

Building Products Industry Update



Valuations Continue to Soften from Previous Quarter

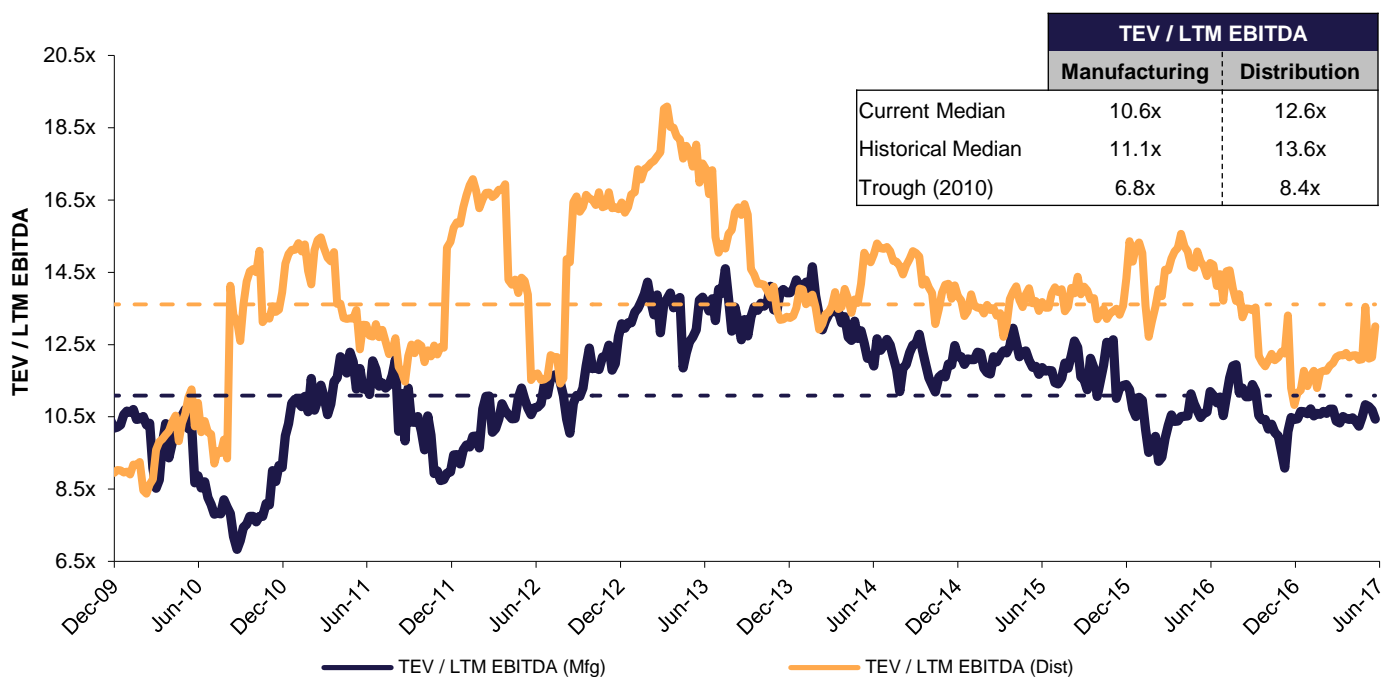
Executive Summary

- Current multiples for both building products manufacturers and distributors remain below historical median levels, continuing the declining trend from cycle highs reached in 2013
- Sustained growth in single-family home sales despite constrained inventory and recent increases in open construction jobs in April reflect both positive movement and forecasts / sentiment in the construction industry
- Remodeling activity has consistently increased over the past five years as homeowners increasingly elect to renovate existing homes vs. buying or building new
- With current industry multiples declining slightly below the historical median, the opportunistic window appears to potentially be closing for company owners in the industry seeking near-term monetization or other strategic options; however, premium assets are still very desirable

Key Takeaways

- Given the nature of the industry, valuations are highly cyclical with strong ties to emerging economic data; cycle timing is critical to maximize value for building products distributors and manufacturers
- Currently, manufacturers are trading at a discount of 13.9% relative to the S&P 500 (median TEV/LTM EBITDA 11.7x), while distributors are trading at a premium of 7.3%. Over the past eight years, manufacturers and distributors have historically traded at 117.6% and 144.2% of the S&P 500's TEV/LTM EBITDA, respectively
- Bridgepoint Merchant Banking advises company owners in the space that attractiveness to explore monetization, financing, and other strategic options is tightening; however, valuations and credit terms are still strong for premium, high-performing companies / assets; companies should move quickly

Building Products Valuation Cycle

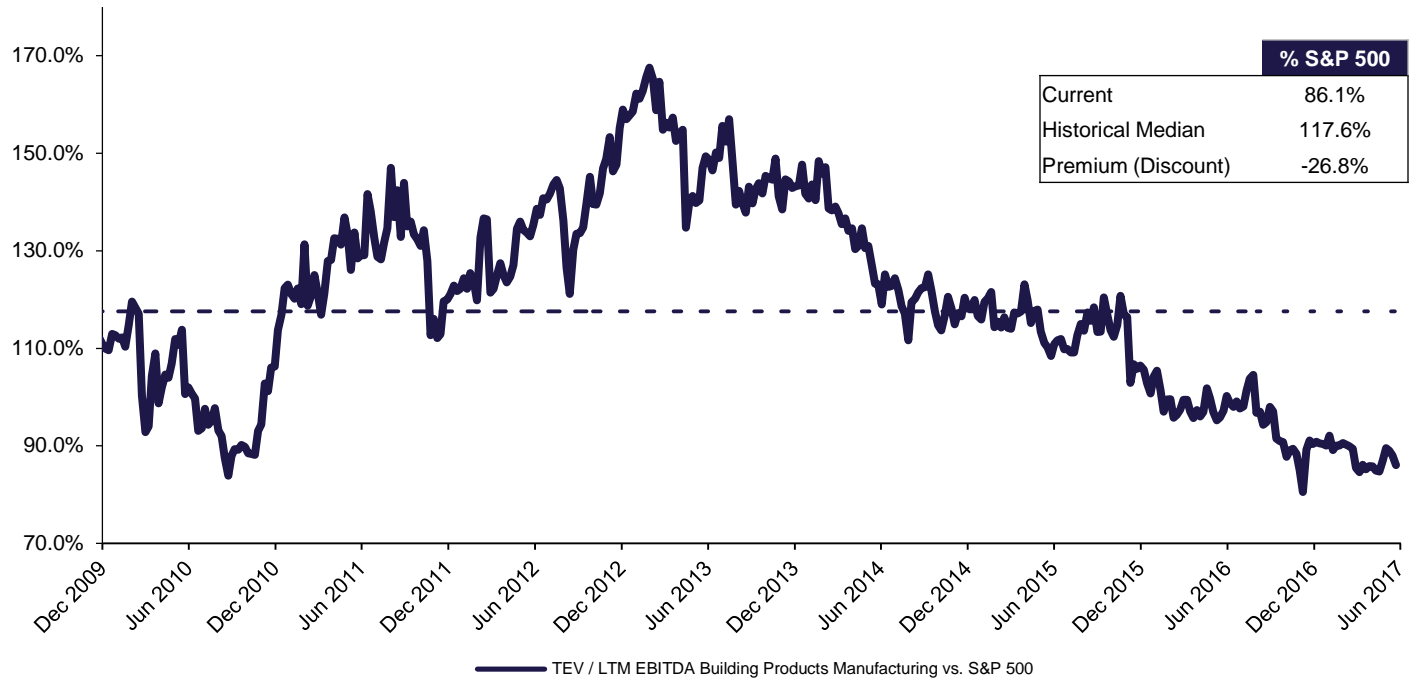


Note: Composite composed of selected public comparables as listed on pages 2 and 3.

Sources: Bridgepoint Merchant Banking, Capital IQ, PitchBook, National Association of Home Builders, Nasdaq

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TEV / LTM EBITDA – Building Products Manufacturing vs. S&P 500



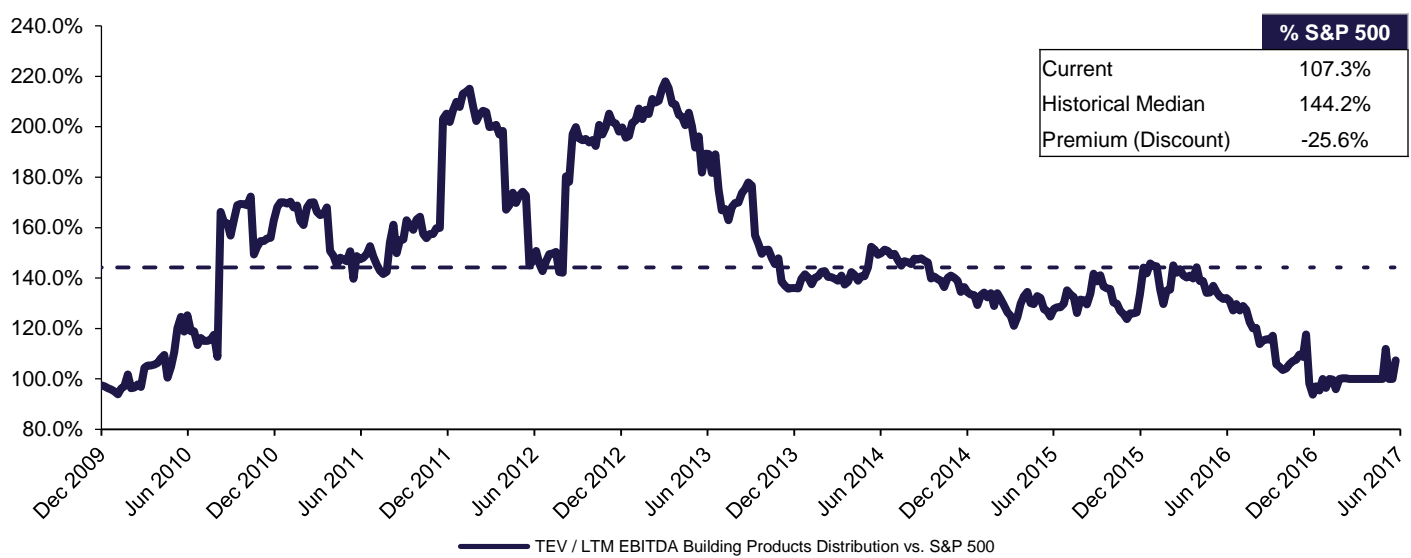
Selected Public Comparables - Manufacturing

(\$ in millions, except per share data)

Company Name	Country	6/2/2017	Equity	Enterprise	P / E	TEV / Revenue			TEV / EBITDA			TEV / EBIT
		Share Price	Value	Value	2017E	LTM	2017E	2018E	LTM	2017E	2018E	2017E
AAON, Inc.	United States	\$37.30	\$1,962.0	\$1,920.1	34.6x	5.0x	4.5x	3.8x	21.1x	19.0x	14.7x	22.1x
Advanced Drainage Systems, Inc.	United States	19.55	1,081.9	1,830.2	21.2x	1.5x	1.4x	1.3x	12.2x	8.7x	8.3x	13.7x
American Woodmark Corporation	United States	97.05	1,575.4	1,363.5	19.7x	1.3x	1.2x	1.1x	10.8x	9.6x	8.8x	10.8x
AO Smith Corp.	United States	56.25	9,733.3	9,380.4	26.8x	3.4x	3.2x	2.9x	17.3x	16.1x	14.6x	18.2x
Apogee Enterprises, Inc.	United States	55.99	1,611.3	1,656.7	16.5x	1.5x	1.4x	1.3x	10.5x	8.5x	7.8x	11.2x
Armstrong World Industries, Inc.	United States	43.80	2,329.9	3,136.8	16.3x	2.5x	2.4x	2.3x	10.3x	8.9x	8.3x	11.4x
Builders FirstSource, Inc.	United States	14.42	1,620.3	3,558.5	13.3x	0.5x	0.5x	0.5x	9.8x	8.0x	6.9x	10.8x
Burnham Holdings, Inc.	United States	16.10	71.4	78.1	-	0.4x	-	-	7.2x	-	-	-
Continental Building Products, Inc.	United States	24.85	982.4	1,188.5	18.3x	2.5x	2.4x	2.2x	9.0x	8.7x	8.1x	12.9x
Continental Materials Corp.	United States	21.00	35.3	38.2	-	0.3x	-	-	4.7x	-	-	-
Fortune Brands Home & Security, Inc.	United States	63.50	9,769.1	11,051.3	20.6x	2.2x	2.1x	1.9x	13.9x	12.6x	11.3x	14.7x
Gibraltar Industries, Inc.	United States	32.70	1,032.4	1,081.4	20.1x	1.1x	1.1x	1.1x	9.5x	9.2x	7.8x	11.2x
Griffon Corporation	United States	22.65	997.8	1,959.2	26.6x	1.0x	1.0x	1.0x	10.6x	10.5x	10.0x	17.5x
Insteel Industries Inc.	United States	33.12	630.1	589.9	18.5x	1.4x	1.3x	1.2x	8.7x	8.9x	6.3x	11.4x
Jewett-Cameron Trading Company Ltd.	United States	11.50	26.3	24.3	-	0.5x	-	-	6.1x	-	-	-
Lennox International, Inc.	United States	178.87	7,633.0	8,687.7	22.6x	2.3x	2.3x	2.2x	15.8x	14.7x	13.6x	16.4x
Masco Corporation	United States	37.64	12,042.8	14,367.8	19.2x	1.9x	1.9x	1.8x	11.9x	10.9x	10.1x	12.1x
Masonite International Corporation	United States	74.95	2,237.8	2,689.1	18.0x	1.4x	1.3x	1.2x	12.0x	9.5x	8.2x	14.1x
NCI Building Systems, Inc.	United States	17.25	1,222.5	1,593.1	17.6x	0.9x	0.9x	0.8x	11.0x	8.4x	7.4x	11.7x
Owens Corning	United States	64.24	7,188.5	9,387.5	16.1x	1.6x	1.6x	1.5x	8.3x	8.3x	7.7x	12.0x
Patrick Industries Inc.	United States	70.20	1,176.8	1,377.9	16.9x	1.1x	1.0x	0.9x	11.4x	9.7x	8.5x	12.6x
PGT, Inc.	United States	12.00	593.1	802.7	20.6x	1.7x	1.6x	1.5x	10.9x	9.5x	8.5x	12.5x
Ply Gem Holdings, Inc	United States	17.10	1,169.9	2,021.9	14.0x	1.0x	1.0x	0.9x	8.9x	7.9x	7.0x	10.1x
Quanex Building Products Corporation	United States	21.15	728.5	1,000.6	25.8x	1.1x	1.1x	1.1x	10.2x	9.3x	8.4x	21.5x
Simpson Manufacturing Co., Inc.	United States	41.28	1,967.2	1,802.2	20.6x	2.0x	1.9x	1.8x	10.9x	10.1x	9.2x	12.8x
Trex Company, Inc.	United States	67.86	1,995.4	2,070.6	23.8x	4.2x	4.0x	3.7x	16.8x	14.3x	13.0x	15.9x
Universal Forest Products Inc.	United States	89.88	1,844.2	2,096.8	15.3x	0.6x	0.6x	0.5x	9.9x	8.6x	7.8x	10.8x
USG Corporation	United States	29.17	4,252.8	4,926.8	15.6x	1.6x	1.6x	1.5x	8.7x	7.8x	7.1x	11.4x
High					34.6x	5.0x	4.5x	3.8x	21.1x	19.0x	14.7x	22.1x
Mean					19.9x	1.7x	1.7x	1.6x	11.0x	10.3x	9.2x	13.6x
Median					19.2x	1.4x	1.4x	1.3x	10.6x	9.3x	8.3x	12.5x
Low					13.3x	0.3x	0.5x	0.5x	4.7x	7.8x	6.3x	10.1x

Sources: Bridgepoint Merchant Banking, Capital IQ, PitchBook

TEV / LTM EBITDA – Building Products Distribution vs. S&P 500



Selected Public Comparables - Distribution

(\$ in millions, except per share data)

Company Name	Country	6/2/2017 Share Price	Equity Value	Enterprise Value	P / E	TEV / Revenue			TEV / EBITDA			TEV / EBIT
						2017E LTM	2017E	2018E	2017E LTM	2017E	2018E	2017E
Beacon Roofing Supply, Inc.	United States	\$ 49.65	\$ 2,992.9	\$ 4,018.8	20.9x	1.0x	0.9x	0.9x	11.1x	10.6x	9.6x	14.8x
Bluelinx Holdings Inc.	United States	9.76	88.5	419.6	-	0.2x	-	-	14.4x	-	-	-
BMC Stock Holdings, Inc.	United States	20.55	1,374.7	1,763.0	16.3x	0.6x	0.5x	0.5x	9.6x	7.9x	6.9x	12.3x
Fastenal Company	United States	44.27	12,805.7	13,036.4	23.7x	3.2x	3.0x	2.8x	14.2x	13.5x	12.4x	15.1x
HD Supply Holdings, Inc.	United States	41.47	8,365.7	12,102.7	12.4x	1.6x	1.5x	1.5x	13.8x	12.2x	11.1x	13.9x
Huttig Building Products, Inc.	United States	6.75	174.7	253.1	-	0.3x	-	-	11.3x	-	-	-
TopBuild Corp.	United States	54.42	2,015.8	2,109.3	20.2x	1.2x	1.1x	1.0x	14.7x	11.8x	10.1x	13.9x
W.W. Grainger, Inc.	United States	172.72	10,087.8	12,260.1	16.6x	1.2x	1.2x	1.1x	8.8x	9.1x	8.7x	11.2x
	High				23.7x	3.2x	3.0x	2.8x	14.7x	13.5x	12.4x	15.1x
	Mean				18.3x	1.2x	1.4x	1.3x	12.2x	10.8x	9.8x	13.5x
	Median				18.4x	1.1x	1.1x	1.1x	12.6x	11.2x	9.9x	13.9x
	Low				12.4x	0.2x	0.5x	0.5x	8.8x	7.9x	6.9x	11.2x

Selected Recent Industry Transactions

Date	Target	Location	Acquiror	Location	Sector
05/22/2017	Bestworth-Rommel, Inc.	Washington	OneAccord Capital	Washington	Manufacturing
05/18/2017	Central Wholesalers, LLC	Maryland	Lowe's Companies, Inc. (NYSE:LOW)	North Carolina	Distribution
05/17/2017	Endries International Inc.	Wisconsin	Nautic Partners, LLC	Rhode Island	Distribution
05/15/2017	Pittsburgh Corning Corporation	Pittsburgh	Owens Corning (NYSE:OC)	Ohio	Manufacturing
05/10/2017	Pearlman Enterprises, Inc.	Georgia	The Stephens Group, LLC	Arkansas	Manufacturing
05/02/2017	Premier Surfaces, Inc.	Georgia	Clio Holdings, LLC	Michigan	Manufacturing
05/01/2017	EFCO Corporation	Missouri	Apogee Enterprises, Inc. (NasdaqGS:APOG)	Minnesota	Manufacturing
05/01/2017	Wallboard, Inc.	Minnesota	Foundation Building Materials, Inc. (NYSE:FBM)	California	Distribution
05/01/2017	Gypsum Wallboard Supply, Inc.	Washington	Foundation Building Materials, Inc. (NYSE:FBM)	California	Distribution
04/28/2017	Kohl Building Products, LLC	Pennsylvania	SRS Distribution, Inc.	Texas	Distribution
04/26/2017	GCP Applied Technologies Inc.	Massachusetts	Q.E.P. Co., Inc. (OTCPK:QEPC)	Florida	Manufacturing
04/19/2017	Triad Raised Access Floor Company	Colorado	RLE Technologies, Inc.	Colorado	Manufacturing
04/18/2017	AC Products Co.	Ohio	Q.E.P. Co., Inc. (OTCPK:QEPC)	Florida	Manufacturing
04/17/2017	Architectural Arts, Inc.	Iowa	Savannah, Inc.	Tennessee	Manufacturing
03/24/2017	Daw Construction Group LLC	Utah	Midwest D-Vision Solutions, LLC	Utah	Manufacturing
03/21/2017	Elastikote LLC	Ohio	Hyload, Inc.	Ohio	Manufacturing
03/21/2017	Chelsea Building Products, Inc.	Pennsylvania	Aluplast US Corporation	Utah	Manufacturing
03/17/2017	Advanced Environmental Recycling Technologies, Inc.	Arkansas	Oldcastle Architectural, Inc.	Georgia	Manufacturing
03/01/2017	Acme Building Materials, Inc.	Michigan	Beacon Roofing Supply, Inc. (NasdaqGS:BECN)	Virginia	Distribution
03/01/2017	Carriage House Door Company	California	Home Factories, Inc.	California	Manufacturing
02/15/2017	Gaco Western, LLC	Washington	Firestone Building Products Company, LLC	Indiana	Manufacturing

Sources: Bridgepoint Merchant Banking, Capital IQ, PitchBook

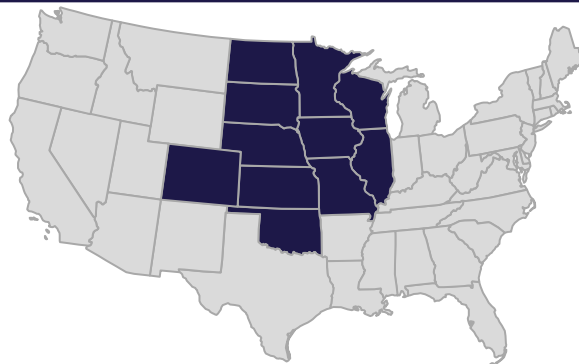
Selected Recent Industry Transactions (continued)

Date	Target	Location	Acquiror	Location	Sector
01/11/2017	Assura Windows & Doors, LLC	Florida	TM Windows LLC	Florida	Manufacturing
01/11/2017	Union Corrugating Company	North Carolina	Industrial Opportunity Partners LLC	Illinois	Manufacturing
01/10/2017	Fahnestock Heating And Air Conditioning, Inc.	Kansas	Builders Inc.	Kansas	Distribution
01/09/2017	Solid Surfaces, Inc.	New York	Clio Holdings, LLC	Michigan	Manufacturing
01/09/2017	Nomaco Inc.	North Carolina	ArmaceLL LLC	North Carolina	Manufacturing
01/03/2017	Republic Doors and Frames, Inc.	Tennessee	Allegion plc (NYSE:ALLE)	Ireland	Manufacturing
01/03/2017	Binford Supply LLC	Texas	U.S. Fence Solutions Company	Colorado	Manufacturing
12/30/2016	Stetson Building Products, LLC	Iowa	Construction Supply Holdings, LLC	Texas	Distribution
12/23/2016	Floors, Inc. and Malibu Acceptance Corp.	Texas	Dunes Point Capital, LLC	New York	Manufacturing
12/16/2016	BJ Building Material Supply Company	Pennsylvania	Beacon Roofing Supply, Inc. (NasdaqGS:BECN)	Virginia	Distribution
12/15/2016	Tectum Inc.	Ohio	Armstrong World Industries, Inc. (NYSE:AWI)	Pennsylvania	Manufacturing
12/14/2016	Rmax Operating, LLC	Texas	Sika AG (SWX:SIK)	Switzerland	Manufacturing
12/12/2016	TA Millwork LLC	Kansas	Wichita Cabinet Company, LLC	Kansas	Manufacturing

About Us

- \$158+ billion of M&A capital raising, corporate finance and transaction advisory services experience
- 43 completed M&A assignments spanning more than \$36 billion
- 75 completed corporate finance transactions, raising more than \$74 billion in capital
- 51 completed advisory assignments spanning more than \$48 billion
- 117+ years cumulative investment banking & private equity experience
- Principals currently sit on 11 Boards
- 8 portfolio companies in 2008 vintage equity fund

Geographic Focus Area



Selected Bridgepoint Merchant Banking Transactions

 <p>Not Disclosed Sell-side M&A Advisory</p> <p>Sole Financial Advisor</p>	 <p>USD460 million M&A Advisory + Capital Raise</p> <p>Sole Financial Advisor and Sole Bookrunner</p>	 <p>USD7.9 billion Financing provider for hostile takeover of Willamette Industries</p> <p>Financial Advisor</p>	 <p>USD1.3 billion Joint venture with Ilim Pulp</p> <p>Financial Advisor</p>	 <p>USD3.6 billion Financing support for leveraged acquisition of Boise Cascade's forest products operations</p> <p>Financial Advisor</p>	 <p>Not Disclosed Sell-side M&A Advisory</p> <p>Sole Financial Advisor</p>
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