INSIDER

INDUSTRIALS
BUILDING PRODUCTS

JUNE 2023

BROWN GIBBONS LANG & COMPANY

RIóN MERGERS AND ACQUISITIONS

TABLE OF CONTENTS

1 INTRODUCTION

Inside this edition of the Building Products Insider, BGL shares expert insights obtained through an exclusive executive roundtable which addresses diverse topics ranging from the demand outlook and operational challenges to M&A and valuations.

The long-term outlook for the Building Products industry remains favorable. Pent-up demand from an undersupply of affordable single-family homes is expected to fuel growth in the residential new construction market, while the repair and remodel market is the "steady beat" that offers stable demand owed in large part to an aging housing stock.

Inflation is predicted to continue to cool over the next 6 to 12 months, which should result in some easing on mortgage rates.

In the near-term, many companies are projecting full-year outlook to be modestly down from 2022 record levels, with pricing being the largest drag on performance. M&A activity has slowed amid uncertainties in the housing market and the broader economy. Buyers have largely remained sidelined in the current environment as they look to assess the recent market dynamics and determine what they believe to be sustainable earnings. The financing market has pulled back leverage but continues to show appetite for high-quality assets. Strategic buyers continue to look for add-on opportunities leveraging the current buying environment to acquire companies at attractive valuations.

Technology innovation and supply chain management will be among the drivers of consolidation in the coming months.

We are bullish on the medium and long-term prospects of the residential new construction market. Our high conviction is driven by a strong demand outlook, including but not limited to the emergence of millennials as first-time home-buyers and the current deficit in single and multi-family housing resulting from underinvestment over the last decade.

- MATT KAUFMAN
Validor Capital

We've talked to a fair number of builders, and the sentiment right now is that they're getting bullish on the market reemerging towards the end of 2023 or start of 2024. Although cost continues to be high for some raw materials and supply chain constraints are still impacting the market for certain materials, our view is that these factors are now starting to stabilize.

- MATT FISH
Stax

I think the buyers today are those who see a real strategic value to the buyer in the purchase. It needs to be a hand-in-glove fit... Unless there is a perfect strategic fit, whether it's in building products or other industry sectors, or there is comfort with the valuation, many buyers are just being patient.

- SCOTT LAVIE
Renovo Capital

Good businesses are good businesses, and if you can get the purchase price at the right number, it sort of de-risks lenders' concerns.

- CHRIS AYALA
Drum Capital

2 INDUSTRY OUTLOOK

THE PARTICIPANTS

DRUM CAPITAL Management

CHRIS AYALA
Managing Director

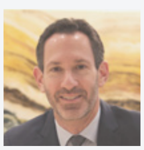
Based in Stamford, Connecticut, private equity firm Drum Capital Management invests in lower middle-market businesses across the home building products, manufacturing, consumer goods and services, and other industrial sectors.

Building products holdings include Excel Interior Door, a supplier of high-quality interior doors marketed throughout the South and Southeast U.S., and OpenView Products, a leading portfolio of custom vinyl windows and doors for residential and multi-family homes throughout the U.S.

Stax

MATT FISH
Managing Director

Stax is a global strategy consulting firm working across the industrial and manufacturing spectrum with a specialization in the building products sector. The firm's clients range from middle-market manufacturing companies and multinational corporations to private equity firms and their portfolio companies. Stax has consulting locations in Boston, Chicago, New York City, London, and Colombo, Sri Lanka.



VALIDOR CAPITAL

MATT KAUFMAN
Managing Director

Based in Boca Raton, Florida, Validor Capital is a lower middle-market private investment firm with a focus on industrial and manufacturing businesses and owns Marwin, a leading manufacturer of attic stairways, French and louvered doors, and pocket door frames for the residential housing industry.

Renovo CAPITAL

SCOTT LAVIE
Managing Director

Renovo Capital is a Dallas-based private equity firm which invests in lower middle-market specialty manufacturing and business services companies. Portfolio company States Industries is a leading manufacturer of environmentally conscious premium hardwood panel products with a history of innovation.

2 INDUSTRY OUTLOOK

What is your outlook for near and long-term activity across the residential new construction market?

CHRIS AYALA: In the short term, I think people are just waiting to understand what the environment looks like, but I think everybody in the space continues to have a more positive outlook now than maybe they did three or six months ago. Maybe as soon as the back end of this year we are going to see a lot of high frequency construction. We'll probably then see in 2024 a return to what's normal, setting a plan out and then executing on a plan on a longer annual basis.

Population continues to grow in the United States. There are a lot of trends suggesting that people are moving not just into primary locations but secondary and tertiary markets. I think those are going to be great growth drivers for the country in general.

MATT FISH: We have been seeing a decline in new housing starts at a national level, and there are a few factors driving that. Obviously, interest rates being one of them, but also, during and right after COVID, people were moving around a lot, and now we're in a period where people are staying in place in their property given home price affordability.

We've talked to a fair number of builders, and the sentiment right now is that they're getting bullish on the market reemerging towards the end of 2023 or start of 2024. Although cost continues to be high for some raw materials and supply chain constraints are still impacting the market for certain materials, our view is that these factors are now starting to stabilize. There is an expectation that inflation will continue to course correct in a positive way over the next six to 12 months.

There remain 17 million new single-family homes that are going to be needed over the next five-plus years to meet current demand, so we remain bullish on the long-term outlook.

MATT KAUFMAN: We are bullish on the medium and long-term prospects of the residential new construction market. While there may be some variation in outcomes across different regions, we are particularly optimistic about the Southeast, Florida, Texas, and select Western states. Our high conviction is driven by a strong demand outlook, including but not limited to the emergence of millennials as first-time homebuyers and the current deficit in single and multi-family housing resulting from underinvestment over the last decade. These factors, among others, suggest a favorable long-term outlook for building products.

SCOTT LAVIE: We continue to believe fundamentally that residential new construction and repair and remodel are going to be good markets. In the short term, we think that the trepidation that exists today based on economic uncertainties probably has impacted the financing market and valuations. Long term, we'll get through that. And, the fundamental strength of the demand factors, the drivers that we have all read about over the past five years—housing shortages, the boomers changing over and changing their locations, the next generations coming up and being buyers—all those factors will continue to drive reasonably good or stable businesses and residential growth.

2 INDUSTRY OUTLOOK

What is the most critical challenge facing the industry today?

CHRIS AYALA: Obviously, everybody's going to point to interest rates which has slowed down people going out and trying to upgrade their homes or buy new homes. I don't think we're going to see interest rates come all the way back down any time soon. It doesn't create unease in the market. It just creates a little bit of confusion and a delta between what home buyers and what developers are looking to do.

MATT KAUFMAN: Over the past two years, the most prominent challenge our building products companies have faced is fulfilling the substantial volume requirements of our customers. This was largely due to constraints in the supply chain and labor market. However, today, our most significant challenge is the uncertainty surrounding the depth and duration of any downturn or recession. This uncertainty is particularly challenging as we make crucial decisions and investments that could impact both the short and long-term prospects of our companies.

SCOTT LAVIE: It kind of depends on how you break out the industry. At the retail sales level, one of the biggest challenges is interest rates for the buyer. They're struggling with the sticker shock of a new home today versus three years ago and how much those prices have gone up. Being a supplier to the industry, our biggest challenge is restoring profitability margin after struggling through the past couple of years of volatility. With current supply chain (relative) stability and raw material prices normalizing, our customers all want cost reductions.

Short term, it is the economic uncertainties that are causing us all to move slowly and carefully making decisions, whether it's an acquisition, sale, or taking on a mortgage. Long term, it's fundamentally, how do the coming generations continue to be buyers of homes when the prices have gotten so high.

What will be the biggest driver to bridge the gap between the supply / demand imbalance in the U.S.?

SCOTT LAVIE: New home costs, inflation, and mortgage rates are the biggest impediments to those who want to buy. Fixing these aspects will increase the buyer universe, but we still need to increase the base stock of new-build affordable housing. If you believe in home ownership and creating equity through holding real estate, I would think if you can lower the costs and create more available inventory of housing stock at the same point in time the gap will begin to reduce.

How much variability do you anticipate by ? What will drive the discrepancy between the fastest and slowest growing regions in the coming years?

CHRIS AYALA: There are obvious places such as Texas and the Southeast United States where prices are still reasonable for homes, where the cost of living continues to be low, and where people have an opportunity to work in professional environments on a remote basis. So, I think those markets continue to be strong. But I do also think that people outside of major metropolitan markets in other regions are looking to those smaller towns where they don't need to do a daily commute to the office.

MATT FISH: We think about it in terms of where population density is growing disproportionately, and those are the markets where there's just been inherently a greater supply demand imbalance. So, you think about areas like Denver and Texas where there has always been an influx of people moving, and we expect those markets to outgrow the broader national average.

SCOTT LAVIE: As an example, we are seeing an exodus of people and businesses from California. The tech sector has been hammered; a lot of people losing jobs, and equity values of companies being negatively impacted. These negative economic consequences that are occurring in some of the major tech cities will likely cause specific declines.

Manufacturing businesses seem to be performing better than were expecting them to perform. So, maybe geographically concentrated manufacturing centers will have less variability and perform a little better than some of the geographic regions with concentrations in business sectors that have gone so high and now maybe need a little settling back.

How do you view the sustainability of the repair and renovation (R&R) market following COVID-19 restrictions being lifted?

MATT FISH: Fairly resilient. During and following COVID-19, people stayed in their homes for a longer period and invested more in their homes. From 2020 to 2021, growth in renovation was somewhere around 20%. But if you looked at demand, it really should have been more around 30%. This indicates there is still a good amount of pent-up demand, so we do think the market is somewhat insulated from the broader trends impacting the residential new construction market. We are pretty confident in growth approaching 5% over the next few years for renovation.

Outside of the renovations that were sparked by COVID-19, the age of homes is driving underlying demand. According to our estimates, there are around 24 million homes that will hit that need for service and repair over the next five years, so we expect this to be a long-term demand driver in the market.

MATT KAUFMAN: In the R&R markets, we believe tailwinds will include (i) low housing inventory, (ii) aging housing stock, (iii) the possibility of persistent inflation exceeding 2%, making home improvement investments a more practical decision, and (iv) a significant number of homeowners who have recently refinanced their homes at very low rates during the pandemic and are now effectively "locked-in" to their homes for the foreseeable future.

SCOTT LAVIE: We don't expect the repair and remodel market to slow down necessarily as much as we do think there's going to be margin give back that is going to impact profitability for some of the players.

Do you see any trends specific to the millennial generation that will drive change in the market?

CHRIS AYALA: They're energetic. They're youthful. They're getting married. They're starting families. They're looking for a home that they can afford but offers some luxuries. And they're aging and growing professionally in an environment that has quickly become accustomed to not having people in the office every day. That's the group that's really going to be driving the market development outside of major metropolitan areas and in the greater traditional suburban areas.

The flip side to the millennials is the aging demographic of the United States. They're staying in the workforce a little longer. It's going to allow them to think about relocating to markets where they can still buy or upgrade or downgrade their homes but stay busy. So, I think that is going to be a big driver too.

2 INDUSTRY OUTLOOK

MATT FISH: One of the things about the millennial generation to call out is that if you think about them really coming into the job market in 2008, their income trajectory is a little bit more stagnant for maybe their first three, four years out of college. So, we are noticing that you see some of these larger purchases being pushed out a little bit longer than you might have expected. We are probably just at the cusp, but it may even just get extended a little bit longer, given COVID and inflation.

Does your outlook for the commercial / multi-family new construction market diverge from the residential market, and if so, why?

CHRIS AYALA: I think there are some innovative ways that property management companies and developers are thinking about multi-family going forward, which means that they're still putting concrete in the ground and they're going to continue to develop. I continue to think that building and development is going to continue in a positive way. The question, is it more of a positive trend off of 2019 or 2022.

MATT FISH: If you look at where the investment is happening and where people are more bullish it would be in commercial, which we define as infrastructure/institutional.

2022 was almost a banner year for some of these commercial construction companies. They've got backlogs with visibility into 2023 and 2024. Then you add on top of that the infrastructure bills that are coming through and the spend that is allocated towards that. Anyone who has a seat at the table and is feeding construction companies within infrastructure will be well positioned in the coming years.

SCOTT LAVIE: I have a pretty dim view on the commercial market, and don't really understand how multi-family continues to appear to be so strong. I just keep asking the question, when do we have enough multi-familys? The amount of infill that's been done with multi-family has been incredible and just continues to go. And commercial office buildings, for example, I feel are in the midst of a disaster. Leases are getting canceled or not renewed. The decline in commercial property demand (and cash flow) is causing a valuation re-set, with many commercial property owners facing balance sheet restructurings based upon the levels of debt capital deployed against past years higher valuations.

M&A MARKETS

Please discuss your views on the M&A market and the opportunity for investors today.

CHRIS AYALA: There will be a bit of a lag before deal flow and M&A activity will start to pick up for a few reasons. One, the public market comps, which investors rely on, are just not there. And what is going to get them there is probably several quarters of improved performance to where Wall Street feels a little bit better about the industry and those numbers start coming up. Two, sellers that decided to wait are going to start getting itchy. The third driver is really rebalancing companies' P&Ls. In the home building products space, there were significant and unscheduled changes to raw material costs that came quickly and irregularly. They included both price increases and surcharges because of transportation expense. So, I think there are a number of companies that will go back to vendors to try to renegotiate terms to get material expense back down to a number that makes a great deal of sense. That will include gaining market acceptance of price increases to help with that rebalance. That just takes time to work through the

INDUSTRY OUTLOOK

system, but we're seeing progress. In our businesses, we've seen much more normalization from our vendors. We've seen vendors starting to decrease prices. So, it's getting much healthier out there.

MATT FISH: There is going to be some lag when sentiment to invest in building products deals will return. Some of that is just what the banks are bringing to market. Any building products business would have to be an A+ company. It'll take a bit more time for some of those B and C companies that have seen a lot of volatility in their earnings to be ready for market.

Earnings sustainability is the "hot button" issue right now for investors. Everyone is trying to figure out how much COVID has impacted the numbers. They're having a difficult time writing off on historical growth and figuring out what a true baseline earnings profile is for a business. That is more on the product side. On the services side, we are still seeing a lot of activity.

MATT KAUFMAN: Many potential acquisition candidates in the building products space have exhibited highly volatile performance over the past several years. The primary challenge is evaluating the sustainability of their most recent performance.

SCOTT LAVIE: The public companies have traded down in terms of valuations. The lending market is not being aggressive, so credit is negatively impacting M&A. I think the buyers today are those who see a real strategic value to the buyer in the purchase. It needs to be a hand-in-glove fit; they can do X, Y, and Z with the business and take EBITDA from $10 million to $20 million. Those buyers that can find the hand-in-glove fit can still afford to be aggressive. Otherwise, with the current credit risk environment and higher interest rates many buyers are all standing on the sidelines awaiting valuation re-sets.

One of our buzzwords these days is the sustainability of the EBITDA in looking at what businesses did in 2020, 2021, and 2022. Buyers, sellers, and advisors are all focusing on what is a sustainable EBITDA and proving out that it is sustainable. Looking at how long a history have you had with the customer and how have you maintained the margin.

We are all in this transitional time as buyers and sellers. Unless there is a perfect strategic fit, whether it's in building products or other industry sectors, or there is comfort with the valuation, many buyers are just being patient.

How are you seeing valuations today given some of the headwinds facing the market, and is there a gap between seller and buyer expectations?

CHRIS AYALA: We're looking at a market where trading multiples for home building product companies are 50% off where they used to be. So, there is a huge gap in the seat that I sit in in terms of what we think we can buy and what businesses really are willing to sell at. Because of that current divide, I think that's probably why we're not seeing a lot of transactions get done, and frankly, we're not participating in a whole lot because the companies that were expecting high multiples nine or 12 months ago don't seem to have businesses that justify those numbers today.

SCOTT LAVIE: Comparative public valuations have declined, credit risk appetite has declined, economic uncertainty is high and thus buyers' perspectives on valuations in the middle market have come down. This is not necessarily the case with sellers, who still fall back upon the valuation peaks of the past few years. Conservative buyers are thinking 4x to 6x as a multiple, and sellers are still at 8x to 10x. The motivations of the parties to transact will drive either a negotiated valuation to be reached or not.

How do you see consolidation shaping the industry? Any specific verticals within the Building Products industry that you view as more attractive for consolidation?

CHRIS AYALA: There was a lot of activity in 2020, 2021, and 2022. There were a number of assets that were available or could be made available for M&A activity and consolidation. I think a lot of those got picked over and picked through. The quality ones were acquired, and for the most part, there were a number of strategic acquisitions. Those strategics are probably spending a lot more time now working those businesses into their larger business and going through P&L management and integration which was difficult when people literally couldn't go to the office or couldn't get into the business, or vendor pricing was all over the map.

There are many smaller service businesses that performed well the last several years that could be rolled up and put into a consolidation platform that fall outside of the business model of the larger strategic acquirers. Those might be really nice opportunities for us as we think through the future.

MATT FISH: We think there is still going to be a lot of consolidation. One of the drivers behind this consolidation is technology innovation. Additionally, product producers are looking to consolidate their supply chains. One of the areas where we expect outsized consolidation is service businesses like roofing and residential HVAC with many of the larger industry participants undergoing a roll-up strategy to expand geographically and leverage the increased scale to benefit from synergies.

Discuss any key business, market, operational and/or financial attributes that you prioritize when evaluating a new investment.

CHRIS AYALA: One, gross margin control. A lot of the rest of the G&A we think is manageable. We think it can be improved sometimes with better management, sometimes with better KPI tracking and the way that you're using the people that are not on the plant floor.

Two, labor efficiency. A lot of the businesses we look at don't use a lot of robotics. They use automation but no robotics. And so, people and the labor staff are really important. So, we're looking for businesses maybe where the labor force is underutilized.

SCOTT LAVIE: We generally buy family owned or entrepreneur businesses and want to have multiple value creation paths, be it systems, people, operational changes, or pricing, because that creates opportunity. In most of our manufacturing businesses, we've been investing in automation to try and bridge the gap of labor availability and improved costs efficiencies. We are looking at what we can spend over, call it a three-year window, to see the financial benefits of lower labor and improved efficiency that justify the capital investment.

How are you seeing the lending market, broadly speaking, for Building Products opportunities?

CHRIS AYALA: It's always been cyclical, which means that traditional bank lenders have always given pause. They're trying to gauge where we are in the cycle. I think the case right now, particularly with some of the smaller regional lenders, is they don't know what's going on. So, it's a much more conservative environment for traditional bank debt.

2 INDUSTRY OUTLOOK

That lends itself to private credit or mezzanine firms which are absolutely open for business. They serve a certain function so that M&A activity can continue regardless of how the more traditional senior lenders are behaving.

Good businesses are good businesses, and if you can get the purchase price at the right number, it sort of de-risks lenders' concerns.

MATT KAUFMAN: We see an enhanced importance of existing relationships as well as track record.

SCOTT LAVIE: We did a bank refinancing in 2021 and achieved typical bank leverage. We chose the bank over nonbank lenders because the bank was aggressive enough around reduced amortization, and the bank cost of capital made it a much more attractive financing.

OPERATIONAL INSIGHTS

Discuss any key operational focus areas for your portfolio companies in 2023:

CHRIS AYALA: A year ago, supply chain was a major issue. At least in our businesses, we don't have any supply chain concerns at this point.

Labor availability and employee costs are number one today. We've put a huge emphasis across our portfolio in enhancing our HR functions, as well as investing in our labor force with additional benefits because we want to keep people. We want to bring them in. Number two is improving our production level management. I'd rather bring in superior production leaders who know how to train and keep their staff. That's effectively a fixed cost, but I get higher yield out of the efficiency of how my people are working. That is paramount for a lot of our businesses.

MATT KAUFMAN: Throughout 2022, our building products companies experienced a year of high volume, as customers prioritized managing their product supply and inventory, which led to increased demand. However, this year, we have observed a normalization of demand, which has presented an opportunity for us to focus on improving operational efficiencies across all aspects of our businesses.

SCOTT LAVIE: For all our portfolio companies, it is maintaining margin, operational efficiencies, customer service, and planning for the future. We're investing capital in automation projects which hopefully will have long-term positive implications for us.

How are ESG themes impacting your organization or changing demand for your products?

CHRIS AYALA: We don't see a whole lot of it to be candid. I think ESG is important for a host of reasons. You don't do it just to do it, but you do it because it's important to the methodology of how to build a really good business.

From an environmental perspective of our products, not a lot of change there. We're predominantly wood core products or vinyl products. I don't know if we're ever going to find a recyclable vinyl; if we do, it's probably not going to be a great window. That's not paramount for us, unfortunately.

MATT FISH: Companies continue to invest in ESG themes, and it's been kind of the same trend for the last five to ten years especially when it comes to new construction. We haven't seen any pronounced changes in the last two to three years.

SCOTT LAVIE: Our business is based in Oregon, so I think the company grew up with ESG to a certain degree. It's a much more socially conscious state than others. I think the company was probably

2 INDUSTRY OUTLOOK

ahead of its time to a certain degree, probably influenced by the geography it operates in.

What are some of the differentiating characteristics that have allowed your portfolio companies to successfully grow in the industry?

CHRIS AYALA: I would say all our companies are relatively regionalized sales territories which allows us to have salespeople and management who are familiar with those markets and how to speak with people in those markets, so you build trust. The second piece of it is service. We hear across the board when a new customer comes to us, why they're leaving their old one is because they don't feel the service level is adequate. They don't have that relationship. Those are great opportunities for our business. We're spending a lot of time now reinvesting in our service department.

MATT KAUFMAN: Most of our business units had some semblance of automation/technology within their operations prior to our acquisition, and we typically aim to continue or accelerate these types of investments. Enhancing throughput and driving down costs have been critical factors in enhancing the success of our companies.

SCOTT LAVIE: Over the past eight years, we have moved more and more into value-added services, producing specialty short run products. We manufacture hardwood plywood sheets, but we'll also cut to specific shapes and quantities for the customer and use our labor and our equipment to help customers with their labor and equipment challenges. It makes us a more valuable supplier in the supply chain. It flows right into the concept of sustainable EBITDA. The value-add aspects are services that some of our competitors do not provide and thus provide us with the opportunity to differentiate our offerings.

How have you been able to innovate and differentiate your products versus competitors?

CHRIS AYALA: Unfortunately, innovation took a backseat over the last three or four years. We had such strong demand that I would say 110% of our entire thought process was just getting the orders executed correctly and on time and delivered to the right place. We're starting to spend more time on that now with some of our new executive leaders.

SCOTT LAVIE: At States Industries, we were on to go from a formaldehyde-based to a soy-based glue. While not strictly enforced, a CARB mandate is that plywood should not use formaldehyde-based glues.

Our lower middle market focus enables us to help solve customer problems and differentiate us from the larger high production shops.

Discuss the current market environment specific to your portfolio companies and what your expectations are for growth and profitability.

SCOTT LAVIE: We expect to continue the profitability growth path our CEO set out for us four years ago. Our goal is not to put more boards out the door but rather to make them more efficiently and continue to improve on the things we know we do well. While we make our way through this economic and M&A uncertainty, we're just going to continue to focus on the segments we think are adding value and demonstrating sustainability. And as a potential future seller, hopefully we'll come out with a higher EBITDA as a base for a greater valuation multiple.

2 INDUSTRY OUTLOOK

What are the biggest challenges facing your organization today?

CHRIS AYALA: It's twofold. It's really improving sales and marketing. We must do a better job of maintaining activity and reputation and getting out into existing and new customers to make sure volume levels are growing.

The second is making sure that our expenses, particularly on those vendor material costs, come back in line with where we want them to be based on historicals. We've seen a lot of forgiveness from vendors on historical prices. We haven't seen a lot of pushback on prices from our customers. What we are seeing are customers looking for rebate programs, which for all our companies, is a newer concept. It's something we must consider, particularly for these key core customers.

MATT KAUFMAN: Although each business unit operates in a distinct market with unique challenges, our approach remains consistent – We focus on ensuring that the company has the best management team in place, executing sound strategies, and leveraging strong managerial processes. This enables us to respond quickly to emerging threats and aggressively pursue attractive opportunities.

SCOTT LAVIE: Customer pricing expectations and labor availability.

3 INDUSTRY METRICS

PUBLIC COMPANY VALUATIONS[1]

AGGREGATES & CONCRETE PRODUCTS	ENTERPRISE VALUE	TTM REVENUE	TTM EBITDA	EV / TTM EBITDA
Buzzi Unicem	$4.6B	$4.3B	$899M	5.1x
CRH	$44.8B	$32.7B	$5.6B	7.9x
Eagle Materials	$7.3B	$2.1B	$724M	10.0x
HEIDELBERG CEMENT	$22.8B	$22.6B	$3.3B	6.7x
Martin Marietta	$32.4B	$5.9B	$1.7B	18.8x
SUMMIT Materials	$5.2B	$2.4B	$490M	10.7x
Vulcan Materials Company	$32.8B	$7.4B	$1.7B	19.8x
Total Median	**$22.2B**	**$5.9B**	**$1.7B**	**10.0x**

BUILDING ENVELOPE SOLUTIONS	ENTERPRISE VALUE	TTM REVENUE	TTM EBITDA	EV / TTM EBITDA
JamesHardie	$12.5B	$3.8B	$951M	13.2x
Kingspan	$13.5B	$8.9B	$1.0B	13.1x
SAINT-GOBAIN	$39.7B	$54.7B	$6.9B	5.7x
UFP INDUSTRIES	$5.5B	$9.0B	$1.0B	5.7x
Westlake	$17.7B	$15.1B	$3.6B	4.9x
Total Median	**$13.5B**	**$9.0B**	**$1.0B**	**5.7x**

(1) Source: S&P Capital IQ

3

INDUSTRY METRICS

PUBLIC COMPANY VALUATIONS[1]

BUILDING PRODUCTS DISTRIBUTORS	ENTERPRISE VALUE	TTM REVENUE	TTM EBITDA	EV / TTM EBITDA
Beacon	$7.8B	$8.5B	$852M	9.2x
BlueLinx	$1.0B	$3.9B	$302M	3.5x
Builders FirstSource	$19.9B	$20.9B	$3.9B	5.1x
Doman	$1.0B	$2.1B	$103M	9.9x
GMS	$3.9B	$5.3B	$638M	6.2x
Watsco	$14.0B	$7.3B	$836M	16.7x
Total Median	**$5.9B**	**$6.3B**	**$737M**	**7.7x**

FENESTRATION PRODUCTS	ENTERPRISE VALUE	TTM REVENUE	TTM EBITDA	EV / TTM EBITDA
Epwin Group	$265M	$429M	$29M	9.2x
JELD-WEN	$3.1B	$5.2B	$347M	8.9x
Masonite	$3.3B	$2.9B	$396M	8.3x
PGT Innovations	$2.4B	$1.5B	$237M	10.2x
Quanex building products	$978M	$1.2B	$137M	7.1x
Total Median	**$2.4B**	**$1.5B**	**$237M**	**8.9x**

(1) Source: S&P Capital IQ

3 INDUSTRY METRICS

PUBLIC COMPANY VALUATIONS[1]

KITCHEN & BATH	ENTERPRISE VALUE	TTM REVENUE	TTM EBITDA	EV / TTM EBITDA
American Woodmark	$1.6B	$2.1B	$232M	7.0x
Fortune Brands	$10.7B	$4.6B	$881M	12.1x
Masco	$15.8B	$8.5B	$1.5B	10.9x
Total Median	**$10.7B**	**$4.6B**	**$881M**	**10.9x**

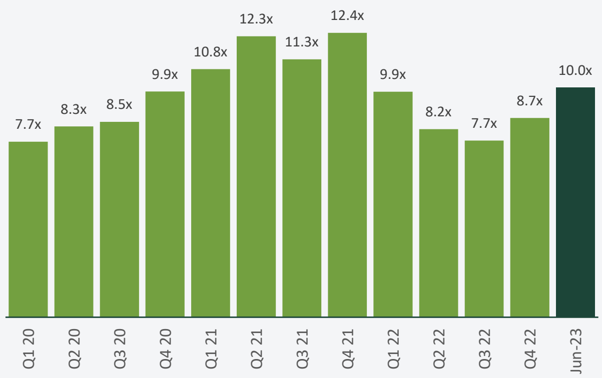
LUMBER & WOOD MANUFACTURERS	ENTERPRISE VALUE	TTM REVENUE	TTM EBITDA	EV / TTM EBITDA
Boise Cascade	$2.7B	$7.6B	$994M	2.7x
Canfor	$1.9B	$4.9B	$493M	3.9x
Interfor	$1.6B	$3.0B	$419M	3.8x
LP Building Solutions	$5.1B	$3.3B	$837M	6.1x
West Fraser	$6.5B	$8.2B	$1.7B	3.9x
Weyerhaeuser	$26.9B	$9.0B	$2.4B	11.1x
Total Median	**$3.9B**	**$6.2B**	**$916M**	**3.9x**

(1) Source: S&P Capital IQ

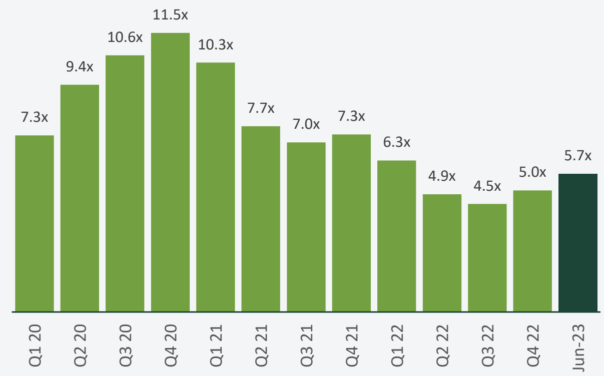
3 INDUSTRY METRICS

PUBLIC COMPANY EV / TTM EBITDA VALUATION TRENDS[1]

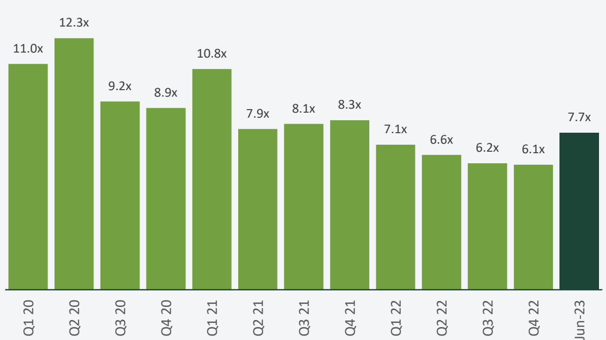
AGGREGATES & CONCRETE PRODUCTS



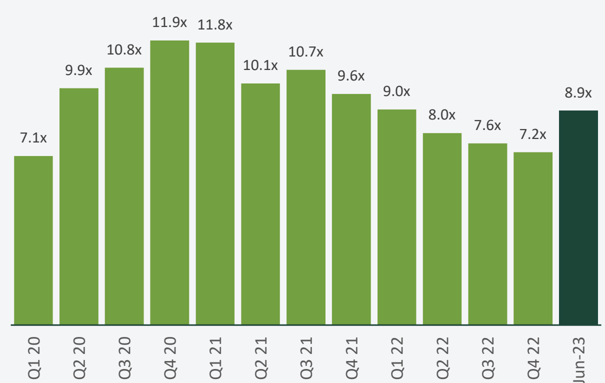
BUILDING ENVELOPE SOLUTIONS



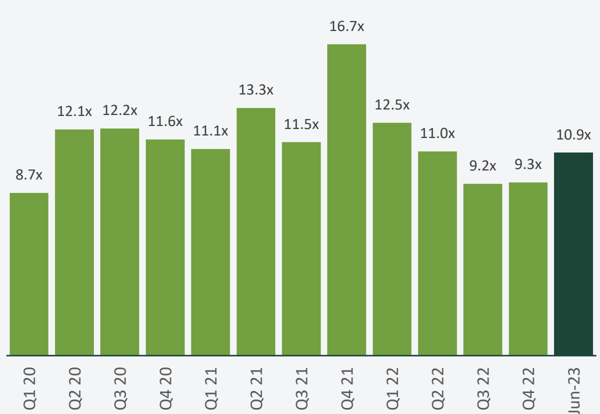
BUILDING PRODUCTS DISTRIBUTORS



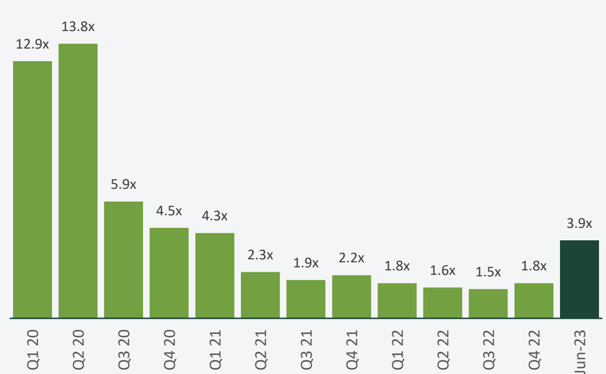
FENESTRATION PRODUCTS



KITCHEN & BATH



LUMBER & WOOD MANUFACTURERS



(1) Source: S&P Capital IQ

3

INDUSTRY METRICS

NOTABLE Q2 2023 M&A ACTIVITY IN BUILDING PRODUCTS

AUSTRALASIA BUSINESS

TARGET | BUYER

STATUS:
PENDING
(ANNOUNCED IN APRIL)

TERMS:
$448M EV[(1)(2)]
(AT ANNOUNCEMENT)

Manufacturer of windows and doors which operates from 41 manufacturing locations across Australia, Malaysia, and Indonesia

TARGET | BUYER

STATUS:
PENDING
(ANNOUNCED IN MAY)

TERMS:
Undisclosed[(1)]

Manufacturer and installer of impact-resistant aluminum windows and doors primarily in the South Florida market

TARGET | BUYER

STATUS:
CLOSED
JUNE 2023

TERMS:
Undisclosed[(1)]

Acquisition of the remaining 25% equity stake in a manufacturer of aluminum, impact-resistant windows and doors primarily serving the south Florida region

HARDWARE AND HOME IMPROVEMENT DIVISION

TARGET | BUYER

STATUS:
PENDING
(ANNOUNCED IN JUNE)

TERMS:
$4.3B EV[(1)(2)]

Manufacturer of security, plumbing, and builders' hardware products with facilities in the United States, Mexico, Taiwan, China, and the Philippines

TARGET | BUYER

STATUS:
CLOSED
MAY 2023

TERMS:
$5.7B EV[(1)(2)]

Supplier of construction chemicals, materials, and solutions intended for the infrastructure and renovation industry

TARGET | BUYER

STATUS:
CLOSED
JUNE 2023

TERMS:
Undisclosed[(1)]

Manufacturer specializing in non-corrosive plastic rebar reinforcing alignment and centralizer products for the deep foundation and earth retention industries

(1) Source: U.S. announced and completed deals, S&P Capital IQ and public data; (2) Enterprise Value

4 BGL BUILDING PRODUCTS GROUP

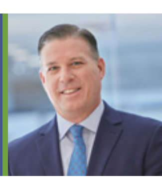
BGL is an independent investment banking and financial advisory firm serving the global middle market since 1989. The firm comprises of 80+ bankers with investment banking offices in Chicago, Cleveland, New York, and Los Angeles, and international reach via Global M&A Partners.

BGL has a long history of serving family/entrepreneurially-owned, private equity-backed, and publicly traded companies within the Building Products market and supports it M&A advisory efforts with focused proprietary industry publications and regular attendance at industry trade shows.

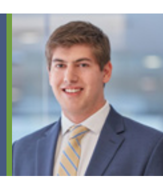
BGL SELECT RELEVANT BUILDING PRODUCTS M&A TRANSACTIONS

Large-Opening, Impact-Rated Panoramic Door Systems	Luxury, Steel, Aluminum, and Wood Windows and Doors	Vinyl and Aluminum Fence and Railing	Vinyl Extrusions (Windows)	Vinyl Extrusions (Windows)	Vinyl Extrusions (Patio Doors)
Mulch, Soil, Bark, and Landscape Supplies	Componentized Metal Building Systems	Mulch, Engineered Wood, and Clay-Based Soil, Water, and Vegetation Management Products	Custom Extruded Aluminum Profiles	Wood Sealers, Water Proofers, Release Coatings, and Specialty Paints	Transaction Windows
Mulch, Soil, Bark, and Landscape Supplies	Masonry, Hardscape, and Sitescape Product and Supplies	Galvanized Steel Pipe, Duct, and Fittings	Low-Pressure Polyurethane Foams, Adhesives, Sealants, and Delivery Systems	Window Manufacturing Equipment, Spacer Systems, and Software	Warm Edge Spacer Products

Please contact one of BGL's dedicated industry bankers if you would like to discuss the report and trends impacting the Building Products market.



ANDREW K. PETRYK
Head of Industrials
216.920.6613
apetryk@bglco.com



DANIEL J. MACDONALD
Vice President
Building Products
216.920.6616
dmacdonald@bglco.com

BROWN GIBBONS LANG & COMPANY

CHICAGO
One Magnificent Mile
980 N. Michigan Avenue
Suite 1800
Chicago, IL 60611
p. 312.658.160

CLEVELAND
One Cleveland Center
1375 East 9th Street
Suite 2500
Cleveland, OH 44114
p. 216.920.6613

LOS ANGELES
Wells Fargo Center
11601 Wilshire Boulevard
5th Floor
Los Angeles, CA 90025
p. 310.266.5367

NEW YORK
Avenue of the Americas
1325 6th Avenue
27th Floor
New York, NY 10019
p. 917.688.2780

RIóN MERGERS AND ACQUISITIONS