


Industry Insights:

First Quarter 2015

Building Products and Materials

By the Numbers

 **20%** increase in M&A activity for 2014

 **20+** year low in home ownership

 **20** month low in mortgage rates

Highlights

M&A activity up nearly 20% in 2014 with further consolidation expected

Public homebuilders seeking acquisitions in Southeast, South Central and Western regions of U.S.

Weakness in Europe creating non-core divestiture opportunities in North America

Most sector fundamentals remain positive while leading indicators also point toward continued growth

Consumer confidence index at seven-year high, mortgage rates at 20-month low — bodes well for increase in homeownership rate

Savings from low oil prices could catalyze home buying and remodeling

Table of Contents

Executive Summary 3

Housing Indicators 4

Housing Starts..... 5

Building Permits..... 6

Home Sales and Supply 7

Vacancy Rates and Household Formations..... 8

Trends in U.S. Home Prices..... 9

Remodeling Activity and Spending 10

Non-Residential Construction..... 11

Public Companies Valuation Trends..... 12

Public Companies Trading Analysis..... 13

Q4 2014 M&A Activity..... 15

Duff & Phelps Recent Transactions Closed 17

Executive Summary

Most sector fundamentals remain positive with the notable exception of home ownership

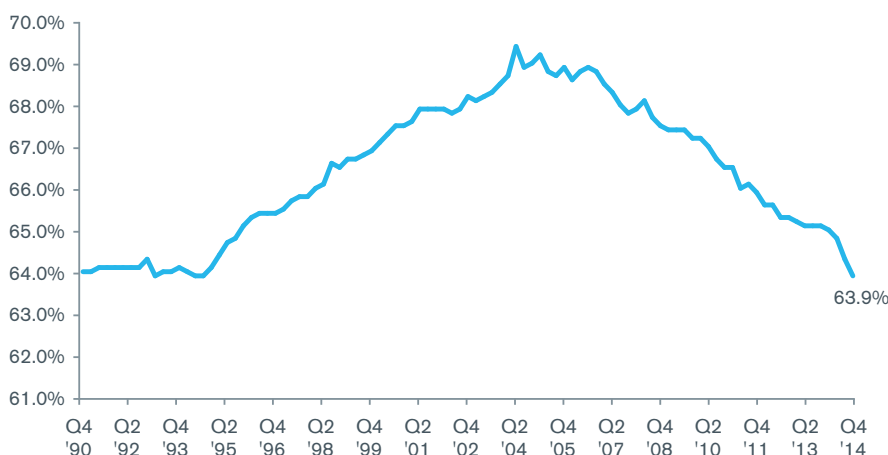
In looking back at 2014 and forward into this year, we expect to see continued fundamental growth in the homebuilding and building products industries. As we highlight in our update, while growth has been slower than anticipated, many of the fundamentals, such as housing starts, permits and remodeling spending, are moving in the right direction.

The notable exception to this is the 64% homeownership rate, its lowest in nearly two decades.

However, oil prices declined precipitously in the last quarter of 2014, which may provide a corresponding income lift from a reduction in a major household expense; it could be a catalyst that drives more of the millennial generation towards home ownership and will be an important trend to monitor. If the home ownership rate begins to increase, the positive effects could include an uptick in home construction, existing home sales and remodeling, which would bode well for the industry.

On the heels of continued positive fundamentals, we expect to see more strategic activity in most of the verticals within this industry. Although each vertical is different, the vast majority of these industries remain very fragmented. The large public homebuilders are seeking and executing acquisitions in markets like the Southeast, South Central and Western regions of the U.S. where demographic trends are particularly strong. The heavy building materials sector, including cement, aggregates and related materials, has been very active over this past year, most notably with Martin Marietta acquiring Texas Industries. Some of the fundamental weakness in Europe is also creating non-core divestiture opportunities in the building materials sector in North America as a way for European-domiciled companies to shore up much-needed liquidity. The M&A activity in the “light” building products industries has been increasing with rising valuations in the equity market and strong operational fundamentals.

Homeownership Rate in the Spotlight



Seasonally Adjusted

Source: Federal Reserve Bank of St. Louis, Economic Research (FRED)

The homeownership rate is at 64% — the lowest in nearly two decades.

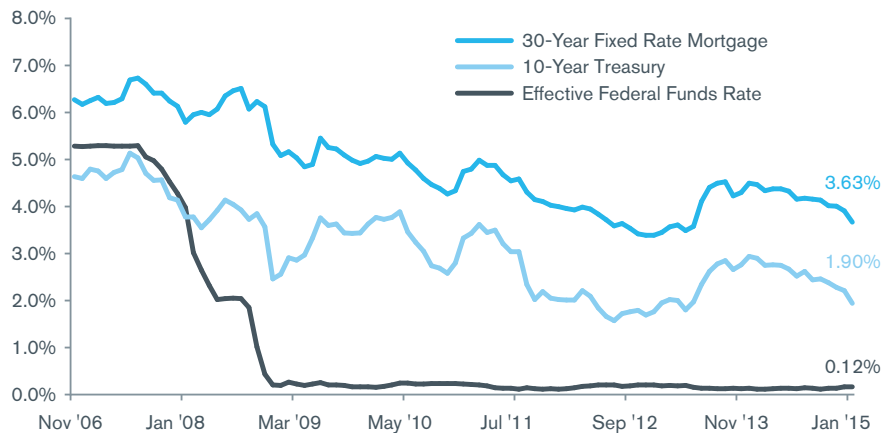
Our team was very active in 2014, executing several important M&A transactions for our clients which are highlighted at the end of this update. We also rendered transaction opinions and valuation advice in a variety of corporate finance transactions last year. We look forward to the year ahead and, most importantly, helping all our clients build value in this market.

Housing Indicators Support Further Growth

Key Interest Rates

The 30-year mortgage rate declined in January 2015 to 3.63%, its lowest mark since May 2013. The current 30-year rate is 76 basis point lower than the rate from a year ago. A 40% decrease in new mortgage origination in 2014 exerted significant downward pressure on mortgage rates. The declining rates have likely promoted refinancing activity, which increased 21% during the week ended January 23.

Key Interest Rates – Monthly Trends



Consumer Confidence Index (CCI)

The CCI reached a new seven-year high in January 2015, increasing to 102.9. This sharp increase was preceded by a slight increase in December to 93.1 from 91.0 in November. The CCI is up 76.2% since January 2013 and 29.6% from a year ago. The upward trend bodes well for future housing activity.

Consumer Confidence Index



NAHB Housing Market Index (HMI)

The HMI, a measure of builder confidence, took a minor fall to 57 in January 2015, after reaching 58 in November and December. Nevertheless, the HMI has remained above 50 for the last seven months, indicating continued growth in the housing market.

NAHB Housing Market Index (Builders Confidence)



Surging Single-Family Starts Outweighed Slight Dip in Multi-Family Starts

National Housing Starts

U.S. housing starts in December were at a seasonally adjusted annual rate of 1,089,000, which is up 4.4% compared to November and up 5.3% from the same month a year ago.

The increase in housing starts in December is largely attributable to a surge in single-family starts which outweighed a slight dip in multi-family starts. Construction of new single-family homes, which accounts for approximately two-thirds of the market, increased 7.2% in December.

Source: MBA

U.S. Housing Starts (units in thousands)



Q4 2014 Unadjusted Housing Starts: 244 Year-over-Year Δ: 6.0%

Seasonally Adjusted Annual Rate

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

Regional Housing Starts

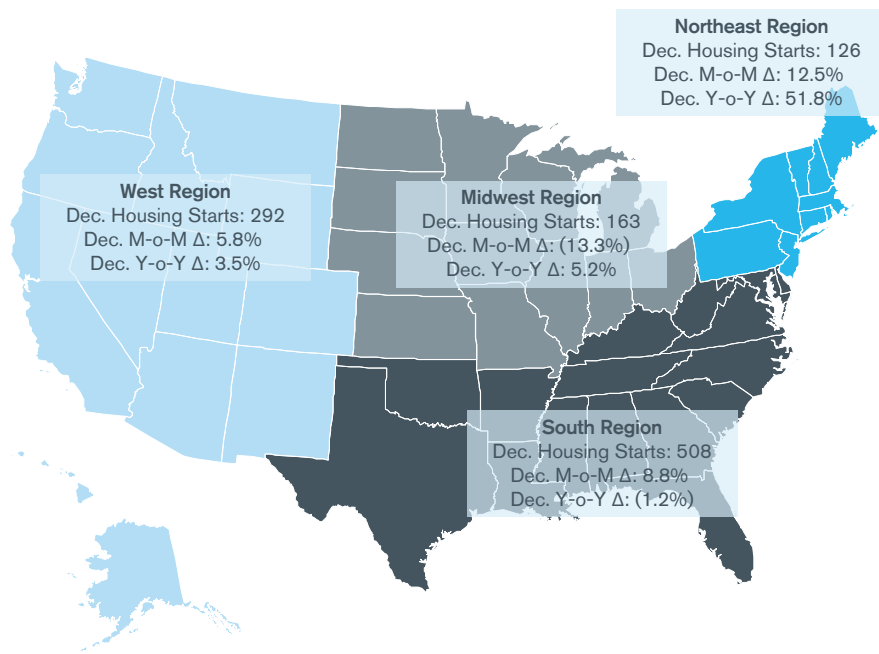
Nationwide housing starts exceeded the million-mark for the fourth straight month and sixth time this year, with two regions reporting both month-over-month and year-over-year gains.

The Northeast was the strongest performer with starts up 12.5% in December over the prior month and up 51.8% over December 2013.

The West also performed well with starts up 5.8% compared to the prior month and up 3.5% over December 2013.

The South increased 8.8% and the Midwest decreased 1.2% over the prior month.

U.S. Housing Starts by Region (units in thousands)



Seasonally Adjusted Annual Rate

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

Building Permits Were Flat Year-over-Year

National Building Permits

Building permits decreased in December to a seasonally adjusted annual rate of 1,032,000, which is 1.9% below November permits and 1.0% above December 2013.

In the fourth quarter of 2014, actual building permits were up 1.8% over the same quarter a year ago.

U.S. Housing Units Authorized by Building Permits (units in thousands)



Dec. 2014 Total: 1,032
M-o-M Δ: (1.9%)
Y-o-Y Δ: 1.0%

Q4 2014 Unadjusted Actual Building Permits: 248 Year-over-Year Δ: 1.8%

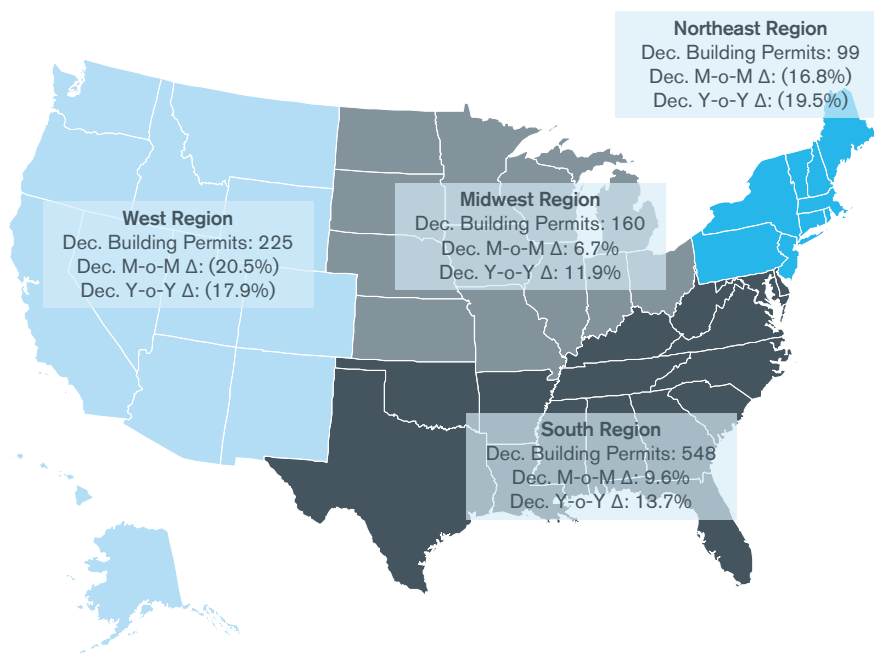
Seasonally Adjusted Annual Rate
Source: U.S. Department of Commerce: Census Bureau

Regional Building Permits

The Midwest and South regions experienced an increase in building permits in December reporting increases of 6.7% and 9.6%, respectively, over November.

The Northeast and West regions experienced a decline in December of 16.8% and 20.5%, respectively, compared to November.

Authorized Building Permits by Region (units in thousands)



Seasonally Adjusted Annual Rate
Source: U.S. Department of Commerce: Census Bureau

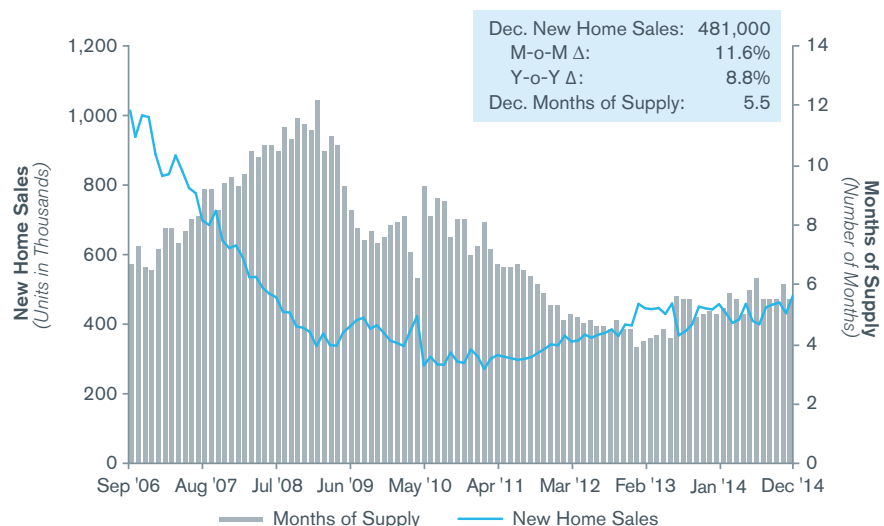
Increased Sales Activity Reflects Robust Labor Market and Low Mortgage Rates

New Home Sales and Supply

New home sales in December were at a seasonally adjusted annual rate of 481,000, which is 11.6% higher than November and 8.8% higher than December 2013. For the year 2014, new home sales increased 1.2% above the level of sales seen in 2013. The increase in sales activity was likely driven by robust labor market activity and lower mortgage rates.

The inventory of new homes decreased to 5.5 months in December, a 8.3% decrease from November.

New Homes – Sales and Months of Supply



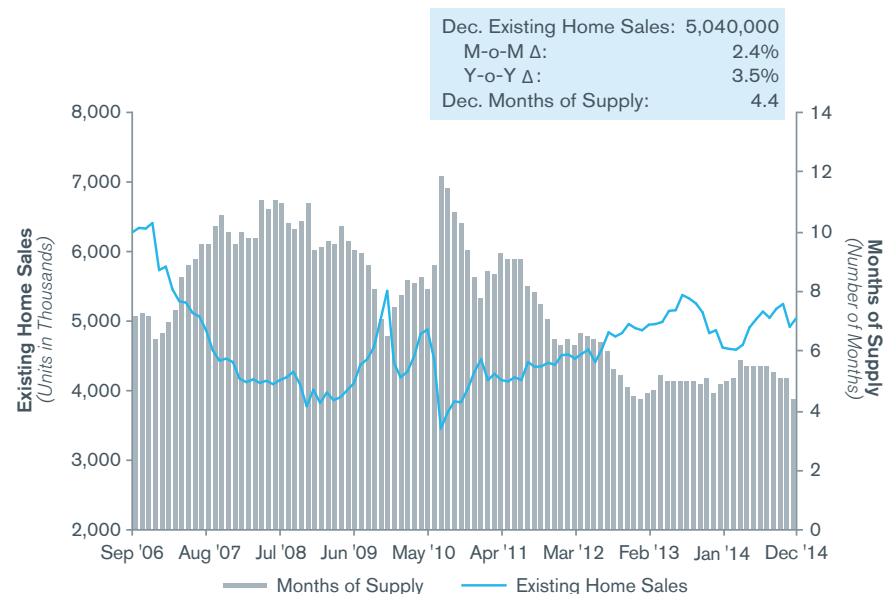
New Home Sales: Seasonally Adjusted Annual Rate
Months Supply: Seasonally Adjusted at Current Sales Rates
Source: U.S. Department of Commerce: Census Bureau

Existing Home Sales and Supply

Existing home sales increased in December to an annual rate of 5,040,000, which is 2.4% higher than November and 3.5% lower than December 2013.

The inventory of existing homes decreased to 4.4 months in December, a 13.7% decrease from November.

Existing Homes – Sales and Months of Supply



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

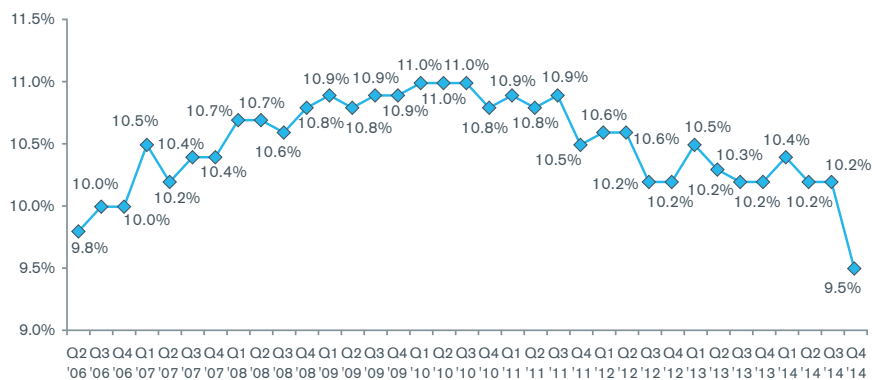
Vacancy Rates are Down and Household Formations are Up

Monthly Vacancy Rates

Vacancy rates have demonstrated a generally downward trend since peaking in Q2 2010.

Vacancy rates decreased to 9.5% in Q4 2014 from 10.2% in Q3 2014, and remain near the lowest level recorded since the housing market downturn.

U.S. Year-Round Vacancy Rates

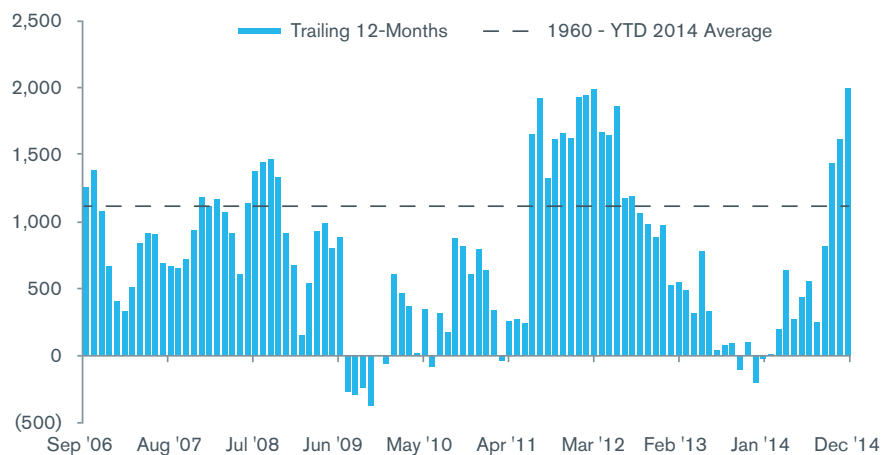


Source: U.S. Department of Commerce: Census Bureau

Household Formations

Household formation, which is a critical driver for the housing market, made a strong upward trend in the final quarter of 2014. Positive trends in other fundamental drivers such as housing starts and permits have encouraged similar movement in household formations.

U.S. Annual Household Formations (units in thousands)



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

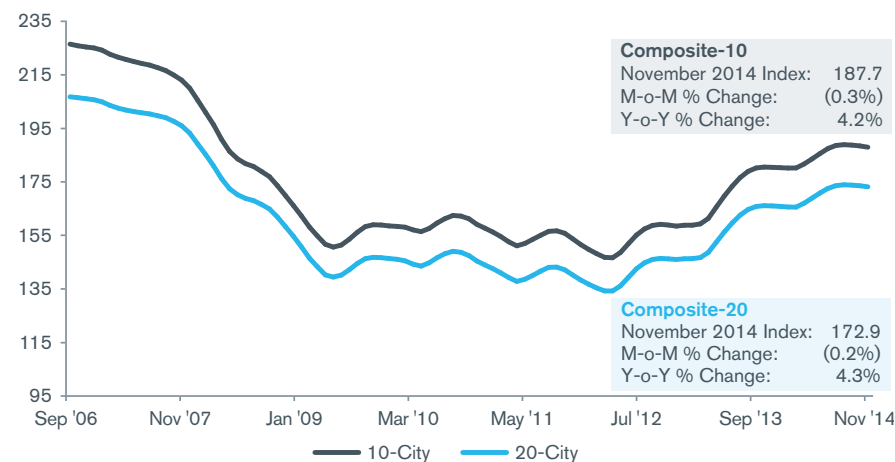
U.S. Home Prices are Higher, but Well Below Their Peak in April 2006

S&P / Case-Shiller Home Price Indices*

The 10-City and 20-City home price indices decreased slightly in November 2014. The 20-City index as of November was 4.2% higher than the same month a year ago and 0.2% lower compared to October 2014.

Despite the year-over-year increase, both indices remain well below their peak in April 2006. The 20-City index is 19.5% below its peak.

S&P / Case Shiller Indices



Metropolitan Regions in the S&P / Case-Shiller Home Price Indices

Miami, Las Vegas, San Francisco, Dallas and Denver continue to experience the largest year-over-year increases in prices; however, San Francisco, Dallas and Denver remained nearly unchanged, each reporting month-over-month increases of only 0.1% in November.

The cities reporting the largest month-over-month increases in November were Tampa, Miami, Las Vegas, Los Angeles and San Diego.

November 2014 – Composite 10				November 2014 – Composite 20			
Metropolitan Area	M-o-M % Δ	Y-o-Y % Δ		Metropolitan Area	M-o-M % Δ	Y-o-Y % Δ	
San Francisco	0.1%	8.9%		San Francisco	0.1%	8.9%	
Miami	0.6%	8.6%		Miami	0.6%	8.6%	
Las Vegas	0.3%	7.7%		Las Vegas	0.3%	7.7%	
Denver	0.1%	7.5%		Dallas	0.1%	7.7%	
Los Angeles	0.3%	5.1%		Denver	0.1%	7.5%	
San Diego	0.3%	4.9%		Tampa	0.8%	6.8%	
Boston	(0.2%)	4.0%		Portland	0.1%	6.6%	
Chicago	(1.1%)	2.0%		Seattle	(0.4%)	6.0%	
Washington D.C.	(0.5%)	1.9%		Los Angeles	0.3%	5.1%	
New York	(0.8%)	1.5%		Atlanta	0.2%	4.9%	
Composite-10	(0.3%)	4.2%		San Diego	0.3%	4.9%	
				Boston	(0.2%)	4.0%	
				Charlotte	(0.3%)	3.3%	
				Detroit	(0.9%)	2.6%	
				Chicago	(1.1%)	2.0%	
				Phoenix	0.2%	1.9%	
				Washington D.C.	(0.5%)	1.9%	
				New York	(0.8%)	1.5%	
				Minneapolis	(0.7%)	1.5%	
				Cleveland	(0.3%)	0.6%	
				Composite-20	(0.2%)	4.3%	

Monthly, Indexed to January 2000

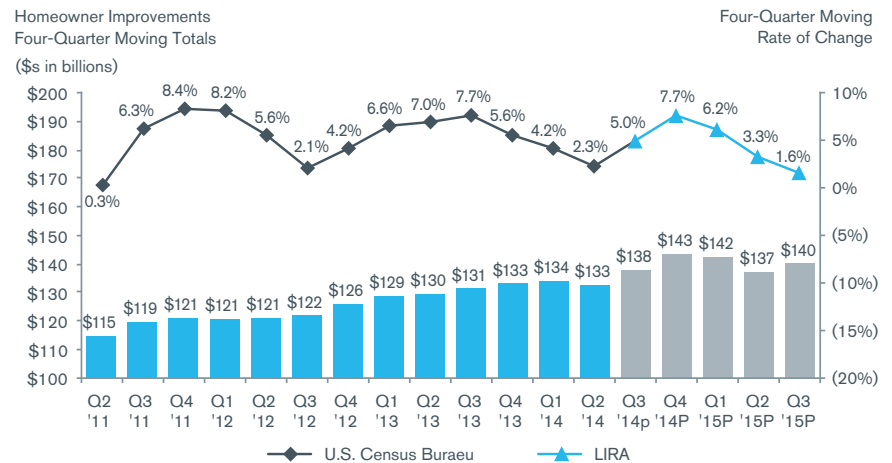
*The S&P / Case-Shiller Home Price Indices are calculated monthly using a three-month moving average and published with a two-month lag
Source: S&P Dow Jones Indices LLC

Remodeling Activity Peaked in Q4 2014

Leading Indicator of Remodeling Activity (LIRA*)

According to the LIRA, home improvement spending is estimated to have increased 5.0% in Q3 2014. Over the next two quarters, growth in spending is expected to remain between 7.7% and 6.2%, before slowing down to 3.3% in Q2 2015 and 1.6% in Q3 2015. Rising home prices, as well as increased levels of home sales, may point toward gains in remodeling activity levels early in 2015.

LIRA*



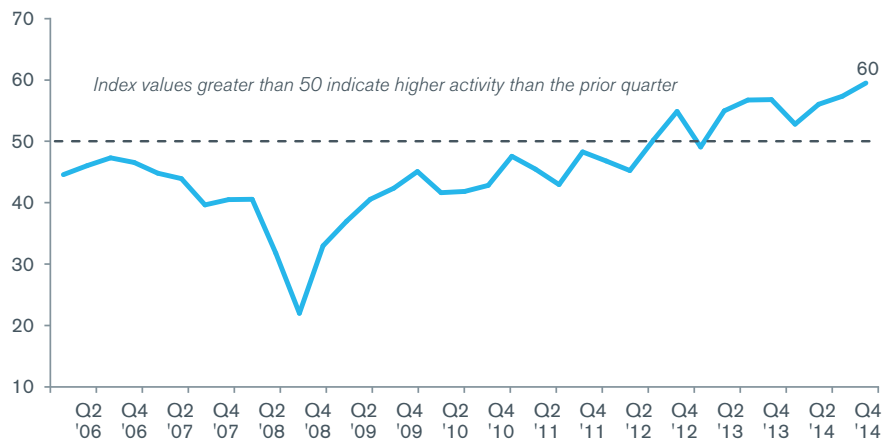
*The LIRA represents the estimated annual rate of change in spending for the current quarter and subsequent three quarters. This annual or moving four-quarter rate of change compares total spending in any given four-quarter period to the total spending that occurred in the four quarters prior to that period.

Source: Joint Center for Housing Studies of Harvard University

Remodeling Market Index (RMI*)

The RMI reached an all-time high of 60 in Q4 2014 from 57 in Q3 2014 due to increasing consumer confidence and household financial stability. The reported index value of 60 in Q4 marks the seventh consecutive quarter the RMI has been above 50, indicating a continued recovery in the housing market.

RMI*



Seasonally Adjusted

*An RMI above 50 indicates that more than half of the remodelers surveyed report market activity is higher than the prior quarter

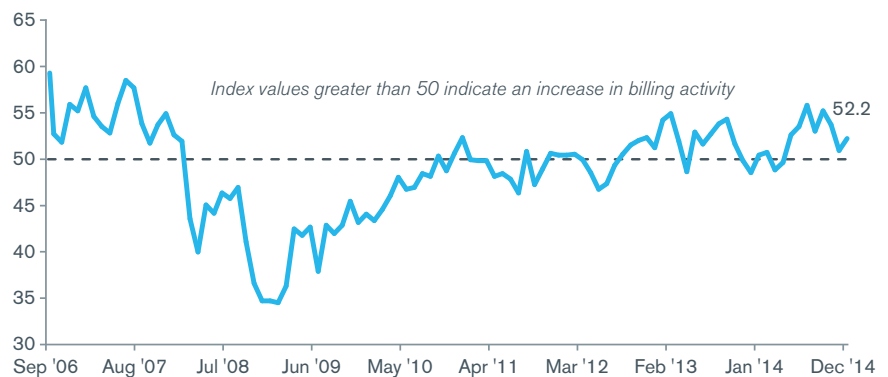
Source: National Association of Home Builders

Non-Residential Construction Has Lagged Recovery in Residential Construction, but Maintains Favorable Outlook

AIA Architectural Billings Index (ABI*)

The ABI, a leading indicator of future non-residential construction activity, has remained above 50 for the last eight months. The ABI increased to 52.2 in December. It is believed that there is a nine to twelve month lag between architectural billings and construction spending so the recent increase in the ABI indicates a favorable outlook for construction for the remainder of much of 2015.

Architectural Billings Index*

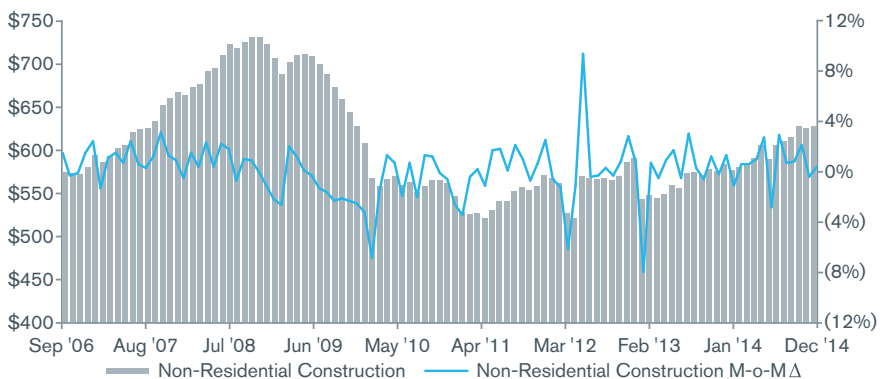


*The ABI is a representative survey conducted by the AIA in attempt to gauge whether architectural firms are reporting an increase or decrease in billing activity from month-to-month. A score above 50 indicates that more than half of the firms that responded are reporting an increase in activity that month compared to the previous month and vice versa. Source: The American Institute of Architects (AIA)

Non-Residential Construction Put in Place

Non-residential construction has lagged recovery in the residential construction market and remains well below historical peak levels. However, non-residential construction increased in December by 0.4% over the prior month and increased by 7.6% over the same period a year ago. The month-over-month increase was driven by increased spending in several sectors including power, highway and street, manufacturing, communication and office.

U.S. Non-Residential Construction Put in Place (\$s in billions)



Seasonally Adjusted Annual Rate. Source: U.S. Department of Commerce: Census Bureau

December LTM Construction Spending Summary

December 2014 Non-Residential Construction Spending Breakdown

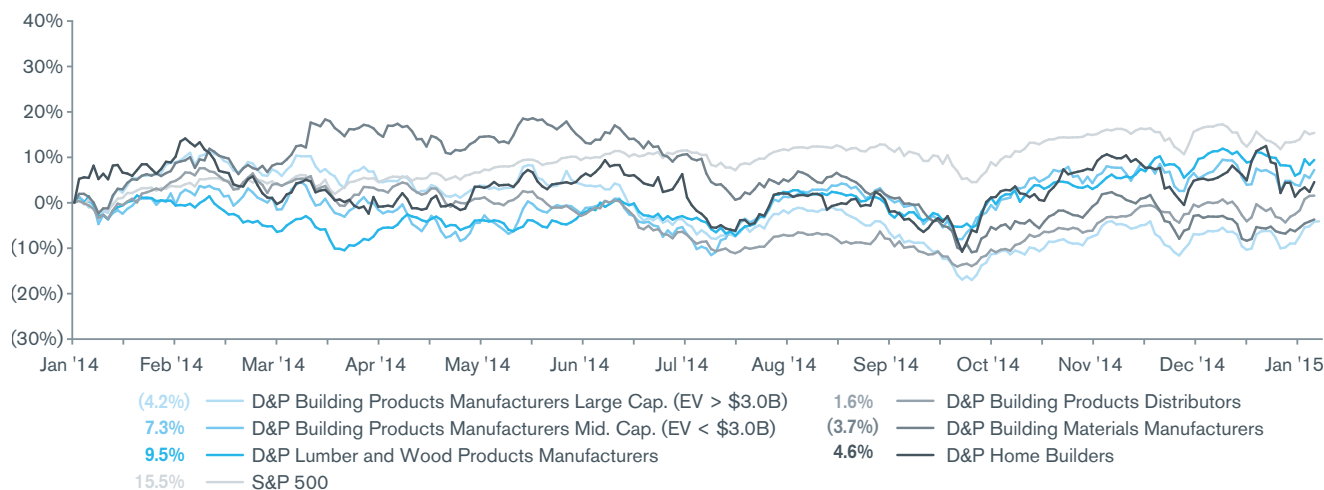
Non-Residential Buildings	M-o-M Δ	Y-o-Y Δ	Non-Building Structures	M-o-M Δ	Y-o-Y Δ
Amusement / recreation	1.9%	18.2%	Conservation / development	1.7%	24.3%
Manufacturing	2.0%	18.0%	Sewage / waste disposal	(2.0%)	9.0%
Office	1.7%	14.0%	Highway and street	2.5%	8.4%
Commercial	(1.7%)	13.7%	Water supply	(0.3%)	7.8%
Transportation	(0.2%)	5.7%	Power	1.0%	7.8%
Lodging	(1.4%)	3.8%	Seasonally Adjusted Annual Rate Source: U.S. Department of Commerce: Census Bureau		
Religious	(4.1%)	2.9%			
Educational	(1.2%)	1.2%			
Healthcare	(1.0%)	(2.2%)			
Public safety	(4.0%)	(6.9%)			
Communication	2.5%	(12.7%)			

Sector Underperformed S&P in 2014, But Multiples Have Trended Up in Recent Years

Equity Market Performance

Over the last 12 months, the stock price index for publicly traded building products and materials companies, home builders and lumber and wood products manufacturers have underperformed the S&P 500. Weak housing starts and new home sales during the summer of 2014 may have caused investor concerns and negatively impacted stock prices. However, the indexes are trending upward in early 2015, likely due to positive movements in metrics that include remodeling spending and housing starts.

12-Month Indexed Stock Chart

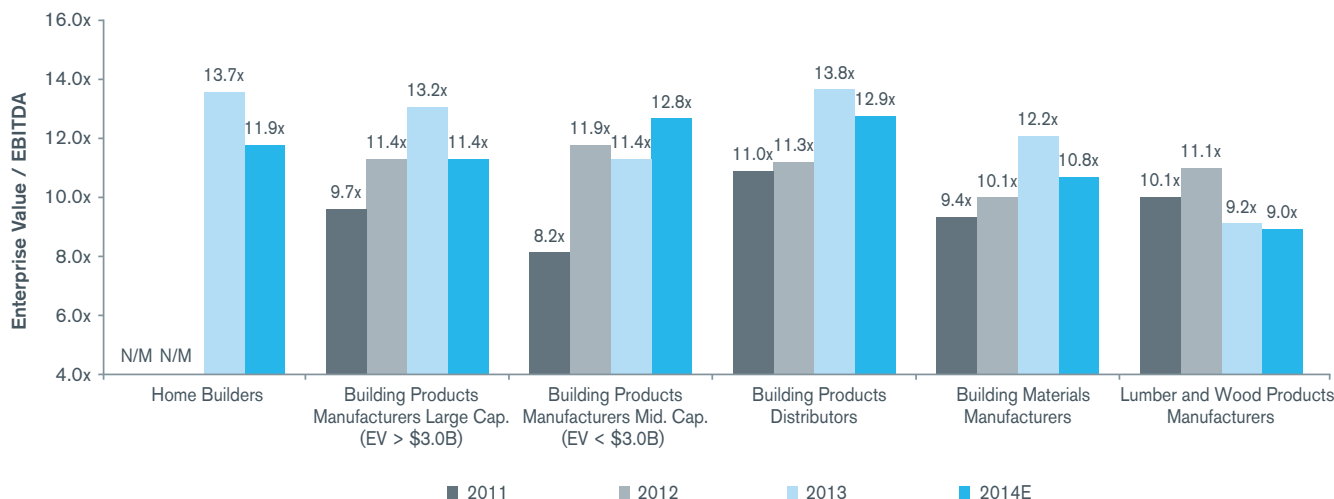


Source: Capital IQ

Valuation Trends

Valuation multiples for the industry as a whole have trended up in recent years, likely due to rising stock prices and anticipation of higher earnings looking forward as key industry drivers including housing starts, building permits, remodeling and repair activity point toward a market recovery. Valuations are down in several sectors over the last few months in accordance with trends in the overall market.

Historical Median EV / EBITDA Trends by Sub-Sector



Source: Capital IQ

Public Companies Trading Analysis

(\$ in millions)

Company	1/27/15 Stock Price	% of 52 Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of						LTM	
					Revenue			EBITDA				
					LTM	2014E	2015E	LTM	2014E	2015E	EBITDA Margin	Revenue Growth
Building Products Manufacturers Large Cap. (EV > \$3.0B)												
Compagnie de Saint-Gobain S.A.	\$42.93	81.3%	\$24,060	\$34,180	0.82x	0.69x	0.70x	6.1x	6.8x	6.6x	13.5%	(1.0%)
Masco Corporation	\$25.15	97.0%	\$8,960	\$11,038	1.31x	1.29x	1.24x	11.4x	11.1x	9.9x	11.4%	5.6%
Fortune Brands Home & Security, Inc.	\$45.34	95.4%	\$7,153	\$7,665	1.75x	1.78x	1.66x	14.3x	13.6x	11.4x	12.2%	15.5%
Owens Corning	\$39.86	85.5%	\$4,687	\$6,871	1.30x	1.29x	1.22x	10.4x	9.7x	8.6x	12.5%	2.3%
Acuity Brands, Inc.	\$153.29	98.3%	\$6,648	\$6,419	2.60x	2.36x	2.11x	17.4x	14.7x	12.4x	15.0%	13.0%
USG Corporation	\$30.24	83.5%	\$4,377	\$6,285	1.71x	1.68x	1.54x	13.1x	12.0x	9.8x	13.0%	6.2%
Lennox International, Inc.	\$99.23	98.8%	\$4,767	\$5,316	1.61x	1.59x	1.50x	14.2x	13.3x	11.5x	11.3%	5.4%
James Hardie Industries plc	\$10.17	82.4%	\$4,544	\$4,835	3.05x	2.93x	2.61x	14.5x	13.3x	11.0x	21.0%	12.4%
Armstrong World Industries, Inc.	\$51.65	83.4%	\$2,835	\$3,746	1.37x	1.40x	1.38x	13.1x	10.2x	9.7x	10.5%	2.3%
	Median	85.5%			1.61x	1.59x	1.50x	13.1x	12.0x	9.9x	12.5%	5.6%
	Mean	89.5%			1.72x	1.67x	1.55x	12.7x	11.6x	10.1x	13.4%	6.9%
Building Products Manufacturers Mid. Cap. (EV < \$3.0B)												
Nortek Inc.	\$79.55	86.2%	\$1,286	\$2,569	1.05x	1.02x	0.97x	10.9x	9.6x	8.3x	9.6%	9.5%
Ply Gem Holdings, Inc	\$13.07	88.9%	\$887	\$1,873	1.29x	1.21x	0.98x	16.3x	15.5x	10.4x	7.9%	11.4%
Headwaters Incorporated	\$14.04	91.0%	\$1,035	\$1,495	1.89x	1.70x	1.60x	12.2x	9.4x	8.4x	15.5%	12.6%
Simpson Manufacturing Co., Inc.	\$33.84	90.8%	\$1,656	\$1,398	1.87x	1.85x	1.71x	11.1x	10.7x	9.3x	16.9%	8.2%
Griffon Corporation	\$13.87	98.4%	\$687	\$1,396	0.70x	0.67x	0.65x	9.0x	8.2x	7.4x	7.8%	6.4%
Trex Co. Inc.	\$42.77	95.4%	\$1,369	\$1,368	3.59x	3.53x	3.09x	17.8x	16.6x	13.8x	20.1%	17.4%
Apogee Enterprises, Inc.	\$44.52	94.0%	\$1,291	\$1,279	1.42x	1.37x	1.22x	15.0x	13.7x	9.7x	9.4%	22.4%
Gibraltar Industries, Inc.	\$15.74	81.9%	\$485	\$597	0.70x	0.70x	0.66x	9.0x	NA	NA	7.8%	4.6%
PGT, Inc.	\$8.89	70.5%	\$423	\$575	2.03x	1.89x	1.53x	13.5x	12.1x	8.1x	15.0%	27.5%
Quanex Building Products Corporation	\$19.10	89.2%	\$690	\$571	0.96x	0.91x	0.84x	11.0x	9.8x	8.0x	8.7%	7.3%
American Woodmark Corp.	\$40.35	93.4%	\$639	\$511	0.65x	0.61x	0.56x	10.1x	7.7x	6.6x	6.4%	14.0%
Norcraft Companies, Inc.	\$20.89	95.2%	\$362	\$466	1.29x	1.26x	1.15x	11.1x	8.9x	7.6x	11.6%	9.7%
	Median	90.9%			1.29x	1.23x	1.06x	11.1x	9.8x	8.3x	9.5%	10.6%
	Mean	89.6%			1.45x	1.39x	1.25x	12.3x	11.1x	8.9x	11.4%	12.6%
Building Products Distributors												
Wolseley plc	\$59.12	96.3%	\$15,375	\$16,503	1.26x	0.79x	0.75x	11.5x	11.3x	10.1x	10.9%	(0.2%)
Watsco Inc.	\$111.04	99.3%	\$3,606	\$4,201	1.08x	1.07x	1.00x	13.5x	13.3x	11.9x	8.0%	5.8%
Lumber Liquidators Holdings, Inc.	\$60.27	53.9%	\$1,631	\$1,620	1.57x	1.54x	1.38x	13.4x	13.1x	10.8x	11.7%	8.5%
Beacon Roofing Supply, Inc.	\$24.01	59.4%	\$1,186	\$1,378	0.59x	0.54x	0.51x	10.7x	8.7x	7.3x	5.6%	3.8%
Builders FirstSource, Inc.	\$6.11	65.0%	\$600	\$916	0.58x	0.57x	0.52x	15.1x	14.0x	9.7x	3.8%	11.9%
Bluelinx Holdings Inc.	\$1.02	61.1%	\$91	\$556	0.28x	NA	NA	16.8x	NA	NA	1.6%	(4.5%)
Stock Building Supply Holdings, Inc.	\$15.62	67.0%	\$409	\$490	0.38x	0.37x	0.33x	15.4x	13.5x	9.0x	2.5%	12.2%
CanWel Building Materials Group Ltd.	\$4.60	87.0%	\$132	\$229	0.31x	0.35x	0.36x	9.1x	9.3x	8.6x	3.4%	3.2%
Taiga Building Products Ltd.	\$0.66	82.0%	\$21	\$217	0.17x	NA	NA	5.8x	NA	NA	2.9%	7.1%
Hardwoods Distribution Inc.	\$10.47	98.0%	\$174	\$212	0.49x	0.54x	0.51x	9.7x	9.5x	8.5x	5.1%	22.1%
Huttig Building Products Inc.	\$3.22	59.1%	\$79	\$155	0.25x	NA	NA	13.6x	NA	NA	1.9%	11.0%
Goodfellow Inc.	\$7.86	97.4%	\$67	\$116	0.24x	NA	NA	9.7x	NA	NA	2.5%	(4.1%)
	Median	74.5%			0.44x	0.56x	0.51x	12.5x	12.2x	9.4x	3.6%	6.4%
	Mean	77.1%			0.60x	0.72x	0.67x	12.0x	11.6x	9.5x	5.0%	6.4%

Source: Capital IQ

Public Companies Trading Analysis (cont.)

(\$ in millions)

Company	1/27/15 Stock Price	% of 52 Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of						LTM	
					Revenue			EBITDA				
					LTM	2014E	2015E	LTM	2014E	2015E	EBITDA Margin	Revenue Growth
Building Materials Manufacturers												
Holcim Ltd.	\$69.86	73.2%	\$22,745	\$37,195	1.96x	1.91x	1.62x	9.7x	9.8x	8.0x	20.3%	(5.8)%
Lafarge S.A.	\$68.78	89.0%	\$19,771	\$33,705	2.26x	2.14x	2.14x	9.0x	10.0x	9.5x	25.2%	8.4%
CEMEX, S.A.B. de C.V.	\$9.59	69.4%	\$11,780	\$28,455	0.14x	1.79x	1.69x	10.7x	10.2x	8.8x	1.3%	7.0%
HeidelbergCement AG	\$73.46	94.9%	\$13,804	\$23,779	1.67x	1.44x	1.44x	7.9x	8.1x	7.8x	21.3%	6.3%
CRH plc	\$24.72	95.3%	\$18,221	\$22,560	1.23x	0.99x	0.98x	13.9x	11.3x	10.4x	8.8%	3.0%
Vulcan Materials Company	\$70.23	99.5%	\$9,250	\$11,164	3.82x	3.80x	3.39x	20.8x	18.2x	14.3x	18.4%	8.2%
Martin Marietta Materials Inc.	\$111.57	81.8%	\$7,505	\$9,052	3.79x	3.36x	2.54x	17.8x	16.5x	10.9x	21.3%	25.3%
Eagle Materials Inc.	\$72.44	68.5%	\$3,641	\$3,942	4.07x	3.62x	2.75x	15.5x	11.1x	8.1x	26.3%	20.7%
Titan Cement Company S.A.	\$22.98	75.3%	\$1,774	\$2,521	2.09x	1.74x	1.63x	11.2x	10.5x	8.7x	18.8%	6.0%
U.S. Concrete, Inc.	\$26.44	86.3%	\$370	\$496	0.72x	NA	NA	8.1x	NA	NA	8.9%	17.8%
	Median	84.1%			2.02x	1.91x	1.69x	10.9x	10.5x	8.8x	19.5%	7.6%
	Mean	83.3%			2.17x	2.31x	2.02x	12.4x	11.7x	9.6x	17.1%	9.7%
Home Builders												
Lennar Corp.	\$44.94	92.6%	\$8,927	\$14,177	1.99x	1.59x	1.45x	16.2x	11.2x	9.9x	12.3%	32.4%
DR Horton Inc.	\$24.16	90.1%	\$8,826	\$12,038	1.50x	1.21x	1.06x	13.0x	10.1x	8.8x	11.5%	28.2%
Toll Brothers Inc.	\$34.10	85.4%	\$5,983	\$8,790	2.25x	2.08x	1.79x	19.7x	13.1x	10.2x	11.4%	46.3%
PulteGroup, Inc.	\$20.96	90.0%	\$7,771	\$8,475	1.50x	1.47x	1.34x	12.6x	9.9x	8.4x	11.9%	1.1%
NVR, Inc.	\$1,225.00	90.4%	\$5,018	\$5,102	1.17x	1.14x	0.99x	10.5x	10.4x	8.9x	11.2%	11.3%
Standard Pacific Corp.	\$6.98	75.9%	\$1,955	\$3,840	1.68x	1.62x	1.40x	11.0x	8.8x	7.4x	15.2%	30.4%
KB Home	\$12.19	58.7%	\$1,121	\$3,341	1.50x	1.21x	1.07x	23.3x	13.3x	10.4x	6.5%	8.1%
Ryland Group Inc.	\$36.49	78.2%	\$1,683	\$2,781	1.14x	1.10x	0.93x	10.5x	9.5x	7.8x	10.8%	29.7%
Hovnanian Enterprises Inc.	\$3.47	56.0%	\$513	\$2,280	1.10x	0.97x	0.85x	20.9x	11.1x	8.1x	5.3%	11.5%
Meritage Homes Corporation	\$33.99	67.6%	\$1,330	\$2,167	1.07x	0.99x	0.83x	10.4x	9.7x	8.6x	10.4%	22.4%
MDC Holdings Inc.	\$25.02	78.8%	\$1,221	\$1,866	1.12x	1.11x	0.92x	17.8x	13.4x	10.7x	6.3%	2.9%
Beazer Homes USA Inc.	\$17.01	70.9%	\$467	\$1,653	1.13x	0.99x	0.86x	21.4x	12.4x	10.1x	5.3%	13.7%
M/I Homes, Inc.	\$20.47	78.9%	\$501	\$1,000	0.85x	0.83x	0.74x	11.1x	NA	9.8x	7.6%	24.4%
	Median	78.8%			1.17x	1.14x	0.99x	13.0x	10.8x	8.9x	10.8%	22.4%
	Mean	78.0%			1.38x	1.26x	1.09x	15.3x	11.1x	9.2x	9.7%	20.2%
Lumber and Wood Products Manufacturers												
Weyerhaeuser Co.	\$35.91	96.9%	\$18,830	\$22,626	2.61x	2.94x	2.82x	12.6x	13.1x	12.0x	20.8%	15.7%
West Fraser Timber Co. Ltd.	\$55.68	99.3%	\$4,668	\$4,965	1.33x	1.48x	1.44x	10.3x	9.2x	7.2x	12.9%	9.1%
Canfor Corp.	\$23.28	96.2%	\$3,152	\$3,473	1.05x	1.17x	1.14x	7.5x	7.5x	6.2x	14.0%	6.8%
Louisiana-Pacific Corp.	\$15.74	83.4%	\$2,238	\$2,420	1.23x	1.23x	1.10x	NM	NM	13.8x	2.3%	(4.8)%
Boise Cascade Company	\$39.46	96.3%	\$1,555	\$1,687	0.48x	0.47x	0.42x	9.0x	8.2x	6.9x	5.3%	10.7%
Norbord, Inc.	\$21.20	81.2%	\$1,133	\$1,475	1.21x	1.24x	1.16x	14.3x	15.8x	8.4x	8.5%	(10.6)%
Universal Forest Products Inc.	\$50.42	86.2%	\$1,007	\$1,076	0.42x	0.41x	0.38x	8.4x	8.2x	7.1x	5.0%	6.2%
Ainsworth Lumber Co. Ltd.	\$2.78	81.8%	\$670	\$874	1.96x	2.20x	1.75x	NM	NM	9.5x	6.9%	(11.1)%
	Median	91.2%			1.22x	1.23x	1.15x	9.7x	8.7x	7.8x	7.7%	6.5%
	Mean	90.2%			1.29x	1.39x	1.27x	10.4x	10.3x	8.9x	9.5%	2.8%

Source: Capital IQ

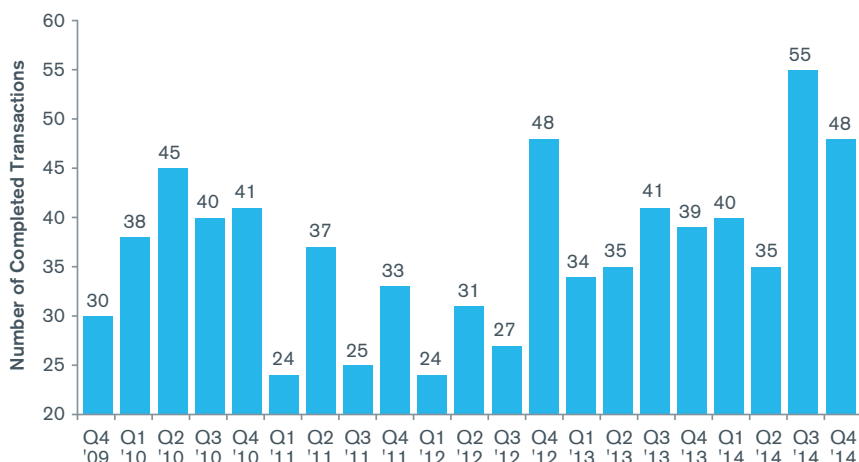
M&A Activity Up Nearly 20% Year-over-Year with Further Consolidation Expected

Building Products and Materials M&A Trends

M&A activity in the sector was strong in Q4 2014, with 48 completed transactions involving target companies headquartered in the U.S. or Canada.

There remains strong acquisition interest from private equity firms and strategics, particularly due to abundance of debt capital, low interest rates, and an improving housing market.

Building Products and Materials Quarterly M&A Trends



Note: Includes all transactions where the target is headquartered in the U.S. or Canada

Source: Capital IQ

Notable M&A Activity – Q4 2014

Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Products Distributors				
Dec-14	Eastside Wholesale Supply, Co.	United States	American Builders & Contractors Supply Co., Inc.	Distributes siding and building materials
Dec-14	Standard Roofings, Inc.	United States	American Builders & Contractors Supply Co., Inc.	Distributes exterior building products to builders, contractors, architects and homeowners
Dec-14	American Masons' & Building Supply Co.	United States	US LBM Holdings, LLC	Supplies building materials in the Greater Hartford Area
Dec-14	Honsador Holding, LLC	United States	Grey Mountain Partners, LLC	Supplies building materials to residential and light commercial market segments primarily in Hawaii and Oregon
Dec-14	Weekes Forest Products, Inc.	United States	MacArthur Co.	Distributes lumber and building products in the Midwest and Florida
Dec-14	HD Supply Distribution Services, LLC	United States	The Home Depot, Inc.	Distributes builder hardware to national and regional hardware retailers, and the professionals market in North America
Nov-14	Wallboard Supply Company, Inc.	United States	US LBM Holdings, LLC	Distributes and installs building materials to residential and commercial construction industries in New England
Nov-14	Specialty Pipe & Tube, Inc.	United States	Synalloy Corporation	Distributes steel pipes and tubes
Nov-14	Southern Fastening Systems, Inc.	United States	Carlson Systems, LLC	Distributes tools and fasteners for wood construction projects and manufacturing operations
Nov-14	Watertown Plumbing And Heating Supply Co., Inc.	United States	F.W. Webb Company	Distributes piping, plumbing and heating repair products for commercial, industrial and institutional facilities maintenance
Oct-14	Wholesale Roofing Supply Houston, Inc.	United States	Beacon Roofing Supply, Inc.	Distributes roofing and millwork products for residential and commercial customers
Oct-14	Empire Plumbing Supply, Inc.	United States	Morrison Supply Company, LLC	Distributes residential and commercial plumbing products
Building Products Manufacturers				
Dec-14	Hanson Building Products	United States	Lone Star Funds	Manufactures and refines cement and aggregates products
Nov-14	Atlas Homewares, Inc.	United States	Top Knobs, Inc.	Designs and manufactures decorative hardware products that include cabinet knobs, door knockers and bath hooks
Nov-14	Airxcel, Inc.	United States	Yukon Partners; One Rock Capital Partners, LLC	Designs and manufactures HVAC systems and related appliances for assisted living, multi-family housing and other specialty applications

Source: Capital IQ

Q4 2014 M&A Activity (cont.)

Notable M&A Activity – Q4 2014 (cont.)

Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Products Manufacturers (cont.)				
Nov-14	Architectural Elements LLC	United States	FP2D, LLC	Manufactures and distributes doors, windows and hardware for residential and commercial construction in the United States
Nov-14	Vicwest Inc	Canada	Kingspan Group plc	Manufactures and distributes building construction products in North America
Nov-14	CENTRIA Incorporated	United States	Steelbuilding.com, Inc.; NCI Group, Inc.	Designs, develops and manufactures engineered wall, roof and floor systems
Nov-14	Industrial Noise Control, Inc.	United States	United Process, Inc.	Manufactures and distributes industrial noise control products and systems
Nov-14	Trussbilt LLC	United States	Coastal Plain Ventures, LLC	Designs and manufactures steel building products for detention facilities
Nov-14	Borga, Inc.	United States	The Courtney Group	Manufactures steel buildings and components for commercial, industrial, agricultural and residential markets
Nov-14	Connor Sport Court International, Inc.	United States	Gerflor USA, Inc.	Designs and manufactures sports surfacing and flooring products
Nov-14	Icynene Inc.	Canada	Friedman Fleischer & Lowe, LLC	Manufactures and distributes polyurethane foam insulation products for residential, commercial and specialty non-construction applications
Nov-14	Hanson Structural Precast, Inc.	United States	Wells Concrete Products, Inc.	Manufactures and supplies structural and architectural precast components
Oct-14	TMI, LLC	United States	River Associates Investments, LLC	Manufactures flexible PVC and energy control doors
Oct-14	Peterson Industries, Inc.	United States	Aldora Aluminum and Glass Products Inc.	Manufactures shower enclosures and doors, mirror closet doors and sliding glass patio doors
Oct-14	L&L Maintenance Company and L&L Cleanroom Construction	United States	AM Technical Solutions, Inc.	Manufactures and installs modular wall systems and ceiling grids
Oct-14	NDS Inc.	United States	NORMA Group SE	Designs and manufactures stormwater management and waterflow management systems
Oct-14	Trim Tech of Austin, Inc.	United States	Builders FirstSource, Inc.	Manufactures and installs millwork products that include doors, shutters and cabinets in Central Texas
Oct-14	Applicators Sales & Service, Inc.	United States	Beacon Roofing Supply, Inc.	Manufactures and distributes vinyl windows, sliding patio doors and custom shutters
Building Materials Manufacturers				
Dec-14	Country Stone Holdings, Inc., Concrete Block and Paver Stone Business	United States	Techo-Bloc Inc.	Manufactures concrete blocks and paver stones
Dec-14	AGC Flat Glass North America, Inc.	United States	Trulite Glass Company, LLC	Manufactures glass for commercial and residential markets
Dec-14	Diamond Concrete, Inc.	United States	U.S. Concrete, Inc.	Manufactures and distributes concrete
Dec-14	Scofield Construction Services, LLC	United States	Redi-Mix, L.P.	Manufactures ready-mix concrete products
Dec-14	Stake in 5 Companies	United States	Mayco Holdings, LLC	Manufactures roof flashings for commercial and residential applications
Nov-14	Texas Tempered Glass, Inc.	United States	Trulite Glass & Aluminum Solutions, LLC	Manufactures specialized glass for safety and decorative applications in commercial and residential projects
Oct-14	Damron Sand & Gravel, Inc.	United States	PB Materials Holdings, Inc.	Manufactures and supplies sand and gravel in Lubbock, Texas
Oct-14	Colorado County Sand & Gravel And Concrete Supply of Topeka	United States	Summit Materials, LLC	Manufactures ready-mix concrete, sand and gravel
Homebuilders				
Dec-14	Monarch Corporation	Canada	Mattamy Homes Limited	Develops and builds single-family homes and condominiums
Dec-14	Handcrafted Homes, LLC	United States	Innovative Building Systems LLC	Builds modular homes in the United States
Nov-14	Brooklyn Navy Yard Modular-Construction Facility	United States	Forest City Ratner Companies, LLC	Builds modular residential units
Nov-14	Peachtree Communities, Inc.	United States	Century Communities, Inc.	Builds homes and residences in Atlanta
Oct-14	Tarragon Homes LLC	United States	AVEW Holdings Inc.	Builds luxury homes

Source: Capital IQ














Q4 2014 M&A Activity (cont.)

Notable M&A Activity – Q4 2014 (cont.)

Date Announced	Target	Target Country	Acquiror	Target Business Description
Lumber and Wood Manufacturers				
Dec-14	Empire Truss Ltd.	United States	Builders FirstSource, Inc.	Manufactures custom design roof trusses and floor trusses and distributes engineered wood products
Dec-14	Lumber Specialties, Ltd.	United States	US LBM Holdings, LLC	Manufactures and distributes structural building components for customers in the United States
Dec-14	Ainsworth Lumber Co. Ltd.	Canada	Norbord, Inc.	Manufactures and markets engineered wood products
Nov-14	Acanthus Industries Inc.	Canada	Art for Everyday, Inc.	Designs and manufactures architectural wood products in Canada
Nov-14	Kentucky-Indiana Lumber Co., Inc.	United States	US LBM Holdings, LLC	Manufactures lumber and building materials that include decking, plywood and trusses

Source: Capital IQ

Duff & Phelps Recent Transactions Closed

<p>Sell Side Advisor</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 
<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor (On Going)</p> <p>Manufactures and sells commercial modular buildings</p>	<p>Sell Side Advisor (On Going)</p> <p>Manufactures, designs and distributes emergency and exit lighting products</p>

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About Duff & Phelps

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