

## Industrials: Building Products



### Quarterly Update

- Elevated supplier inventory levels, declining single-family and office construction, and an increased interest rate environment are combining to reduce demand for building products.
- Companies negatively impacted by depressed levels of new home construction are pivoting to repair and remodel sales channels, the thesis being that consumers are more likely to renovate existing properties in this environment.
- The positive outlook for repair and remodel demand seems well supported by (a) record homeowner equity and (b) the number of single-family homes entering prime remodeling years.
- Federal legislation including the Infrastructure Investment and Jobs Act, Inflation Reduction Act, and the CHIPS Act are expected to provide tailwinds for infrastructure and heavy nonresidential construction.
- The increased raw material costs and supply chain constraints that have hampered the building products industry over the last several quarters are stabilizing and will course correct over the remainder of 2023; these trends will give buyers confidence and lead to interest in M&A activity.

### Recent Building Products Transactions

**SMEDE-SON STEEL**  
Established 1954  
& Supply Company, Inc.

has been acquired by

**CREDO**  
PRIVATE CAPITAL

and

**LEELANAU**  
PRIVATE CAPITAL

**STANISCI**  
DESIGN

has been recapitalized by

**PROVARIANT**  
EQUITY PARTNERS

**FRONT RANGE STONE**  
COUNTERTOPS

has been acquired by

**PATRICK**  
INDUSTRIES, INC.

**williams**  
EQUIPMENT & SUPPLY

has been acquired by

**CSG** CONSTRUCTION SUPPLY GROUP

*For more information and insights, please contact the EdgePoint Industrials Group:*



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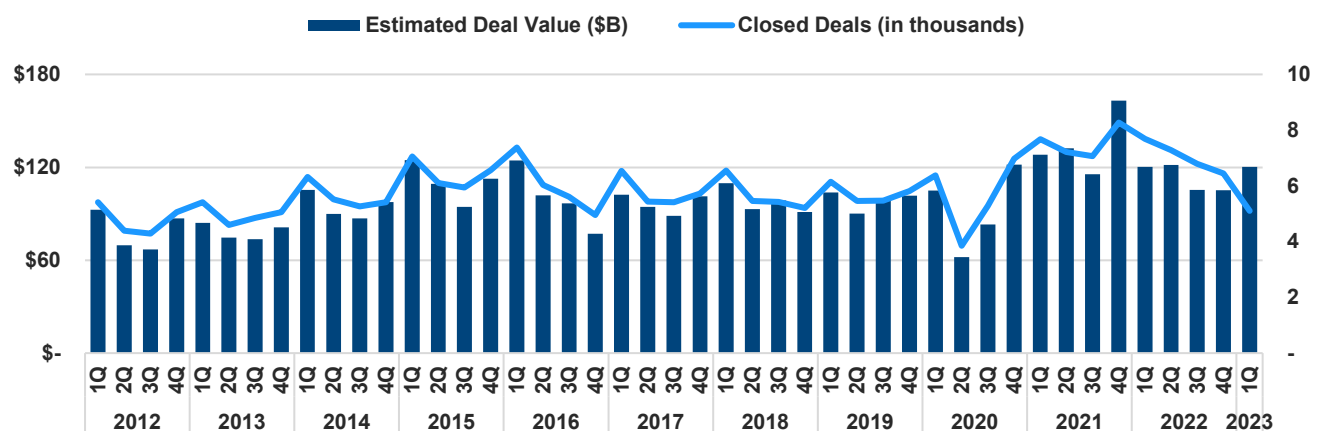
# Industrials: Building Products | June 2023

## Recent Building Products Transactions (Selected)

Target	Date	Buyers / Investors	Region	Strategic / Financial
American Olean Midwest LLC	Jun 26	Louisville Tile Distributors, Inc.	United States	Strategic
Washoe Building Supply, Inc.	Jun 23	SRS Distribution Inc.	United States	Financial-Backed Strategic
Carlisle Wide Plank Floors, Inc.	Jun 21	Switchback Capital LLC	United States	Financial
Building Products of Canada Corp.	Jun 12	Compagnie de Saint-Gobain S.A.	Canada	Strategic
Silver State Building Materials, Inc.	Jun 12	Beacon Roofing Supply, Inc.	United States	Strategic
Killingly Building Products Co. Inc.	Jun 11	L&W Supply Corporation	United States	Strategic
Salesmaster Associates, Inc.	Jun 7	Spartan Surfaces, Inc.	United States	Strategic
Eco Enterprises, LLC	Jun 5	PGT Innovations, Inc.	United States	Strategic
American Window Film, Inc.	Jun 5	Solar Art Window Film, Inc.	United States	Strategic
E. Tetz & Sons, Inc.	Jun 5	Peckham Industries, Inc.	United States	Strategic
Sices Material Products, Inc.	Jun 1	Foundation Building Materials, Inc.	United States	Financial-Backed Strategic
Middle Atlantic Wholesale Lumber, Inc.	May 22	Sherwood Lumber Corporation	United States	Strategic
Parkline, Inc.	May 5	Trachte, LLC	United States	Financial-Backed Strategic
JB Millworks, LLC	May 1	Builders FirstSource, Inc.	United States	Strategic
Jawl Lumber Corporation	May 1	GMS Inc.	Canada	Strategic
Chase Lumber And Fuel Company, Inc.	May 1	Bliffert Lumber & Fuel Company, Inc.	United States	Strategic
Insulco Insulation, LLC	Apr 30	Installed Building Products, Inc.	United States	Strategic
Builders Millwork & Supply, Inc.	Apr 30	Builders FirstSource, Inc.	United States	Strategic
Exterior Solutions, Inc.	Apr 5	Gulfside Supply, Inc.	United States	Strategic
Prince Building Systems, LLC	Apr 3	Beacon Roofing Supply, Inc.	United States	Strategic
Madison Lumber, Inc.	Apr 3	ECMD, Inc.	United States	Strategic
MarJam Supply Co., Inc.	Apr 1	Foundation Building Materials, Inc.	United States	Financial-Backed Strategic

Source: S&P Capital IQ (June 30, 2023)

## Global Lower-Middle Market Quarterly Deal Flow



- Strategic buyers, less impacted by rising interest rates, continue to pursue acquisitions as a path to deploy excess cash, expand market share, or vertically integrate
- Despite current headwinds affecting single family and office new construction, the expectation is building products M&A will remain active as companies pivot to repair and remodel sales channels

Source: Pitchbook (March 31, 2023); Lower-middle market refers to deals valued at \$100 million or less

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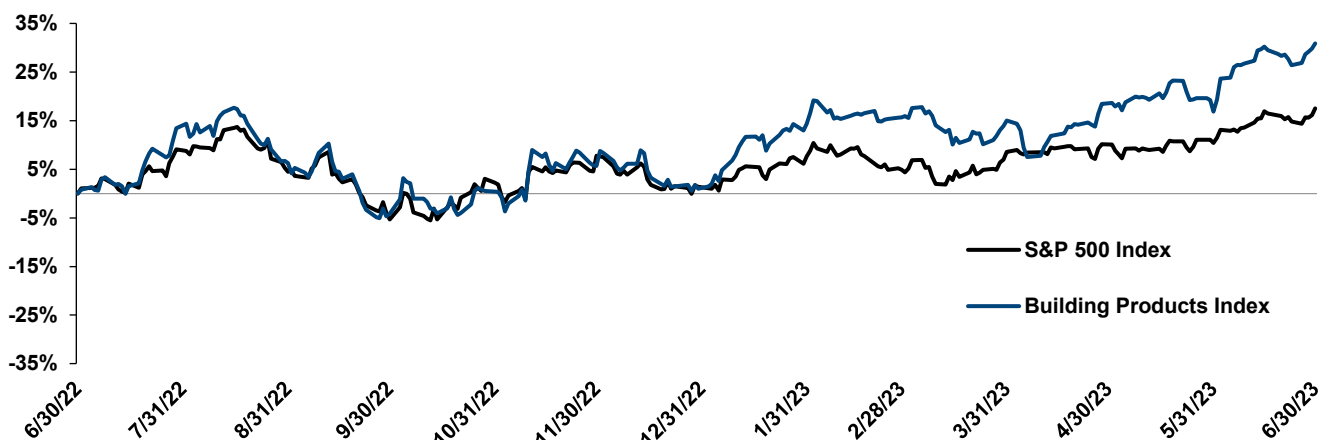
## EdgePoint Public Comparable Index Constituents

### Building Products

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue		Revenue Growth
		Gross	EBITDA	LTM	2022E	LTM	2022E	LTM	LTM	3-Yr. CAGR
Advanced Drainage Systems, Inc.	\$ 10,202	36.4%	27.8%	\$ 854	\$ 802	11.5x	12.7x	\$ 3,071	10.9%	22.4%
American Woodmark Corporation	1,687	17.3%	10.8%	224	229	6.7x	7.4x	2,066	11.3%	7.8%
Apogee Enterprises, Inc.	1,236	23.7%	11.6%	168	172	6.7x	7.2x	1,446	7.5%	3.0%
Armstrong Flooring, Inc.	122	12.1%	-4.5%	(30)	-	NM	0.0x	650	11.1%	-3.7%
Armstrong World Industries, Inc.	3,911	36.4%	24.8%	313	403	9.8x	9.7x	1,261	10.9%	6.5%
ASSA ABLOY AB (publ)	315,574	39.5%	17.2%	21,816	25,525	13.6x	12.4x	126,593	26.9%	10.2%
Caesarstone Ltd.	274	22.3%	5.2%	35	30	4.3x	9.0x	671	0.4%	7.2%
Comfort Systems USA, Inc.	6,153	18.1%	8.5%	375	418	14.4x	14.7x	4,430	34.7%	16.8%
Compagnie de Saint-Gobain S.A.	37,173	25.8%	12.7%	6,494	6,720	5.1x	5.5x	51,197	15.9%	6.3%
Daikin Industries, Ltd.	8,877,496	33.4%	14.0%	559,257	588,403	15.8x	15.1x	3,981,578	28.1%	16.0%
Fortune Brands Home & Security, Inc.	11,269	40.4%	19.0%	881	917	12.3x	12.3x	4,623	10.9%	-7.5%
Georg Fischer AG	5,394	40.6%	12.8%	513	514	10.5x	10.5x	4,020	7.4%	2.4%
Hubbell Incorporated	18,892	31.6%	18.8%	956	1,103	19.0x	17.1x	5,077	15.6%	3.4%
Installed Building Products, Inc.	4,684	31.6%	16.2%	445	420	9.8x	11.2x	2,742	29.4%	20.5%
Interface, Inc.	999	33.0%	11.1%	145	144	6.0x	6.9x	1,306	5.7%	-0.7%
James Hardie Industries plc	18,553	34.7%	25.2%	951	922	13.1x	13.8x	3,777	4.5%	13.2%
JELD-WEN Holding, Inc.	3,203	18.8%	6.7%	347	350	7.5x	9.1x	5,181	6.8%	6.8%
Kingspan Group plc	12,891	26.6%	11.5%	959	968	12.8x	13.3x	8,341	28.4%	21.4%
Lennox International Inc.	13,419	27.8%	15.9%	757	826	15.6x	16.3x	4,754	11.2%	8.3%
LIXIL Corporation	1,016,817	31.3%	7.1%	106,222	96,008	9.6x	10.6x	1,495,987	4.7%	-4.1%
Masco Corporation	16,278	32.0%	17.2%	1,451	1,344	10.7x	12.1x	8,458	-1.7%	7.7%
Masonite International Corporation	3,360	22.8%	13.7%	396	435	7.5x	7.7x	2,891	8.0%	9.6%
Mueller Industries, Inc.	4,249	29.0%	23.8%	939	-	4.4x	0.0x	3,944	-0.4%	17.6%
NORMA Group SE	952	53.1%	10.1%	127	168	6.9x	5.7x	1,256	12.9%	5.1%
Owens Corning	14,288	27.0%	22.6%	2,204	1,944	6.2x	7.3x	9,746	9.1%	11.2%
PGT Innovations, Inc.	2,456	38.8%	15.7%	237	268	9.1x	9.1x	1,510	20.9%	24.0%
Quanex Building Products Corporation	1,015	22.2%	11.8%	137	146	6.9x	7.0x	1,167	0.5%	10.6%
Tarkett S.A.	1,379	18.5%	5.1%	171	271	6.9x	5.1x	3,359	20.3%	3.9%
TopBuild Corp.	9,739	29.9%	18.8%	960	898	9.3x	10.8x	5,105	30.5%	24.3%
Tyman plc	674	31.1%	15.0%	107	101	5.9x	6.6x	716	12.6%	5.2%
<b>Median</b>		<b>30.5%</b>	<b>13.9%</b>	<b>479</b>	<b>428</b>	<b>9.3x</b>	<b>9.4x</b>	<b>3,860</b>	<b>11.0%</b>	<b>7.7%</b>
<b>Mean</b>		<b>29.5%</b>	<b>14.2%</b>	<b>23,614</b>	<b>24,348</b>	<b>9.6x</b>	<b>9.5x</b>	<b>191,564</b>	<b>13.2%</b>	<b>9.2%</b>

Source: S&P Capital IQ (June 30, 2023)

## EdgePoint Comparable Index Trailing Twelve Months Stock Performance



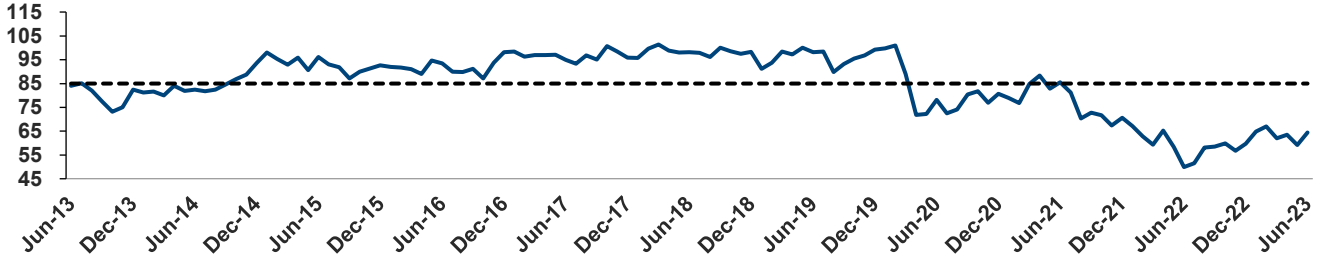
- Building products stocks broke away from the broader market early in Q2 2023 and retained outperformance through the remainder of Q2 due to optimism surrounding increasing supply chain efficiencies and increased government spending on infrastructure enhancement projects

Source: S&P Capital IQ (June 30, 2023)

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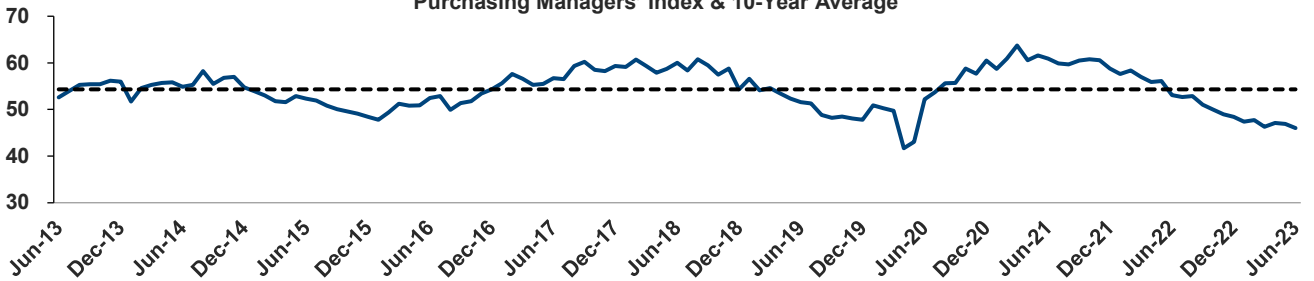
## Key Macroeconomic Indicators

### University of Michigan Consumer Confidence Index & 10-Year Average



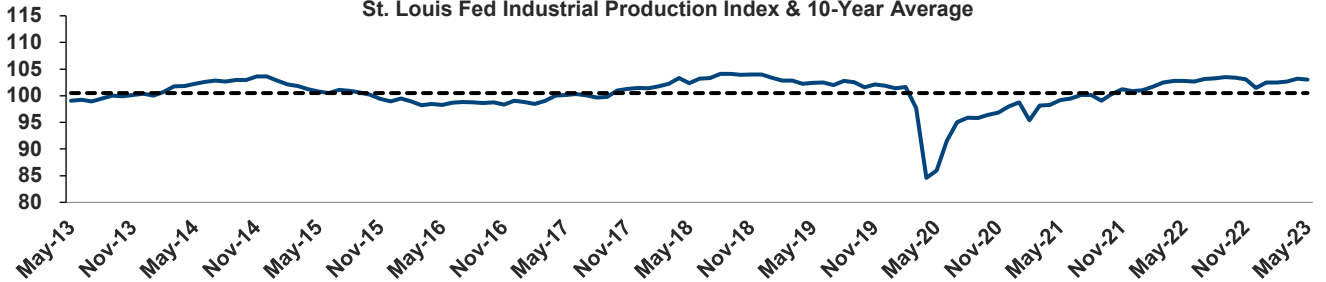
Source: University of Michigan

### Purchasing Managers' Index & 10-Year Average



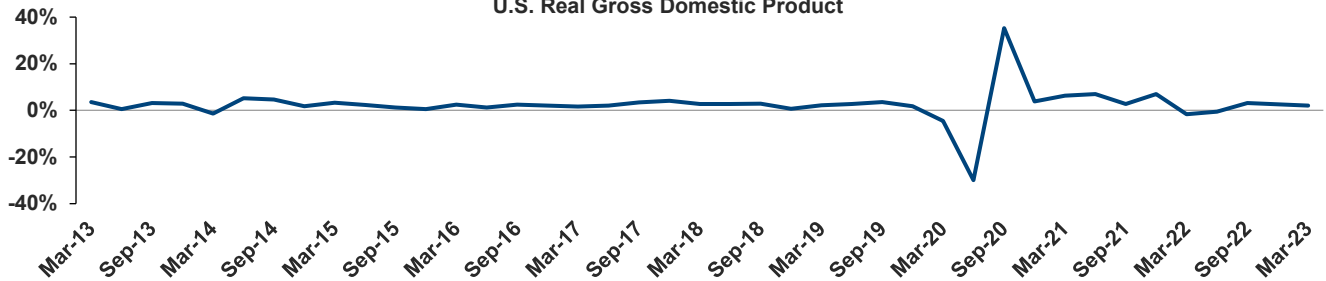
Source: Institute for Supply Management

### St. Louis Fed Industrial Production Index & 10-Year Average



Source: The Federal Reserve Bank of St. Louis

### U.S. Real Gross Domestic Product



Source: Bureau of Economic Analysis