

A black and white photograph of construction workers on a site. Two workers in the foreground are wearing hard hats and safety vests, looking at a large concrete slab. Another worker is visible in the background. The scene is filled with construction materials and equipment.

Building Products and Materials Industry Insights

Third Quarter 2014

Inside

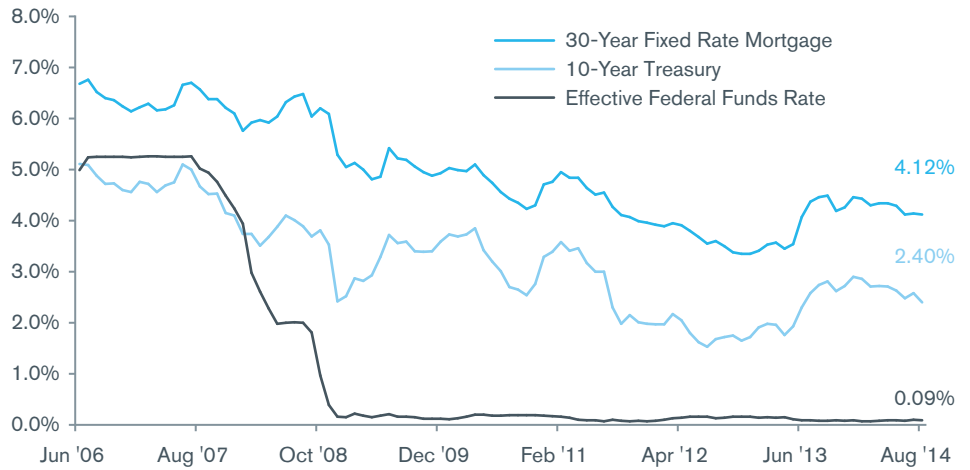
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Housing Indicators

Key Interest Rates

The 30-year mortgage rate has remained relatively unchanged over the last 11 months. While the Fed has indicated plans to end bond purchases by November 2014, they have also indicated the need to keep interest rates low to continue to stimulate the economy. The 30-year mortgage rate as of August 2014 was 4.12%, which is down 0.34% from a year ago. The decrease in mortgage rates has, among other factors, led to a 18.1% quarter-over-quarter increase in mortgage loan originations in Q2 2014.

Key Interest Rates – Monthly Trends



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

Consumer Confidence Index (CCI)

The CCI has trended upward meaningfully in Q2 2014 and increased from 86.4 in June to 90.9 in July. The CCI is up 39.0% since July 2012 and 12.2% from a year ago. The upward trend may be due to increasing confidence in the economy and future job prospects.

Consumer Confidence Index



Indexed to 1985
Source: The Conference Board

NAHB Housing Market Index (HMI)

The HMI, a measure of builder confidence, increased to 55 in August. This marks the second consecutive month that the HMI has been above 50 and the highest level since January 2014. The increase coincides with the increase in consumer confidence and an increase in traffic of prospective buyers.

NAHB Housing Market Index (Builders Confidence)



Seasonally Adjusted
Source: National Association of Home Builders

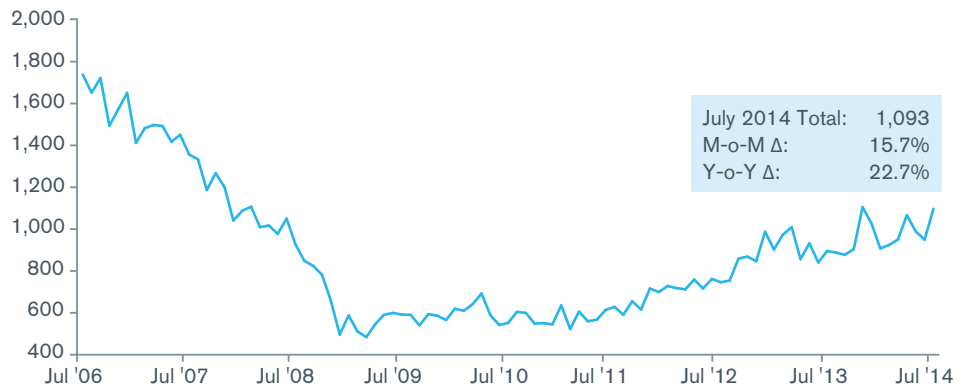
Housing Starts

National Housing Starts

U.S. housing starts in July were at a seasonally adjusted annual rate of 1,093,000, which is up 15.7% and 11.0% compared to June and May, respectively.

The recent increase in housing starts signals renewed strength in the housing market and marks the highest level of construction since November 2013.

U.S. Housing Starts (units in thousands)



Q2 2014 Unadjusted Housing Starts: 273

Year-over-Year Δ: 7.8%

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

Regional Housing Starts

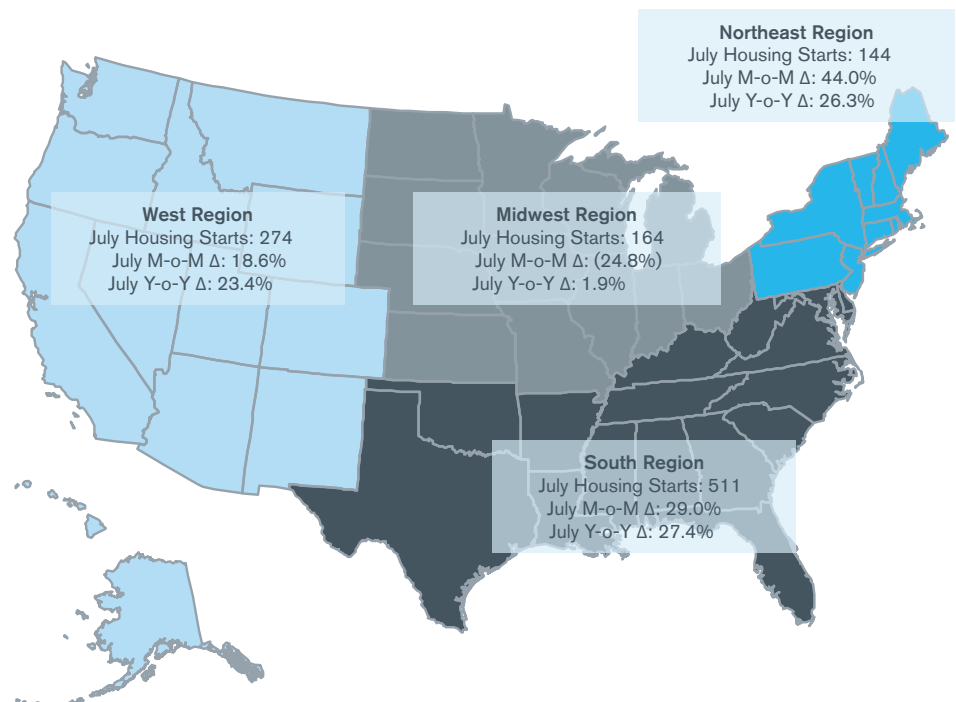
The Northeast Region experienced the biggest month-over-month increase in starts with starts up 44.0% in July over June.

The South experienced a strong rebound in July after a weak June, which was impacted by delays due to rainy weather and a shortage of build-ready lots. Starts in July were up 29.0% over June and 27.4% over July 2013.

The West Region also experienced a big increase in starts, with starts up 18.6% in July over the prior month and up 23.4% over July 2013.

The Midwest was the only region to report a decline in starts as starts declined 24.8% over the prior month. The Midwest had reported a big increase in housing starts in June, increasing from 23.1% over May.

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



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

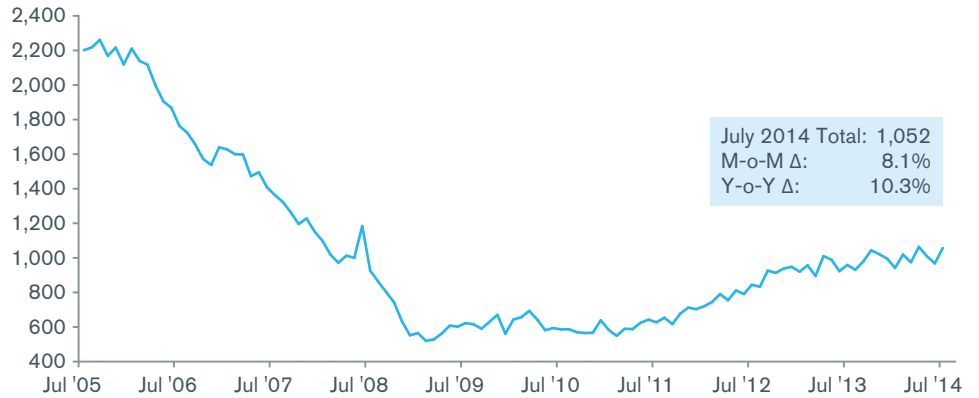
Building Permits

National Building Permits

Building permits, a bellwether of future construction, increased in July to a seasonally adjusted annual rate of 1,052,000, which is 8.1% above June permits and 10.3% above July 2013.

In the second quarter of 2014, actual building permits were up a modest 5.1% over the same quarter a year ago.

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



Q2 2014 Unadjusted Actual Building Permits: 278

Year-over-Year Δ: 5.1%

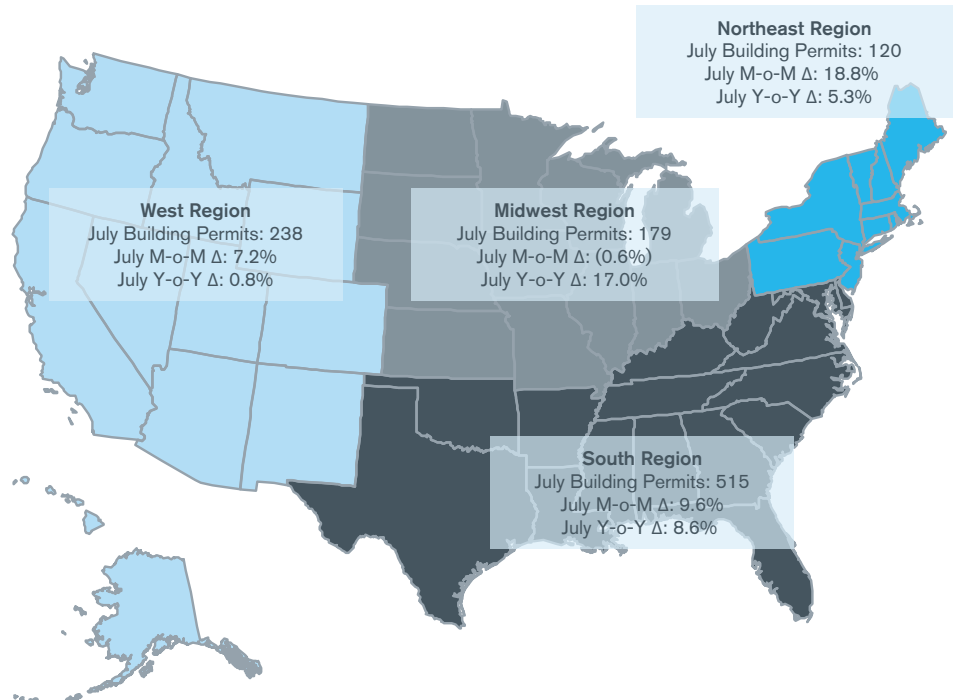
Seasonally Adjusted Annual Rate
Source: U.S. Department of Commerce: Census Bureau

Regional Building Permits

The Northeast, West and South Regions all experienced an increase in building permits in July reporting increases of 18.8%, 7.2%, and 9.6%, respectively, over June.

The Midwest remained relatively unchanged from the previous month, but exhibited a 17.0% year-over-year increase. The region had experienced a 6.6% increase in June 2014, while all other regions experienced a decline.

Authorized Building Permits by Region (units in thousands)



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

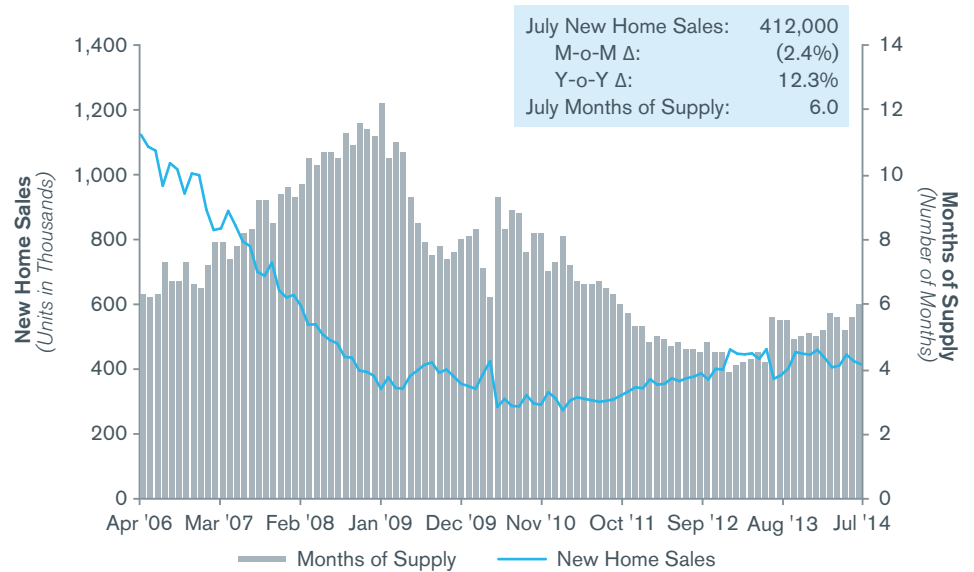
Home Sales and Supply

New Home Sales and Supply

U.S. new home sales in July were at a seasonally adjusted annual rate of 412,000, which is 2.4% lower than June and 12.3% higher than July 2013. For the first seven months of 2014, new home sales are down 2.3% from the same period a year ago. The decline is likely due to increasing home prices, which have deterred buyers and brought more existing homes to market creating competition.

The inventory of new homes increased to 6.0 months in July, a 7.1% increase from June.

New Homes – Sales and Months of Supply



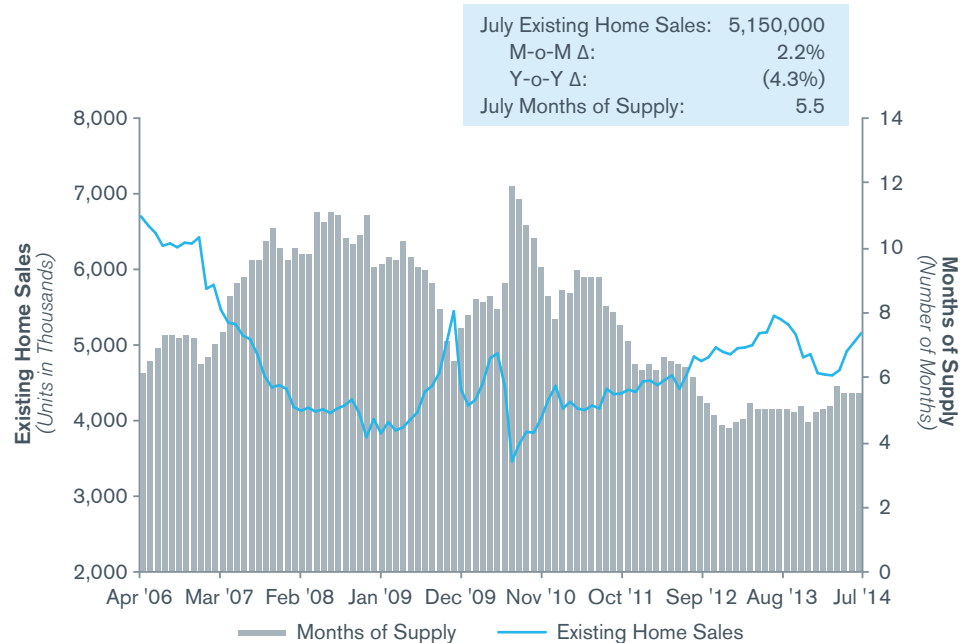
New Home Sales: Seasonally Adjusted Annual Rate
 Months Supply Seasonally Adjusted at Current Sales Rates
 Source: U.S. Department of Commerce: Census Bureau

Existing Home Sales and Supply

Existing home sales increased in July to an annual rate of 5,150,000, which is 2.2% higher than June and 4.3% lower than July 2013.

The inventory shortage of existing homes continued to improve in July with months supply increasing to 5.5 months from 4.6 months at the beginning of the year.

Existing Homes – Sales and Months of Supply



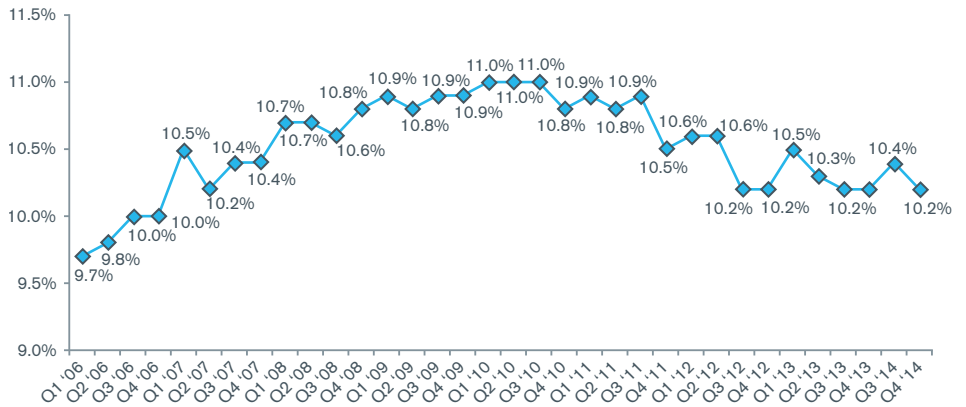
Existing Home Sales: Seasonally Adjusted Annual Rate
 Months Supply Not Seasonally Adjusted
 Source: U.S. Department of Commerce: Census Bureau

Vacancy Rates and Household Formations

Monthly Vacancy Rates

Vacancy rates have generally been trending downward since peaking in Q2 2010. Vacancy rates decreased slightly to 10.2% in Q2 2014 from 10.4% in Q1 2014, and remain near the lowest level recorded since the housing market downturn.

U.S. Year-Round Vacancy Rates

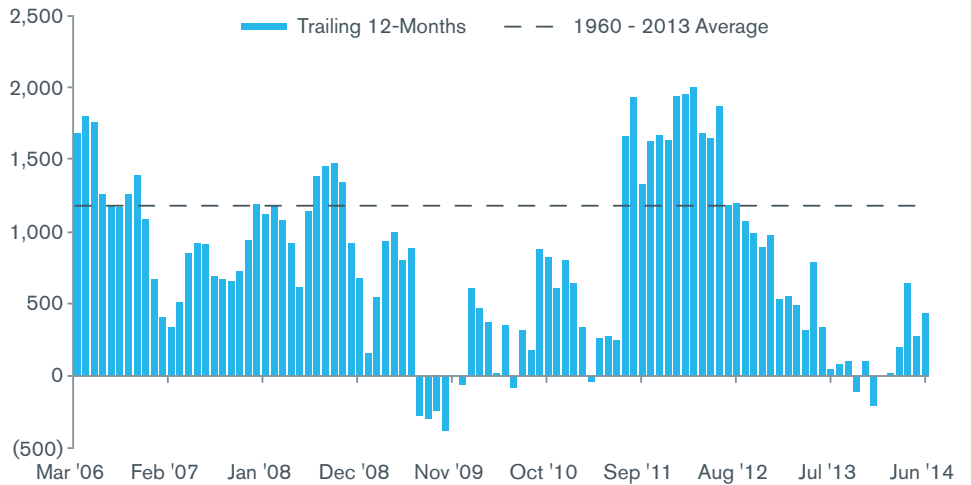


Source: U.S. Department of Commerce: Census Bureau

Household Formations

One of the factors that may be holding the housing sector back from a more robust recovery is the lack of household formations. Over the last 20 months, household formations have remained below the long-term average likely due to the weak job market and mounting student-loan debt, which has deterred many potential first-time home buyers.

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



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

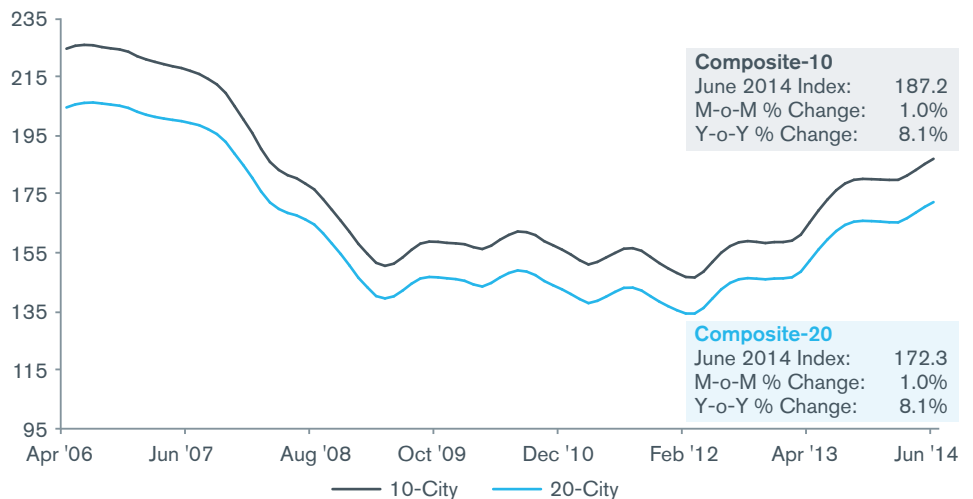
Trends in U.S. Home Prices

S&P / Case-Shiller Home Price Indices*

The 10-City and 20-City home price indices improved slightly in June 2014. The 20-City index as of June was 8.1% higher than the same month a year ago and 1.0% higher compared to May 2014.

Despite the recent increase, both indices remain well below their peak in April 2006. The 20-City index is 16.6% below its peak.

S&P / Case-Shiller Indices*



Monthly, Indexed to January 2000

Las Vegas, Miami, Detroit and the three California cities in the 20-city composite (i.e. San Francisco, San Diego and Los Angeles) have experienced the largest year-over-year increases.

The East Coast (excluding Florida) and select Midwest markets have continued to perform less favorably in the index.

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

June 2014 – Composite 10			June 2014 – Composite 20		
Metropolitan Area	M-o-M % Δ	Y-o-Y % Δ	Metropolitan Area	M-o-M % Δ	Y-o-Y % Δ
Las Vegas	1.4%	15.2%	Las Vegas	1.4%	15.2%
San Francisco	0.4%	12.9%	San Francisco	0.4%	12.9%
Miami	0.6%	11.5%	Miami	0.6%	11.5%
Los Angeles	0.6%	10.5%	Los Angeles	0.6%	10.5%
San Diego	0.7%	10.2%	Detroit	1.4%	10.3%
Denver	1.2%	7.7%	San Diego	0.7%	10.2%
Boston	0.6%	7.0%	Portland	1.1%	9.2%
Chicago	1.4%	6.7%	Tampa	1.2%	9.1%
Washington D.C.	0.6%	5.3%	Seattle	1.1%	8.6%
New York	1.6%	4.4%	Atlanta	1.1%	8.6%
Composite-10	1.0%	8.1%	Dallas	1.1%	8.0%
			Denver	1.2%	7.7%
			Boston	0.6%	7.0%
			Phoenix	0.6%	7.0%
			Chicago	1.4%	6.7%
			Minneapolis	0.6%	6.7%
			Washington D.C.	0.6%	5.3%
			New York	1.6%	4.4%
			Charlotte	0.4%	3.7%
			Cleveland	0.4%	0.8%
			Composite-20	1.0%	8.1%

Monthly, Indexed to January 2000

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

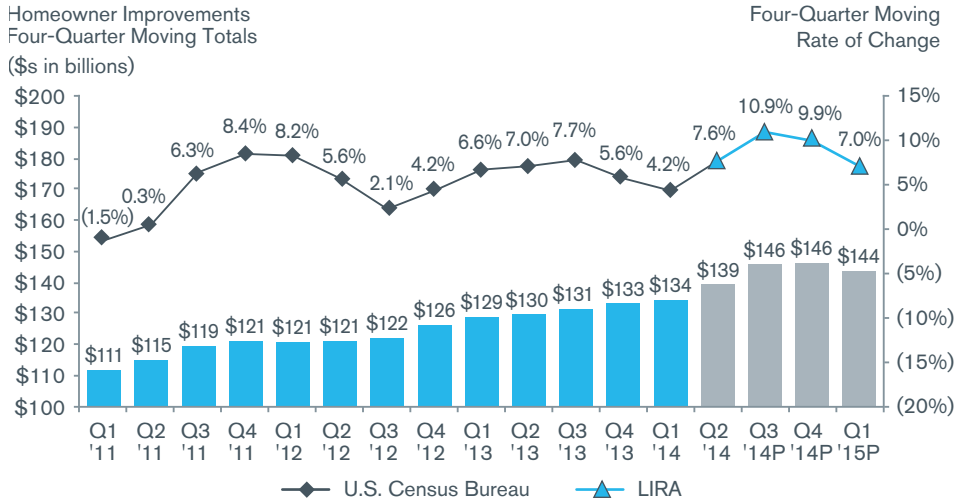
Source: S&P Dow Jones Indices LLC

Remodeling Activity and Spending

Leading Indicator of Remodeling Activity (LIRA*)

Based on the LIRA, home improvement spending is estimated to have increased 7.6% in Q2 2014, which nearly matches the highest quarterly increase in the past two years. Over the next two quarters, growth in spending is expected to remain near 10.0%, before slowing to a more moderate rate of 7.0% in Q1 2015. The near term increase in remodeling activity is likely attributable to rising home prices, which have given homeowners confidence to invest in their homes.

LIRA* (\$s in billions)

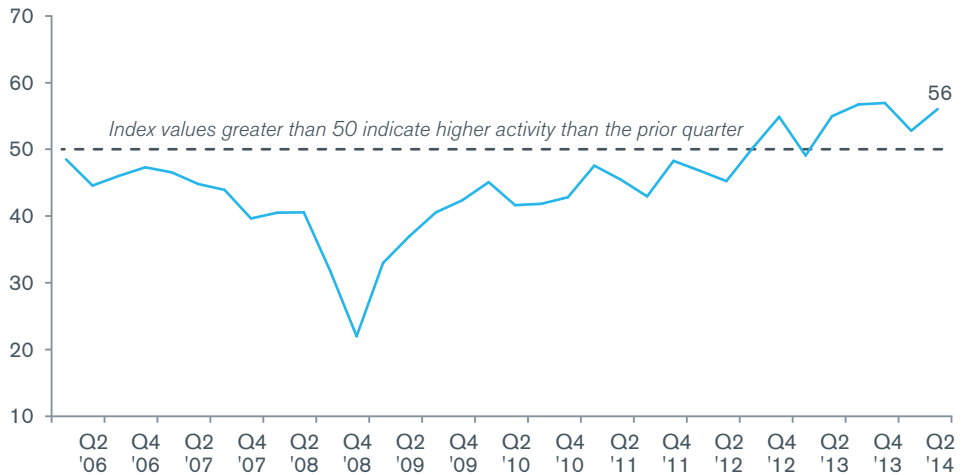


*The LIRA represents the estimated annual rate of change in spending for the current quarter and subsequent three quarters. This annual or moving four-quarter rate of change compares total spending in any given four-quarter period to the total spending that occurred in the four quarters prior to that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

Remodeling Market Index (RMI*)

The RMI increased to 56 in Q2 2014 from 53 in Q1 2014 likely due to increasing consumer confidence and household financial stability. The Q2 reported value of 56 marks the fifth consecutive quarter the RMI has been above 50.

RMI*



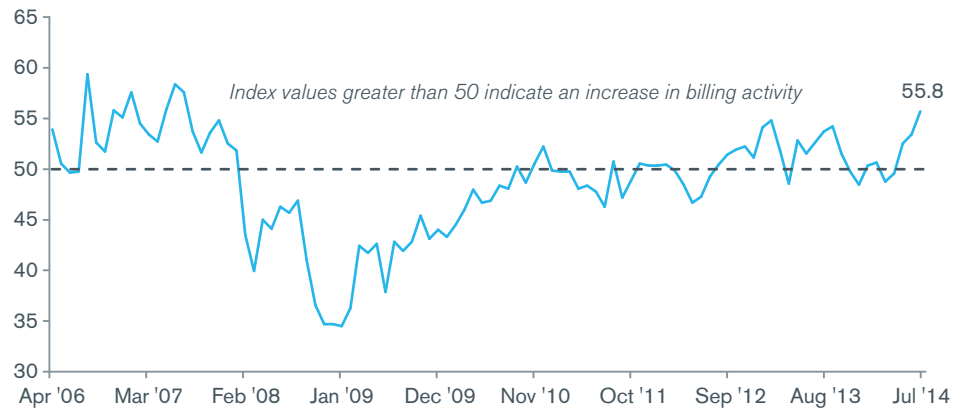
Seasonally Adjusted
*An RMI above 50 indicates that more than half of the remodelers surveyed report market activity is higher than the prior quarter
Source: National Association of Home Builders

Non-Residential Construction

AIA Architectural Billings Index (ABI*)

The ABI, a leading indicator of future non-residential construction activity, has continued to improve steadily after dropping below 50 in March. The ABI increased to 55.8 in July, which is the highest level since 2007. It is believed that there is a nine to twelve month lead time between architectural billings and construction spending so the recent increase in the ABI indicates a favorable outlook for construction for the remainder of 2014 and first half of 2015.

Architectural Billings Index*

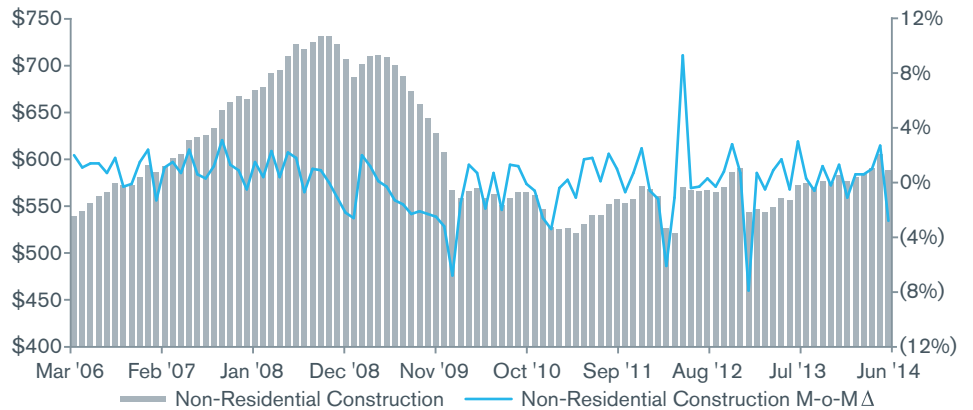


*The ABI is a representative survey conducted by the AIA in attempt to gauge whether architectural firms are reporting an increase or decrease in billing activity from month-to-month. A score above 50 indicates that more than half of the firms that responded are reporting an increase in activity that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

Non-Residential Construction Put in Place

Non-residential construction decreased in June by 2.8% over the prior month and increased by 2.9% over the same period a year ago. The month-over-month decrease was likely driven by decreased spending in power, educational, communication, and highway and street construction.

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



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

In June, the markets experiencing the most growth were office, manufacturing, lodging and healthcare.

June 2014 Non-Residential Construction Spending Breakdown

Non-Residential Buildings	M-o-M % Δ	Y-o-Y % Δ	Non-Building Structures	M-o-M % Δ	Y-o-Y % Δ
Amusement and recreation	2.8%	21.5%	Conservation and development	17.2%	55.6%
Office	4.7%	20.2%	Power	(3.4%)	15.6%
Commercial	2.8%	16.8%	Sewage and waste disposal	0.6%	8.0%
Manufacturing	3.5%	14.8%	Water supply	(8.9%)	(6.4%)
Religious	0.5%	12.9%	Highway and street	(9.0%)	(7.7%)
Lodging	4.2%	11.6%			
Communication	(5.7%)	1.0%			
Transportation	(1.2%)	0.9%			
Public safety	1.4%	(1.4%)			
Healthcare	3.4%	(2.2%)			
Educational	(3.3%)	(6.1%)			

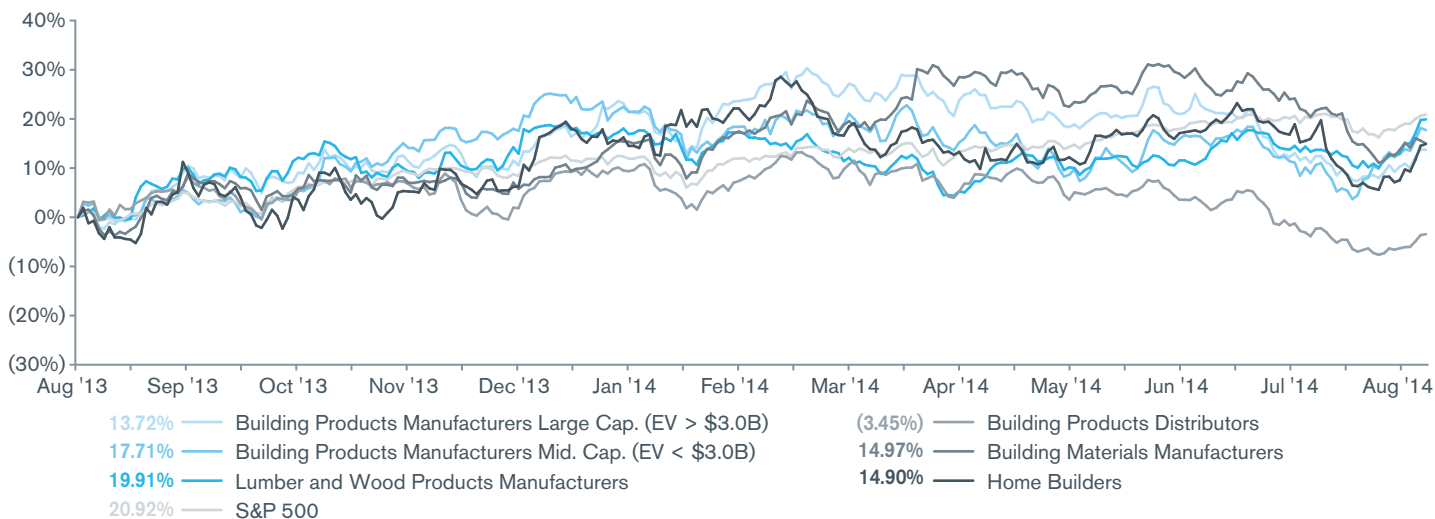
Seasonally Adjusted Annual Rate
Source: U.S. Department of Commerce: Census Bureau

Public Companies Valuation Trends

Equity Market Performance

Over the last 12 months, the stock price index for publicly traded building products and materials companies, home builders and lumber and wood products manufacturers have underperformed the S&P 500. Investor concern regarding the sluggish housing recovery and in particular the weak housing starts and new home sales in June may have negatively impacted stock prices.

12-Month Indexed Stock Chart

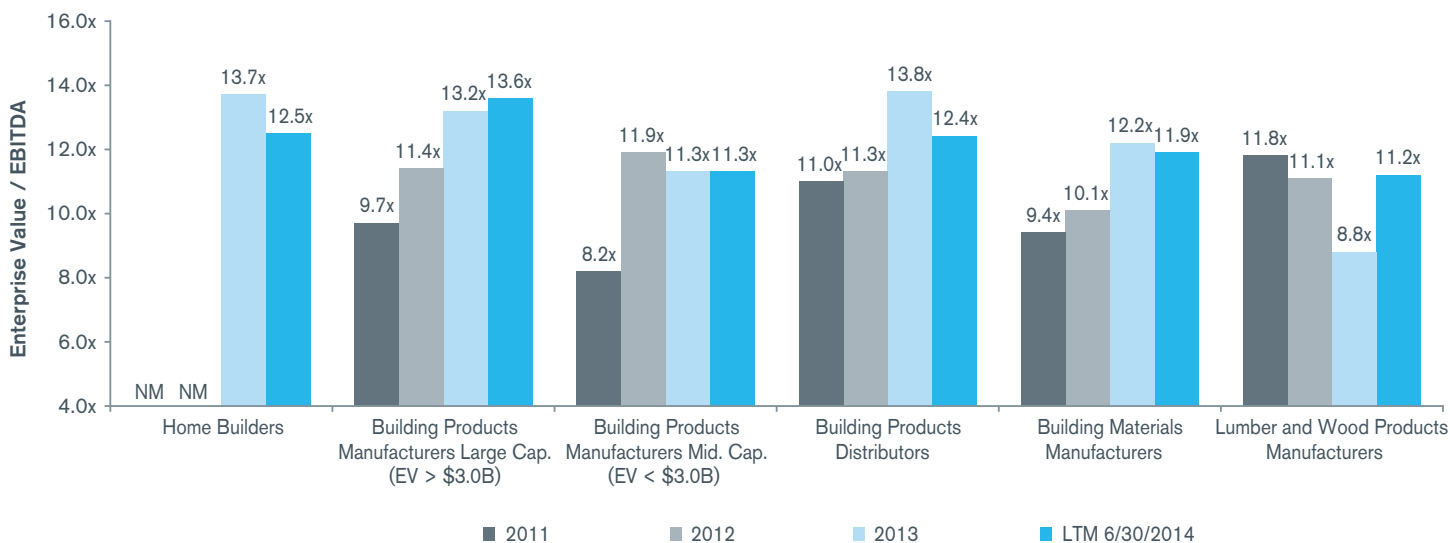


Source: Capital IQ

Valuation Trends

Valuation multiples for the industry as a whole have trended up over the last few years likely due to rising stock prices and anticipation of higher earnings in the future as housing starts, building permits, remodeling and repair activity, and other industry drivers indicate a market recovery. Despite rising valuation multiples through the first half of 2014, recent geopolitical and macroeconomic concerns have resulted in a modest market pull back.

Historical Median EV / EBITDA Trends by Sub-Sector



Source: Capital IQ

Public Companies Trading Analysis

(\$ in millions)

Company	8/22/14 Stock Price	% of 52 Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of						LTM	
					Revenue			EBITDA			EBITDA Margin	Revenue Growth
					LTM	2014E	2015E	LTM	2014E	2015E		
Building Products Manufacturers Large Cap. (EV > \$3.0B)												
Compagnie de Saint-Gobain	\$50.16	81.4%	\$28,939	\$40,750	0.97x	0.74x	0.71x	7.2x	7.0x	6.3x	13.5%	(1.0%)
Masco Corporation	\$23.42	98.7%	\$8,380	\$10,601	1.27x	1.23x	1.14x	11.0x	10.3x	9.1x	11.5%	7.8%
Fortune Brands Home & Security, Inc.	\$43.09	89.9%	\$6,848	\$7,311	1.69x	1.61x	1.47x	14.2x	12.7x	10.3x	11.9%	14.5%
Owens Corning	\$35.88	76.9%	\$4,254	\$6,503	1.24x	1.21x	1.13x	9.9x	8.8x	7.5x	12.6%	1.9%
USG Corporation	\$29.03	80.1%	\$4,212	\$6,169	1.70x	1.63x	1.48x	13.6x	11.4x	9.0x	12.5%	7.9%
James Hardie Industries plc	\$12.25	84.7%	\$5,449	\$5,467	3.55x	3.24x	2.82x	17.0x	14.8x	11.7x	20.9%	13.6%
Acuity Brands, Inc.	\$121.56	83.1%	\$5,206	\$5,093	2.21x	2.15x	1.95x	15.4x	15.1x	12.7x	14.4%	13.9%
Lennox International, Inc.	\$84.55	89.3%	\$4,094	\$4,652	1.42x	1.38x	1.29x	12.6x	11.3x	9.7x	11.3%	6.4%
Armstrong World Industries, Inc.	\$56.61	91.5%	\$3,101	\$4,077	1.49x	1.48x	1.40x	14.1x	10.6x	9.1x	10.6%	3.8%
	Median	84.7%			1.49x	1.48x	1.40x	13.6x	11.3x	9.1x	12.5%	7.8%
	Mean	86.2%			1.73x	1.63x	1.49x	12.8x	11.3x	9.5x	13.2%	7.6%
Building Products Manufacturers Mid. Cap. (EV < \$3.0B)												
Nortek Inc.	\$84.02	91.0%	\$1,315	\$2,670	1.11x	1.06x	0.99x	11.7x	10.0x	8.4x	9.5%	8.7%
Ply Gem Holdings, Inc	\$10.59	57.4%	\$716	\$1,592	1.12x	1.07x	0.97x	15.5x	13.8x	9.5x	7.2%	18.2%
Headwaters Incorporated	\$12.77	90.2%	\$940	\$1,439	1.89x	1.82x	1.64x	12.6x	10.5x	9.1x	15.0%	12.2%
Simpson Manufacturing Co., Inc.	\$32.23	86.0%	\$1,590	\$1,369	1.87x	1.79x	1.65x	11.1x	10.2x	8.7x	16.9%	10.0%
Griffon Corporation	\$12.28	85.6%	\$616	\$1,338	0.70x	0.69x	0.66x	9.0x	NA	7.8x	7.8%	2.4%
Trex Co. Inc.	\$36.80	84.7%	\$1,194	\$1,224	3.42x	3.19x	2.77x	NM	14.6x	11.8x	13.2%	10.7%
Apogee Enterprises, Inc.	\$35.28	93.5%	\$1,032	\$1,035	1.29x	1.15x	1.04x	14.9x	11.1x	7.8x	8.6%	10.7%
Gibraltar Industries, Inc.	\$15.92	82.8%	\$493	\$619	0.74x	0.72x	0.68x	9.2x	NA	NA	8.1%	4.1%
Quanex Building Products Corporation	\$18.14	83.1%	\$682	\$555	0.57x	0.86x	0.84x	9.6x	9.9x	8.1x	5.9%	39.6%
PGT, Inc.	\$10.47	83.0%	\$495	\$538	1.98x	1.82x	1.66x	13.0x	11.4x	8.3x	15.2%	34.0%
American Woodmark Corp.	\$37.62	94.1%	\$587	\$470	0.62x	0.57x	0.51x	10.2x	7.0x	6.0x	6.1%	15.2%
Norcraft Companies, Inc.	\$16.06	81.0%	\$277	\$390	1.10x	1.05x	0.97x	10.2x	7.7x	6.4x	10.8%	13.1%
	Median	85.2%			1.12x	1.07x	0.98x	11.1x	10.4x	8.3x	9.0%	11.5%
	Mean	84.4%			1.37x	1.32x	1.20x	11.6x	10.6x	8.4x	10.3%	14.9%
Building Products Distributors												
Wolseley plc	\$53.40	90.0%	\$14,067	\$15,686	1.17x	0.71x	0.69x	11.8x	10.6x	9.6x	10.0%	4.2%
Watsco Inc.	\$93.48	88.7%	\$3,042	\$3,666	0.95x	0.93x	0.87x	12.0x	11.4x	10.2x	7.9%	6.1%
Beacon Roofing Supply, Inc.	\$29.19	70.5%	\$1,435	\$1,722	0.75x	0.74x	0.67x	12.8x	11.8x	9.3x	5.9%	6.0%
Lumber Liquidators Holdings, Inc.	\$57.44	47.9%	\$1,553	\$1,505	1.47x	1.40x	1.25x	11.8x	11.0x	9.1x	12.5%	13.3%
Builders FirstSource, Inc.	\$6.81	72.4%	\$669	\$988	0.64x	0.61x	0.54x	15.3x	13.3x	8.7x	4.2%	19.1%
Bluelinx Holdings Inc.	\$1.28	59.8%	\$114	\$590	0.29x	NA	NA	NM	NA	NA	1.2%	(1.2%)
Stock Building Supply Holdings, Inc.	\$16.32	70.0%	\$431	\$520	0.41x	0.39x	0.34x	17.6x	12.8x	8.1x	2.3%	17.4%
CanWel Building Materials Group Ltd.	\$5.57	94.7%	\$161	\$325	0.45x	0.48x	0.44x	13.7x	13.9x	11.0x	3.3%	1.2%
Taiga Building Products Ltd.	\$0.80	83.8%	\$26	\$287	0.23x	NA	NA	7.5x	NA	NA	3.1%	6.4%
Hardwoods Distribution Inc.	\$10.06	89.2%	\$166	\$209	0.51x	0.50x	0.43x	10.1x	9.0x	6.9x	5.1%	21.4%
Huttig Building Products Inc.	\$4.10	75.2%	\$99	\$184	0.31x	NA	NA	16.7x	NA	NA	1.9%	9.6%
Goodfellow Inc.	\$8.88	93.9%	\$76	\$146	0.31x	NA	NA	12.2x	NA	NA	2.5%	(4.1%)
	Median	79.5%			0.48x	0.66x	0.60x	12.2x	11.6x	9.2x	3.7%	6.3%
	Mean	78.0%			0.63x	0.72x	0.65x	12.9x	11.7x	9.1x	5.0%	8.3%

Source: Capital IQ

Public Companies Trading Analysis (cont.)

(\$ in millions)

Company	8/22/14 Stock Price	% of 52 Wk High	Market Value	Enterprise Value	Enterprise Value as a Multiple of						EBITDA Margin	Revenue Growth		
					Revenue			EBITDA					LTM	
					LTM	2014E	2015E	LTM	2014E	2015E			LTM	2014E
Building Materials Manufacturers														
Holcim Ltd.	\$80.29	85.1%	\$26,069	\$40,522	2.12x	1.87x	1.74x	9.7x	9.2x	8.1x	21.8%	(7.3%)		
Lafarge S.A.	\$77.16	85.5%	\$22,194	\$37,973	2.54x	2.14x	2.01x	9.3x	9.5x	8.4x	27.3%	3.7%		
CEMEX, S.A.B. de C.V.	\$12.85	93.0%	\$15,265	\$32,286	0.16x	1.98x	1.84x	11.9x	10.9x	9.2x	1.3%	6.6%		
HeidelbergCement AG	\$75.49	83.6%	\$14,220	\$26,169	1.86x	1.43x	1.35x	8.2x	8.0x	7.2x	22.6%	3.2%		
CRH plc	\$22.90	78.9%	\$17,154	\$22,218	1.21x	0.89x	0.84x	13.7x	9.9x	8.5x	8.8%	3.0%		
Vulcan Materials Company	\$62.86	90.4%	\$8,258	\$10,037	3.51x	3.41x	3.07x	20.3x	16.3x	13.4x	17.3%	9.4%		
Martin Marietta Materials Inc.	\$129.13	94.7%	\$8,642	\$9,695	4.68x	3.57x	2.78x	22.0x	16.7x	11.8x	21.3%	12.4%		
Eagle Materials Inc.	\$99.69	100.0%	\$4,996	\$5,358	NM	4.83x	3.91x	22.2x	14.6x	10.8x	25.7%	31.0%		
Titan Cement Company S.A.	\$27.03	75.9%	\$2,106	\$2,919	2.44x	1.79x	1.60x	12.0x	10.0x	7.8x	20.3%	5.7%		
U.S. Concrete, Inc.	\$25.40	88.7%	\$353	\$479	0.73x	NA	NA	9.0x	NA	NA	8.1%	16.6%		
	Median	87.1%			2.12x	1.98x	1.84x	11.9x	10.0x	8.5x	20.8%	6.2%		
	Mean	87.6%			2.14x	2.44x	2.13x	13.8x	11.7x	9.5x	17.5%	8.4%		
Home Builders														
Lennar Corp.	\$38.96	87.7%	\$7,752	\$13,097	1.95x	1.71x	1.47x	16.0x	11.7x	9.8x	12.2%	37.7%		
DR Horton Inc.	\$21.71	86.0%	\$7,945	\$10,856	1.46x	1.40x	1.16x	12.4x	11.2x	9.1x	11.8%	29.2%		
Toll Brothers Inc.	\$35.61	89.1%	\$6,341	\$9,441	2.92x	2.46x	2.02x	NM	15.9x	11.4x	9.9%	52.2%		
PulteGroup, Inc.	\$19.06	88.0%	\$7,188	\$7,921	1.40x	1.39x	1.23x	12.5x	8.6x	7.3x	11.2%	6.2%		
NVR, Inc.	\$1,170.00	95.8%	\$4,935	\$4,997	1.15x	1.11x	0.97x	10.5x	10.4x	8.5x	10.9%	20.8%		
Standard Pacific Corp.	\$8.34	90.7%	\$2,344	\$4,116	1.88x	1.72x	1.43x	12.6x	9.2x	7.2x	14.9%	40.6%		
KB Home	\$17.59	84.6%	\$1,628	\$3,718	1.70x	1.54x	1.26x	NM	16.9x	11.6x	6.5%	13.0%		
Ryland Group Inc.	\$36.92	79.1%	\$1,749	\$2,786	1.19x	1.08x	0.89x	11.6x	9.3x	7.3x	10.3%	40.4%		
Hovnanian Enterprises Inc.	\$4.28	62.9%	\$620	\$2,352	1.25x	1.17x	0.98x	22.6x	13.5x	9.5x	5.5%	13.8%		
Meritage Homes Corporation	\$41.62	82.8%	\$1,641	\$2,332	1.20x	1.10x	0.89x	10.5x	9.9x	8.3x	11.4%	30.3%		
MDC Holdings Inc.	\$28.68	86.4%	\$1,406	\$1,952	1.15x	1.10x	0.93x	17.6x	17.6x	14.2x	6.6%	12.7%		
Beazer Homes USA Inc.	\$18.78	74.1%	\$495	\$1,826	1.35x	1.28x	1.19x	NM	21.3x	13.9x	5.2%	11.1%		
M/I Homes, Inc.	\$22.65	86.1%	\$556	\$1,012	0.90x	0.85x	0.70x	11.9x	14.1x	9.2x	7.6%	27.4%		
	Median	86.1%			1.35x	1.28x	1.16x	12.4x	11.7x	9.2x	10.3%	27.4%		
	Mean	84.1%			1.50x	1.38x	1.16x	13.8x	13.0x	9.8x	9.5%	25.8%		
Lumber and Wood Products Manufacturers														
Weyerhaeuser Co.	\$34.31	99.7%	\$18,163	\$22,785	2.65x	2.85x	2.70x	13.3x	13.3x	11.7x	20.0%	16.2%		
West Fraser Timber Co. Ltd.	\$50.36	92.7%	\$4,200	\$4,592	1.29x	1.31x	1.19x	9.9x	7.9x	6.0x	13.0%	8.0%		
Canfor Corp.	\$23.54	85.8%	\$3,111	\$3,499	1.09x	1.11x	1.00x	7.8x	6.3x	5.1x	13.9%	7.4%		
Louisiana-Pacific Corp.	\$14.37	75.8%	\$2,041	\$2,249	1.15x	1.14x	0.98x	24.2x	21.0x	7.5x	4.8%	(3.2%)		
Norbord, Inc.	\$21.73	69.5%	\$1,135	\$1,477	1.20x	1.20x	1.08x	11.1x	11.3x	7.2x	10.8%	(9.4%)		
Universal Forest Products Inc.	\$47.17	80.6%	\$953	\$1,071	0.43x	0.41x	0.38x	8.8x	8.1x	7.0x	4.9%	9.0%		
Ainsworth Lumber Co. Ltd.	\$2.62	68.0%	\$612	\$829	1.87x	1.83x	1.41x	16.8x	12.7x	5.7x	11.1%	(11.7%)		
	Median	80.6%			1.20x	1.20x	1.08x	11.1x	11.3x	7.0x	11.1%	7.4%		
	Mean	81.7%			1.38x	1.41x	1.25x	13.1x	11.5x	7.2x	11.2%	2.3%		

Source: Capital IQ

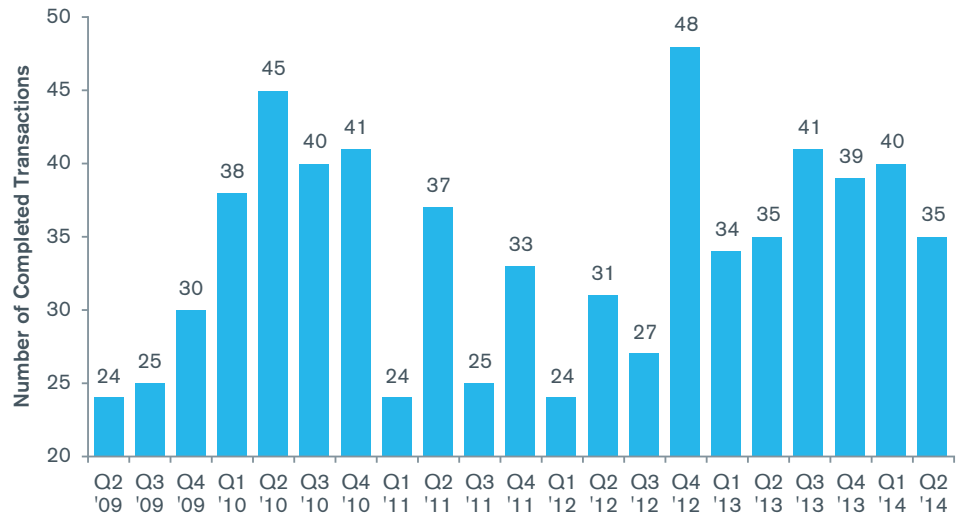
Q2 2014 M&A Activity

Building Products and Materials M&A Trends

M&A activity in the sector slowed slightly in Q2 2014 with 35 completed transactions involving target companies headquartered in the U.S. or Canada.

There remains strong acquisition interest from private equity firms and select strategics, but activity has been soft likely due to a lack of sellers. This dynamic, coupled with an increase in availability of debt capital, has led to a rise in acquisition multiples. While a recent slowdown in the housing market recovery has only had a modest impact on valuations to date, further loss of momentum in the recovery could adversely affect valuations and deal flow.

Building Products & Materials Quarterly M&A Trends



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

Notable M&A Activity – Q2 2014

Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Products Distributors				
Jun-14	Equipment Parts Wholesale, LLC	United States	TVH Parts Co.	Distributes industrial equipment replacement parts and accessories for the material handling and industrial equipment industries
May-14	MRS Industries Inc.	United States	Consumers Interstate Corporation	Wholesale distributor of industrial and business supplies to manufacturing and healthcare facilities across U.S. and Mexico
May-14	The Hillman Companies, Inc.	United States	Oak Hill Capital Partners; CCMP Capital Advisors, LLC	Provides hardware-related products and related merchandising services to retail markets in North America
Apr-14	Coastal Roofing Supply LLC	United States	US LBM Holdings, LLC	Distributor of commercial and residential roofing materials
Apr-14	DFW Stone Supply, LLC	United States	Pool Corp.	Distributor of swimming pool and related backyard products primarily in North America and Europe
Apr-14	Atlantic Chemical & Aquatics Inc.	Canada	Pool Corp.	Distributor of pool equipment and tools
Apr-14	Yeomans Distributing Company Inc.	United States	Republic Electric Company	Distributor of electrical, energy management, heating, air conditioning, geothermal heating and cooling systems, hydronics, refrigeration, and sign support systems in the Midwest

Building Products Manufacturers

Jun-14	The RiteScreen Company, Inc.	United States	Seven Point Equity Partners, LLC	Manufacturer of screens for window and patio doors
Jun-14	Paramount Windows Corporation	United States	Cascade Windows, Inc.	Manufacturers aluminum and wood based windows and doors
Jun-14	RCR International, Inc.	Canada	Peak Rock Capital	Manufactures weather-stripping products, insulation components, floor protection products, and squeegees for professionals
Jun-14	Metal Roofing & Trim Mfg., LLC	United States	Bridger Steel, Inc.	Manufactures and supplies metal roofing products in Montana
Jun-14	Ideal Window Manufacturing Inc.	United States	IWM Acquisition Corp.	Designs, manufactures, and distributes replacement and new construction windows for homeowners and contractors
Jun-14	Phoenix Coating Resources, Inc.	United States	Compagnie de Saint-Gobain	Manufactures ceramic ingots used in the production of high-resistance thermal coatings on metal parts for the aeronautics industry
May-14	Guardian Laminated Building Products, Inc and Guardian Fiberglass, Inc.	United States	Knauf Insulation GmbH	Manufactures building materials, millwork, hardlines, capital equipment, and business services in the United States and internationally
Apr-14	Mercer Industries, Inc.	United States	VPI Quality Windows Inc.	Manufactures and distributes various window and door products

Source: Capital IQ









Q2 2014 M&A Activity (cont.)

Notable M&A Activity – Q2 2014 (cont.)

Date Announced	Target	Target Country	Acquiror	Target Business Description
Building Products Manufacturers (cont.)				
Apr-14	High Level Components, LLC	United States	UFP Mid-Atlantic, LLC	Manufactures various building components
Apr-14	Oxygene Sorel-Tracy and Soudure Industrielle du Richelieu Metropolitan Inc.	Canada	Linde Canada Limited	Manufactures and distributes industrial, specialty, and medical gases, as well as related equipment in North America
Building Materials Manufacturers				
Apr-14	Troy Vines, Inc.	United States	Summit Materials, LLC	Manufacturer of aggregates; cement; and related downstream products
Homebuilders				
Jun-14	PNW Home Builders North, L.L.C. and PNW Home Builders South, L.L.C. and Crescent Ventures, L.L.C.	United States	William Lyon Homes, Inc.	Develop, construct, and sell residential properties and homes
Jun-14	Streetman Homes	United States	Standard Pacific Corp.	Builds single-family homes, primarily serving the California, Florida, the Carolinas, Texas, Arizona, & Colorado market
May-14	Crown Communities, Inc.	United States	DR Horton Inc.	Designs and builds home communities
May-14	Gehan Homes, Ltd.	United States	Sumitomo Forestry America Inc.	Designs, builds, and sells homes in Texas and Arizona
Apr-14	Specialty Contractors, Inc.	United States	CIAO Group, Inc.	Home building and remodeling business
Apr-14	Henry Walker Homes, LLC	United States	Oakwood Homes LLC	Builds homes in the Utah and Colorado market
Apr-14	Mustang Investment & Property Group, LLC	United States	Taylor Consulting Inc.	Renovates single family homes and develop homes on vacant lots
Apr-14	Dunhill Homes, LLC	United States	Century Communities, Inc.	Builds homes in the Las Vegas, Dallas and Houston area
Lumber and Wood Manufacturers				
May-14	Winfield Wood & Lath Ltd.	Canada	Lynx Equity Limited	Operates a remanufacturing sawmill that manufactures lumber products
May-14	Welco Lumber Company	United States	TMI Forest Products, Inc.	Manufactures lumber based products
Apr-14	Freeman Brothers, Inc.	United States	West Fraser Timber Co. Ltd.	Manufacturer of southern pine boards, dimension material, timbers and 5/4 inch premium decking
Apr-14	Hardwoods Of Michigan, Inc.	United States	Hardwoods Distribution Inc.	Operates a sawmill and kiln drying facility
Apr-14	Buchanan Lumber	Canada	West Fraser Timber Co. Ltd.	Manufacturer of various hardwood products
Apr-14	Taylor Lumber, Inc.	United States	Ohio Valley Veneer, Inc.	Manufactures and supplies hardwood, lumber, and flooring products

Source: Capital IQ

Duff & Phelps is a Leading Financial Advisor to the Building Products and Materials Sector

<p>Sell Side Advisor</p> <hr/> <p style="text-align: right;">On-Going</p> <h3>Project Sunrise</h3> <p><i>Building materials supplier to residential and light commercial market segments</i></p>	<p>Sell Side Advisor</p> <hr/> <p style="text-align: right;">On-Going</p> <h3>Project Touchstone</h3> <p><i>Distributes, installs and repairs floor covering products for multi-family housing</i></p>	<p>Sell Side Advisor</p> <hr/>  <p><i>has been acquired by</i></p> 
<p>Sell Side Advisor</p> <hr/>  <p><i>has been acquired by</i></p> 	<p>Sell Side Advisor</p> <hr/>  <p><i>has been acquired by</i></p> 	<p>Sell Side Advisor</p> <hr/>  <p><i>has been acquired by</i></p> 

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