



PCE Industry Report

Building Products & Construction



Middle Market M&A Summary

Building Products & Construction

4th Quarter 2015

Key Highlights

- The average value of the top transactions was \$652 million.
 - The largest transaction was the acquisition of Ryland Group Inc. by Standard Pacific Corp. for \$3.4 billion.
 - The smallest transaction was the acquisition of Eric Chafin Communities by CMH Services, Inc. for \$50 million.
- The public company industry median TEV/EBIT multiple is 14.7x.
- The public company industry median TEV/EBITDA multiple is 10.3x.

Key Trends

- The Construction & Engineering subsector transaction volume was trending positively, while the Construction Materials, Building Products, and Homebuilding subsectors were trending negatively.
- The Construction & Engineering subsector's transaction volume was the largest at 72% of the industry over the past quarter.
- According to the U.S. Census, the total number of privately-owned housing construction starts in the U.S. was 10.5% above prior estimates.¹
- The “Green” Building Materials market is expected to grow at a CAGR of 12% for the next five years bolstered by a high demand for LEED-certified buildings.²

Source: ¹ New Residential Construction in November 2015, (2015, Dec), U.S. Census Bureau

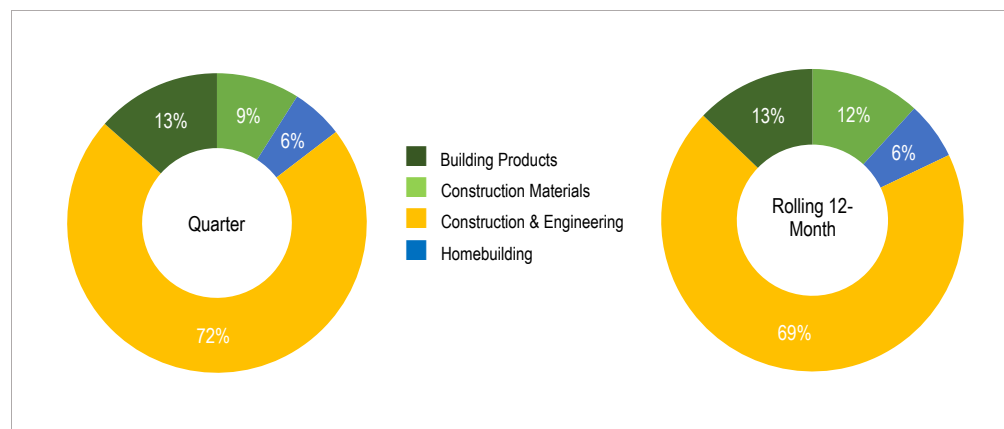
² Global Green Building Materials Market is Expected to Reach Around \$255B in 2020, Growing at 12% CAGR, (2015, Nov), GlobeNewswire

Industry Trends During Quarter

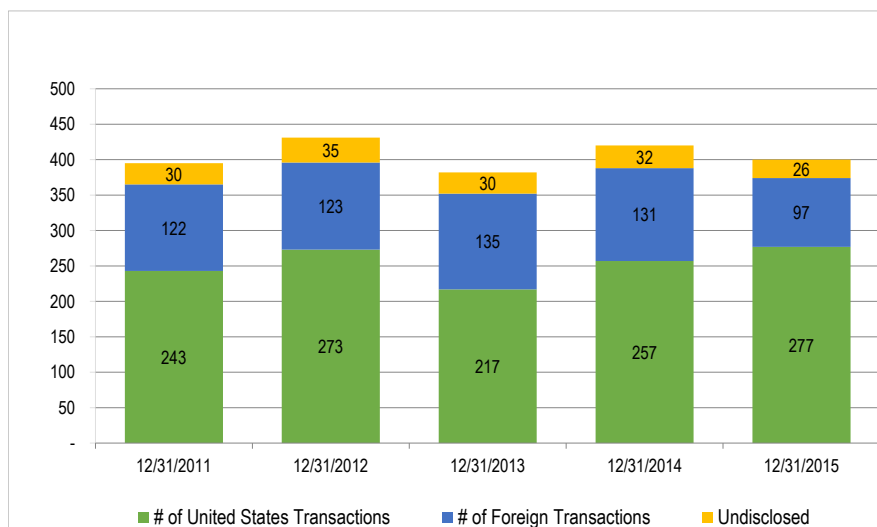
Sector	Transaction Volume	TEV / Revenue	TEV / EBITDA
Construction Materials	↓	↓	↓
Homebuilding	↓	↑	→
Construction & Engineering	↑	↑	↓
Building Products	↓	↓	↓

* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

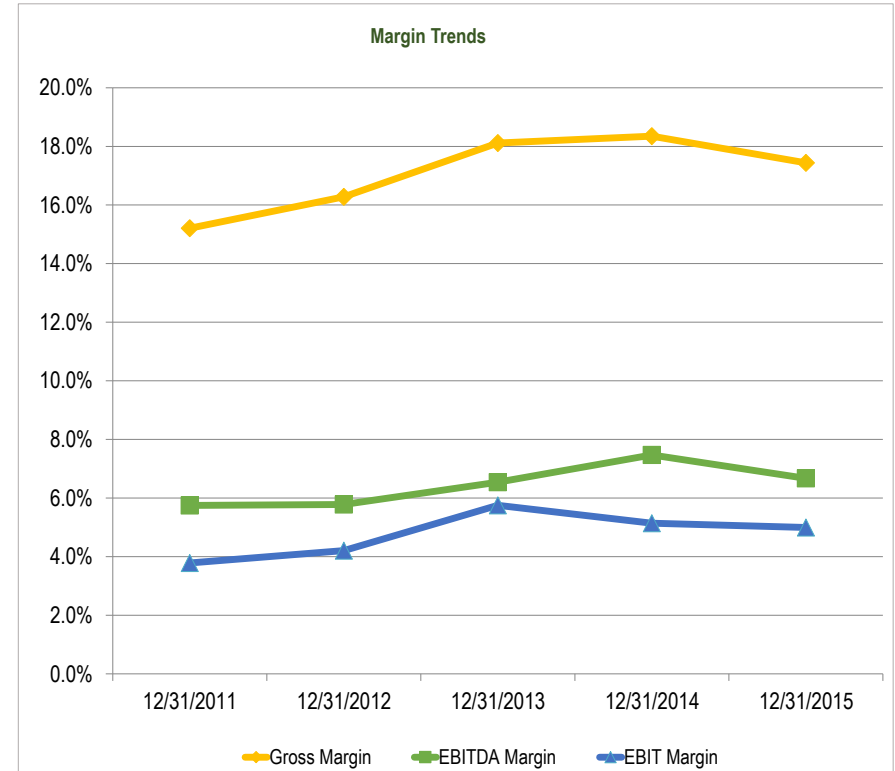
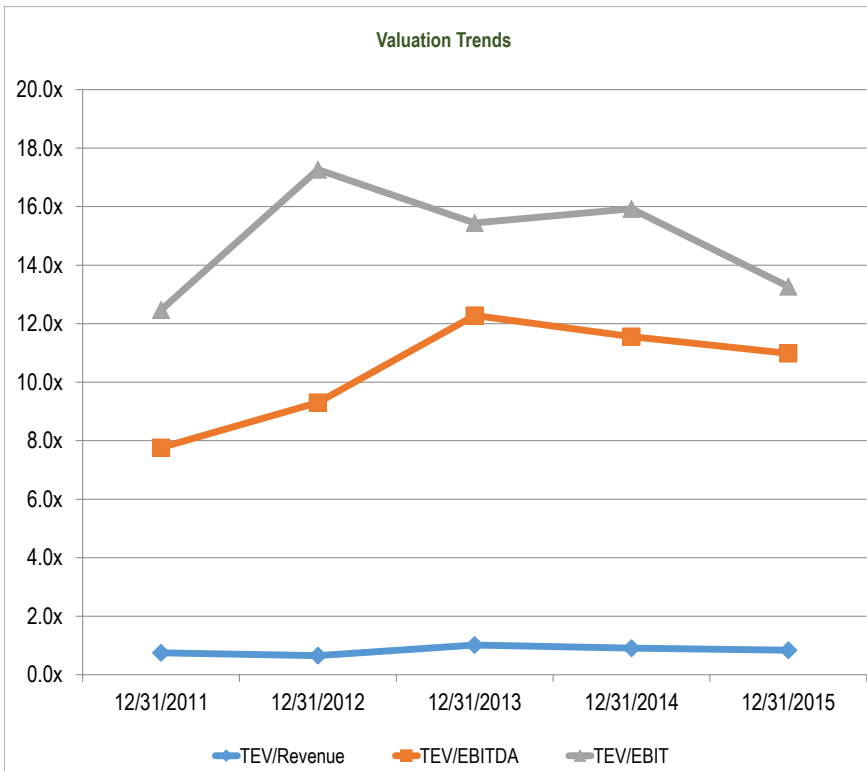
Sector	Target	Buyer	Transaction Value
Homebuilding	Ryland Group Inc.	Standard Pacific Corp. (nka: CalAtlantic Group, Inc.)	\$3,432.6
Construction & Engineering	Professional Service Industries, Inc.	Intertek Group plc	\$330.0
Building Products	WII Components Inc.	Quanex Building Products Corporation	\$248.5
Construction & Engineering	Casper Crude to Rail, LLC	USD Partners LP	\$224.0
Construction & Engineering	The Infinity Group	Wood Group PSN, Inc.	\$192.0
Construction & Engineering	ESEA, Inc.	Turtle Entertainment GmbH	\$89.2
Homebuilding	Eric Chafin Communities, LLC	CMH Services, Inc.	\$50.0

Source: S&P Capital IQ as of 1/19/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	12/31/2015 Trends	
Average	\$3,799	2.5x	11.5x	18.4x	TEV/Revenue	↓
Median	\$1,145	1.9x	10.1x	16.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	12/31/2015 Trends	
Average	26.1%	21.1%	13.2%	Gross Margin	↓
Median	23.3%	22.5%	14.3%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 1/19/2016 and PCE Proprietary Data

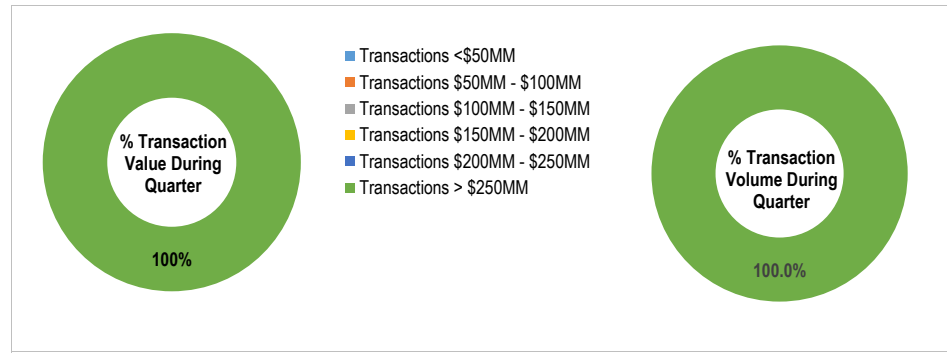


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	5
Number of Transactions with Disclosed Values	1
Transaction Value*	\$3,432.60
Average Transaction Value*	\$1,741.30
Median Transaction Value*	\$1,741.30

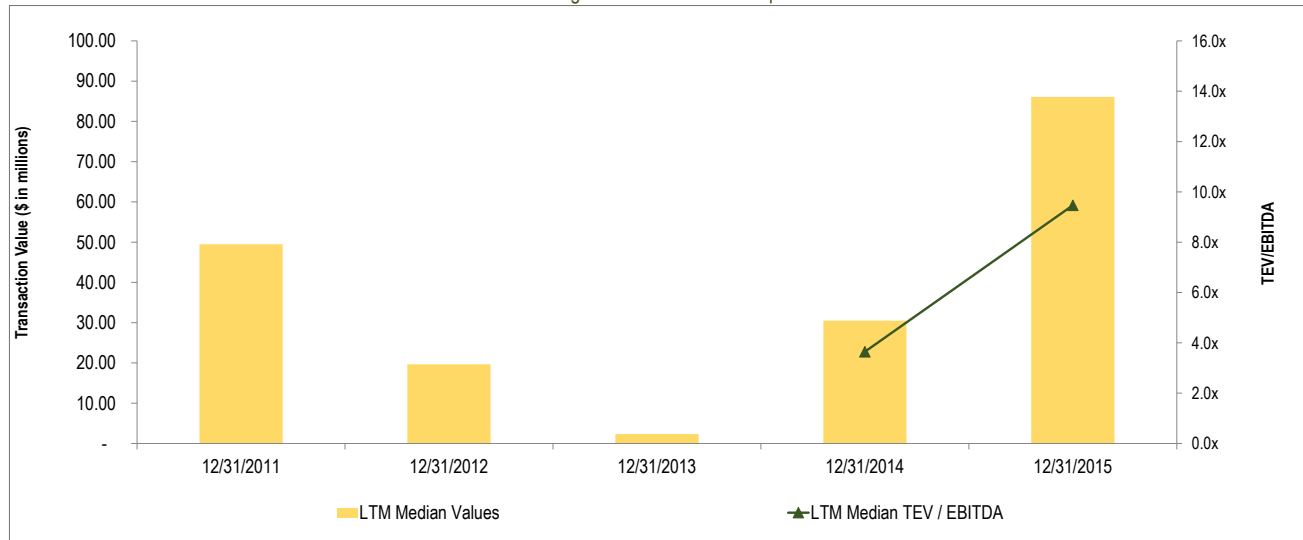
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Transaction by Value & Volume



Private Sector Value Trends

Rolling 12-Month Value & Multiple Trends

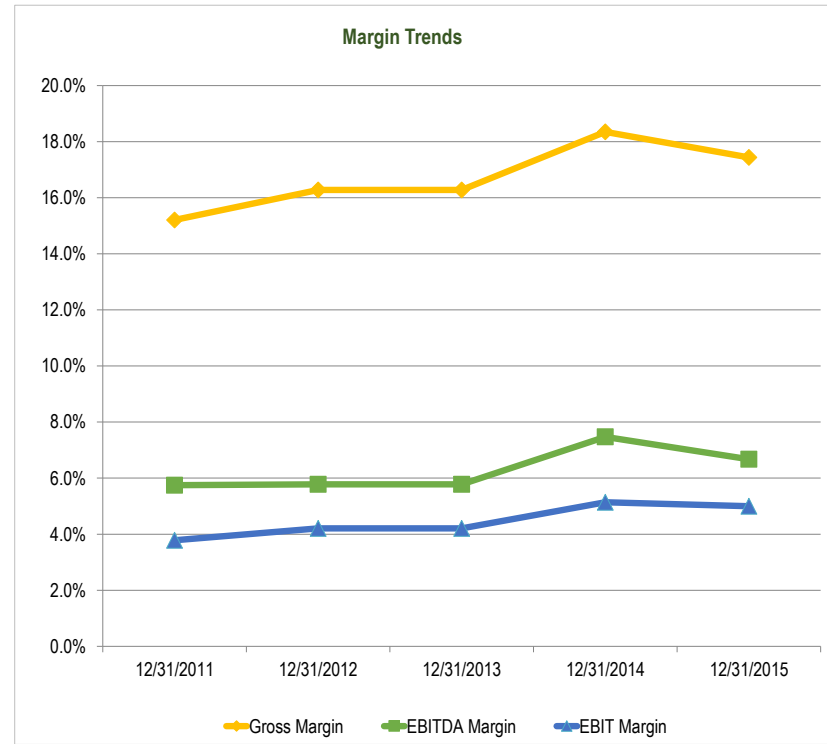
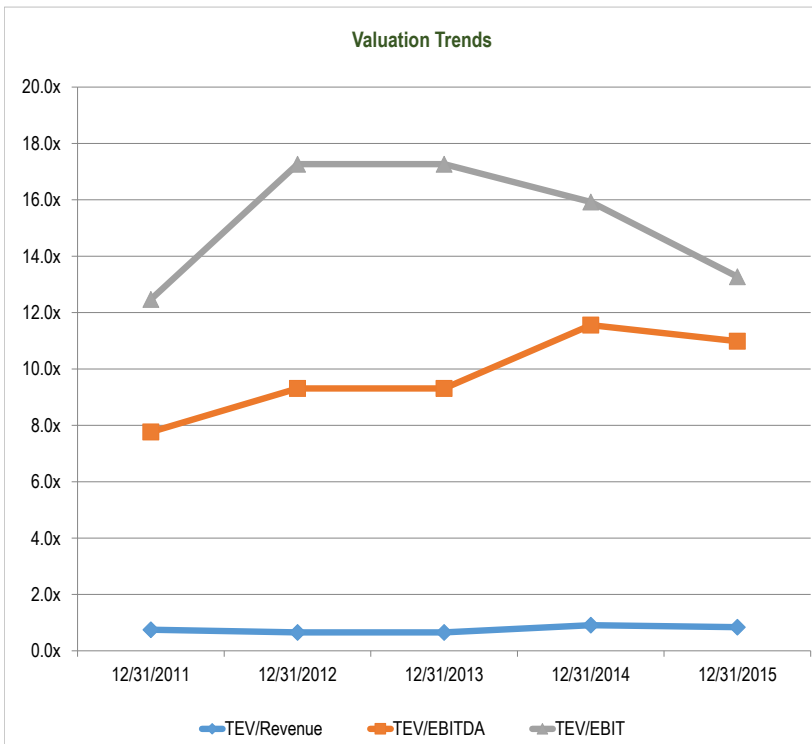


* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,734	0.9x	12.5x	17.1x	TEV/Revenue	↓
Median	\$602	0.8x	11.0x	13.3x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	16.8%	7.0%	5.2%	Gross Margin	↓
Median	17.4%	6.7%	5.0%	EBITDA Margin	↓
				EBIT Margin	↓



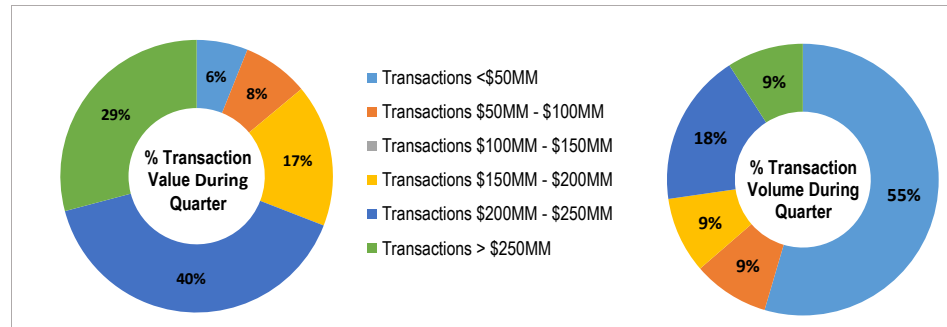
Source: S&P Capital IQ as of 1/19/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	64
Number of Transactions with Disclosed Values	11
Transaction Value*	\$1,133.09
Average Transaction Value*	\$110.44
Median Transaction Value*	\$54.20

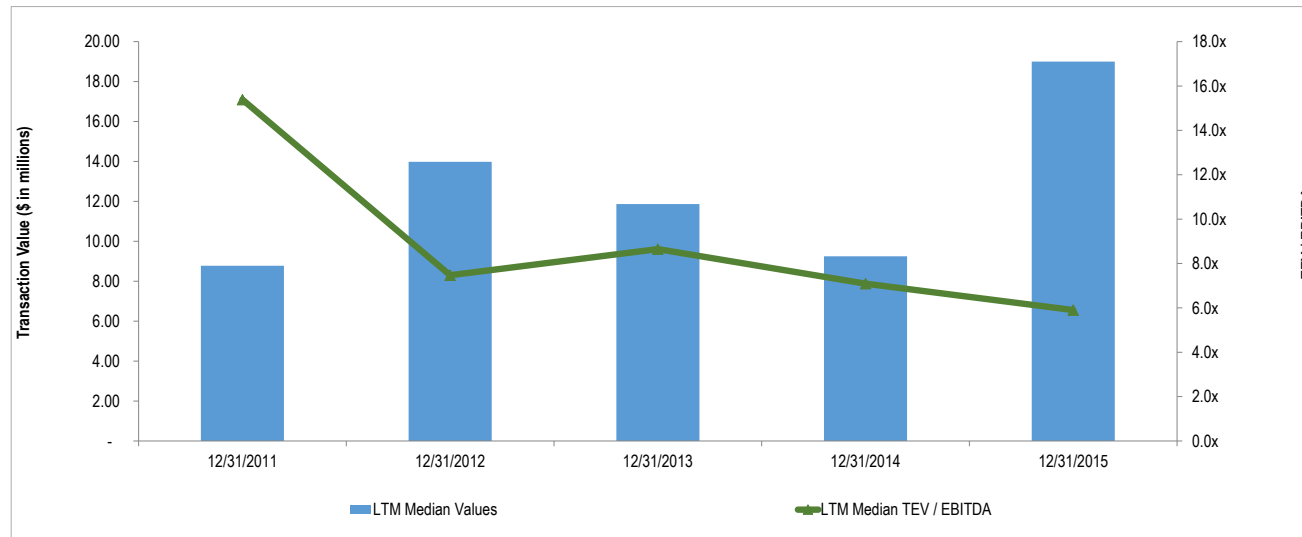
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Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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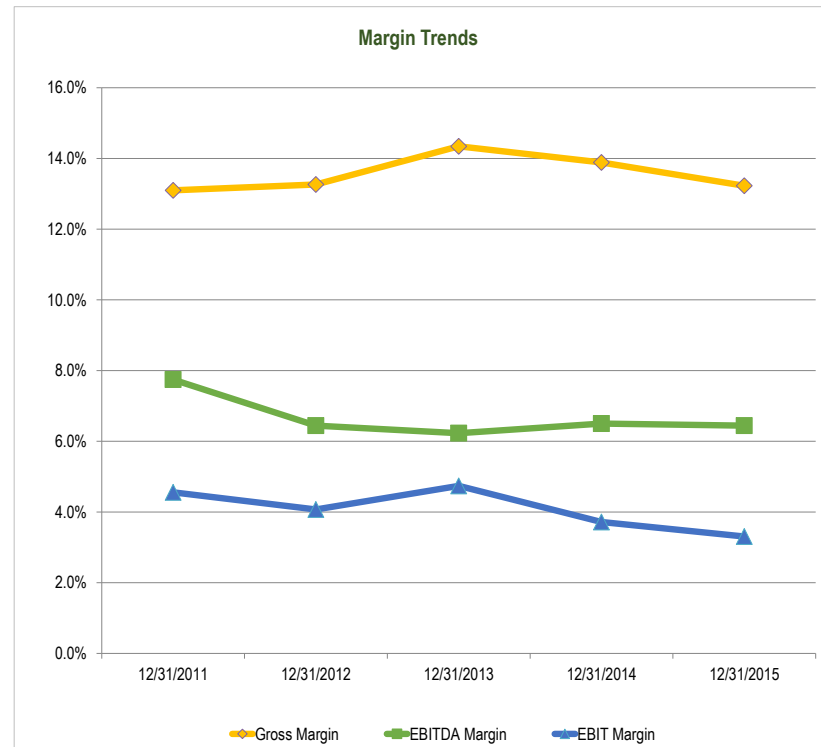
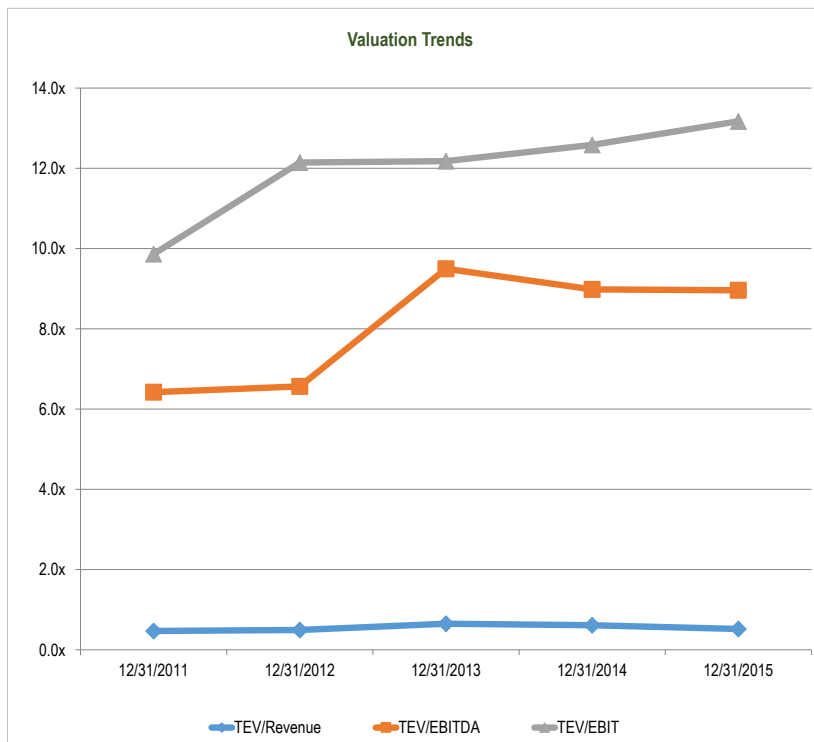
Construction & Engineering

4th Quarter 2015

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,377	0.6x	9.4x	17.0x	TEV/Revenue	↓
Median	\$559	0.5x	9.0x	13.2x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	14.2%	6.3%	3.3%	Gross Margin	↓
Median	13.2%	6.4%	3.3%	EBITDA Margin	↓
				EBIT Margin	↓



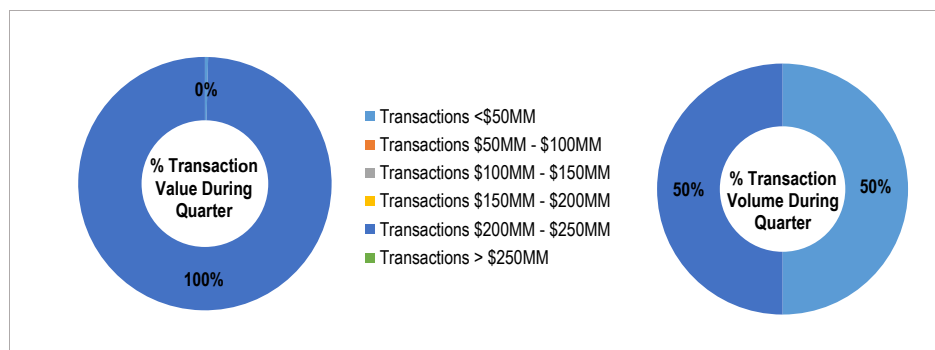
Source: S&P Capital IQ as of 1/19/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	12
Number of Transactions with Disclosed Values	2
Transaction Value*	\$249.53
Average Transaction Value*	\$124.76
Median Transaction Value*	\$124.76

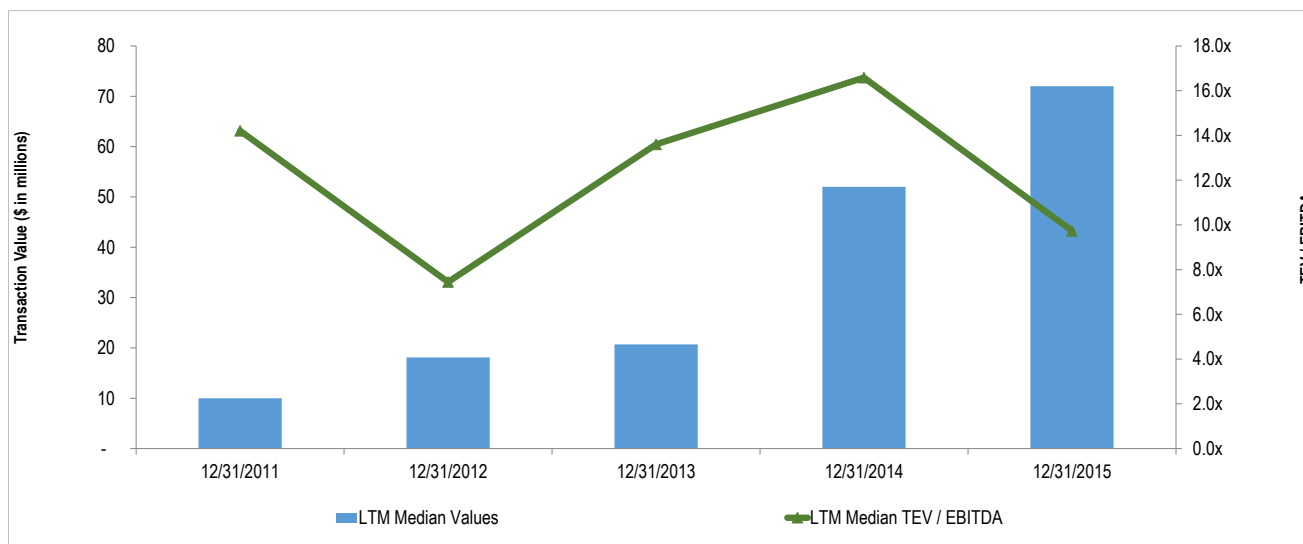
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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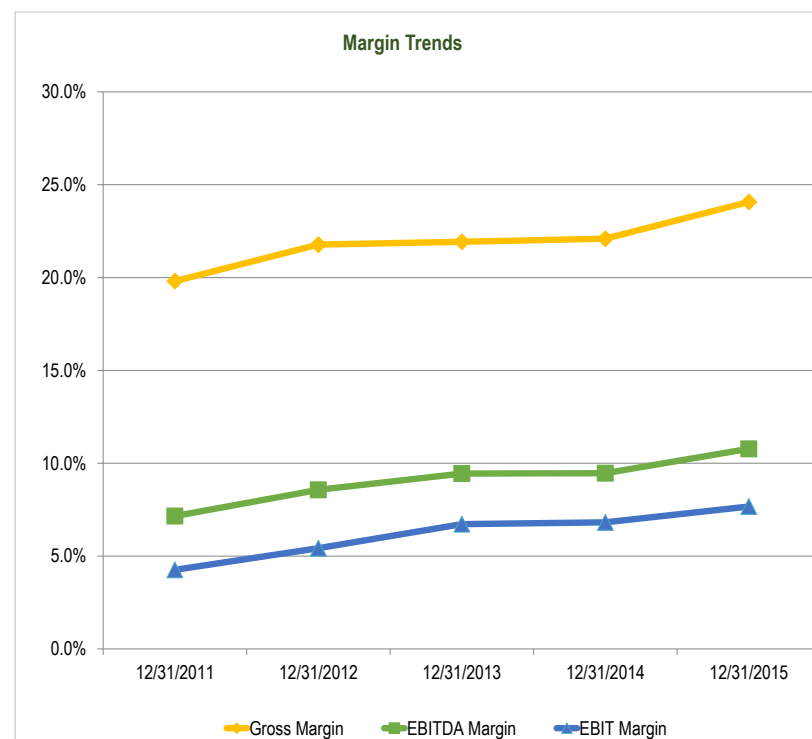
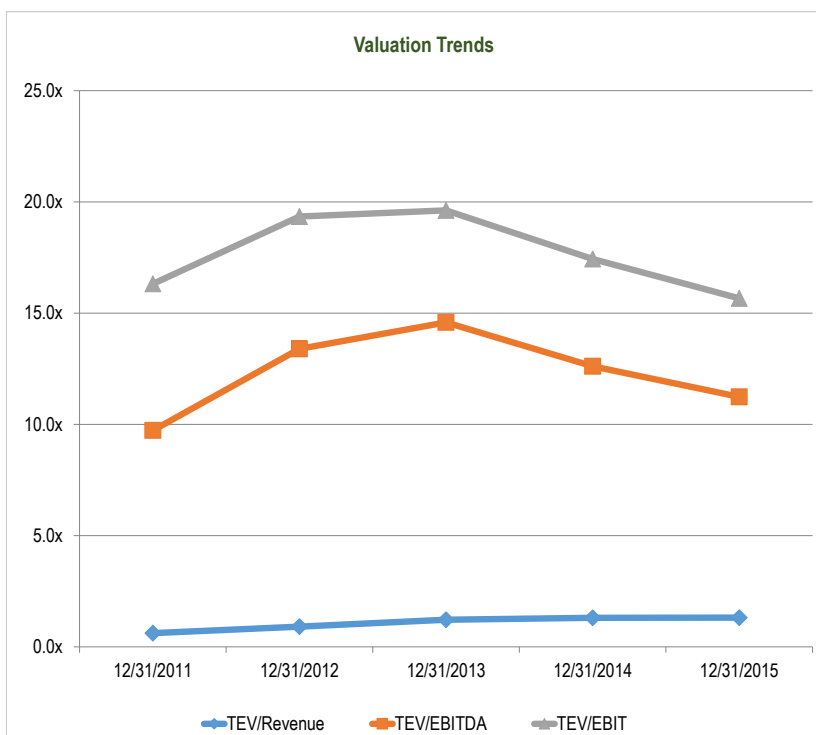
Building Products

4th Quarter 2015

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,994	1.5x	11.8x	17.9x	TEV/Revenue	↑
Median	\$1,110	1.3x	11.2x	15.7x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.7%	11.6%	8.4%	Gross Margin	↑
Median	24.1%	10.8%	7.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/19/2016 and PCE Proprietary Data

About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

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- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

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- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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Contact Us



Michael Poole

Direct: 407-621-2112
Main: 407-621-2100
mpoole@pcecompanies.com



Michael Rosendahl

Direct: 201-444-6280 x1
Main: 407-621-2100
mrosendahl@pcecompanies.com

PCE Locations

Orlando
Atlanta
Chicago
New York

Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed/disclosed dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value