



BUILDING PRODUCTS/Q

Industry Insights for Q1 2018

Despite a slight pull-back in 2017, building products sector M&A activity remained strong with 117 transactions, during the year representing approximately \$4.9 billion in deal value. Robust acquisition activity has continued into 2018, as the number of transactions in the first quarter increased 8.8% over the same period from a year earlier.

The current favorable M&A environment has been supported by increases in both residential and non-residential construction, as well as increased spending for home repair and remodeling. We expect M&A activity to remain strong through 2018 driven by low interest rates, strong economic fundamentals, healthy levels of corporate cash balances, and access to capital available through debt and equity markets. Additionally, the enactment of corporate-friendly tax reform is expected to further accelerate acquisition activity.

The building products sector remains a highly competitive marketplace with larger players benefiting from scale. Both strategic and financial buyers are looking to capitalize on expanded economies of scale and expand their scope by filling gaps in existing product offerings. In addition, these firms

will continue to search out new geographic market opportunities. As a result, we expect companies with strong brands and a value-added proposition to likely become acquisition candidates.

We're also continuing to pay close attention to the competitive tension from e-commerce players. Although penetration in building products has lagged consumer categories, the sector is not completely insulated from the so-called Amazon effect. Amazon's B2B unit currently hosts 13MM home improvement and 3MM building material SKUs. The program, which launched three years ago, has since realized a five-fold increase in its home improvement revenue – by some estimates, Amazon's home improvement sales could outpace Menards' in 2018. Additionally, Amazon's Home Service feature places customers in direct contact with professionals for bulky or behind-the-wall installation projects, and can potentially offset the key advantages of brick-and-mortar competitors. Consequently, residential building products category leaders are racing to get in front of this challenge by investing in downstream e-commerce tools and building out their direct-ship capabilities.

Recent Deal Activity 4Q2017/1Q2018

October 2, 2017 - Tampa, Florida-based **Masonite International Corporation** (NYSE:DOOR) acquired Howell, Michigan-based **A & F Wood Products Inc.** A&F manufactures wood and metal doors and frames with quick ship capabilities. Masonite management cited A&F's ability to provide quick ship custom machined and finished wood doors and related products to distributors and thus shorten Masonite's customer lead times as the key driver for the transaction. The financial terms of the transaction were not disclosed.

October 24, 2017 - Private equity group **ORIX Mezzanine & Private Equity and AV Capital Holdings LLC** acquired Conley, Georgia-based **American Insulated Glass LLC**. American specializes in providing insulated, tempered, laminated, and beveled glass to millworkers and glazing contractors serving the residential and commercial end markets. Orix management noted the transaction will position American for its next stage of growth, including expanding its geographic coverage and service capabilities. The financial terms of the transaction were not disclosed.

November 14, 2017 - Chicago, Illinois-based **USG Corporation** (NYSE:USG) acquired Los Angeles, California-based **Ceilings Plus Inc.** Ceilings Plus manufactures metal and wooden ceiling and wall products. USG management noted the acquisition will increase USG's penetration into architectural specifications and enable cross-selling opportunities for USG's existing tile and grid ceiling products. The announced transaction value was \$52 million.

November 20, 2017 - South Pittsburgh, Tennessee-based **Sequatchie Concrete Service Inc.** announced an agreement to acquire Garfield Heights, Ohio-based **Cleveland Ready Mix Cement LLC**. Cleveland Ready manufactures construction materials, including limestone and ready mix. Sequatchie management cited Cleveland Ready's access to the I-75 corridor as a key driver for the acquisition. The financial terms of the transaction were not disclosed.

January 3, 2018 - Baltimore, Maryland-based **Willscot Corporation** (NasdaqCM:WSC), doing business as **Williams Scotsman**, acquired Indianapolis, Indiana-based **OnSite Space LLC**. OnSite manufactures prefabricated portable or permanent mobile and modular commercial structures. WillScot management noted OnSite is highly complementary to the WillScot market strategy and strengthens its position in key Midwestern markets. The financial terms of the transaction were not disclosed.

January 4, 2018 - Greenville, South Carolina-based **Metromont Corporation** acquired Winchester, Virginia-based **The Shockey Precast Group**. Shockey produces structural and architectural precast concrete systems. Metromont management cites Shockey's market reputation and presence in the mid-Atlantic region as key drivers for the acquisition. The financial terms of the transaction were not disclosed.

January 16, 2018 - Columbus, Ohio-based **Vertiv Group Corporation** acquired San Diego, California-based **Energy Labs**

Inc. Energy Labs manufactures air handling units, air cooled units, evaporative cooled rooftop DX units, and indirect and direct evaporative cooling and energy recovery systems. Vertiv management noted the acquisition strengthens Vertiv's position in the data center thermal management space and enables expansion into commercial and industrial segments with industry-leading cooling solutions. The financial terms of the transaction were not disclosed.

January 17, 2018 - Private equity group **Clearlake Capital Group L.P.** acquired Temple, Georgia-based **Janus International Group LLC**. Janus manufactures steel roll-up doors and building components for self-storage, industrial, and commercial door dealer markets. Clearlake management cited the combination of Janus' differentiated product offerings and focus on the provision of value-added installation solutions as key drivers for the acquisition. The financial terms of the transaction were not disclosed.

January 18, 2018 - Andover, Massachusetts-based **ICP Construction Inc.** acquired Glendale, Arizona-based **Arizona Polymer Flooring Inc.** Arizona Polymer manufactures flooring products and concrete coating systems for contractors, architects, and end users in the United States. ICP management noted that Arizona Polymer adds dozens of high-value flooring brands and extends ICP's manufacturing and distribution capabilities to Arizona and the West Coast. The financial terms of the transaction were not disclosed.

February 28, 2017 - Charlotte, North Carolina-based **Jeld-Wen Holding Inc.** (NYSE:JELD) announced an agreement to acquire Sacramento, California-based **American Building Supply Inc.** American Building manufactures door, millwork, and hardware products for residential and commercial applications. Jeld-Wen management noted American Building aligns with their strategy to expand their door capabilities with value-added services and customized full door systems. The financial terms of the transaction were not disclosed.

March 7, 2017 - United Kingdom-based **Tyman plc** (LSE:TYMN) acquired Irving, Texas-based **Ashland Products Inc.** Ashland Products manufactures residential window and door hardware for the fenestration industry. Tyman management cited Ashland's engineered hardware product offering, complementary portfolio and capabilities, and strategically positioned facilities in Mexico as key drivers for the transaction. The announced transaction value was \$101 million, which implies revenue and EBITDA multiples of 1.5x and 9.0x, respectively.

March 19, 2018 - Waltham, Massachusetts-based **Harvey Industries Inc.** acquired Sauk Rapids, Minnesota-based **Thermo-Tech Windows and Doors LLC**. Thermo-Tech manufactures vinyl windows and doors. Harvey management cited Thermo-Tech's human-centric service model and management team as key drivers for the acquisition. The financial terms of the transaction were not disclosed.

BUILDING PRODUCTS IQ

Building Products Company Trading Multiples

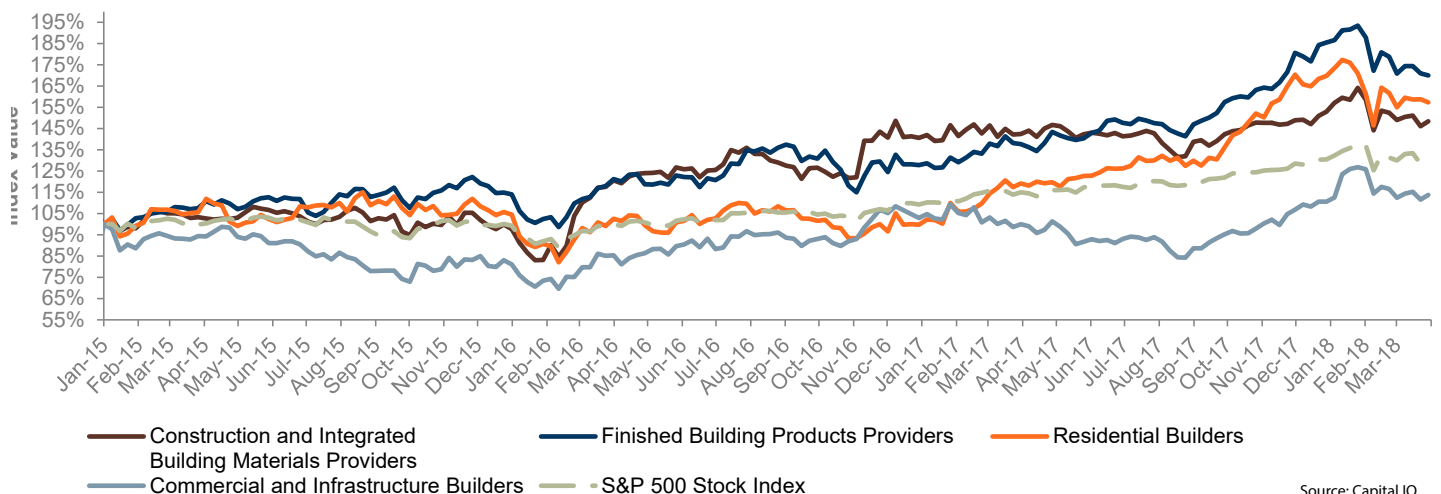
Company	03/31/18 Stock Price	Qtrly Price Change	Market Cap.	Total EV ⁽¹⁾	LTM		Gross Margin	EBITDA Margin	Net Debt/ EBITDA	Enterprise Value/LTM	
					Revenue	EBITDA				Revenue	EBITDA
Construction and Integrated Building Materials Providers											
Eagle Materials Inc.	\$ 103.05	(9.0%)	\$ 5,015	\$ 5,559	\$ 1,380	\$ 417	25%	30%	1.3x	4.0x	13.3x
Gibraltar Industries, Inc.	\$ 33.85	2.6%	\$ 1,075	\$ 1,062	\$ 987	\$ 120	24%	12%	NM	1.1x	8.8x
Granite Construction Incorporated	\$ 55.86	(11.9%)	\$ 2,228	\$ 1,950	\$ 2,990	\$ 158	11%	5%	NM	0.7x	12.3x
Louisiana-Pacific Corporation	\$ 28.77	9.6%	\$ 4,173	\$ 3,621	\$ 2,734	\$ 657	31%	24%	NM	1.3x	5.5x
Martin Marietta Materials, Inc.	\$ 207.30	(6.2%)	\$ 13,019	\$ 14,603	\$ 3,721	\$ 999	26%	27%	1.6x	3.9x	14.6x
Nucor Corporation	\$ 61.09	(3.9%)	\$ 19,432	\$ 22,713	\$ 20,252	\$ 2,641	13%	13%	1.1x	1.1x	8.6x
PottlatchDeltic Corporation	\$ 52.05	4.3%	\$ 3,259	\$ 3,712	\$ -	\$ 177	31%	26%	2.6x	NM	20.9x
United States Lime & Minerals, Inc.	\$ 73.18	(5.1%)	\$ 409	\$ 324	\$ 145	\$ 41	35%	28%	NM	2.2x	8.0x
Universal Forest Products, Inc.	\$ 32.45	(13.7%)	\$ 1,986	\$ 2,118	\$ 3,941	\$ 234	14%	6%	0.6x	0.5x	9.1x
USG Corporation	\$ 40.42	4.8%	\$ 5,664	\$ 6,286	\$ 3,204	\$ 499	21%	16%	1.2x	2.0x	12.6x
Vulcan Materials Company	\$ 114.17	(11.1%)	\$ 15,110	\$ 17,823	\$ 3,890	\$ 951	26%	24%	2.9x	4.6x	18.7x
Weyerhaeuser Company	\$ 35.00	(0.7%)	\$ 26,463	\$ 32,142	\$ -	\$ 1,944	26%	27%	2.9x	NM	16.5x
Median ⁽²⁾							25%	24%	1.4x	1.6x	12.5x
Mean							23%	20%	1.8x	2.1x	12.4x
Finished Building Products Providers											
American Woodmark Corporation	\$ 98.45	(24.4%)	\$ 1,723	\$ 2,472	\$ 1,103	\$ 135	21%	12%	5.5x	2.2x	18.2x
Armstrong World Industries, Inc.	\$ 56.30	(7.0%)	\$ 2,990	\$ 3,680	\$ 894	\$ 255	37%	29%	2.7x	4.1x	14.4x
Buliders FirstSource, Inc.	\$ 19.84	(8.9%)	\$ 2,264	\$ 3,991	\$ 7,034	\$ 382	25%	5%	4.5x	0.6x	10.4x
Lennox International Inc.	\$ 204.37	(1.9%)	\$ 8,415	\$ 9,351	\$ 3,840	\$ 551	29%	14%	1.7x	2.4x	17.0x
Masco Corporation	\$ 40.44	(8.0%)	\$ 12,674	\$ 14,693	\$ 7,644	\$ 1,296	34%	17%	1.4x	1.9x	11.3x
Owens Corning	\$ 80.40	(12.6%)	\$ 8,982	\$ 11,188	\$ 6,384	\$ 1,135	25%	18%	1.9x	1.8x	9.9x
Quanex Building Products Corporation	\$ 17.40	(25.6%)	\$ 610	\$ 833	\$ 863	\$ 93	22%	11%	2.4x	1.0x	8.9x
Simpson Manufacturing Co., Inc.	\$ 57.59	0.3%	\$ 2,689	\$ 2,524	\$ 977	\$ 173	46%	18%	NM	2.6x	14.6x
Trex Company, Inc.	\$ 108.77	0.4%	\$ 3,201	\$ 3,170	\$ 565	\$ 160	43%	28%	NM	5.6x	19.8x
Median ⁽²⁾							29%	17%	2.4x	2.2x	14.4x
Mean							31%	17%	2.9x	2.5x	13.9x
Residential Builders											
Beazer Homes USA, Inc.	\$ 15.95	(17.0%)	\$ 513	\$ 1,659	\$ 1,950	\$ 88	17%	4%	13.1x	0.9x	18.9x
D.R. Horton, Inc.	\$ 43.84	(14.2%)	\$ 16,480	\$ 19,016	\$ 14,167	\$ 1,752	20%	12%	1.3x	1.3x	10.9x
Hovnanian Enterprises, Inc.	\$ 1.83	(45.4%)	\$ 283	\$ 1,802	\$ 2,260	\$ 34	12%	1%	41.1x	0.8x	53.5x
KB Home	\$ 28.45	(11.0%)	\$ 2,477	\$ 4,276	\$ 4,409	\$ 333	17%	8%	5.4x	1.0x	12.9x
Lennar Corporation	\$ 58.94	(6.8%)	\$ 18,738	\$ 24,291	\$ 11,876	\$ 1,407	21%	11%	3.9x	2.0x	17.3x
M/I Homes, Inc.	\$ 31.85	(7.4%)	\$ 888	\$ 1,544	\$ 1,912	\$ 154	20%	8%	4.3x	0.8x	10.0x
M.D.C. Holdings, Inc.	\$ 27.92	(12.4%)	\$ 1,570	\$ 2,161	\$ 2,503	\$ 187	18%	7%	3.2x	0.9x	11.6x
Meritage Homes Corporation	\$ 45.25	(11.6%)	\$ 1,839	\$ 2,952	\$ 3,227	\$ 266	18%	8%	4.2x	0.9x	11.1x
NVR, Inc.	\$ 2,800.00	(20.2%)	\$ 10,262	\$ 10,213	\$ 6,176	\$ 893	20%	14%	NM	1.7x	11.4x
PulteGroup, Inc.	\$ 29.49	(11.3%)	\$ 8,439	\$ 11,679	\$ 8,381	\$ 1,176	24%	14%	2.8x	1.4x	9.9x
Toll Brothers, Inc.	\$ 43.25	(9.9%)	\$ 6,566	\$ 9,594	\$ 6,070	\$ 718	22%	12%	4.2x	1.6x	13.4x
Median ⁽²⁾							20%	8%	4.2x	1.0x	11.6x
Mean							19%	9%	8.3x	1.2x	16.4x
Commercial and Infrastructure Builders											
EMCOR Group, Inc.	\$ 77.93	(4.7%)	\$ 4,549	\$ 4,393	\$ 7,687	\$ 478	15%	6%	NM	0.6x	9.2x
Fluor Corporation	\$ 57.22	10.8%	\$ 8,006	\$ 7,810	\$ 19,521	\$ 672	3%	3%	NM	0.4x	11.6x
Jacobs Engineering Group Inc.	\$ 59.15	(10.3%)	\$ 8,380	\$ 10,006	\$ 10,221	\$ 662	18%	6%	2.3x	1.0x	15.1x
Tutor Perini Corporation	\$ 22.05	(13.0%)	\$ 1,098	\$ 1,633	\$ 4,757	\$ 231	10%	5%	2.3x	0.3x	7.1x
Median ⁽²⁾							12%	6%	2.3x	0.5x	10.4x
Mean							11%	5%	2.3x	0.6x	10.7x

Source: Capital IQ (as of March 31, 2018).

(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity and minority interest.

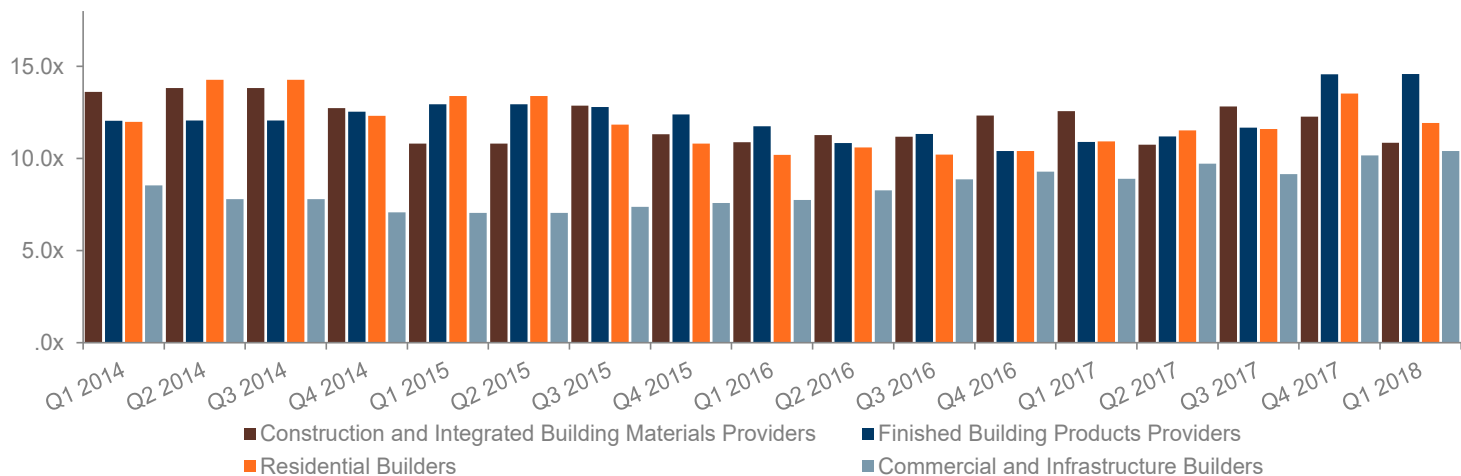
(2) Median and mean values exclude all non-meaningful values.

Amherst Partners' Building Products Indices



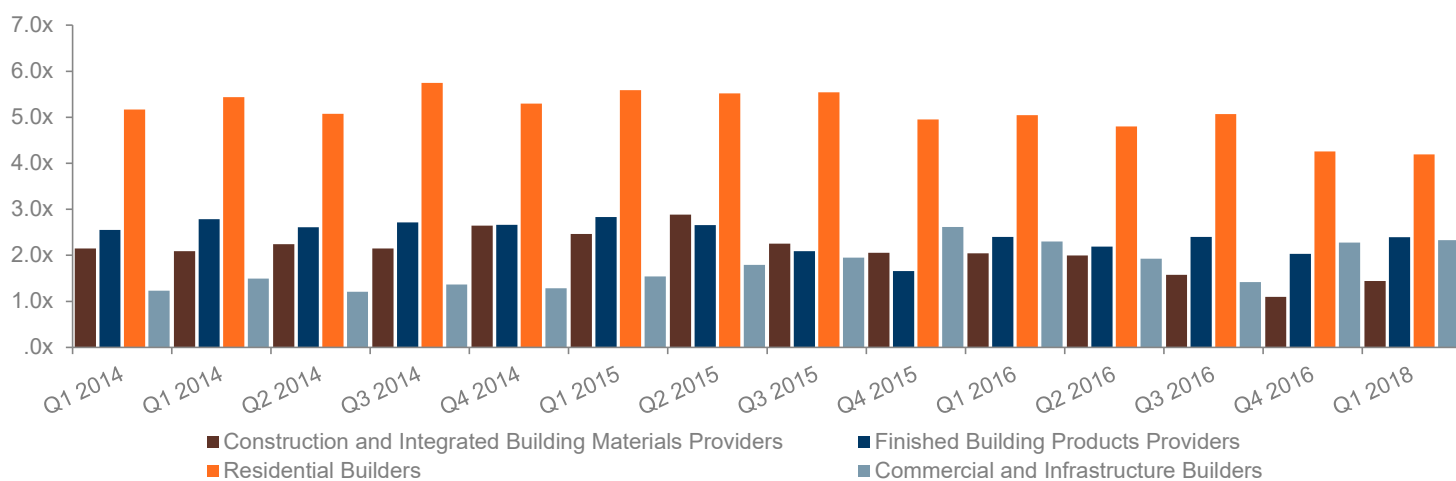
Source: Capital IQ

Building Products Indices Median Enterprise Value/LTM EBITDA



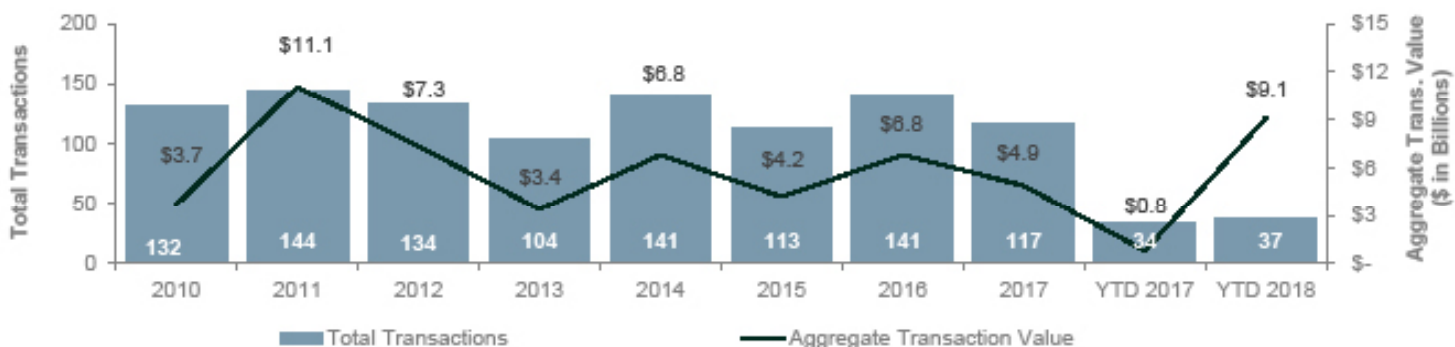
Source: Capital IQ

Building Products Indices Median Net Debt/LTM EBITDA



Source: Capital IQ

U.S. Building Products M&A Activity



(1) Building Products, Construction Materials, and Prefabricated Buildings and Components (Primary).
 (2) Acquisition of Majority Stake
 (3) Transactions Announced Date (Including Bids and Letters of Intent)

Source: Capital IQ

BUILDING PRODUCTS **IQ**

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