



## Building Products and Materials Industry Insights

### First Quarter 2014

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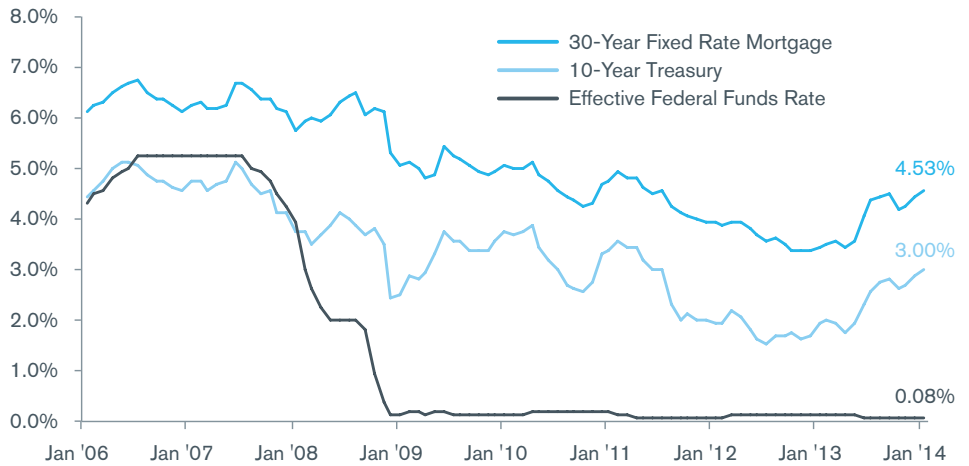
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## Housing Indicators

### Key Interest Rates

The 30-year mortgage rate has been trending up since hitting a low in Q4 2012 due to a reduction in the Fed's bond purchases and tightening of the money supply. The 30-year mortgage rate as of January 2, 2014 was 4.53% in comparison to 3.34% as of January 3, 2013. While it was the first time since 2000 that the 30-year rate climbed by more than one percent in a calendar year, it still remains near a generational low.

### Key Interest Rates – Monthly Trends



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

### Consumer Confidence Index (CCI)

The CCI increased to 78.1 in December, which is near the level recorded this past summer prior to the government shutdown. It is also near the highest level since January 2008. The increase was driven by growing confidence in the economy and future job prospects.

### Consumer Confidence Index

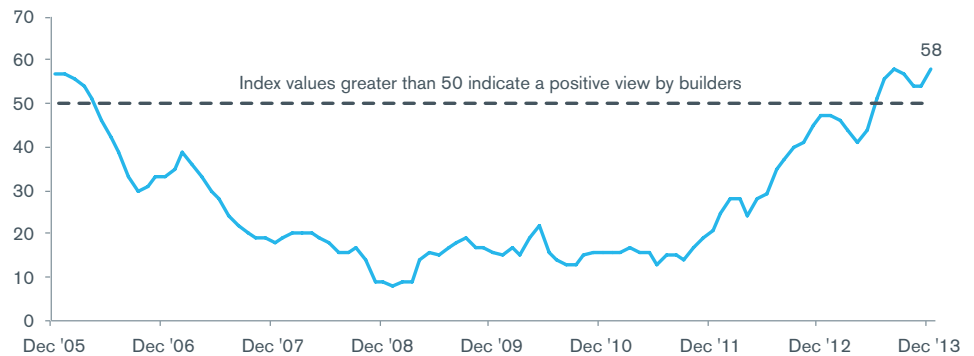


Indexed to 1985  
Source: The Conference Board

### NAHB Housing Market Index (HMI)

The HMI, a measure of builder confidence, increased to 58 in December, which matches the highest level (experienced in August 2013) since 2005. The increasing confidence is due to rising home sales and decline in vacancies.

### NAHB Housing Market Index (Builders Confidence)



Seasonally Adjusted  
Source: National Association of Home Builders

## Housing Starts

### National Housing Starts

U.S. housing starts in December 2013 were at a seasonally adjusted annual rate of 999,000, which is the third highest level experienced in 2013 and eighth highest level since January 2008. December starts were 9.8% below November starts, but were 1.6% above starts in the year ago period.

For the full year 2013, total starts were 923,000, which is 18.3% higher than 2012 starts.

### U.S. Housing Starts (units in thousands)



2013 Total: 923    Year-over-Year Δ: 18.3%

Seasonally Adjusted Annual Rate

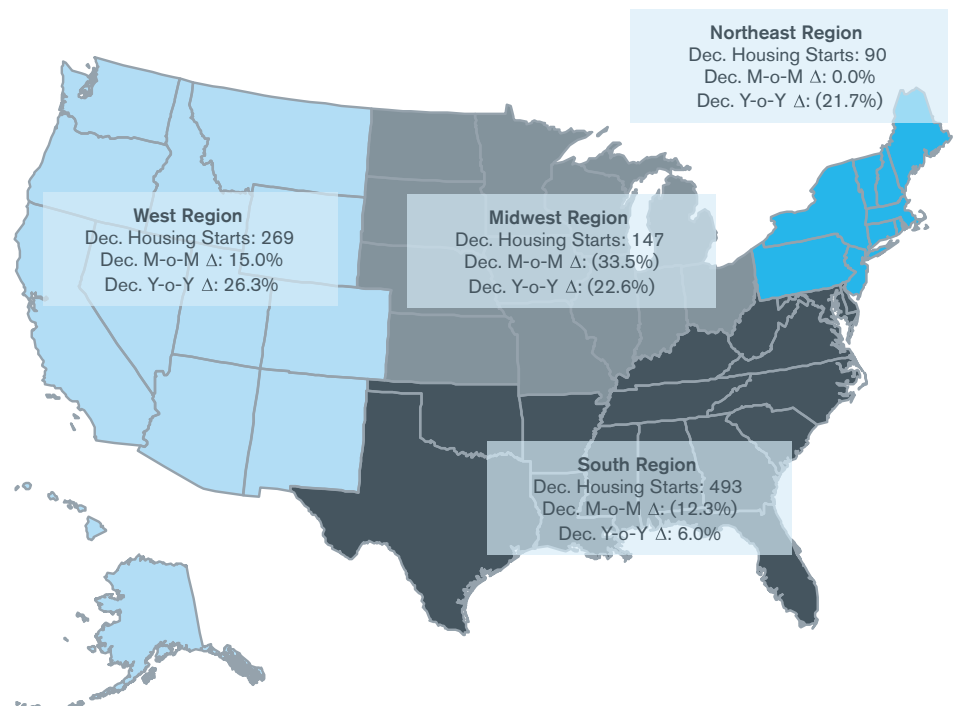
Source: US Department of Commerce: Census Bureau

### Regional Housing Starts

The West Region continues to experience a strong recovery with starts up 15.0% in December over the prior month and up 26.3% over December 2012.

The South and Northeast have experienced mixed results while the Midwest experienced a decline in December of 33.5% relative to November and a decline of 22.6% relative to the same month a year ago.

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



Seasonally Adjusted Annual Rate

Source: US Department of Commerce: Census Bureau

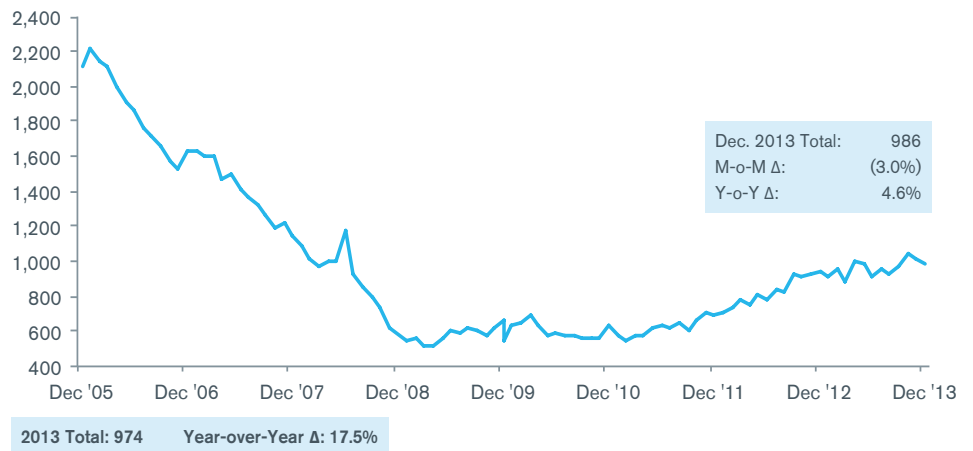
## Building Permits

### National Building Permits

Building permits in December fell to a seasonally adjusted annual rate of 986,000, which is 3.0% below the revised November permits, but 4.6% above December 2012. The decline in December is the second consecutive monthly decline in building permits as the rate dropped 2.1% in November compared with October.

For the full year 2013, permits were 974,000, which is 17.5% higher than 2012.

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



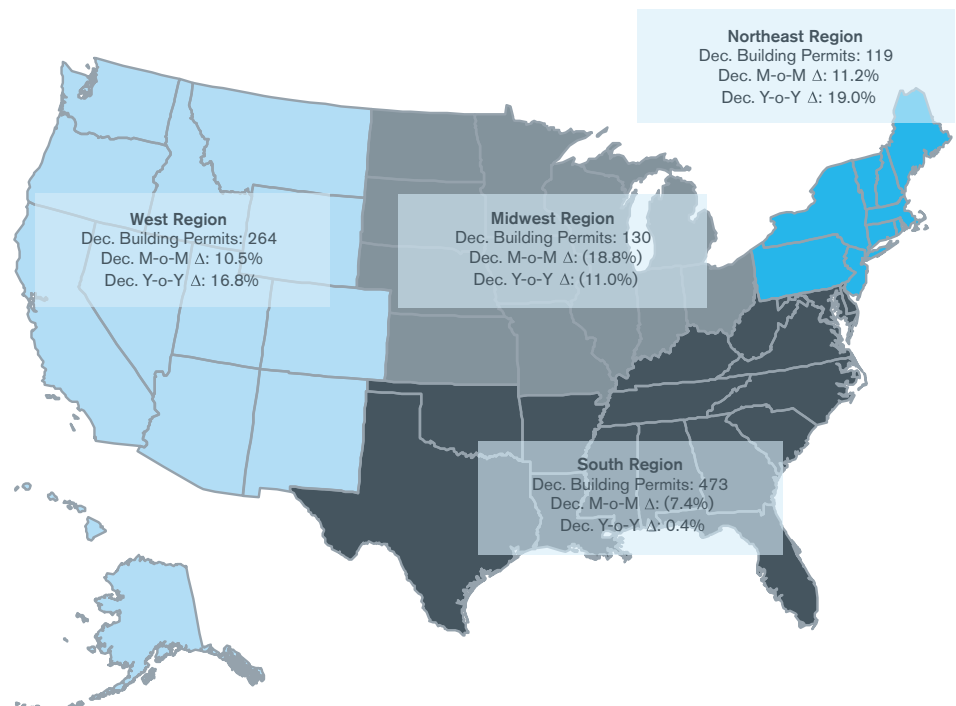
Seasonally Adjusted Annual Rate

Source: US Department of Commerce: Census Bureau

### Regional Building Permits

The Northeast experienced the biggest increase in building permits in December 2013, with an 11.2% increase over November and 19.0% increase over the same month a year ago. The West experienced similarly strong results while the Midwest experienced declines of 18.8% and 11.0% compared with the prior month and year ago period, respectively.

### Authorized Building Permits by Region (units in thousands)



Seasonally Adjusted Annual Rate

Source: US Department of Commerce: Census Bureau

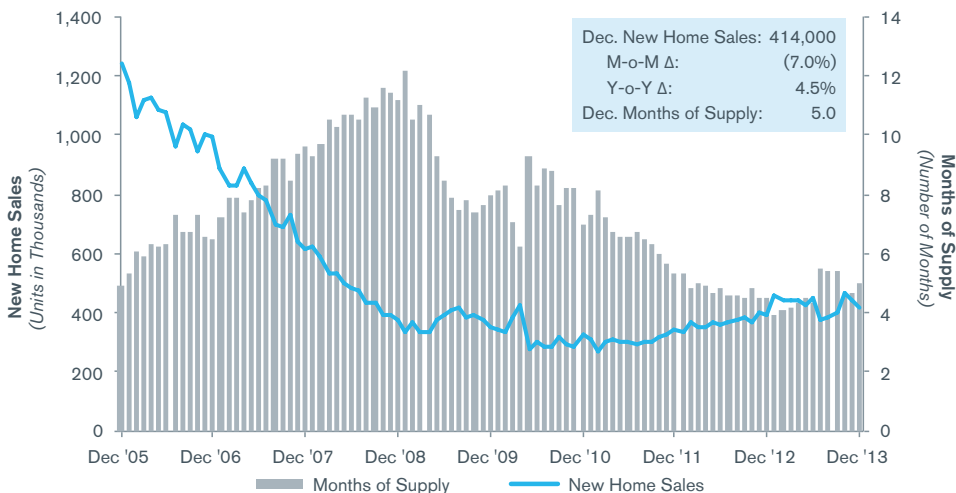
## Home Sales and Supply

### New Home Sales and Supply

U.S. new home sales fell in December for a second consecutive month to a seasonally adjusted annual rate of 414,000, which is 7.0% lower than November but 4.5% higher than December 2012. The inventory of new homes increased to 5.0 months based on the current sales rate, a 6.4% increase from November.

For the full year 2013, new home sales were up 16.4% to 428,000, which is the highest level since 2008.

### New Homes – Sales and Months of Supply



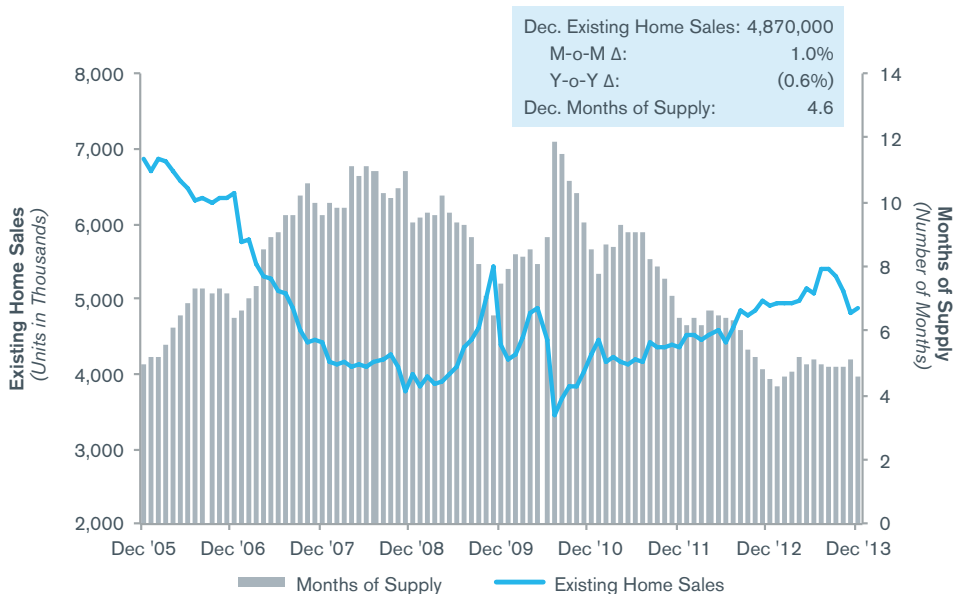
New Home Sales: Seasonally Adjusted Annual Rate  
 Months Supply Seasonally Adjusted at Current Sales Rates  
 Source: US Department of Commerce: Census Bureau

### Existing Home Sales and Supply

Existing home sales increased in December to an annual rate of 4,870,000, which is 1.0% higher than November, but 0.6% lower than December 2012. The inventory of existing homes dropped in December by 9.8% to 4.6 months.

For the full year 2013, existing home sales totaled 5,090,000, which was the highest level since 2006 and 9.1% higher than 2012.

### Existing Homes – Sales and Months of Supply



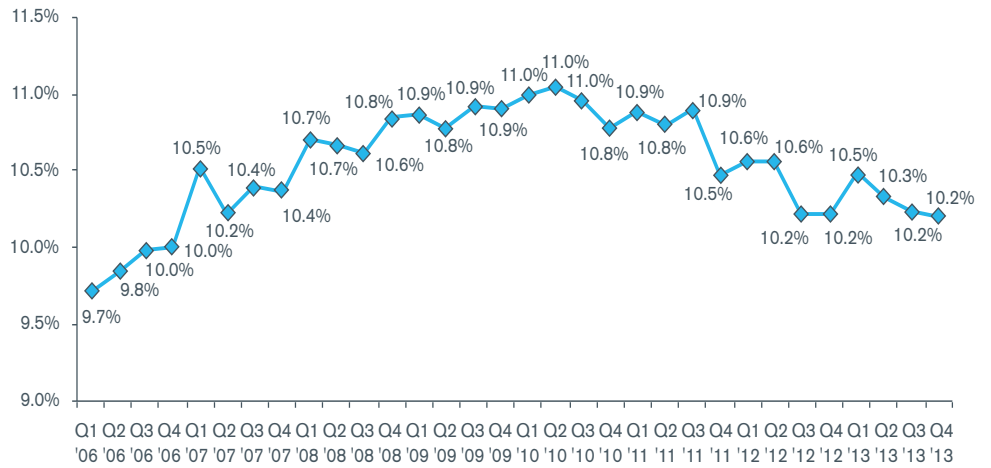
Existing Home Sales: Seasonally Adjusted Annual Rate  
 Months Supply Not Seasonally Adjusted  
 Source: US Department of Commerce: Census Bureau

## Vacancy Rates and Household Formations

### Monthly Vacancy Rates

Vacancy rates have steadily trended down since peaking in Q2 2010. Vacancy rates as of December 31, 2013 were 10.2%, which is near the lowest level recorded since the housing market downturn.

### U.S. Year-Round Vacancy Rates

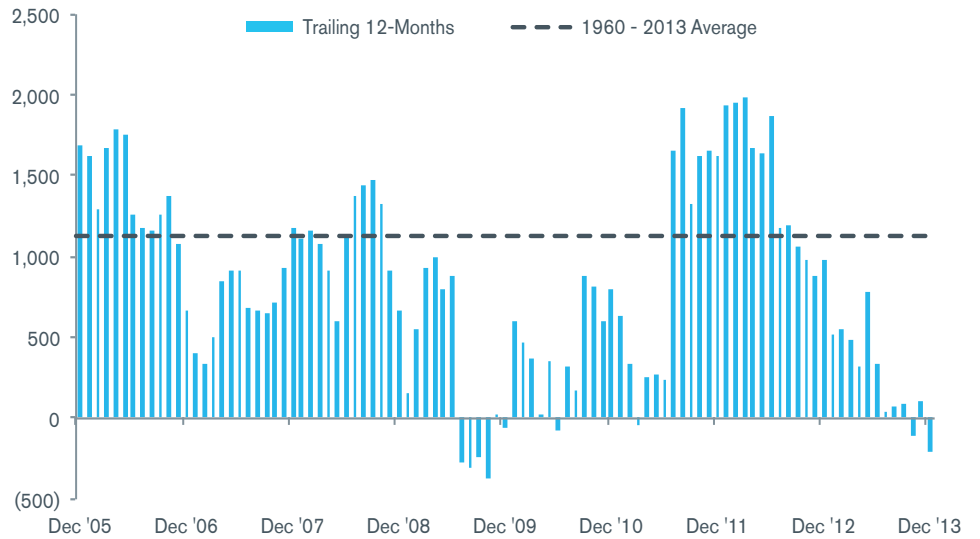


Source: US Department of Commerce: Census Bureau

### Household Formations

One of the factors that is holding the housing sector back from a more robust recovery is the lack of household formations. Over the last 16 months, household formations have remained below the long-term average in part due to the weak job market.

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



Source: US Department of Commerce: Census Bureau

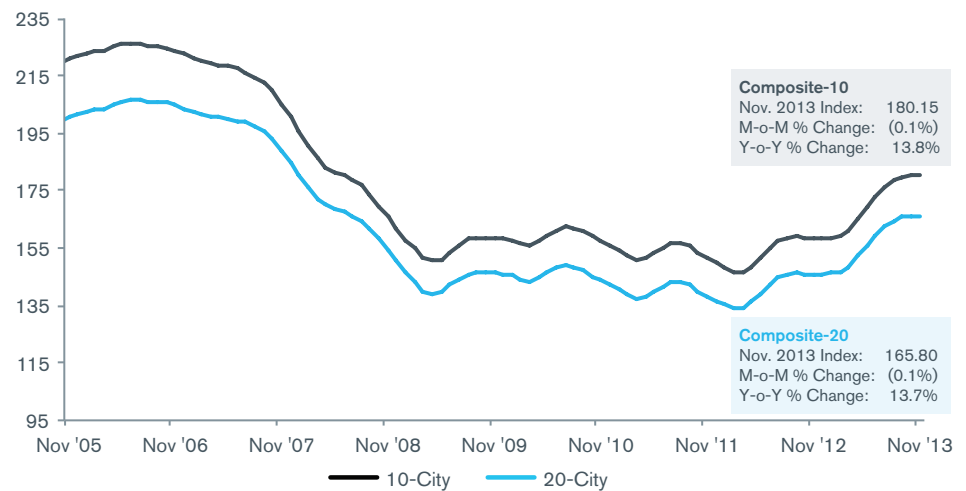
## Trends in U.S. Home Prices

### S&P / Case-Shiller Home Price Indices\*

The 20-City home price index has decreased for the first time month-over-month since November 2012. In November 2013, the 20-City index decreased 0.1% over the prior month but increased 13.7% over the same period a year ago.

Both indices remain well below their peak in April 2006. The 20-City index is 19.1% below its peak.

### S&P / Case-Shiller Indices\*



Monthly, Indexed to January 2000

Las Vegas, one of the cities that was hit hardest by the housing market downturn, has experienced the biggest year-over-year (Y-o-Y) increase in home prices. In general, home prices for cities in the West (e.g., Las Vegas, San Francisco and Los Angeles) outpaced those in the Northeast and Midwest.

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

November 2013 – Composite 10			November 2013 – Composite 20		
Metropolitan Area	M-o-M % Δ	Y-o-Y % Δ	Metropolitan Area	M-o-M % Δ	Y-o-Y % Δ
Las Vegas	0.6%	27.3%	Las Vegas	0.6%	27.3%
San Francisco	0.4%	23.2%	San Francisco	0.4%	23.2%
Los Angeles	0.1%	21.6%	Los Angeles	0.1%	21.6%
San Diego	0.0%	18.7%	San Diego	0.0%	18.7%
Miami	1.4%	16.5%	Atlanta	(0.3%)	18.5%
Chicago	(1.2%)	11.0%	Detroit	(0.1%)	17.3%
Boston	0.2%	9.8%	Phoenix	0.3%	16.7%
Denver	(0.2%)	8.9%	Miami	1.4%	16.5%
Washington D.C.	(0.3%)	7.8%	Tampa	0.2%	15.7%
New York	(0.4%)	6.0%	Portland	(0.3%)	12.5%
<b>Composite-10</b>	<b>(0.1%)</b>	<b>13.8%</b>	Seattle	(0.1%)	12.4%
			Chicago	(1.2%)	11.0%
			Minneapolis	0.0%	10.5%
			Dallas	0.1%	9.9%
			Boston	0.2%	9.8%
			Denver	(0.2%)	8.9%
			Charlotte	(0.6%)	8.7%
			Washington D.C.	(0.3%)	7.8%
			New York	(0.4%)	6.0%
			Cleveland	0.3%	6.0%
			<b>Composite-20</b>	<b>(0.1%)</b>	<b>13.7%</b>

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 and CoreLogic

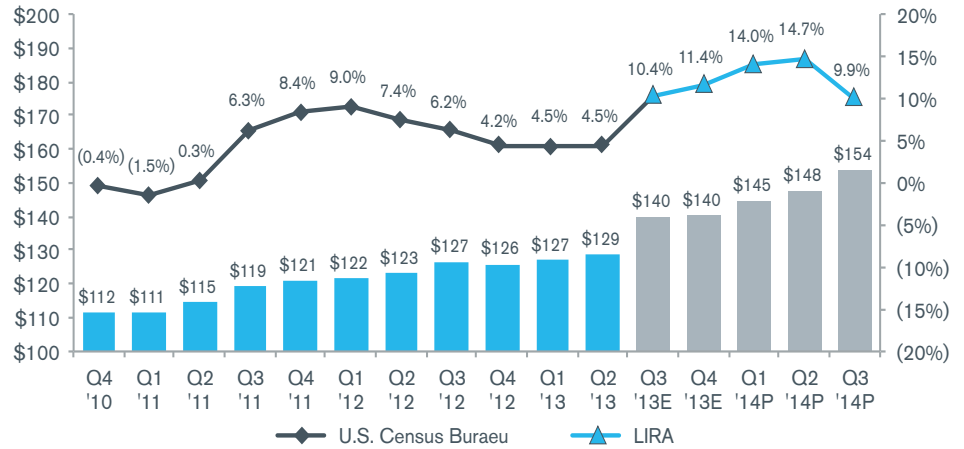
## Remodeling Activity and Spending

### Leading Indicator of Remodeling Activity (LIRA)\*

Based on the LIRA, home improvement spending is estimated to have increased 11.4% in Q4 2013, which is the highest quarterly increase since Q3 2006. Over the next two quarters, growth in spending is expected to remain strong at 14.0% or higher, and then drop to 9.9% in Q3 2014. The increase in remodeling activity is attributable to rising home sales and home prices, which have given homeowners the necessary confidence to start investing in their homes again.

### LIRA\*

Homeowner Improvements  
Four-Quarter Moving Totals  
(\$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.

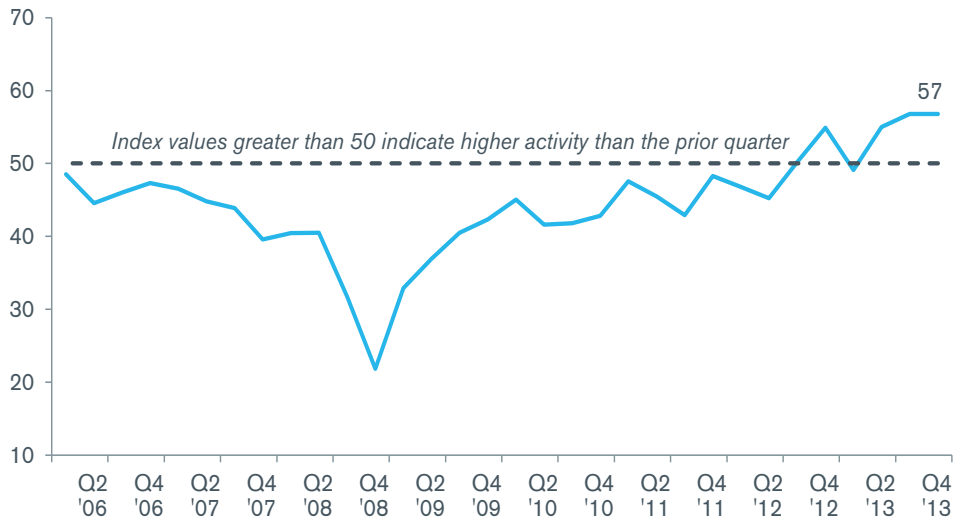
Note: Q3 2013 is estimated due to the partial government shutdown in October 2013 that is distorting the actual figures of this quarter

Source: Joint Center for Housing Studies of Harvard University

### Remodeling Market Index (RMI)\*

The RMI held steady at 57 in Q4 2013, which is the same level as Q3 2013 and the highest level since Q1 2004. While the overall RMI held steady, the two components of the index changed slightly with the current market conditions index declining two points to 56 and the future market indicators index rising two points to 58.

### 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

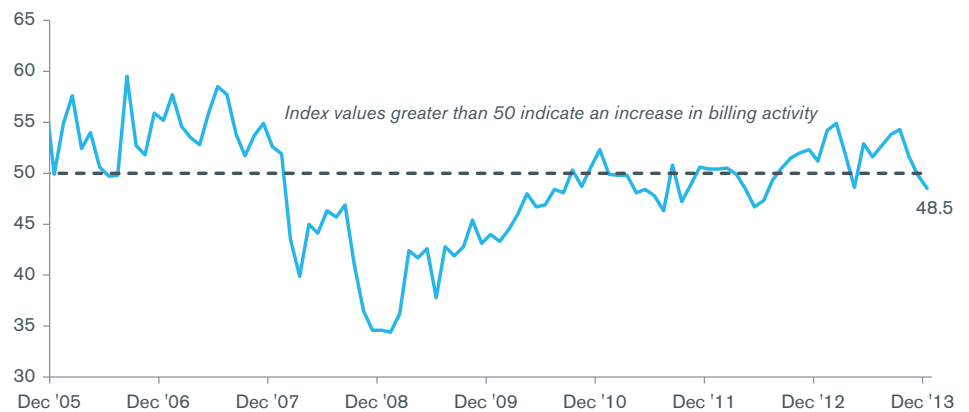


## Non-Residential Construction

### AIA Architectural Billings Index (ABI)

The ABI, a leading indicator of future non-residential construction activity, declined for the third consecutive month in December. The ABI in December dropped to 48.5, which is the lowest level in the last 12 months. However, the index for new project inquiries rose in December and demonstrated strong growth through 2013.

### Architectural Billings Index\*

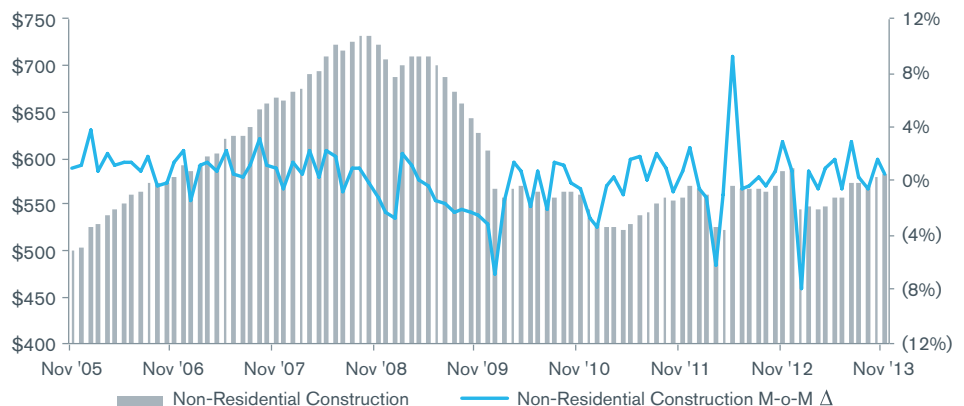


\*The ABI is a representative survey conducted by the AIA in an attempt to gauge whether architectural firms are reporting an increase or decrease in billing activity from month to month. A score above 50 indicates that more than half of the firms that responded are reporting an increase in activity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

### Non-Residential Construction Put in Place

Non-residential construction increased in November by 0.6% over the prior month and decreased by (0.5%) over the same period a year ago. The month-over-month increase was driven by the private sector as public sector spending declined 1.7% in November. In November, the markets experiencing the most growth were commercial and communication. In comparison with the prior year, lodging and commercial construction spending experienced the most growth.

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



### November LTM Construction Spending Summary

#### November 2013 – 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
Lodging	(0.2%)	36.7%	Highway and street	(0.6%)	4.8%
Commercial	4.5%	15.3%	Conservation and development	(4.7%)	3.6%
Transportation	(0.2%)	10.7%	Water supply	(3.7%)	2.7%
Manufacturing	0.6%	9.4%	Sewage and waste disposal	(8.0%)	(9.2%)
Office	2.6%	6.6%	Power	3.0%	(23.4%)
Public safety	(0.3%)	4.3%			
Healthcare	(2.8%)	1.4%			
Educational	0.2%	(0.2%)			
Amusement and recreation	(0.6%)	(2.9%)			
Communication	10.9%	(9.4%)			
Religious	0.6%	(11.3%)			

Seasonally Adjusted Annual Rate

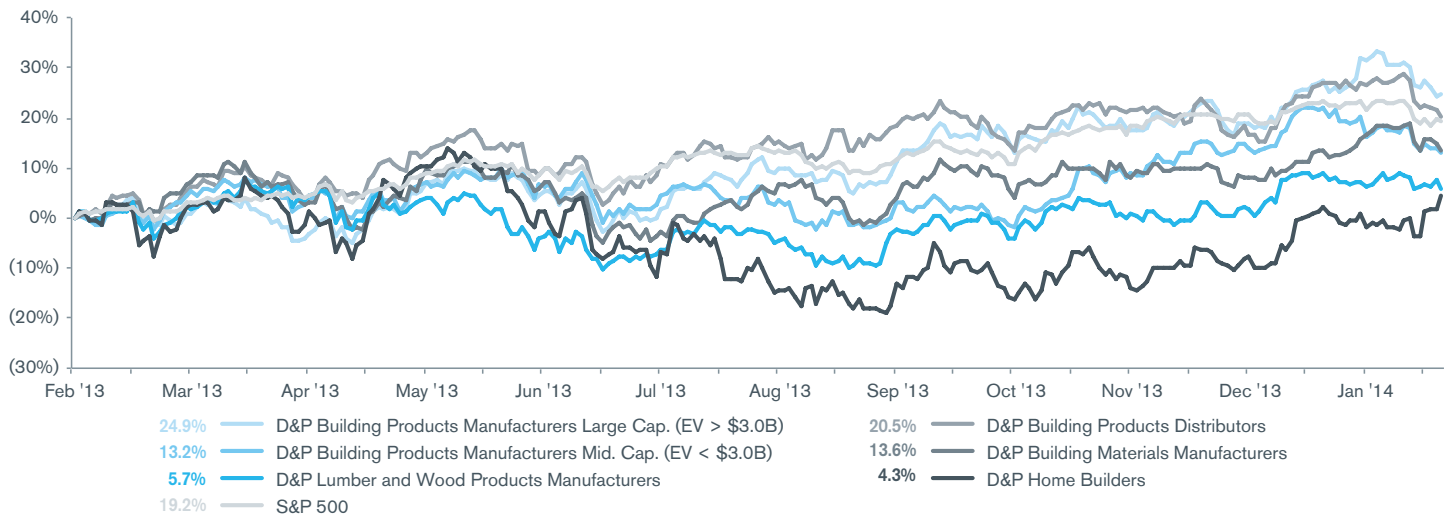
Source: US Department of Commerce: Census Bureau

## Public Companies Valuation Trends

### Equity Market Performance

Over the last 12 months, the stock price index for publicly traded, large cap. building products manufacturers and building products distributors outperformed the S&P 500. All other indices for the building products and materials industry, especially the home builders index, underperformed the S&P 500. Investor concern regarding rising interest rates, tightening money supply and continued lack of household formations have impacted the stock prices of home builders.

### 12-Month Indexed Stock Chart

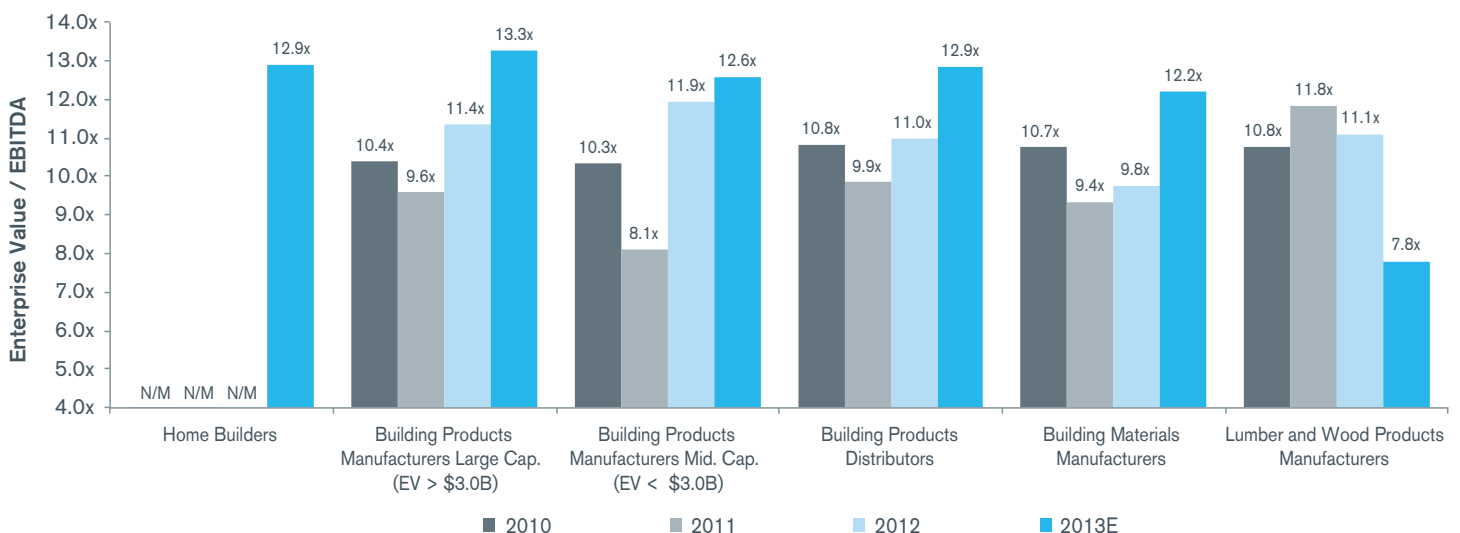


Source: Capital IQ

### Valuation Trends

Valuation multiples for the industry as a whole have trended up 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 continued recovery.

### Historical Median EV / EBITDA Trends by Sub-Sector



Source: Capital IQ

## Public Companies Trading Analysis

(\$ in millions)

Company	1/31/14 Stock Price	% of 52-Week High	Market Value	Enterprise Value	Enterprise Value as a Multiple of							
					Revenue			EBITDA			LTM	
					LTM	2013E	2014E	LTM	2013E	2014E	EBITDA Margin	Revenue Growth
<b>Building Products Manufacturers Large Cap. (EV &gt; \$3.0B)</b>												
Compagnie de Saint-Gobain	\$52.73	93.5%	\$29,905	\$42,482	0.74x	0.74x	0.74x	7.8x	7.5x	6.9x	9.5%	(1.1)%
Masco Corporation	\$21.16	89.7%	\$7,554	\$9,904	1.20x	1.21x	1.12x	12.7x	11.0x	9.2x	9.5%	11.5%
Fortune Brands Home & Security, Inc.	\$45.06	94.0%	\$7,490	\$7,608	1.83x	1.62x	1.48x	16.1x	12.1x	10.2x	11.4%	15.8%
Owens Corning	\$38.15	83.8%	\$4,491	\$6,661	1.29x	1.27x	1.19x	9.6x	9.5x	7.9x	13.4%	(0.6)%
USG Corporation	\$30.60	94.5%	\$4,196	\$5,988	1.73x	1.69x	1.52x	16.6x	14.5x	10.2x	10.4%	10.7%
Acuity Brands, Inc.	\$127.04	93.1%	\$5,309	\$5,264	2.41x	2.22x	2.03x	17.0x	15.0x	13.0x	14.2%	12.5%
James Hardie Industries plc	\$11.33	95.6%	\$5,026	\$5,064	3.59x	3.42x	2.96x	19.5x	16.2x	13.1x	18.4%	11.4%
Lennox International, Inc.	\$86.56	97.4%	\$4,285	\$4,684	1.49x	1.47x	1.40x	14.4x	13.3x	11.5x	10.4%	7.6%
Armstrong World Industries, Inc.	\$55.68	90.3%	\$3,015	\$3,960	1.48x	1.46x	1.37x	14.8x	10.5x	8.8x	10.0%	1.6%
	<b>Median</b>	<b>93.5%</b>			<b>1.49x</b>	<b>1.47x</b>	<b>1.40x</b>	<b>14.8x</b>	<b>12.1x</b>	<b>10.2x</b>	<b>10.4%</b>	<b>10.7%</b>
	<b>Mean</b>	<b>92.4%</b>			<b>1.75x</b>	<b>1.68x</b>	<b>1.54x</b>	<b>14.3x</b>	<b>12.2x</b>	<b>10.1x</b>	<b>11.9%</b>	<b>7.7%</b>
<b>Building Products Manufacturers Mid. Cap. (EV &lt; \$3.0B)</b>												
Nortek Inc.	\$75.21	96.7%	\$1,158	\$2,200	0.98x	0.97x	0.93x	10.7x	10.0x	8.6x	9.1%	0.6%
Ply Gem Holdings, Inc.	\$13.26	54.2%	\$891	\$1,697	1.30x	1.24x	1.03x	15.0x	15.4x	10.0x	8.7%	18.8%
Simpson Manufacturing Co., Inc.	\$32.60	87.0%	\$1,578	\$1,363	1.97x	1.94x	1.77x	13.3x	12.6x	10.1x	14.9%	7.4%
Griffon Corporation	\$12.56	87.6%	\$689	\$1,326	0.70x	0.67x	0.66x	8.8x	7.9x	7.5x	7.9%	3.7%
Headwaters Incorporated	\$11.12	96.1%	\$816	\$1,197	1.70x	1.54x	1.42x	11.1x	8.9x	7.7x	15.3%	11.0%
Trex Co. Inc.	\$70.33	84.7%	\$1,181	\$1,162	3.58x	3.51x	2.92x	NM	18.6x	12.4x	10.8%	3.9%
Apogee Enterprises, Inc.	\$33.80	89.6%	\$975	\$973	1.32x	1.26x	1.10x	15.9x	14.4x	9.5x	8.3%	6.9%
Gibraltar Industries, Inc.	\$17.86	89.3%	\$548	\$681	0.84x	0.82x	0.77x	9.1x	9.3x	7.7x	9.2%	2.5%
Quanex Building Products Corporation	\$18.95	86.8%	\$701	\$652	0.68x	0.64x	0.59x	14.7x	9.8x	7.4x	4.6%	14.9%
PGT, Inc.	\$10.68	91.4%	\$500	\$555	2.50x	2.35x	2.04x	16.7x	15.1x	10.8x	14.9%	34.8%
American Woodmark Corp.	\$35.11	87.8%	\$540	\$447	0.65x	0.61x	0.55x	10.6x	7.5x	6.2x	6.1%	22.5%
Norcraft Companies, Inc.	\$17.25	87.0%	\$299	\$419	1.27x	1.24x	1.12x	11.9x	10.0x	8.0x	10.7%	0.0%
	<b>Median</b>	<b>87.7%</b>			<b>1.29x</b>	<b>1.24x</b>	<b>1.07x</b>	<b>11.9x</b>	<b>10.0x</b>	<b>8.3x</b>	<b>9.2%</b>	<b>7.1%</b>
	<b>Mean</b>	<b>86.5%</b>			<b>1.46x</b>	<b>1.40x</b>	<b>1.24x</b>	<b>12.5x</b>	<b>11.6x</b>	<b>8.8x</b>	<b>10.1%</b>	<b>10.6%</b>
<b>Building Products Distributors</b>												
Wolseley plc	\$53.58	92.8%	\$14,045	\$14,753	0.69x	0.67x	0.63x	10.9x	9.9x	8.6x	6.3%	(2.0)%
Watsco Inc.	\$94.62	95.6%	\$3,042	\$3,616	0.98x	0.97x	0.91x	12.8x	12.8x	11.3x	7.7%	11.2%
Lumber Liquidators Holdings, Inc.	\$88.99	74.2%	\$2,456	\$2,371	2.49x	2.38x	2.01x	18.6x	17.9x	13.7x	13.4%	22.6%
Beacon Roofing Supply, Inc.	\$37.79	88.5%	\$1,852	\$2,075	0.93x	0.85x	0.78x	12.9x	11.2x	9.7x	7.2%	9.6%
Builders FirstSource, Inc.	\$8.05	95.6%	\$770	\$1,074	0.76x	0.73x	0.59x	24.1x	19.5x	10.8x	3.2%	44.3%
BlueLinx Holdings Inc.	\$1.59	48.2%	\$138	\$589	0.28x	0.27x	0.24x	NA	NA	NA	NA	13.3%
Stock Building Supply Holdings, Inc.	\$17.43	91.6%	\$455	\$512	0.45x	0.43x	0.36x	NM	22.3x	9.5x	1.4%	0.0%
Taiga Building Products Ltd.	\$0.86	76.0%	\$28	\$255	0.24x	NA	NA	7.7x	NA	NA	3.1%	12.6%
CanWel Building Materials Group Ltd.	\$2.53	87.0%	\$145	\$250	0.38x	0.38x	0.35x	14.2x	12.9x	10.1x	2.7%	4.2%
Hardwoods Distribution Inc.	\$9.26	93.4%	\$153	\$193	0.60x	0.56x	0.47x	10.9x	9.6x	8.3x	5.5%	19.7%
Huttig Building Products Inc.	\$3.95	77.5%	\$96	\$155	0.28x	NA	NA	18.3x	NA	NA	1.5%	8.5%
Goodfellow Inc.	\$8.58	91.8%	\$73	\$101	0.23x	NA	NA	8.8x	NA	NA	2.6%	(4.9)%
	<b>Median</b>	<b>90.1%</b>			<b>0.53x</b>	<b>0.67x</b>	<b>0.59x</b>	<b>12.8x</b>	<b>12.8x</b>	<b>9.9x</b>	<b>3.2%</b>	<b>10.4%</b>
	<b>Mean</b>	<b>84.3%</b>			<b>0.69x</b>	<b>0.80x</b>	<b>0.71x</b>	<b>13.9x</b>	<b>14.5x</b>	<b>10.3x</b>	<b>5.0%</b>	<b>11.6%</b>

Source: Capital IQ

## Public Companies Trading Analysis (cont.)

(\$ in millions)

Company	1/31/14 Stock Price	% of 52-Week High	Market Value	Enterprise Value	Enterprise Value as a Multiple of							
					Revenue			EBITDA			LTM	
					LTM	2013E	2014E	LTM	2013E	2014E	EBITDA Margin	Revenue Growth
<b>Building Materials Manufacturers</b>												
Holcim Ltd.	\$73.23	83.4%	\$23,826	\$37,543	1.64x	1.67x	1.62x	8.8x	8.5x	7.4x	18.8%	(2.9)%
Lafarge S.A.	\$72.08	92.6%	\$20,710	\$37,421	1.81x	1.81x	1.76x	9.0x	8.7x	7.6x	20.1%	(3.3)%
CEMEX, S.A.B. de C.V.	\$12.37	93.9%	\$13,962	\$30,778	2.14x	2.02x	1.88x	13.0x	11.6x	9.9x	16.5%	(3.2)%
HeidelbergCement AG	\$74.85	90.9%	\$14,034	\$25,983	1.38x	1.37x	1.32x	8.5x	7.7x	7.2x	16.2%	1.0%
CRH plc	\$25.80	94.9%	\$18,919	\$24,565	0.99x	1.01x	0.96x	12.1x	12.3x	10.5x	8.2%	1.1%
Vulcan Materials Company	\$61.73	97.9%	\$8,024	\$10,302	3.82x	3.82x	3.45x	24.6x	22.0x	17.3x	15.5%	4.9%
Martin Marietta Materials Inc.	\$109.01	94.8%	\$5,027	\$6,015	2.79x	2.53x	2.29x	15.4x	12.5x	10.4x	18.2%	5.8%
Eagle Materials Inc.	\$78.75	96.1%	\$3,932	\$4,377	NM	4.71x	3.81x	22.6x	15.1x	10.6x	24.1%	43.7%
Titan Cement Company S.A.	\$26.93	85.2%	\$2,087	\$3,165	2.00x	1.98x	1.85x	13.0x	12.4x	10.2x	15.4%	6.6%
Texas Industries Inc.	\$75.22	97.2%	\$2,153	\$2,730	3.43x	3.00x	2.62x	NM	21.8x	13.3x	10.6%	28.0%
U.S. Concrete, Inc.	\$22.66	96.0%	\$318	\$395	0.66x	0.73x	0.72x	10.6x	14.6x	13.2x	6.2%	17.5%
	<b>Median</b>	<b>94.8%</b>			<b>1.90x</b>	<b>1.98x</b>	<b>1.85x</b>	<b>12.5x</b>	<b>12.4x</b>	<b>10.4x</b>	<b>16.2%</b>	<b>4.9%</b>
	<b>Mean</b>	<b>93.0%</b>			<b>2.06x</b>	<b>2.24x</b>	<b>2.03x</b>	<b>13.7x</b>	<b>13.4x</b>	<b>10.7x</b>	<b>15.4%</b>	<b>9.0%</b>
<b>Home Builders</b>												
Lennar Corp.	\$40.16	90.5%	\$7,977	\$12,562	2.12x	1.72x	1.43x	17.4x	11.5x	9.3x	12.2%	44.6%
DR Horton Inc.	\$23.48	84.6%	\$7,597	\$10,261	1.54x	1.38x	1.17x	13.1x	9.4x	7.6x	11.8%	40.9%
PulteGroup, Inc.	\$20.32	83.0%	\$7,784	\$8,367	1.47x	1.45x	1.28x	15.1x	8.6x	7.1x	9.8%	17.8%
Toll Brothers Inc.	\$36.75	93.6%	\$6,515	\$8,200	3.07x	2.09x	1.73x	NM	13.0x	9.4x	8.6%	42.0%
NVR, Inc.	\$1,153.41	96.3%	\$5,114	\$4,872	1.15x	1.08x	0.93x	10.8x	9.2x	7.3x	10.7%	32.2%
Standard Pacific Corp.	\$8.80	88.3%	\$2,439	\$3,995	2.28x	2.13x	1.65x	21.1x	11.6x	8.2x	10.8%	55.5%
KB Home	\$19.34	76.9%	\$1,620	\$3,240	1.54x	1.37x	1.12x	NM	14.8x	11.4x	4.7%	34.4%
Ryland Group Inc.	\$44.64	88.5%	\$2,063	\$3,008	1.41x	1.12x	0.91x	13.5x	9.1x	6.9x	10.4%	63.6%
Meritage Homes Corporation	\$48.57	91.7%	\$1,867	\$2,504	1.52x	1.38x	1.13x	16.5x	12.6x	9.6x	9.2%	53.1%
Hovnanian Enterprises Inc.	\$6.03	88.7%	\$843	\$2,389	1.29x	1.11x	0.94x	22.3x	12.6x	8.7x	5.8%	24.6%
MDC Holdings Inc.	\$30.89	75.0%	\$1,510	\$1,916	1.19x	1.17x	1.11x	18.4x	14.4x	13.7x	6.5%	54.9%
Beazer Homes USA Inc.	\$22.51	88.8%	\$564	\$1,697	1.27x	1.21x	0.96x	NM	15.5x	10.9x	4.3%	25.4%
M/I Homes, Inc.	\$24.59	88.2%	\$599	\$916	0.88x	0.72x	0.61x	12.6x	NA	NA	7.0%	36.1%
	<b>Median</b>	<b>88.5%</b>			<b>1.47x</b>	<b>1.37x</b>	<b>1.12x</b>	<b>15.8x</b>	<b>12.1x</b>	<b>9.0x</b>	<b>9.2%</b>	<b>40.9%</b>
	<b>Mean</b>	<b>87.2%</b>			<b>1.59x</b>	<b>1.38x</b>	<b>1.15x</b>	<b>16.1x</b>	<b>11.9x</b>	<b>9.2x</b>	<b>8.6%</b>	<b>40.4%</b>
<b>Lumber and Wood Products Manuf.</b>												
Weyerhaeuser Co.	\$29.88	89.9%	\$17,413	\$22,024	2.58x	2.41x	2.26x	13.7x	11.9x	10.4x	18.9%	20.8%
West Fraser Timber Co. Ltd.	\$51.67	96.1%	\$4,575	\$4,634	1.50x	1.44x	1.33x	10.0x	8.1x	6.7x	15.0%	18.7%
Canfor Corp.	\$25.90	99.3%	\$3,624	\$3,928	1.38x	1.37x	1.24x	8.0x	7.8x	6.3x	17.2%	25.3%
Louisiana-Pacific Corp.	\$17.53	77.7%	\$2,474	\$2,570	1.23x	1.24x	1.08x	7.6x	7.7x	6.5x	16.2%	34.5%
Norbord, Inc.	\$28.21	82.3%	\$1,507	\$1,737	1.29x	1.30x	1.19x	6.1x	8.0x	5.8x	21.3%	16.9%
Universal Forest Products Inc.	\$52.55	96.6%	\$1,046	\$1,134	0.47x	0.46x	0.40x	12.0x	11.4x	8.3x	3.9%	20.4%
Ainsworth Lumber Co. Ltd.	\$3.65	93.7%	\$879	\$1,046	2.31x	2.36x	1.75x	6.6x	7.4x	6.3x	35.1%	39.1%
	<b>Median</b>	<b>93.7%</b>			<b>1.38x</b>	<b>1.37x</b>	<b>1.24x</b>	<b>8.0x</b>	<b>8.0x</b>	<b>6.5x</b>	<b>17.2%</b>	<b>20.8%</b>
	<b>Mean</b>	<b>90.8%</b>			<b>1.54x</b>	<b>1.51x</b>	<b>1.32x</b>	<b>9.1x</b>	<b>8.9x</b>	<b>7.2x</b>	<b>18.2%</b>	<b>25.1%</b>

Source: Capital IQ

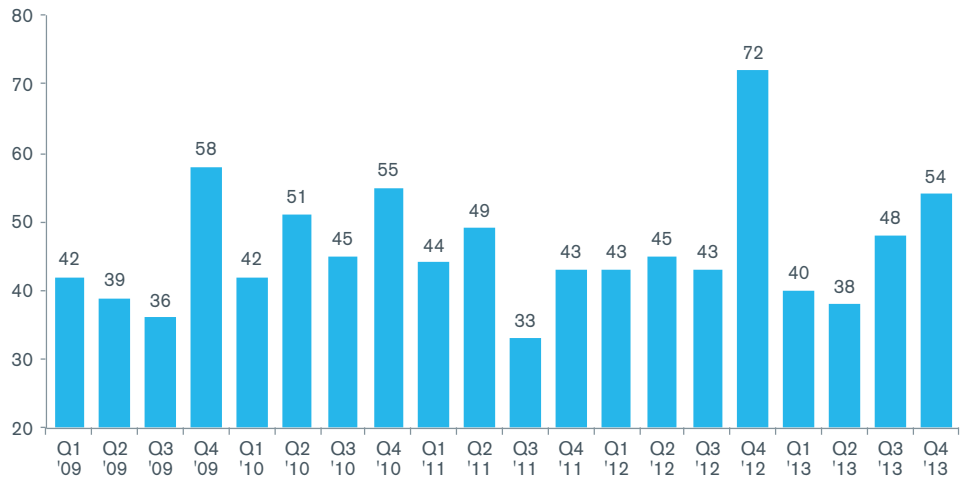
## Q4 2013 M&A Activity

### Building Products and Materials M&A Trends

M&A activity in the sector remained steady in Q4 2013 with 54 completed transactions involving target companies headquartered in the U.S. or Canada.

There is strong acquisition interest from private equity firms and select strategics, but activity has been dampened 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.

### 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 – Q4 2013

Date Announced	Target	Target Country	Acquiror	Target Business Description
<b>Building Products Distributors</b>				
Dec-13	LaPrairie Inc.	Canada	WESCO Distribution, Inc.	LaPrairie Inc. distributes electrical products primarily to the utility/municipal market in North America.
Dec-13	Aluminum Service, Inc.	United States	Lansing Building Products, Inc.	Aluminum Service, Inc. distributes building materials in Florida, Georgia, Alabama, and Mississippi.
Dec-13	Bolts & Nuts, Inc.	United States	Nebraska Heavy Industries, LLC	Bolts & Nuts, Inc. distributes commercial and construction fasteners.
Dec-13	CTL Company, Inc.	United States	Nassco Inc.	CTL Company, Inc. distributes janitorial, sanitary maintenance, and commercial kitchen equipment and supplies.
Dec-13	Lang Engineering Equipment Co., Inc.	United States	Valin Corporation	Lang Engineering Equipment Co., Inc. is a distributor of pumps, filters, and refueling equipment in California.
Dec-13	Primestone Inc.	Canada	Marmi La Bella srl	Primestone Inc. provides stones and slabs in North America.
Nov-13	A&R Geosynthetics Inc.	Canada	Hanes Geo Components Inc.	A&R Geosynthetics Inc. is engaged in the wholesale distribution of landscape and construction materials, and geosynthetics.
Oct-13	Fogleman Builders Supply	United States	Allied Building Products Corporation	Fogleman Builders Supply operates as a distributor of drywall, roofing and building materials.
<b>Building Products Manufacturers</b>				
Dec-13	AccuPipe Inc.	Canada	Prinsco, Inc.	AccuPipe Inc. manufactures and supplies agricultural drain tiles and accessories.
Dec-13	CertainTeed Corporation, Fiber Cement Siding Business	United States	Plycem USA, Inc.	CertainTeed Corporation, Fiber Cement Siding Business manufactures and sells fiber cement siding, trim and accessories.
Dec-13	Arbors Direct, Inc.	United States	HB&G, Inc.	Arbors Direct, Inc. manufactures fiberglass arbor and pergola kits for residential and commercial applications.
Dec-13	U.S. GreenFiber, LLC	United States	Tenex Capital Management	U.S. GreenFiber, LLC manufactures natural fiber insulation, fire, and sound products.
Dec-13	California Products Corporation	United States	Comvest Partners; Satori Capital, L.L.C.; ComVest Capital II, L.P.; Delos Capital	California Products Corporation manufactures and markets architectural, sports surfacing, and containment coatings.
Dec-13	Figulo Corporation	United States	3D Systems Corp.	Figulo Corporation manufactures and delivers ceramic objects using 3D printing.
Dec-13	Hitachi Appliances, Inc., Global Air Conditioning Business	United States	Johnson Controls Inc.	Hitachi Appliances, Inc., Global Air Conditioning Business engages in manufacture of air conditioning systems.

Source: Capital IQ

## Q4 2013 M&A Activity (cont.)

### Notable M&A Activity – Q4 2013 (cont.)

Date Announced	Target	Target Country	Acquiror	Target Business Description
<b>Building Products Manufacturers (cont.)</b>				
Dec-13	U-C Coatings Corporation	United States	Argosy Capital; Sidereal Capital Group, LLC	U-C Coatings Corporation manufactures and supplies wood protection products for logging, lumber, furniture, and woodworking industries.
Dec-13	Quality Connector Systems, LLC	United States	Oil States Industries, Inc.	Quality Connector Systems, LLC designs, manufactures, and distributes subsea pipeline connector and fitting products.
Nov-13	Roman Decorating Products, Inc.	United States	Salt Creek Capital II, LLC	Roman Decorating Products, Inc. manufactures wallcovering adhesives, primers, strippers, and architectural coatings.
Nov-13	ECS Fasteners, LLC	United States	Hahn Systems, LLC	ECS Fasteners, LLC manufactures machine grade bulk nails for the wood pallet industry.
Nov-13	Novik Inc.	Canada	Clearview Capital, LLC	Novik Inc. engages in the design, manufacture, and marketing of polymer exterior covering and roofing products.
Nov-13	Argens Incorporated	United States	Watson Security Group, Inc.	Argens Incorporated manufactures locks and other security products.
Nov-13	PAM Fastening Technology, Inc.	United States	OMG, Inc.	PAM Fastening Technology, Inc. engages in the production and supply of autofeed screw systems and collated screws.
Nov-13	Amarr Company Inc.	United States	Assa Abloy AB	Amarr Company Inc. designs, manufactures, and distributes door access systems for new construction.
Nov-13	Alumicor Limited	Canada	Apogee Enterprises, Inc.	Alumicor Limited manufactures and supplies architectural aluminum building envelope products.
Oct-13	Bend Commercial Glass Co.	United States	Richard Lyon	Bend Commercial Glass Co. engages in the design, manufacture, installation, and service of commercial glass products.
Oct-13	Renin Corp.	Canada	BFC Financial Corporation; BBX Capital Corporation	Renin Corp. manufactures and distributes closet doors, wall décor products, systems and hardware, and fabricated glass products.
Oct-13	Leader Global Technologies, Inc.	United States	Eriks NV	Leader Global Technologies, Inc. designs, manufactures, and supplies fluid sealing products.
Oct-13	Royal Baths Manufacturing Co., LTD.	United States	Cotton Creek Capital Management, LLC	Royal Baths Manufacturing Co., LTD. manufactures bath products.
Oct-13	Zep Solar, Inc.	United States	SolarCity Corporation	Zep Solar, Inc. designs mounting hardware for photovoltaic (PV) system integration applications.
Oct-13	JPW Industries, Inc.	United States	Tenex Capital Management	JPW Industries, Inc. manufactures and imports metalworking, woodworking, and material handling products in North America.
<b>Building Materials Manufacturers</b>				
Nov-13	Atlas Block Co. Limited	Canada	Brampton Brick Ltd.	Atlas Block Co. Limited manufactures concrete products for landscaping and construction.
Nov-13	Reward Wall Systems, Inc.	United States	Airlite Plastics Co.	Reward Wall Systems, Inc. manufactures and distributes insulating concrete forms used in residential and commercial structures.
Oct-13	Ameristar Fence Products, Inc.	United States	Assa Abloy AB	Ameristar Fence Products, Inc. manufactures ornamental and decorative metal fences and gates.
<b>Homebuilders</b>				
Nov-13	Scholz Designs Texas, LLC	United States	Design Basics, LLC.	Scholz Designs Texas, LLC offers homebuilding services.
Nov-13	Shapell Industries, Inc.	United States	Toll Brothers Inc.	Shapell Industries, Inc. operates as a homebuilder in southern and northern California.
Nov-13	Weyerhaeuser Real Estate Company	United States	TRI Pointe Homes, Inc.	Weyerhaeuser Real Estate Company, a homebuilding company, provides homes and planned communities in the United States.

Source: Capital IQ

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

Sell Side Advisor

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Ongoing

### Project Sunrise

*Building materials supplier to residential and light commercial market segments*

Financial advisor to Project Sunrise

Sell Side Advisor

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Ongoing

### Project Touchstone

*Distributes, installs and repairs floor covering products for multi-family housing*

Financial advisor to Project Touchstone

Sell Side Advisor

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August 2013

### RollEase®

*has been acquired by*



Financial advisor to RollEase Holdings, Inc.

Sell Side Advisor

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August 2013



*has been acquired by*



Financial advisor to Pinnacle Materials, LLC

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November 2012



*has been acquired by*




Financial advisor to Cascade Windows, Inc.


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October 2012



*has been acquired by*



Financial advisor to CraftMaster Manufacturing, Inc.

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