	July 2026
Location	State I (Data Center Project)
Customer Relationship Customer E and Target have partnered for 25+ years, expanding from State A into the broader Region A states before collaborating nationally on Project Alpha, a large battery plant	

Deal Status

- Initial underground pipe insulation work valued at \$XXk has been executed
- Pricing has been finalized for one of four large data centers at \$XXM/building
 - No written confirmation has been issued
- Project is expected to have 4 phases, encompassing 16 buildings

Key Risks

- Award is contingent on GC budget execution, introducing sequencing risks and increased likelihood of a phased approach
- End-owner confidentiality under NDA limiting validation on funding and schedule certainty
- Award remains verbal until pricing is accepted with no LOI or written award

Third Parties and Terms

- Executive and Construction executive serve as primary decision makers for the project
- GC A has been appointed as the GC for a confidential owner
- Financing details are handled confidentially under an NDA
 - No open terms are currently being negotiated

Mitigations

- Established relationship with Customer E increases likelihood of award continuity
- Executed early works establishes Target's footing on site and project flow
- Phased contracting allows Target to scale labor and procurement incrementally
- round pricing implies later-stage negotiations, suggesting the project is nearing award phase

M&A targets highlight opportunities to strengthen Target's Region A footprint and enhance marine and firestopping offerings while expanding capabilities in refrigeration and fabrication

Company	HQ	FTEs & Rev	Expansion Area	Description
Target Co A	Anaheim, CA	 ~201-500  \$60.8M	   	- Target Co A provides services in commercial and industrial insulation, firestopping, scaffolding, coatings, and electric heat trace - A large, multi-state Western presence makes Target Co A strategically attractive for scale and service expansion
Target Co B	Central Point, OR	 ~11-50  \$5.3M	   	- State B-based contractor focused on commercial, industrial, refrigeration insulation, and firestopping - Refrigeration and more firestop exposure could help Target broaden specialty capabilities while also further expanding in the Region A
Target Co C	Auburn, WA	 ~11-50  N/A	   	- Region A contractor specializing in thermal and acoustical insulation for industrial, commercial, and marine mechanical systems - Marine exposure and Region A density complement Target's regional footprint while adding acoustical and firestopping capabilities
Target Co D	Marysville, WA	 ~11-50  <\$5M	   	- Mechanical insulation contractor serving major Region A projects, with a dedicated marine service capability - Regional coverage across State A paired with marine applications could grow Target's share of wallet in the Region A
Target Co E	Seattle, WA	 ~11-50  <5M	   	- City A-based manufacturer, fabricator, and installer of marine insulation focused on exhaust, refrigeration, and sound abatement - Could provide Target with differentiated custom fabrication capability and exposure to niche marine end markets

 = Geographic
  = Core Capacity
  = Adjacent Service
  = End-Market



THANK YOU