

Building Products Industry Update



Industry Valuation Multiples Remain Above Historical Averages

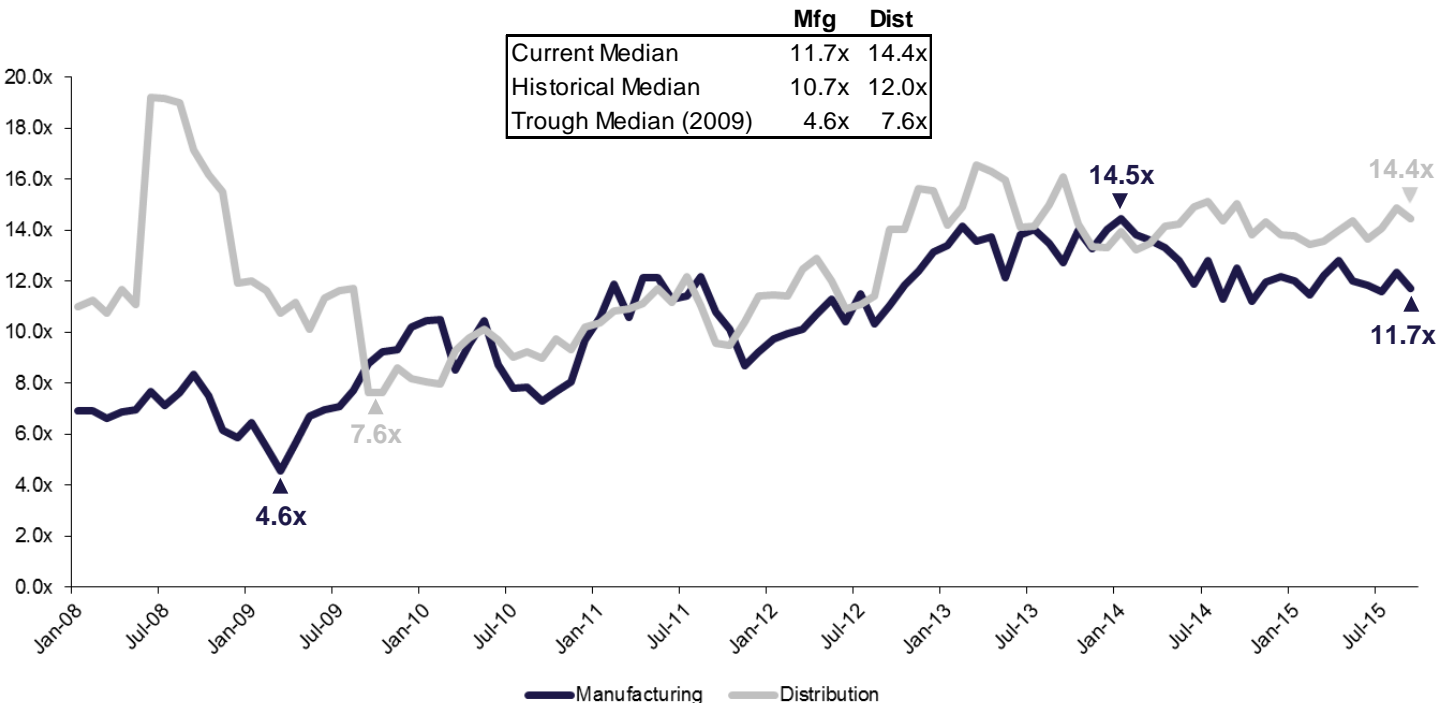
Executive Summary

- Building products company valuation multiples continue to exceed historical averages
- Strong recovery in the overall economy and particularly in construction markets have fueled strong growth with forecasts for continued expansion of between 2.5% and 3.0% annually from 2015 to 2020
- Industry multiples remain above historical averages, reflecting an opportunistic market for company owners in the industry to explore monetization and strategic options; deep in the cycle for sellers – timing critical

Key Takeaways

- Valuations are highly cyclical due to nature of industry; cycle timing is critical to maximize value for building products companies
- Current building products industry multiples are above historical averages – more than 2.5x last cycle trough for manufacturers, 1.9x for distributors
- Housing starts up 11% YTD, home sales up 20% YTD and home prices up 5%
- Bridgepoint Merchant Banking advises company owners in the space that timing is attractive to consider exploring monetization, financing and other strategic options

Building Products Valuation Cycle – TEV / LTM EBITDA



Source: Bridgepoint Merchant Banking, IBIS World, Capital IQ

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Industry Background

- The building products industry is mature and highly fragmented, composed of both manufacturers and distributors engaged in intense price competition. Industry growth is usually highly correlated to general economic activity, specifically construction and remodeling markets

Performance

- Revenues have climbed over the past five years with the general economic recovery. The median TEV for industry manufacturers is currently 5.8x the last cycle trough in 2009 and 2.5x the historical median

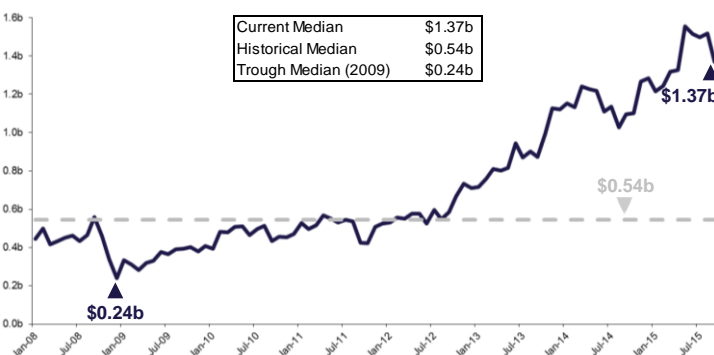
Valuation

- For publicly traded companies in the building products industry, TEV to LTM EBITDA multiples for manufacturers are still up 154% from the 2009 trough (4.6x multiple) at a current median multiple of 11.7x. Meanwhile, distributor multiples are up 89% from the 2009 trough (7.6x) at a current multiple of 14.4x (see chart above)

Corporate Strategy Considerations

- Transaction multiples and capital markets support for buyouts/acquisitions are still above historical average levels. Building products sector multiples are particularly sensitive to the cyclical nature of the industry – companies are currently garnering premium multiples relative to historical norms
- Cycle timing and selling/financing from a position of strength are particularly important in the sector; industry operators are trading at a premium to the broad S&P 500 index having posted several good years of performance since the last trough, presenting a window that may not be matched for several years for potential sellers and companies seeking financing

Total Enterprise Value (Manufacturing)



Source: Bridgepoint Merchant Banking, IBIS World, Capital IQ

Selected Bridgepoint Merchant Banking Transactions

Building Products Distributor					Building Products Services
Not Disclosed Sell-side M&A Advisory	USD460 million M&A Advisory + Capital Raise	USD7.9 billion Financing provider for hostile takeover of Willamette Industries	USD20.0 billion Financing support for acquisition of Georgia-Pacific	USD3.6 billion Financing support for leveraged acquisition of Boise Cascade's forest products operations	Not Disclosed Sell-side M&A Advisory
Sole Financial Advisor	Sole Financial Advisor and Sole Bookrunner	Financial Advisor	Joint Lead Arranger	Financial Advisor	Sole Financial Advisor

About Us

- \$104+ billion of M&A and capital raising experience
- 35+ completed M&A assignments spanning more than \$29 billion
- 40+ completed corporate finance transactions, raising more than \$74 billion in capital
- 35+ years cumulative investment banking & private equity experience

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