



CALABASAS CAPITAL

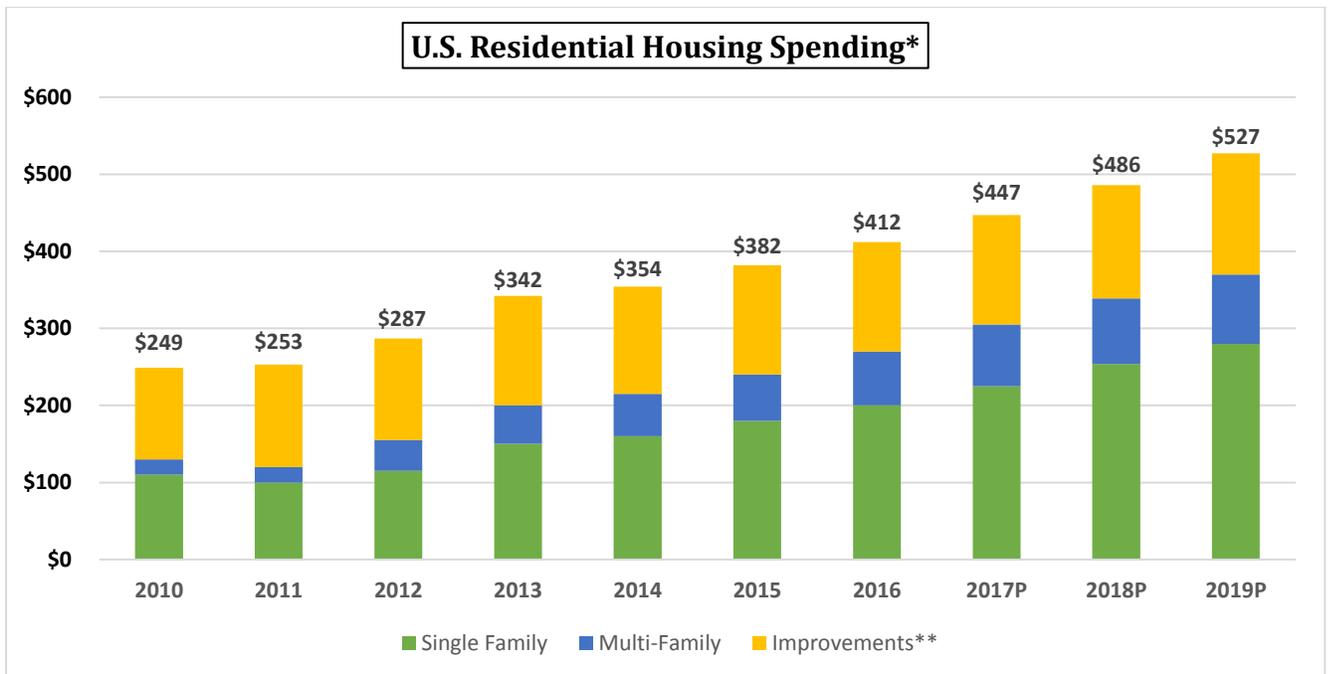
Building Products Industry M&A Outlook Q2 2017

About Us

Calabasas Capital is a boutique investment banking firm focused on serving lower middle-market privately-held companies. We specialize in representing and advising businesses on sell-side and buy-side mergers and acquisitions and we raise private equity and debt capital.

Residential Housing Spending

- Strong M&A activity has persisted in the building products space over the past few years supported by the undergoing boom in residential/non-residential construction, as well as the remodeling/repair market.
 - According to FMI Consulting, 2017 residential housing spending in the U.S. is projected to be up 8.5% over 2016 and expected to grow at an annual rate of 8.6% through 2019 after growing at an annual rate of 10% between 2012 and 2015.

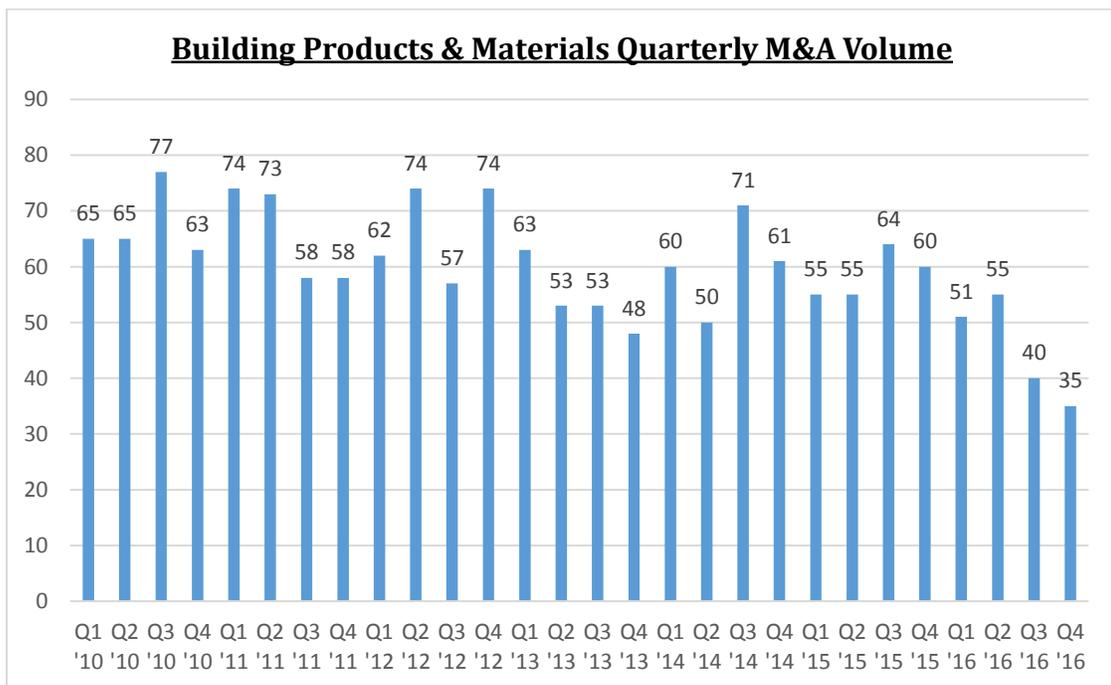
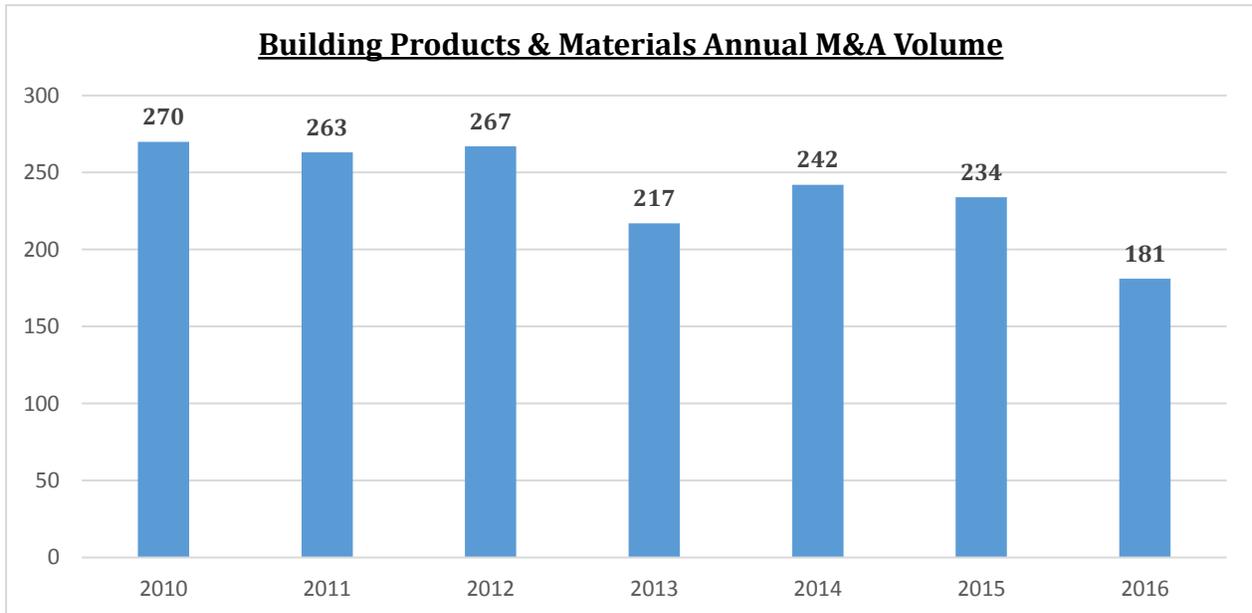


*\$ in billions. Sources: FMI Consulting, Harris Williams.

**Improvements include additions, alterations, and major replacements but not maintenance and repairs.

M&A Activity

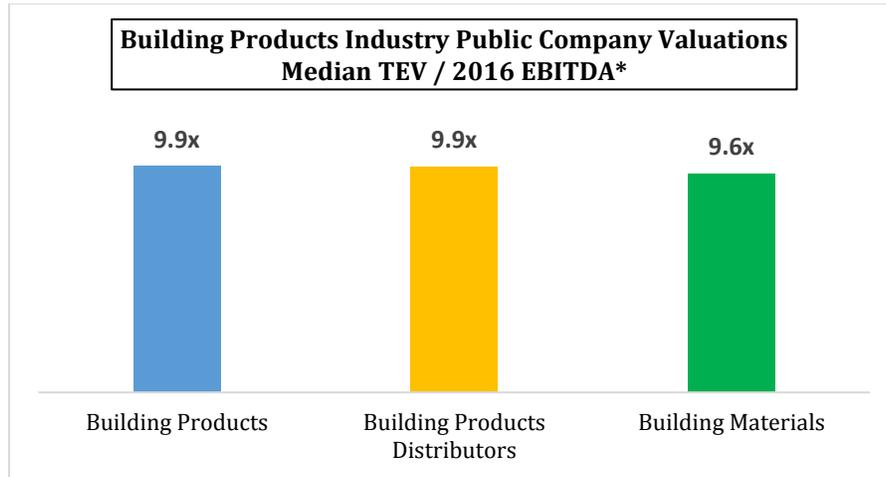
- The favorable M&A environment has been driven by a robust economy recovery, low interest rates, easy access to debt capital, strong capital markets and an increasing amount of cash sitting on corporate balance sheets.
- North American M&A volume in the sector dropped by 23% in 2016 after two strong years in 2014 and 2015 but valuations have remained high.



Source: Harris Williams as of 6/17/17.

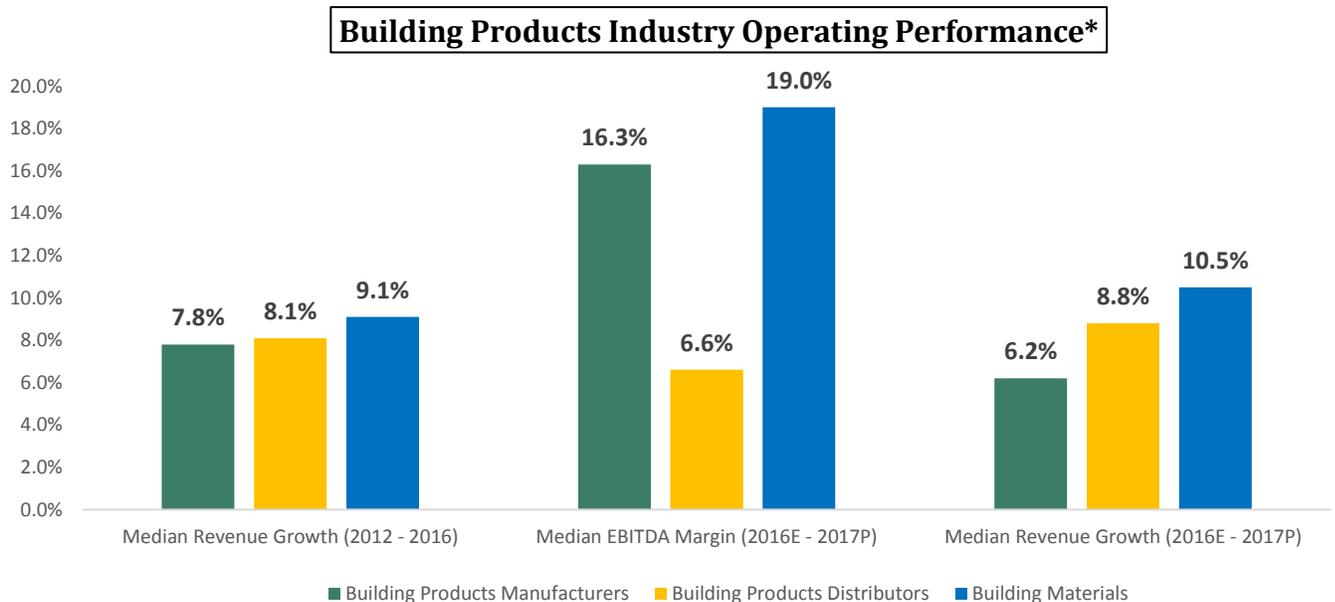
Public Market Valuations

- The publicly traded companies are trading at a multiple of about 10x Median Total Enterprise Value (TEV) /2016 EBITDA (as of 6/17/2017).



Operating Performance

- Financial sponsors as well as strategic buyers are actively pursuing M&A transactions as the former are attracted to the strong industry growth dynamics while the latter seek acquisitions to complement organic growth.



*Source: Harris Williams as of 6/17/17.

Drivers of Consolidation

The building products industry is highly fragmented with a relatively low concentration of market share. Its highly-fragmented feature provides significant room for industry consolidation. Backed by strong growth dynamics, a trend towards consolidation is currently underway and M&A activity has been strong. Key drivers of consolidation include:

Market fragmentation

Building Products market is highly fragmented with a relatively low concentration of market share. Certain industries are more fragmented than others as a result of low barriers of entry and availability of alternative manufacturing technologies and expertise. In these industries, easy access to affluent substitutes and alternatives creates opportunities for mid-sized and small players as industry leaders usually focus on high demand markets. Smaller players, as a result, can then have room to serve niche markets as well as lower demand markets, which are not captured by big players. Examples include cabinetry, hardware and flooring & carpets industries. On the other hand, certain industries are more consolidated as they rely heavily on one or several key materials/ alternatives. Industry leaders usually dominate these spaces as they occupy the major portion of the market. Countertop, insulation and architectural paint are such industries. The fragmented and diversified industry features drive M&A activity, especially in the spaces that are relatively fragmented.

Strong growth dynamics

The growth in the building products sector is fueled by:

- Executives' continued confidence about their business prospects in 2017 and 2018. This optimism is due largely to expectations that the Trump Administration will follow through on its promise to promulgate and approve significant new U.S. infrastructure projects.
- A broad and sustained recovery in new construction
 - Key industry fundamentals including for example, housing starts and building permits, generally remain positive and have been moving in the right direction
- Sector-Driven Non-Residential Construction
 - Non-Residential Construction remains well below historical peak levels and has huge potential for growth
 - Growth in Non-Residential Construction is fueled by increased spending in sectors such as recreation and office
- Accelerating Remodels and Repairs Activity
 - Rising home prices, as well as increased levels of home sales, point to positive gains in remodeling activity
- Increasing Private Residential Fixed Investment with significant potential for growth
- Intensified consumer demand for expanded options

- Established foundation of demand backed up by new construction and existing building stock, as well as
- Heightened environmental impact awareness

Financial Sponsors

Financial sponsors have been attracted by the strong growth prospects and have aggressively been deploying capital into the industry. They are looking to capitalize on the cyclical rebound in construction sectors and trying to catch the tail of the current “boom” phase. Many financial sponsors with portfolio companies in building products have realized earnings growth over the past several years and a wave of deal activity is taking place. Since 2011, there have been over 250 financial sponsor investments in or exits of U.S. and Canada based building products companies.

Strategic Buyers

The fragmented nature of the industry and strong growth dynamics position the industry well for continued consolidation. The building products market has experienced significant consolidation over the past few years. Since 2011, there have been over 750 strategic acquisitions globally in the building products space. Strategic buyers are seeking acquisitions in order to:

- Solidify their market positions through acquisitions of competitors, value-added brands and niche companies
- Build a strong brand name and develop a specific technological edge by purchasing niche companies
- Expand geographic footprints and leverage established distribution networks
- Utilize economies of scale to improve margins, as well as fuel growth, and
- Consolidate customer bases and create additional barriers to entry

Selected Recent Transactions in Building Products

Announcement Date	Target	Vertical	Business Description	Acquirer
1/10/2017	United Subcontractors	Building Products Distribution	Provides insulation, specialty, and shell construction services for residential and commercial projects.	Trilantic North America
1/6/2017	Everist Materials & Razorback Concrete	Construction Materials	The materials-based acquisitions of Everist and Razorback collectively bring aggregates operations with more than 100 million tons of permitted reserves in Colorado and Arkansas.	Summit Materials
1/4/2017	Binford Supply	Building Products Distribution	One of the largest residential & commercial fencing distributors in Texas and the U.S. Binford has over 100 employees across eight locations, primarily serving residential and commercial fencing contractors.	U.S. Fence Solutions
1/4/2017	Tradesmen International	Building Products Distribution	Provider of outsourced skilled craftsmen to non-residential construction and industrial contractors.	Blackstone
1/2/2017	Stetson Building Products	Construction Materials	Distributor of over 70,000 SKUs of construction materials, accessories and tools, primarily for professional concrete and masonry contractors in the United States and Canada, via 48 branches.	Construction Supply
12/26/2016	Floors, Inc. & Malibu Acceptance Corporation	Building Products	Full service designer, installer and retailer of flooring products to homebuilders and homeowners.	Dunes Point Capital
12/21/2016	Soft-Lite Windows	Building Products	Manufacturer of vinyl replacement windows.	Harvey Building Products
12/21/2016	ForzaStone	Construction Materials	Manufacturer of thin natural stone panels for commercial and residential applications.	Home Brands Group
12/20/2016	East Haven Landscape Products	Building Products Distribution	Distributor of nursery, hardscapes and landscape supplies.	SiteOne Landscape Supply, Inc.
12/16/2016	BJ Supply	Building Products Distribution	Distributor of roofing and related building products.	Beacon Roofing Supply, Inc.
12/16/2016	O&S Doors	Building Products	Manufacturer of made-to-measure kitchen doors.	Sun Capital Partners
12/15/2016	Tectum, Inc.	Building Products	Manufacturer of acoustical ceiling, wall and structural solutions for commercial building applications.	Armstrong World Industries
12/15/2016	Rmax Operating	Building Products	US-based market leader in the production of polyiso insulation products for complete Building Envelope solutions (roofing and wall systems).	Sika
12/14/2016	Sotawall, Inc.	Building Products	Designer and fabricator of curtain wall systems for commercial construction projects.	Apogee Enterprises
12/12/2016	Ray L Hellwig Plumbing & Heating	Building Products	Designer and installer of plumbing systems.	Total Facility Solutions
12/7/2016	SGI, Inc. (door and drywall divisions)	Building Products	Interior Products Supply Drywall Division and Interior Products Supply Door Division of SGI, Inc.	Clio
12/7/2016	Rosboro	Construction Materials	Manufacturer of forest products.	GMS Inc.
12/6/2016	Top Master	Building Products	Leading regional countertop manufacturer.	Wynnchurch Capital, LLC
12/6/2016	ConTech Lighting	Building Products	Manufacturer of high-performance and sustainable lighting solutions and fixtures.	Leviton
12/5/2016	Bassi Construction Ltd.	Building Products	Provider of construction services.	Mosaic Capital Corporation

Announcement Date	Target	Vertical	Business Description	Acquirer
12/5/2016	ES Windows	Building Products Distribution	US-based distributor of architectural glass, windows, and aluminum products.	Tecnoglass S.A.
12/2/2016	Xella	Building Products	World's largest manufacturer of aerated concrete blocks, calcium-silicate units, and high-performance boards.	Lone Star Funds
12/2/2016	Drossbach Inc.	Building Products	US-based manufacturer of corrugated flexible tubing.	Delfingen Industry, S.A.
11/28/2016	Cemex S.A. (Concrete Pipe Manufacturing Business)	Construction Materials	Mexico-based supplier of reinforced concrete pipe, concrete box and culvert.	The Quikrete Companies, Inc.
11/21/2016	Guardian Industries Corp.	Building Products	Manufacturer of float glass and fabricated glass products.	KGIC Merger Corp. / Koch Industries
11/21/2016	Headwaters, Inc.	Building Products	US-based manufacturer and distributor of building products and construction materials.	Boral Ltd.
11/18/2016	International Chimney Corp.	Building Products	Provider of chimney construction and maintenance services.	Beroa Corporation
11/14/2016	Koroseal Interior Products	Building Products	Manufacturer and distributor of decorative, industrial transit and office products.	Sangetsu Corporation
11/9/2016	Halex Corporation	Building Products	Manufacturer of flooring installation products.	GCP Applied Technologies
11/8/2016	Mesker Door	Building Products	Designer and manufacturer of hollow metal doors, frames and assemblies.	Dorma + Kaba Holding AG
11/4/2016	Giant Cement Holding, Inc.	Construction Materials	Manufacturer of concrete, cement, and aggregates.	Elementia S.A.
11/3/2016	B.R. Johnson Inc.	Building Products Distribution	Distributor and contractor specializing in windows, doors, hardware, and specialty products.	Lorraine Capital; Regional Brands, Inc.
10/29/2016	Alpha Insulation and Waterproofing, Inc.	Building Products	US-based provider of commercial insulation, waterproofing, fireproofing, and fire stopping services.	Installed Building Products
10/20/2016	MI Windows and Doors	Building Products	Manufactures vinyl and aluminum windows and doors.	Management
10/18/2016	US Floors	Building Products	Manufacturer of wood-plastic composite (WPC) flooring in the LVT category, as well as cork, bamboo and hardwood products.	Shaw Industries Group
10/17/2016	East Coast Insulators Inc.	Building Products	Provider of residential, commercial and industrial insulation.	Installed Building Products, Inc.
10/11/2016	Granite Source Northern VA	Building Products	US-based provider of granite countertops.	Clio Holdings, LLC
10/11/2016	Princess Marble Co	Building Products	Manufacturer of cultured marble vanity tops, bathtubs, shower bases and windowsills.	Clio Holdings, LLC
10/06/2016	Henry Company LLC	Building Products	Manufacturer of roof coatings and cement products.	American Securities LLC
10/04/2016	United Building Materials, Inc.	Building Products Distribution	Distributor of building material such as drywall, metal framing, acoustical ceilings and insulation to professional contractors.	Gypsum Management and Supply, Inc.

Announcement Date	Target	Vertical	Business Description	Acquirer
10/03/2016	Low 's Ready Mix	Construction Materials	Manufacturer of ready mixed concrete.	Clements Concrete Co
9/30/2016	The Dacor Corporation	Building Products	Manufacturer and distributor of air conditioning, heating, ventilating and related appliances.	Airxcel, Inc.
9/30/2016	American Bath Group, LLC	Building Products	Designer and manufacturer of fiberglass reinforced plastic, sheet molded compounds, acrylic bathtubs, and showers.	Lone Star Funds
9/21/2016	All Glass & Windows, Inc.	Building Products Distribution	Installer and distributor of impact-resistant glass and glass-related products for general contractors and builders.	Prospect Partners, LL
9/20/2016	United Copper Industries, Inc.	Building Products	Manufacturer of copper building wires for the electrical distribution market.	Southwire Company, LLC
9/16/2016	Polycor Inc.	Construction Materials	Manufacturer of granite, marble, limestone, recycled glass, karstone and soapstone products.	Torquest Partners Inc.
9/16/2016	Swenson Granite Company LLC	Construction Materials	Engages in quarrying and cutting granite.	Polycor Inc.
9/16/2016	Groom Energy Solutions LLC	Building Products	Provider of commercial and industrial energy solutions including consulting, designing, building, maintaining and financing energy projects.	DK Energy US LLC
9/14/2016	Fortiline	Building Products Distribution	Wholesale distributor of underground water, sewer and storm utility products.	MORSCO
9/7/2016	M.B. Roofing Systems	Building Products	Specializes in re-roofing commercial properties with low sloped roofing systems.	Tecta America
9/7/2016	US Impact Systems	Building Products	Fabricator of storefront window and door products.	PGT Industries, Inc.
9/7/2016	Solarfective Products Limited	Building Products	Manufacturer of roller shades, skylights, and projection screens.	Legrand SA
9/6/2016	Fabcon	Construction Materials	Manufacturer of precast, pre-stressed concrete wall panels for nonresidential construction applications.	Platinum Equity
9/6/2016	Wilson Parker Homes	Building Products	Wilson Parker homes focuses on the construction and development of housing properties	D.R. Horton Inc.
9/2/2016	Olympia Building Supplies	Construction Materials	Leading supplier of wallboard and related construction products including steel studs, joint compound, finishing products, insulation and other specialty products to the South Florida market.	GMS Inc.
8/29/2016	L&W Supply	Construction Materials	L&W is one of the largest distributors of gypsum wallboard and suspended ceiling tiles.	ABC Supply
8/29/2016	Dauenhauer Plumbing	Building Products	Dauenhauer Plumbing is the leading provider of maintenance and new installation plumbing services in Kentucky.	Trivest
8/29/2016	CEMEX (certain assets in Texas and New Mexico)	Construction Materials	The assets being sold by mainly consist of CEMEX's cement plant in Odessa, Texas, two cement terminals and the building materials business in El Paso, Texas and Las Cruces, New Mexico.	Grupo Cementos de Chihuahua (GCC)
8/22/2016	IDS Specialty Building Products	Building Products	Full line insulation and specialty services contractor.	United Subcontractor
8/22/2016	Riobel	Building Products	Riobel manufactures plumbing faucets and fixtures.	Fortune Brands

Calabasas Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring
- Sales of non-core assets/divisions of larger public and private companies

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