



Building Products Industry

Q2 2017

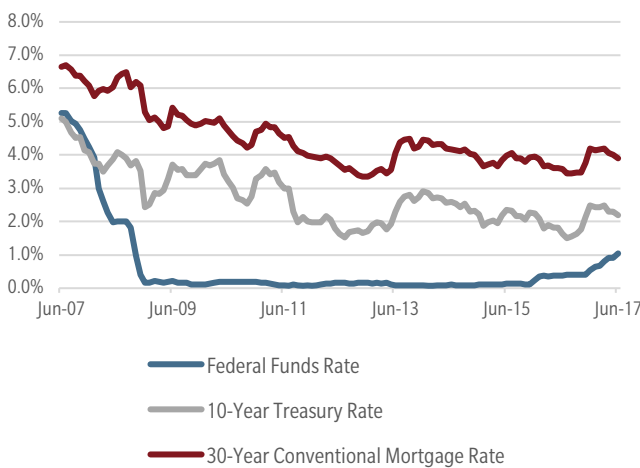
Inside this report:

- The Macroeconomic Picture
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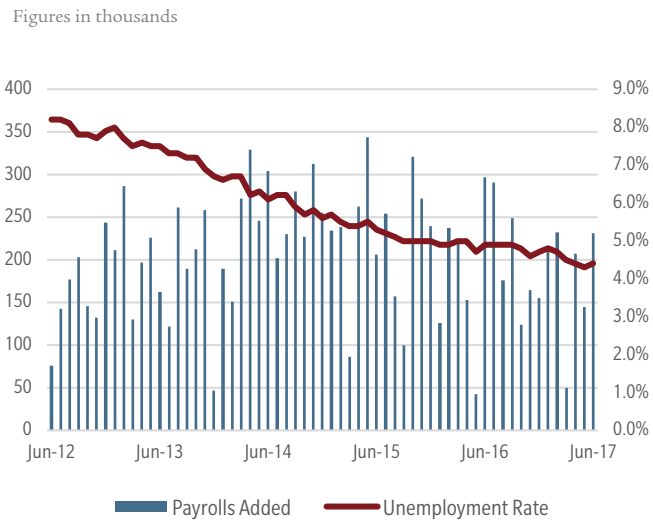
SUMMARY

The U.S. economy continued to improve in the second quarter of 2017. GDP grew at a rate of 2.6%, compared to the 1.2% growth in the first quarter of 2017. While consumer confidence fell slightly, the unemployment rate dropped to its lowest level in sixteen years, 4.3%. Additionally, the Federal Reserve increased the federal funds rate by a quarter of a point in June. Although the rate increase will make borrowing slightly more expensive for consumers and businesses, it is a sign of the Federal Reserve’s confidence in the U.S. economy.

U.S. INTEREST RATES



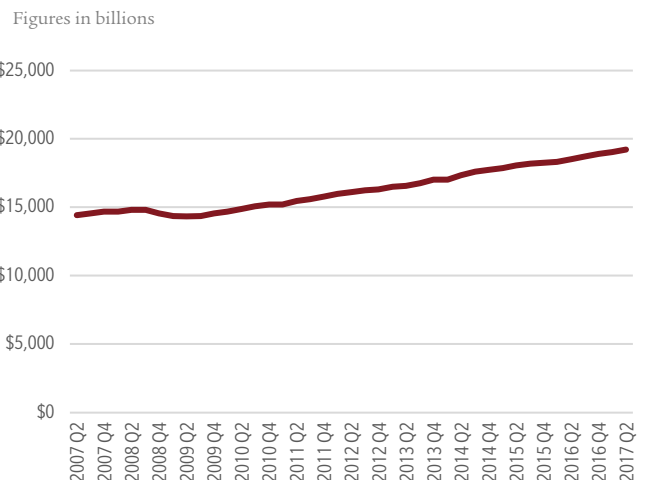
UNEMPLOYMENT RATE & JOB GROWTH



CONSUMER CONFIDENCE



U.S. GDP

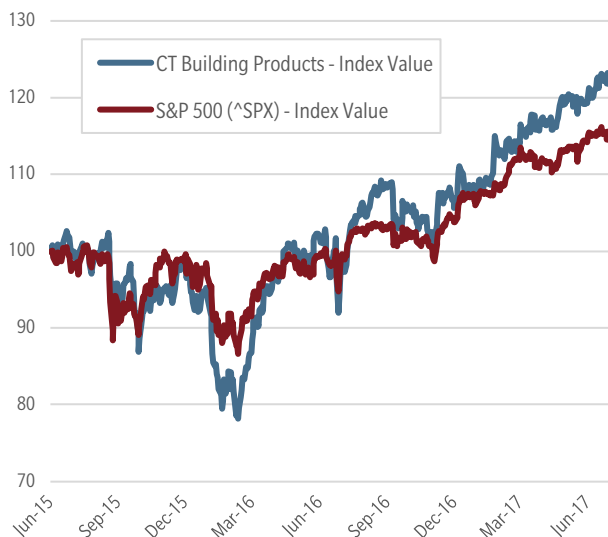


Sources: Bureau of Labor Statistics, Capital IQ, Federal Reserve Bank of St. Louis, Bureau of Economic Analysis

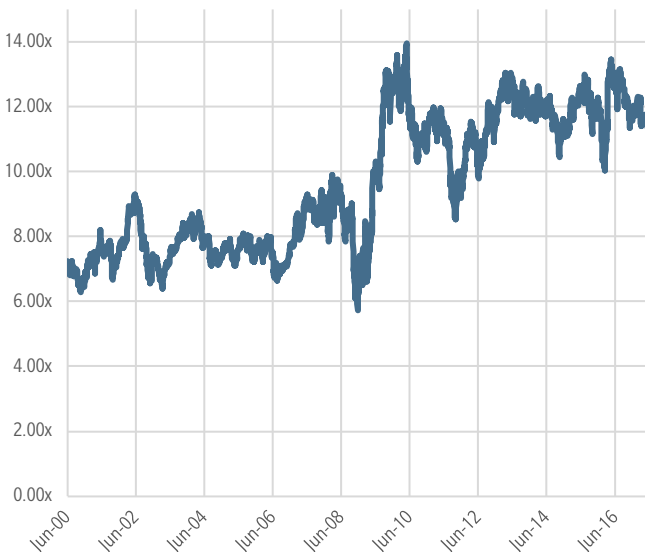
INDUSTRY UPDATE

Building products M&A activity declined slightly in the second quarter of 2017. There were a total of 52 transactions, a small decrease from the 54 transactions in the first quarter. The second quarter included several large acquisitions. Leading the way was Martin Marietta Materials’ acquisition of Bluegrass Material Company for \$1.6 billion. Several other transactions came close to reaching the billion dollar mark, as Vulcan Construction Materials bought Aggregates USA for \$900 million, and Rayonier Advanced Materials acquired Tembec for nearly \$800 million. Overall, the second quarter of 2017 saw around \$6.1 billion worth of publically disclosed transactions, up from \$1.2 billion from the second quarter of 2016. The increase in the amount of dollars being spent in these transactions are strong indicators of the market’s confidence in the building products industry. As the economy continues to strengthen, this trend of large investments makes us optimistic for continued M&A growth within the building products industry.

EQUITY PERFORMANCE



HISTORICAL MEDIAN ENTERPRISE VALUE/EBITDA



Sources: Capital IQ and Cherry Tree & Associates Research

While the building products industry continues to grow and outperform the S&P 500, one sector in particular is on the verge of experiencing exciting change. The HVAC sector is in a prime position to receive a boost from several sources, including the changing demographics of the housing market, the development of more efficient HVAC systems, and the rise of smart homes. Those HVAC companies that take advantage of these opportunities and adapt their business model to the changing consumer landscape may reap big rewards.

One of the biggest improvements to the HVAC sector will likely be the expected growth in number of houses built, driven largely by the **entrance of millennials into the housing market**. For a variety of reasons, millennials have been hesitant to purchase a house in past years. However, this is beginning to change. The number of first-time home buyers, most of whom are millennials, increased between 2016 and 2017. This trend of millennial home buyers is expected to continue into the future, and will have significant implications for the building products industry, and, in particular, the HVAC sector.

Almost half of all millennials prefer to purchase a brand new home. This is great news for the HVAC sector, as housing starts are strongly correlated with the purchase of new HVAC systems. As for the other half of millennials looking to purchase “old” homes, they too will have a positive impact on the HVAC sector. Millennial home buyers tend to invest a great amount of time into researching housing on the internet, and they become quite knowledgeable about the various aspects of homes. This knowledge transforms into negotiating power, and as a result, sellers must often meet the millennial home buyer’s demands for updated appliances and restorations. These renovations include the installation of new HVAC systems, which is often a specific point of emphasis for millennial homebuyers due to the demographic’s preference for efficient and environmentally friendly appliances. Consequently, regardless of whether millennials are purchasing new or old homes, their entrance into the housing market should help stimulate the HVAC sector.

Aside from millennials, the **rise of energy efficient HVAC systems** are also putting a spotlight on the HVAC sector of the building products industry. As much as half the energy in a building goes towards heating and cooling. This energy is often expensive, and demand is growing among cost-conscious and environmentally-focused homeowners for HVAC systems that put each unit of energy to better use. The HVAC sector has responded to this demand by developing more efficient systems. Those companies that continue to focus on improving their HVAC systems to reduce energy and costs are poised to benefit financially.

The desire for increased efficiency is affecting the HVAC sector in other ways as well, as evidenced by the recent surge in **smart homes**. Smart homes are dwellings that contain appliances and systems that are automated or can be controlled remotely on an electronic device, such as a phone. The smart home market has seen a dramatic growth in popularity over the past year. In fact, the number of homes in North America and Europe with smart thermostats grew by 67% in 2016. Moreover, there is no sign that this trend toward smart home technology is slowing down – a recent market research report estimated that the smart home market is expected to increase from \$24.1 billion in 2016, to \$53.45 billion in 2022.

Continued on next page...

Sources: Indiana Business Review, NBC News, The Real Deal, Inc.com, Energy Star, Internet of Business, Money Panorama

HVAC systems are often times at the center of this new technology, as simplicity and efficient energy use are the two major selling points of smart home technology. This has led to the integration of smart home technology with HVAC systems. In addition to allowing users to automatically and remotely control the heating and cooling of their house, smart home technology also enables predictive maintenance and remote diagnostics of HVAC systems. These features quickly detect issues and improve the response time for HVAC repairs. The end result is a more streamlined repair process and a longer life for HVAC systems. These efficiencies should be enhanced even further, as homeowners continue to rapidly adopt smart home technology over the next few years. HVAC companies that conform their business model to meet the needs of smart homes are in a prime position to dominate the building products market for years to come.

Source: Internet of Business

Mergers and Acquisitions: 2017-Q2

\$ in millions

Announced Date	Acquirer	Target	Target Description	Enterprise Value	Enterprise Value/ Revenue EBITDA	
					Revenue	EBITDA
06/30/2017	PHI Group Inc.	S.C. Constructii S.A.	Romania-based building constructor	\$29.4	—	—
06/30/2017	CertainTeed Corporation	MFS, LLC	Fence products manufacturer	—	—	—
06/30/2017	Construction Supply Holdings, LLC	Carter-Waters LLC	Construction materials and tools distributor	—	—	—
06/29/2017	ASSA ABLOY AB	Atlantic Door Control, Inc.	Automatic door manufacturer	—	—	—
06/29/2017	Jacuzzi Brands LLC	Rht, Inc.	Bathware supplier	—	—	—
06/29/2017	Jacuzzi Brands LLC	Hydropool Industries, Inc.	Spas and hot tubs manufacturer	—	—	—
06/26/2017	Martin Marietta Materials, Inc.	Bluegrass Materials Company, LLC	Aggregate and concrete block manufacturer	\$1,625.0	—	—
06/26/2017	Thompson Pipe Group Inc.	Forterra, Inc.	Concrete pipe and structural precast manufacturer	\$23.2	0.2x	—
06/14/2017	MiTek Industries, Inc.	Mezzanine International Ltd.	UK-based mezzanine floor manufacturer	—	—	—
06/13/2017	—	Selzer-Ornst Co.	Nonresidential buildings constructor	—	—	—
06/13/2017	CalAtlantic Group, Inc.	Oakpointe, LLC	Seattle-based homebuilder	—	—	—
06/05/2017	BTG Pactual Asset Management US, LLC	Weyerhaeuser Co.	Uruguay-based lumber and veneer manufacturer	\$402.5	—	—
06/01/2017	Hickok Incorporated	Air Enterprises, LLC	HVAC products manufacturer	\$10.3	—	—
05/26/2017	Spirax-Sarco Engineering plc	Chromalox, Inc.	Thermal solutions manufacturer	\$415.0	2.1x	9.7x
05/25/2017	Vulcan Construction Materials, LLC	Aggregates USA, LLC	Construction aggregate manufacturer	\$900.0	—	—
05/25/2017	Rayonier Advanced Materials Inc.	Tembec Inc.	Canadian-based forest products manufacturer	\$798.9	0.8x	6.6x
05/24/2017	Rheem Manufacturing Company Inc.	Grupo Calorex, S. De R.L. De C.V.	Mexico-based water heater manufacturer	\$211.0	—	—
05/24/2017	inTEST Corporation	Ambrell Corporation	Induction heating systems manufacturer	\$40.0	—	—
05/22/2017	OneAccord Capital	Bestworth-Rommel, Inc.	Wall paneling and canopy manufacturer	—	—	—
05/19/2017	Bostik, Inc.	CMP Specialty Products, Inc.	Flooring and other building products manufacturer	—	—	—
05/18/2017	Lowe's Companies, Inc.	Central Wholesalers, LLC	Building products distributor	—	—	—
05/17/2017	Nautic Partners, LLC	Endries International Inc.	Building products distributor	—	—	—
05/15/2017	Owens Corning	Pittsburgh Corning Corporation	Building products manufacturer and distributor	\$560.0	2.3x	—
05/12/2017	Speyside Equity LLC	McGregor & Thompson Hardware Ltd.	Canada-based door manufacturer	—	—	—
05/08/2017	Armstrong Flooring, Inc.	Mannington Mills, Inc.	Hard surface flooring products manufacturer	\$36.0	—	—
05/07/2017	Hamat Group Ltd.	HOUZER, Inc.	Kitchen sink manufacturer	\$2.8	0.5x	—
05/02/2017	Clio Holdings, LLC	Premier Surfaces, Inc.	Countertops, sinks, and tiles manufacturer	—	—	—
05/01/2017	Apogee Enterprises, Inc.	EFCO Corporation	Window and entrance systems manufacturer	\$195.0	0.8x	—
05/01/2017	Beacon Roofing Supply, Inc.	Lowry's Inc.	Sealants distributor	—	—	—
05/01/2017	Foundation Building Materials, Inc.	Gypsum Wallboard Supply, Inc.	Drywall and metal framing products supplier	—	—	—

Sources: Capital IQ, Cherry Tree & Associates Research

Mergers and Acquisitions: 2017-Q2

\$ in millions

Announced				Enterprise Value	Enterprise Value/	
Date	Acquirer	Target	Target Description		Revenue	EBITDA
04/30/2017	Installed Building Products, Inc.	Arctic Express Insulation, LLC	Insulation services provider	—	—	—
04/26/2017	—	Pratt & Larson Ceramics Inc	Ceramic tiles manufacturer	—	—	—
04/26/2017	Q.E.P. Co., Inc.	GCP Applied Technologies Inc.	Flooring installation products manufacturer	—	—	—
04/25/2017	Stonebridge Partners; Falcon Investment Advisors, LLC	Cast-Crete USA, Inc.	Precast concrete products manufacturer	—	—	—
04/24/2017	RMR Industrials, Inc.	Metro Mix, LLC	Ready mix concrete manufacturer and distributor	\$54.0	—	—
04/24/2017	Zeeland Lumber and Supply Co.	Maverick Building Systems, LLC	Lumber products distributor	—	—	—
04/21/2017	Upstone Materials Inc.	Graymont Limited	Asphalt and ready-mix concrete manufacturer	—	—	—
04/19/2017	RLE Technologies, Inc.	Triad Raised Access Floor Company	Airflow management products manufacturer and distributor	—	—	—
04/18/2017	Q.E.P. Co., Inc.	AC Products Co.	Ceramic bath accessories manufacturer	—	—	—
04/18/2017	Q.E.P. Co., Inc.	Southern Cross Building Products	Stone mosaics distributor	—	—	—
04/17/2017	Emerge Energy Services LP	Osburn Materials, Inc.	Sand products manufacturer	\$20.0	—	—
04/17/2017	Savannah, Inc.	Architectural Arts, Inc.	Building products manufacturer	—	—	—
04/11/2017	Century Communities, Inc.	UCP, Inc.	Homebuilder and land developer in CA, WA, NC, SC, and TN	\$470.7	1.3x	33.9x
04/10/2017	T.A.S. Commercial Concrete Construction, LLC	Tony Bagliore Concrete, Inc.	Concrete supplier	\$8.0	0.2x	3.2x
04/10/2017	Con Cast Pipe, LP	Hy-Grade Precast Concrete Ltd.	Precast concrete products manufacturer	—	—	—
04/07/2017	Triple M Housing Ltd.	Britco Construction	Canada-based modular homebuilding	\$5.0	0.1x	—
04/04/2017	Ag Growth International Inc.	Global Industries, Inc.	Grain storage manufacturer	\$100.0	—	—
04/04/2017	BMC Stock Holdings, Inc.	Texas Plywood & Lumber Company, Inc.	Doors and millwork products distributor	—	—	—
04/04/2017	BMC Stock Holdings, Inc.	Code Plus Components LLC	Roof and floor trusses manufacturer	—	—	—
04/03/2017	Spirax-Sarco Engineering plc	GESTRA AG	Germany-based valve and control system manufacturer	\$198.2	2.0x	11.2x
04/03/2017	Polyloom Corporation Of America	Synthetic Grass Warehouse, Inc.	Artificial grass manufacturer and distributor	—	—	—
04/01/2017	Northstar Scaffold Services Inc.	Sky-Hi Scaffolding Ltd.	Canada-based custom scaffolding manufacturer	—	—	—

Sources: Capital IQ, Cherry Tree & Associates Research

Cherry Tree Building Products Index

As of July 1, 2017

(\$ in millions)	Market	Enterprise	LTM	LTM	LTM	Gross	EBITDA	Enterprise Value/		3-Yr Rev
Company	Cap	Value	Revenue	Gross Profit	EBITDA	Margin	Margin	Revenue	EBITDA	Growth
Cherry Tree Building Products Index	\$3,012.8	\$4,001.4	\$3,206.7	\$768.0	\$373.2	25.4%	12.1%	1.3x	10.9x	10.8%

Median Summary

Distributors	\$1,151.3	\$1,565.8	\$2,319.1	\$541.1	\$168.8	24.2%	5.7%	0.6x	10.5x	7.4%
Homebuilders	\$3,921.2	\$7,357.5	\$5,409.6	\$1,053.1	\$507.1	19.5%	9.4%	1.1x	11.5x	17.5%
HVAC	\$15,617.2	\$17,554.6	\$8,819.2	\$2,721.6	\$1,266.8	30.7%	15.0%	2.1x	13.2x	4.8%
Roofing, Siding & Insulation	\$5,386.4	\$5,803.0	\$2,743.2	\$833.9	\$433.1	28.0%	17.7%	2.0x	10.5x	4.8%
Windows & Doors	\$816.0	\$1,044.4	\$901.5	\$248.6	\$116.8	23.7%	11.4%	1.2x	10.2x	11.5%
Plumbing & Cabinetry	\$8,248.4	\$8,602.0	\$5,133.9	\$1,924.9	\$712.0	35.4%	14.0%	1.6x	11.4x	5.2%
Floors & Surfaces	\$2,088.4	\$2,377.1	\$2,174.0	\$610.5	\$157.5	29.3%	10.0%	1.2x	10.8x	2.3%
Lumber & Wood Products	\$2,674.3	\$3,216.6	\$3,428.7	\$645.3	\$487.0	26.3%	18.1%	1.3x	7.3x	10.6%
Cement, Concrete & Aggregates	\$13,855.5	\$17,259.0	\$3,707.3	\$1,005.6	\$951.6	32.8%	20.8%	1.9x	11.6x	12.2%

Distributors

Beacon Roofing Supply, Inc.	\$2,953.7	\$3,979.6	\$4,261.2	\$1,055.3	\$373.8	24.8%	8.8%	0.9x	10.6x	23.1%
Bluelinx Holdings Inc.	\$99.2	\$430.3	\$1,835.3	\$226.4	\$29.2	12.3%	1.6%	0.2x	14.7x	-4.3%
BMC Stock Holdings, Inc.	\$1,461.7	\$1,850.0	\$3,212.9	\$776.5	\$188.8	24.2%	5.9%	0.6x	9.8x	0.0%
Boise Cascade Company	\$1,171.5	\$1,565.8	\$4,100.1	\$539.0	\$168.8	13.1%	4.1%	0.4x	9.3x	6.4%
Builders FirstSource, Inc.	\$1,721.4	\$3,659.7	\$6,669.2	\$1,665.5	\$367.2	25.0%	5.5%	0.5x	10.0x	62.8%
CanWel Building Materials Group Ltd.	\$342.2	\$547.4	\$795.2	\$97.2	\$40.7	12.2%	5.1%	0.7x	13.5x	12.3%
Foundation Building Materials, Inc.	\$551.2	\$1,112.1	\$1,886.4	\$541.1	\$108.4	28.7%	5.7%	0.6x	10.3x	—
GMS Inc.	\$1,151.3	\$1,731.6	\$2,319.1	\$759.5	\$177.1	32.7%	7.6%	0.7x	9.8x	—
Goodfellow Inc.	\$46.9	\$112.7	\$402.0	\$49.7	(\$13.9)	12.4%	-3.5%	0.3x	—	—
Hardwoods Distribution Inc.	\$305.6	\$390.4	\$667.1	\$123.1	\$38.0	18.4%	5.7%	0.6x	10.3x	32.2%
Huttig Building Products, Inc.	\$181.4	\$259.8	\$731.6	\$154.7	\$16.6	21.1%	2.3%	0.4x	15.7x	7.3%
Watsco, Inc.	\$5,034.0	\$5,498.8	\$4,302.9	\$1,059.1	\$376.6	24.6%	8.8%	1.3x	14.6x	3.8%
Ferguson plc	\$15,392.2	\$17,107.9	\$20,227.7	\$5,753.1	\$1,451.5	28.4%	7.2%	0.8x	11.8x	7.5%
25th Percentile	\$305.6	\$430.3	\$795.2	\$154.7	\$38.0	13.1%	4.1%	0.4x	9.9x	4.5%
Median	\$1,151.3	\$1,565.8	\$2,319.1	\$541.1	\$168.8	24.2%	5.7%	0.6x	10.5x	7.4%
75th Percentile	\$1,721.4	\$3,659.7	\$4,261.2	\$1,055.3	\$367.2	25.0%	7.2%	0.7x	13.7x	20.4%

Homebuilders

Beazer Homes USA, Inc.	\$438.6	\$1,634.2	\$1,875.4	\$306.9	\$74.4	16.4%	4.0%	0.9x	—	11.4%
CalAtlantic Group, Inc.	\$3,921.2	\$7,357.5	\$6,673.6	\$1,423.0	\$792.6	21.3%	11.9%	1.1x	9.3x	44.9%
D.R. Horton, Inc.	\$12,983.7	\$15,258.7	\$13,673.1	\$2,777.1	\$1,642.8	20.3%	12.0%	1.1x	9.3x	22.6%
KB Home	\$2,044.0	\$4,205.5	\$3,926.6	\$642.1	\$243.4	16.4%	6.2%	1.1x	17.3x	21.6%
Lennar Corporation	\$12,241.9	\$18,822.9	\$11,809.8	\$2,495.8	\$1,364.9	21.1%	11.6%	1.6x	13.8x	20.8%
M/I Homes, Inc.	\$707.9	\$1,380.7	\$1,829.6	\$360.8	\$132.4	19.7%	7.2%	0.8x	10.4x	17.5%
M.D.C. Holdings, Inc.	\$1,821.7	\$2,390.1	\$2,581.5	\$460.8	\$199.5	17.9%	7.7%	0.9x	12.0x	15.2%
Meritage Homes Corporation	\$1,701.3	\$2,787.0	\$3,121.4	\$565.7	\$241.9	18.1%	7.8%	0.9x	11.5x	17.0%
NVR, Inc.	\$9,034.4	\$9,148.3	\$6,123.4	\$1,160.6	\$800.1	19.0%	13.1%	1.5x	11.4x	12.0%
PulteGroup, Inc.	\$7,739.3	\$10,599.9	\$8,085.7	\$1,966.6	\$1,107.0	24.3%	13.7%	1.3x	9.6x	12.7%
Toll Brothers, Inc.	\$6,462.8	\$9,470.4	\$5,409.6	\$1,053.1	\$507.1	19.5%	9.4%	1.8x	18.7x	18.7%
25th Percentile	\$1,761.5	\$2,588.5	\$2,851.5	\$513.3	\$220.7	18.0%	7.5%	0.9x	9.8x	13.9%
Median	\$3,921.2	\$7,357.5	\$5,409.6	\$1,053.1	\$507.1	19.5%	9.4%	1.1x	11.5x	17.5%
75th Percentile	\$8,386.9	\$10,035.2	\$7,379.7	\$1,694.8	\$953.5	20.7%	11.9%	1.4x	13.3x	21.2%

Sources: Capital IQ, Cherry Tree & Associates Research

Cherry Tree Building Products Index

As of July 1, 2017

(\$ in millions) Company	Market Cap	Enterprise Value	LTM Revenue	LTM Gross Profit	LTM EBITDA	Gross Margin	EBITDA Margin	Enterprise Value/ Revenue	EBITDA	3-Yr Rev Growth
HVAC										
AAON, Inc.	\$1,938.3	\$1,896.4	\$383.6	\$116.3	\$89.3	30.3%	23.3%	4.9x	—	5.0%
Daikin Industries, Ltd.	\$29,853.0	\$32,418.8	\$18,331.6	\$6,555.5	\$2,832.3	35.8%	15.5%	1.8x	11.4x	4.7%
Ingersoll-Rand Plc	\$23,397.9	\$26,217.9	\$13,835.6	\$4,313.4	\$1,983.4	31.2%	14.3%	1.9x	13.2x	3.2%
Lennox International Inc.	\$7,836.6	\$8,891.3	\$3,802.8	\$1,129.7	\$550.1	29.7%	14.5%	2.3x	16.2x	5.1%
25th Percentile	\$6,362.0	\$7,142.6	\$2,948.0	\$876.3	\$434.9	30.2%	14.4%	1.9x	12.3x	4.3%
Median	\$15,617.2	\$17,554.6	\$8,819.2	\$2,721.6	\$1,266.8	30.7%	15.0%	2.1x	13.2x	4.8%
75th Percentile	\$25,011.7	\$27,768.1	\$14,959.6	\$4,873.9	\$2,195.6	32.3%	17.4%	3.0x	14.7x	5.0%
Roofing, Siding & Insulation										
Continental Building Products, Inc.	\$921.1	\$1,127.2	\$474.0	\$122.0	\$131.3	25.7%	27.7%	2.4x	8.6x	5.0%
James Hardie Industries plc	\$6,936.1	\$7,476.6	\$1,921.6	\$675.2	\$436.5	35.1%	22.7%	3.9x	17.1x	8.8%
Kingspan Group plc	\$6,138.7	\$6,701.1	\$3,281.4	\$992.5	\$429.7	30.2%	13.1%	2.0x	15.6x	20.5%
Owens Corning	\$7,488.3	\$9,687.3	\$5,976.0	\$1,473.0	\$1,080.0	24.6%	18.1%	1.6x	9.0x	4.5%
Rockwool International A/S	\$4,634.2	\$4,554.8	\$2,407.4	\$1,593.8	\$415.1	66.2%	17.2%	1.9x	11.0x	2.9%
USG Corporation	\$4,230.9	\$4,904.9	\$3,079.0	\$665.0	\$487.0	21.6%	15.8%	1.6x	10.1x	-5.4%
25th Percentile	\$4,331.7	\$4,642.3	\$2,043.0	\$667.6	\$418.8	24.9%	16.2%	1.7x	9.2x	3.3%
Median	\$5,386.4	\$5,803.0	\$2,743.2	\$833.9	\$433.1	28.0%	17.7%	2.0x	10.5x	4.8%
75th Percentile	\$6,736.7	\$7,282.7	\$3,230.8	\$1,352.9	\$474.4	33.9%	21.6%	2.3x	14.4x	7.8%
Windows & Doors										
Deceuninck NV	\$509.5	\$614.3	\$708.2	\$216.1	\$68.7	30.5%	9.7%	0.9x	8.9x	7.7%
JELD-WEN Holding, inc.	\$3,408.0	\$4,478.1	\$3,718.0	\$827.9	\$323.1	22.3%	8.7%	1.2x	13.9x	0.0%
Masonite International Corporation	\$2,254.2	\$2,705.5	\$1,971.8	\$407.0	\$224.3	20.6%	11.4%	1.4x	12.1x	4.5%
PGT Innovations, Inc.	\$632.6	\$842.2	\$489.4	\$150.5	\$77.4	30.8%	15.8%	1.7x	10.9x	21.7%
Ply Gem Holdings, Inc	\$1,228.0	\$2,080.0	\$1,967.5	\$466.7	\$229.6	23.7%	11.7%	1.1x	9.1x	11.5%
Quanex Building Products Corporation	\$728.5	\$1,000.6	\$901.5	\$207.3	\$98.4	23.0%	10.9%	1.1x	10.2x	15.5%
Tyman plc	\$816.0	\$1,044.4	\$671.5	\$248.6	\$116.8	37.0%	17.4%	1.6x	8.9x	14.8%
25th Percentile	\$680.5	\$921.4	\$689.8	\$211.7	\$87.9	22.6%	10.3%	1.1x	9.0x	6.1%
Median	\$816.0	\$1,044.4	\$901.5	\$248.6	\$116.8	23.7%	11.4%	1.2x	10.2x	11.5%
75th Percentile	\$1,741.1	\$2,392.7	\$1,969.7	\$436.8	\$226.9	30.6%	13.7%	1.5x	11.5x	15.2%
Plumbing & Cabinetry										
American Woodmark Corporation	\$1,558.0	\$1,346.1	\$1,030.2	\$224.6	\$123.5	21.8%	12.0%	1.3x	10.9x	12.3%
Fortune Brands Home & Security, Inc.	\$10,036.8	\$11,319.0	\$5,132.8	\$1,889.1	\$822.4	36.8%	16.0%	2.2x	13.8x	10.4%
Masco Corporation	\$12,225.2	\$14,550.2	\$7,470.0	\$2,532.0	\$1,226.0	33.9%	16.4%	1.9x	11.9x	-0.8%
Toto Ltd.	\$6,459.9	\$5,885.0	\$5,135.0	\$1,960.7	\$601.5	38.2%	11.7%	1.1x	9.8x	0.0%
25th Percentile	\$5,234.4	\$4,750.3	\$4,107.2	\$1,473.0	\$482.0	30.9%	11.9%	1.3x	10.6x	-0.2%
Median	\$8,248.4	\$8,602.0	\$5,133.9	\$1,924.9	\$712.0	35.4%	14.0%	1.6x	11.4x	5.2%
75th Percentile	\$10,583.9	\$12,126.8	\$5,718.8	\$2,103.5	\$923.3	37.1%	16.1%	2.0x	12.3x	10.9%

Sources: Capital IQ, Cherry Tree & Associates Research

Cherry Tree Building Products Index

As of July 1, 2017

(\$ in millions) Company	Market Cap	Enterprise Value	LTM Revenue	LTM Gross Profit	LTM EBITDA	Gross Margin	EBITDA Margin	Enterprise Value/		3-Yr Rev Growth
								Revenue	EBITDA	
Floors & Surfaces										
Armstrong Flooring, Inc.	\$497.1	\$537.0	\$1,147.6	\$219.2	\$56.5	19.1%	4.9%	0.5x	9.5x	0.0%
Interface, Inc.	\$1,234.2	\$1,377.2	\$957.2	\$369.8	\$137.7	38.6%	14.4%	1.4x	10.0x	-0.9%
Mohawk Industries, Inc.	\$17,962.4	\$20,435.8	\$9,150.4	\$2,922.6	\$1,752.4	31.9%	19.2%	2.2x	11.7x	5.7%
Tarkett S.A.	\$2,942.7	\$3,377.0	\$3,200.5	\$851.1	\$177.3	26.6%	5.5%	1.1x	19.0x	4.6%
25th Percentile	\$1,049.9	\$1,167.2	\$1,100.0	\$332.2	\$117.4	24.7%	5.4%	0.9x	9.9x	-0.2%
Median	\$2,088.4	\$2,377.1	\$2,174.0	\$610.5	\$157.5	29.3%	10.0%	1.2x	10.8x	2.3%
75th Percentile	\$6,697.6	\$7,641.7	\$4,687.9	\$1,369.0	\$571.1	33.6%	15.6%	1.6x	13.5x	4.8%
Lumber & Wood Products										
Canfor Corporation	\$2,001.8	\$2,436.5	\$3,428.7	\$1,126.8	\$512.0	32.9%	14.9%	0.7x	4.8x	11.5%
Louisiana-Pacific Corporation	\$3,489.9	\$3,216.6	\$2,451.4	\$645.3	\$443.5	26.3%	18.1%	1.3x	7.3x	7.9%
Norbord Inc.	\$2,674.3	\$3,299.8	\$1,938.0	\$505.0	\$487.0	26.1%	25.1%	1.7x	6.8x	10.6%
Trex Company, Inc.	\$1,989.5	\$2,064.8	\$504.2	\$205.2	\$131.6	40.7%	26.1%	4.1x	15.7x	12.1%
Universal Forest Products, Inc.	\$1,791.4	\$2,044.0	\$3,604.8	\$509.3	\$215.4	14.1%	6.0%	0.6x	9.5x	12.9%
West Fraser Timber Co. Ltd.	\$3,691.7	\$4,023.3	\$3,672.5	\$1,362.7	\$660.9	37.1%	18.0%	1.1x	6.1x	10.1%
Weyerhaeuser Co.	\$25,189.7	\$31,851.7	\$6,816.0	\$1,656.0	\$1,692.0	24.3%	24.8%	4.7x	18.8x	-2.4%
25th Percentile	\$1,995.7	\$2,250.6	\$2,194.7	\$507.2	\$329.4	25.2%	16.5%	0.9x	6.4x	9.0%
Median	\$2,674.3	\$3,216.6	\$3,428.7	\$645.3	\$487.0	26.3%	18.1%	1.3x	7.3x	10.6%
75th Percentile	\$3,590.8	\$3,661.5	\$3,638.6	\$1,244.7	\$586.5	35.0%	25.0%	2.9x	12.6x	11.8%
Cement, Concrete & Aggregates										
Boral Limited	\$6,252.6	\$5,310.0	\$3,072.9	\$1,015.5	\$372.6	33.0%	12.1%	1.7x	14.3x	0.4%
CEMEX, S.A.B. de C.V.	\$13,770.4	\$25,895.6	\$14,344.5	\$5,007.2	\$3,024.5	34.9%	21.1%	1.8x	8.6x	8.7%
CRH plc	\$29,544.7	\$36,298.8	\$28,611.8	\$9,328.6	\$3,273.5	32.6%	11.4%	1.3x	11.1x	14.6%
Eagle Materials Inc.	\$4,488.7	\$5,168.6	\$1,279.8	\$327.4	\$394.3	25.6%	30.8%	4.0x	13.1x	10.9%
HeidelbergCement AG	\$19,168.4	\$32,237.3	\$19,585.6	\$11,953.8	\$3,287.8	61.0%	16.8%	1.6x	9.8x	13.4%
LafargeHolcim Ltd	\$34,712.2	\$54,544.2	\$27,182.3	\$11,695.6	\$5,636.0	43.0%	20.7%	2.0x	9.7x	9.6%
Martin Marietta Materials, Inc.	\$13,940.5	\$15,734.0	\$3,715.3	\$937.4	\$962.2	25.2%	25.9%	4.2x	16.4x	21.5%
Summit Materials, Inc.	\$3,071.9	\$4,465.8	\$1,760.8	\$597.2	\$368.4	33.9%	20.9%	2.5x	12.1x	19.6%
U.S. Concrete, Inc.	\$1,248.2	\$1,615.0	\$1,222.2	\$262.9	\$160.8	21.5%	13.2%	1.3x	10.0x	25.5%
Vulcan Materials Company	\$16,741.6	\$18,784.0	\$3,699.2	\$995.7	\$940.9	26.9%	25.4%	5.1x	20.0x	9.0%
25th Percentile	\$4,929.6	\$5,203.9	\$2,088.8	\$682.2	\$378.0	25.9%	14.1%	1.7x	9.9x	9.1%
Median	\$13,855.5	\$17,259.0	\$3,707.3	\$1,005.6	\$951.6	32.8%	20.8%	1.9x	11.6x	12.2%
75th Percentile	\$18,561.7	\$30,651.9	\$18,275.4	\$8,248.3	\$3,211.3	34.7%	24.3%	3.7x	14.0x	18.3%

Sources: Capital IQ, Cherry Tree & Associates Research

ABOUT CHERRY TREE

History and Background

Cherry Tree is a private investment banking and wealth management firm headquartered in Minneapolis, Minnesota. Our firm specializes in serving middle market companies and their owners, whether private, public, or divisions of larger corporations. Founded in 1980, Cherry Tree managed several successful institutional private funds focusing on platform acquisitions. Those funds led to more than 300 financings, 26 public offerings, and 41 strategic sales. In 1996 the firm diversified into investment banking services to take advantage of our long history and position in the market. In 2003 we added wealth management to our operations by acquiring and growing our existing business. Our professionals collectively have been members of more than 80 boards of directors, worked with more than 250 different companies, and advised on hundreds of financings and M&A transactions.

Broad Market Expertise

Cherry Tree has been working with middle market companies for more than 35 years. Our core M&A activity is sell-side engagements with middle market companies where ownership wants to achieve some liquidity goals or desires to recapitalize its business to better position the company for future growth. Additionally, we represent buy-side clients attempting to add acquisition strategies to complement their organic growth efforts. We are experts in the capital markets, having previously managed four private funds. Our firm primarily has been focused on investment banking transactions since 1996 and has an exceptional team of dedicated investment banking professionals. Most of our managing directors have had C-level operating experience with backgrounds as CEOs or CFOs. Collectively, they represent more than 200 years of transaction and operating experience.

Research

We distinguish our firm by conducting comprehensive research and publishing our findings in reports that provide in-depth analyses of selected industries and overall market conditions. For each client assignment, we apply our internal research capabilities and our deep domain expertise in relevant markets in order to provide the highest value to our clients. Some of our industry research is sponsored by our clients with an interest in specific industry segments.

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