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Cascadia Capital

Building Products
Market Update

June 2024

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Executive Summary

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Macroeconomic Trends	• Despite prevailing elevated interest rate levels across the U.S., most experts believe rates have "topped out" and are unlikely to increase further in 2024. • Significant government spending through new legislation continues to push construction spending in certain end markets, notably in manufacturing and infrastructure. • Shifting populations could provide positive secondary tailwinds on the residential side, but lingering mortgage rates and muted remodeling activity continue to weigh on the market.
Evolving Construction Landscape	• Construction spending in the U.S. is expected to reach ~$2.5T in 2028, driven by eventual interest rate reductions and ongoing government spending particularly across critical infrastructure projects. • Demand for housing in the U.S. continues to outpace supply, necessitating substantial investments in new single-family home construction. While activity is still slow today, housing starts are expected to increase throughout 2024 as builders gain comfort with the current environment. • Elevated mortgage rates continue to provide support for remodeling activity as homeowners remain reluctant to vacate existing homes, however Covid-driven remodeling demand pull-forward leaves resulted in notably slower activity compared to 2020 – 2022. • Manufacturing-related construction activity grew significantly in 2023 and will continue to hold a major share of overall commercial construction spending in 2024. Office construction, on the other hand, continues to underperform as low occupancy rates prevail in the new post-covid environment. • The aging stock of schools, hospitals, and other government facilities will necessitate substantial construction spending for the foreseeable future and legislators appear willing to dedicate significant dollar values for upgrades. • Infrastructure spending in the U.S. is expected to reach $601.7B by 2028, a significant increase from current levels as critical infrastructure such as roads, bridges and water facilities continue to deteriorate. Federal legislation, such as the BIL, will provide much-needed support for activity across sub-segments.
M&A Environment	• M&A activity across the building products landscape appears to be on the rise as anticipated upticks in construction activity reignite interest from strategic and financial investors. • Building product manufacturers focused on sustainable materials are increasingly generating high levels of interest as investors look to diversify portfolios and prepare for evolving building and energy code requirements. • Building product distributors with strong footholds in growing and attractive geographies continue to solicit interest from large public and PE-backed consolidators.

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Section 1

Macroeconomic Trends

Macroeconomic Indicators (1/4)

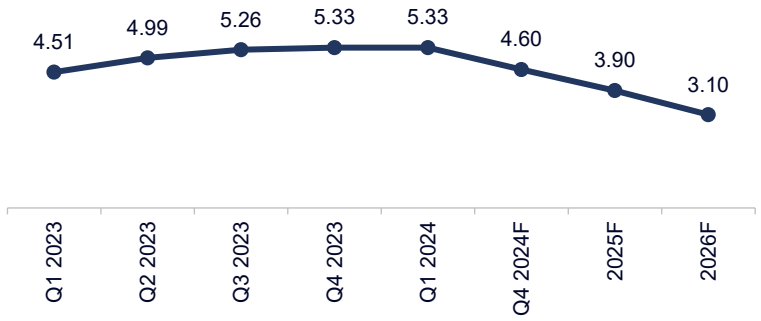
While interest rates have effectively plateaued, questions surrounding anticipated rate cuts remain top of mind for the construction sector

Summary

- Despite prevailing elevated interest rate levels across the U.S., **most experts believe they have "topped out"** and are unlikely to increase further in 2024. The Fed's most recent briefing supports that sentiment, stating **rate hikes are "unlikely."**
- Though the effective plateau has provided the sector with the benefit of some short-term stability, two primary questions remain:
    1. **When will interest rate cuts begin?**
    2. **How fast will rates cuts occur?**
- Lingering inflation, combined with continued strength in consumer spending and job growth, has resulted in the Fed tempering timing expectations on rate cuts, and the likelihood of any rate cuts in 2024 appears to be dwindling. However, recent news on muted consumer spending and slowing core inflation may result in the Fed changing course and lowering interest rates in Q3 or Q4.
- Even if rates largely stay the same, increased levels of predictability could provide builders who have recently been negatively impacted by the tightened lending environment and higher collateral demands with greater confidence through the end of 2024 resulting in additional footing for a rise in construction activity across all end markets.

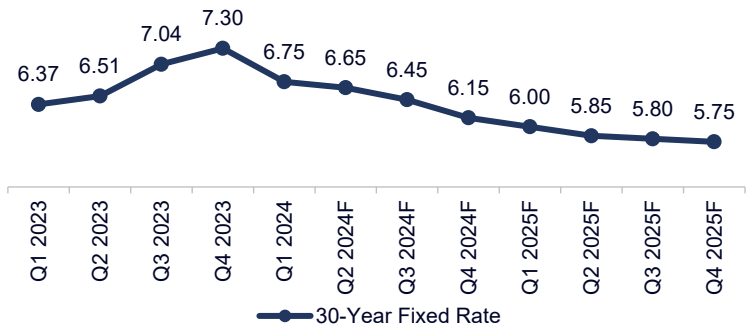
Interest Rate [1,2]

(*In percentage, not seasonally adjusted*) (Quarterly Average)



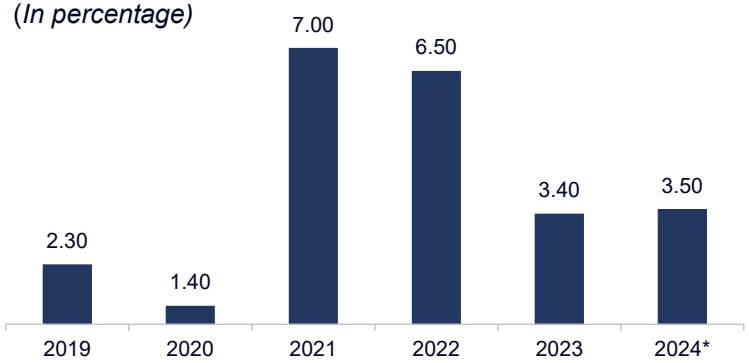
Mortgage Rate [3,4]

(*In percentage, not seasonally adjusted*) (Quarterly Average)



Annual Inflation Rate [5]

(*In percentage*)



*for the 12 months ending March 2024

1. Federal Reserve Economic Data: Federal Funds Effective Rate 2. The Conference Board 3. Federal Reserve Economic Data: 30-Year Fixed Rate Mortgage 4. Wells Fargo 5. US Inflation Calculator

Macroeconomic Indicators (2/4)

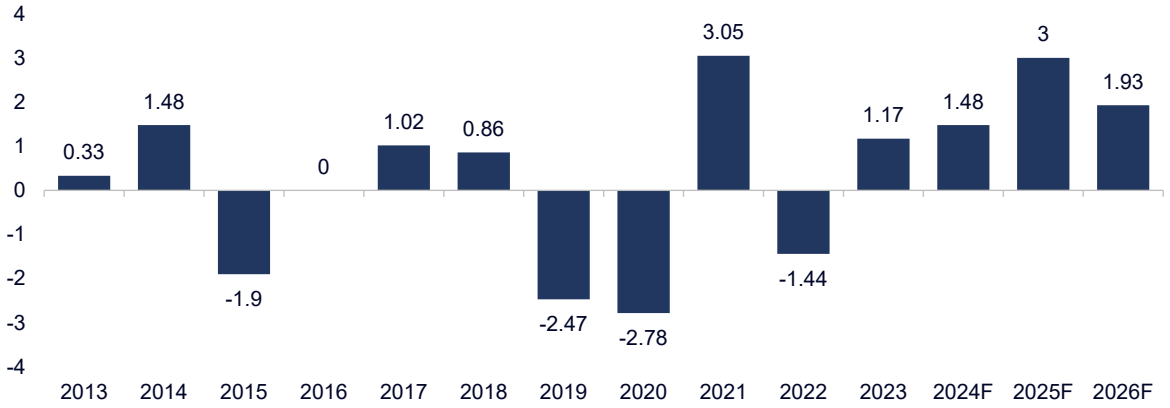
Federal legislation such as the CHIPS Act and the Inflation Reduction Act have resulted in construction spending spikes within the industrial & manufacturing landscape

Manufacturing Spikes and the Secondary Affects on the Building Products & Construction Sectors

- Growing optimism within the private sector coupled with government incentives have led to significant investments in new manufacturing facilities to support longer-term reshoring and nearshoring trends and overall have led to a **~1.5% surge in projected manufacturing output for 2024**.
- Further growth is expected over the next two years, including a projected **3% uptick in 2025** before stabilizing to a **2% growth** rate in **2026**.
- New manufacturing facilities for sectors such as **semiconductor, clean energy, and electric vehicles** have led the way with the highest volume of new construction in order to facilitate higher levels of U.S.-based production.
- While the spike in U.S. manufacturing expansion is a huge positive for overall construction activity in the short-to-mid-term, activity tends to be more localized around larger projects. With current activity likely approaching peak levels, eventually demand will fall.
- For now, new facilities that bring large numbers of new jobs should have secondary tailwinds for the building products market for ancillary products and services (such as mobile structures) as well as new housing and repair & remodel projects as migration patterns emerge. The commercial sector could benefit too, as ancillary businesses and services that require new facilities will be needed to support population shifts.

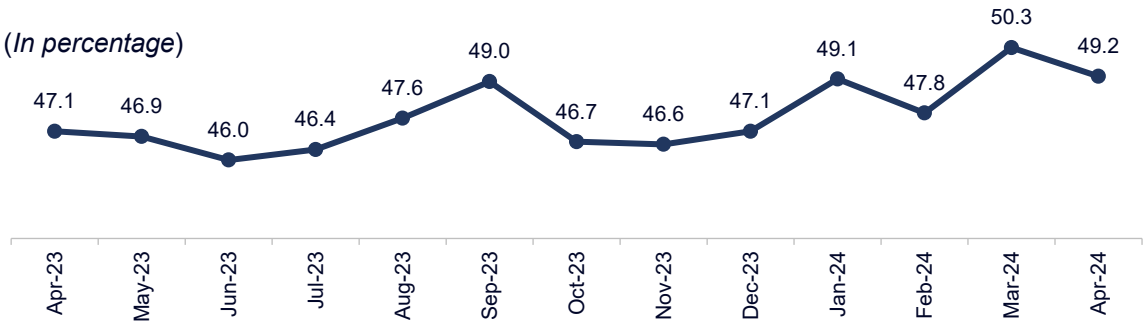
Manufacturing Output in the US[1]

Y-o-Y change (*In percentage)*



ISM PMI [2]

The ISM Manufacturing PMI fluctuated throughout 2023 and reached **49.2 in April 2024** indicating **increasing levels of broader manufacturing activity**



1. ING 2. Trading Economics

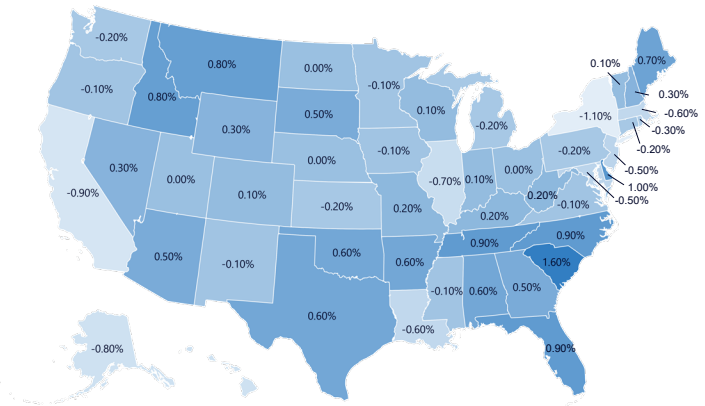
Macroeconomic Indicators (3/4)

Significant population shifts toward low-tax states coupled with longer-term trends toward suburban living indicate outsized opportunities within the building products sector in certain regions

Shifting Populations Create Significant Opportunites[1]

- Americans have continued with Covid-induced trends of migration toward low-tax states with lower costs of living and a particular emphasis on the Southeast region.
- While international migration is contributing significantly to population growth at the national level, interstate migration was the key driver of net population changes at the state level.
- South Carolina, North Carolina, Tennessee and Florida all saw the highest levels of interstate net migration inflows, while New York, Illinois and California experienced large net migration outflows, indicating a clear correlations between the standard cost of living, preferences for suburban environments, and overall population shifts.
- Additional patterns that will drive demand in residential building products include the shifts in housing preferences within age demographics:
    - With an estimated 10,000 Baby Boomers retiring each day in the U.S., further migration shifts are expected that will have significant impacts on overall housing availability and as well as demand for renovation & remodel projects.
    - As the millennial generation reaches peak home-buying ages, ongoing moves to suburban regions offering larger dwellings and lower costs of living are anticipated to continue.
- With the U.S. facing an existing shortage of ~2.5M single family homes the need for housing availability in combination with the shifts in population centers creates significant tailwinds for new residential construction along with the repair and remodel market.

State Population Changes in 2023[1]



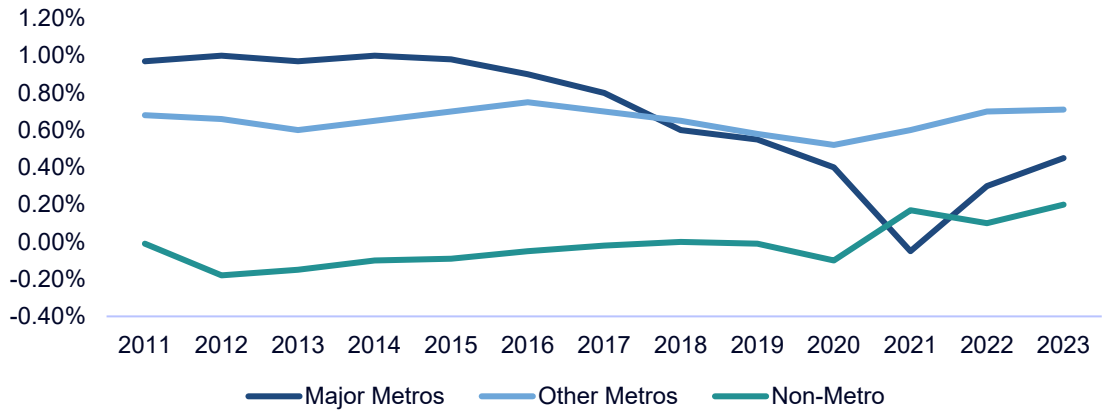
Top 5 Inbound Migration

1. South Carolina
2. Delaware
3. Florida
4. North Carolina
5. Tennessee

Top 5 Outbound Migration

1. New York
2. California
3. Hawaii
4. Alaska
5. Illinois

Growth Rates for Metropolitan and Non-Metropolitan Areas[2]



1. Tax Foundation 2. U.S. Census Bureau 3. Reuters

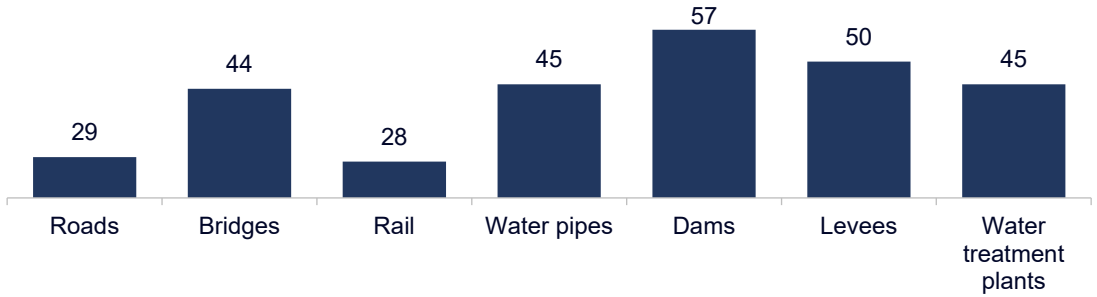
Macroeconomic Indicators (4/4)

Deteriorating U.S. infrastructure will continue to solicit significant investment and attention from legislators, demonstrated by the Bipartisan Infrastructure Law (BIL) allocating $1.2T towards improvements

Current State of Infrastructure in the US [1,2,3]

- According to the latest evaluation by the ASCE, the overall U.S. infrastructure grade **is currently a C-**
- The **US ranks 13th globally** in **infrastructure investment** as a percentage of GDP and is now working to close the gap by increasing infrastructure spending at both state and local levels
- The desperate need for significant infrastructure investment will be a tailwind for construction activity for decades to come, meaning **both building products manufacturers and distributors should have significant opportunities to sell into these end markets**

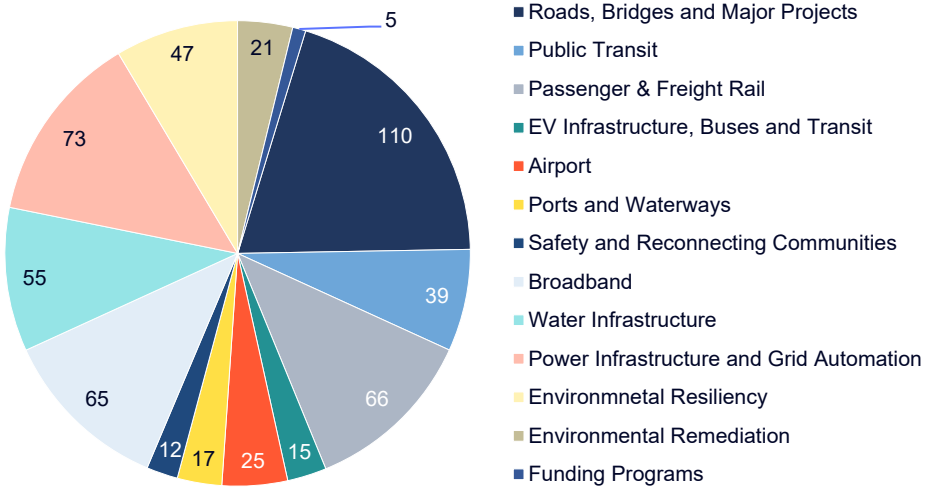
Average Age of Infrastructure in the US [1]



Break-up of New Spending on Infrastructure ($550B) [4]

Since its initiation, the BIL has supported over **40,000 projects** in roughly **4,500 communities** nationwide

(*Values in $ Billions*)



Infrastructure Ratings [1]

D+	AVIATION	D+	INLAND WATERWAYS	D+	SCHOOLS
C	BRIDGES	D	LEVEES	C+	SOLID WASTE
D	DAMS	B-	PORTS	D	STORM WATER
C-	DRINKING WATER	D+	PUBLIC PARKS	D-	TRANSIT
C-	ENERGY	B	RAIL	D+	WASTE WATER
D+	HAZARDOUS WASTE	D	ROADS		

1. ASCE 2. US Department of the Treasury 3. Council on Foreign Relations 4. McKinsey

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Section 2

Construction Activity Overview

Construction Overview

The residential sector is well positioned for growth given potential mortgage rate cuts and existing housing supply shortages, while government initiatives continue to propel infrastructure spending

Residential Sector

- **Record levels of pent-up housing demand** and eventual mortgage rate reductions should boost new home sales in the U.S. in the months and years ahead, assuming supply can be developed fast enough
- **While home buyers and sellers are still largely on the sidelines,** as existing home sales levels begin increasing, a resurgence of remodeling activity could follow
- **Population shifts toward growing regions and demographic trends**, particularly among younger groups of homeowners, also offer additional tailwinds for increased activity in the years ahead, though both are at the expense of alternative demand drivers

Commercial Sector

- **Investments in new manufacturing facilities** have propped up total commercial construction spending over the last two years
- **One can expect a mixed bag of activity** across other commercial end markets as the continued lag in return-to-office initiatives leaves commercial office space in no man's land
- **Repair & remodel trends could pick up** as owners weigh decisions on the go-forward use of empty commercial space and consider conversions to multi-family housing, but logistical construction implications make those projects costly and high-risk
- **Other end markets such as education and hospitality have higher growth trajectories**

Infrastructure Sector

- **Aging infrastructure** and years of built-up underinvestment will require significant construction spending and improvements over the next decade
- **Highways and streets** currently top government infrastructure spending at $134.5B, with significant road and bridge projects underway
- **The BIL has allocated $30B specifically for rail projects**
- **Clean energy incentives** are expected to increase spending on grid modernization and renewable energy by 19% in 2024 vs. 2023

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2.1 Residential Sector

Residential Sector – Overview

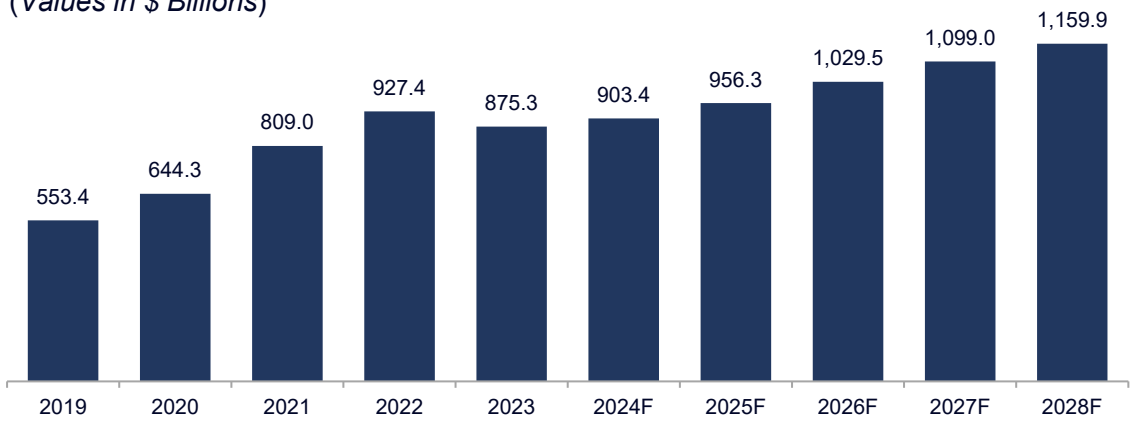
Despite mortgage rate uncertainty and overall housing shortages, positive sentiment prevails within the residential sector as builders adjust to the new normal and become more aggressive in 2024

Residential Sector in the U.S.

- Building product suppliers in the U.S. faced **subdued demand in 2023** given the high mortgage rate environment and stubbornly high home prices given the lack of supply.
- The prevailing interest rate environment and the **subsequent high cost of construction financing** has also impacted both new construction and remodeling activity across the country.
- While median home prices have moderated slightly from 2022 and 2023, single family home prices remain significantly higher than pre-pandemic levels, forcing many buyers to sit on the sidelines.
- Total residential construction spending in the U.S. is **expected to increase moderately** in 2024, though lack of interest rate changes coupled with other recessionary concerns may curb results.
- Despite these concerns, recent builders' surveys indicate positive sentiment for the remainder of 2024, as the majority believe housing starts will reach 10% growth or more from 2023.

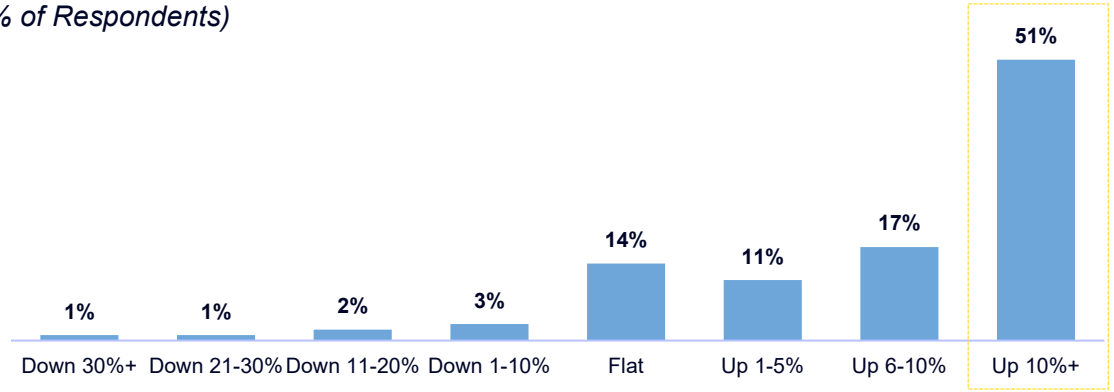
Residential Construction Spending [1]

(*Values in $ Billions*)



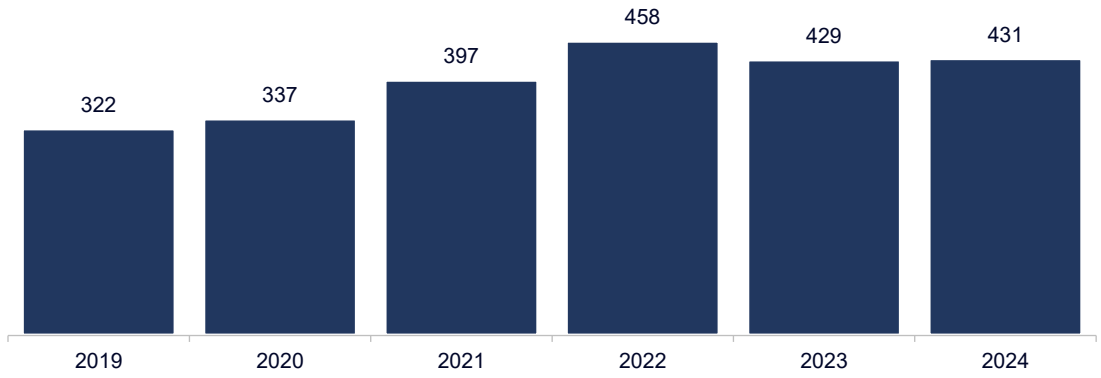
Anticipated Housing Starts Survey [2]

(% of Respondents)



Median Home Prices [1]

(*Values in $ Thousands*)



1. U.S. Census Bureau 2. Zonda

Residential Sector – New Construction

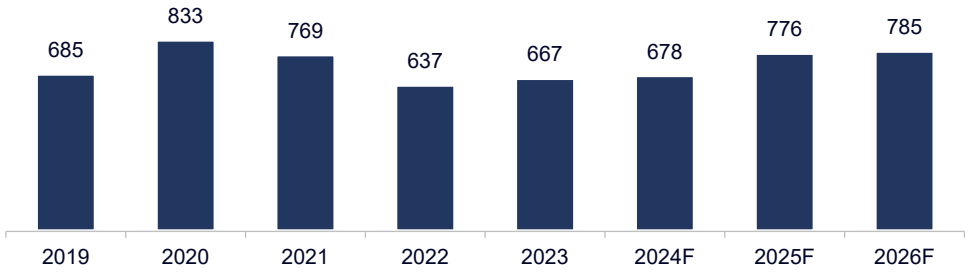
Positive momentum for new single-family construction starts implies elevated levels of residential building product demand in the near-to-mid-term

Housing Starts and Completions

- Single-family housing starts declined starting in 2021 and bottomed out in 2023, but expectations for a recovery back to pre-pandemic levels are on the rise, with current **2024 forecasts estimating a ~8% growth from last year.**
- Sentiment is less positive on the multi-family side, as construction costs and lingering material inflation continue to apply significant pressure to developers.
- New home sales, featuring a lag affect from housing starts, are expected to remain flat in 2024 as construction activity picks up with significant jumps in 2025 and 2026 under the assumption supply increases significantly.

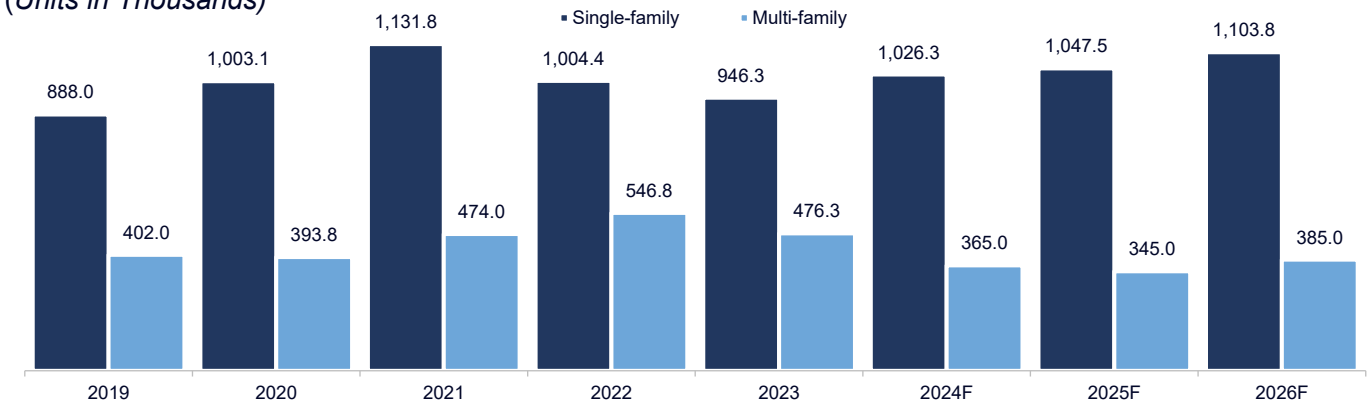
New Home Sales [1]

(*Units in Thousands*)



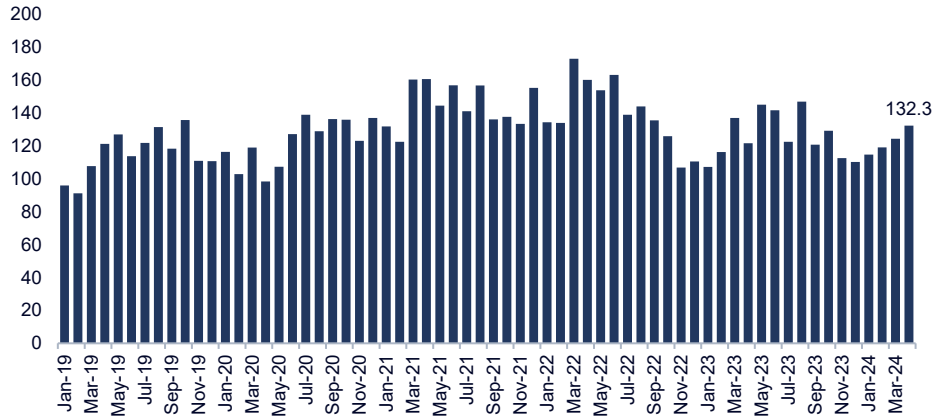
Housing Starts [1]

(*Units in Thousands*)



Housing Permits [2]

(*Units in Thousands*)



1. NAHB: Starts, New Home Sales 2. NAHB: Permits

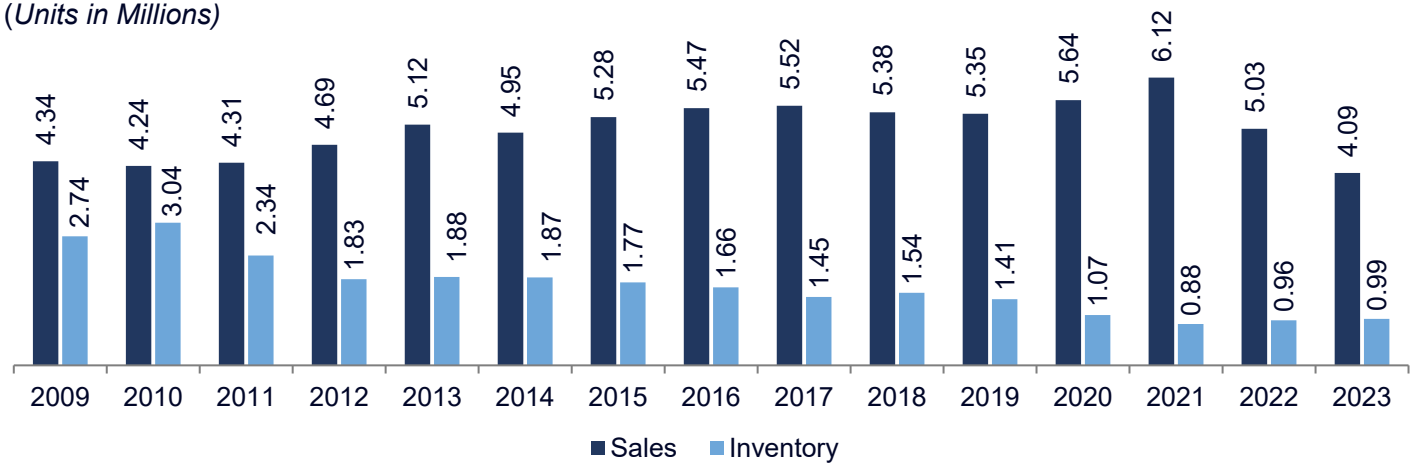
Residential Sector – Repair and Remodel (1/3)

Historically low housing inventory and sustained work from home trends have provided a steady backdrop for renovation activity, however as new housing inventory recovers demand is likely to stabilize

- After a historic run of new home sales following the Great Recession through the early stages of the pandemic, the U.S. housing market witnessed a significant decrease in overall levels of inventory leading to intensified competition among buyers and ultimately significantly elevated home prices.
- Homeowners who locked in **low mortgage rates** during the period of historically low rates remain **reluctant to sell due to rate increases,** intensifying the current housing shortage.
- While the **decline in existing home sales** has impacted product demand significantly, **home renovation projects**, particularly DIY such as kitchen and bathroom upgrades, have provided some relief. That was certainly the case from 2020 – 2022, as COVID-driven remodeling demand pull-forward raised activity levels significantly.
- Today, homeowners who plan to stay in their homes may continue to invest in upgrades, but are less likely to if they completed projects during COVID.
- Though the outlook for repair and remodel is not as strong as it was 24 months ago, the NAHB Remodeling Market Index (RMI) remains above 50, indicating sustained positive sentiment from industry participants.

Existing Homes Sales and Inventory in the US [1,2,3]

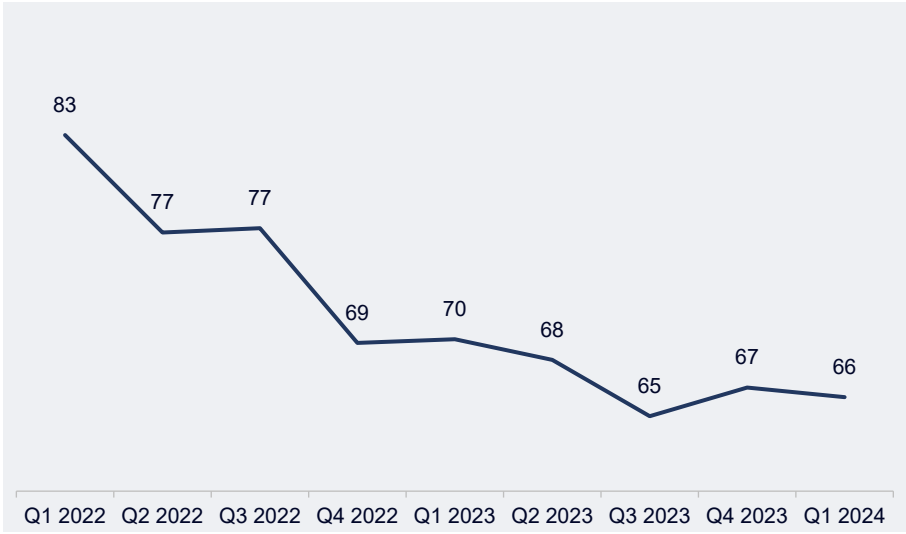
(*Units in Millions*)



Existing home sales fluctuated in early 2024, with a **9.5% increase in February** as compared with January, followed by a **4.3% decline in March**. Despite this fluctuation, sales reman higher than the fourth quarter of 2023

NAHB Remodeling Market Index (RMI) [4]

While the **RMI dipped from 83 in Q1 2022 to 66 in Q1 2024**, it remained above the 50 mark, which suggests positive sentiment for residential remodeling



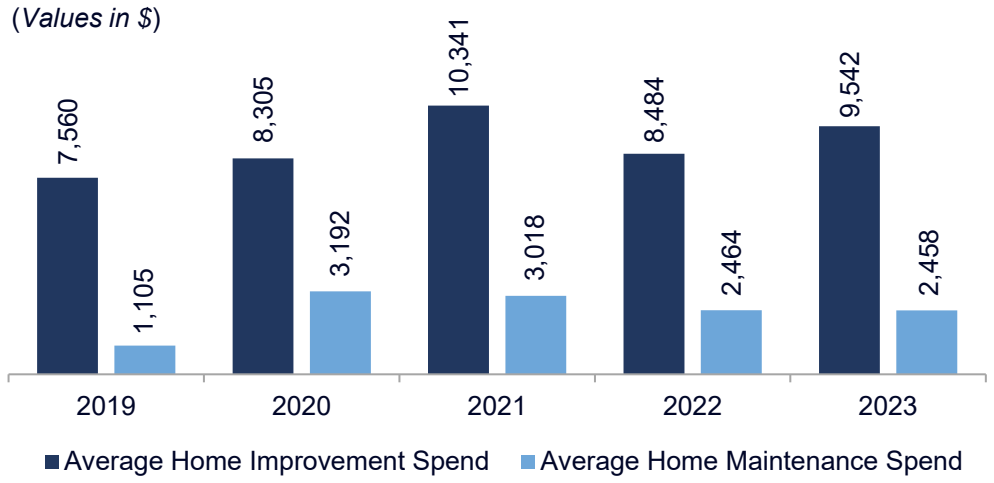
1. NAR 2021-2023 2. NAR 2020 3. NAR 2009-2019 4. NAHB

Residential Sector – Repair and Remodel (2/3)

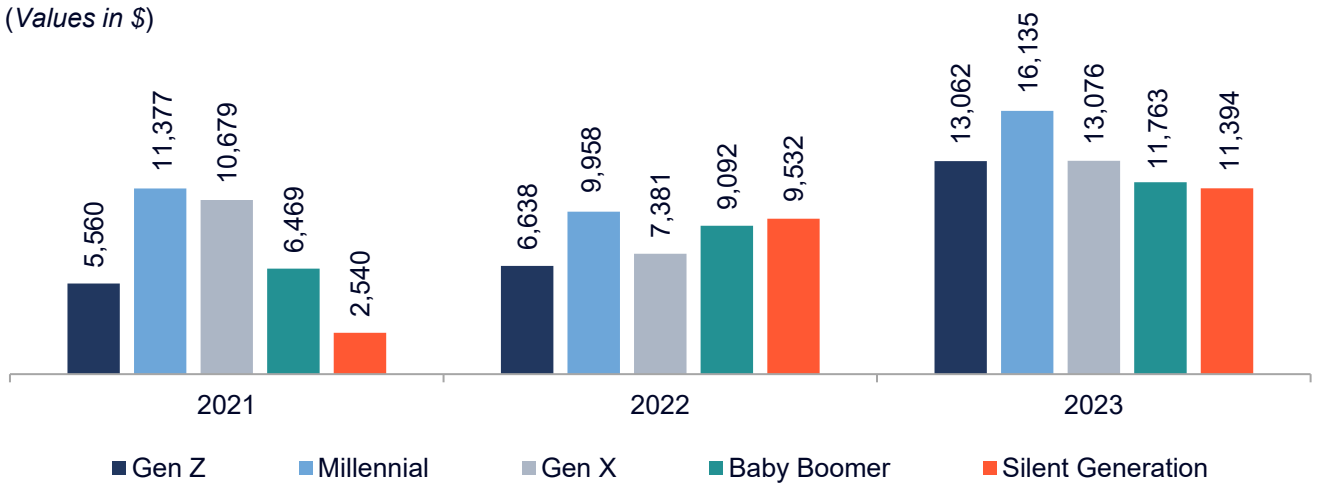
Home improvement spending across generational groups has continued to rise in recent years, with a notable uptick in spending from Millennials and Gen Z as they fulsomely enter the housing market

- In 2021, the **average home improvement spending increased** significantly as homeowners adapted to prolonged home-based lifestyles given pandemic-related restrictions. It subsequently **decreased by 18% in 2022,** as return to work initiatives began to take place.
- **Spending rebounded in 2023**, this time reflective of the impacts of high mortgage rates that made purchasing new homes less feasible, leading homeowners to invest in home improvements instead.
- The last three years taught us **millennials are increasingly willing to spend on home improvement projects** as home ownership rates increase and the aging housing supply increasingly needs significant upgrades.
- Additionally, given the escalating costs of both labor and materials, younger homeowners, particularly Millennials, are increasingly turning to do-it-yourself (DIY) solutions.

Average Home Improvement Spending per Household [1]



Average Home Improvement Spending by Generation [1,2,3]

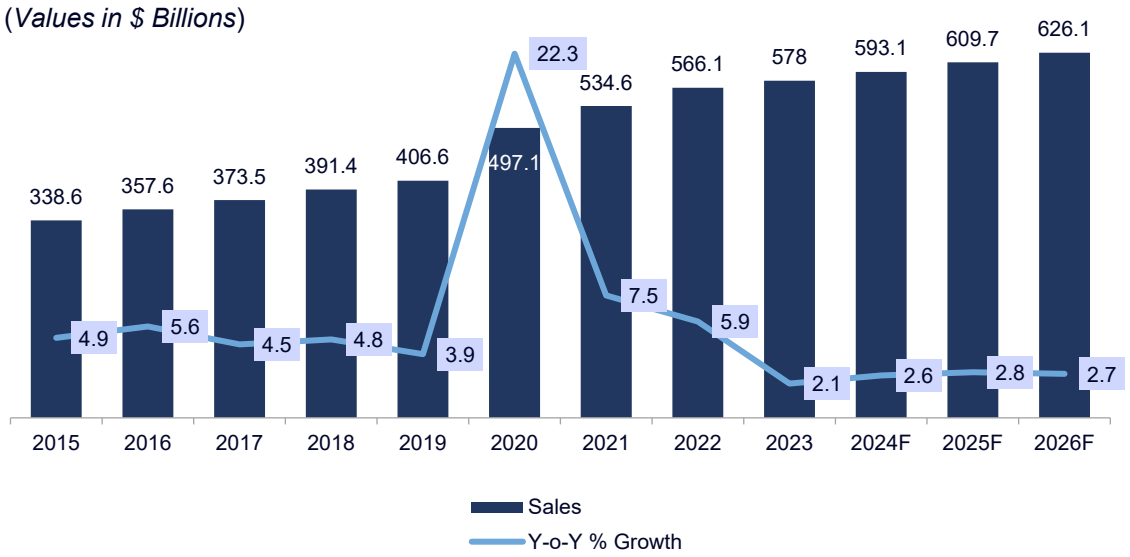


1. Angi-2023 2. Angi-2022 3. Angi-2021

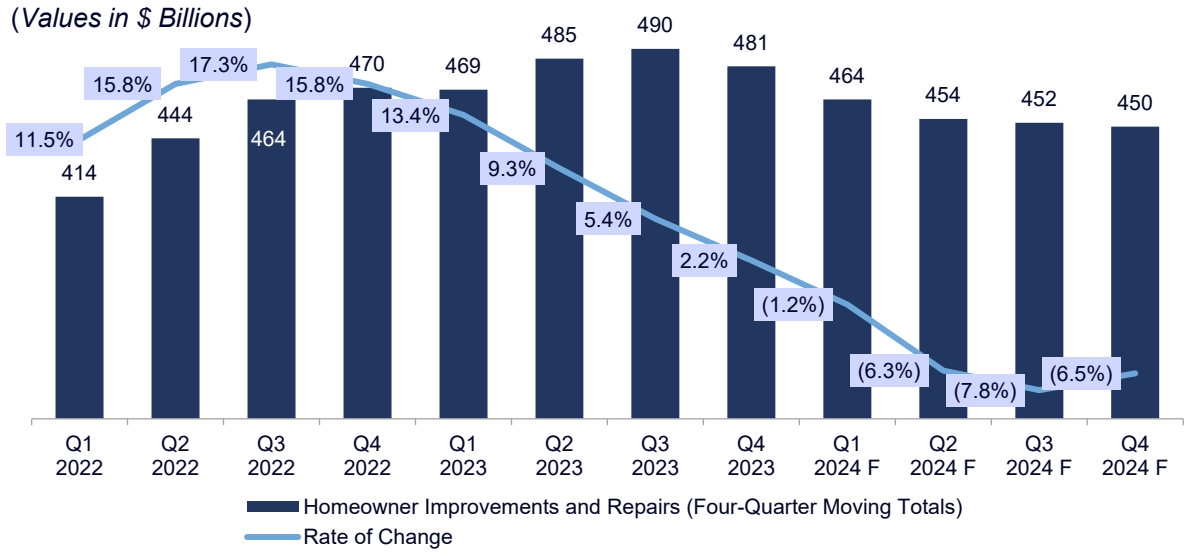
Residential Sector – Repair and Remodel (3/3)

While growth within home improvement spending is expected, it will be slower than in recent years and likely more reliant on inflationary pricing as opposed to total demand

Sales in the Home Improvement Industry in the US [1,2]



Leading Indicator of Remodeling Activity (LIRA) [3]



- **Sales in the home improvement market** in the US **increased** between 2015 and 2023, with a significant rise in 2020, driven by pandemic-related restrictions and a shift to remote work
- The Home Improvement Research Institute (HIRI) indicates that **70% – 80%** of homeowners would only **consider moving** if **mortgage rates drop to 4%**
  - Despite the overall sales growth, **inflation** on home improvement items in the US has **risen post-pandemic**, dampening the pace of growth

- Following a **15.8% increase** from 2021 to 2022, the annual growth rate for **spending on improvements and repairs** in owner-occupied homes has **slowed**, with only a **2.2%** rise between Q4 2022 and Q4 2023
- **Spending on homeowner improvements and repairs** is projected to **decline** 2024, a primarily due to rising prices and high interest rates on financed projects
  - However, anticipated **reductions in interest rates** may help mitigate the decline in spending by the end of 2024

1. NHPA 2. HIRI 3. Joint Center for Housing Studies, Harvard University

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2.2 Commercial Sector

Commercial Sector – Overview

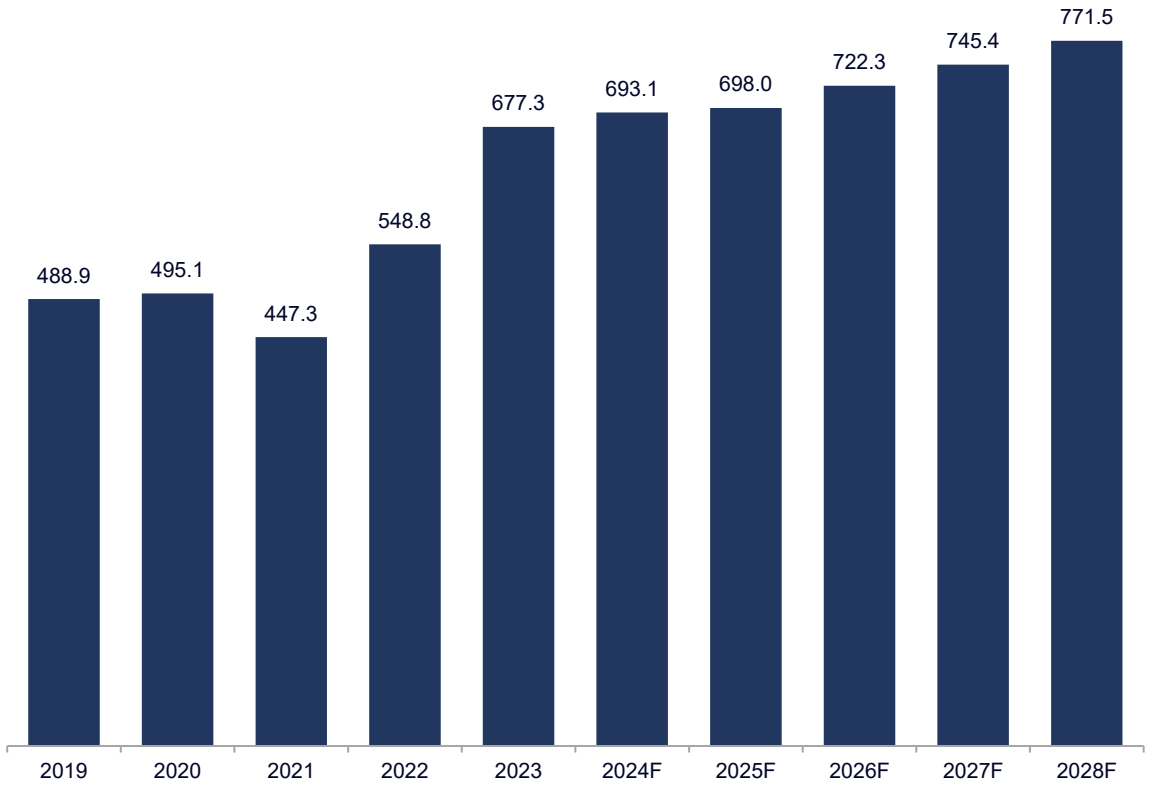
Strong construction activity within manufacturing and industrial end markets continues to prop up total commercial construction spending as office, retail and hospitality lag behind

The Current State of Commercial Construction in the U.S.

- Commercial construction spending in the U.S. reached **$677B in 2023** and is expected to reach **$771B by 2028**, based on anticipated reductions in inflation and subsequent interest rate cuts.
- Construction activity within manufacturing and industrial end markets has emerged as the top contributor to overall commercial construction spending, led by a smaller handful of abnormally large 'megaprojects' currently underway.
    - Projects such as **Intel's $20B chip manufacturing plant in Ohio** and **Hyundai's $7.6B vehicle and battery plant in Georgia** are representative of heavy concentration within overall commercial construction spending toward "megaprojects".
    - Smaller to midsize projects, particularly within commercial office, retail and hospitality end markets, are down considerably.
- **Office construction in particular** is depressed due to historically **low office occupancy rates.** While obsolete offices are creating a need for renovations and even new some construction, high interest rates continue to disincentivize developers from starting otherwise risky project category.

Total Commercial Construction Spending [1]

(*Values in $ Billions*)



1. ConstructConnect

Commercial Sector – New Construction

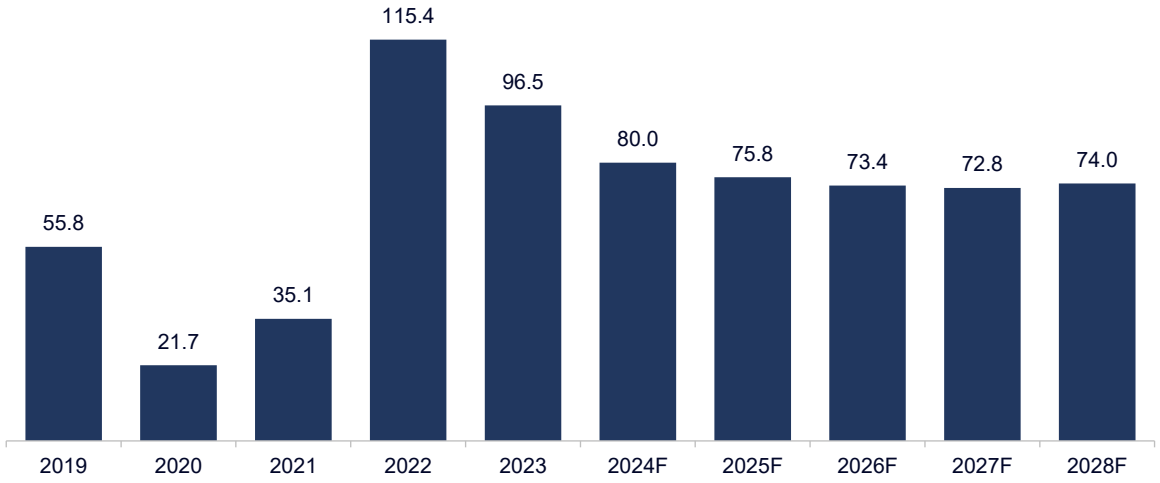
Recent slow downs in activity offer significant upside for hotel/lodging and shopping/retail once interest rates and overall construction costs normalize

Commercial Construction Starts [1]

- New construction **starts within the manufacturing sector are expected to slow** after 2+ years of overperformance and investment, while **other commercial sectors** that have lagged behind in recent years **are projected to rebound.**
- Despite historically slow activity today, **hotel/lodging and shopping/retail construction starts are projected to exhibit significant growth** as financing costs come down and developers are able to more efficiently deploy capital.
- Publicly-financed projects such as education facilities and government offices, though a smaller percentage of total spend, are projected to rise as well.

Value of Manufacturing Building Starts

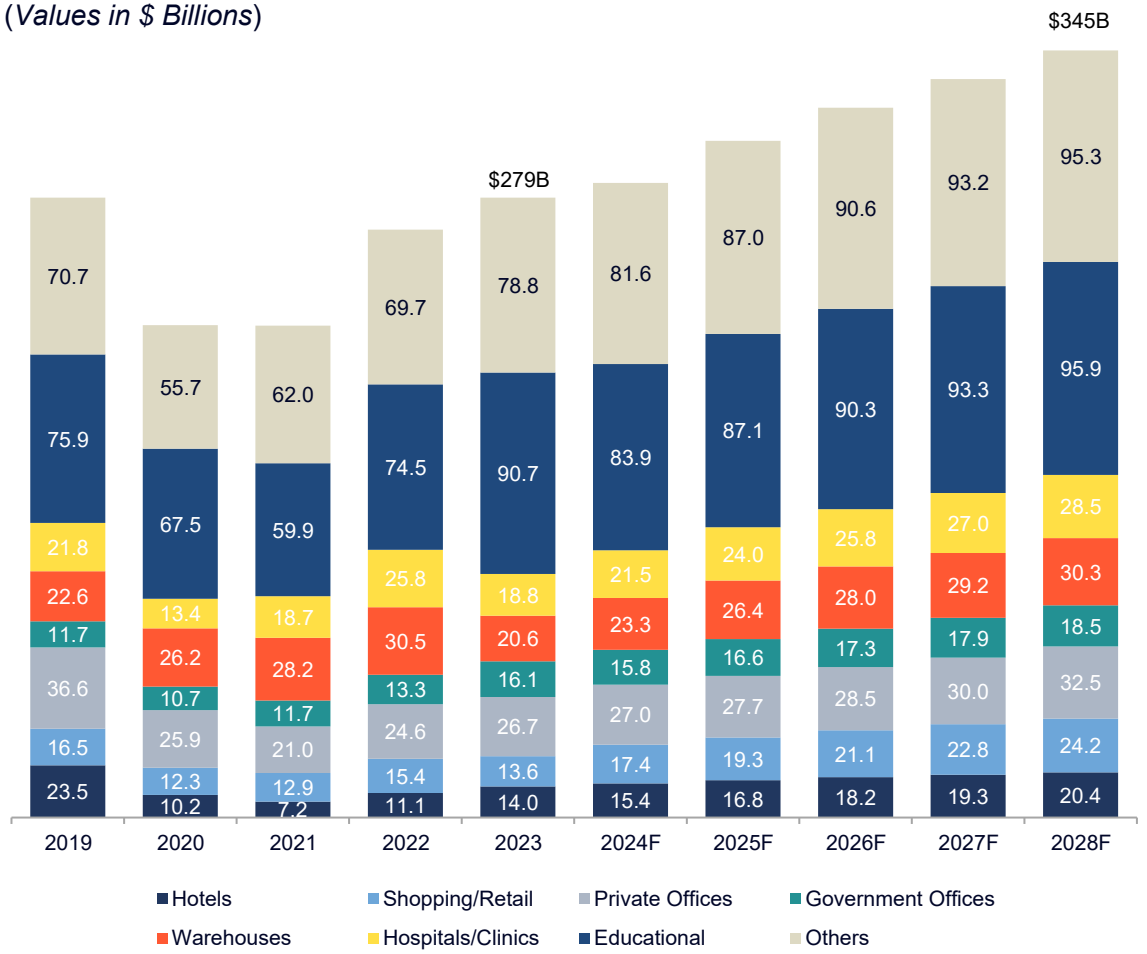
(*Values in $ Billions*)



1. ConstructConnect

Value of Other Commercial Building Starts [1]

(*Values in $ Billions*)



Note: Others include public safety, religious, and amusement & recreation

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2.3 Infrastructure Sector

Infrastructure Sector – Overview (1/2)

Infrastructure-related construction activity is poised for continued growth driven by government funding under newly implemented legislation such as the Bipartisan Infrastructure Law (BIL)

Infrastructure in the US [1,2]

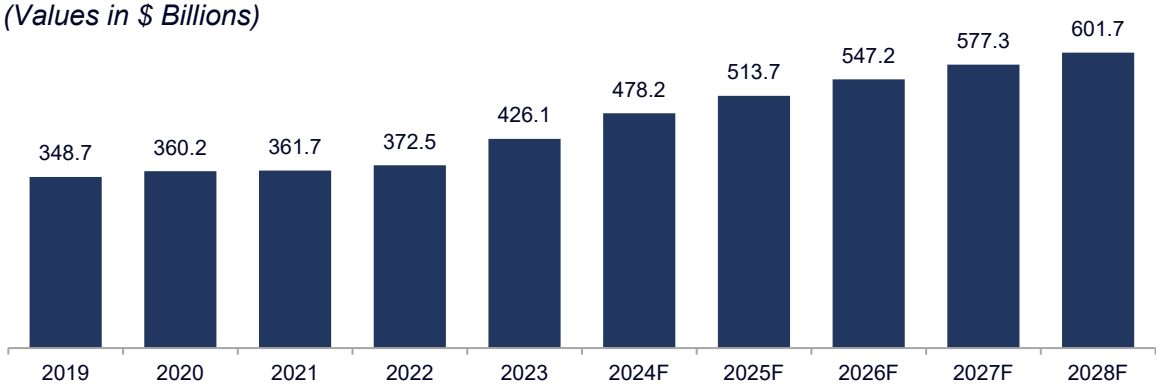
- Infrastructure spending in the U.S. is poised to grow rapidly over the coming years, catalyzed by significant increases in government initiatives aimed at enhancing public roads, transportation systems, and other public-use areas.

Following the passage of the BIL, approximately 1.5M new infrastructure jobs are expected to be created annually in the US through 2031.

Additionally, an analysis of U.S. Bureau of Labor Statistics data indicates that about 1.7M workers will need to be replaced each year during the same period.

Infrastructure Construction Spending [1]

(Values in $ Billions)



Key Growth Drivers [3,4]

BIL	• The BIL has approved **$1.2T of infrastructure-related** spending from through 2030, with **$550B reserved for new projects** • These funds primarily target transportation including roads, bridges, rails, airports, ports, waterways, public transit, and electric vehicle stations, along with core infrastructure like the power grid, broadband, water systems, and environmental projects
Transportation, Housing and Urban Development, and Related Agencies (THUD) Funding Bill	• The THUD funding bill allocated **$106.4B to the Department of Transportation (DOT) in 2024**, marking a **$15.5B increase from 2023** • This funding supports both BIL-aligned and other transportation projects
Focus on Renewable Energy Infrastructure	• The U.S. targets achieving a net-zero emissions economy by 2050, emphasizing decarbonization of the power sector with a shift to **100% clean electricity by 2035** • This goal will require significant investment in renewable energy infrastructure like solar and wind, along with grid enhancement to accommodate new energy sources

1. ConstructConnect 2. Brookings 3. Appropriations Committee 4. Deloitte

Infrastructure Sector – Overview (2/2)

The highways and streets segment had the highest spending in 2023 and is projected to continue leading in 2024, while power infrastructure is expected to grow significantly

Biggest Infrastructure Segments by Spending [1,2]

Highways and streets received the largest portion (**$134.5B**) of government infrastructure spending in 2023 and are anticipated to continue leading in 2024. This ongoing investment is supported by the BIL, which has granted about **$350B to federal highway programs** over 2022–26

In 2024, the power infrastructure spending is expected to experience a **19.5%** increase as compared with $122.4 bn 2023 owing to significant investments in grid **modernization and renewable energy**, which are supported by **technological advancements and clean energy incentives** under the Inflation Reduction Act (IRA)

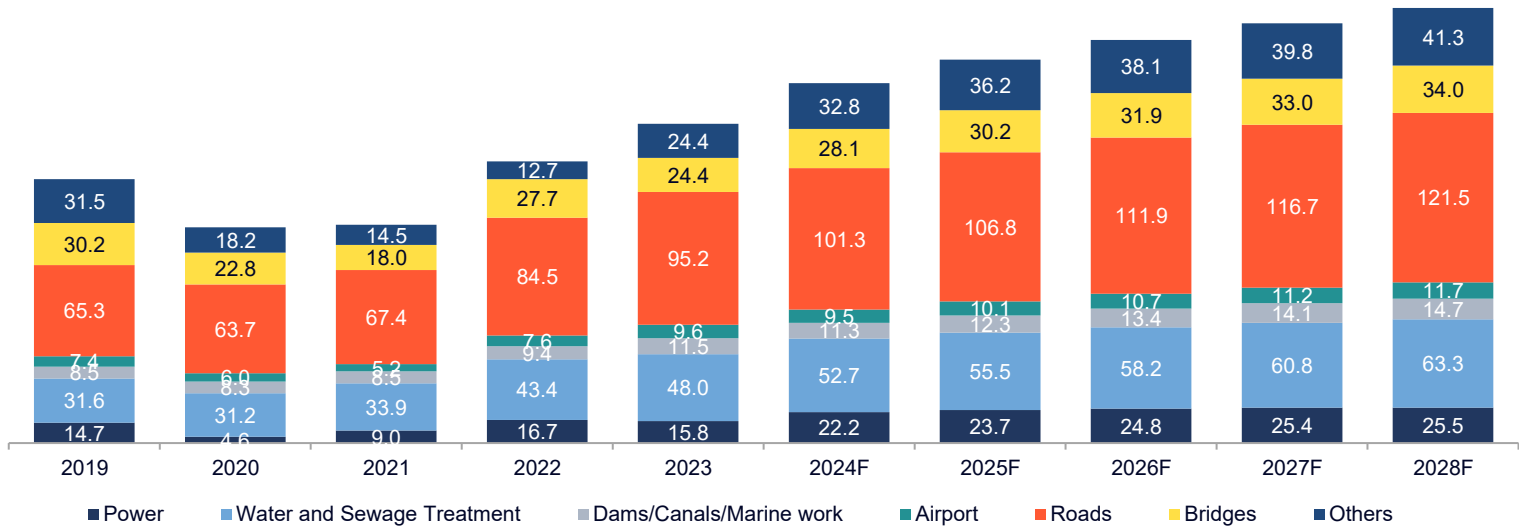
Value of Infrastructure Starts by segment [1]

- The value of infrastructure construction commencements has increased following a decline during the COVID-19 pandemic and is expected to rise from **$228.9B in 2023 to $311.9B in 2028**

Road construction commencements are expected to have the highest value during the period 2024-28 and reach **$121.5B** by 2028, indicating significant investment in transportation infrastructure

The water and sewage treatment construction starts are expected to nearly double from **$31.6B** in 2019 to **$63.3B** in 2028

(*Values in $ Billions*)



1. ConstructConnect 2. Michigan Department of Transportation

Infrastructure Sector – Federal Investments

Federal spending aimed at upgrades to critical infrastructure will continue to keep construction volumes high and force demand across the building products landscape

Government Investments across Key Sectors

Roads & Bridges	Airports	Railways	Ports & Waterways
The Biden-Harris Administration has initiated improvements on 135,800 miles of roads and commenced 7,800 bridge repair projects	The BIL has allocated almost $2B for the Airport Terminal Program, covering over 190 projects, with eight finished and 67 in progress. Additionally, 110 projects are underway as part of the Airport Infrastructure Grants Program	The BIL has earmarked $30B for nationwide rail projects. This investment includes $16.4B in grants to Amtrak for the maintenance and modernization of the Northeast Corridor, $1.4B for rail safety initiatives, $570M for railroad crossing enhancements, and $12B for intercity and high-speed rail services	Funding has been allocated for 445 ports and waterways projects under BIL, in order to improve supply chain efficiency, expedite goods movement, and reduce costs
Transit & Busses	**Clean Water**	**EV Infrastructure**	**Clean Energy**
Funding has been allocated under the BIL for the deployment of over 2,900 low- and zero-emission transit buses and about 2,400 clean school buses. The funding has also supported significant capital projects, such as the $24.9M construction grant for the Mill Plain Bus Rapid Transit (BRT) Project in Vancouver, Washington	The BIL has earmarked over $50B for water infrastructure in the US. The US Environmental Protection Agency (EPA) has already awarded over $11B for more than 1,200 drinking and wastewater projects across the nation	The BIL has allocated nearly $2.4B and increased the number of public charging ports to over 161,000, marking a 70% increase since January 2021. Additionally, the BIL has provided over $7B to enhance domestic battery production and the processing of essential materials used in batteries	The Department of Energy (DOE), supported by BIL funding, has invested over $5.5B to enhance the electrical grid in the US, backing more than 60 projects thus far

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Section 3

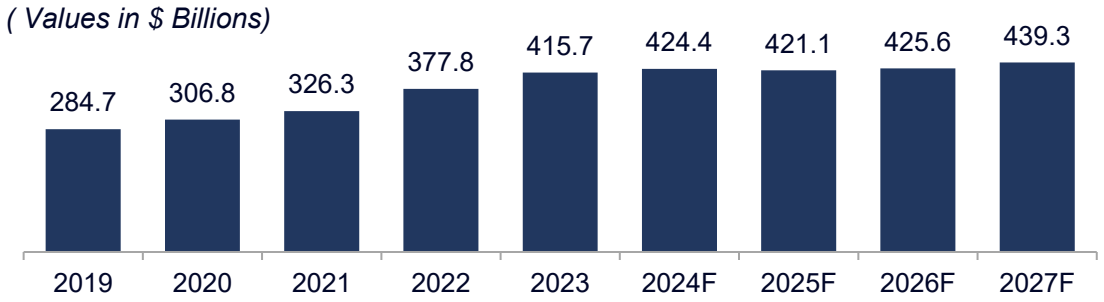
Building Products Sector Overview

Building Products Manufacturing Overview

Manufacturers are focusing on digitization and producing sustainable products

Building Products Manufacturing Industry Overview [1]

Building products manufacturers' revenue is anticipated to **increase** in coming years, driven by a decrease in interest rates and a subsequent increase in construction spending



Key M&A Deals [2,3]

March 2024

MITER BRANDS

Acquired

PGT INNOVATIONS

for its manufacturing technology and capabilities

February 2024

OWENS CORNING

Announced the acquisition of

MASONITE

for product mix expansion

Key Trends

Adoption of Advanced Technologies [4,5]

Building products manufacturers are **adopting technologies aimed at optimizing operations and increasing customer convenience**

In March 2024, Cornerstone Building Brands partnered with Tools Group (an AI technology company) for **end-to-end supply chain optimization**

In February 2023, Owens Corning launched **TechStack, a CRM portal** for contractors, to improve the management of sales and marketing initiatives, customer reviews and requests, etc.

Development of Sustainable Building Products [6,7]

Building products manufacturers have been focusing on development of building products that are **more sustainable**

In April 2024, Holcim announced an investment **of $20.5M** in its Midwest operations to supply ECOPlanet, its **eco-friendly cement**, in the region

In April 2024, California-based cement producer Fortera announced the development of **a cement production method that can reduce carbon emissions during production by 10%**

1. FMI 2. MterBrands 3. Masonite 4. ToolsGroup 5. RoofingMagazine 6. Globalcement 7. Valdostadailytimes

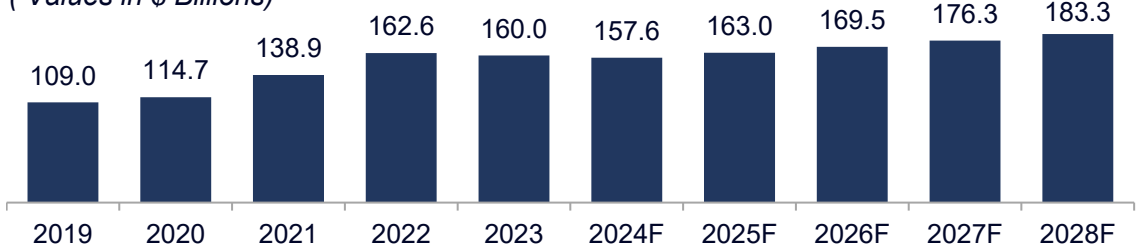
Building Products Distribution Overview

Building products distributors are focusing their efforts towards expanding their geographical reach and product portfolio

Building Products Distribution Industry Overview [1]

Building products distributors revenue is projected to **decrease by 1.5%** Y-o-Y in **2024** but **rebound by 3.4%** Y-o-Y in 2025. The industry is also expected to witness an **annual growth of ~4%** between 2025 and 2028 to reach $183.3B

(Values in $ Billions)



Key M&A Deals [2,3]

March 2024

Announced the acquisition of SRS DISTRIBUTION *for the expansion of its geographical presence and customer base*

April 2024

Announced the acquisition of Smalley & Company *for product portfolio expansion*

Key Trends

Digital Transformation [4,5]

Building products distributors are increasingly adopting digital platforms and AI technologies:

- In April 2024, Home Depot extended its partnership with Google Cloud, using the latter's **cloud AI capabilities** for **improved inventory management and supply chain efficiency**
- In November 2023, **TimberBase** launched a **B2B digital platform** for buying and selling lumber and other building products

Expansion of Geographical Presence and Product Portfolio [6]

Leading building products distributors are focusing on increasing their **geographical reach and strengthening their product portfolio** through M&A:

- In March 2024, GMS Inc. **acquired Kamco Supply Corporation** to enter the **New York region**
- In March 2024, **Home Depot** announced the acquisition of **SRS distribution** to **expand its market reach**

1. VerticalIQ 2. TheHomeDepot 3. BusinessWire 4. PRNewswire 5. Businesswire 6. GMS

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Section 4

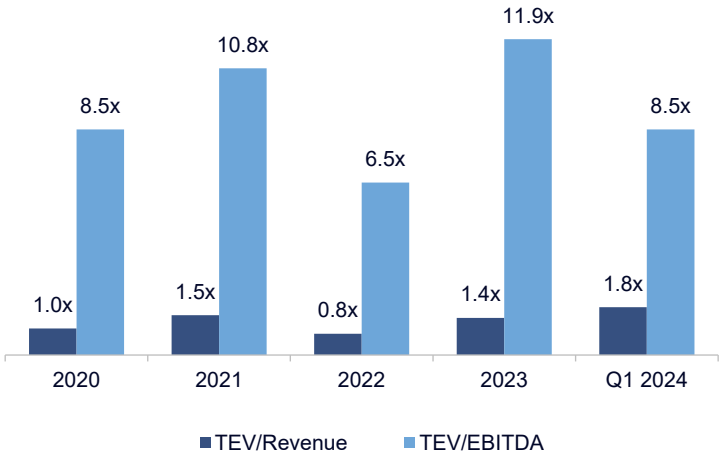
Building Products M&A Update

Building Products M&A Overview

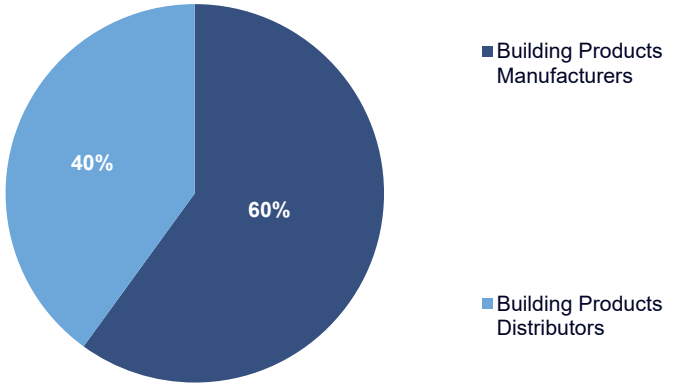
M&A Activity Overview

- In Q1 2024, the building products sector experienced a surge in M&A activity, with transactions increasing from 46 in Q1 2023 to 56, marking a roughly 22% year-over-year rise in deal volume
- Building products manufacturers saw a surge in deal volume, increasing from 25 transactions in Q1 2023 to 38 in Q1 2024, marking a 52% rise. Whereas, deals in building products distribution declined from 21 to 18 during the same period, representing a 14% decrease
- Factors such as heightened interest rates, a volatile geopolitical environment, elevated labor and commodity costs continue to influence M&A volumes

Median Multiples by Year



M&A Transactions by Subsector, LTM Q1 2024



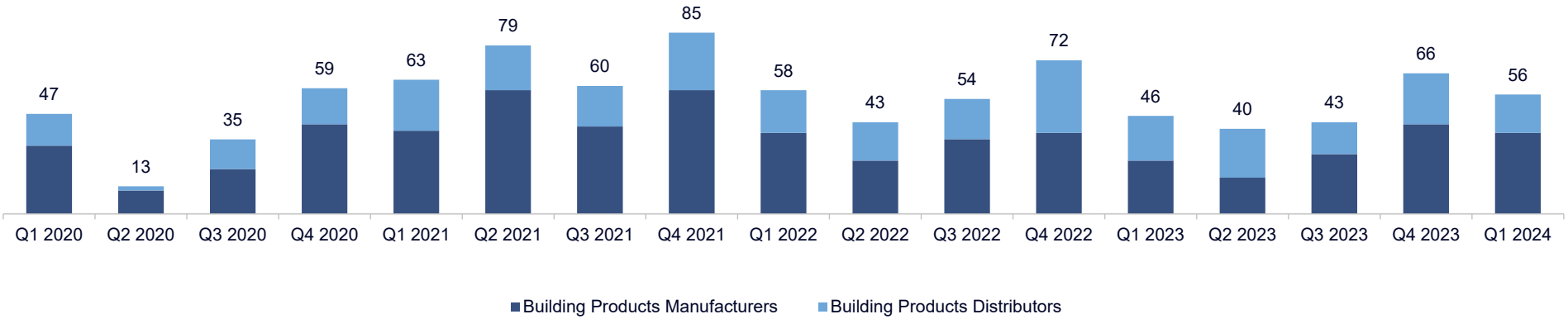
M&A Transactions

(~7%)

LTM Q1 2024 vs. LTM Q1 2023 M&A Deal Volume

~54

Average M&A Deals Per Quarter



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Source: S&P Capital IQ, Capstone Partners
Note : All values are based on publicly available data as of 03/31/2024

Marquee M&A Transactions

	Mar-24	Feb-24	Feb-24	Jan-24	Nov-23	
Selected Market Activity	*Announced Acquisition of* SRS DISTRIBUTION	20 Active Aggregates Operations *Acquired by* Martin Marietta	*Announced Acquisition of* MASONITE	*Acquired by* MITER BRANDS	South Texas Cement LLC *Acquired by* CRH	**Median**
Transaction Size	**$18,250M**	**$2,050M**	**$3,900M**	**$3,164M**	**$2,100M**	**$3,164M**
Revenue Multiple	**1.8x**	**NM**	**1.5x**	**2.1x**	**NM**	**1.8x**
Target Description	SRS Distribution Inc., doing business as SRS Roofing Supply, distributes roofing products in the US. It offers fasteners, lumber and plywood products, caulk, paint, and ventilation, edging, and valley residential accessories; etc.	20 Active Aggregates Operations in Alabama, South Carolina, South Florida, Tennessee, and Virginia comprises construction aggregates manufacturing business	Masonite International Corporation designs, manufactures, markets, and distributes interior and exterior doors and door solutions for the new construction and repair, renovation, and remodeling sectors of the residential and non-residential building construction markets worldwide	PGT Innovations, Inc. manufactures and supplies impact-resistant aluminum frame windows and doors globally. Their products include hurricane-resistant windows, customizable aluminum frames, and porch enclosures. They serve various sectors under brands like PGT, CGI, WinDoor, etc.	Martin Marietta South Texas Cement, LLC/Martin Marietta's South Texas ready-mix concrete operations comprises a cement plant and ready-mix concrete operations. The asset is located in the US	

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Source: S&P Capital IQ, Pitchbook
Note- NM stands for Not Meaningful

Industry Public Company Performance

Since 2021, both building products manufacturers and distributors have outperformed the S&P 500 Index. Manufacturers, in particular, have seen significant outperformance compared to distributors, driven by the rise in infrastructure and manufacturing activities post-pandemic, backed by federal initiatives

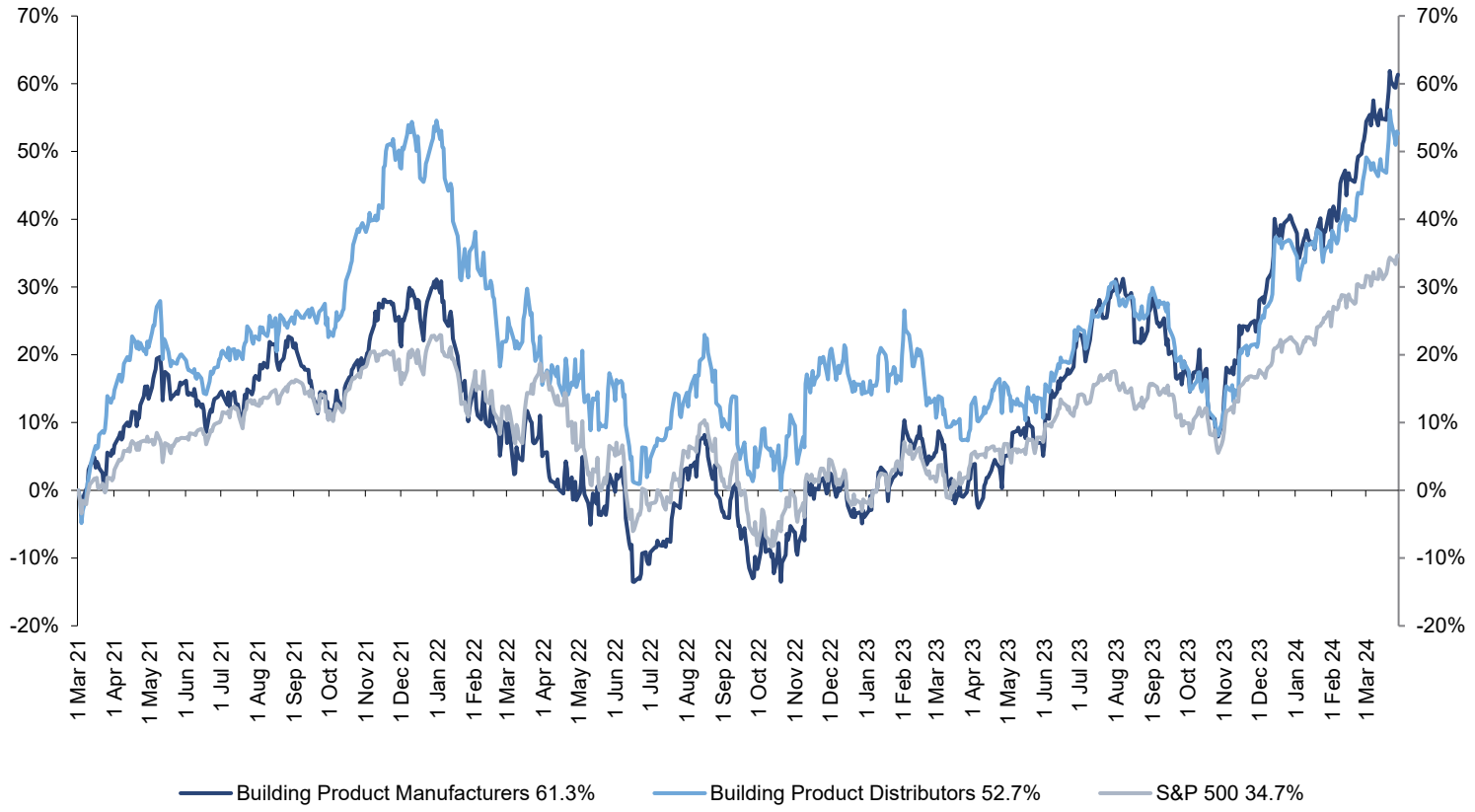
Share Price Performance Chart – Last 30 Days

Building Products Manufacturers	4.40%
Building Products Distributors	2.40%
S&P 500	2.30%

Share Price Performance Chart – Last 1 Year

Building Products Manufacturers	51.30%
Building Products Distributors	38.30%
S&P 500	33.00%

Share Price Performance Chart – Last 3 Years

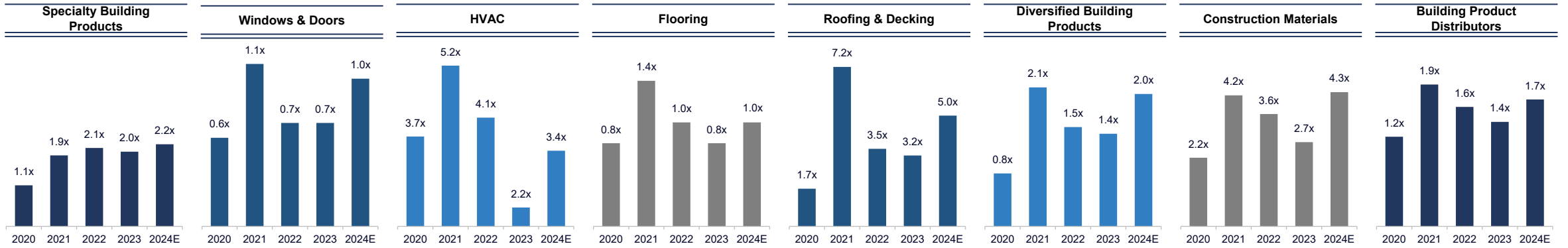


Source: S&P Capital IQ
Note : All values are based on publicly available data as of 03/31/2024

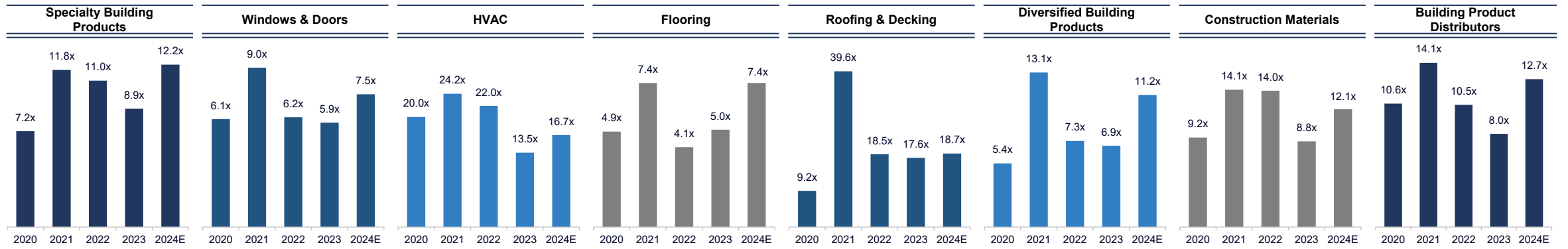
Industry Public Company Performance (Cont.)

In 2023, there was a reduction in demand due to higher interest rates, tighter lending standards and increased costs which led to a pressure on commercial construction. Markets are expected to stabilize in 2024 and return to typical growth rates in 2025 and 2026.

Median EV/Revenue



Median EV/EBITDA



Note : All values are based on publicly available data as of 03/31/2024

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Appendix

Select Industry M&A Activity (2024 YTD)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Jun-24	Unicel Architectural	Allegion	NA	NM	NM	Manufacturer of glass, timber, and aluminum products intended to serve architects, glaziers, institutional specifiers, and building professionals.
Jun-24	Les Portes ARD	Lajeunesse	NA	NM	NM	Manufacturer of doors based in Lachute, Quebec. The company specializes in entrance doors, decorative, garden, steel and personalized doors.
Jun-24	Cohen & Cohen Natural Stone	SiteOne Landscape Supply	NA	NM	NM	Distributor of hardscapes products. The company offers aggregates, mulches, soils, decorative stone, patios and concrete products.
Jun-24	Custom Builders Supply	Lester Group	NA	NM	NM	Distributor and supplier of building products intended to serve upscale builders, re-modelers, and homeowners.
Jun-24	Truss Systems Hawaii	HPMHawaii	NA	NM	NM	Provider of wood trusses, metal trusses and structural components including roof trusses, metal truss products, wall panels and floor trusses.
Jun-24	Rock Ridge Materials	Miles Ahead Brands	NA	NM	NM	Producer and supplier of commercial-grade construction materials catering to project owners and contractors throughout the Southeast. unloading rail cars, transportation, and delivery to project sites.

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Jun-24	Hardscape (Florida)	SiteOne Landscape Supply	NA	NM	NM	Manufacturer of porcelain pavers intended to fulfill its customer's hardscaping needs.
Jun-24	Krieger Specialty Products	Allegion	NA	NM	NM	Manufacturer of custom doors and windows for various applications, including security, sound control, and blast and bullet resistance.
Jun-24	Raks Building Supply	US LBM Holdings	NA	NM	NM	Supplier of building products and manufactured components to professional builders and contractors throughout central New Mexico.
May-24	E Solutions for Buildings	CIS Industries	NA	NM	NM	Distributor and wholesaler of building products and related services for commercial and industrial buildings.
May-24	Primeline Windows and Doors	Triumph Group	NA	NM	NM	Manufacturer of door and windows intended to serve commercial, institutional, and residential systems.
May-24	Woodhill Supply	The Macomb Group	NA	NM	NM	Manufacturer and distributor of home improvement materials based in Willoughby, Ohio.

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
May-24	Strong Man Safety Products	Pearlweave Netting	NA	NM	NM	Distributor and manufacturer of safety and building products intended for the construction industry.
May-24	Pocahontas Aluminum Company	Window Technology	NA	NM	NM	Manufacturer of doors and windows intended to serve the modular home, food truck, deer blind, poultry and petroleum industries.
May-24	Better Built Truss	US LBM Holdings	NA	NM	NM	Manufacturer of roof and floor trusses designed for contractors, developers, and multifamily, commercial and residential builders.
May-24	Metal-Era	Carlisle Companies	$410	3.11x	NM	Manufacturer of edge metal systems catering to the commercial roofing industry.
May-24	Howard & Sons Building Materials	Gypsum Management &Supply	NA	NM	NM	Distributor of building materials offering drywall, metal framing, joint cement, spray textures, bullnose, corner beads, fasteners, job tools & supplies.
May-24	Smalley & Company	Beacon Roofing Supply	NA	NM	NM	Distributor of construction sealants and wall coatings intended for commercial applications.

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Apr-24	3form	Armstrong World Industries	$95	0.99x	NM	Manufacturer of crafted architectural resins and glass intended for the architecture and design industry.
Apr-24	Connecticut Cellar Doors	Heritage Holdings Group	NA	NM	NM	Manufacturer of cellar doors intended to serve homeowners throughout Connecticut.
Apr-24	Sandwich Millworks	DUNAWAY BROTHERS Inc.	NA	NM	NM	Manufacturer and supplier of doors, windows, trim, and molding intended for residential and restoration markets.
Apr-24	MDC Interior Solutions	Norwest Equity Partners	NA	NM	NM	Distributor of vertical interior wall coverings intended to serve hospitality, corporate, healthcare, institutional and retail end markets.
Apr-24	Brandner Design	Adelphi Capital Partners	NA	NM	NM	Manufacturer of architectural elements intended for residential and commercial properties.
Apr-24	Harvey Building Products	Cornerstone Building Brands	NA	NM	NM	Manufacturer of building products including double-hung, gliding, casement and picture windows as well as entry, gliding patio and hinged patio doors.

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Apr-24	IKG Industries	MEISER Steel	NA	NM	NM	Manufacturer of steel and aluminum bar grating intended for the architectural, material handling, governmental, safety and security industries.
Apr-24	H&H Construction (Raw Materials)	Bonnechere Excavating	NA	NM	NM	Manufacturer of constructional aggregates and asphalts. The company engages in residential paving, commercial paving, parking lots, road surfaces, bulk asphalt production & sales and resurfacing.
Apr-24	Bowtex LP	Big 7 Ventures	NA	NM	NM	Manufacturer of survey stakes and other specialty grading products intended for construction, surveying and land development projects.
Apr-24	Bodean	CRH	NA	NM	NM	Distributor of aggregate and construction materials including rock, drain rock, fine aggregates, clay, hot mix asphalt and berm mix.
Apr-24	Angelo's Recycled Materials	GFL Environmental	NA	NM	NM	Manufacturer of recycled materials intended for the construction industry.
Apr-24	The Neverleak Company	North Park Group	NA	NM	NM	Supplier of roof flashing products designed to prevent leaks around roof penetrations.

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Mar-24	SRS Distribution	The Home Depot	$18,250	1.8x	16.6x	SRS Distribution Inc. distributes roofing products
Mar-24	Concrete Operations of CRH Canada Group	Béton Provincial Ltée	NA	NM	NM	Concrete Operations of CRH Canada Group Inc. comprises a ready-mix concrete plant, along with associated operating assets (i.e. mixer trucks), employees, and customer contracts
Mar-24	The Bostwick - Braun Company	House-Hasson Hardware Co.	NA	NM	NM	The Bostwick-Braun Company distributes hardware products. It offers abrasives and shop supplies, automotive products, building hardware and material, cutting tools, electrical products, fasteners, hand tools, housewares, etc.
Mar-24	Harvey Industries	Cornerstone Building Brands	NA	NM	NM	Harvey Industries, Inc. manufactures and distributes building products. It offers vinyl, wood, impact, acoustic, and storm windows; storm, patio, and entry doors, etc.
Mar-24	Golden Rule Lumber & Hardware	R.P. Lumber	NA	NM	NM	Golden Rule Lumber & Hardware LLC operates hardware store that engages in supplying building products
Mar-24	Northeast Air Solutions	American Air Filter Company	NA	NM	NM	Northeast Air Solutions, Inc. distributes products related to the air distribution industry. It offers registers, grilles, diffusers, terminal units and fan coils, chilled beams and ceilings, displacement ventilation, swirl jet and raised floor diffusers, stacks, etc.

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Mar-24	Super Stud Building Products	Eastern Metal Framing of Alabama	NA	NM	NM	Super Stud Building Products, Inc. manufactures steel framing components and accessories such as drywall, steel framing, load bearing, curtain wall, sheathing and structural subflooring, exterior insulation, etc.
Mar-24	Asphalt division of Boxley Materials Company	Superior Paving	NA	NM	NM	Asphalt division of Boxley Materials Company, Inc. comprises three asphalt plants. The asset is located in the US
Mar-24	Alumawood/ Equinox Louvered Roof	Four Seasons Building Products Group	NA	NM	NM	Alumawood comprises building product manufacturing business
Mar-24	BMC Enterprises	Breedon Group	$300.5	1.7x	8.5x	BMC Enterprises, Inc. produces concrete and related products. It also supplies construction material
Mar-24	Dependable Dock & Door	The Miner Corp.	NA	NM	NM	Dependable Dock & Door provides residential doors, garage doors, and high speed door and loading dock products, such as dock levelers, dock seals, and truck shelters serving commercial and residential sectors
Mar-24	Turning Point Innovations	Pearlman Industries	NA	NM	NM	Turning Point Innovations, LLC operates as a supplier of decorative and specialty concrete materials and products

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Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Mar-24	Operating Assets of Cougar Mountain Precast	L.B. Foster Company	NA	NM	NM	Operating Assets of Cougar Mountain Precast, LLC comprises concrete products manufacturing operations. The asset is located in the US
Mar-24	Homestead Building Systems	US LBM Holdings	NA	NM	NM	Homestead Building Systems, Inc. manufactures turnkey structural building components
Mar-24	Select Door Service	Top Notch Garage Door; Top Notch Dock & Door	NA	NM	NM	Select Door Service LLC manufactures automatic, hollow metal personnel, industrial, commercial, and residential overhead doors
Mar-24	American Insulated Glass	Trulite Glass & Aluminum Solutions	$98.7	2.8x	NM	American Insulated Glass, LLC is a fabricator and wholesale distributor of glass and glazing products designed for commercial, residential, and millwork applications
Feb-24	Rayotek Scientific	McDanel Advanced Ceramic Technologies	NA	NM	NM	Rayotek Scientific, Inc. manufactures and distributes sapphire, glass, fused quartz, and fused silica products. The company offers glass reflectors, windows, diffusers, optics, high pressure systems, and architectural and art products
Feb-24	Summitville Tiles	General Shale Brick	NA	NM	NM	Summitville Tiles, Inc. develops and manufactures tiles. It also offers a line of grouts, mortars, epoxies, furan, latex, water proofing, and tile care products

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Feb-24	Blazer Electric Supply Co.	Graybar Electric Company	NA	NM	NM	Blazer Electric Supply Co. of Colorado Springs operates as an electrical distributor
Feb-24	Piping Solutions	Daburn Electronics & Cable	NA	NM	NM	Piping Solutions, Inc. manufactures process piping systems. The company also provides pipe fabrication, steel fabrication, and process skid assembly services
Feb-24	Ideal Ready Mix Company	The Rasmussen Group	NA	NM	NM	Ideal Ready Mix Company, Inc. provides ready mixed concrete, decorative concrete, concrete tools, sealants, treatments, rerod, and coloring
Feb-24	SurfacePrep	Nautic Partners	NA	NM	NM	SurfacePrep operates as a distributor of abrasives, specialty ceramics, and surface enhancement equipment
Feb-24	SBG Holdings	Charger Investment Partners	NA	NM	NM	SBG Holdings, Inc. manufactures and provides solutions for the concrete, general construction, surface preparation, and concrete polishing industries
Feb-24	Assets of Custom Stone	Armada Materials	NA	NM	NM	Assets of Custom Stone, LLC was acquired by Armada Materials LLC. Assets of Custom Stone, LLC comprises asphalt and aggregates production, milling, and paving operations

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Feb-24	Assets of Wright Paving Contractors	Armada Materials	NA	NM	NM	Assets of Wright Paving Contractors, Inc. comprises asphalt and aggregates production, milling, and paving operations
Feb-24	20 Active Aggregates	Martin Marietta Materials	$2,050	NM	NM	20 Active Aggregates Operations in Alabama, South Carolina, South Florida, Tennessee, and Virginia were acquired by Martin Marietta Materials, Inc. It comprises of construction aggregates manufacturing business
Feb-24	Masonite International	Owens Corning	$4,252	1.5x	8.5x	Masonite International Corporation designs, manufactures, markets, and distributes interior and exterior doors and door solutions for the new construction and repair, renovation, and remodeling sectors of the residential and non-residential building construction markets worldwide
Feb-24	Omega National Products	Rev-A-Shelf	NA	NM	NM	Omega National Products, LLC manufactures and distributes wood products for kitchen and bath industry
Feb-24	Watson Metals	Georgia Metals	NA	NM	NM	Watson Metals, LLC manufactures roofing and siding products for buildings
Feb-24	Russell Plywood	Wurth Baer Supply	NA	NM	NM	Russell Plywood, Inc. distributes hardwood veneer plywood and related panel products. The company offers plywood such as hardwood, softwood, imported, architectural and blueprint panels, russian birch, and exterior panels

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Feb-24	Midwest Glass Fabricators	Oldcastle BuildingEnvelope	NA	NM	NM	Midwest Glass Fabricators, Inc. operates as an independent fabricator and distributor of architectural glass and aluminum products serving glazing contractors, manufacturers, and glass retailers
Feb-24	Old Mission Enterprises	US LBM Holdings	NA	NM	NM	Old Mission Enterprises, Inc. engages in distributing windows and doors
Feb-24	Diaplas	Mapei	NA	NM	NM	Diaplas Inc. manufactures profiles and trims for floor and wall tile installation. It offers aluminum profiles, PVC profiles, accessories, and a tile leveling system
Feb-24	Ward Manufacturing	ASC Engineered Solutions	$2,050	NM	NM	Ward Manufacturing, LLC makes, distributes, and installs piping components in North America. The company offers gaskets, termination fittings, mechanical joints, tees, tubing, protection solutions, regulators, manifolds, valves, stub outs, etc.
Feb-24	WoodUpp USA/Interlam Corporation	WoodUpp A/S	$4,252	1.5x	8.5x	WoodUpp A/S. Interlam Corporation specializes in the design and manufacture of architectural wall panels and components
Feb-24	Discovery Door	The Cook & Boardman Group	NA	NM	NM	Discovery Door, Inc. manufactures wooden doors, door hardware, steel, and security doors used by offices, commercial, and public buildings

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Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024
1. { } – Denotes Parent Company

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Jan-24	Operating assets of Superior Readymix of Texas	Jarco ReadyMix	NA	NM	NM	Operating assets of Superior Readymix of Texas comprises ready-mix concrete manufacturing operations
Jan-24	Precast Wall Systems	Permacast	NA	NM	NM	Precast Wall Systems, Inc. manufactures and installs concrete walls
Jan-24	Albert Frei & Sons	Martin Marietta Materials	NA	NM	NM	Albert Frei & Sons, Inc. engages in the production of quarry rock, sand, and gravel
Jan-24	Helix Steel	Forta Corp	NA	NM	NM	Helix Steel is a manufacturer of twisted steel micro rebar intended to build concrete reinforcement technology to stand up to both natural and manmade disasters such as tornadoes, earthquakes, and blasts
Jan-24	International Concrete Products	Mid-States Concrete Industries	NA	NM	NM	International Concrete Products, Inc. manufactures architectural precast concrete panels
Jan-24	Lakeland Mills	-	NA	NM	NM	Lakeland Mills, Inc. manufactures indoor and outdoor log furniture

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Source: S&P Capital IQ
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1. { } – Denotes Parent Company

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Jan-24	RedBuilt	Hampton Lumber Mills	NA	NM	NM	RedBuilt, LLC manufactures, designs, and supports proprietary engineered wood products for commercial and industrial applications
Jan-24	Grove Supply	Ferguson	NA	NM	NM	Grove Supply, Inc. distributes plumbing, heating, and HVAC products
Jan-24	HK Composites	Dayton Superior Corp.	NA	NM	NM	HK Composites manufactures insulated concrete sandwich panel connector systems
Jan-24	Robbins	L2 Capital Partners	NA	NM	NM	Robbins, Inc. engages in the manufacturing of indoor sports surfaces for the sports communities, fitness markets, and commercial and residential sectors
Jan-24	West Coast Insulated Glass Products	Agnora	NA	NM	NM	West Coast Insulated Glass Products is a manufacturer of architectural glass products intended for windows and door manufacturers
Jan-24	Gross-Yowell	Kodiak Building Partners	NA	NM	NM	Gross-Yowell, Ltd. distributes lumber and building materials

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Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024
1. { } – Denotes Parent Company

Select Industry M&A Activity (2024 YTD) (Cont.)

Date	Target	Acquirer	TEV	EV/ Revenue	EV/ EBITDA	Description
Jan-24	PGT Innovations	MITER Brands	$3,164.2	2.1x	11.2x	PGT Innovations, Inc. engages in the manufacture and supply of impact-resistant aluminum frame windows and doors
Jan-24	Signature Systems	Myers Industries	$350.0	3.2x	NM	Signature Systems Group, LLC manufactures and distributes industrial composite matting, sports flooring products, turf protection systems, temporary event floors, and temporary carpets and fencing

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Industry Public Company Performance

($ in millions, except per share data)

	Stock	% of 52	Equity	Enterprise	2024E Growth		2024E Margin		EV / EBITDA		Price / EPS		Net Debt /
	Price	Week High	Value	Value	Revenue	EBITDA	Gross	EBITDA	LTM	NTM	LTM	NTM	LTM EBITDA
Specialty Building Products													
The Sherwin-Williams Company	$296	85.0%	$75,079	$87,584	2.3%	6.5%	48.1%	19.2%	17.6x	19.2x	31.9x	25.6x	2.9x
James Hardie Industries plc	30	48.1%	13,112	13,961	4.6%	18.7%	35.5%	28.6%	12.0	12.9	26.3	19.9	0.7
Acuity Brands, Inc.	251	3.3%	7,648	7,652	(1.1%)	17.3%	45.8%	17.7%	11.9	11.0	21.5	16.4	0.0
Simpson Manufacturing Co., Inc.	160	2.4%	6,755	6,929	2.4%	1.4%	46.7%	24.8%	12.6	12.3	20.7	19.2	0.3
Armstrong World Industries, Inc.	114	2.3%	4,992	5,559	9.0%	40.0%	38.7%	33.7%	12.2	11.6	21.6	19.1	1.6
Tecnoglass Inc.	45	2.1%	2,102	2,115	5.0%	(6.0%)	42.1%	30.6%	8.2	8.0	13.4	13.2	0.1
Apogee Enterprises, Inc.	62	4.5%	1,365	1,421	(3.3%)	9.2%	26.1%	13.2%	6.9	8.1	14.0	13.9	0.4
American Woodmark Corporation	81	6.3%	1,289	1,711	(11.2%)	12.7%	20.7%	13.7%	7.2	6.9	11.5	9.2	2.0
Caesarstone Ltd.	5	2.9%	187	214	(10.5%)	(140.2%)	22.7%	0.9%	12.3	62.7	NM	NM	-1.6
FGI Industries Ltd.	1	10.5%	9	32	6.3%	(6.8%)	27.8%	3.2%	4.5	7.5	15.2	5.2	5.5
Mean	**$105**	**16.7%**	**$11,254**	**$12,718**	**0.4%**	**-4.7%**	**35.4%**	**18.6%**	**10.6x**	**16.0x**	**19.6x**	**15.8x**	**1.2x**
Median	**$72**	**3.9%**	**$3,547**	**$3,837**	**2.4%**	**7.8%**	**37.1%**	**18.4%**	**12.0x**	**11.3x**	**20.7x**	**16.4x**	**0.6x**
Windows & Doors													
JELD-WEN Holding, Inc.	$14	63.8%	$1,193	$2,326	(7.1%)	16.1%	20.6%	8.8%	7.3x	6.5x	NM	9.8x	4.3x
Quanex Building Products Corporation	30	75.2%	971	1,036	(4.9%)	(1.1%)	24.9%	13.6%	6.7	6.9	12.1	12.0	0.4
Tyman plc	5	113.2%	882	1,096	2.6%	16.3%	34.1%	16.3%	8.4	8.0	18.5	12.0	2.3
Mean	**$16**	**84.1%**	**$1,015**	**$1,486**	**-3.1%**	**10.4%**	**26.5%**	**12.9%**	**7.4x**	**7.1x**	**15.3x**	**11.3x**	**2.3x**
Median	**$14**	**75.2%**	**$971**	**$1,096**	**-4.9%**	**16.1%**	**24.9%**	**13.6%**	**7.3x**	**6.9x**	**15.3x**	**12.0x**	**2.3x**
HVAC													
Daikin Industries,Ltd.	$145	0.5%	$42,355	$44,111	(5.5%)	(8.4%)	34.5%	13.6%	11.4x	10.7x	25.4x	23.6x	0.0x
Lennox International Inc.	505	94.1%	18,003	19,602	2.8%	13.1%	32.3%	20.2%	18.4	19.3	30.9	26.0	1.7
Mean	**$325**	**47.3%**	**$30,179**	**$31,857**	**-1.4%**	**2.3%**	**33.4%**	**16.9%**	**14.9x**	**15.0x**	**28.2x**	**24.8x**	**0.9x**
Median	**$325**	**47.3%**	**$30,179**	**$31,857**	**-1.4%**	**2.3%**	**33.4%**	**16.9%**	**14.9x**	**15.0x**	**28.2x**	**24.8x**	**0.9x**

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Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Industry Public Company Performance (Cont.)

($ in millions, except per share data)

	Stock	% of 52	Equity	Enterprise	2024E Growth		2024E Margin		EV / EBITDA		Price / EPS		Net Debt /
	Price	Week High	Value	Value	Revenue	EBITDA	Gross	EBITDA	LTM	NTM	LTM	NTM	LTM EBITDA
Diversified Building Products													
Compagnie de Saint-Gobain S.A.	$8	15.3%	$41,495	$49,945	(4.0%)	4.4%	25.8%	14.8%	6.4x	6.8x	6.8x	6.8x	1.3x
Masco Corporation	67	85.1%	14,823	17,936	0.2%	1.2%	35.7%	19.2%	11.2	11.8	16.9	16.3	1.9
Hayward Holdings, Inc.	13	82.0%	2,825	3,869	4.6%	9.4%	49.4%	25.4%	15.2	14.6	36.7	20.6	4.3
Fortune Brands Innovations, Inc.	66	77.6%	8,241	11,067	5.2%	14.6%	43.6%	20.6%	11.6	11.1	20.8	15.3	3.1
Owens Corning	175	95.3%	15,200	17,290	16.0%	22.3%	28.6%	23.5%	7.4	6.2	14.7	11.7	0.9
LIXIL Corporation	27	61.9%	3,102	6,628	(13.0%)	(10.1%)	32.7%	7.3%	10.7	9.1	9.1x	9.1x	9.1x
Patrick Industries, Inc.	105	84.6%	2,341	3,918	10.5%	20.8%	23.0%	12.8%	8.3	8.0	15.8	12.4	3.8
Mean	**$66**	**71.7%**	**$12,575**	**$15,807**	**2.8%**	**8.9%**	**34.1%**	**17.7%**	**10.1x**	**9.7x**	**17.3x**	**13.2x**	**3.5x**
Median	**$66**	**82.0%**	**$8,241**	**$11,067**	**4.6%**	**9.4%**	**32.7%**	**19.2%**	**10.7x**	**9.1x**	**15.8x**	**12.4x**	**3.1x**
Construction Materials													
Holcim Ltd	$10	11.9%	$50,092	$59,860	(2.6%)	8.2%	43.3%	24.3%	8.2x	8.0x	8.0x	8.0x	1.6x
CRH plc	78	88.8%	53,535	65,147	5.8%	11.3%	35.0%	18.4%	9.5	9.6	17.3	15.0	1.8
Vulcan Materials Company	245	0.8%	32,354	35,999	0.4%	12.7%	28.7%	28.8%	16.9	15.8	36.0	27.9	1.8
Martin Marietta Materials, Inc.	546	1.6%	33,651	35,748	5.5%	12.5%	31.8%	33.3%	16.4	14.9	16.4	24.9	1.0
HeidelbergCement AG	10	18.1%	18,534	25,461	0.1%	18.3%	50.1%	20.6%	5.7	5.4x	5.4x	5.4x	1.6
CombinedX AB (publ)	5	5.5%	83	86	27.1%	46.5%	0.0%	14.2%	8.1	6.2x	6.2x	6.2x	0.0
Advanced Drainage Systems, Inc.	163	1.3%	12,624	13,558	(7.8%)	6.0%	39.8%	31.9%	15.1	14.6	26.4	25.0	1.1
Eagle Materials Inc.	223	2.9%	7,572	8,657	5.6%	15.7%	31.0%	36.9%	10.6	9.7	16.8	14.6	1.4
Summit Materials, Inc.	37	0.6%	6,462	8,877	62.4%	80.2%	30.3%	23.5%	12.6	8.8	19.9	19.9	3.8
Mean	**$146**	**14.6%**	**$23,879**	**$28,155**	**10.7%**	**23.5%**	**32.2%**	**25.8%**	**11.5x**	**10.3x**	**16.9x**	**16.3x**	**1.6x**
Median	**$78**	**2.9%**	**$18,534**	**$25,461**	**5.5%**	**12.7%**	**31.8%**	**24.3%**	**10.6x**	**9.6x**	**16.8x**	**15.0x**	**1.6x**

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Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Industry Public Company Performance (Cont.)

($ in millions, except per share data)

	Stock	% of 52	Equity	Enterprise	2024E Growth		2024E Margin		EV / EBITDA		Price / EPS		Net Debt /
	Price	Week High	Value	Value	Revenue	EBITDA	Gross	EBITDA	LTM	NTM	LTM	NTM	LTM EBITDA
Flooring													
Mohawk Industries, Inc.	$114	86.7%	$7,264	$9,668	(1.9%)	(1.0%)	25.7%	13.1%	5.9x	6.7x	NM	11.6x	1.7x
Tarkett S.A.	10	78.8%	632	1,226	(1.8%)	27.5%	0.0%	8.9%	4.3	3.8	28.9	8.3	2.6
Interface, Inc.	15	78.6%	845	1,241	2.9%	16.1%	35.7%	13.2%	6.7	7.2	14.7	12.5	2.5
Mean	**$46**	**81.4%**	**$2,914**	**$4,045**	**-0.3%**	**14.2%**	**20.5%**	**11.7%**	**5.7x**	**5.9x**	**21.8x**	**10.8x**	**2.3x**
Median	**$15**	**78.8%**	**$845**	**$1,241**	**-1.8%**	**16.1%**	**25.7%**	**13.1%**	**5.9x**	**6.7x**	**21.8x**	**11.6x**	**2.5x**
Decking													
Trex Company, Inc.	$82	80.0%	$8,861	$9,106	13.6%	17.6%	42.3%	30.8%	22.9x	24.6x	36.8x	37.5x	0.6x
The AZEK Company Inc.	45	88.9%	6,583	6,990	4.4%	41.5%	38.7%	26.2%	22.6	19.3	60.5	38.8	1.3
Mean	**$63**	**84.4%**	**$7,722**	**$8,048**	**9.0%**	**29.6%**	**40.5%**	**28.5%**	**22.7x**	**21.9x**	**48.6x**	**38.2x**	**1.0x**
Median	**$63**	**84.4%**	**$7,722**	**$8,048**	**9.0%**	**29.6%**	**40.5%**	**28.5%**	**22.7x**	**21.9x**	**48.6x**	**38.2x**	**1.0x**

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024

Industry Public Company Performance (Cont.)

($ in millions, except per share data)

	Stock	% of 52	Equity	Enterprise	2024E Growth		2024E Margin		EV / EBITDA		Price / EPS		Net Debt /
	Price	Week High	Value	Value	Revenue	EBITDA	Gross	EBITDA	LTM	NTM	LTM	NTM	LTM EBITDA
Distributors													
Ferguson plc	$202	89.7%	$40,752	$45,266	0.1%	(3.5%)	30.4%	10.1%	13.0x	14.6x	22.8x	20.1x	1.5x
Pool Corporation	343	81.0%	13,132	14,353	0.4%	(0.1%)	30.0%	14.1%	16.5	18.4	27.0	26.2	1.6
Builders FirstSource, Inc.	143	66.8%	17,513	21,061	3.7%	(6.6%)	32.2%	14.4%	7.5	8.6	12.9	12.0	1.3
Reece Limited	17	58.6%	11,099	12,084	1.8%	22.7%	28.3%	11.3%	19.8	18.0	39.3	39.6	1.3
Watsco, Inc.	463	94.2%	17,306	17,638	5.2%	7.1%	27.2%	11.3%	19.1	20.0	37.2	33.9	0.2
SiteOne Landscape Supply, Inc.	131	69.7%	5,928	6,816	6.9%	11.2%	34.6%	9.3%	14.6	15.8	38.8	31.2	2.5
TopBuild Corp.	394	87.1%	12,474	13,129	5.7%	9.4%	30.9%	20.5%	11.3	12.3	21.2	19.0	0.6
Core & Main, Inc.	47	75.9%	9,104	11,778	N/A	N/A	27.1%	13.5%	12	12.9	24	21.1	2.9
Beacon Roofing Supply, Inc.	97	93.5%	6,171	9,306	5.7%	7.5%	25.6%	10.0%	9.1	10.0	NM	13	3.6
UFP Industries, Inc.	114	88.9%	7,021	6,462	(5.3%)	(4.0%)	19.4%	10.9%	8.1	8.7	14.6	15.3	-0.8
Installed Building Products, Inc.	207	78.4%	5,851	6,415	8.1%	15.2%	33.8%	17.9%	12.4	12.7	24.9	18.8	1.2
Comfort Systems USA, Inc.	301	85.4%	10,721	10,946	28.4%	42.9%	19.0%	10.6%	16.1	16.3	31.5	25.6	0.4
GMS Inc.	90	88.6%	3,565	4,699	3.4%	(2.1%)	32.3%	11.2%	7.0	7.5	13.0	10.6	1.9
Boise Cascade Company	126	81.7%	4,989	4,640	2.0%	(9.3%)	19.8%	9.9%	5.8	6.9	10.7	12.3	(0.5)
ADENTRA Inc.	28	63.0%	621	1,159	(2.0%)	52.9%	21.8%	8.6%	7.3	6.6	17.5	9.0	4.5
BlueLinx Holdings Inc.	96	72.7%	835	976	(2.6%)	(12.8%)	16.6%	4.7%	5.8	7.2	18.5	15.2	0.9
Mean	**$175**	**79.7%**	**$10,443**	**$11,670**	**4.1%**	**8.7%**	**26.8%**	**11.8%**	**11.6x**	**12.3x**	**23.6x**	**20.2x**	**1.5x**
Median	**$129**	**81.4%**	**$8,063**	**$10,126**	**3.4%**	**7.1%**	**27.8%**	**11.1%**	**11.7x**	**12.5x**	**22.8x**	**18.9x**	**1.3x**

Source: S&P Capital IQ
Note : All values are based on publicly available data as of 6/11/2024