

INDUSTRY INSIGHTS:

Building Products and Materials

First Quarter 2018



Highlights

Robust sale activity drove supply of existing homes to a 17-year low and prices to a record high.

Sales of new and existing homes reached their highest annual pace since 2007 due to a combination of low mortgage rates, rising wages, steady job growth and high consumer confidence.

Building permits and single-family housing starts increased in all regions, but overall housing starts continue to be dragged down by a softness in multifamily construction.

Inventory of existing homes declined to 3.2 months of supply, while the supply of new homes remained relatively flat from a year ago at 5.7 months.

While residential construction spending continues to grow at an impressive pace, nonresidential construction spending has remained flat for 3 consecutive years, pulled down by a 12.6% drop in manufacturing spending.

All stock price indices within the building products and materials industry have outpaced or kept pace with the S&P 500, except Building Materials Manufacturers.

M&A activity was strong in the second half of 2017 with 106 transactions, a 35.9% increase over the first half of the year, but a 2.8% decrease from the same period a year ago.

2017 BY THE NUMBERS



6.2% Y-o-Y increase in the U.S. National Home Price Index



4.7% and 2.4% increase in building permits and housing starts, respectively



3.2 months supply of existing homes



10-year high in new home sales with sales up 14.1% Y-o-Y



79.5% increase in Duff & Phelps' index of homebuilders over the past 12 months

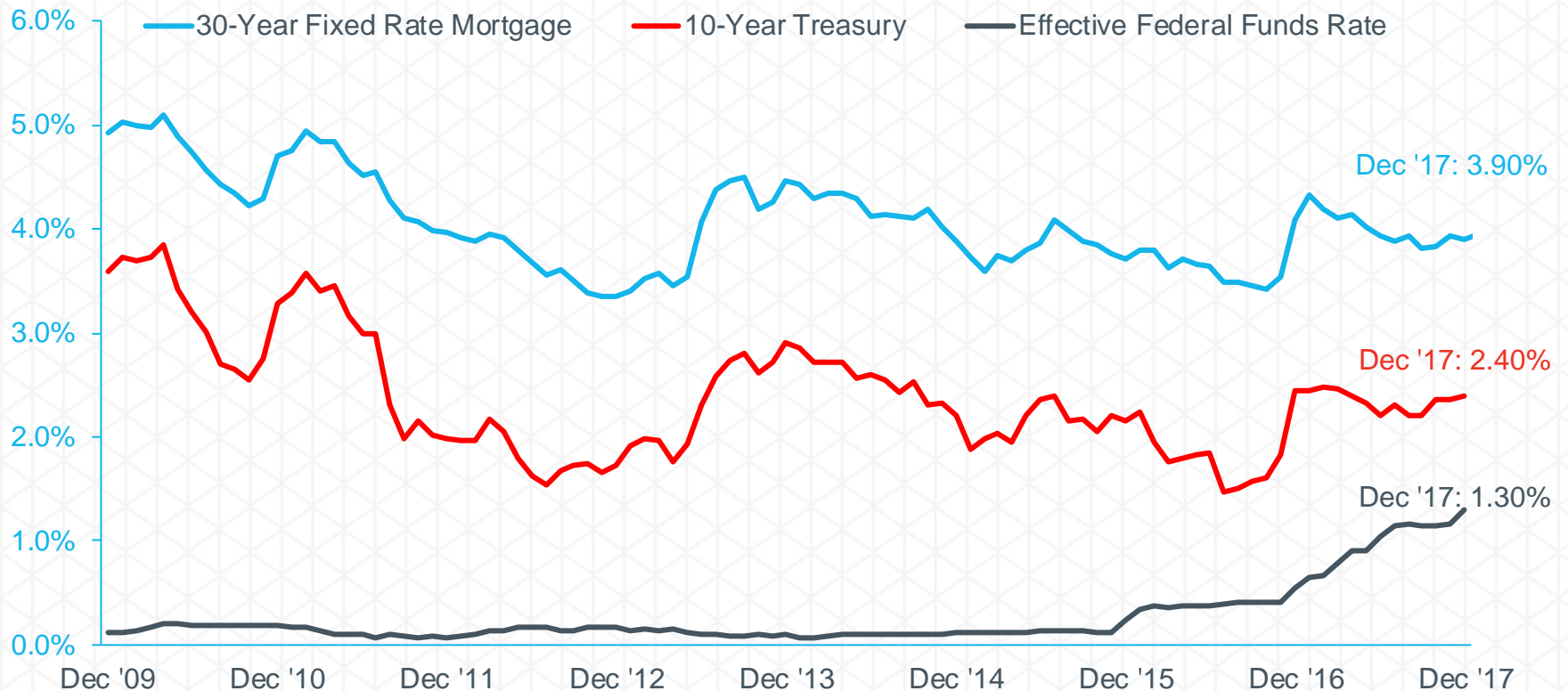
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Housing Indicators.

After reaching 4.32% in December 2016, the 30-year mortgage rate declined steadily during the first half of 2017 and has remained flat since then at below 4.00%. Mortgage rates and the yield on the 10-year Treasury have moved in tandem, and so far, both have been unaffected by the increase in the federal funds rate. The low mortgage rates and anticipation of future Fed rate increases spurred refinancing activity in the second half of 2017. Refinancing activity was up 4.0% in the second half of the year compared to the first half.

Key Interest Rates

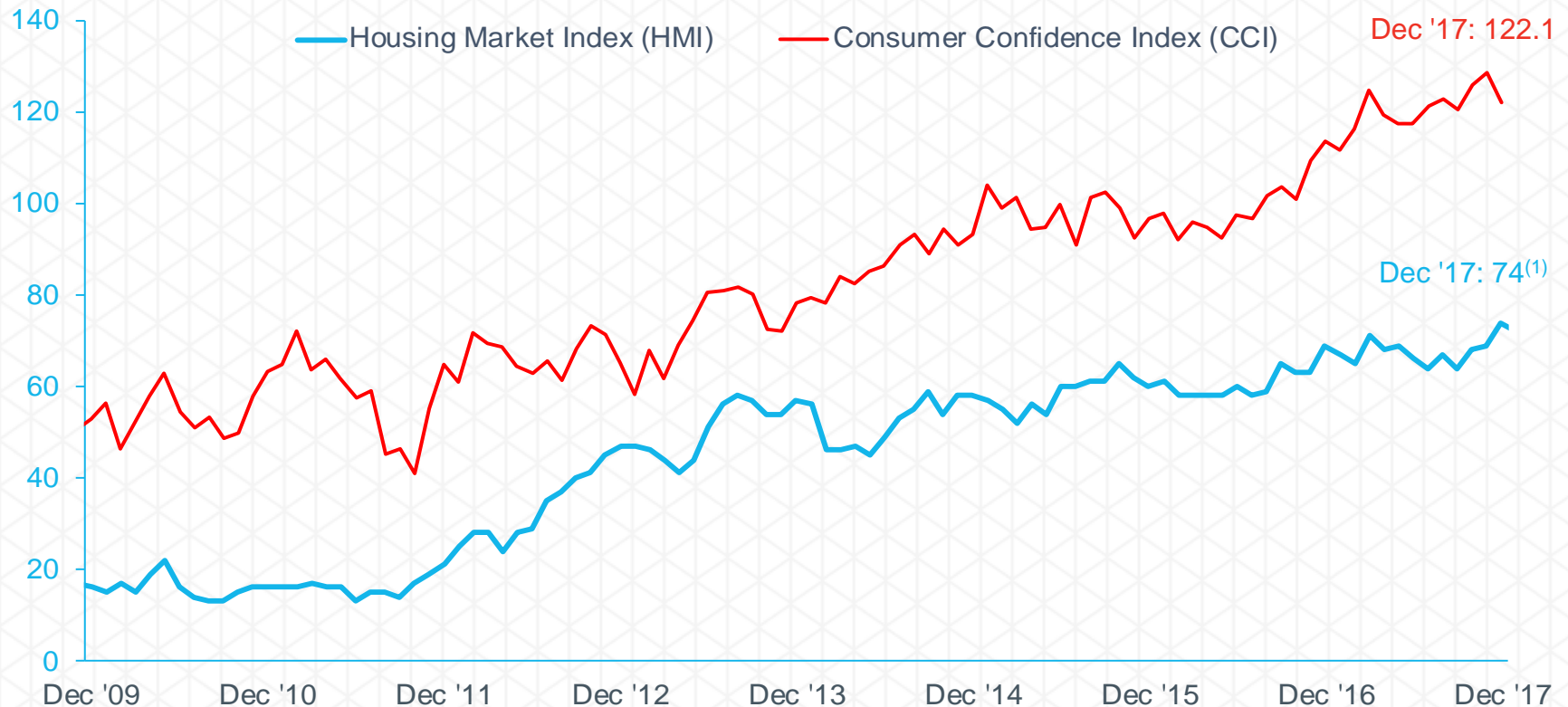


Housing Indicators

In November 2017, the Consumer Confidence Index (CCI) climbed to its highest level since 2001 before declining slightly in December. Despite the slight drop, the December CCI is up 7.4% from a year ago. Confidence has soared due to low unemployment, rising wages, record high stock prices and the passage of tax reforms.

The Housing Market Index (HMI), a measure of builder confidence, increased to 74 in December 2017 from 69 a year ago. This level of builders' confidence has not been seen since 2005. The HMI has been above 50 for 43 consecutive months, indicating that builders are optimistic about the future of the housing market.

Key Housing Indicators



(1) Index values greater than 50 indicate a positive view by builders

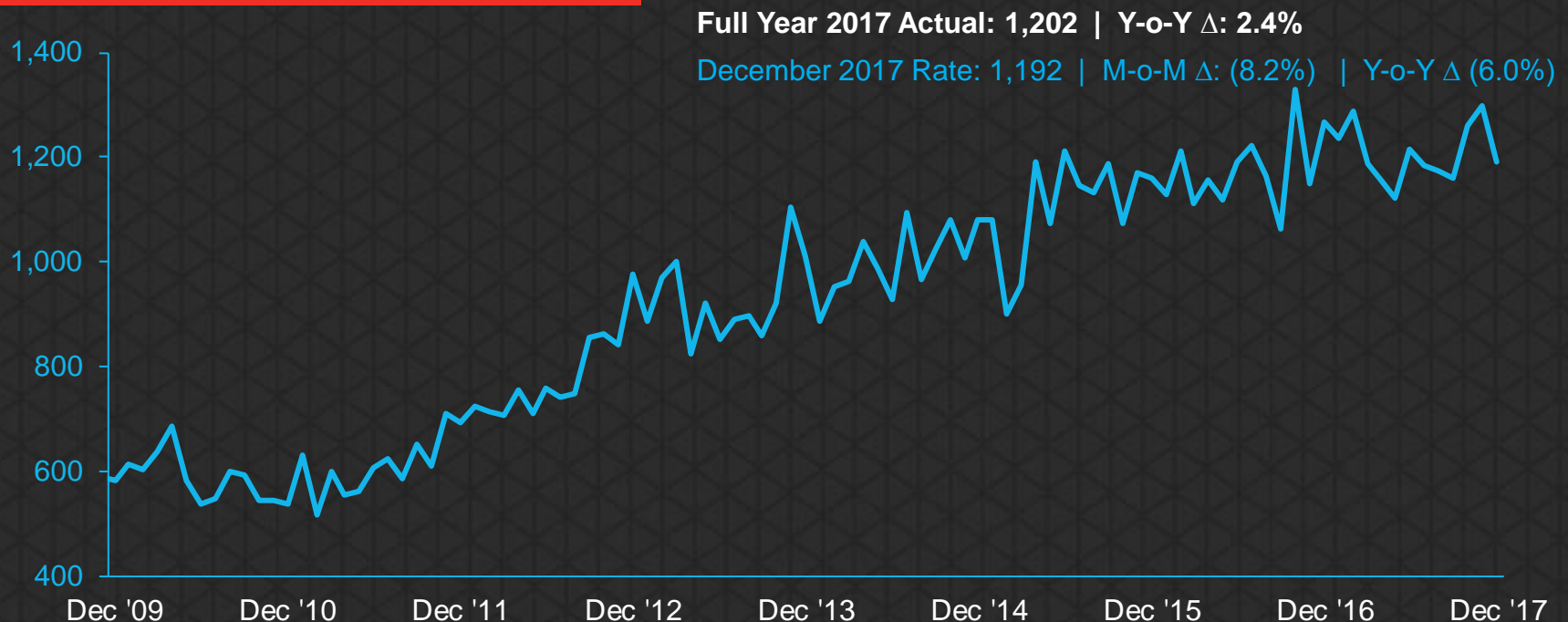
Housing Starts Continue on an Upward Trend ●●

Housing starts continued to rise in 2017, albeit at a slower pace than 2016. Housing starts increased by 2.4% in 2017 and have remained above the million mark for 33 consecutive months.

U.S. housing starts in December were at a seasonally adjusted rate of 1,192,000, which is down 8.2% compared to a month ago and down 6.0% from the same period a year ago. The drop in activity is partly due to severe winter weather in the Northeast and a continuation of labor and land shortages throughout the country. Also, October and November starts were artificially inflated due to pent-up activity caused by hurricanes Harvey and Irma, which hit the South in August.

Single-family starts, which were driven by faster household formations and millennials beginning to enter the housing market, were up 8.5% in 2017 compared to multifamily starts, which were down 9.8%.

National Housing Starts (thousands)

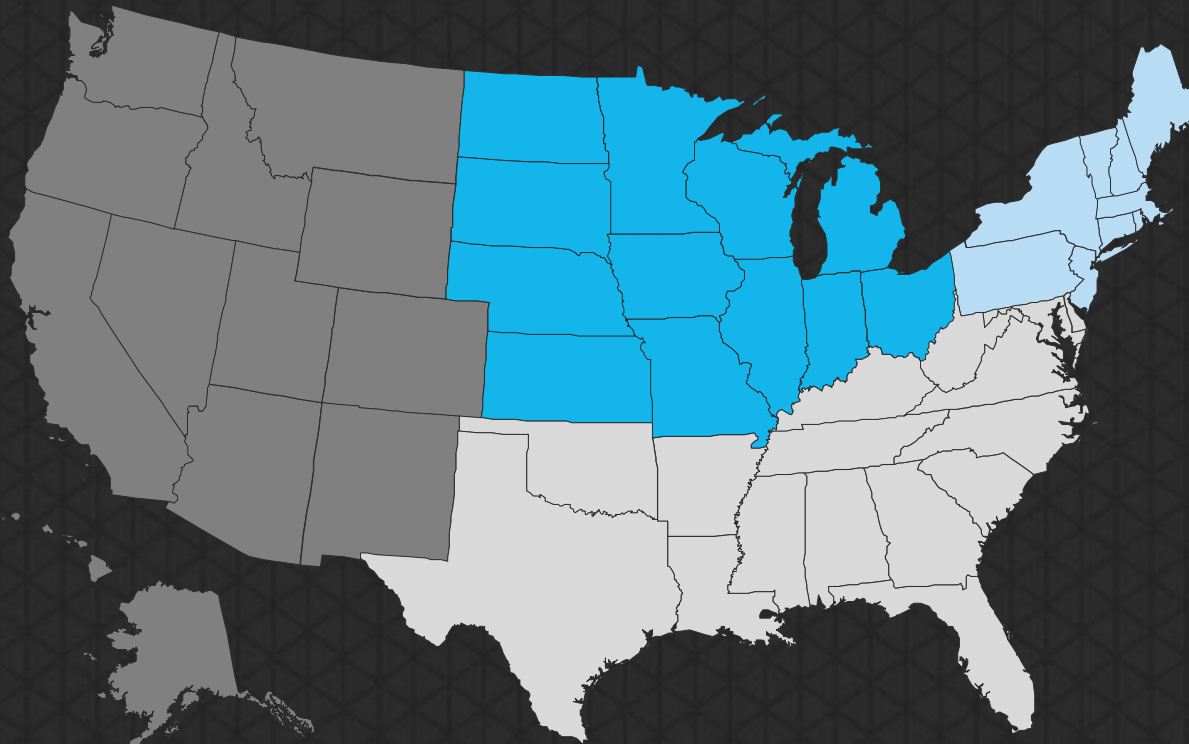


Housing Starts Continue on an Upward Trend ●

In 2017, the West was the strongest performer, with a 7.3% increase in housing starts, with single-family starts growing by 13.7%. Housing starts in the South also increased in 2017, recording a 2.3% increase from the previous year. Housing starts in both the Northeast and Midwest decreased in 2017 compared to the previous year.

Housing starts in each region were dragged down by a decline in multifamily activity. In the Northeast, Midwest, West and South, multifamily housing starts decreased year-over-year by 11.4%, 19.2%, 10.4 and 3.0%, respectively.

Regional Housing Starts (thousands)



■ Northeast Region

2017 Housing Starts: 111.4

Y-o-Y Δ: (4.0%)

■ Midwest Region

2017 Housing Starts: 180.4

Y-o-Y Δ: (1.0%)

■ West Region

2017 Housing Starts: 312.1

Y-o-Y Δ: 7.3%

■ South Region

2017 Housing Starts: 598.2

Y-o-Y Δ: 2.3%

Source: U.S. Department of Commerce: Census Bureau

Building Permits Outpace Housing Starts .o

New applications for building permits, a bellwether for future construction, fell 0.1% month-over-month in December to a seasonally adjusted annual rate of 1,302,000, but were 2.8% higher than December 2016.

Building permits slightly outpaced housing starts in 2017. In total, an estimated 1,263,400 housing units were authorized by building permits in 2017, representing a 4.7% increase from 2016, relative to 1,202,000 housing starts.

Permits for single-family homes rose 8.9% in 2017 compared to 2016, while permits for multifamily homes declined 2.2%.

National Building Permits (thousands)



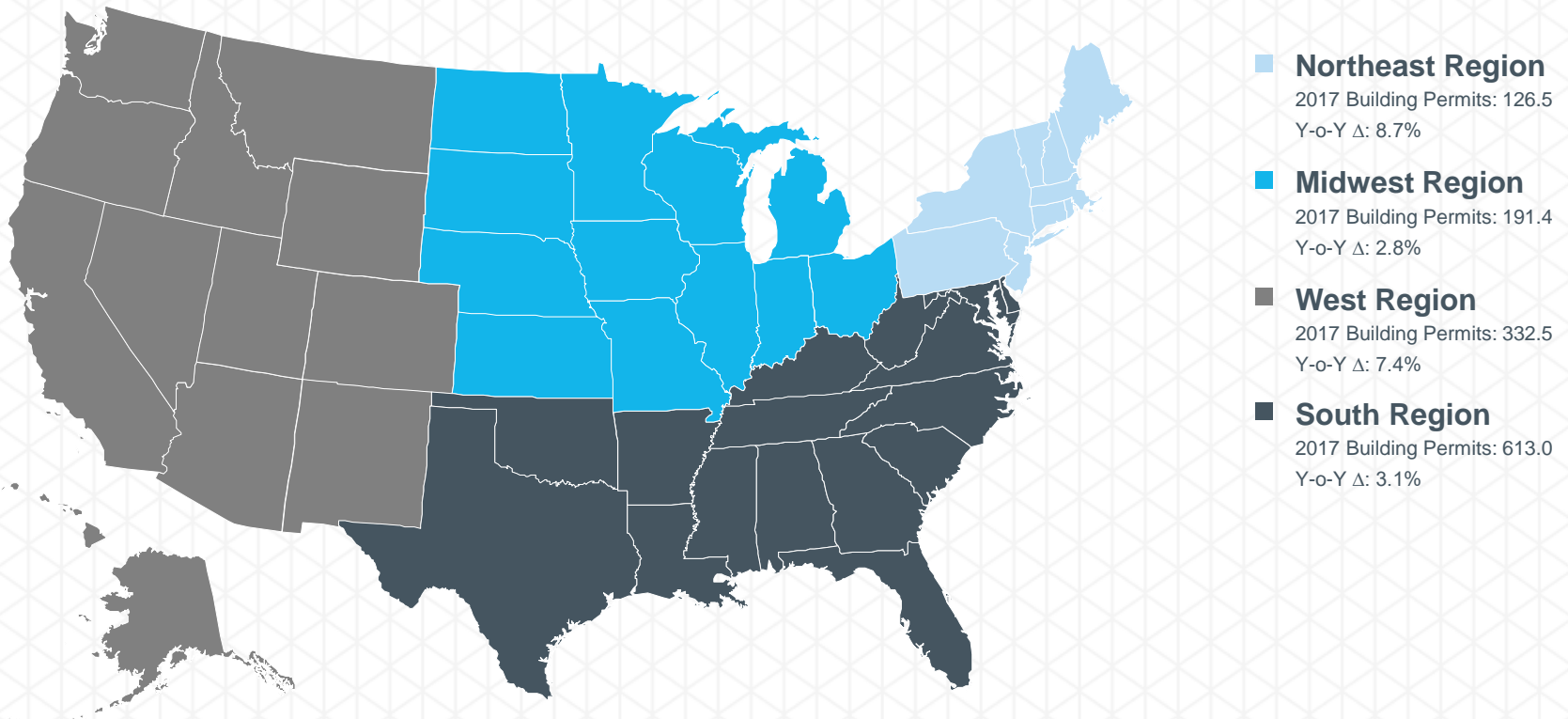
Building Permits Outpace Housing Starts ..

All regions of the United States witnessed strong building permit activity in 2017.

The Northeast and West regions were the top performers, recording 8.7% and 7.4% increases, respectively, while the Midwest and South saw more modest increases.

Single-family permits led the growth in all regions except for the Northeast, where multifamily permits were up 12.2%, compared to 4.6% for single-family permits.

Regional Building Permits (thousands)



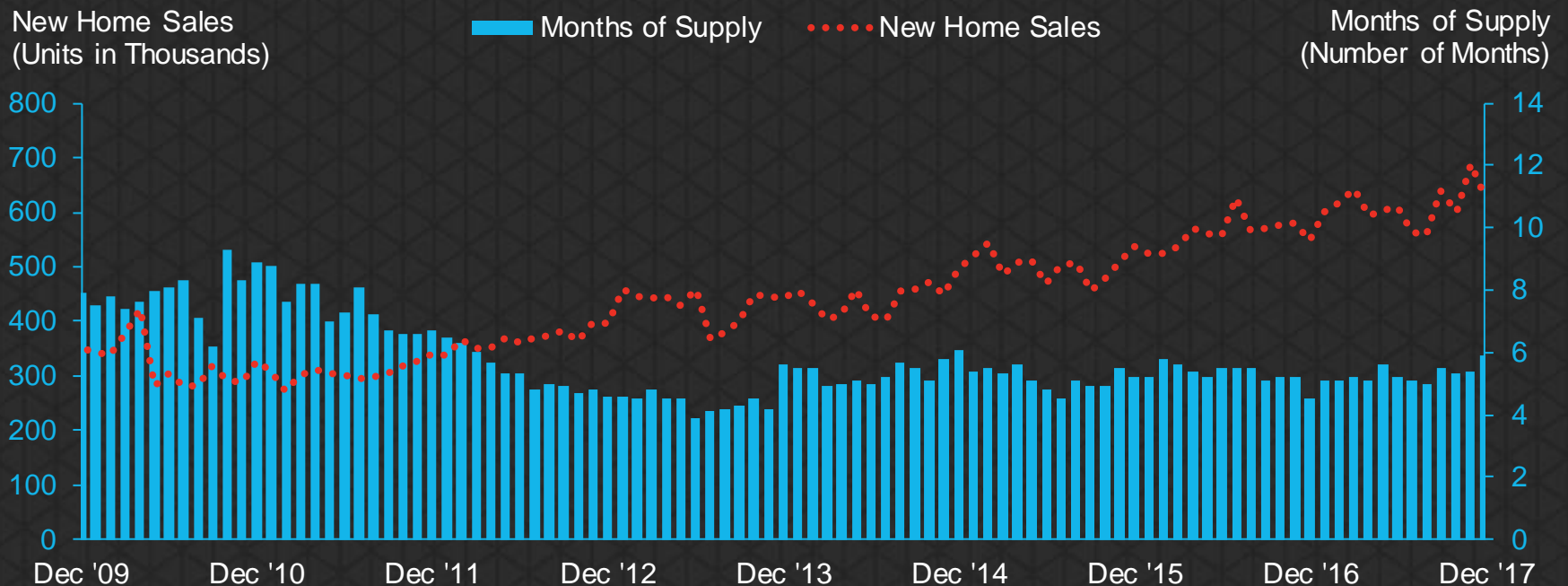
New and Existing Home Sales Continue to Break Record Levels ●●

An estimated 608,000 new homes were sold in 2017, representing an 8.4% increase above the 2016 figure of 561,000.

The seasonally adjusted annual rate of new home sales in December was 625,000, which was 14.1% higher and 9.3% lower than December 2016 and November 2017, respectively.

The seasonally adjusted estimate of new homes for sale at the end of December was at 295,000, up 15.2% from 256,000 a year ago. The supply is 5.7 months at the current sales rate, which is relatively flat from the 5.6 months of supply from a year ago.

New Home Sales and Supply



New Home Sales: Seasonally Adjusted Annual Rate
Months Supply: Seasonally Adjusted at Current Sales Rates
Source: U.S. Department of Commerce: Census Bureau

New and Existing Home Sales Continue to Break Record Levels ●●

Existing home sales reached a seasonally adjusted annual rate of 5,780,000 in November 2017, their highest level since 2007. In December, sales decreased by 3.6% due to low inventory levels, rising prices and a slight uptick in mortgage rates. While sales decreased, they were still 1.1% above the December 2016 level.

Demand for housing was bolstered by first-time homebuyers, which accounted for approximately one-third of existing home sales. First-time buyers benefited from low mortgage rates, rising wages and record-high stock prices.

The inventory of existing homes decreased to 3.2 months in December, a low that has not been seen in 17 years.

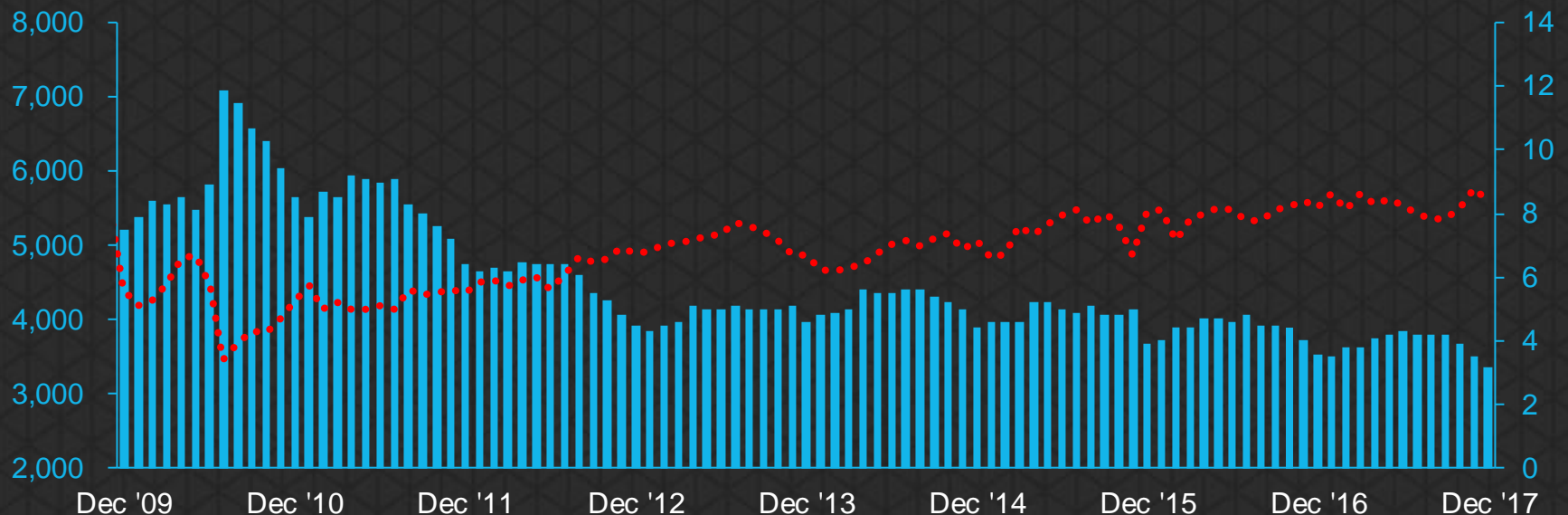
Existing Home Sales and Supply

Existing Home Sales
(Units in Thousands)

Months of Supply

Existing Home Sales

Months of Supply
(Number of Months)



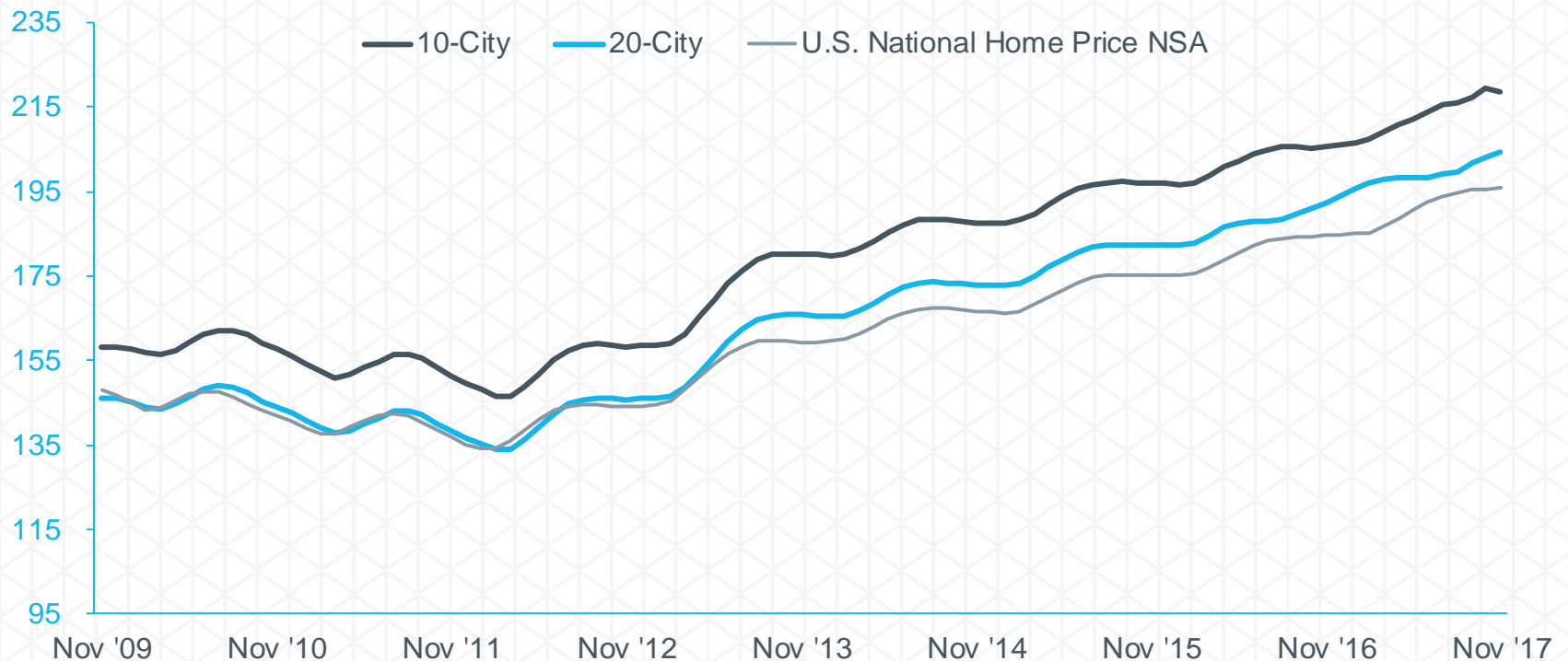
Existing Home Sales: Seasonally Adjusted Annual Rate
Months Supply: Not Seasonally Adjusted
Source: U.S. Department of Commerce: Census Bureau

U.S. Home Prices Continue to Hit Record Highs.◦

The 10-city home price index was up 6.3% in November relative to a year ago, while the 20-city home price index was up 6.4%.

November results reflect a steady upward trend in home prices that began at the beginning of 2012. Increases in both indices have been boosted by a continuation of historically low mortgage rates through most of 2017 and a severe shortage of existing homes for sale.

S&P CoreLogic / Case-Shiller Home Price Indices*



*The S&P CoreLogic/Case-Shiller Home Price Indices are calculated monthly using a 3-month moving average and published with a 2-month lag.
Source: S&P Dow Jones Indices LLC

U.S. Home Prices Continue to Hit Record Highs.

Seattle, Las Vegas and San Francisco experienced the biggest year-over-year appreciation in home prices, with increases of 12.7%, 10.6% and 9.1%, respectively.

The cities reporting the largest month-over-month increases in November were San Francisco, Tampa, Las Vegas and Los Angeles with increases of 1.4%, 1.0%, 0.7% and 0.7%, respectively.

While Chicago, Miami and Washington, D.C., showed a solid recovery in home prices during the earlier phases of the housing market recovery, all three are now among the weakest cities in the index.

Regional Home Price Indices

November 2017 – Composite 10		
Metropolitan Area	M-o-M % Δ	Y-o-Y % Δ
Las Vegas	0.7%	10.6%
San Francisco	1.4%	9.1%
San Diego	(0.3%)	7.4%
Los Angeles	0.7%	7.0%
Denver	0.4%	7.0%
Boston	(0.1%)	6.3%
New York	0.2%	5.7%
Miami	0.2%	4.1%
Chicago	(0.4%)	3.6%
Washington, D.C.	0.2%	3.3%
Composite-10	(0.5%)	6.3%

November 2017 – Composite 20		
Metropolitan Area	M-o-M % Δ	Y-o-Y % Δ
Seattle	0.2%	12.7%
Las Vegas	0.7%	10.6%
San Francisco	1.4%	9.1%
San Diego	(0.3%)	7.4%
Tampa	1.0%	7.1%
Dallas	0.1%	7.0%
Los Angeles	0.7%	7.0%
Denver	0.4%	7.0%
Detroit	(0.3%)	7.0%
Portland	0.0%	6.9%
Boston	(0.1%)	6.3%
Charlotte	(0.3%)	5.8%
New York	0.2%	5.7%
Phoenix	(0.1%)	5.6%
Minneapolis	(0.1%)	5.4%
Atlanta	0.1%	5.2%
Cleveland	(0.5%)	4.1%
Miami	0.2%	4.1%
Chicago	(0.4%)	3.6%
Washington, D.C.	0.2%	3.3%
Composite-20	0.7%	6.4%

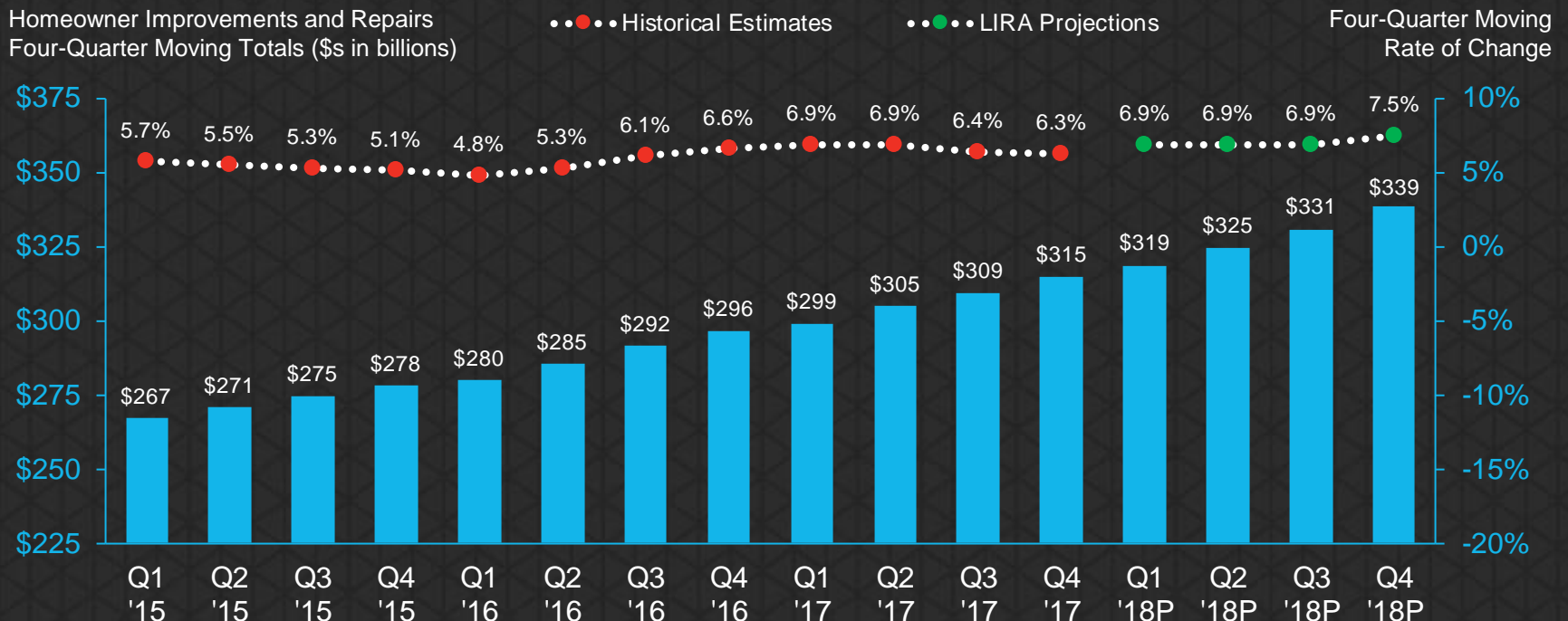
Monthly, Indexed to January 2000
 *The S&P CoreLogic/Case-Shiller Home Price Indices are calculated monthly using a 3-month moving average and published with a 2-month lag.
 Source: S&P Dow Jones Indices LLC

Busy Remodeling Activity Throughout 2017

Based on the Leading Indicator of Remodeling Activity (LIRA),* home improvement spending increased 6.3% in Q4 2017 and is expected to increase 6.9% in Q1 2018, according to the Joint Center for Housing Studies of Harvard University. The rate of growth in home improvement is forecasted to remain relatively stable in 2018 at approximately 6.9% per quarter and then increase at 7.5% in Q4 2018.

The expectation for another strong year for home improvements is likely due to the upward trajectory of home sales and home prices, growth in remodeling permit activity and a robust economy with steady job growth.

Leading Indicator of Remodeling Activity (LIRA)*



*The LIRA represents the estimated annual rate of change in spending for the current quarter and subsequent three quarters. This annual or moving four-quarter rate of change compares total spending in any given four-quarter period to the total spending that occurred in the four quarters prior to that period. As of April 21, 2016, the LIRA has undergone a major re-benchmarking and recalculation in order to better forecast a broader segment of the national residential remodeling market.

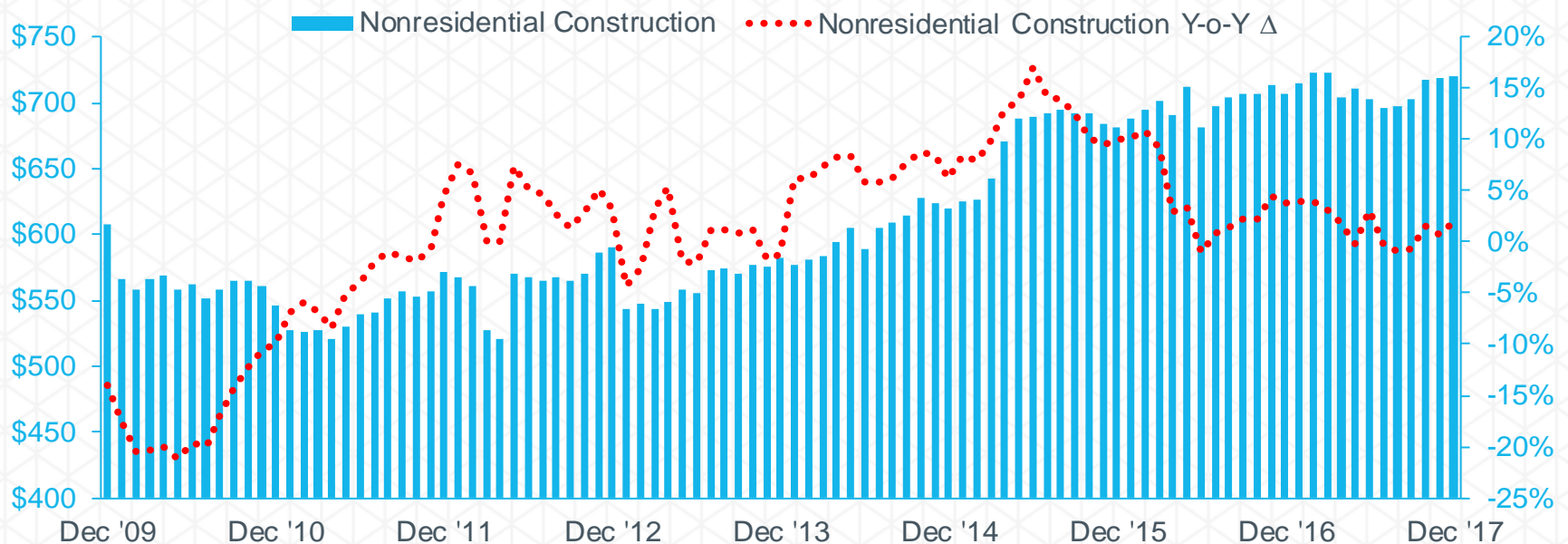
Source: Joint Center for Housing Studies of Harvard University

Nonresidential Construction Remains Flat

Nonresidential construction spending declined 0.6% in 2017 to \$708.2 billion. While residential construction has been strong (up 10.4% in 2017), nonresidential construction has been flat for nearly 3 years.

Spending in the commercial and lodging subsectors saw the biggest year-over-year increases (13.5% and 5.7%, respectively). The growth of these subsectors was more than offset by declines in the manufacturing and power categories, two of the larger nonresidential subsectors.

Nonresidential Construction Put in Place (\$s in billions)

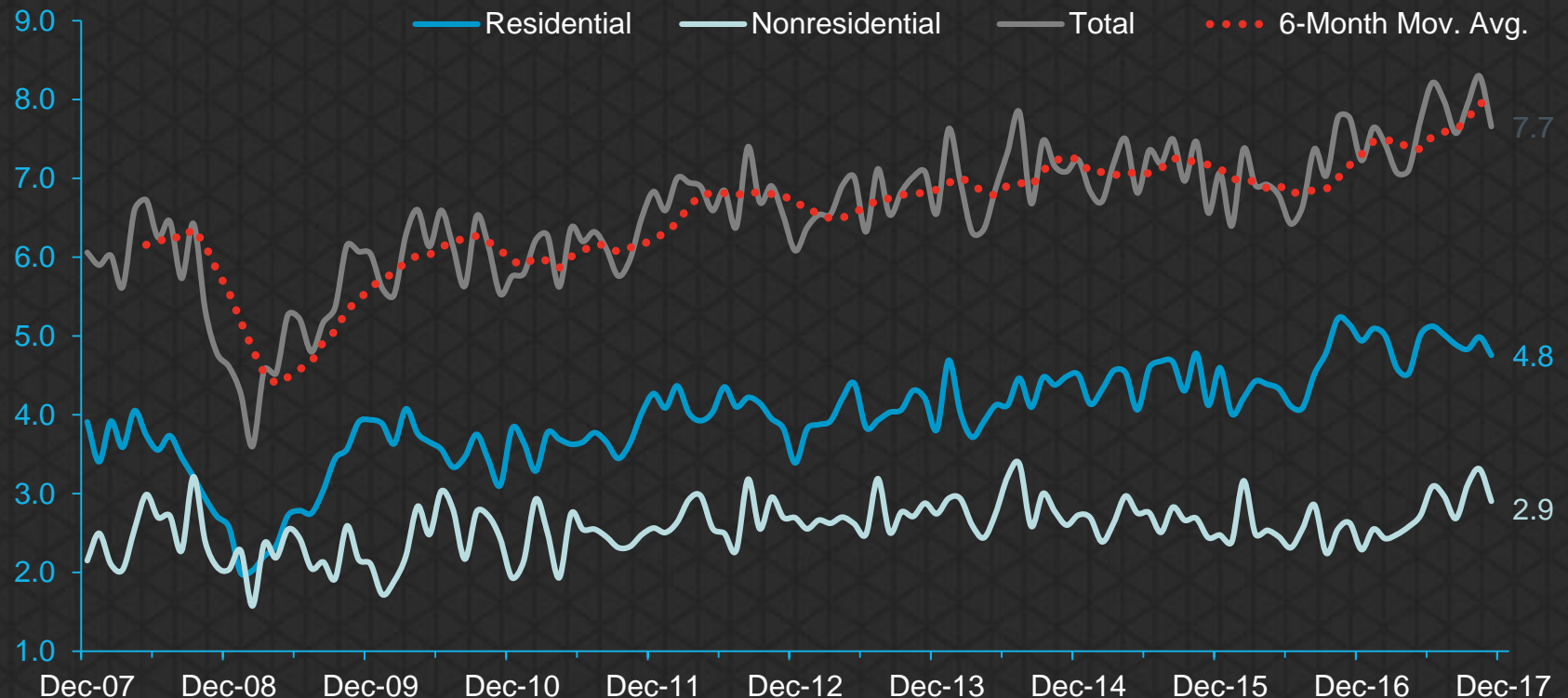


Seasonally Adjusted Annual Rate
Source: U.S. Census Bureau

Canadian Building Market – Permits

Despite a decline in seasonally adjusted new building permit applications in November 2017, the 6-month moving average in the number of building permits reached its highest level in 10 years (an average of 7.9 billion). This increase is predominately due to higher residential building permits over the past year as supply struggles to meet the increasing demand in larger metropolitan areas such as Toronto and Vancouver. Nonresidential building permits also saw a marked increase, with permits for industrial and institutional and governmental buildings on the rise. Commercial building permits remained relatively steady, growing 0.9% over the year.

Authorized Building Permits (C\$ in billions)

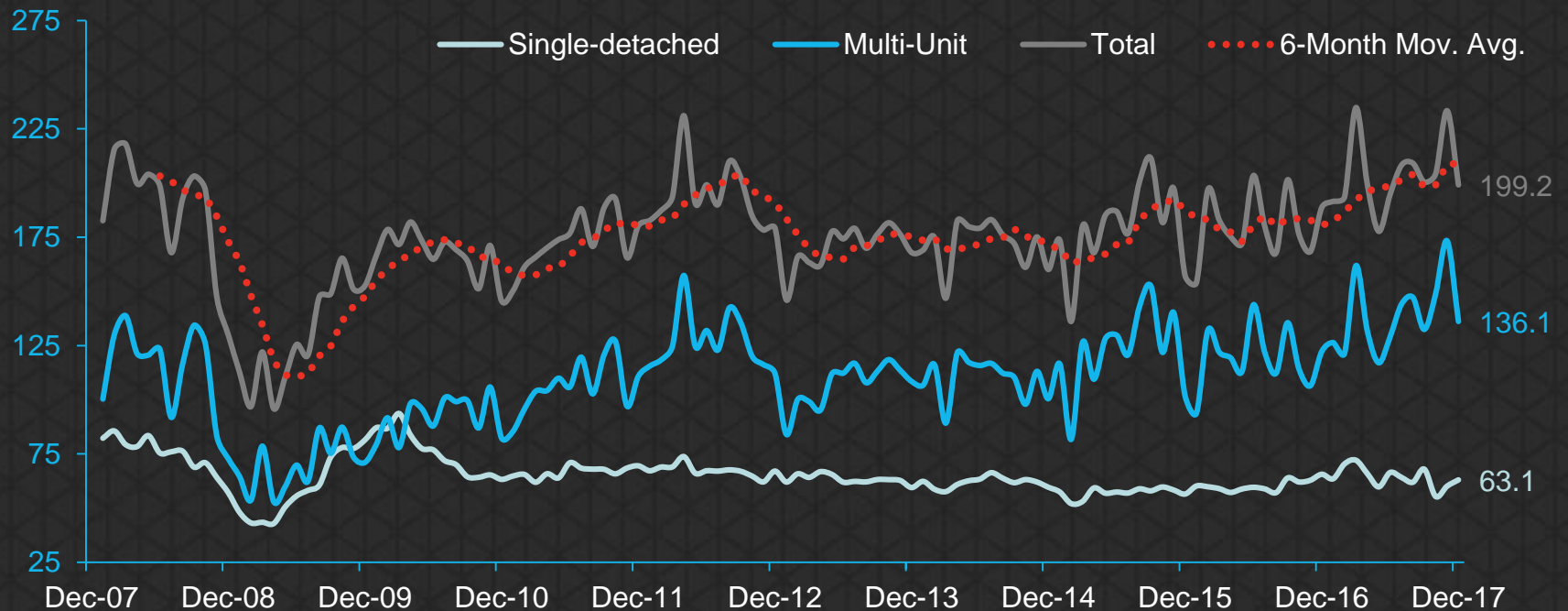


Seasonally Adjusted
Source: Statistics Canada

Canadian Building Market – Starts

Canadian housing starts increased by 5.5% in 2017, with a strong final quarter to end the year. The housing market experienced a temporary softening as federal, provincial and municipal governments introduced measures to cool market conditions, but all markets aside from single-detached housing have since recovered. Single-detached housing starts declined 3.9% over the year, while multi-unit housing starts increased by 11.3%, possibly due to detached houses becoming less affordable for first-time homeowners and new families. Row and semi-detached housing starts saw the highest growth over the year, at 18.3% and 14.4%, respectively. Apartment building starts also increased by 9.2% over the prior year.

Housing Starts (Units in thousands)



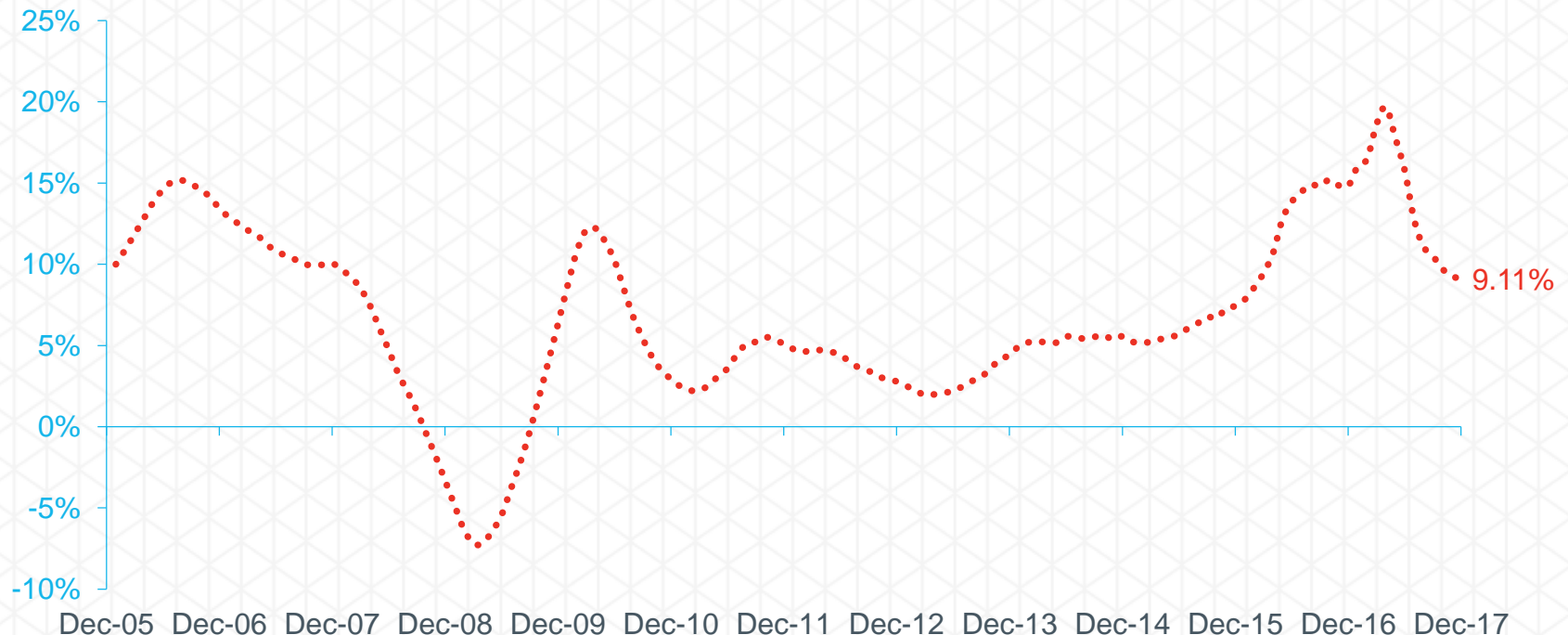
Seasonally adjusted annual rate, excluding rural dwellings
Source: Canada Mortgage and Housing Corporation

Canadian Housing Market – Existing Prices

●○

The Multiple Listing Service (MLS) HPI rose 9.1% in 2017. A significant increase in housing prices for high-rise units and townhouses (increasing 20.5% and 13.0%, respectively) indicates stronger demand for multi-unit housing as detached housing price increases impacted affordability for many families. After a significant rally in 2016 and the beginning of 2017 (peaking at 19.7% year-over-year growth in April 2017), policies were introduced in an attempt to constrain housing prices across the country. It is anticipated that pressure on housing prices will likely continue as tougher stress test mortgage rules are implemented in 2018. Furthermore, with the Bank of Canada increasing its benchmark lending rate, further downward pressure on the housing market may be expected.

MLS HPI Benchmark Price (year-over-year % change)

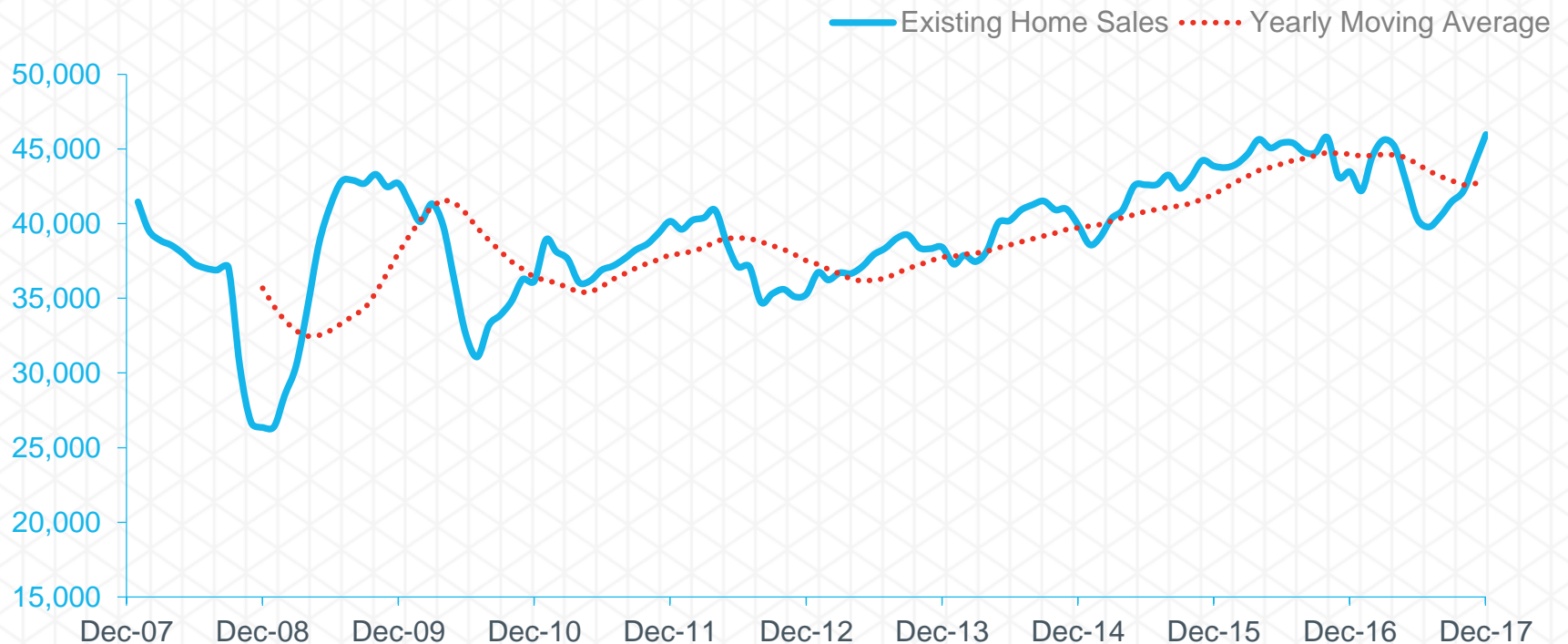


Source: Canadian Real Estate Association(CREA)

Canadian Housing Market – Existing Home Sales

Sales activity in the existing housing market saw a significant increase during the latter half of 2017, rallying past the slump during the first half of 2017, when new regulations were introduced to cool the market. According to the Canadian Real Estate Association's chief economist Gregory Klump, "National home sales in December were likely boosted by seasonal adjustment factors and a potential pull-forward of demand before new mortgage regulations came into effect this year [2018]."

Existing Home Sales (units)

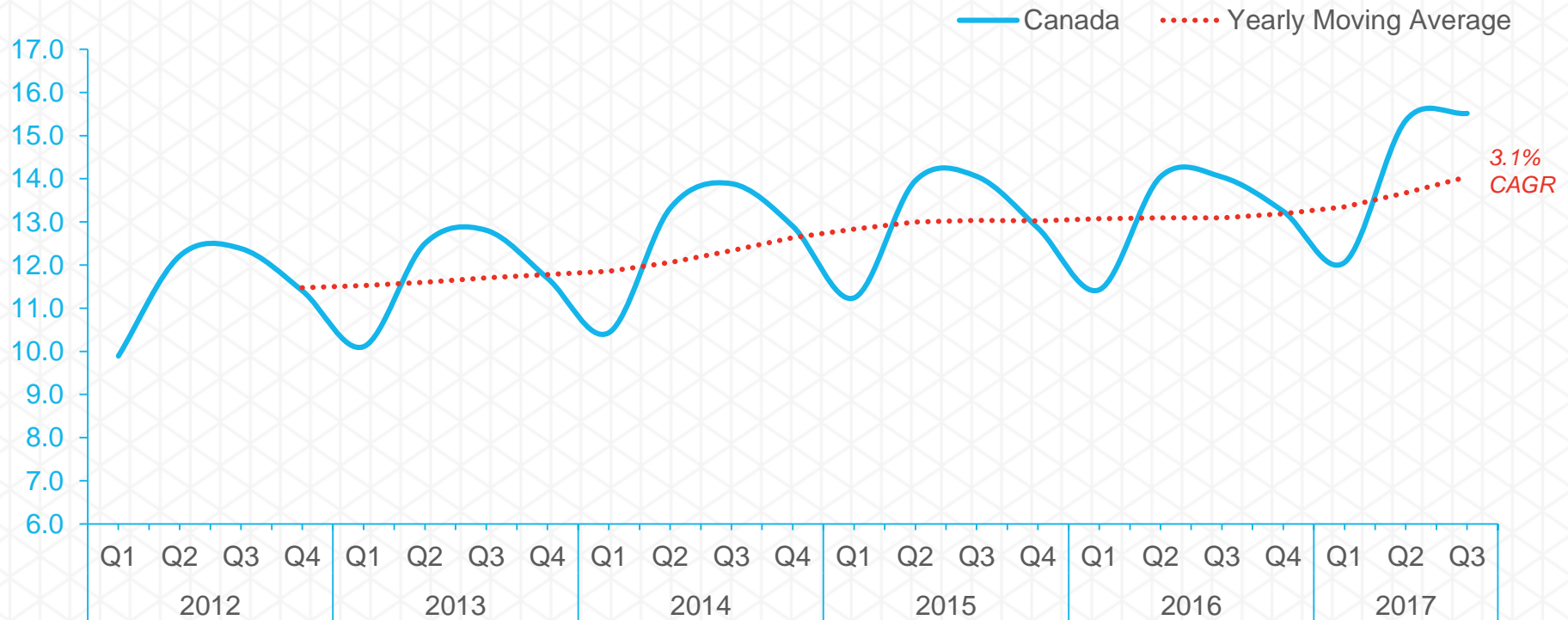


Source: Canadian Real Estate Association(CREA)

Canadian Renovation Activity

Spending on renovations increased by 10.3% in Q3 2017 compared to the prior year, following the general trend, which has seen an increase in renovation spending over the past 5 years. As housing market prices continue to increase, it is likely that more homeowners will turn toward renovations of their current houses instead of purchasing in the current market conditions.

Renovation Spending (C\$ billions – Constant 2012 dollars)

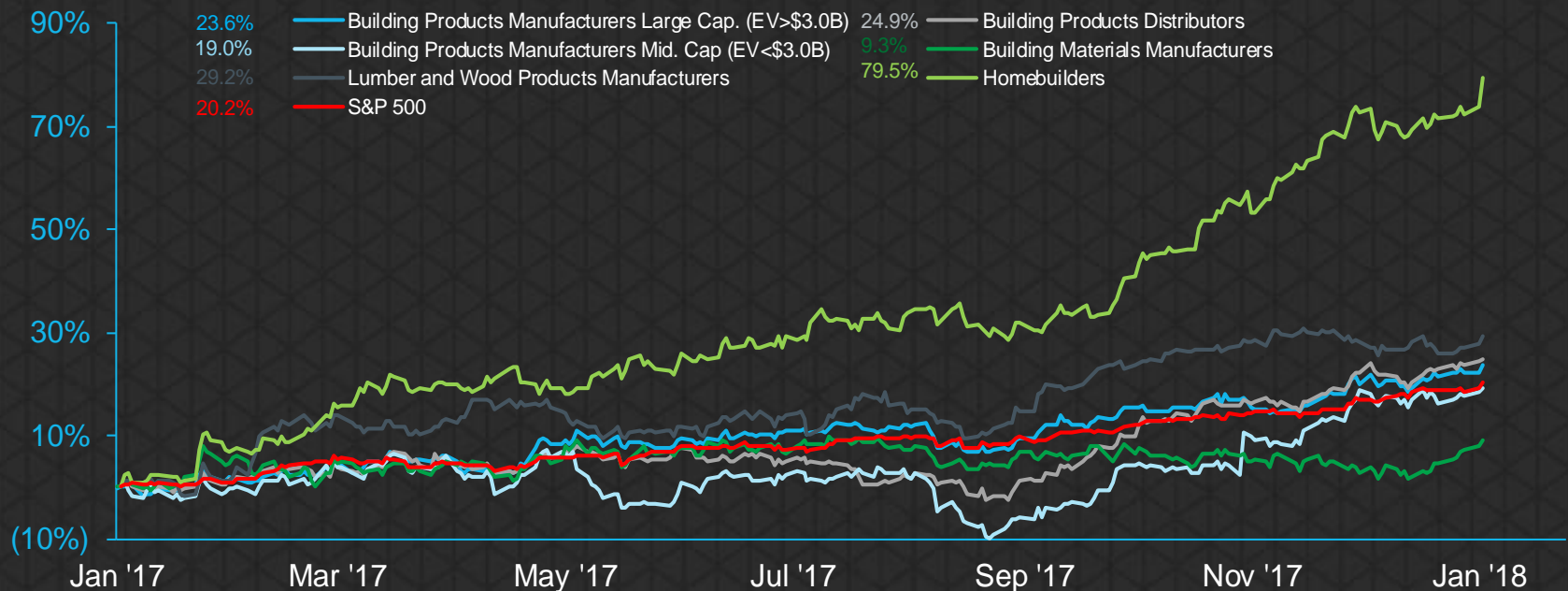


Source: Statistics Canada

Public Company Valuations Continue to Climb

Over the past 12 months, the stock price indices for all sectors of the building products and materials industry, except for Building Materials Manufacturers, have either outpaced or kept pace with the S&P 500. The index of Homebuilders posted the largest gain, followed by the index of Lumber and Wood Products Manufacturers. Both indices are benefiting from the strong housing market, while Lumber and Wood Products Manufacturers are also benefiting from near-record-high lumber prices.

Equity Market Performance



Source: S&P Global Market Intelligence as of January 31, 2017, and includes the most actively traded companies for respective covered sectors.

Public Companies' Trading Statistics

(\$ in millions)		1/31/18	% of	Market Value	Enterprise Value	Enterprise Value as a Multiple of						LTM	
Company	Stock Price	High	52 Wk High			Revenue			EBITDA			EBITDA Margin	Revenue Growth
						LTM	2017E	2018E	LTM	2017E	2018E		
Building Products Manufacturers Large Cap. (EV > \$3.0B)													
Compagnie de Saint-Gobain S.A.	\$58.23	89.3%	\$32,089	\$41,015	0.90x	0.84x	0.80x	8.8x	8.0x	7.3x	10.2%	1.6%	
Masco Corporation	\$44.66	96.2%	\$14,048	\$16,135	2.11x	2.12x	2.00x	12.5x	12.4x	11.3x	17.0%	3.9%	
Fortune Brands Home & Security, Inc.	\$70.93	96.3%	\$10,767	\$11,954	2.26x	2.26x	2.13x	14.0x	13.8x	12.8x	16.2%	6.0%	
Owens Corning	\$92.97	96.3%	\$10,342	\$12,758	2.07x	2.02x	1.87x	11.3x	10.6x	9.2x	18.3%	10.2%	
Acuity Brands, Inc.	\$154.44	68.5%	\$6,448	\$6,377	1.82x	1.81x	1.79x	10.7x	10.7x	10.3x	17.1%	2.7%	
Lennox International Inc.	\$217.91	97.7%	\$9,103	\$10,167	2.65x	2.64x	2.51x	18.5x	17.4x	15.8x	14.3%	5.4%	
James Hardie Industries plc	\$17.61	94.0%	\$7,777	\$8,397	4.15x	4.42x	4.05x	18.5x	18.7x	17.2x	22.5%	8.6%	
USG Corporation	\$38.66	93.9%	\$5,469	\$6,138	1.92x	1.96x	1.84x	12.3x	10.8x	9.6x	15.6%	6.2%	
Armstrong World Industries, Inc.	\$62.70	97.1%	\$3,316	\$4,057	3.13x	4.32x	4.32x	15.5x	12.0x	11.2x	20.2%	5.0%	
	Median				2.11x	2.12x	2.00x	12.5x	12.0x	11.2x	17.0%	5.4%	
	Mean				2.33x	2.49x	2.37x	13.5x	12.7x	11.6x	16.8%	5.5%	
Building Products Manufacturers Mid. Cap. (EV < \$3.0B)													
Masonite International Corporation	\$69.75	81.8%	\$1,986	\$2,475	1.23x	1.22x	1.15x	10.8x	9.8x	8.8x	11.5%	1.4%	
Trex Company, Inc.	\$111.59	92.7%	\$3,281	\$3,256	NM	NM	NM	21.1x	20.5x	17.7x	28.7%	13.7%	
Ply Gem Holdings, Inc.	\$21.45	99.8%	\$1,469	\$2,288	1.14x	1.12x	1.04x	10.3x	9.8x	8.3x	11.1%	6.5%	
Simpson Manufacturing Co., Inc.	\$58.74	95.3%	\$2,779	\$2,579	2.64x	2.66x	2.46x	14.7x	14.3x	12.1x	17.9%	13.5%	
Griffon Corporation	\$20.05	77.3%	\$884	\$2,051	1.27x	1.04x	1.11x	16.0x	11.0x	12.8x	7.9%	20.6%	
NCI Building Systems, Inc.	\$18.45	87.0%	\$1,220	\$1,542	0.87x	0.88x	0.83x	10.0x	9.6x	7.9x	8.7%	5.1%	
Apogee Enterprises, Inc.	\$45.51	74.6%	\$1,293	\$1,511	1.17x	1.38x	1.13x	8.8x	9.6x	8.6x	13.4%	21.1%	
American Woodmark Corporation	\$135.85	91.5%	\$2,378	\$2,176	2.05x	2.10x	1.85x	17.1x	17.6x	14.0x	12.0%	7.9%	
Quanex Building Products Corporation	\$20.70	84.1%	\$726	\$948	1.09x	1.09x	1.06x	10.3x	9.9x	9.1x	10.7%	(6.6)%	
Gibraltar Industries, Inc.	\$37.10	82.6%	\$1,171	\$1,173	1.22x	1.22x	1.16x	10.1x	9.8x	8.9x	12.1%	(9.2)%	
	Median				1.22x	1.22x	1.13x	10.5x	9.9x	9.0x	11.7%	7.2%	
	Mean				1.41x	1.41x	1.31x	12.9x	12.2x	10.8x	13.4%	7.4%	

Source: Capital IQ as of January 31, 2018, and includes the most actively traded companies for respective covered sectors. For definitions, see page 24.

Public Companies' Trading Statistics

(\$ in millions)		1/31/18 Stock Price	% of 52 Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of						LTM	
Company	Revenue					EBITDA			EBITDA Margin	Revenue Growth			
	LTM	2017E	2018E	LTM	2017E	2018E							
Building Products Distributors													
Ferguson plc	\$77.21	95.0%	\$19,108	\$19,884	0.99x	0.88x	0.94x	12.8x	12.0x	11.8x	7.7%	21.3%	
Watsco, Inc.	\$179.79	98.4%	\$5,903	\$6,402	1.47x	1.47x	1.40x	17.0x	16.7x	15.3x	8.7%	2.9%	
Pool Corporation	\$135.24	98.9%	\$5,432	\$5,961	2.19x	2.16x	2.02x	19.8x	19.4x	17.6x	11.1%	7.2%	
Beacon Roofing Supply, Inc.	\$60.50	91.0%	\$4,112	\$4,738	1.05x	1.09x	0.70x	12.4x	13.0x	8.1x	8.5%	8.3%	
Builders FirstSource, Inc.	\$21.42	92.0%	\$2,419	\$4,261	0.63x	0.61x	0.57x	11.6x	10.3x	8.6x	5.4%	8.4%	
CanWel Building Materials Group Ltd.	\$5.45	89.3%	\$423	\$565	0.66x	0.63x	0.55x	12.5x	11.3x	8.8x	5.3%	12.2%	
Bluelinx Holdings Inc.	\$16.19	95.9%	\$147	\$492	0.27x	NA	NA	12.7x	NA	NA	2.2%	(4.4)%	
Hardwoods Distribution Inc.	\$15.73	87.9%	\$337	\$424	0.52x	0.51x	0.49x	9.2x	9.4x	8.9x	5.6%	48.9%	
Huttig Building Products, Inc.	\$7.06	76.4%	\$183	\$285	0.39x	0.38x	0.35x	23.4x	NA	NA	1.7%	4.8%	
Taiga Building Products Ltd.	\$1.23	91.5%	\$144	\$321	0.30x	NA	NA	8.9x	NA	NA	3.4%	8.7%	
Goodfellow Inc.	\$6.66	85.5%	\$57	\$116	0.28x	NA	NA	NA	NA	NA	NA	(7.5)%	
Median		91.5%			0.63x	0.76x	0.64x	12.6x	12.0x	8.9x	5.5%	8.3%	
Mean		91.1%			0.79x	0.97x	0.88x	14.0x	13.1x	11.3x	5.9%	10.1%	
Building Materials Manufacturers													
LafargeHolcim Ltd	\$61.26	93.8%	\$37,110	\$57,984	2.17x	2.17x	1.99x	10.8x	9.8x	8.7x	20.0%	(6.6)%	
CRH plc	\$37.22	85.8%	\$31,223	\$39,907	1.28x	1.21x	1.19x	11.1x	10.2x	8.9x	11.5%	1.7%	
HeidelbergCement AG	\$108.89	91.2%	\$21,606	\$35,581	1.74x	1.70x	1.62x	10.2x	9.2x	8.3x	17.0%	20.4%	
CEMEX, S.A.B. de C.V.	\$0.83	83.0%	\$12,557	\$24,308	1.72x	1.86x	1.70x	8.9x	9.5x	8.4x	19.3%	7.6%	
Vulcan Materials Company	\$135.40	95.9%	\$17,911	\$20,025	NM	NM	4.69x	21.0x	20.0x	16.1x	25.2%	5.8%	
Martin Marietta Materials, Inc.	\$228.17	93.4%	\$14,343	\$16,034	4.33x	4.26x	3.90x	16.5x	16.4x	13.8x	26.2%	6.6%	
Eagle Materials Inc.	\$112.05	91.5%	\$5,453	\$5,997	4.34x	5.00x	4.23x	14.4x	14.4x	12.5x	30.2%	16.5%	
Titan Cement Company S.A.	\$30.73	90.8%	\$2,411	\$3,433	1.90x	1.88x	1.74x	10.1x	9.8x	8.6x	18.9%	2.5%	
U.S. Concrete, Inc.	\$77.85	90.2%	\$1,234	\$1,675	1.27x	1.24x	1.08x	9.6x	8.4x	6.9x	13.2%	18.0%	
Median		91.2%			1.82x	1.87x	1.74x	10.8x	9.8x	8.7x	19.3%	6.6%	
Mean		90.6%			2.34x	2.41x	2.46x	12.5x	12.0x	10.2x	20.2%	8.1%	

Source: Capital IQ as of January 31, 2018, and includes the most actively traded companies for respective covered sectors. For definitions, see page 24.

Public Companies' Trading Statistics

(\$ in millions)		1/31/18 Stock Price	% of 52 Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of						LTM	
Company	Revenue					EBITDA			EBITDA Margin	Revenue Growth			
	LTM					2017E	2018E	LTM			2017E	2018E	
Homebuilders													
Lennar Corporation		\$62.66	86.8%	\$14,603	\$20,156	1.59x	1.62x	1.42x	14.3x	13.0x	10.0x	11.1%	15.5%
D.R. Horton, Inc.		\$49.05	92.0%	\$18,443	\$20,979	1.45x	1.51x	1.30x	12.0x	11.8x	9.7x	12.1%	14.8%
PulteGroup, Inc.		\$31.83	90.4%	\$9,357	\$12,529	1.46x	1.46x	1.29x	12.7x	10.3x	8.7x	11.5%	11.8%
NVR, Inc.		\$3,178.17	85.9%	\$11,731	\$11,683	1.85x	1.80x	1.61x	13.1x	12.6x	11.0x	14.1%	8.4%
Toll Brothers, Inc.		\$46.58	88.3%	\$7,135	\$9,648	1.66x	1.64x	1.39x	14.1x	10.1x	8.5x	11.8%	12.5%
KB Home		\$31.52	81.2%	\$2,744	\$4,348	1.00x	1.01x	0.93x	13.9x	9.1x	7.7x	7.2%	21.5%
Meritage Homes Corporation		\$47.45	85.5%	\$1,913	\$3,103	0.96x	0.96x	0.88x	12.0x	10.8x	9.9x	8.0%	6.6%
M.D.C. Holdings, Inc.		\$33.71	95.8%	\$1,891	\$2,462	0.96x	0.96x	0.86x	13.2x	10.0x	8.8x	7.2%	10.8%
Hovnanian Enterprises, Inc.		\$2.03	59.5%	\$309	\$1,738	0.71x	0.74x	0.78x	NM	9.8x	9.8x	2.2%	(10.9)%
Beazer Homes USA, Inc.		\$18.54	79.8%	\$594	\$1,630	0.84x	0.87x	0.80x	18.6x	13.8x	7.9x	4.5%	7.3%
M/I Homes, Inc.		\$32.34	86.4%	\$890	\$1,561	0.80x	0.81x	0.72x	10.0x	NA	NA	8.0%	16.0%
	Median		86.4%			1.00x	1.01x	0.93x	13.1x	10.6x	9.2x	8.0%	11.8%
	Mean		84.7%			1.21x	1.22x	1.09x	13.4x	11.1x	9.2x	8.9%	10.4%
Lumber and Wood Products Manufacturers													
Weyerhaeuser Company		\$37.54	99.1%	\$28,336	\$34,345	4.77x	4.72x	4.56x	16.6x	16.5x	15.8x	28.8%	12.7%
West Fraser Timber Co. Ltd.		\$70.03	96.7%	\$5,458	\$5,865	1.51x	1.43x	1.34x	8.3x	7.0x	7.3x	18.1%	11.7%
Norbord Inc.		\$38.23	90.8%	\$3,303	\$3,732	1.71x	1.73x	1.66x	5.6x	5.7x	6.0x	30.6%	23.3%
Louisiana-Pacific Corporation		\$29.61	95.3%	\$4,290	\$3,817	1.48x	1.42x	1.36x	7.2x	6.1x	6.5x	20.5%	19.9%
Canfor Corporation		\$23.48	97.7%	\$3,024	\$3,342	0.92x	0.90x	0.89x	6.2x	5.6x	5.9x	14.9%	6.5%
Universal Forest Products, Inc.		\$37.33	94.3%	\$2,284	\$2,440	0.64x	0.62x	0.58x	10.7x	10.4x	9.3x	5.9%	26.4%
Boise Cascade Company		\$44.45	96.7%	\$1,714	\$1,980	0.46x	0.45x	0.42x	10.2x	8.8x	7.7x	4.6%	10.1%
	Median		96.7%			1.48x	1.42x	1.34x	8.3x	7.0x	7.3x	18.1%	12.7%
	Mean		95.8%			1.64x	1.61x	1.54x	9.3x	8.6x	8.4x	17.6%	15.8%

Definitions

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

Enterprise Value: Market Capitalization + Total Debt + Preferred Equity + Minority Interest – Cash and Short-Term Investments

LTM: Last Twelve Months

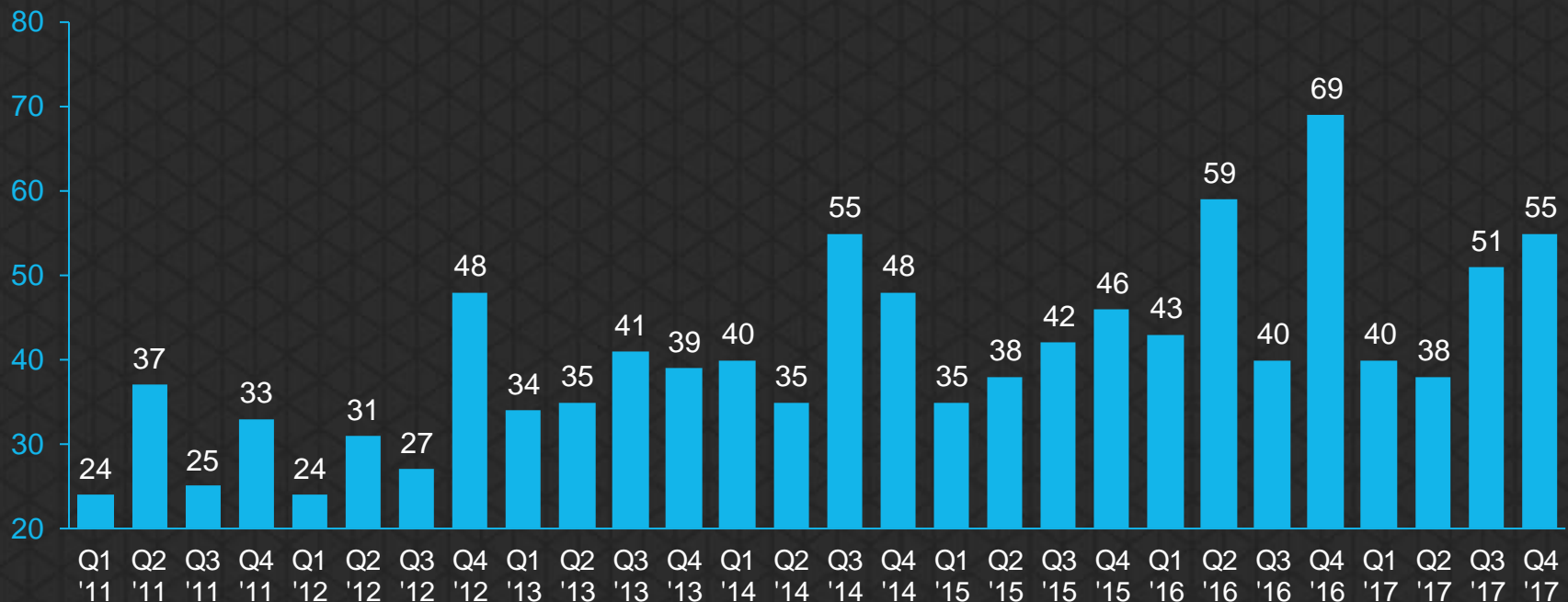
Source: Capital IQ as of January 31, 2018, and includes the most actively traded companies for respective covered sectors.

2H 2017 M&A Activity Rebounds from Slow Start

M&A activity in the sector was strong in 2H 2017, with 106 completed transactions involving target companies headquartered in the United States or Canada. Activity in the second half of the year was up 35.9% from the first half of the year, but down 2.8% from the same period a year ago.

The surge in activity was driven by an increase in willing sellers and the strong acquisition appetite of private equity firms and strategics, particularly due to the abundance of debt and equity capital, low interest rates and a favorable housing market outlook.

Building Products and Materials M&A Trends



Note: Includes all transactions where the target is headquartered in the United States or Canada.
Source: Capital IQ

Notable M&A Activity – 2H 2017



Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Products Distributors				
Dec-17	Pete Rose, Inc.	United States	SiteOne Landscape Supply, Inc.	Distributes and supplies natural stone and hardscape material
Nov-17	Pinnacle Door & Hardware, Inc.	United States	The Cook & Boardman Group, LLC	Distributes wooden doors, metal doors and hardware products
Nov-17	D Reynolds Company LLC	United States	McNaughton-McKay Electric Company, Inc.	Supplies industrial and commercial electrical products
Nov-17	MCS Door & Hardware and Del-Pro Building Supplies, Inc.	United States	Foundation Building Materials, Inc.	Distributes of doors, frames, hardware and toilet partition products
Oct-17	Hansons Holdings LLC	United States	Huron Capital Partners, LLC	Distributes and installs vinyl replacement windows and door walls
Oct-17	Kessler Industries, Inc. (nka Wieland-Kessler, LLC.)	United States	Wieland-Werke AG	Supplies pipes and tubing products, fittings, valves, struts and rods, and water heaters
Sep-17	People's Building Supply	United States	Lezzer Lumber, Inc.	Supplies tools, fasteners and building material supplies for contractors
Sep-17	NILCO, LLC	United States	U.S. LUMBER GROUP, LLC	Manufactures building material solutions
Sep-17	FloWorks International, LLC	United States	TowerBrook Capital Partners L.P.; Clearlake Capital Group, L.P.	Supplies pipes, valves, fittings and related products for the energy industry
Sep-17	Honsador Holding, LLC	United States	CanWel Building Materials Group Ltd.	Distributes building products and electrical supplies to residential and light commercial markets
Aug-17	Milliken Millwork, Inc.	United States	JELD-WEN Holding, Inc.	Supplies doors and related millwork products to home centers and building supply dealers in the United States
Aug-17	Oldcastle Distribution Inc.	United States	Beacon Roofing Supply, Inc.	Distributes roofing and complementary building products
Aug-17	South Coast Supply Inc.	United States	SiteOne Landscape Supply, Inc.	Distributes landscaping and masonry building materials for homeowners and contractors
Aug-17	Nottawasaga Mechanical	Canada	Mill Street & Co.	Provides heating, air conditioning and refrigeration contracting services
Jul-17	Walcro, Inc.	United States	WILsquare Capital LLC	Distributes tools, supplies, accessories and building products for the installation of flooring
Jul-17	Ceiling and Wall Supply, Inc.	United States	Foundation Building Materials, Inc.	Distributes products from Armstrong World Industries such as ceiling systems, drywall, steel framing and insulation

Source: Capital IQ

Notable M&A Activity – 2H 2017



Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Products Manufacturers				
Dec-17	Fortifiber, LLC	United States	Henry Company LLC	Manufactures building papers, house wraps, concrete products and window and door flashing products
Dec-17	Les Boiseries Conrad Lajeunesse Inc.	Canada	Fenplast Inc.	Manufactures doors and windows in Canada
Dec-17	Nickell Moulding Company Inc.	United States	Patrick Industries, Inc.	Manufactures hardwood, wrapped molding and trim and custom wood frames
Dec-17	Owens Flooring Company, LLC	United States	Unknown	Manufactures wooden floorings
Dec-17	Enduris Inc., Endeck Product Line	United States	Eastern Metal Supply, Inc.	Manufactures cellular polyvinyl chloride (PVC) decking
Dec-17	Blue Diamond Industries, LLC	United States	Hexatronic Group AB	Manufactures high-density polyethylene (HDPE) pipe and conduit products
Nov-17	Smith Cooper International, Inc.	United States	Tailwind Capital Group, LLC	Manufactures valves, tubes, pipes and fittings
Nov-17	Ceilings Plus Inc.	United States	USG Corporation	Designs and manufactures metal and wooden ceilings and wall products
Nov-17	Quest Window Systems Inc.	Canada	Exchange Income Corporation	Manufactures advanced unitized window wall systems
Nov-17	Ranbar Electrical Materials, Inc.	United States	Gabriel Performance Products, LLC	Manufactures resin, varnish and coatings
Nov-17	IPS Corporation	United States	Encapsys, LLC	Manufactures solvent cements, primers, sealants and components
Nov-17	American Builders Supply, Inc.	United States	Kodiak Building Partners	Manufactures and distributes building products such as doors, windows and wall panels
Nov-17	Galleher Corporation	United States	Quad-C Management, Inc.	Distributes floor-covering products for residential/commercial projects
Oct-17	Fenêtres MQ Inc.	Canada	Andersen Corporation	Manufactures custom-sized windows and doors
Oct-17	Corix Water Products Inc.	Canada	Groupe Deschênes Inc.	Manufactures pipes, valves, fire hydrants, water meters and other irrigation equipment
Oct-17	Mastercraft Flooring Distributors, Inc.	United States	Gilford-Johnson Flooring LLC	Manufactures and distributes flooring products

Source: Capital IQ

Notable M&A Activity – 2H 2017



Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Products Manufacturers (continued)				
Oct-17	Bonelli Enterprises	United States	Pella Corporation	Manufactures aluminum windows and doors
Oct-17	Stateline Fasteners, LLC	United States	Threaded Fasteners, Inc.	Manufactures fasteners
Oct-17	The Bolt Supply House, Ltd.	Canada	Lawson Products, Inc.	Supplies fasteners, bolts, nuts and industrial-related products
Oct-17	A&F Wood Products, Inc.	United States	Masonite International Corporation	Manufactures wood doors, hollow metal doors, custom metal frames, wood frames and hardware
Oct-17	MW Industries, Inc.	United States	American Securities LLC	Designs industrial springs, fasteners, machined parts and flat-stamped spring-related products
Oct-17	QuickDrain USA, certain assets	United States	Oatey Company, Inc.	Manufactures linear shower drains
Sep-17	Sugar Hill Building & Design, LLC	United States	Lifeway Mobility, LLC	Designs and manufactures home modifications for seniors and people with disabilities
Sep-17	Termax LLC	United States	LISI Automotive SAS	Manufactures metal and plastic fasteners
Sep-17	Beaulieu Group LLC	United States	Engineered Floors LLC	Manufactures flooring products
Sep-17	Axia Acquisition Corporation	United States	Sun Capital Partners, Inc.	Provides automatic taping and finishing tools
Sep-17	Codel Entry Systems, Inc.	United States	Trimlite Mfg. Inc.	Manufactures and markets fiberglass doors
Sep-17	KML Corporation	United States	Wilsonart LLC	Manufactures designer finishes, surfaces and panels for furniture applications
Sep-17	Hufcor, Inc.	United States	OpenGate Capital, LLC	Manufactures and distributes flexible space management solutions
Sep-17	Du Verre Hardware Company	Canada	Dimora Brands, Inc.	Designs and manufactures cabinet hardware for kitchens, baths, furniture and interiors
Aug-17	Colorado Asphalt Services, Inc.	United States	West Edge Energy, LLC	Provides asphalt and concrete
Aug-17	CPI Daylighting Inc.	United States	Kingspan Group plc	Designs, manufactures and installs daylighting systems

Source: Capital IQ

Notable M&A Activity – 2H 2017



Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Products Manufacturers (continued)				
Aug-17	ASTA Industries, Inc.	United States	Janus International Group, LLC	Manufactures commercial sheet and self storage doors
Aug-17	TNR Industrial Doors, Inc.	Canada	Hörmann Holding GmbH & Co. KG	Manufactures and distributes industrial and commercial rubber doors
Aug-17	MyTana Manufacturing, Inc.	United States	Envirosight, LLC	Manufactures and distributes cleaning, maintenance and inspection tools
Aug-17	DURASLOT, Inc.	United States	Advanced Drainage Systems, Inc.	Manufactures stormwater collection surface pipes and drains
Aug-17	Grinnell Mechanical Product Suite	United States	Anvil International, LLC	Manufactures grooved couplings, plumbing fittings and valves
Aug-17	Sigma International Group, Inc.	United States	Fairfax Financial Holdings Limited	Manufactures water and wastewater infrastructure products, fire protection and OEM products
Jul-17	Paragon Door Designs, Inc.	United States	Sunrise Windows & Doors, Ltd.	Designs, manufactures and installs entry doors for homeowners
Jul-17	International Barrier Technology Inc.	United States	Louisiana-Pacific Canada Ltd.	Develops, manufactures and markets proprietary fire-resistant building materials
Jul-17	Mathey Investments, Inc.	United States	SBS Industries, LLC	Develops, manufactures and markets pipe-cutting and beveling machines
Jul-17	JPW Industries, Inc.	United States	Gamut Capital Management, L.P.	Manufactures and imports metalworking, woodworking and material-handling products
Jul-17	Skyfold Inc.	Canada	Dormakaba Holding AG	Manufactures automated vertical folding wall systems
Jul-17	Proudfoot Company, Inc.	United States	United Process, Inc.	Manufactures architectural masonry acoustic correction and noise control products
Jul-17	Drexel Metals Inc.	United States	Carlisle Construction Materials Incorporated	Manufactures engineered metal roofing systems and equipment

Notable M&A Activity – 2H 2017



Date Announced	Target	Target Country	Acquiror	Target Business Description
Lumber and Wood Manufacturers				
Nov-17	Tricon Timber, LLC, stud mill in St. Regis	United States	Idaho Forest Group, LLC	Harvests and manufactures wood products
Oct-17	Deltic Timber Corporation	United States	Potlatch Corporation	Harvests timber and manufactures lumber and medium-density fiberboard

Notable M&A Activity – 2H 2017



Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Materials Manufacturers				
Dec-17	Aggregates USA	United States	Blue Water Industries LLC	Offers granite products and includes rail distribution yards
Dec-17	Piedmont Marble Inc. and Tiffany Marble & Glass Co	United States	Majestic Marble And Glass Company	Manufacturers marble and glass products
Dec-17	Fairmount Santrol Holdings Inc.	United States	Unimin Corporation	Provides sand-based proppant solutions for exploration and production companies
Dec-17	Concrete Production Facility of Ballistics Technology International Ltd.	United States	MOUT Solutions	Manufactures shock-absorbing concrete
Dec-17	Spin-Works International Corp.	United States	Saint-Gobain Ceramics & Plastics, Inc.	Manufactures thermal ceramic products for high-temperature metal processes
Nov-17	Cleveland Ready Mix Cement, LLC	United States	Sequatchie Concrete Service, Inc.	Manufactures and provides construction materials, including limestone and ready mix
Nov-17	Stancills Inc.	United States	P. Flanigan & Sons, Inc.	Manufactures sand and gravel products
Oct-17	Aecon Group Inc.	Canada	CCCC International Holding Limited	Provides construction and infrastructure development services to private and public sector clients
Oct-17	American Insulated Glass, LLC	United States	ORIX Mezzanine & Private Equity; AV Capital Holdings, LLC	Manufactures, fabricates and distributes glass products in the Southeast United States
Oct-17	Strategic Materials, Inc.	United States	Littlejohn & Co. LLC	Provides glass and plastic recycling services in North America
Oct-17	Preferred Proppants	Canada	Source Energy Services Ltd.	Sources and manufacturers proppant products
Oct-17	Kennedy Hills Materials	United States	Chandler Aggregates, Inc.	Supplies sand and construction products
Oct-17	Harbor Ready-Mix Inc. and A-1 Materials, Inc. and L.C. Frey Co Inc.	United States	NorCal Materials, Inc.	Manufactures ready-mixed concrete
Sep-17	Polaris Materials Corporation	Canada	U.S. Concrete, Inc.	Develops and operates construction aggregate properties and projects
Sep-17	PGT Innovations, Inc. door glass processing assets	United States	Cardinal Glass Industries, Inc.	Manufactures glass-processing components
Sep-17	Arden Inc.	United States	AAVIN Private Equity Advisors; MSI Capital Partners	Manufactures sand products

Source: Capital IQ

Notable M&A Activity – 2H 2017



Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Materials Manufacturers (continued)				
Sep-17	Ash Grove Cement Company	United States	CRH plc	Manufactures cement in the United States
Aug-17	Miller Paving Limited and McAsphalt Industries Limited	Canada	Colas Canada Inc.	Manufactures asphaltic products
Aug-17	ARM Trucking, Kermit Concrete Co. LLC and WUUD Aggregate, LLC	United States	PB Materials Holdings, Inc.	Manufactures ready-mix concrete
Aug-17	Carrières St-Jacques Inc.	Canada	CRH plc	Manufactures agricultural lime products for construction use
Aug-17	Arizona Cultured Stone Products, Inc.	United States	Gebrüder Dorfner GmbH & Co. Kaolin- und Kristallquarzsand-Werke KG	Manufactures granite, fillers and raw materials for composites industries
Aug-17	Glasscock Company, Inc.	United States	Summit Materials, Inc.	Manufactures and markets mineral and mineral-based products
Aug-17	Great Southern Ready Mix, LLC	United States	Summit Materials, Inc.	Manufactures ready-mix concrete for commercial, residential and homeowner projects
Aug-17	Northwest Ready Mix Inc.	United States	Summit Materials, Inc.	Manufactures ready-mix concrete
Jul-17	Diamond Gypsum LLC	United States	ACG Materials	Manufactures gypsum products
Jul-17	Armtec LP, Ottawa Operations and Brooklin Operations	Canada	Ironbridge Equity Partners Limited	Manufactures precast concrete products
Jul-17	Living Earth Technology Company Inc.	United States	SJF Ventures; Bain Capital Private Equity, LP	Provides recycling services and develops and delivers landscaping materials

Notable M&A Activity – 2H 2017



Date Announced	Target	Target Country	Acquiror	Target Business Description
Homebuilders				
Dec-17	Blind Ambitions LLC and Allpro Insulation Co	United States	Installed Building Products, Inc.	Installs blinds, shades, garage doors and fiberglass for single-family residential customers
Dec-17	FrontDoor Communities	United States	Stanley Martin Communities, LLC	Builds new home communities
Dec-17	Atlanta homebuilding operations of Home South Communities LLC	United States	CalAtlantic Group, Inc.	Builds homes in Atlanta
Dec-17	North Texas Builders and Remodelers	United States	Victura Construction Group, Inc.	Provides homebuilding services
Nov-17	Royal Oaks Building Group, LLC	United States	Mattamy Group Corporation	Operates as a homebuilder in the Southeast
Nov-17	Sundquist Homes, LLC	United States	Century Communities, Inc.	Builds single-family homes
Oct-17	CalAtlantic Group, Inc.	United States	Lennar Corporation	Builds single-family attached and detached homes in the United States
Oct-17	Brothers' Fence Company Inc.	United States	Split Rail Fence & Supply Co.	Provides residential fence installation services
Sep-17	National Development Corporation	United States	Beacon Communities LLC	Provides real estate development services
Sep-17	Wood Partners LLC	United States	Fayez Sarofim & Co.	Develops and manages apartments and mid-rise and high-rise buildings in the United States
Jul-17	Casteel Heating and Cooling, Inc. and Gold Medal Service	United States	Horizon Services, Inc.	Replaces, repairs and services all residential heating, cooling, plumbing and electrical issues
Jul-17	Harris Doyle Homes, Inc.	United States	Clayton Properties	Constructs residential houses
Jul-17	Heat-Co Mechanical Inc.	United States	Loescher Heating & Air Conditioning Co.	Installs and services furnaces; air conditioners; rooftop, refrigeration and chiller units; and heat pumps
Jul-17	Oakwood Homes LLC	United States	Clayton Properties	Builds homes and communities in Colorado and Utah

Duff & Phelps' Ongoing and Recent Transactions

Sell Side Advisor (Ongoing)

Leading provider of hard-surface flooring

Sell Side Advisor (Ongoing)

Lumber manufacturing plant and pine sawmill

Sell Side Advisor



a Hart Group, Inc. company has been acquired by



Sell Side Advisor



has been acquired by



Sell Side Advisor



a portfolio company of



has been acquired by



Sell Side Advisor



has been acquired by



Sell Side Advisor



a portfolio company of



has been acquired by



Sell Side Advisor



has been acquired by



Contact Us

New York Contacts

Jon Melzer

Managing Director
+1 212 450 2866
jon.melzer@duffandphelps.com

Eric Williams

Director
+1 212 450 2856
eric.williams@duffandphelps.com

Toronto Contacts

Ross Fletcher

Managing Director
+1 416 361 2588
ross.fletcher@duffandphelps.com

Howard Johnson

Managing Director
+1 416 597 4500
howard.johnson@duffandphelps.com

Munich Contact

Andreas Stoecklin

Country Head of Germany
+49(0) 89 388 884 1 20
andreas.stoecklin@duffandphelps.com

Chicago Contacts

David Althoff

Global Head of Diversified Industrials M&A
+1 312 697 4625
david.althoff@duffandphelps.com

Jacob Rapp

Vice President
+1 312 697 4962
jacob.rapp@duffandphelps.com

London Contacts

Dafydd Evans

Managing Director
+44 (0) 20 7089 4850
dayfdd.evans@duffandphelps.com

Paul Teuten

Managing Director
+44 (0) 20 7089 4840
paul.teuten@duffandphelps.com

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