



EXECUTIVE INSIGHTS

Too Much Money, Too Few Rocks: Building a Successful Strategy in the Highly Competitive US Construction Aggregates Market

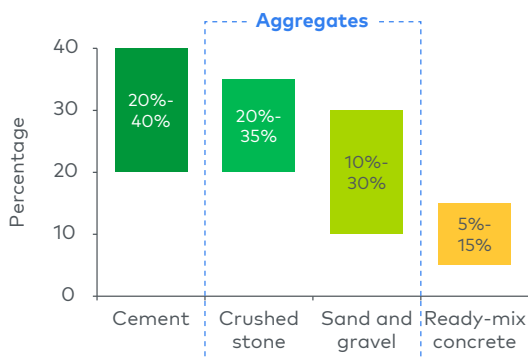
A fundamentally attractive sector

U.S. construction aggregates are a fundamentally attractive industry — a large market (approximately \$40 billion) with high profitability (20%-35% typical EBITDA for crushed stone, 10%-30% for sand and gravel, with a high conversion to free cash flow) and significant room for further consolidation, as the top 10 players still only represent roughly a 40% share nationally despite significant M&A activity (see Figure 1).

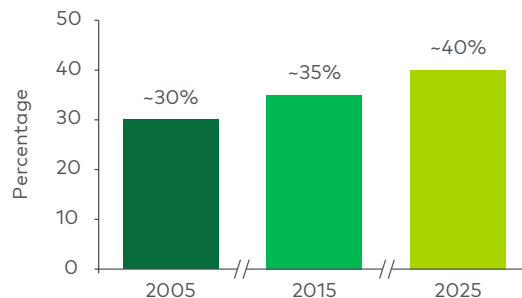
Figure 1

A highly profitable industry with significant runway for further consolidation

Typical EBITDA margins by material in the U.S. (2024)



Share of top 10 aggregate producers in the U.S. (2005-2025)



- Conversion from EBITDA to free cash flow is structurally higher in aggregates (60%-70%) than cement (45%-55%)
- As a result, returns on capital for the two businesses are typically comparable (10%-20%); RMX is most challenging

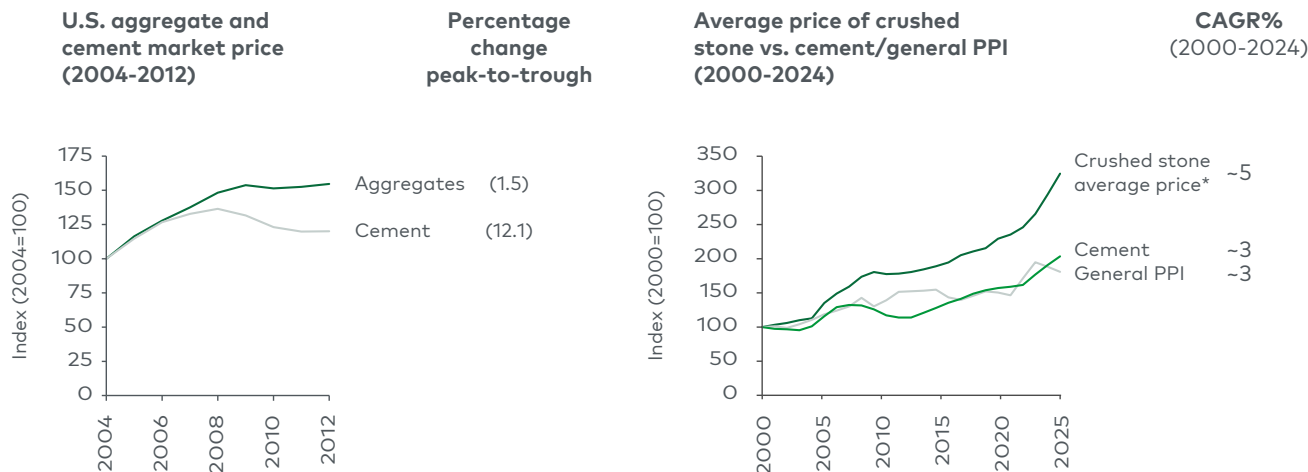
Note: EBITDA=earnings before interest, taxes, depreciation and amortization; RMX=ready-mix
Source: Annual reports; USGS; S&P Capital IQ; L.E.K. research and analysis

While the construction industry is cyclical by nature, construction aggregates display more resilience than most pockets of the market with regard to both price and volume.

Price resilience is particularly strong: In the past few decades, U.S. aggregate prices only declined once, by about 1.5%, at the lowest point of the Great Financial Crisis (GFC) – a dip partially explained by negative mix effects as lower-value road base and fill materials did not decline in volume like the rest of the market. This resilience is anchored in low fixed costs and small serviceable markets, where a decision to increase volume faster than the market can bear quickly leads to market-wide price declines. Further, regulatory pressures have made permitting increasingly challenging and the continued urban sprawl of major U.S. cities has made land more scarce (see Figure 2).

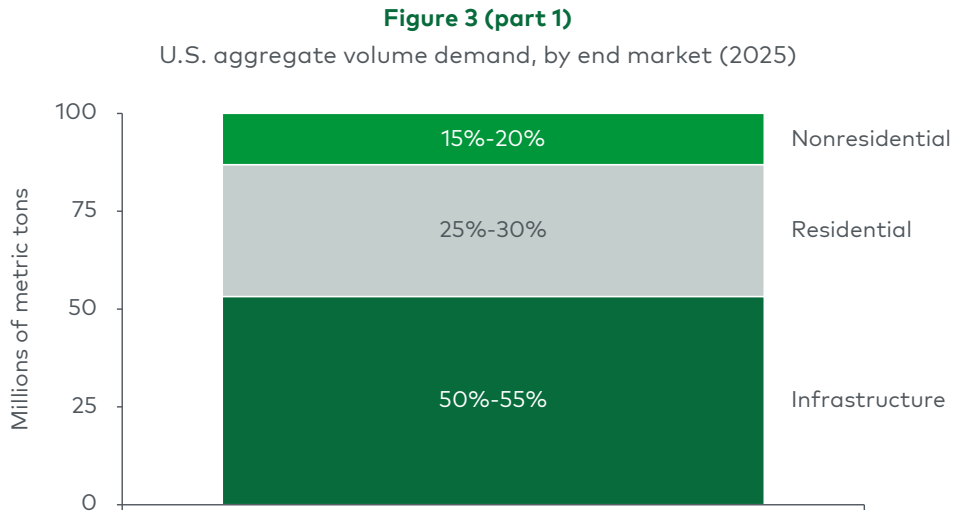
Figure 2

Highly resilient prices with above-inflation pricing growth

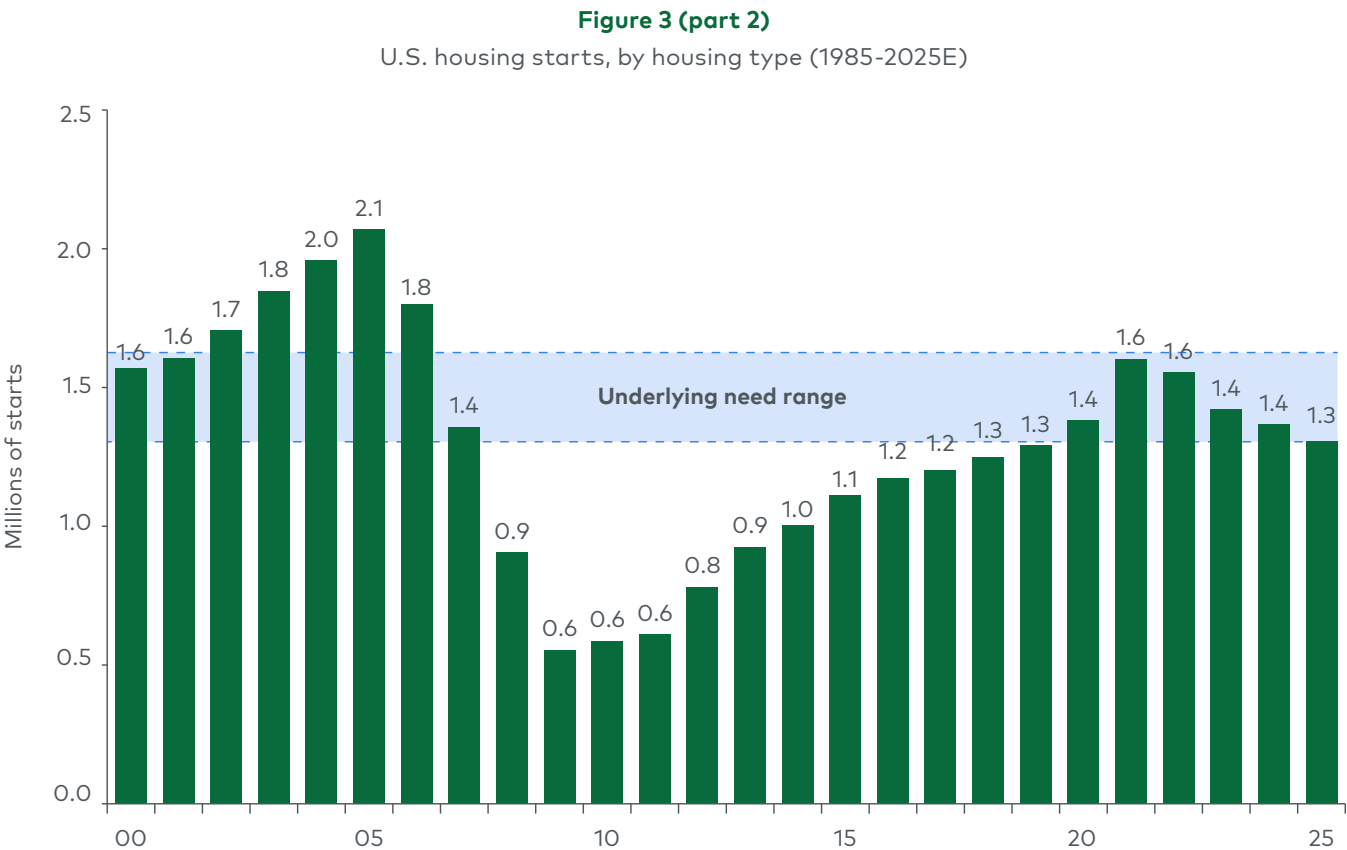


*Price, average unit value, dollars per metric ton
Note: PPI=Producer Price Index; CAGR=compound annual growth rate
Source: BLS; USGS; L.E.K. research and analysis

Construction aggregate volumes have historically been more cyclical but are now primarily driven by infrastructure demand, which is supported by very healthy state and local finances. Residential demand is also supported by healthy fundamentals – with housing starts likely to land at 1.3 million for 2025, at the lower end of the range justified by underlying demographic needs. Overall, while the industry’s cyclicity cannot be abolished, the risk of a major decline in aggregate volumes appears limited (see Figure 3, parts 1 and 2).



Source: U.S. Census Bureau; Mortgage Bankers Association; National Association of Realtors; Fannie Mae; National Association of Home Builders; John Burns Real Estate Consulting; L.E.K. research and analysis



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With that backdrop, it's no surprise that the competition for assets is intense. Aggregate industry majors are continuing to pursue the consolidation of the sector, and with trading multiples north of 15x EV/earnings before interest, taxes, depreciation and amortization (EBITDA), their firepower is broadly unmatched in the market. Cement majors, both international and domestic, are also actively looking to increase their exposure to U.S. construction aggregates and have ample resources to do so.

Finally, a number of midsize operators — aggregate pure plays but also ready-mix concrete and asphalt players — have made U.S. aggregates a strategic priority for their expansion.

Lessons learned from historically successful acquisition platforms

Despite intense competition, multiple operators have been able to build successful acquisition platforms over the years — among others, names such as Rogers, IMI, Blue Water and Burnco come to mind.

Studying those success stories points to a few key levers of value creation:

- **Regional density and network connectivity** increase efficiency and improve local market structures.
- **Experienced leadership and patient capital** help build relationships with prospective targets, achieve off-market deals when they become available and increase talent retention.
- **Small, bolt-on acquisitions** can go a long way; \$5 million to \$10 million deals are not transformational, but they add up over time.
- **Vertical integration** can be necessary to build an outlet for aggregates in specific markets. Asphalt is as strong or stronger a lever as ready-mix concrete but often requires getting into labor-intensive paving services.
- **Operational excellence** pays in the long run, through incremental investment capacity and increased retention of key talent that builds the firm's reputation. Data-driven pricing and optimized procurement are often the strongest value creation levers.

New growth pathways — greenfields, recycled aggregates, quarry backfilling?

While lessons from past success stories continue to be relevant, new opportunities are also emerging.

The most immediate is the **greenfielding** of new quarries and pits. Over recent decades the industry has increasingly shied away from large greenfields due to increased permitting and land scarcity challenges and post-GFC overcapacities. As a result, the number of active pits and quarries is now lower than it was in 2000 and has barely stabilized in recent years.

However, aggregate prices in many local markets are now at levels that make greenfield economics highly attractive for players that are willing to go through the permitting process and challenge the local status quo. Identifying those markets is an opportunity for players looking to gain scale.

Recycled concrete aggregates are a more nascent opportunity. Recycled concrete is now overwhelmingly routed toward lower-value applications (road base, pipe bedding, etc.) rather than reused in concrete, largely due to quality concerns among U.S. concrete producers. However, reuse of the coarse material in concrete has become widespread in other parts of the world, confirming the technical feasibility of that option.

Several operators are now pushing that option in the U.S., gaining traction in parts of both the South and the Pacific Northwest in particular. This is an opportunity for operators to enter a market in an early inning by identifying areas where there is enough difference between road base and virgin aggregate prices to justify the added processing and logistics of recycling.

Even more nascent than recycled aggregates, **quarry backfilling** is an opportunity that likely deserves a fresh look. In Europe, individual locations achieve EBITDA rates over 50% on their backfilling activities without requiring significant investments by filling depleted quarry space with inert construction and demolition waste (soil from earthmoving activities, demolition brick, wood, concrete, etc.). This activity also plays a role in community relations, as the depleted quarry space is ultimately returned to nature by adding a layer of new soil.

While low landfill tipping fees have historically made that option unattractive in the U.S., the rapid increase in those fees and an increasing shortage of landfill space in specific regions may be creating an overlooked opportunity for aggregate players.

For more information, please [contact us](#).

About the Authors

**Olivier Asset**

Olivier Asset is a Managing Director and Partner in L.E.K. Consulting's Chicago office and a member of the Industrials practice. With a focus on growth strategy, pricing strategy and M&A advisory, Olivier supports clients in the construction materials and products sector, as well as the waste and water management industries, to drive sustainable growth and operational excellence.

**David Mahin**

David Mahin is a Managing Director and Partner in L.E.K. Consulting's Chicago office and a member of the Industrials practice. David's primary focus is on building and construction. He advises clients on a range of strategic issues that include revenue growth, profitability enhancement, go-to-market strategy, commercial due diligence, acquisition screens and M&A.

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