

# Construction sector M&A outlook

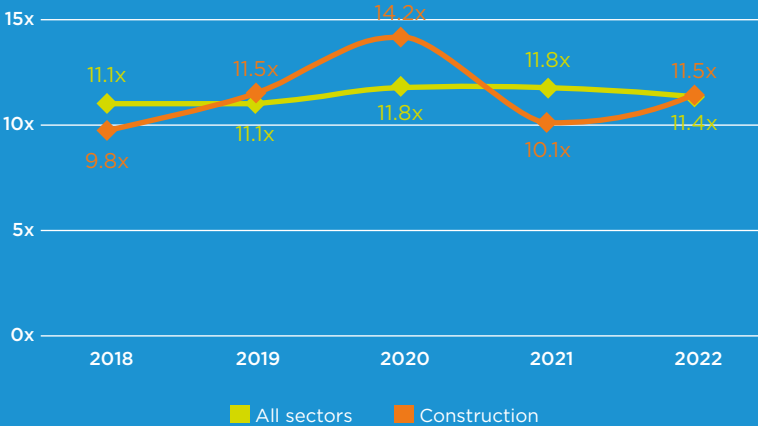
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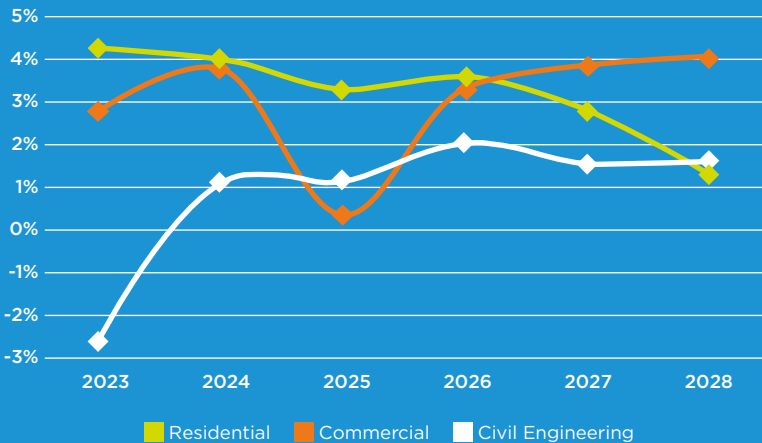
# Construction M&A outlook

## EBITA Multiples | 2018-2022



Source: IBIS World Industry Research (2023)

## Annual Revenue Growth Forecast | 2023-2028



Source: IBIS World Industry Research (2023)



## Making the most of the EBITDA multiple

The EBITDA multiple is a financial ratio that compares a company's Enterprise Value to its annual EBITDA.

Simply put, it can be used as a benchmark for what multiple of EBITDA similar companies are being sold for.

## M&A Market Performance

Within Europe, business owners in the last 5 years have on average been receiving a final selling offer for their business of **c.11-11.8x** their EBITDA.

Business owners concentrated in the residential or commercial construction, and civil engineering industries have at times beaten the overall market average, having experienced average selling prices of up to **c.14.2x** their EBITDA.



## Forecasts

Revenue in the UK commercial construction industry is expected to increase at a compound annual rate (CAGR) of **3.1%** over the five years through to 2028.

Similarly, the neighboring residential construction industry is expected to grow at a CAGR of **3.2%**.

On the other-hand the civil engineering industry has been forecasted to gradually move forward at a CAGR of **0.8%**. This indicates that larger firms in the industry should look to diversify their income streams by acquiring companies in closely related fields.

## Major transactions

In 2022, Terra Firma Capital acquired Hopkins Homes, starting life as a home renovator in 1985 company has grown to become one of the largest housebuilders in East Anglia. The business was sold for £306m, fetching an EBITDA multiple of **c.8.4x**.



## Current exit values

Following a decline in 2021, the construction sector has experienced a revival in 2022 with an average EBITDA multiple of c.11.5x.

Carrying forward the momentum, business owners within the construction sector could see EBITDA multiples exceeding c.11.5x from eager buyers in 2023.

**11.5x** | EBITDA  
Multiple

## How can we help?

Selling your business is one of the biggest decisions you will make in your life, here at PEM Corporate Finance, we will provide you expert advice and support at every step of the process.

If you have any further enquiries feel free to contact and have a chat with one of our senior advisors.



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