

Building Products & Services

Market Update – Spring 2024

FOURBRIDGES
CAPITAL ADVISORS



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FourBridges Insights

Economic indicators shaping the building products market:

- Inflation moderated to an increase of 3.4% year-on-year in December over the past 12 months, and consumer confidence rose to 108.
- Improved perceptions of economic conditions and job availability may cause the Fed to potentially ease monetary policy and bring down rates modestly in 2024.

High interest rates persist, but improving:

- Following a peak of 7.8% in October, mortgage rates decreased to 6.6% in December 2023 but remain higher than 2022 levels.
- Stable housing prices persist despite rising rates, as homeowners hold onto low mortgage rates, prompting builders to decrease starts amid economic uncertainty, shrinking supply despite steady demand.
- An easing of rates has caused many buyers and potential sellers to wade back into the market, potentially easing tight inventory supply.

Downturn in home remodeling may bottom out in 2024:

- Homeowner improvement spending dipped from \$490B to \$481B between Q2 and Q4.
- Forecast expenditures indicate that remodeling may settle in at \$450B by end of Q4 2024.
- Though moderated, persistently high home prices, high interest rates, and slow home sales drive continued strong renovation expectations.

Improving M&A momentum:

- Following a slowing in 2023 brought on by the digestion of prior activity and a pause to read the economic tea leaves, acquirers appear poised to re-enter the market.
- Key consolidators and platforms in core areas or adjacent markets, like HVAC and commercial building, are expected to continue to fuel the ongoing momentum in M&A.

Major Trends & Expectations

- Ongoing government investment in national infrastructure projects in the forthcoming quarters is poised to bolster the demand for construction and building products.
- The unprecedented housing shortage persists and must be solved by new, affordable options.
- Demographic changes see many potential buyers entering their prime home buying years.
- M&A momentum is expected to continue into 2024 and possibly increase as acquirers eye improving economic conditions and potentially a lower cost of capital.

Market Pulse

“After multiple years of variable macroeconomic activity, expectations are that 2024 can be a year of increased homebuying demand given a strong job market, lower interest rates and a limited inventory of existing homes.”

– Ryan Marshall, PulteGroup President and CEO

“While we view the general economic conditions in 2024 as favorable, we are mindful of the uncertain backdrop of the election cycle, easing inflation, geopolitical upheaval, and short-term borrowing rates may have on demand.”

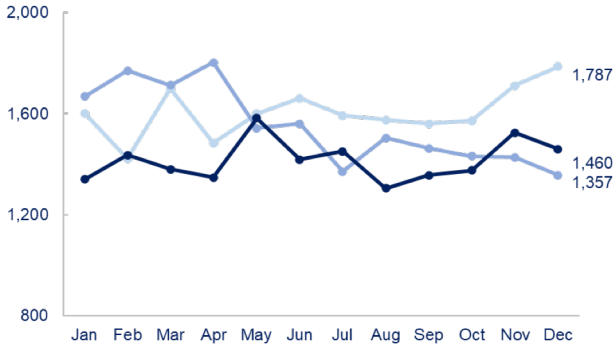
– John Engle, Wesco International Chairman, President and CEO

“Entering 2024, we are encouraged by resiliency in the housing market and maintain a favorable longer-term outlook for the demand fundamentals.”

– Devin Stockfish, Weyerhaeuser, President and CEO

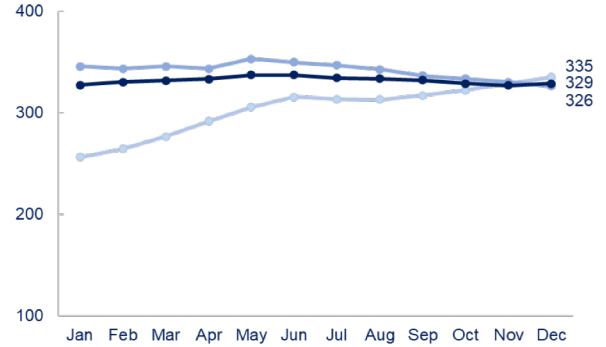
Housing Starts

Housing Starts in Thousands;
Source: US Census Bureau



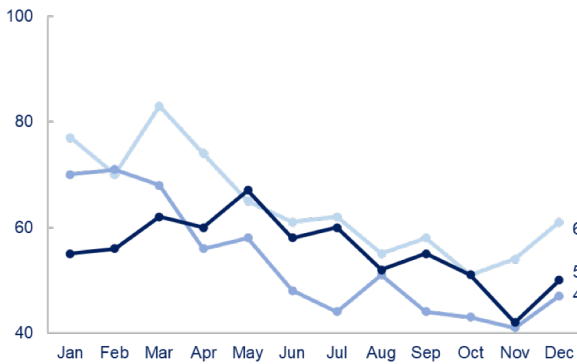
Construction Materials PPI

Construction Materials Prices in Thousands;
Source: FRED



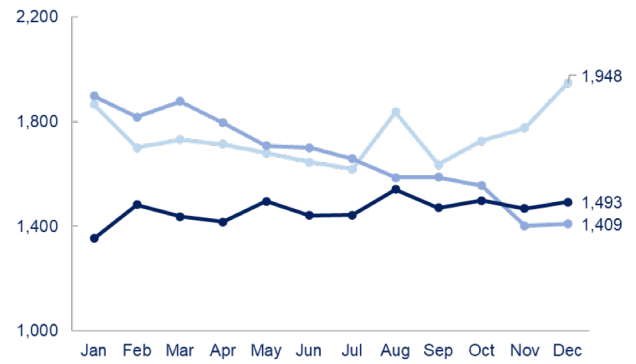
New Home Sales

New Home Sales in Thousands;
Source: US Census Bureau



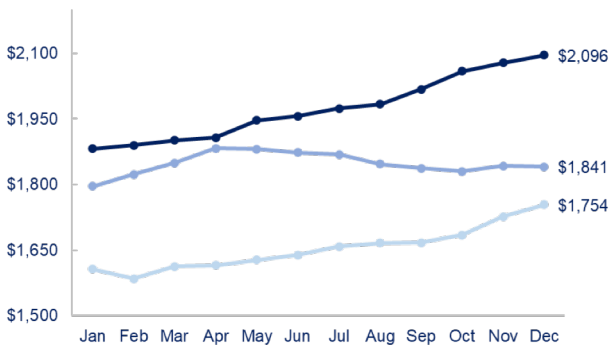
Building Permits

Building Permits in Thousands;
Source: US Census Bureau



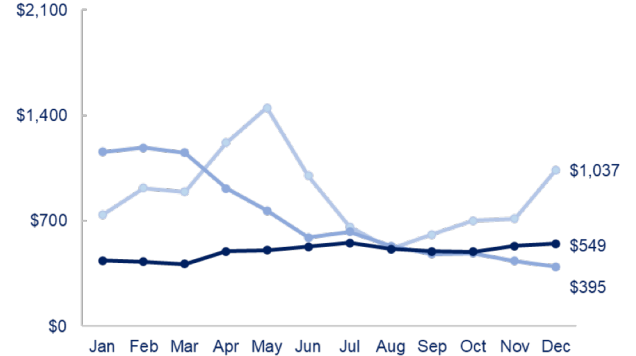
Construction Spending

Construction Spending in Millions;
Source: US Census Bureau, Trading Economics Forecast



Lumber Composite Pricing

Lumber Composite Price Per Thousand Board Feet;
Source: NASDAQ

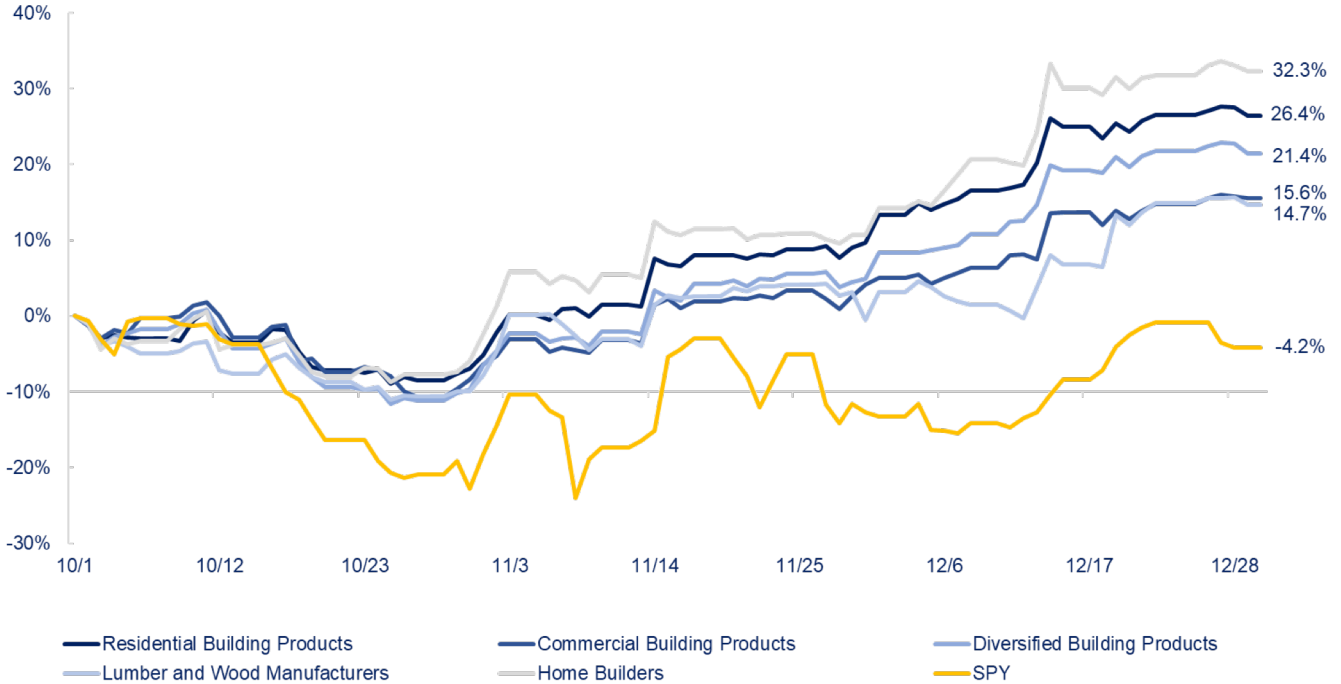


2021 2022 2023

Public Companies: Market Performance

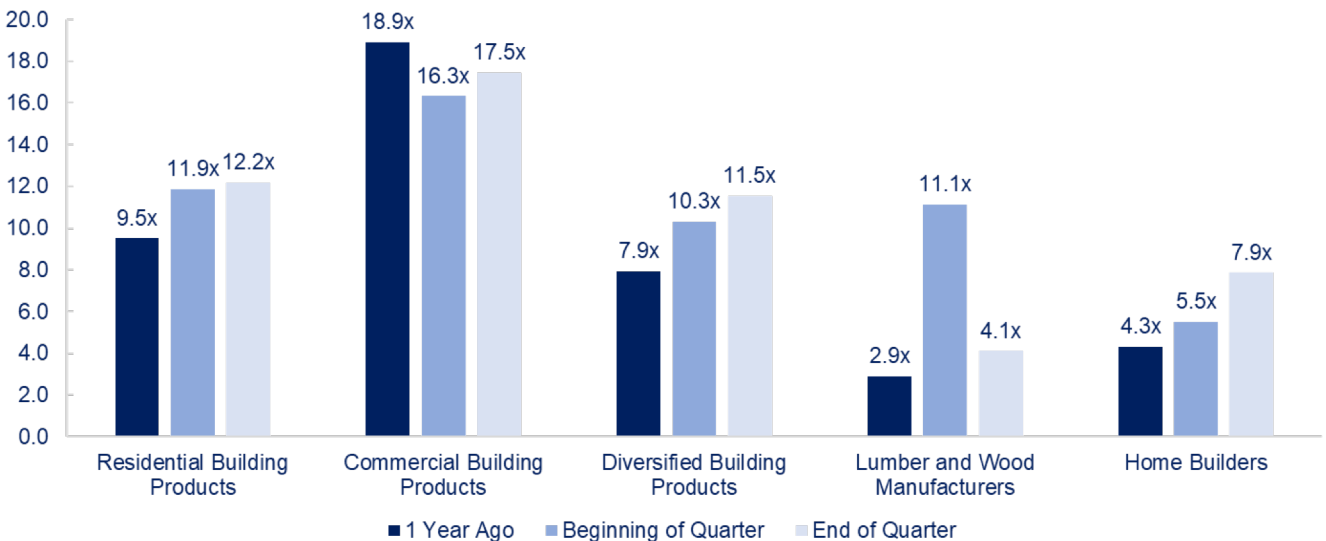
Stock Price Performance vs. S&P 500

By Industry Segment



Market Enterprise Value (EV) / EBITDA

By Industry Segment



Source: Pitchbook (as of 12/31/23)

Public Companies: Financial Performance (as of Dec 31, 2023)

\$ in millions		Financial				Performance			Valuation		
Company	Ticker	Market Cap	LTM Revenue	LTM Gross Profit	LTM EBITDA	Gross Margin	EBITDA Margin	Profit Margin	EV / LTM Rev	EV / LTM EBITDA	Price / EPS
Residential Building Products											
American Woodmark	AMWD	\$ 1,543	\$ 1,934	\$ 385	\$ 251	19.9%	13.0%	7.6%	1.0x	7.7x	10.5x
Armstrong World Industries	AWI	4,437	1,287	489	428	38.0%	32.8%	18.1%	3.9x	11.7x	18.9x
Fortune Brands Innovations	FBIN	9,763	4,597	1,889	924	41.1%	18.5%	11.5%	2.7x	13.2x	18.6x
Gibraltar Industries	ROCK	2,442	1,363	348	198	25.5%	11.9%	9.0%	1.7x	12.0x	19.9x
Griffon Corporation	GFF	3,329	2,885	949	505	35.3%	18.8%	9.2%	1.8x	9.6x	13.4x
James Hardie Industries	ASXJHX	17,098	3,732	1,397	1,024	37.4%	25.0%	16.9%	4.8x	17.6x	27.2x
Jeld-Wen	JELD	1,612	5,048	1,002	435	19.8%	7.3%	2.6%	0.5x	6.3x	10.8x
Masco	MAS	15,188	8,008	2,727	1,284	34.1%	15.9%	10.5%	2.2x	13.9x	18.0x
Masonite	DOOR	1,897	2,846	658	404	23.1%	13.2%	6.3%	1.0x	7.0x	10.5x
Owens Corning	OC	13,882	9,658	2,638	2,323	27.3%	23.2%	13.0%	1.6x	6.7x	10.9x
PGT Innovations	PGTI	2,421	1,503	586	258	39.0%	16.2%	8.1%	2.1x	12.1x	20.0x
Quanex Building Products	NX	1,010	1,131	278	159	24.5%	13.1%	8.0%	0.9x	6.7x	11.1x
Simpson Manufacturing	SSD	8,481	2,188	1,024	565	46.8%	25.5%	17.0%	3.9x	15.1x	23.4x
The Shewin-Williams	SHW	80,860	23,030	10,443	4,542	45.3%	18.1%	10.9%	4.0x	20.3x	29.7x
Trex	TREX	9,017	1,091	447	329	41.0%	28.5%	18.9%	8.3x	27.7x	43.6x
Westlake	WLK	17,981	13,021	2,587	2,817	19.9%	21.5%	10.1%	1.6x	7.2x	14.7x
Average		\$ 11,922	\$ 5,195	\$ 1,740	\$ 1,028	32.4%	18.3%	11.1%	2.6x	12.2x	18.8x
Median		\$ 6,459	\$ 2,786	\$ 975	\$ 470	34.7%	18.3%	10.3%	1.9x	11.9x	18.3x
Commercial Building Products											
Aeon	AAON	\$ 6,127	\$ 1,091	\$ 366	\$ 281	32.8%	22.7%	16.3%	5.7x	23.9x	35.1x
Kingspan Group	DUB:KRX	15,874	8,655	2,394	1,085	27.7%	12.3%	7.7%	2.0x	16.2x	24.3x
Lennox International	LII	15,921	4,921	1,478	887	30.0%	16.7%	12.2%	3.6x	19.7x	26.4x
Valmont Industries	VMI	4,994	4,291	1,252	593	29.2%	9.5%	7.8%	1.4x	10.1x	14.9x
Average		\$ 14,981	\$ 4,739	\$ 1,373	\$ 706	33.1%	18.8%	11.7%	3.2x	17.5x	25.2x
Median		\$ 9,017	\$ 4,606	\$ 1,365	\$ 740	32.4%	18.3%	10.9%	2.8x	18.0x	25.3x
Diversified Building Products											
Beacon Roofing Supply	BECN	\$ 5,600	\$ 8,790	\$ 2,266	\$ 948	25.8%	9.6%	5.6%	1.0x	9.0x	12.4x
BlueLinx Holdings	BXC	1,025	3,352	560	209	17.1%	5.8%	3.4%	0.3x	5.6x	9.1x
Builders Firstsource	BLDR	22,487	17,304	6,033	2,874	34.9%	16.0%	11.1%	1.5x	9.2x	11.7x
Ferguson	LON:FERG	39,546	29,511	8,935	3,051	30.3%	9.7%	6.6%	1.5x	14.4x	19.8x
The Home Depot	HD	349,236	153,714	51,378	25,472	33.4%	16.6%	10.4%	2.6x	15.6x	22.2x
Watsco	WSO	15,581	7,262	2,011	858	27.7%	11.8%	9.9%	2.2x	18.5x	27.7x
WESCO International	WCC	9,110	22,470	4,891	1,710	21.8%	7.3%	3.7%	0.6x	8.5x	10.8x
Average		\$ 41,948	\$ 34,629	\$ 10,868	\$ 5,017	28.6%	12.7%	8.4%	1.4x	11.5x	16.3x
Median		\$ 15,281	\$ 17,304	\$ 4,891	\$ 1,710	29.6%	12.1%	8.8%	1.5x	9.2x	12.4x
Lumber and Wood Manufacturers											
Boise Cascade	BCC	\$ 5,153	\$ 6,822	\$ 1,434	\$ 784	21.0%	11.5%	7.5%	0.6x	5.6x	10.2x
Canfor	TSE:CFP	1,630	4,087	682	(56)	16.7%	-4.0%	-6.2%	0.3x	-23.7x	-6.8x
Louisiana-Pacific	LPX	5,100	2,628	562	410	21.4%	10.5%	8.6%	2.0x	13.0x	22.7x
UFP Industries	UFPI	7,627	7,808	1,480	820	19.5%	10.7%	7.5%	0.9x	8.6x	14.0x
West Fraser Timber Company	TSE:WFG	7,192	6,556	1,779	471	27.1%	5.5%	0.7%	1.0x	13.8x	-259.6x
Western Forest Products	TSE:WEF	170	787	37	(31)	4.7%	-4.8%	-6.3%	0.3x	-7.5x	-3.3x
Weyerhaeuser Company	WY	25,505	7,723	1,729	1,553	22.4%	17.9%	10.3%	3.8x	18.9x	32.0x
Average		\$ 40,295	\$ 5,173	\$ 1,101	\$ 564	22.8%	9.0%	5.3%	1.3x	4.1x	-27.3x
Median		\$ 8,369	\$ 6,556	\$ 1,434	\$ 471	22.1%	11.1%	8.0%	0.9x	8.6x	10.2x
Home Builders											
D.R. Horton	DHI	\$ 52,175	\$ 53,444	\$ 9,350	\$ 6,406	26.4%	18.1%	13.9%	1.5x	8.3x	11.0x
NVR	NVR	24,097	22,206	2,581	2,064	26.3%	21.0%	17.6%	2.3x	10.8x	16.0x
PulteGroup	PHM	23,147	23,705	4,867	3,619	29.1%	21.7%	16.6%	1.4x	6.5x	8.5x
Taylor Morrison Home	TMHC	5,884	7,349	1,391	1,258	24.0%	15.0%	11.7%	0.9x	5.8x	6.4x
Meritage Homes	MTH	6,459	6,468	1,603	1,058	24.8%	16.3%	12.7%	1.0x	6.1x	8.0x
MDC Holdings	MDC	4,122	4,002	839	533	17.4%	9.0%	9.8%	0.8x	7.5x	9.4x
Lennar	LEN	42,521	42,873	5,840	5,398	17.5%	15.8%	12.9%	1.3x	7.9x	10.7x
Toll Brothers	TOL	11,411	13,095	2,634	1,932	26.4%	18.8%	14.2%	1.3x	6.8x	8.1x
Skyline Champion	SKY	4,274	3,586	561	311	28.0%	15.4%	12.5%	1.8x	11.5x	17.8x
KB Home	KBH	5,312	6,414	1,462	884	21.9%	13.2%	10.6%	1.0x	7.3x	8.1x
Average		\$ 17,940	\$ 18,314	\$ 3,552	\$ 2,723	24.2%	16.4%	13.3%	1.0x	6.0x	6.2x
Median		\$ 8,935	\$ 10,222	\$ 2,307	\$ 1,612	25.5%	16.1%	12.8%	0.9x	4.7x	5.4x

Source: Pitchbook (as of 12/31/23)

Notable M&A Transactions:

Q4 2023

Target	Acquirer	Description	Financial Data
		Distributor and retailer of lumber, flooring, and other building materials	N/A
		Manufacturer of forest products which includes cutting, preserving, dimensional lumber	EV: \$101.7
		Supplier of building materials intended to serve the residential and commercial building industry	N/A
		Distributor of building materials serving builders and contractors	N/A
		Distributor and operator of a roofing service company	N/A
		Manufacturer of roof curbs and drop box diffuser systems	N/A
		Manufacturer of aluminum doors and windows catering to luxury homes	EV: \$285.0M EV/Revenue: 1.9x EV/EVITDA: 7.8x
		Distributor of waterproofing construction products	EV: \$43.0M
		Distributor of building materials, doors, windows, and millwork products	EV: \$172.0M

FourBridges Experience: Select Building Products & Service Experience



has been acquired by



a portfolio company of



Junior's Building Materials is a **distributor of building materials** primarily for regional residential homebuilders based in Ringgold, GA.

FourBridges served as exclusive financial advisor to Junior's in a sale to US LBM, a portfolio company of Bain Capital.



has been acquired by



a portfolio company of



Southern Lighting Gallery ("SLG") is a **provider of commercial and residential lighting fixtures** based in Augusta, GA.

FourBridges served as exclusive financial advisor to SLG in a sale to Saylite, a portfolio company of CORE Industrial Partners.

Total Building Supplies

has been acquired by



Total Building Supplies is a **distributor of building supplies and tools** based in Atlanta, GA.

FourBridges served as exclusive financial advisor to Total Building Supplies in a sale to Ram Tool Construction Supply, a distributor of specialty construction supplies based in Birmingham, AL.



has been acquired by



a division of



Greenscapes is a **distributor and manufacturer of lawn and garden products** based in Calhoun, GA.

FourBridges served as exclusive financial advisor to Greenscapes in a sale to Hanes Companies, a division of Leggett & Platt (NYSE: LEG).

Large firm experience, business owner focus

FourBridges is an independent investment banking firm that focuses on serving the lower middle-market. Founded in 2008 and headquartered in Chattanooga, Tennessee, FourBridges guides business owners through life-changing transactions and complex decisions when its time to transition ownership. FourBridges has a long history of advising family-owned, entrepreneurial owned and private equity backed companies in the building products industry.

Financial advisory services grounded in actual operating experience

- Team members have held **C-suite positions** in private companies and been through transactions as part of management
- Deep understanding of the issues/decisions stakeholders face in a transaction
- **CFO backgrounds** allow for granular understanding of small businesses, how to present financials, and how to address issues

Experience at large national firms



HOULIHAN LOKEY



REGIONS



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Citizens

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Managing Directors

- C-suite experience in operating companies
- Combined 90+ years of corporate finance and M&A experience
- Cohesive team with long track record of working together to achieve successful client outcomes

Andy Stockett
Managing Director



Experience
CFO, Gordon Biersch Restaurant Group
Partner, Mid-Atlantic Holdings
SVP, Raymond James Capital Markets
Board member, Rynel Ltd.

Education
University of Chicago, MBA
Vanderbilt University

Chris Rowe, CFA
Managing Director



Experience
CFO, Edge Flooring
Decosimo Corporate Finance
PricewaterhouseCoopers
Philip Morris Germany

Education
University of SC, International MBA
Vanderbilt University

Ralph Montgomery
Managing Director



Experience
Loring Advisory Group
SunTrust Robinson Humphrey
Houlihan Lokey Howard & Zukin

Education
University of North Carolina, MBA
James Madison University

Vice President & Associates

- Combined 25+ years of corporate finance, M&A, and valuation experience
- Combined 8+ years of experience at FourBridges

Andrew Allred
Vice President



Experience
Jamestown LP
Croft & Bender

Education
University of Georgia

John Kirkland, CFA, CPA
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Experience
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Education
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Andrew Ball
Senior Analyst



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Northwestern Mutual

Education
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MBA
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Wes Young
Analyst



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ProNvest

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