

# Building Products Industry Update



## Industry Valuation Multiples Remain Attractive but are Softening

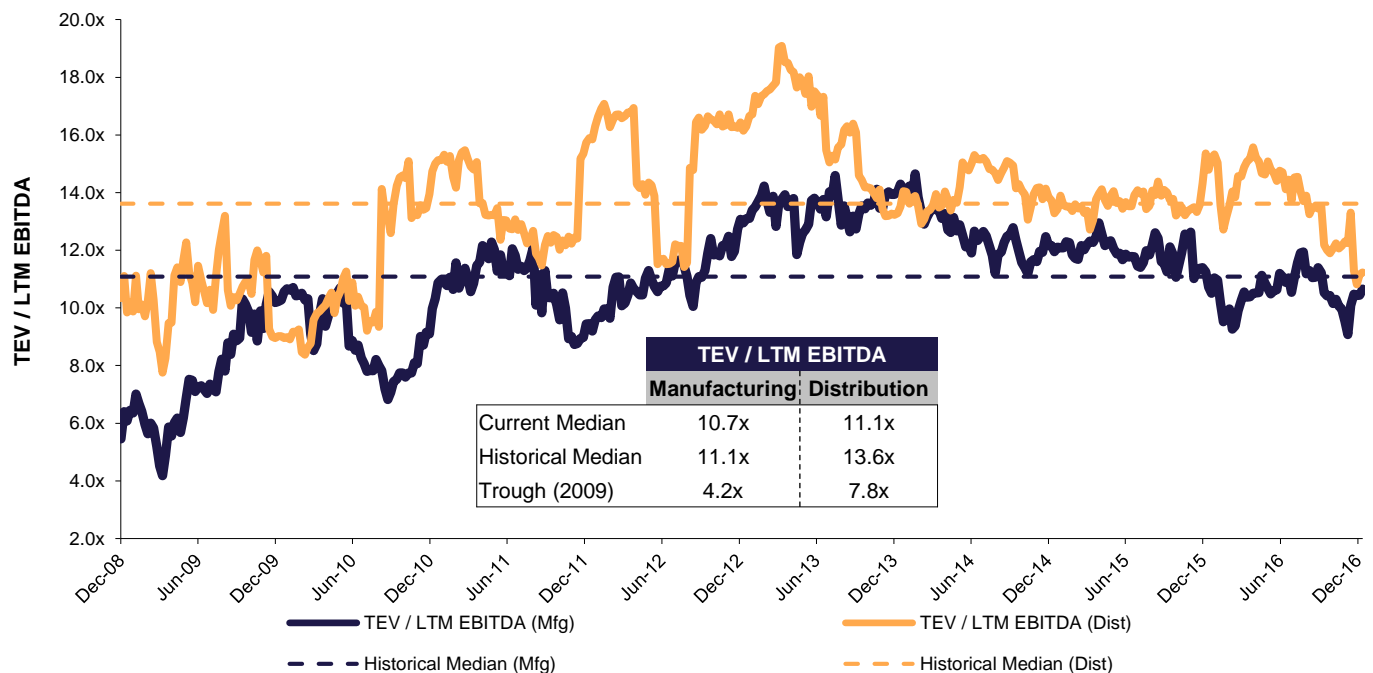
### Executive Summary

- Current multiples for both building products manufacturers and distributors are below recent highs and on a declining trend from current cycle highs reached in 2013
- Industry drivers have been positive with June housing starts of 1.18mm exceeding forecasts and the Residential Remodeling Index (RRI) hitting an all-time high of 104.2 in Q2-16, its 17<sup>th</sup> consecutive year-over-year gain since 2011
- A strengthening labor market and demand for rental accommodations support a strong housing market and providers of building products
- With current industry multiples trading at or below the historical median, the opportunistic window may be closing for company owners in the industry seeking near-term monetization or other strategic options if trends continue; deep in the cycle for sellers

### 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, both manufacturers and distributors are trading at discounts of 23.0% and 33.8%, respectively, relative to the S&P 500 (median TEV/LTM EBITDA 11.8x). Over the past eight years, manufacturers and distributors have historically traded at multiples of 1.2x and 1.4x the S&P 500's TEV/LTM EBITDA
- Bridgepoint Merchant Banking advises company owners in the space that timing remains attractive to explore monetization, financing, and other strategic options; however, valuations are softening indicating that the market cycle window may be closing – timing critical

## Building Products Valuation Cycle

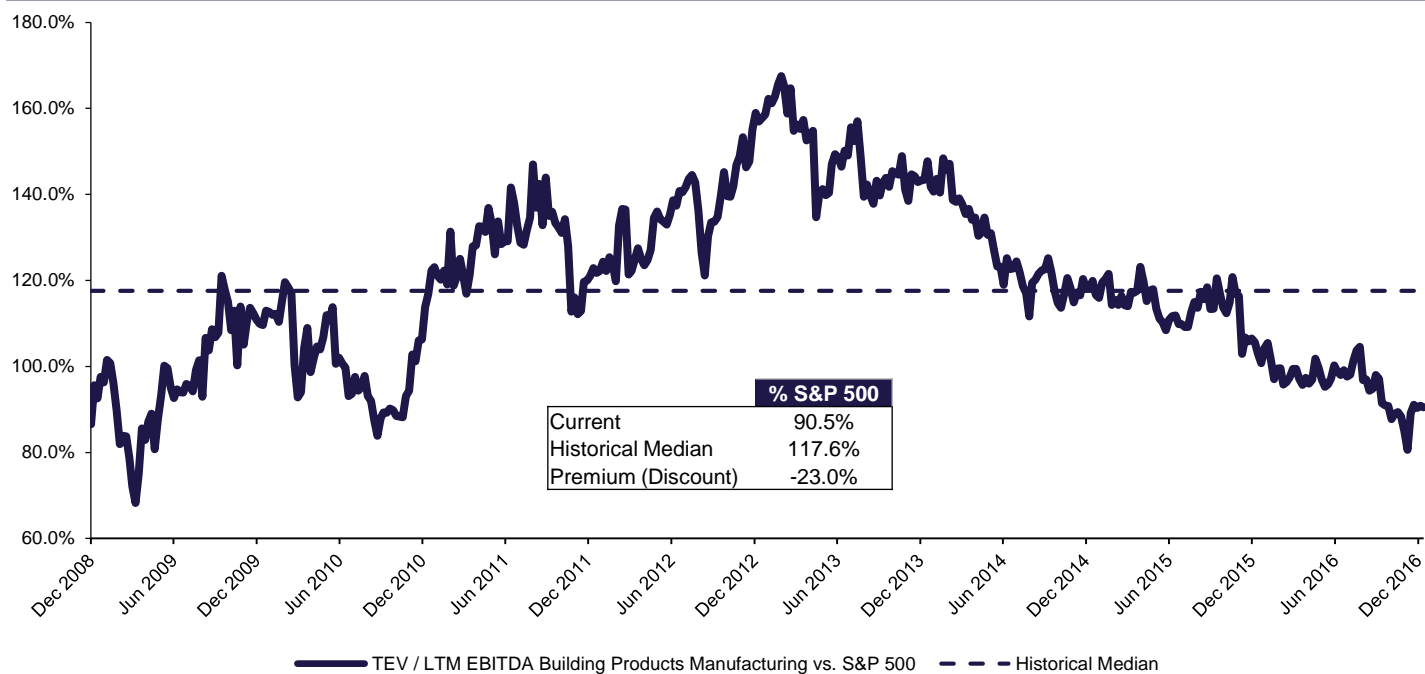


Note: Composite composed of selected public comparables as listed on pages 2 and 3.

Sources: Bridgepoint Merchant Banking, Capital IQ, PitchBook, National Association of Home Builders, U.S. Census Bureau

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



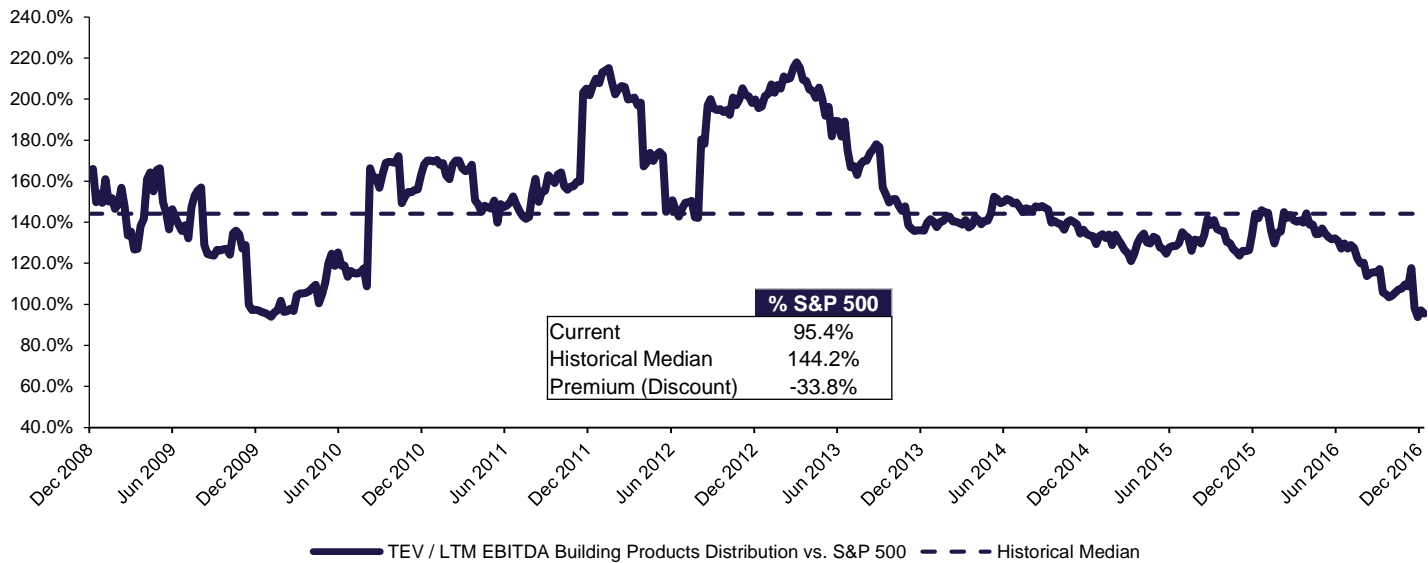
Selected Public Comparables - Manufacturing

(\$ in millions, except per share data)

Company Name	Country	12/12/2016 Share Price	Equity Value	Enterprise Value	P / E 2017E	TEV / Revenue			TEV / EBITDA			TEV / EBIT
						LTM	2017E	2018E	LTM	2017E	2018E	2017E
AAON, Inc.	United States	\$33.05	\$1,743.6	\$1,702.2	32.5x	4.4x	4.3x	4.0x	18.0x	17.7x	16.2x	20.5x
Advanced Drainage Systems, Inc.	United States	21.00	1,156.6	1,932.2	25.3x	1.5x	1.5x	1.5x	12.2x	9.2x	8.4x	16.3x
American Woodmark Corporation	United States	80.70	1,311.4	1,121.8	19.3x	1.1x	1.1x	1.0x	9.7x	9.2x	8.2x	10.5x
AO Smith Corp.	United States	50.41	8,767.0	8,424.4	27.5x	3.2x	3.1x	2.9x	16.3x	15.9x	14.3x	18.2x
Apogee Enterprises, Inc.	United States	48.64	1,405.5	1,348.3	17.0x	1.3x	1.3x	1.1x	9.1x	8.6x	7.5x	11.0x
Armstrong World Industries, Inc.	United States	44.00	2,428.2	3,163.6	19.6x	1.3x	2.5x	2.5x	8.7x	9.8x	9.3x	13.2x
Builders FirstSource, Inc.	United States	12.07	1,328.9	3,266.8	13.5x	0.5x	0.5x	0.5x	9.6x	8.9x	7.3x	13.4x
Burnham Holdings, Inc.	United States	15.60	70.8	99.1	-	0.6x	-	-	7.6x	-	-	-
Continental Building Products, Inc.	United States	23.50	939.8	1,171.8	21.1x	2.6x	2.5x	2.5x	11.6x	8.9x	8.5x	13.9x
Continental Materials Corp.	United States	23.33	39.0	39.7	-	0.3x	-	-	4.0x	-	-	-
Fortune Brands Home & Security, Inc.	United States	55.27	8,528.5	9,837.1	20.2x	2.0x	2.0x	1.8x	13.1x	12.6x	11.0x	14.9x
Gibraltar Industries, Inc.	United States	43.60	1,364.9	1,401.3	27.5x	1.3x	1.4x	1.4x	11.8x	11.7x	10.3x	15.0x
Griffon Corporation	United States	25.45	1,064.7	1,927.4	27.8x	1.0x	1.0x	0.9x	10.7x	10.3x	9.7x	16.9x
Insteel Industries Inc.	United States	37.57	712.9	654.0	17.8x	1.6x	1.4x	1.2x	9.3x	8.4x	6.6x	10.1x
Jewett-Cameron Trading Company Ltd.	United States	11.61	26.5	22.0	-	0.5x	-	-	5.7x	-	-	-
Lennox International, Inc.	United States	156.28	6,727.5	7,736.0	22.7x	2.2x	2.1x	2.0x	15.2x	14.7x	13.2x	16.7x
Masco Corporation	United States	32.40	10,637.2	12,599.2	21.0x	1.7x	1.7x	1.6x	10.5x	10.3x	9.4x	11.6x
Masonite International Corporation	United States	65.50	1,964.5	2,401.1	21.0x	1.2x	1.2x	1.1x	10.7x	9.6x	8.3x	15.6x
NCI Building Systems, Inc.	United States	15.70	1,118.3	1,451.8	16.2x	0.9x	0.8x	0.8x	9.3x	7.7x	7.0x	10.6x
Owens Corning	United States	55.01	6,233.7	8,329.7	15.7x	1.5x	1.5x	1.4x	8.0x	8.0x	7.7x	11.5x
Patrick Industries Inc.	United States	74.20	1,113.0	1,391.8	20.8x	1.2x	1.2x	1.1x	12.6x	12.1x	10.6x	15.2x
PGT, Inc.	United States	11.50	563.5	780.8	21.8x	1.8x	1.7x	1.6x	11.4x	10.1x	8.3x	12.6x
Ply Gem Holdings, Inc.	United States	15.90	1,084.6	1,952.8	12.4x	1.0x	1.0x	1.0x	8.6x	8.6x	7.5x	11.5x
Quanex Building Products Corporation	United States	20.65	706.6	976.5	27.5x	1.1x	1.1x	1.0x	10.6x	8.9x	8.0x	19.3x
Simpson Manufacturing Co., Inc.	United States	47.14	2,241.4	2,022.6	25.4x	2.4x	2.4x	2.2x	12.4x	11.7x	10.8x	14.3x
Trex Company, Inc.	United States	68.85	2,127.7	2,104.8	28.5x	4.4x	4.4x	4.1x	18.7x	16.8x	14.8x	19.5x
Universal Forest Products Inc.	United States	106.84	2,172.2	2,261.0	22.0x	0.7x	0.7x	0.6x	11.2x	11.1x	9.2x	14.0x
USG Corporation	United States	31.40	4,586.9	5,827.9	18.6x	1.5x	1.8x	1.8x	8.9x	9.1x	9.0x	12.7x
High					32.5x	4.4x	4.4x	4.1x	18.7x	17.7x	16.2x	20.5x
Mean					21.7x	1.6x	1.8x	1.7x	10.9x	10.8x	9.6x	14.4x
Median					21.0x	1.3x	1.5x	1.4x	10.7x	9.8x	9.0x	14.0x
Low					12.4x	0.3x	0.5x	0.5x	4.0x	7.7x	6.6x	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	12/12/2016 Share Price	Equity Value	Enterprise Value	P / E 2017E	TEV / Revenue			TEV / EBITDA			TEV / EBIT 2017E
						LTM	2017E	2018E	LTM	2017E	2018E	
Beacon Roofing Supply, Inc.	United States	46.56	2,788.9	3,890.1	19.9x	0.9x	0.9x	0.9x	10.9x	10.2x	9.4x	13.9x
Bluelinx Holdings Inc.	United States	7.93	71.6	445.6	-	0.2x	-	-	14.9x	-	-	-
BMC Stock Holdings, Inc.	United States	19.70	1,312.3	1,705.7	20.9x	0.6x	0.5x	0.5x	10.0x	8.8x	7.5x	17.9x
Fastenal Company	United States	48.90	14,133.7	14,431.7	28.6x	3.7x	3.6x	3.5x	16.2x	16.3x	15.5x	18.2x
HD Supply Holdings, Inc.	United States	41.49	8,350.9	12,301.9	15.9x	1.6x	1.7x	1.6x	14.2x	13.4x	12.1x	15.1x
Huttig Building Products Inc.	United States	6.29	160.2	228.0	-	0.3x	-	-	8.8x	-	-	-
TopBuild Corp.	United States	38.27	1,455.9	1,535.1	19.9x	0.9x	0.9x	0.8x	10.8x	10.8x	9.1x	12.6x
W.W. Grainger, Inc.	United States	236.91	14,112.6	16,223.3	20.5x	1.6x	1.6x	1.5x	11.2x	10.9x	10.9x	13.0x
High					28.6x	3.7x	3.6x	3.5x	16.2x	16.3x	15.5x	18.2x
Mean					21.0x	1.2x	1.5x	1.5x	12.1x	11.7x	10.7x	15.1x
Median					20.2x	0.9x	1.3x	1.2x	11.1x	10.9x	10.1x	14.5x
Low					15.9x	0.2x	0.5x	0.5x	8.8x	8.8x	7.5x	12.6x

Selected Recent Industry Transactions

Date Announced	Target	Country	Acquirer	Country	Sector
12/06/2016	Delta Door and Hardware, LLC	United States	The Cook & Boardman Group, LLC	United States	Distribution
11/09/2016	Halex Corporation	Canada	GCP Applied Technologies Inc. (NYSE:GCP)	United States	Manufacturing
11/08/2016	Mesker Openings Group	United States	dormakaba Holding AG (SWX:DOKA)	Switzerland	Manufacturing
11/02/2016	B.R. Johnson, Inc.	United States	Regional Brands, Inc. (OTCPK:RGBD)	United States	Distribution
10/21/2016	Southland Flooring Supplies, Inc.	United States	Centre Lane Partners, LLC	United States	Distribution
10/05/2016	Taiga Building Products Ltd. (TSX:TBL)	Canada	UPP Holdings Limited (SGX:U09)	Singapore	Distribution
09/30/2016	Midwest Plastics Products Inc.	United States	C & L Tiling, Inc.	United States	Manufacturing
09/20/2016	Henry Company LLC	United States	American Securities	United States	Manufacturing
09/02/2016	Olympia Building Supplies, LLC	United States	GMS Inc. (NYSE:GMS)	United States	Distribution
08/30/2016	Steven Kempf Building Material Company	United States	GMS Inc. (NYSE:GMS)	United States	Distribution
08/30/2016	Southern Foam & Coating, Inc.	United States	United Subcontractors, Inc.	United States	Manufacturing
08/08/2016	Monroe Aluminum Products, Inc.	United States	SRS Distribution, Inc.	United States	Distribution
08/03/2016	Door Engineering and Manufacturing, LLC	United States	Senneca Holdings	United States	Manufacturing
08/01/2016	Keene Lumber Company, Inc.	United States	Standard Companies, Inc.	United States	Distribution
07/22/2016	Louisville Plate Glass Company, Inc.	United States	Aldora Aluminum and Glass Products Inc.	United States	Distribution
07/18/2016	Magnolia Flooring Mill LLC	United States	Watson Lumber Company	United States	Manufacturing
07/14/2016	E. O. Wood Company Inc.	United States	Distribution International, Inc.	United States	Manufacturing
07/06/2016	Nortek Inc.	United States	Melrose Industries PLC (LSE:MRO)	United Kingdom	Manufacturing
07/06/2016	RockWise, LLC	United States	GMS Inc. (NYSE:GMS)	United States	Distribution
07/01/2016	Infinity Fabrics	United States	Twitchell Corporation	United States	Manufacturing
07/01/2016	Infinity Woven Products	United States	Twitchell Corporation	United States	Manufacturing
06/30/2016	Ammara Designs	United States	Crosswater Limited	United Kingdom	Manufacturing
06/15/2016	The Bilco Company	United States	Amesbury Group Inc.	United States	Manufacturing
06/13/2016	Rugby IPD Corp.	United States	Hardwoods Specialty Products US LP	United States	Distribution

Sources: Bridgepoint Merchant Banking, Capital IQ, PitchBook

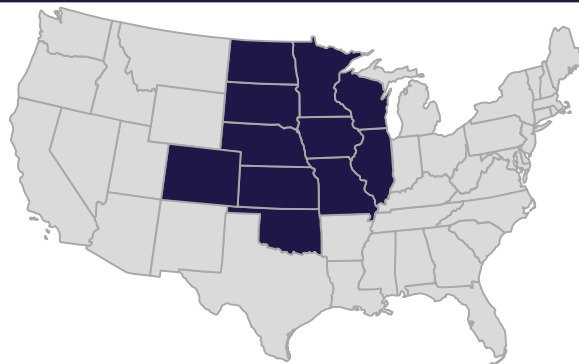
**Selected Recent Industry Transactions (continued)**

Date Announced	Target	Country	Acquiror	Country	Sector
06/13/2016	Roth Roofing Products LLC	United States	Simon Roofing and Sheet Metal Corporation	United States	Manufacturing
06/06/2016	Exteria Building Products, LLC	United States	Novik Inc.	Canada	Manufacturing/Distribution
06/01/2016	Woodfeathers, Inc.	United States	Beacon Roofing Supply, Inc. (NasdaqGS:BECN)	United States	Distribution
06/01/2016	Raymond Building Supply Corporation	United States	US LBM Holdings, LLC	United States	Manufacturing/Distribution
05/31/2016	Bruce-Rogers Company	United States	Ferguson Enterprises, Inc.	United States	Distribution
05/24/2016	Atlantic Supply & Equipment Company, Inc.	United States	Fortline LLC	United States	Distribution
05/23/2016	Devore & Johnson Of Atlanta, Inc.	United States	MORSCO, Inc.	United States	Distribution
05/10/2016	Atlantic Roofing Distributors LLC	United States	SRS Distribution, Inc.	United States	Distribution
05/09/2016	Universal Building Specialties Incorporated	United States	Cedar Creek Inc.	United States	Distribution
05/03/2016	Wall & Ceiling Supply Company, Inc.	United States	GMS Inc. (NYSE:GMS)	United States	Distribution
05/02/2016	Fox Brothers Company	United States	Beacon Roofing Supply, Inc. (NasdaqGS:BECN)	United States	Distribution
04/29/2016	Surface Encounters LLC	United States	Cutting Edge Countertops Inc.	United States	Manufacturing
04/13/2016	Waterworks Operating Company LLC	United States	Restoration Hardware Holdings, Inc. (NYSE:RH)	United States	Manufacturing
04/05/2016	Blue Max Materials, Inc.	United States	SiteOne Landscape Supply, Inc. (NYSE:SITE)	United States	Distribution

**About Us**

- \$110+ billion of M&A and capital raising experience
- 43 completed M&A assignments spanning more than \$36 billion
- 75 completed corporate finance transactions, raising more than \$74 billion in capital
- 94+ years cumulative investment banking & private equity experience
- Principals currently sit on 11 Boards

**Geographic Focus Area**



**Selected Bridgepoint Merchant Banking Transactions**

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