Middle Market Value



INDUSTRY REPORT Q3 2026

Heavy Civil Construction: Data Centers Fill the Gap as Federal Funding Stalls.

Roads, bridges, water lines and site work make up a $324 billion industry built on public money. With the federal highway bill in limbo, data center and private site work is carrying growth, and buyers are paying up for contractors that can do the work themselves.

Middle Market Value · Windward Advisors deal team

Data through September 2026

INDUSTRY REVENUE

$324B

Road, water and sewer, bridge and heavy engineering construction combined.[1][2][3][4]

DATA CENTER CONSTRUCTION

+73%

Spending in August vs. a year earlier, while total construction fell 1.7%.[5]

HIGHWAY & STREET SPENDING

+4.4%

Year-over-year in August, still running on infrastructure law funding.[5]

FEDERAL BRIDGE FUNDING

$5.5B

A year in Bridge Formula Program money that lapsed on October 1.[6][7]

WHAT WE'RE SEEING

Four forces shaping the market.

The federal funding cliff is here

The 2021 infrastructure law expired September 30. Congress extended highway and transit programs only through December 11, and some funding, including the $5.5 billion-a-year Bridge Formula Program, lapsed entirely. A five-year, $580 billion highway bill has cleared committee in the House but hasn't passed.[6][7]

Data centers are creating private civil work

Hyperscale campuses need large earthwork, drainage, stormwater and underground utility packages, often on raw land with no existing infrastructure. IBISWorld calls it a "repeatable, high-volume revenue stream" for contractors with the equipment and crews to handle it.[3][5]

Buyers are paying for self-perform capability

Average engineering and construction deal value rose 63% in the first half of 2026, even as deal count fell. Buyers are focusing on data center, power and infrastructure exposure, and contractors that do their own work with stable field leadership command premium multiples.[8]

Labor and materials squeeze margins

Skilled labor shortages keep pushing wages up, and tariffs on steel and other imported materials raise bid costs. Profit margins across the four segments run roughly 4% to 7%, so contractors that manage costs and backlog well stand out.[1][2][4]

THE MARKET

Four segments, one customer base.

State and local governments are the main customers across heavy civil construction, which makes the industry steady through economic cycles but exposed to funding decisions. All four segments are fragmented, with thousands of regional contractors and no dominant national player.[13]

ROAD & HIGHWAY

$191.7B

Revenue; 3.3% a year over the past five years, 1.8% forecast; 6.2% profit margin[1]

- New construction is 58% of revenue; maintenance and repair is 38%.[1]
- The most exposed segment to the outcome of the highway bill.[1]
- Paving contractors with their own asphalt plants and quarries are prime targets for consolidators.[13]

WATER & SEWER LINE

$74.1B

Revenue; 3.4% a year over the past five years, 2.4% forecast, the fastest of the four; 3.9% profit margin[2]

- Split roughly evenly among water mains, treatment plants and sewer lines.[2]
- The nation's water systems face a $625 billion funding gap.[2]
- Data centers are driving new public water and sewer investment.[2]

HEAVY ENGINEERING

$41.1B

Revenue; 2.4% a year over the past five years, 1.5% forecast; 6.4% profit margin[3]

- Mass transit and rail is the largest segment, at 41% of revenue.[3]
- Also includes ports, dams, flood control, recreation and power plants.[3]
- Data center site work is a growing source of private demand.[3]

BRIDGE & ELEVATED HIGHWAY

$17.5B

Revenue; 3.2% a year over the past five years, 1.3% forecast; 6.7% profit margin[4]

- Repair and alterations make up 96% of revenue.[4]
- About 220,000 U.S. bridges need major repair or replacement.[6]
- The lapse of dedicated federal bridge funding is the near-term risk.[6]

DATA CENTERS UP CLOSE

The civil work behind every data center campus.

Before a data center goes vertical, the site has to be graded, drained and connected. On one Virginia campus, that meant 360,000 cubic yards of excavation plus retention ponds and storm drains. Public acquirers are buying contractors that do this work: Sterling Infrastructure bought Stone Ridge Contracting, a data center site developer expected to earn mid-teens EBITDA margins on $180 to $200 million of 2026 revenue.[39]

Earthwork & grading

Mass excavation, slope stabilization and subgrade improvement for heavy foundations, often on difficult terrain.

Stormwater & drainage

Retention ponds, storm drains and erosion control. Even minor drainage failures can damage sensitive equipment.

Underground utilities

Water, sewer and conduit connections, often installed by horizontal drilling to avoid disrupting the site.

DEAL ACTIVITY · Q3 2026

Notable Q3 2026 transactions.

Paving and road contractors were the most active targets in Q3. Construction Partners and Cardinal Infrastructure each kept buying through the quarter and into October, adding self-perform crews, asphalt plants and new markets. Most deals were too small to disclose terms; the ones that did were priced at modest multiples, such as 5.5x EBITDA for Allied Paving.[101113]

DATE	BUYER	TARGET	VALUE	NOTES
ROAD, PAVING & MATERIALS				
Sep 21	Construction Partners	Roads, Inc. of NWF	Undisclosed	Paving contractor, Northwest Florida
Sep 17	Western Pavement Services	Andersen Asphalt	Undisclosed	Asphalt paving
Aug 11	Cardinal Infrastructure Group	Allied Paving Contractors	$120M	1.2x revenue, 5.5x EBITDA

DATE	BUYER	TARGET	VALUE	NOTES
Aug 6	**TRP Infrastructure Services**	Alamo Roadway Materials; D.I.J. Construction; Batterson	Undisclosed	Three acquisitions announced the same day
Jul 16	**Frontline Road Safety Group**	Cat Tracking	Undisclosed	Road safety and pavement services
Jul 13	**Construction Partners**	Ellsworth Construction	$112M	Paving and site work contractor
SITE DEVELOPMENT, FOUNDATIONS & HEAVY CIVIL				
Sep 14	**Soletanche Bachy**	Bradshaw Construction	Undisclosed	Tunneling contractor; buyer is a global foundations specialist
Sep 3	**ESS Companies**	Barrows Excavation	Undisclosed	Excavation and site work
Sep 2	**Solaris Energy Infrastructure**	Omega Foundation Services	$307.7M	Foundation services; buyer supplies power for data centers
Aug 24	**Secovia Capital**	Ferrovia Services	Undisclosed	Rail services
SINCE QUARTER END				
Oct 19	**Construction Partners**	S.E. Cline Construction	Undisclosed	Site development and underground utilities, Florida; includes a permitted asphalt plant site
Oct 13	**Cardinal Infrastructure Group**	Hughes Brothers Construction	$357.5M	Underground utility, earthwork and roadway contractor, Florida; more than $220M revenue; up to $455M with earn-outs

Selected from the S&P Capital IQ screen and company announcements; not an exhaustive list.[101113]

VALUATION BENCHMARKS

Where the multiples sit.

Public heavy construction companies trade at a median of about 12.1x LTM EBITDA. Specialty and materials businesses trade highest, including Badger Infrastructure at 25.5x and Vulcan Materials at 16.5x, while asset-heavy paving deals have been priced far lower: Cardinal paid 5.5x EBITDA for Allied Paving in August, and Construction Partners paid about 5.5x for Lone Star Paving in 2024. In our deal team's experience, middle-market heavy civil contractors most often sell for 5.5x to 8.0x EBITDA, with self-perform crews, owned materials and private-sector work pushing toward the top of that range.[8][12][13]

12.1x

PUBLIC HEAVY CONSTRUCTION COMPANIES

Median EV / LTM EBITDA across the 15 companies below, as of October 21, 2026.[13]

14.2x

SITE DEVELOPMENT & HEAVY CIVIL

Median EV / LTM EBITDA for the five contractors in that group.[13]

5.5x–8.0x

PRIVATE MIDDLE MARKET

EBITDA range in our deal team's experience with middle-market heavy civil contractors.

COMPANY	ENTERPRISE VALUE ($M)	LTM REVENUE ($M)	REV. GROWTH	EBITDA MARGIN	EV / REVENUE	EV / EBITDA
ROAD, HIGHWAY & MATERIALS						
Granite Construction (GVA)	5,375	4,967	21.8%	9.8%	1.1x	11.1x
Construction Partners (ROAD)	6,510	3,478	41.9%	14.6%	1.9x	12.8x
Knife River (KNF)	4,643	3,307	12.1%	14.9%	1.4x	9.4x
Vulcan Materials (VMC) Aggregates producer	38,681	8,116	6.9%	28.8%	4.8x	16.5x
Median	**5,943**	**4,223**	**17.0%**	**14.8%**	**1.6x**	**12.0x**
SITE DEVELOPMENT & HEAVY CIVIL						
Sterling Infrastructure (STRL) Growth includes acquisitions	10,774	3,438	60.8%	20.8%	3.1x	15.1x
Cardinal Infrastructure (CDNL) Recent IPO; growth includes acquisitions	519	663	89.7%	14.3%	0.8x	5.5x

COMPANY	ENTERPRISE VALUE ($M)	LTM REVENUE ($M)	REV. GROWTH	EBITDA MARGIN	EV / REVENUE	EV / EBITDA
Primoris Services (PRIM)	4,562	7,284	5.1%	4.4%	0.6x	14.2x
Tutor Perini (TPC)	3,636	5,949	24.7%	5.3%	0.6x	11.5x
Aecon (ARE)	2,440	4,231	21.5%	3.2%	0.6x	18.2x
Median	**3,636**	**4,231**	**24.7%**	**5.3%**	**0.6x**	**14.2x**
MARINE & SPECIALTY						
Orion Group (ORN)	513	896	7.0%	3.7%	0.6x	15.6x
NWPX Infrastructure (NWPX)	1,027	574	15.1%	14.8%	1.8x	12.1x
Concrete Pumping Holdings (BBCP)	897	423	6.9%	23.9%	2.1x	8.9x
Matrix Service (MTRX) Net cash position lowers enterprise value	71	874	13.6%	1.0%	0.1x	8.3x
Oceaneering International (OII)	3,952	2,914	3.0%	14.1%	1.4x	9.6x
Badger Infrastructure Solutions (BDGI)	2,333	647	17.2%	14.2%	3.6x	25.5x
Median	**962**	**760**	**10.3%**	**14.2%**	**1.6x**	**10.8x**
All companies	**3,636**	**3,307**	**15.1%**	**14.2%**	**1.4x**	**12.1x**

LTM = last twelve months. Canadian companies converted to U.S. dollars. Source: S&P Capital IQ, as of October 21, 2026.[13]

WHAT THIS MEANS IF YOU OWN A HEAVY CIVIL CONTRACTOR

Buyers are active and paying for crews, equipment and private-sector work. Owners who can show a durable backlog through the funding uncertainty will be in the strongest position.

Know your funding mix

Buyers will ask how much of your backlog depends on federal programs. Private, state and local work helps offset the uncertainty.

Show what you self-perform

Crews, equipment fleets, plants and quarries are what consolidators are buying. Document them, along with the leaders who run them.

Prove your margins

Clean job-cost reporting and a record of bidding discipline give buyers confidence in your earnings, and that supports a higher price.

SOURCES & NOTES

1. IBISWorld, *Road & Highway Construction in the US* (NAICS 23731a), August 2026.
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3. IBISWorld, *Heavy Engineering Construction in the US* (NAICS 23799), August 2026.
4. IBISWorld, *Bridge & Elevated Highway Construction in the US* (NAICS 23731b), September 2026.
5. Associated General Contractors of America, "Construction Spending Climbs in August," October 1, 2026 (U.S. Census Bureau data).
6. Transportation Construction Coalition, "Major Federal Funding Lapses October 1," September 30, 2026.
7. *Polyurea Magazine*, "IIJA Extended to Dec. 11," October 3, 2026.
8. PwC, "Engineering and Construction: US Deals 2026 Midyear Outlook," June 2026.
9. Sterling Infrastructure, "Sterling Announces Acquisition of Stone Ridge Contracting," June 9, 2026.
10. *ENR*, "Cardinal's $358M Florida Deal Expands Heavy Civil Construction Footprint," October 15, 2026.
11. Construction Partners, "Construction Partners, Inc. Completes Florida Acquisition," October 19, 2026.
12. Nasdaq, "Construction Partners to Acquire Asphalt Inc. for $654M in Cash, 3M Shares," October 2024. Multiple calculated from disclosed cash price and adjusted EBITDA.
13. S&P Capital IQ, public company and M&A transaction screens, as of October 21, 2026.

This report is for general information only and is not investment, legal or tax advice. Figures from third-party sources are presented as published and have not been independently verified.

Middle Market Value

WHY MIDDLE MARKET VALUE

Most advisors start with a transaction. We start with a conversation. Middle Market Value combines a deep understanding of how companies are valued with years of buy-side and sell-side deal experience, so we can show you the full range of options and help you choose the path that best fits your objectives.

LET'S TALK

Own a Heavy Civil Contractor?

We follow this sector closely and work with contractors on valuations and sales. We'll tell you how today's buyers would look at your company.

Confidential
Your information is always protected.

No Obligation
An open conversation with no pressure.

Focused on You
Guidance tailored to your goals and situation.

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Middle Market Value brings together professional, third-party business valuation through **Cornerstone Valuation** and sell-side and select buy-side M&A advisory through **Windward Advisors**.

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