



MAZZONE & ASSOCIATES  
INTEGRITY | EXECUTION

# Building Products & Services M&A Newsletter

2016 Fourth Quarter Review

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Q4 Building Products & Services Middle Market Transactions

MAZZONE & ASSOCIATES, INC.

## CONTACT US

OFFICE TOWER AT THE FOUR SEASONS  
75 FOURTEENTH STREET NE  
SUITE 2800  
ATLANTA, GA 30309

TELEPHONE - (404) 931-8545  
FAX - (404) 574-5738  
WWW.GLOBALMNA.COM

## M & A TEAM

MAURY BELL  
MANAGING DIRECTOR AND  
STRATEGIC ADVISOR  
MBELL@GLOBALMNA.COM

DOMINIC MAZZONE  
MANAGING DIRECTOR  
BUILDING PRODUCTS & SERVICES,  
CONSUMER PRODUCTS, RETAIL &  
RESTAURANT, FOOD & BEVERAGE  
DMAZZONE@GLOBALMNA.COM

DUSTIN RAMSEY  
VICE PRESIDENT  
TECHNOLOGY & BUSINESS SERVICES  
DRAMSEY@GLOBALMNA.COM

STUART SANFORD  
VICE PRESIDENT  
HEALTHCARE & FINANCIAL SPONSORS  
SSANFORD@GLOBALMNA.COM

RAJ PATEL  
ANALYST  
RPATEL@GLOBALMNA.COM

ANGELA POULOS  
EXECUTIVE ASSISTANT  
APOULOS@GLOBALMNA.COM

## Building Products & Services M&A

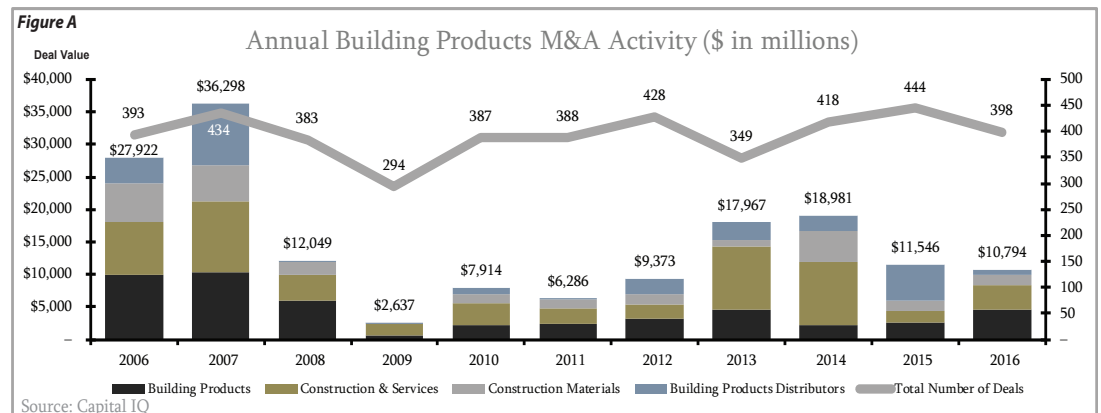
Building products and services industries in the U.S. completed fewer transactions in 2016 than the prior year. Transaction volume fell 10.4% with Building Products and Construction & Services companies primarily driving lower M&A activity. Although volumes were lower for these two sub-industries, transaction values actually increased by 77.6% and 99.8% in 2016 for Building Products and Construction & Services companies, respectively. Overall deal value was lower by approximately 6.5% primarily due to the lack of a large acquisition such as Builders FirstSource, Inc.'s acquisition of ProBuild Holdings for \$3.5 billion in the second quarter of 2015.

In general, M&A activity remained on par with historical activity as construction in the U.S. continues at a solid pace since the Great Recession. According to the U.S. Census Bureau both residential and non-residential construction (seasonally adjusted) for 2016 increased over 2015 by 3.6% and 4.6%, respectively. This led to an increase in overall value of construction put in place by 4.2%, outpacing 2016 GDP growth of 1.9%. As real incomes rose, they were complemented with strong remodeling activity. According to LIRA (Leading Indicator of Remodeling Activity), an economic indicator for home improvement activity calculated by Harvard University, 2016 improvement and repairs spending was \$19.1 billion in 2016. This represents a 6.9% increase over 2015. Spending is projected to increase at a rate of 6.7% for 2017, implying \$19.9 billion in repairs and improvements.

Mazzone & Associates believes operators in this space should remain cautiously optimistic as a large supply of commercial and residential real estate is pouring into most major U.S. markets. It will be interesting to see if or when the new government administration will commit to public infrastructure spending, which should spur spending on construction services and materials suppliers. If overall macroeconomic activity will continue to propel real GDP growth and low unemployment rates, we should see continued discretionary spending on home improvement as well. Our team looks forward to navigating our clients to the right solutions in this exciting business climate.

### Transaction Volume (# of deals completed)

Transaction activity for the 4th quarter of 2016 was down by 10% compared to the same period in 2015. Deal volumes were lower across sub-industries, but were mostly caused by Construction & Services which had 29 fewer transactions than 2015. 2016 activity was about average for this sub-industry, indicating that 2015 was a strong year.

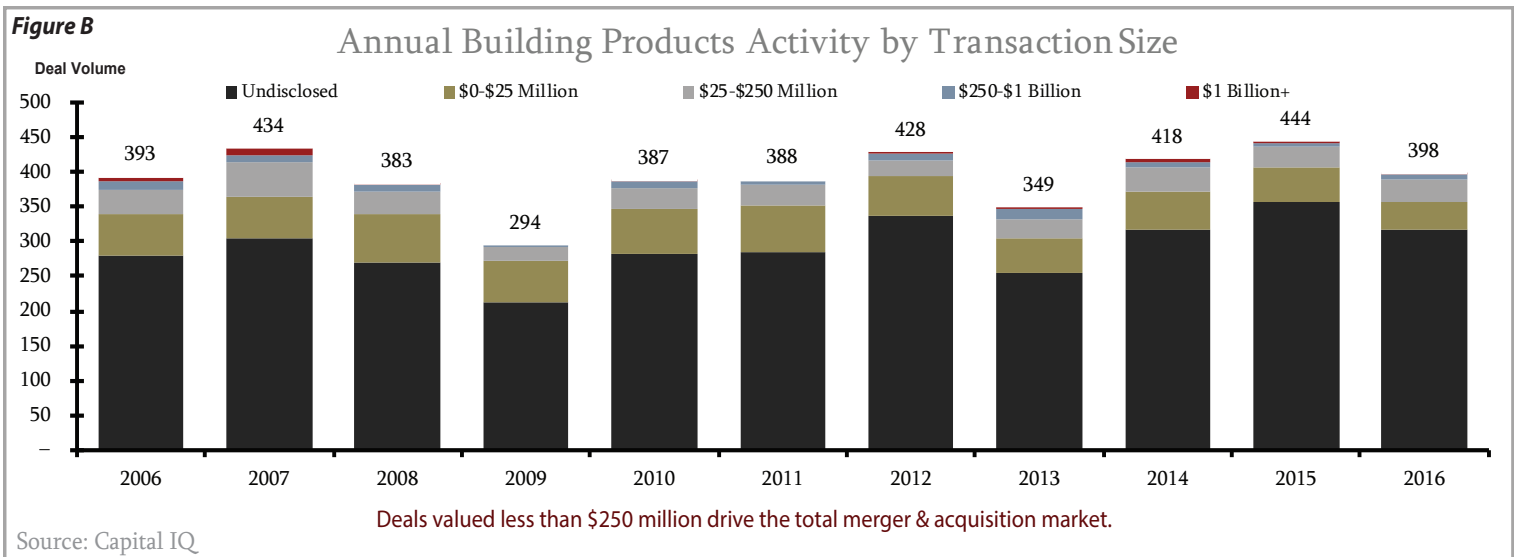




## Building Products & Services M&A (continued)

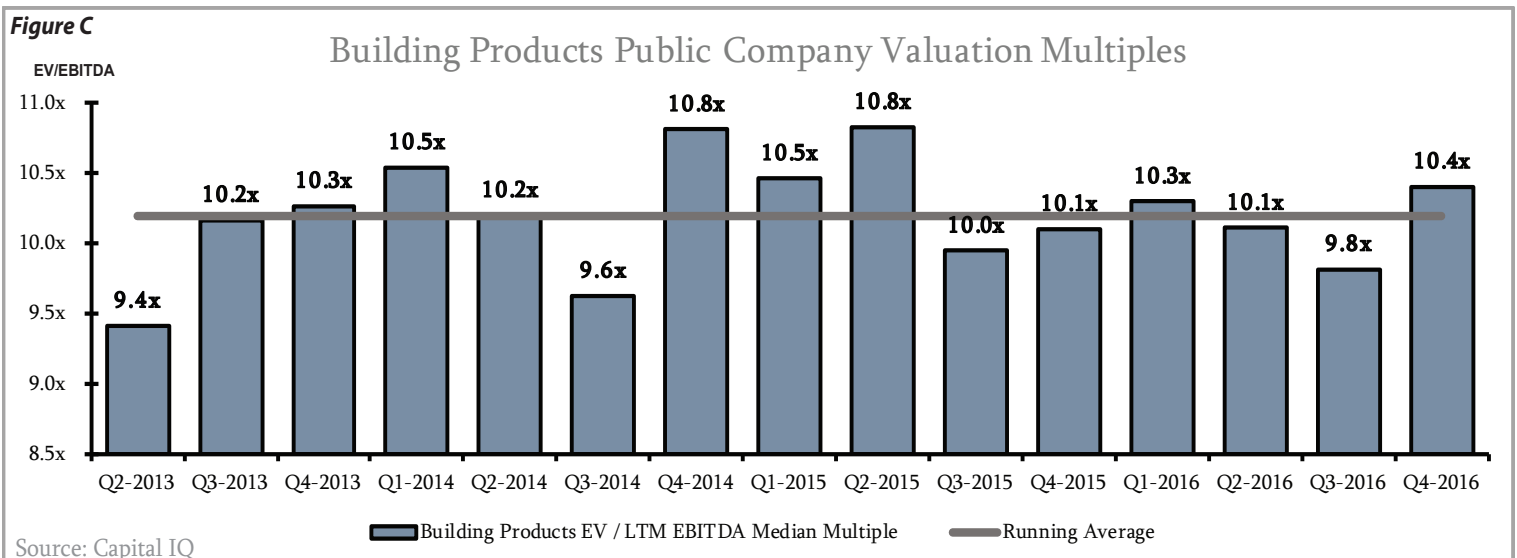
### Transaction Value (\$-value of deals completed)

As shown on Figure A, the building products and services market completed \$10.8 billion of transactions in 2016 – the smallest amount since 2013 and 6.5% lower than the prior year. The decline of large corporate transactions of over \$1 billion, drove this figure downwards. With relatively inexpensive and easy access to capital, large industry players that are faced with modest organic growth scenarios are creating shareholder value by deploying capital for inorganic M&A transactions.



### Valuations

Enterprise value (EV) to EBITDA multiples for public companies rose in the fourth quarter to reach 10.4x, above the trailing five-year average. The median multiple for completed transactions in 2016 was 8.8x, reaching its highest since 2010. Given that credit availability affects valuations so heavily, we have seen aggressive pricing for quality companies over the last few years from equity and debt providers. Roll-up strategies have become an increasing trend by private equity firms and are watching closely the Federal Reserve's decisions on interest rates and the response of the debt capital markets.





# Building Products & Services M&A Newsletter

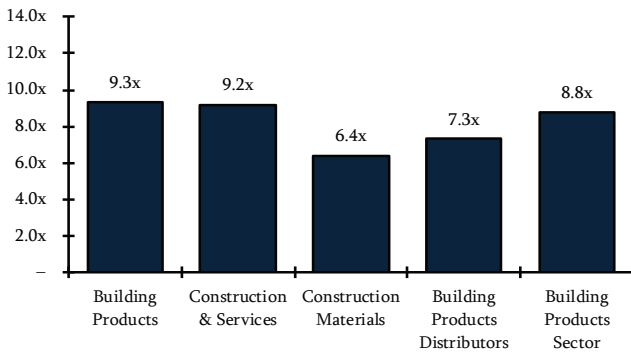
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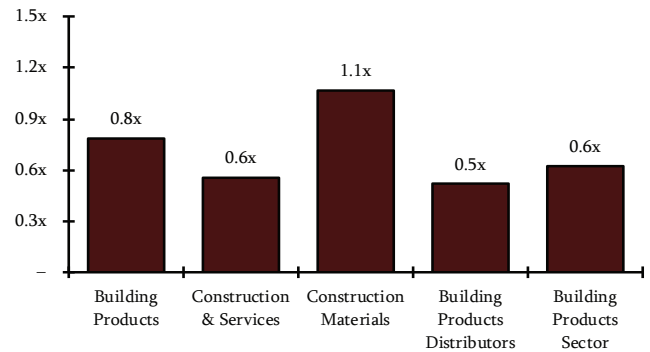
## Building Products & Services M&A (continued)

Transaction Multiples and Deal Activity by Sub-Industry

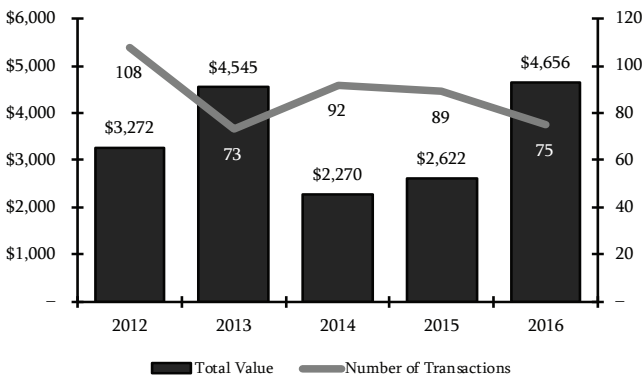
2016 Median EV / LTM EBITDA Multiples



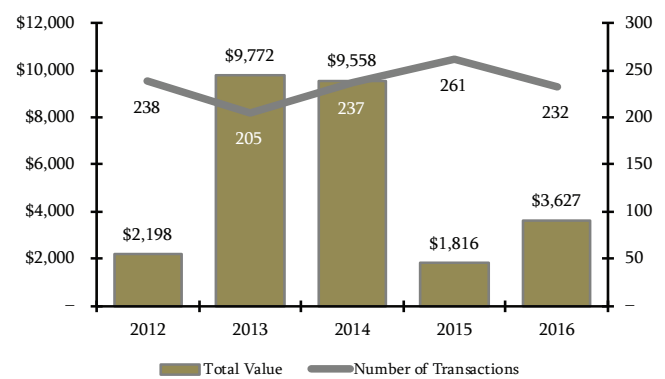
2016 Median EV / LTM Revenue Multiples



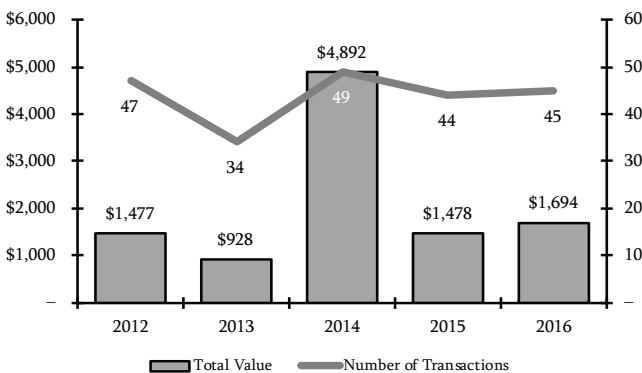
Building Products Activity



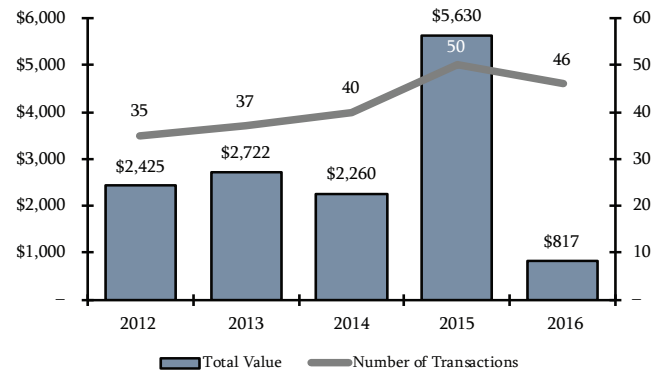
Construction & Services Activity



Construction Materials Activity



Building Products Distributors Activity



### Summary

The recent M&A transaction data are sending mixed signals that we believe add up to a net positive market. Total deals completed have slowed while valuations remain high. The speculation of reduced tax rates, infrastructure investment, health care reform, and reduced government regulation in the US are positive factors for many deal makers. Further, similar to 2016, deal making in 2017 will be driven by inorganic growth strategies focused on product and service differentiation through access to new markets, customers, and technologies.



## Q4 2016 Building Products & Services Noteworthy Closed Transactions

Date	Target	Buyers/Investors	Size (\$ in millions)
<b>Building Products</b>			
23-Dec	Floors, Inc. and Malibu Acceptance Corp.	Dunes Point Capital, LLC	ND
19-Dec	Soft-Lite, LLC	Harvey Industries, Inc.	ND
19-Dec	Gossen Corporation	Inteplast Group, Ltd.	5.5
14-Dec	Enviva Pellets Sampson, LLC	Enviva Partners, LP (NYSE:EVA)	174.1
12-Dec	Mesker Openings Group	dormakaba Holding AG (SWX:DOKA)	142.5
07-Dec	Rosboro LLC	Wynnchurch Capital, LLC	ND
02-Dec	Mall Wall	The AmGraph Group	ND
02-Dec	Novo Building Products, LLC	Blue Wolf Capital Partners LLC	110.0
10-Nov	Vortex Whirlpool Systems, Inc.	LPI Inc.	ND
09-Nov	Halex Corporation	GCP Applied Technologies Inc. (NYSE:GCP)	47.0
08-Nov	Commercial Christmas Hardware	Adams Manufacturing Company	ND
31-Oct	Kingspan Light & Air LLC	Kingspan Group plc (ISE:KRX)	37.0
05-Oct	EdgeBuilder Wall Panels, Inc. and Glenbrook Lumber & Supply, Inc.	ATRM Holdings, Inc. (OTCPK:ATRM)	5.2

Date	Target	Buyers/Investors	Size (\$ in millions)
<b>Construction &amp; Services</b>			
30-Dec	Chem-Can Services, Inc.	Cambium Building & Construction Services, LLC	ND
28-Dec	Coursen-Koehler Engineering & Associates	Westwood Professional Services, Inc.	ND
28-Dec	CRE Design Engineering, Inc.	Geostruct Engineers, Inc.	ND
13-Dec	Chambers, Murphy & Burge Restoration Architects Ltd.	Perspectus Architecture, Inc.	ND
12-Dec	Houston Interests, LLC	Matrix PDM Engineering, Inc.	46.0
12-Dec	RESTORx of Texas LLC	Interstate Restoration Hawaii LLC	ND
12-Dec	AZCO, Inc.	Burns & McDonnell, Inc.	ND
07-Dec	CivilSource, Inc.	NV5 Global, Inc. (NasdaqCM:NVEE)	ND
06-Dec	CHJ Consultants, Inc.	Terracon Consultants, Inc.	ND
06-Dec	Keith Mosley Construction, Inc.	Dunn Building Company, LLC	ND
06-Dec	National Ewp, Inc., Environmental Drilling Division	Cascade Drilling LP	ND
05-Dec	Next Phase Solar, Inc., Residential Operations & Maintenance Field Service Division	SunSystem Technology, LLC	ND
05-Dec	BBMAssociates, Inc.	Vanasse Hangen Brustlin, Inc.	ND
01-Dec	The Hanna Group, Inc.	NV5 Global, Inc. (NasdaqCM:NVEE)	ND
30-Nov	Lazertech Fiber Specialists, INC	Infinigy Engineering & Surveying, PLLC	ND
30-Nov	Merit Service Solutions, LLC	Eureka Growth Capital Management, L.P.	ND
30-Nov	PCT Contracting LLC	NAPEC Inc. (TSX:NPC)	33.0
29-Nov	Mercier's Inc.	DBi Services, LLC	ND
22-Nov	Carnero Processing, LLC	Sanchez Production Partners LP (AMEX:SPP)	55.5
21-Nov	Adapt Technology LLC	TransForm Solution, Inc.	ND
21-Nov	RMC Water and Environment, Inc.	Woodard & Curran Inc.	ND
21-Nov	D&L Plumbing Services, LLC	Wat-Kem Mechanical, Inc.	ND
17-Nov	Andrew Services Inc.	BlueStream Professional Services, LLC	ND
16-Nov	Construction Specialties	ASSA ABLOY Entrance Systems AB	ND
15-Nov	PowerComm Construction, Inc.	PowerComm Holdings Inc.	ND
15-Nov	Contech Holdings, Inc	Quikrete Holdings, Inc.	950.0
03-Nov	M.G.D. Inc.	Installed Building Products, Inc. (NYSE:IBP)	ND
03-Nov	Geotechnical Consulting & Testing, Inc.	Terracon Consultants, Inc.	ND
02-Nov	So-Deep, Inc.	SAM-Construction Services, LLC	ND
01-Nov	Downey-Goodlein Elevator Corp.	KONE, Inc.	ND
01-Nov	Alta Energy	Alta Energy, Inc.	ND
31-Oct	Rex Electric & Technologies, LLC	Chugach Alaska Corporation	ND
28-Oct	Next Generation Farming Inc.	Zerez Holdings Inc. (OTCPK:ZRZH)	ND
26-Oct	JBA Consulting Engineers, Inc.	NV5 Global, Inc. (NasdaqCM:NVEE)	20.2



## Q4 2016 Building Products & Services Noteworthy Closed Transactions

Date	Target	Buyers/Investors	Size (\$ in millions)
<b>Construction &amp; Services (cont'd)</b>			
23-Oct	Delta Testing Services, Inc.	Sunbelt Transformer, Ltd.	N/D
19-Oct	Horton Global Industries	Falcon Global Acquisitions LLC	N/D
17-Oct	EastCoast Insulators Inc.	Installed Building Products, Inc. (NYSE:IBP)	N/D
14-Oct	J&G Concrete Operations, LLC	Hanson Pipe & Precast LLC	32.0
12-Oct	Frederick Office of CJL Engineering	CJL Engineering, Inc.	N/D
11-Oct	Nexus Corporation	Gibraltar Industries, Inc. (NasdaqGS:ROCK)	25.0
06-Oct	Western Grade LLC	SoOum, Corp. (OTCPK:SOUN)	0.3
04-Oct	PorterCorp	PlayCore Holdings, Inc.	N/D
03-Oct	MAVERICK Technologies LLC	Rockwell Automation Inc. (NYSE:ROK)	N/D
03-Oct	Lippe and Associates, a division of RTM	RTM Engineering Consultants, LLC	N/D
03-Oct	Cumberland County Glass Inc.	The Dwyer Group, Inc.	N/D
01-Oct	Advanced Technical Services International, Inc.	Draper Aden Associates, Inc.	N/D

Date	Target	Buyers/Investors	Size (\$ in millions)
<b>Construction Materials</b>			
27-Dec	Uroboros Glass Studios, Inc.	Oceanside Glasstile Company	N/D
31-Dec	Valmiera Glass USA Corp.	P-D Management Industries-Technologies GmbH	1.3
21-Dec	ForzaStone, LLC	Home Brands Group LLC	N/D
21-Dec	ISP Optics Corp.	LightPath Technologies, Inc. (NasdaqCM:LPTH)	18.0
15-Dec	Wet/ Dry Plants, and Sand Inventory on Union Pacific Rail Line in Arkansas	American Select Corp.	N/D
01-Dec	Giant Cement Holding, Inc.	Elementia, S.A.B. de C.V. (BMV:ELEMENT *)	220.0
30-Nov	Plant and Eight Terminals in US	Argos USA Corporation	660.0
28-Nov	Top Master, Inc.	Clio Holdings, LLC	N/D
18-Nov	CEMEX, S.A.B. de C.V., Certain assets in U.S.	Grupo Cementos de Chihuahua, S.A.B. de C.V. (BMV:GCC *)	306.0
14-Nov	Majestic Stone, Inc., Chattanooga Stone Center and Creative Stone Works, Inc.	Alderman Holdings, LLC	N/D
09-Nov	Additional Industrial Mineral Project in Nevada	Sunrise Resources plc (AIM:SRES)	N/D
02-Nov	J.E. Berkowitz, LP	Consolidated Glass Holdings, Inc.	N/D
02-Nov	Stone Panels International	Cold Spring Granite Company	5.5
14-Oct	Precast Concepts, LLC	Hanson Pipe & Precast LLC	97.1
12-Oct	Highland Sand & Gravel, Inc.	Progressive Green Solutions, Inc. (OTCPK:PGSC)	N/D
12-Oct	CalX Minerals, LLC	RMR Aggregates, Inc.	2.8
06-Oct	Elite Multifamily Interiors, LLC	Republic Industries, Inc.	N/D

Date	Target	Buyers/Investors	Size (\$ in millions)
<b>Building Products Distributors</b>			
30-Dec	Stetson Building Products, LLC	Construction Supply Holdings, LLC	N/D
16-Dec	BJ Building Material Supply Company	Beacon Roofing Supply, Inc. (NasdaqGS:BEEN)	N/D
13-Dec	Plastics & Metals Enterprises Inc.	Curbell Plastics, Inc.	N/D
06-Dec	Delta Door and Hardware, LLC	The Cook & Boardman Group, LLC	N/D
05-Dec	Interior Products Supply	GMS Inc. (NYSE:GMS)	N/D
05-Dec	Metro Roofing Supplies, Inc.	SRS Distribution, Inc.	N/D
18-Nov	HDW Houston	Hardware Distribution Warehouses, Inc.	N/D
04-Nov	Tri State Aluminum Products of Wisconsin, Inc.	SRS Distribution, Inc.	N/D
03-Nov	Northeast Wholesale Nail & Fastener Supply Co., Inc.	PrimeSource Building Products, Inc.	N/D
01-Nov	B.R. Johnson, Inc.	Regional Brands, Inc. (OTCPK:RGBD); Lorraine Capital LLC	15.4
31-Oct	Fortiline LLC	MORSCO Inc.	N/D
31-Oct	L&W Supply Corporation	ABC Supply Co., Inc.	670.0
19-Oct	Fullerton Lumber Co, Inc.	Consolidated Lumber Company, LLC	N/D
14-Oct	Hawkeye Building Distributors Limited	Guardian Building Products Inc.	N/D
13-Oct	RBC Tile & Stone, LLC	Virginia Tile Company	N/D
10-Oct	Reliable Distributors, Inc.	PRO Group, Inc.	N/D