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CONSTRUCTION MATERIALS PRODUCTION: AN M&A OVERVIEW

How Buyers Evaluate Ready-Mix and Aggregates Operations / How Owners Can Prepare

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This report is for informational purposes only and does not constitute investment banking, legal, tax, or valuation advice.

Executive Summary

The **construction materials production industry** includes companies that operate ready-mix concrete plants, sand and gravel pits, and crushed stone quarries. It sits at the intersection of two powerful forces: steady, long-term infrastructure demand and an accelerating wave of consolidation led by large strategic buyers and private capital. For owners of independent or family-held operations, this creates a meaningful window of opportunity, provided they understand what buyers are looking for and how to position their business accordingly.

This report is written for owners of privately held construction materials companies who are thinking about their long-term options, whether that means a sale in the next 12 to 24 months or simply understanding where their business stands today. **The goal is to provide practical guidance grounded in current industry data.**

Key Market Snapshot

- The U.S. construction materials industry generated approximately $145 billion in revenue in 2024, and is expected to grow at a CAGR of 4% through 2032.[3]
- The U.S. ready-mix concrete market totaled $47.8 billion in 2025 and is projected to reach $48.7 billion by 2026, supported by federal infrastructure spending and a gradual recovery in residential construction.[4]
- U.S. crushed stone production was approximately 1.5 billion tons in 2025, while construction sand and gravel production reached approximately 870 million tons.[1, 2]
- The aggregates M&A environment remains conducive to dealmaking in 2026, with additional platform deals expected to transpire and bolt-on activity again anticipated to be plentiful.[5]

Why This Report Matters Now

The construction materials production industry is in an active, but selective, phase of consolidation. Large publicly traded platforms such as Vulcan Materials, Martin Marietta, CRH, and Heidelberg Materials, along with a growing field of private equity-backed mid-size operators, are actively acquiring well-run independent operations. At the same time, headwinds in residential construction, tariff uncertainty, and higher borrowing costs are making buyers more discerning about what they pay and how deals are structured.

For owners, the combination of strategic buyer demand, generational ownership transitions, and the inherent scarcity of permitted aggregate reserves creates a compelling case for understanding your options, even if a transaction is not imminent.

Industry Overview & Market Snapshot

What This Sector Includes

This report covers three closely related but distinct segments of construction materials production:

- Ready-Mix Concrete Producers: Companies that batch and deliver concrete to job sites via transit mixer trucks. They source cement, aggregate, and other inputs, then supply residential builders, commercial contractors, and infrastructure projects. A single dry-batch plant typically requires approximately $2-3 million in capital investment, not including fleet and aggregate sourcing arrangements.
- Sand and Gravel Operators: Companies that mine natural deposits of construction-grade sand and gravel. This sub-segment accounts for roughly 42% of total aggregate use as Portland cement concrete aggregate, with additional applications in road base, construction fill, and asphalt.[2]
- Crushed Stone Quarries: Operations that drill and blast hard rock and process it into sized aggregate for road construction, concrete production, and drainage. Crushed stone is the dominant construction aggregate type by volume, accounting for roughly 1.5 billion tons of annual U.S. production.[1]

Many operators span more than one category, and vertical integration through owning both aggregate supply and downstream ready-mix capacity is a defining characteristic of the most valuable businesses in the sector.

Market Characteristics

Essential to Construction Activity: Aggregates and ready-mix concrete are non-substitutable inputs to virtually every form of construction: roads, bridges, buildings, utilities, and housing. Approximately 70% of crushed stone is used as construction aggregate, primarily for road construction and maintenance.[1]

Intensely Local Business: Transportation costs strongly limit economic shipping distance. In many markets, hauling costs can double the delivered price within roughly 20-30 miles for sand and gravel and 40-50 miles for crushed stone. As a result, approximately 90% of aggregates are consumed within 50 miles of extraction. In many markets, reserve location is therefore more valuable than operational scale.[6]

Permitting Scarcity Creates Durable Barriers: Obtaining permits to open new quarries or pits has become increasingly difficult in most U.S. markets due to environmental review requirements, zoning restrictions, and community opposition. This regulatory scarcity protects existing operators and is one of the primary reasons buyers pay premium multiples for quality reserve positions.[7]

Cyclical but Price-Resilient: Volume demand closely tracks construction spending cycles. However, aggregate prices declined only once (by approximately 1.5%) during the depths of the 2008-2009 financial crisis. Since 2018, nationwide average crushed stone prices have grown at roughly 5.5% annually, and sand and gravel at a similar pace, reflecting both inflation and genuine supply tightness.[3, 7]

Infrastructure Spending as a Structural Tailwind: The 2021 Infrastructure Investment and Jobs Act (IIJA) authorized $1.2 trillion in spending, including $118 billion for the Highway Trust Fund. This funding began flowing meaningfully in 2023 and is expected to support construction activity through the Act's expiration at the end of the federal fiscal year 2026, with highway construction spending up 8% in the first nine months of 2024 alone.[1]

The Current Market Environment

Residential construction, historically one of the largest drivers of aggregate and ready-mix demand, has been under pressure. Single-family housing starts were forecasted to finish 2025 down approximately 5%, and NAHB projects mortgage rates will remain above 6% throughout 2026, with a sustained sub-6% rate unlikely before 2027.[10, 11] The combination of elevated rates, high home prices, and tariff uncertainty has somewhat suppressed private construction activity.

On the other hand, infrastructure and data center construction are providing meaningful offsets. Mega-project construction spending through September 2025 was up 47% over the same period in 2024, and data center starts were up approximately 15% year-over-year from 2024 levels.[9] Federal infrastructure funding continues to support highway, bridge, and utility work. The result is a bifurcated demand environment, strong in public and industrial construction but softer in residential, which buyers are factoring into their underwriting of acquisitions.

For owners, this means a business with strong exposure to public infrastructure customers is likely to command a different reception in today's market than one heavily dependent on residential homebuilders.

What is Driving M&A Activity?

1. Reserve Scarcity and the Race for Permitted Rock

There is a shortage of permitted aggregate reserves in most high-growth U.S. markets. Urban sprawl has pushed development into areas where quarries once operated, and new permitting has become prohibitively slow in most states. Large platforms have described the current environment as one of "too much money chasing too few rocks," according to recent market commentary.[7] When Vulcan Materials acquired Wake Stone Corporation in North Carolina, a primary motivation was access to six decades of hard rock reserves serving high-growth markets around Raleigh.[8]

For owners of operations with significant permitted reserves and years of production runway, this scarcity is a genuine valuation driver. Buyers are not just paying for today's cash flow; they are paying for access to a resource that cannot be replicated.

2. Generational Ownership Transition

A large portion of independent ready-mix, sand and gravel, and quarry operations in the U.S. are family-owned, often built over multiple generations. As founding or second-generation owners approach retirement and, in many cases, lack an internal succession path, the universe of businesses available for acquisition continues to grow. Industry executives have described the current deal pipeline as among the most active they have seen in their careers.[7]

3. Roll-Up Economics and Platform Scale

The economics of building a large, geographically concentrated platform in aggregates are compelling. Combining operations in adjacent markets improves lane density for ready-mix delivery, increases hauling efficiency, reduces per-ton overhead for shared maintenance and compliance, and creates the scale necessary to pursue larger infrastructure contracts. Major publicly traded players, including CRH, Vulcan, Martin Marietta, and Arcosa, have described M&A as a primary growth lever. Several have reported that acquisition-driven volume growth offset organic weaknesses in 2024 and 2025.[6, 13, 14]

4. Financial Sponsor Interest

Private equity has become an increasingly active participant in construction materials M&A, drawn by the sector's recurring demand characteristics, pricing power, and fragmented ownership landscape. Financial sponsors are seeking platform businesses to serve as acquisition vehicles. The same attributes that attract strategic buyers also make well-run independent operations attractive to private capital.[5]

5. Vertical Integration as a Value Driver

Buyers consistently place a premium on vertically integrated operations: companies that own both aggregate reserves and ready-mix or asphalt capacity. Integration improves margin visibility by controlling input costs, strengthens customer relationships, and reduces vulnerability to third-party supply disruptions. Titan America's acquisition of Keystone Cement in early 2026 further reflects the industry trend toward vertically integrated cement, aggregate, and ready-mix networks.[12]

Large Strategic Acquirers

The largest buyers in this space are the publicly traded construction materials platforms: Vulcan Materials, Martin Marietta, CRH, and Heidelberg Materials.[15] These companies trade at 10x to 17x EBITDA publicly, giving them significant acquisition firepower relative to private deal multiples.

Large strategics are typically most interested in operations that offer dense reserve positions in markets adjacent to their existing networks, access to new geographies, or strong infrastructure customer relationships. Post-close, these buyers generally integrate operations into their platforms. Sellers considering this type of buyer should understand that transactions are typically clean and well-financed, but post-close autonomy is usually limited.

Mid-Tier Strategic and Private Equity-Backed Platforms

Below the largest public players are a growing field of mid-tier operators, including Knife River, Arcosa, Eagle Materials, and several PE-backed regionals. These entities are actively building scale through acquisition, typically operate in more defined geographies, and may offer sellers continued involvement in operations, brand continuity, or equity rollover into a growing platform.

Valuations from mid-tier strategic buyers are generally lower than those achievable in a competitive process with large platforms. Still, the deal structure and post-close experience may be more attractive to owners who care about legacy and transition continuity.

Private Equity

Financial sponsors fall into two categories: those seeking a platform business (typically $5 million+ EBITDA) around which to build a roll-up, and those adding tuck-in acquisitions to an existing portfolio company. Add-on transactions to an existing PE-backed platform can offer favorable dynamics: a motivated buyer, speed of execution, and sometimes the ability to retain equity in the platform.

PE buyers place significant emphasis on management continuity, financial reporting quality, and customer diversification. They are also more likely to structure deals with earn-outs or equity rollovers to align seller and buyer incentives over a defined hold period.

What Each Buyer Type Prioritizes

- Large Strategics: Reserve quality and location; proximity to existing network; infrastructure customer mix; permitted reserve life.
- Mid-Tier Strategics and PE-Backed Platforms: EBITDA stability; management depth; customer diversification; geographic fit; bolt-on acquisition potential.
- Financial Sponsors: Clean financials; management team willing to stay; recurring revenue; identifiable operational improvement opportunities.
- All Buyer Types: Safety record; environmental compliance; equipment condition; absence of customer concentration; clear contract documentation.

Understanding Deal Structure & Consideration

For many owners, the headline multiple is the starting point, but the deal structure determines what you actually take home and over what timeframe. Understanding the mechanics of each consideration type is essential before engaging with any buyer.

All-Cash at Close

The most straightforward structure: the buyer pays the full agreed purchase price at closing. This is achievable for well-prepared businesses with clean financials, strong customer diversification, and no material operational or environmental issues. Large strategic buyers and well-capitalized PE firms are most likely to offer all-cash structures for quality assets. The tradeoff is that all-cash offers sometimes come with lower headline multiples than structured deals that include contingent components.

Earn-Outs

An earn-out is a deferred payment tied to the business's future performance after closing. Buyers use earn-outs to bridge valuation gaps, particularly when revenue is concentrated in a few customers, recent performance has been unusually strong, or near-term market conditions are uncertain.

For sellers, earn-outs introduce execution risk: you may not receive the contingent payment if the business underperforms post-close, even if the underperformance is due to factors outside your control. Understanding the earn-out metrics, measurement period, and caps and floors is critical before accepting any structure with a significant earn-out component.

Seller Notes

A seller note is a loan from the seller to the buyer, deferred as part of the purchase price. The buyer pays interest over a defined period with principal returned at maturity. Seller notes are common in smaller transactions or when the buyer's financing structure requires the seller to demonstrate continued confidence in the business. They carry credit risk: if the business underperforms or the buyer encounters financial difficulty, repayment may be delayed or impaired.

Equity Rollovers

In transactions with PE buyers, sellers are typically offered the opportunity to retain a portion of their equity (10% to 30%) and roll it into the new ownership structure. Often framed as a "second bite of the apple," this allows sellers to participate in the value creation of a growing platform at the time of a future sale. Rollovers can be attractive to sellers who believe in the long-term value of their business, but they come with illiquidity, minority-position risk, and dependence on the sponsor's timeline and execution.

Asset Sale vs. Stock Sale

Most acquisitions of private construction materials businesses are structured as asset purchases: the buyer acquires specific assets (equipment, contracts, permits, goodwill) rather than the legal entity itself. Buyers generally prefer asset sales because they allow a step-up in depreciable tax basis and permit buyers to exclude unwanted liabilities. Sellers typically prefer stock sales because proceeds may qualify for more favorable long-term capital gains treatment.

Identifying Common Deal Pitfalls

Even in an active M&A environment, several recurring issues can derail deals, compress valuations, or push buyers toward more conservative structures. Recognizing these pitfalls early gives owners the time to address them before going to market.

Environmental and Permitting Exposure

Quarry and pit operations carry inherent environmental exposure: stormwater management, dust control, reclamation bonds, spill containment, and, in some cases, legacy contamination from prior owners or operations. Buyers conduct thorough Phase I and sometimes Phase II environmental assessments, and unresolved issues become leverage in negotiations or cause buyers to walk away entirely.

Mitigation Strategies:

- Commission an environmental audit at least 12 months before marketing.
- Resolve outstanding permit conditions, reclamation obligations, or stormwater compliance issues proactively.
- Organize all permits, environmental reports, and regulatory correspondence in a clean data room.

Customer Concentration

In local markets, it is common for a ready-mix plant or aggregate operation to have one or two customers (a large residential builder, a county highway department, or a major contractor) that represent 30% to 50% of revenue. Buyers view this concentration as a meaningful risk: the loss of one customer post-close can materially impair the business and trigger earn-out disputes or purchase price adjustments.

Mitigation Strategies:

- Map revenue by customer, with three to five years of volume and pricing history for each.
- Evaluate opportunities to diversify the customer base before going to market.
- Formalize informal supply arrangements into written agreements with clear terms.

Financial Reporting Quality

Smaller operators frequently manage finances through cash-basis accounting, commingling personal and business expenses, and limited tracking of plant-level profitability. Buyers generally require clean, accrual-basis financials with at least 3 years of history. Inconsistent bookkeeping or an inability to demonstrate normalized EBITDA extends diligence timelines and gives buyers grounds for price adjustments.

Mitigation Strategies:

- Transition to accrual accounting with monthly closes starting at least 12 months before going to market.
- Prepare a normalized EBITDA schedule that clearly documents add-backs and non-recurring items.
- Separate all personal expenses from the business and eliminate ambiguities.

Fleet and Equipment Condition

Aging mixer trucks, worn processing equipment, or inconsistent maintenance documentation signal ongoing capital requirements to buyers. Buyers will model a capex overhang (an estimate of investment needed to bring the fleet and plant up to standard) and deduct it dollar-for-dollar from their valuation.

Mitigation Strategies:

- Prepare a comprehensive equipment inventory with manufacturer, model year, hours, and condition.
- Implement and document a preventive maintenance schedule in a centralized system.
- Develop a three- to five-year fleet replacement and capital plan aligned with expected cash flows.

Key-Person Dependency

In many family operations, the owner is the business: managing customer accounts, dispatch, and vendor relationships personally. When a buyer finds no management bench capable of operating without the owner, they price that risk into the structure through earn-outs, employment agreements, or discounted multiples.

Mitigation Strategies:

- Build or formalize a management layer that can operate independently.
- Document key customer relationships, operational procedures, and institutional knowledge.
- Invest in driver and dispatcher retention programs before entering a process.

Creating a 12-18 Month Preparation Plan

Owners who begin preparing 12 to 18 months before initiating a sale process consistently achieve better outcomes: higher multiples, cleaner deal structures, and fewer surprises in diligence. The following six areas represent the core preparation priorities for construction materials businesses.

Financial Documentation

Action Items:

- ✓ Transition to accrual accounting with monthly financial closes and clear revenue segmentation by plant, customer, and product type.
- ✓ Compile three full years of income statements, balance sheets, and cash flow statements at a minimum on a reviewed basis by an independent CPA.
- ✓ Prepare a normalized EBITDA schedule that adjusts for owner compensation above market, non-recurring expenses, and personal items that run through the business.
- ✓ Develop a capex schedule distinguishing maintenance capex from growth capex, with a documented fleet and equipment replacement plan.

Reserve and Permit Documentation

Action Items:

- ✓ Compile all mining permits, reclamation bonds, environmental permits, and zoning approvals in an organized data room.
- ✓ Obtain or update a reserve estimate from a qualified geologist documenting permitted reserve life and extraction economics.
- ✓ Document any pending permit renewals, reclamation liabilities, or contested conditions and develop a resolution plan.

Customer, Contract, and Route Mapping

Action Items:

- ✓ Build a comprehensive customer register with annual revenue, volume by product type, pricing history, and contract terms.
- ✓ Identify customers representing more than 10-15% of revenue and evaluate whether informal arrangements can be formalized into written supply agreements.
- ✓ Prepare retention and volume history for major accounts over at least three years.

Safety, Environmental, and Regulatory Readiness

Action Items:

- ✓ Compile safety performance data, including MSHA citations, incident reports, corrective actions, and training records.

- ✓ Conduct a self-assessment of environmental compliance across all sites, including stormwater, spill containment, dust, noise, and reclamation.
- ✓ Organize all regulatory licenses, permits, and inspection records in a format that supports efficient buyer diligence.

Fleet and Equipment Planning

Action Items:

- ✓ Prepare a detailed inventory of all equipment by unit: manufacturer, model year, hours or mileage, and current condition.
- ✓ Implement a documented preventive maintenance program with service records and schedules.
- ✓ Develop a realistic multi-year capital plan for fleet replacement and plant upgrades, linked to cash flow capacity.

Management, Narrative, and Presentation

Action Items:

- ✓ Build or formalize a management team structure that can operate the business without the owner-operator.
- ✓ Prepare a clear company narrative covering history, market position, competitive advantages, and growth opportunities, including reserve life, geographic reach, and infrastructure customer relationships.
- ✓ Engage experienced legal, tax, and M&A advisors before initiating any buyer conversations, not after.

Key Takeaways

The construction materials production industry remains one of the most actively consolidating segments of the U.S. construction supply chain, driven by scarcity of reserves, infrastructure spending, and the structural advantages of scale. Aggregates industry M&A transaction volume has surged in recent years, and large strategic buyers have described the current deal environment as among the most active in their careers.[5]

At the same time, owners should enter any transaction process with clear eyes. Residential construction remains under pressure due to weakness in single-family home starts and tariff uncertainty affecting input cost structures.[10] The businesses that achieve premium outcomes are those that have invested in financial transparency, environmental readiness, customer diversification, and management depth, not those that go to market and hope for the best.

For owners considering a transition, whether in the near term or over the next several years, the most important first step is understanding where your business stands today: what your normalized EBITDA actually is, what your reserve and permit profile looks like to a buyer, and which of the common pitfalls apply to your operation.

With a thoughtful 12- to 18-month preparation process and guidance from experienced legal, tax, and M&A advisors, owners of construction materials businesses can meaningfully improve their odds of achieving a value-maximizing transition on their own terms.

About Western Commerce Group

About

Western Commerce Group is an M&A and strategic advisory firm that focuses on family-owned and privately held businesses. Since its founding in 1998, the firm has completed transactions totaling over $13 billion and has advised 160+ clients across more than 30 U.S. states, as well as Canada and Mexico. The firm emphasizes long-term client relationships, providing trusted advisory support that aligns with clients' strategic goals and preserves the legacy of their businesses.

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