FMI Consulting

Private Equity Sector Brief

Nonresidential Roofing Services

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Executive Summary: Nonresidential Roofing Services

This brief outlines the market opportunity, thematic drivers and an overview of market fragmentation for the nonresidential roofing services industry. This guide is intended to serve as a roadmap for private equity firms developing an investment thesis or targeting an acquisition in the space.

Strategic Case for Nonresidential Roofing Services

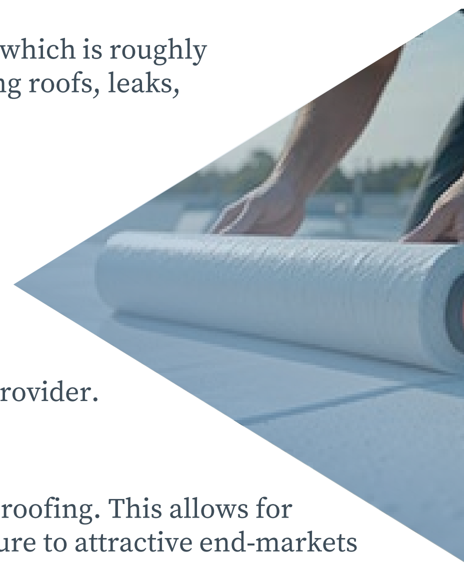
Interest for investment in the nonresidential roofing service provider space has been high in recent years and, while some think the opportunity is in late stages, there are still ample prospects in the space for new platforms and informed buyers can create value.

Resilience and Non-Cyclicality of Roofing Spending

- National spending on roofing services historically is resilient during downturns and non-cyclical times due to the emphasis on reoccurring service and maintenance, as well as remove-and-replace (R/R) demand.

Demand Driven by an Expanding and Aging Installed Base

- Nonresidential roofing demand is driven by regular replacement and repair work, which is roughly 65% to 70% of total spending. This is largely nondiscretionary and triggered by aging roofs, leaks, deterioration and weather events that are becoming increasingly common.



Continuing Opportunity for Consolidation

- The industry remains extremely fragmented and full of opportunity despite robust M&A activity. An estimated 100,000+ roofing contractors operate in the U.S., with the top 100 firms accounting for less than 10% of the total market share.
- Service line expansion into tangential offerings is growing as facilities owners are becoming focused on finding complete building envelope solutions from a single provider.

Opportunity for a Differentiated Platform

- The nonresidential market is a more sophisticated market compared to residential roofing. This allows for more opportunities to create a scaled platform that is differentiated through exposure to attractive end-markets and that succeeds based on providing a high-level of service to repeat customers.

Attractive Buyer Dynamics

- Facility owners and property management firms are placing increased focus on ongoing maintenance and building relationships with trusted roofers, allowing top-tier firms to compete on value rather than price. This is especially true in segments such as health care, industrial, data centers and warehouse.

Market Size and Growth Potential

The **nonresidential roofing services** sector is characterized by a **stable growth outlook,** with **recurring revenue potential** for nondiscretionary needs**.**

- Total U.S. market: $45.1 billion in 2024, projected to exceed $55.7 billion by 2029, at a 4.3% CAGR.
- Reroofing is the largest segment totaling $23.2 billion in annual spending as of 2024. Nearly $5.8 billion in additional annual spend is anticipated in this segment by 2029.

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Key Growth Drivers

The core fundamentals driving demand across the nonresidential roofing market remain strong independent of macroeconomic factors and are becoming more favorable based on evolving building characteristics and facility owner buying practices.

- Roofing replacement cycles are decreasing due to harsher environmental conditions, as well as facility owners increasing their focus on the health of roofing systems due to the critical impact on business operations.
- Weather events are growing in frequency across the country, which serves as a constant driver of reoccurring demand for both reroof and maintenance services.
- Roofing maintenance and repair is nondeferrable expense that is typically dealt with promptly to prevent more costly damages incurred by roofing failure.
- In the last 15 years the volume of construction activity considerably increased the install base of serviceable roofs, while roof systems grew larger and more sophisticated.
- Building insurers often require regular maintenance and stricter terms as roofs age, serving as a driver of replacement.

Competitive Landscape and Acquisition Opportunity

- The landscape of roofing contractors remains highly fragmented at the local level.
- Local firms typically offer limited scopes, for example replacement or repair only, and may focus on specific end-segments such as industrial or education. Regional firms typically offer a competitive balance of sophistication and strong relationships with local owners.
- **Despite the prevalence of multiple large national platforms and private-equity backed platforms, there are still opportunities to enter the roofing space given the high level of fragmentation.**

Market Size and Growth: Nonresidential Roofing Services

U.S. Nonresidential Roofing Services Market Opportunity

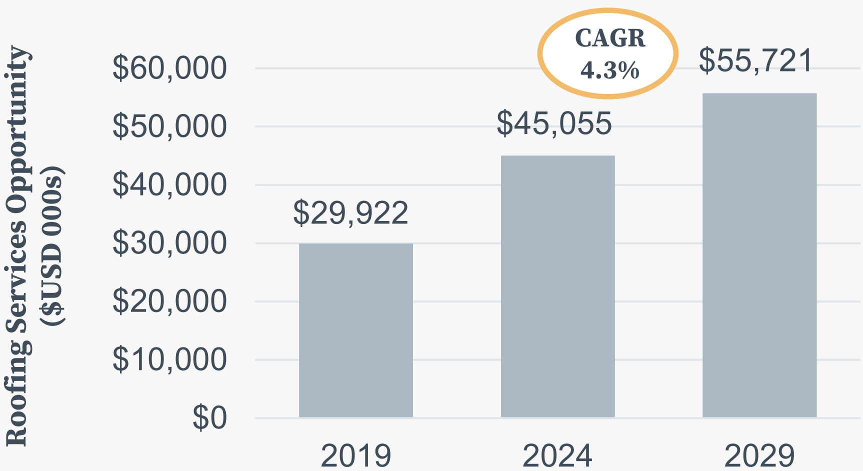
- $45.1 billion U.S. market (2024), projected to reach $55.7 billion by 2029, growing at a 4.3% CAGR.
- Service and maintenance has the greatest growth (5.1% CAGR from 2024-2029) and is expected to outpace the total market. This constitutes an additional $2.4 billion in annual service and maintenance spend by 2029.
- Historically, this market has been resilient during economic downturns due to the nondeferrable and essential nature of roofing. Roughly 66% of the total addressable market is associated with R/R and service and maintenance opportunities.

Underlying Market Growth Dynamics

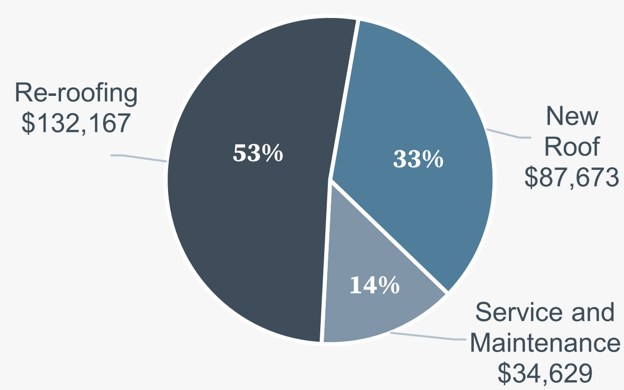
48% of the total nonresidential building installed base was built since 2000. There is approximately 28 billion square feet of nonresidential building space nationwide, which is now entering prime replacement timeframe.

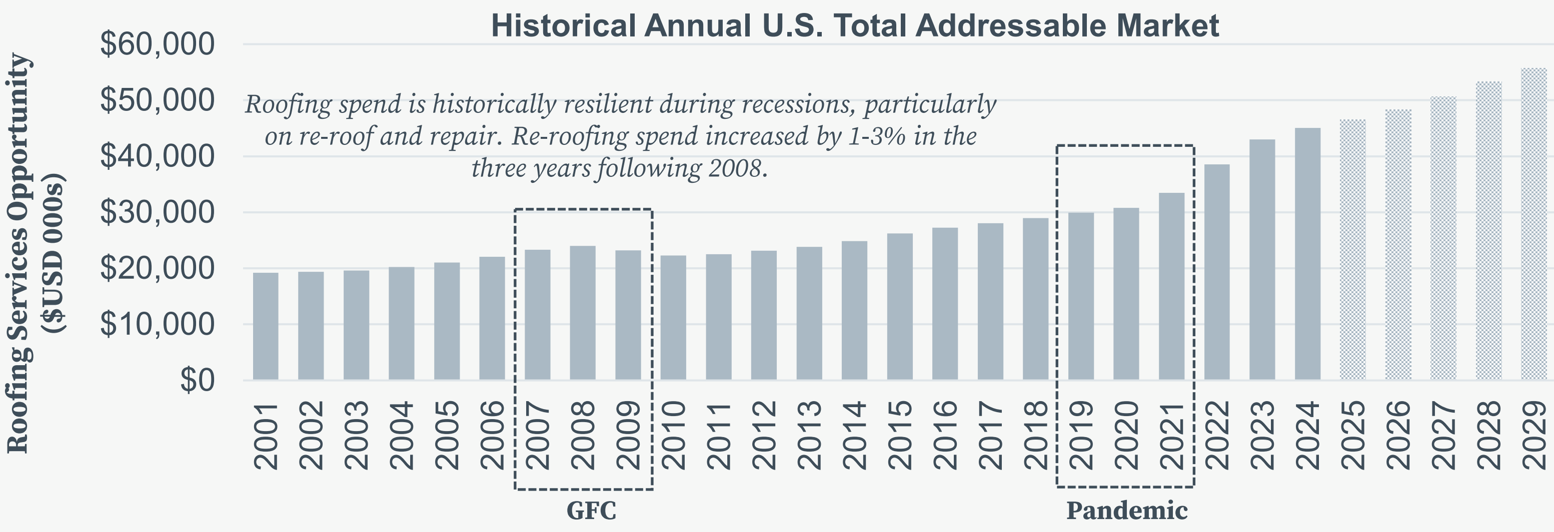
Overall spending surged notably from 2019 to 2024, a trend partly driven by inflation's influence—especially on materials and labor between 2021 and 2023. However, the market has now stabilized and returned to normal levels.

Annual U.S. Total Addressable Market



5-Year Forecast Volume *(2024-2029)*





Industry Tailwinds: Nonresidential Roofing Services

Why demand for roofing services is expected to increase:

- Multiple secular and situational factors are providing tailwinds for the roofing services industry. These drivers support robust demand and make the sector's growth trajectory durable. The categories below are primary structural drivers, as well as secondary, regulatory or policy-specific drivers:

Primary Drivers

Aging Installed Base of Nonresidential Roofs

- The ongoing expansion of the U.S. commercial building stock – and the maturation of existing structures – is a fundamental growth driver. The past two decades saw a massive addition of commercial square footage, particularly in warehouse/distribution centers, big-box retail and institutional facilities.
- Many roofs installed during the early-2000s construction boom are now more than 20 years old and entering their replacement timeframe. As infrastructure ages, the need for maintenance and re-roofing accelerates, creating a structurally embedded demand cycle. Unlike some building components, roofs cannot be ignored once they deteriorate without risking water intrusion and asset damage.

Roof Replacement Driven by Weather Events

- Routine weathering and acute storm events both serve as accelerants for roofing demand.
- Building owners are more proactive in fortifying and inspecting their roofs, and some are upgrading to higher-spec materials (impact-resistant membranes, additional insulation, etc.) after damaging events. In short, weather volatility creates opportunistic spikes in demand that supplement the baseline replacement cycle. While pure "storm-chasing" roofing businesses can have volatile results, a broad-based contractor can benefit from periodic upticks in volume following weather events.

Secondary Drivers

Regulatory Impact on Repair, Maintenance and Re-roofing

- Heightened building codes, safety regulations and energy efficiency standards are also supporting increased roofing services activity. In the wake of high-profile building failures and roof collapses, many state and local jurisdictions have implemented more stringent inspection and maintenance requirements for nonresidential roofs.
- For instance, some cities now mandate periodic roof condition inspections or recertifications (e.g. every 10 years) for older buildings, which often result in required repairs or replacements to meet code.

Insurance Requirements Driving Demand

- Insurance companies, too, are tightening criteria – many insurers will not renew coverage on large commercial properties without proof of roof updates or maintenance, especially in hurricane and hail prone states. These factors are driving building owners to be more proactive in roof upkeep, effectively creating demand for preventative services.
- Overall, a stricter regulatory environment is raising the bar for roof performance and maintenance, benefiting professional contractors who can navigate code compliance and offer long-term warranty and service programs. Many leading roofing service providers have capitalized on this by obtaining specialized certifications (from material manufacturers or organizations like the NRCA) that allow them to offer extended warranties and maintenance contracts.

Competitive Landscape: Nonresidential Roofing Services

Composition of Market Landscape

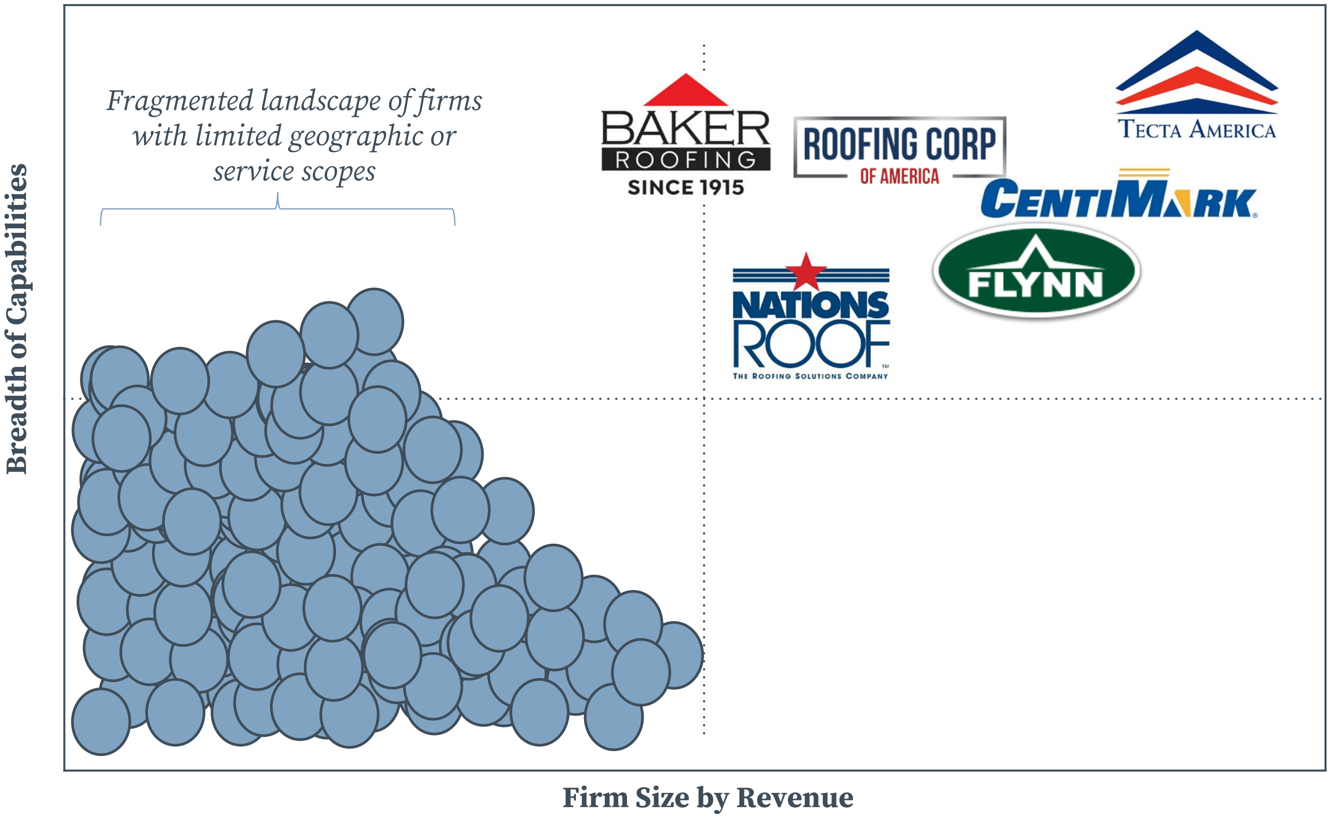
The U.S. nonresidential roofing industry is highly localized, presenting a strong consolidation opportunity.

Thousands of small independent contractors exist with regional footprints. The National Roofing Contractors Association (NRCA) estimates there are approximately **100,000 roofing businesses** operating across the country, with the top 10 players holding less than 10% of the combined market share and the top 100 contractors accounting for approximately 17% of the market.

Benefits of Platform Consolidation

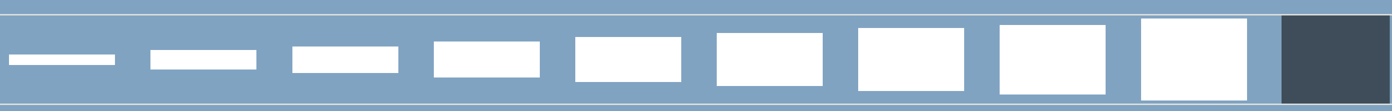
With **high fragmentation and reoccurring demand**, platforms can pursue the following strategies:

- Acquire local/regional operators to establish market density and operational scale.
- Enter additional end-segment markets with deeper sector expertise and relationships.
- Broaden repair and re-roofing services to cross-sell services in between replacement cycles.
- Expand into building envelope service such as waterproofing.
- Develop account-strategies with property managers and roofing consultants to build relationships across real estate portfolios.



Examples of Benefits of Scale and Recent Strategies

- National roofing firms are rapidly buying local roofing contractors to create a decentralized, brand-driven model. Roofing Corporation of America (RCA) exemplifies a rapid roll-up strategy that consolidates shared services to quickly scale; it was recently sold by a private equity firm to a public property services firm
- Large roofing platforms are expanding services beyond just roofs into broader facility management functions. Baker Roofing Co. and Nations Roof are examples of large platforms with scale that seek to leverage their status with customers to increase share of wallet and service more of the building envelope.



LOW Fragmentation **HIGH Fragmentation**

Example M&A Activity: Nonresidential Roofing Services

- There are multiple large strategic and private-equity backed platforms that are focused on leveraging inorganic growth to scale in terms of size and geographic breadth. Many of these larger platforms have transitioned into their second or even third equity partner, and several are expected to come to market in 2025.
- Several larger platforms are expanding beyond traditional roofing services into asset-management functions. This enables companies to become more embedded with property owners for recurring service and maintenance needs throughout a roof's lifespan.
- Despite the high level of activity and multiple new platform entrants, there remains a large volume of independent firms servicing regional geographic territories or niche building types.

Recent Transactions in the Roofing Services Space*

Firm	Acquirer	Year	Services Offered
Tecta America	Atlas Partners, Leonard Green	2025	National full-services roofing contractor
Nations Roof	AEA Investors	2024	National roof repair, maintenance and management for nonresidential buildings
Independent Roofing Systems	Huron Capital/Rampart Exterior Services	2024	Nonresidential roofing installation, re-roofing and sheet metal fabrication
Dynamic National	Roofing Corp of America	2024	Commercial and multifamily roof installation, repair and renovation
BBG Contracting Group	Eagle Merchant Partners, Eskola Roofing	2024	Commercial and industrial roofing services in the southeast
Best Roofing	Harkness Capital Partners	2024	Commercial roofing service, maintenance and replacement in Florida

Case Study

Tecta America is the largest commercial roofing contractor in the U.S., established in 2000 via the merger of 10 regional roofing companies. Tecta provides re-roofing, new installation and maintenance for commercial, industrial and institutional clients. Backed by Altas Partners and Leonard Green & Partners since 2018, Tecta has grown through both organic expansion and acquisitions, reporting approximately $1.4 billion in revenue for 2023. Despite its scale, Tecta's market share remains modest (roughly 1%–2%), highlighting the overall fragmentation of the industry. Its strategy focuses on becoming the preferred national roofing partner for large facility owners by developing a robust national accounts program and leveraging its extensive geographic footprint.

TECTA AMERICA

*The table above depicts a small subset of example transactions within the nonresidential roofing services landscape.

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