

Capstone Partners Reports: Pricing Momentum Continues to Support Aggregates Industry Growth

BOSTON, MA, U.S., June 27, 2024 /EINPresswire.com/ -- Capstone Partners, a leading middle market investment banking firm, released its June 2024 Rock Products Sector Update, reporting that softened demand for Aggregates industry construction projects within the Warehouse, Residential, and Light Commercial segments, coupled with weather-related disruptions, have



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Managing Director Darin Good, Capstone Partners

pressured sector growth through year-to-date (YTD). Furthermore, elevated interest rates in addition to rising supply chain and employment costs are expected to further pressure industry margins for the foreseeable future. However, a favorable pricing environment, built off gains seen throughout 2023, has helped to moderate the margin impacts seen from reduced aggregates shipments for sector players. Substantial infrastructure funding and healthy state and local budgets are expected to drive continued demand and buoy sector growth for Aggregates industry players through year-end.

Aggregates industry merger and acquisition (M&A) activity has accelerated through YTD as sector players have increasingly focused on supplementing organic growth through strategic portfolio consolidation. M&A volume in the Aggregates industry has rebounded from reduced activity seen throughout 2023, rising 23.7% year-over-year (YOY) to 47 transactions announced or completed YTD. Notably, YTD transaction activity has returned to peak levels, evidenced by the 48 transactions seen during the same period in 2022. Sector players have increasingly turned to large-scale deals while pursuing inorganic growth opportunities, evidenced by a 42.6% increase in the proportion of disclosed transactions valued over \$500 million when comparing deal activity from 2018-2020 to 2021-YTD.

Pressures from softened demand, volume declines, and weather-related disruptions in early 2024 have emphasized the desire among sector participants to seek new opportunities to maintain margin strength. Specifically, sector buyers have focused on supplementing organic growth through strategic M&A, prioritizing portfolio consolidation by targeting businesses in key markets that are margin accretive. Notably, public strategics have continued to streamline their operations around their largest revenue-driving business segments—which has provided ample

acquisition opportunities for sector players. Large public strategics are expected to remain active buyers and sellers of divested assets as they continue to seek cost synergies to drive economies of scale.

Despite heightened interest rates, vast amounts of dry powder have prompted improved financial buyer activity, comprising 27.7% of deal activity to-date. Compared to both YTD 2023 and YTD 2022, a flagship year for sector M&A activity, deal volume among private equity buyers increased by 44.4%. Increased activity has stemmed largely from add-on acquisitions, which doubled in volume YOY to 10 transactions announced or completed in YTD 2024.

"Supported by strong pricing gains throughout 2023, M&A activity and sector performance continue to outperform the broader market," said Capstone Managing Director Darin Good, the lead contributor in the newly released report.

Also included in this report:

- A breakdown of how pricing power has helped stifle the impacts of sector pressures, demonstrated by an analysis of select public company performance.
- An update on aggregate materials average pricing and volume production through Q4 2023.
- An analysis of select sector transactions and how they impact the broader Rock Products sector.

To access to full report, [click here](#).

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