Building Products Industry Advisor

Summer 2012

Investment Banking Solutions for the Middle Market

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Industry Report

Investment Banking Solutions for the Middle Market

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I. Executive Summary

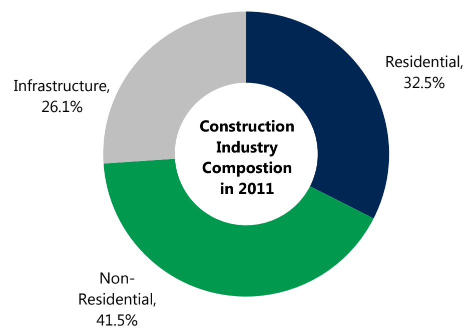
The U.S. building products industry encompasses a multitude of manufacturers, fabricators, distributors, retailers, installers, and contractors of residential, non-residential, and infrastructure related products. Over the past few months, building products companies have been in a state of optimism from signs of improving residential and non-residential construction, more reasonable mortgage financing markets, and a stable infrastructure construction market. While the general industry trends tend to be stable, positive demographic trends and the aged infrastructure profile in the U.S. are likely to continue to support long-term growth for building products companies. In addition, the extended downturn in construction has reduced the number of participants within the market, which should bode well for the survivors.

The changing end market growth profiles, combined with the following dynamics, are likely to increase the level of building products mergers and acquisitions ("M&A") activity:

- Immigration and shifting demographics within the continental U.S.;
- Consolidating customer base;
- Threat of disintegration/consolidation of the supply chain and product conversion;
- Increased environmental consciousness among the U.S. population; and
- Globalization and harmonization of markets.

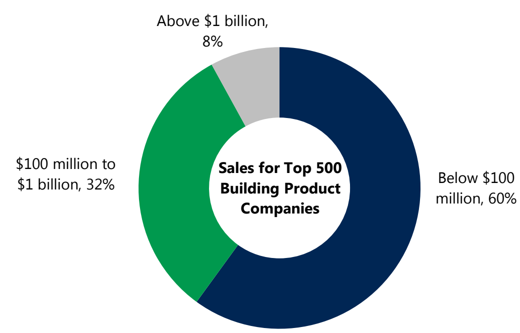
Regardless of end market or general economic conditions, the highly fragmented nature of the building products industry should drive consolidation. The building products industry includes hundreds of thousands of participants. However, due to freight costs and logistics, we believe that sub-segments of the building products industry need to be assessed individually. Approximately 60% of the top 500 building products companies are below $100 million in sales, which has been driven by the demand for short lead-times, customized products, regional building codes, and the growing cost of freight. In an effort to position themselves for long-term growth, building products companies are anticipated to capitalize on the high degree of industry fragmentation to address the shifting end market dynamics and changing competitive environment. As a tactical measure, the majority of the consolidators' acquisitions will be focused on (i) expanding product offerings, (ii) increasing geographic coverage, (iii) enhancing their position in the supply chain, and (iv) driving both sales and cost synergies.

Figure 1: Construction Industry Composition in 2011



Sources: FMI and League Park Estimates

Figure 2: Sales for the Top Building Products Companies



Sources: First Research, Thomson Guide, and League Park Estimates

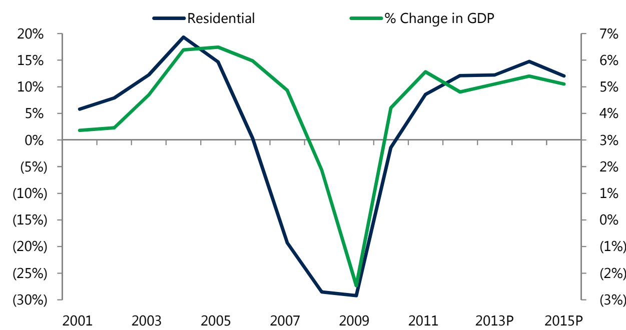
II. Industry Overview

Residential Construction

Key elements that precipitated the dramatic slowdown in residential construction were increased new housing inventories, a retrenchment in speculative production, a tightened mortgage lending environment, and the near extinction of alternative financing (e.g., subprime). These elements were clearly demonstrated throughout 2006, 2007, and 2008 as building permits, housing starts, and homebuilders' margins have steadily declined, and foreclosures have skyrocketed. Housing starts approached lows (on an annualized basis) not seen since the weak period of 1991.

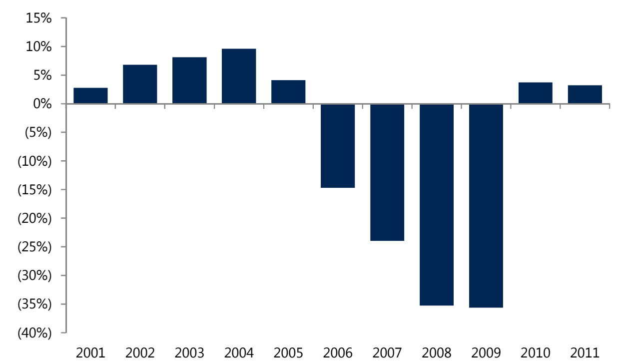
The relatively low mortgage rate environment, increasing disposable income, and projected 9% U.S. population growth over the next 10 years could fuel a long-term sector recovery. Although we are yet to see clear signs that the residential construction market is in a sustained recovery, we believe the long-term fundamentals and current state of the market point to a near-term recovery.

Figure 4: Residential Growth versus U.S. GDP, 2001 – 2015P



Sources: FMI and League Park Estimates

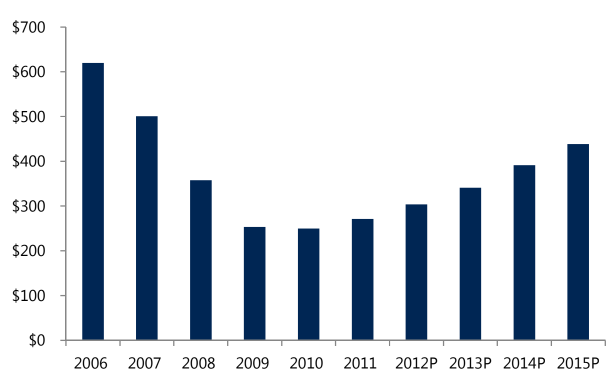
Figure 5: Year-Over-Year Change in Building Permits, 2001 – 2011



Sources: U.S. Census Bureau and League Park Estimates

Figure 3: Value of Residential Construction, 2006 – 2015P

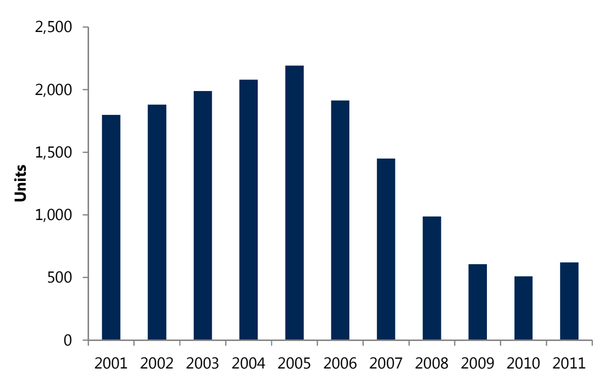
($ in billions)



Sources: FMI and League Park Estimates

Figure 6: Trends in Housing Starts, 2001 – 2011

(Units in 000s)



Sources: FMI, Freedonia, and League Park Estimates

Residential Improvements

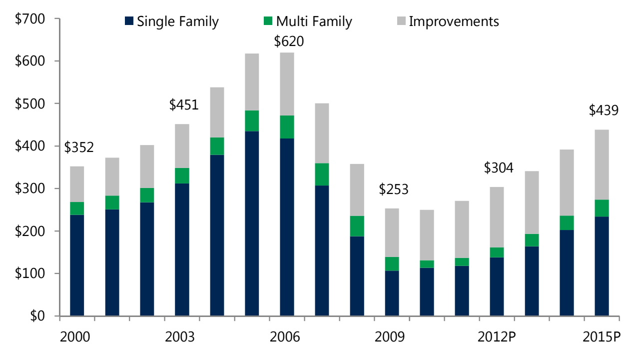
Following similar trends as new housing construction, home improvement data also shows that many homeowners have postponed or cancelled major improvement projects beginning in the latter half of 2006 and continuing through 2010. We believe home improvement expenditures have rebounded as general consumer confidence improved.

The recent decline in the residential markets was also likely exacerbated by the tremendous growth in home equity financing in the mid-2000s. As underlying housing prices escalated, the average consumer built significant home equity, and while some consumers leveraged that equity into remodeling expenditures, much of the incremental financing was used for other goods and services. As evidenced, home improvement expenditures tend to be closely correlated to home equity (i.e., higher housing prices) and periods of contracting equity tend to limit consumers' borrowing capacity and their resultant spending. With the large increase in outstanding home equity lines during a period of falling housing prices, many consumers are sufficiently leveraged in their homes, and are unable or unwilling to continue future spending for larger amounts until the overall real estate market shows signs of sustained improvement.

We also believe the aging baby boom population will provide support to the residential improvement market, as the most affluent generation in U.S. history continues to drive remodeling and second home expenditures. This demographic trend, coupled with the stability provided by the Generation X consumer, has several industry analysts predicting the residential improvement market will continue to improve at a moderate pace. As a result, we believe residential improvement weighted building products companies will experience strengthening demand for the foreseeable future and realize premium valuations in the marketplace.

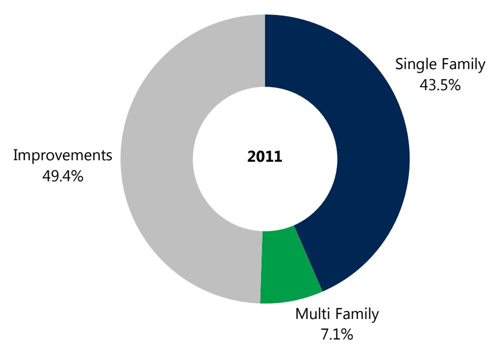
Figure 7: U.S. Residential Spending, 2000 – 2015P

($ in billions)



Sources: FMI and League Park Estimates

Figure 8: U.S. Residential Spending, 2011



Sources: FMI and League Park Estimates

Non-Residential Commercial Construction

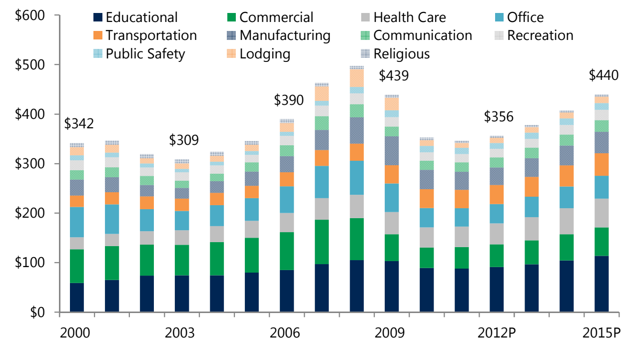
The $350-plus billion non-residential construction sector has shown consistent growth over the past 24 months, and outpaced residential construction growth for the first time since 2000. Key factors facilitating ongoing growth will be:

- Expenditures for the U.S. non-residential buildings construction market are forecasted to reach $450 billion by 2015.
- Increasing student populations should drive 7.4% annual growth in the $185 billion educational building construction market.
- The office and commercial sector is projected to be the fastest growing non-residential construction market with a 14.3% compounded annual growth rate to 2015.

The non-residential construction market relies on fixed investment spending, which is dependent on economic growth, population increases, employment levels, vacancy rates, and manufacturing activity. Therefore, we believe non-residential should continue to do well, albeit at lower growth levels than the mid-2000s, into the future.

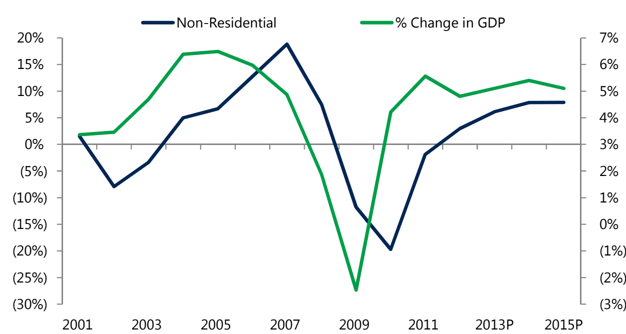
Figure 9: U.S. Non-Residential Construction Spending, 2000 – 2015P

($ in billions)



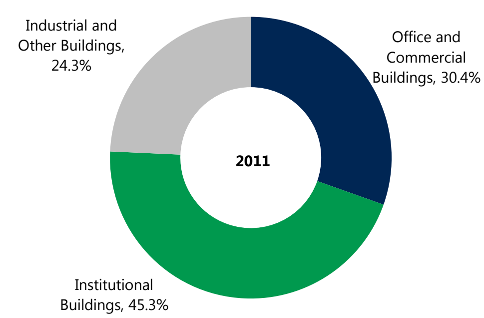
Sources: FMI and League Park Estimates

Figure 10: U.S. Non-Residential Construction Spending versus GDP, 2001 – 2015P



Sources: FMI and League Park Estimates

Figure 11: U.S. Non-Residential Construction Spending, 2011



Sources: Freedonia and League Park Estimates

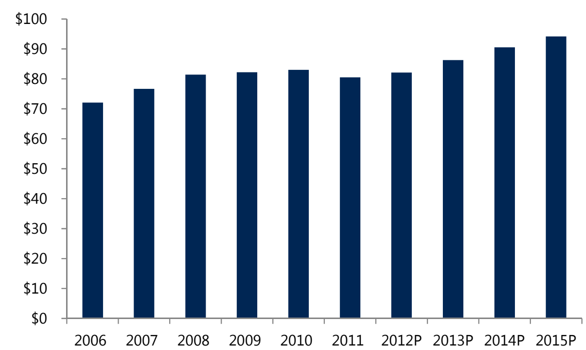
Infrastructure Construction

The outlook for infrastructure construction remains encouraging, principally driven by appropriated funding and energy-related construction. Funding for highway and street projects had been largely driven by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"), an appropriated Federal funding program (43% of total funding) augmented with State funding programs (57% of total funding); however, in general, Federal and State highway and street construction funding is primarily sourced from the Highway User Tax (gasoline tax) that is based on gallons sold. The current Federal tax on gasoline is 18.4 cents and is not indexed to inflation and has not increased since 1993. While states are frequently allowed to temporarily divert this funding to other areas in tight budgetary periods, the recent focus on infrastructure has become a significant political issue, forcing state legislatures to spend more aggressively in areas of transportation and infrastructure. The primary drivers of infrastructure construction are largely insulated from Presidential priorities. In addition, the American Recovery and Reinvestment Act of 2009 also provided funding to bridge the highway bills. While Congress has yet to engage in substantive discussions on the successor to SAFETEA-LU, we believe that the required infrastructure construction will eventually result in a similar bill. The highway bill is currently in its tenth extension; however given the long-term nature of infrastructure projects, multi-year bills are extremely important to enable for proper planning of large long-term construction projects.

In addition to gas tax collections, states have been generating billions in incremental revenue for highway and street construction from the privatization of toll roads. The nascent market for the privatization of roads and bridges in the U.S. is following the shift that began in the 1980s in Europe and Australia. Over the last few years the Chicago Skyway was privatized for $1.8 billion and the Indiana toll road was privatized for approximately $3.8 billion. In addition, Ohio has been considering prioritizing its toll road. Much of the funds generated from these transactions are utilized for other infrastructure investments within the respective geography, providing further funding opportunities. In addition to privatizing existing assets, Chicago has set up the Chicago Infrastructure Trust, which is a vehicle for the city to match public infrastructure needs to private investors on a case-by-case basis. The mayor of Chicago would like to spend $7 billion on projects ranging from streets, to parks, to water systems, to schools, to railroads, and the airport. Given the increased funding dynamics in the U.S., through mounting political pressure, relatively stable state tax revenues, and dollars from privatization transactions, the positive outlook for highway and street construction projects, and associated infrastructure spending remains stable.

Figure 12: Highway and Street Construction, 2006 – 2015P

($ in billions)



Sources: U.S. Census Bureau and League Park Estimates

In addition, the glut of aging bridge structures will also drive construction over the long-term. The development of the Eisenhower Interstate Highway System in the 1950s now results in a number of aging structures that require significant rehabilitation or replacement. In addition, the recent collapse of the Interstate 35W bridge in Minnesota has prompted several members of Congress to propose new federal initiatives targeted at eliminating deficiencies in 43,000 bridges in the U.S. The U.S. DOT estimates that a $32.1 billion investment would be required to repair the 6,175 deficient bridges on the Interstate Highway System alone. The total calculated under investment in the transportation infrastructure runs approximately $94 billion per year. As a result, we remain extremely optimistic about the long-term growth of infrastructure construction.

While certain analysts may argue that (i) higher gas prices are limiting consumer consumption, (ii) slower economic growth will also constrict freight levels, and thus highway trust fund receipts, and (iii) many states faced recent budget shortfalls which may lead to a rebalancing of expenditures, we believe those trends are short-term in nature. While states can delay or slow highway construction spending and maintenance, public pressure and the need to upgrade a dilapidated system will likely lead to substantial investments in highways and general infrastructure.

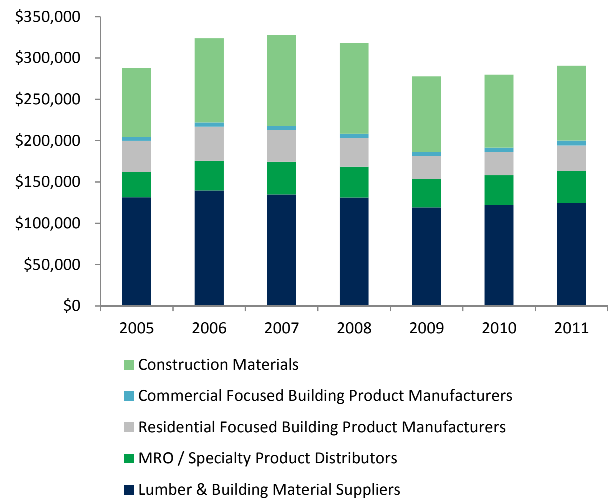
III. Financial Analysis

Despite the soft residential market, calendar 2011 demonstrated mild revenue improvement for building products companies. The mild revenue growth is no surprise as the industry is directly correlated to construction spending, which has benefited from an improving economy and low interest rates. In addition to moderating end market dynamics, certain sectors within the building products industry have also benefited from inflation in unit selling prices.

Revenue growth for building products companies was broad based from 2005 to 2011. In addition, the majority of companies also reported improving profit margins in 2011. The industry appears to have been positively affected by volume improvement, and also by the substantial increase in commodity prices such as oil, copper, and PVC. For example, oil and copper increased by 21.3% and 24.7%, respectively, between the end of 2009 and 2011.

Figure 13: Annual Building Products Revenue – Publicly-Traded Companies, 2005 – 2011

($ in 000s)



Note: Revenue figures are derived from the companies listed in Figure 14
Source: Capital IQ

Figure 14: Industry Financial Analysis

As of June 30, 2012

($ in millions)

							YoY Change			
	Last Twelve Months			LTM Margins			LTM	LTM Margins		
	Revenue	EBIT	EBITDA	Gross	EBIT	EBITDA	Revenue	Gross	EBIT	EBITDA
Lumber & Building Material Suppliers										
Beacon Roofing Supply Inc.	$2,001.3	$134.8	$159.3	23.5%	6.7%	8.0%	16.1%	3.1%	55.2%	41.4%
Bluelinx Holdings Inc.	1,818.5	(10.6)	(0.7)	12.0%	(0.6%)	(0.0%)	5.5%	4.3%	(60.9%)	(95.3%)
Builders FirstSource, Inc.	835.7	(25.6)	(12.4)	20.5%	(3.1%)	(1.5%)	19.9%	3.8%	(51.1%)	(67.0%)
The Home Depot, Inc.	71,380.0	6,953.0	8,621.0	34.5%	9.7%	12.1%	5.0%	0.4%	16.7%	12.5%
Lowe's Companies Inc.	51,176.0	3,888.0	5,466.0	34.4%	7.6%	10.7%	5.3%	(2.3%)	8.0%	4.0%
Universal Forest Products Inc.	1,892.2	31.3	66.9	11.2%	1.7%	3.5%	5.7%	1.1%	171.6%	41.1%
Median	**$1,946.8**	**$83.1**	**$113.1**	**22.0%**	**4.2%**	**5.7%**	**5.6%**	**2.1%**	**12.4%**	**8.3%**
MRO / Specialty Product Distributors										
W.W. Grainger, Inc.	$8,388.0	$1,102.4	$1,236.6	43.6%	13.1%	14.7%	10.2%	2.2%	10.8%	10.9%
Watsco Inc.	3,076.9	203.4	215.6	24.2%	6.6%	7.0%	6.5%	0.1%	13.8%	13.5%
WESCO International Inc.	6,300.4	351.8	378.2	20.2%	5.6%	6.0%	12.3%	0.9%	19.1%	18.9%
Wolseley plc	21,598.3	901.9	1,206.2	27.8%	4.2%	5.6%	2.0%	0.1%	24.2%	10.5%
Median	**$7,344.2**	**$626.8**	**$792.2**	**26.0%**	**6.1%**	**6.5%**	**8.4%**	**1.5%**	**16.4%**	**12.2%**
Residential Focused Building Product Manufacturers										
Acuity Brands, Inc.	$1,915.7	$213.9	$254.0	40.6%	11.2%	13.3%	9.9%	(0.8%)	16.2%	14.1%
American Woodmark Corp.	515.8	(17.1)	0.7	12.9%	(3.3%)	0.1%	14.0%	10.6%	(44.7%)	(105.4%)
Griffon Corporation	1,873.7	75.6	138.8	21.9%	4.0%	7.4%	10.6%	(1.9%)	12.7%	8.7%
Masco Corporation	7,589.0	275.0	530.0	24.3%	3.6%	7.0%	3.1%	2.1%	77.4%	27.7%
Mohawk Industries Inc.	5,707.7	347.8	644.6	25.3%	6.1%	11.3%	5.8%	(2.5%)	5.8%	3.3%
PGT, Inc.	164.7	0.9	13.7	29.2%	0.6%	8.3%	(4.2%)	11.4%	(114.0%)	103.9%
Quanex Building Products Corporation	841.4	4.6	42.8	16.2%	0.6%	5.1%	3.8%	1.6%	(81.5%)	(20.8%)
The Sherwin-Williams Company	9,046.5	820.8	1,002.4	42.6%	9.1%	11.1%	9.3%	(3.0%)	8.0%	6.2%
Simpson Manufacturing Co., Inc.	629.6	78.0	100.5	45.0%	12.4%	16.0%	9.2%	2.2%	6.6%	7.4%
USG Corporation	3,115.0	(44.0)	121.0	8.3%	(1.4%)	3.9%	6.1%	32.7%	(66.2%)	181.4%
Median	**$1,894.7**	**$76.8**	**$129.9**	**24.8%**	**3.8%**	**7.9%**	**7.7%**	**1.9%**	**6.2%**	**8.0%**
Commercial Focused Building Product Manufacturers										
Lennox International, Inc.	$3,318.4	$177.5	$238.0	25.2%	5.3%	7.2%	4.1%	(7.2%)	(6.1%)	(3.2%)
Valmont Industries, Inc.	2,810.9	305.8	380.5	25.5%	10.9%	13.5%	18.9%	1.3%	35.4%	28.2%
Median	**$3,064.6**	**$241.7**	**$309.3**	**25.3%**	**8.1%**	**10.4%**	**11.5%**	**(3.0%)**	**14.7%**	**12.5%**
Construction Materials										
CEMEX, S.A.B. de C.V.	$14,397.9	$982.3	$2,254.3	28.2%	6.8%	15.7%	7.6%	1.2%	33.8%	10.7%
CRH plc	22,920.7	1,104.1	2,072.6	27.1%	4.8%	9.0%	2.3%	(3.8%)	14.9%	5.2%
Eagle Materials Inc.	495.0	21.2	71.3	8.2%	4.3%	14.4%	9.7%	56.9%	253.8%	29.5%
Granite Construction Incorporated	2,063.0	78.9	139.1	11.8%	3.8%	6.7%	12.8%	8.1%	144.8%	37.3%
Holcim Ltd.	21,997.0	2,470.1	4,177.4	43.1%	11.2%	19.0%	(0.2%)	1.1%	(0.5%)	(2.8%)
Lafarge S.A.	19,561.4	2,736.9	4,024.8	23.9%	14.0%	20.6%	(5.8%)	(3.0%)	(6.1%)	(8.3%)
Martin Marietta Materials Inc.	1,779.9	156.0	330.6	10.1%	8.8%	18.6%	9.3%	(5.3%)	(15.3%)	(8.6%)
MDU Resources Group Inc.	4,001.5	399.4	743.5	22.9%	10.0%	18.6%	0.0%	(1.9%)	(6.3%)	(2.5%)
Monarch Cement Co.	132.7	1.0	12.9	13.0%	0.7%	9.7%	12.7%	31.4%	(121.8%)	84.2%
Texas Industries Inc.	648.2	(50.7)	12.0	3.7%	(7.8%)	1.9%	4.2%	(9.8%)	(0.8%)	(9.0%)
United States Lime & Minerals, Inc.	145.5	32.2	46.2	37.7%	22.1%	31.8%	11.1%	0.1%	17.4%	12.0%
US Concrete Inc.	531.0	(3.8)	14.6	12.8%	(0.7%)	2.7%	15.8%	(0.9%)	(60.6%)	18.8%
Vulcan Materials Company	2,613.2	33.0	389.3	12.0%	1.3%	14.9%	3.8%	11.2%	(161.6%)	21.8%
Median	**$2,063.0**	**$78.9**	**$330.6**	**13.0%**	**4.8%**	**14.9%**	**7.6%**	**0.1%**	**(0.8%)**	**10.7%**

Source: Capital IQ

IV. Valuation Metrics

Publicly-traded commercial building product manufacturers and construction materials companies outperformed the broader equity market (i.e., S&P 500 Index) over the past two years, buoyed by strong outlook of end market fundamentals for the residential and non-residential markets. Over the same period, not surprisingly the residential focused building products companies outperformed the broad equity markets. As illustrated in Figure 16, the equity markets are beginning to rebound since 2009, most industry groups were close to, or above, the performance of the broader index.

Valuation multiples for building products companies continued to remain stable or improved throughout 2011, exemplifying the market's belief that the bottom of the residential market is past. The median EBITDA multiple for the various subsectors of building products companies ranged between 8.3x and 13.9x. Several of the current valuation levels exceeded the period reviewed, which is based on the strong outlook. The improvement in EBITDA multiples was broad-based within the construction materials and lumber and building material suppliers residential and commercial sectors.

Figure 17 depicts valuation analysis of select companies in the building products market. On average, MRO/specialty product distributors, commercial focused building product manufacturers, and construction materials companies tend to receive higher valuations in the public markets in comparison to other building products companies. We believe that the public markets currently place a higher value on the consistency of earnings and stable end markets of MRO/specialty product distributors and construction materials companies, and their underlying fundamentals compared to other building products (i.e., barriers to entry, annuity-like cash flow, long-term asset base, etc.). Commercial focused building products manufacturers are continuing to experience continued strength in their end markets, and accordingly, are enjoying relatively high valuations from a historical standpoint. Additionally, it should be noted that companies in the building products industry generally garner higher valuation multiples than most industrial companies. Most likely the aforementioned phenomenon is due to the relatively stable long-term growth in the large infrastructure, residential, and non-residential construction markets, and the general overall size and scale of the various end markets.

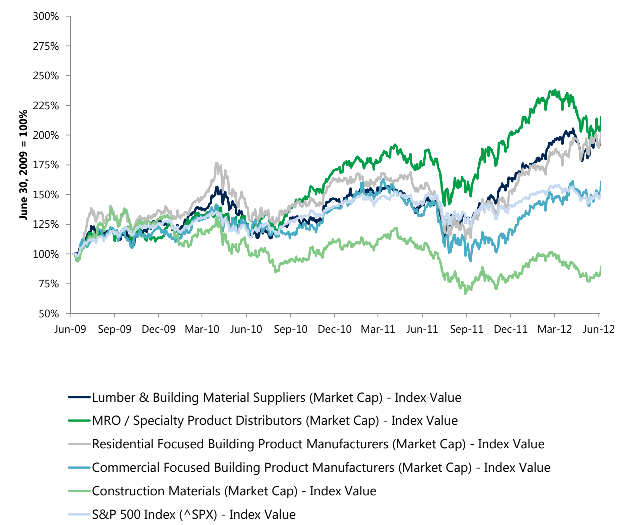
Figure 15: Relative Stock Price Performance

As of June 30, 2012

	Price as of 06/30/12	52 Week High	52 Week Low	% of High
Lumber & Building Material Suppliers				
Beacon Roofing Supply Inc.	$25.29	$27.60	$14.59	91.6%
Bluelinx Holdings Inc.	2.31	2.89	1.25	79.9%
Builders FirstSource, Inc.	4.88	4.95	1.01	98.6%
The Home Depot, Inc.	52.65	53.28	28.13	98.8%
Lowe's Companies Inc.	28.16	32.29	18.07	87.2%
Universal Forest Products Inc.	38.51	39.62	22.91	97.2%
Median	**$26.73**	**$29.95**	**$16.33**	**94.4%**
MRO / Specialty Product Distributors				
W.W. Grainger, Inc.	$187.55	$221.84	$124.33	84.5%
Watsco Inc.	73.51	75.64	50.45	97.2%
WESCO International Inc.	57.34	68.19	31.08	84.1%
Wolseley plc	37.53	40.67	21.72	92.3%
Median	**$65.43**	**$71.92**	**$40.77**	**88.4%**
Residential Focused Building Product Manufacturers				
Acuity Brands, Inc.	$57.14	$64.82	$33.13	88.2%
American Woodmark Corp.	17.01	19.87	10.88	85.6%
Griffon Corporation	8.44	11.40	6.66	74.0%
Masco Corporation	13.91	14.68	6.60	94.8%
Mohawk Industries Inc.	69.72	75.44	39.93	92.4%
PGT, Inc.	2.90	3.05	0.98	95.1%
Quanex Building Products Corporation	17.88	19.10	10.01	93.6%
The Sherwin-Williams Company	130.30	133.97	69.47	97.3%
Simpson Manufacturing Co., Inc.	28.38	35.23	23.43	80.6%
USG Corporation	19.38	19.44	5.75	99.7%
Median	**$18.63**	**$19.66**	**$10.45**	**93.0%**
Commercial Focused Building Product Manufacturers				
Lennox International, Inc.	$45.80	$46.78	$24.37	97.9%
Valmont Industries, Inc.	120.59	128.40	73.00	93.9%
Median	**$83.19**	**$87.59**	**$48.69**	**95.9%**
Construction Materials				
CEMEX, S.A.B. de C.V.	$6.65	$8.34	$2.18	79.8%
CRH plc	19.45	21.46	13.03	90.6%
Eagle Materials Inc.	38.03	38.09	15.36	99.8%
Granite Construction Incorporated	25.85	30.49	16.92	84.8%
Holcim Ltd.	55.24	67.74	44.43	81.5%
Lafarge S.A.	44.55	54.00	28.25	82.5%
Martin Marietta Materials Inc.	78.38	90.57	59.93	86.5%
MDU Resources Group Inc.	21.85	23.28	18.00	93.9%
Monarch Cement Co.	22.00	28.50	20.50	77.2%
Texas Industries Inc.	39.54	42.74	21.89	92.5%
United States Lime & Minerals, Inc.	47.77	67.40	37.31	70.9%
US Concrete Inc.	5.01	8.78	1.90	57.1%
Vulcan Materials Company	39.12	48.09	25.06	81.3%
Median	**$38.03**	**$38.09**	**$20.50**	**82.5%**

Source: Capital IQ

Figure 16: Relative Stock Price Performance, June 2009 – June 2012



Sources: Capital IQ

Valuation Metrics

Figure 17: Industry Valuations

As of June 30, 2012
($ in millions)

	6/30/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Lumber & Building Material Suppliers										
Beacon Roofing Supply Inc.	8.2x	8.7x	10.4x	7.2x	7.6x	7.6x	9.2x	12.4x	15.6x	nm
Bluelinx Holdings Inc.	nm	nm	nm	nm	nm	11.0x	7.4x	8.9x	6.7x	nm
Builders FirstSource, Inc.	nm	nm	nm	nm	nm	6.4x	4.5x	7.4x	nm	nm
The Home Depot, Inc.	10.0x	9.1x	9.1x	8.2x	6.3x	5.6x	7.5x	8.3x	10.3x	10.3x
Lowe's Companies Inc.	7.0x	7.1x	7.4x	7.7x	6.2x	6.0x	7.8x	10.0x	10.7x	12.1x
Universal Forest Products Inc.	12.4x	12.6x	10.4x	8.3x	10.4x	6.0x	5.6x	8.2x	8.4x	7.3x
Median	**9.1x**	**8.9x**	**9.7x**	**7.9x**	**6.9x**	**6.2x**	**7.5x**	**8.6x**	**10.3x**	**10.3x**
MRO / Specialty Product Distributors										
W.W. Grainger, Inc.	10.6x	11.5x	10.3x	8.9x	6.9x	9.2x	8.2x	10.0x	10.9x	9.1x
Watsco Inc.	11.3x	11.5x	11.8x	17.2x	9.4x	9.0x	9.4x	15.0x	11.2x	10.2x
WESCO International Inc.	7.9x	8.5x	12.7x	7.3x	4.8x	7.1x	8.5x	12.7x	10.4x	8.0x
Wolseley plc	9.0x	8.9x	10.5x	7.2x	5.8x	7.1x	10.1x	10.4x	9.4x	9.8x
Median	**9.8x**	**10.2x**	**11.2x**	**8.1x**	**6.3x**	**8.0x**	**9.0x**	**11.5x**	**10.7x**	**9.5x**
Residential Focused Building Product Manufacturers										
Acuity Brands, Inc.	8.6x	10.2x	12.6x	7.8x	4.7x	7.1x	10.7x	9.9x	9.5x	9.6x
American Woodmark Corp.	nm	nm	nm	22.3x	12.0x	5.4x	5.9x	4.8x	7.9x	5.7x
Griffon Corporation	7.4x	7.4x	14.9x	8.9x	6.8x	7.0x	8.0x	7.7x	6.4x	6.6x
Masco Corporation	13.6x	16.2x	11.6x	16.5x	7.1x	7.6x	8.1x	8.4x	9.8x	9.5x
Mohawk Industries Inc.	9.0x	8.7x	10.6x	12.8x	5.7x	6.8x	8.0x	8.7x	9.2x	8.7x
PGT, Inc.	13.8x	12.7x	10.6x	11.5x	4.5x	6.9x	9.3x	nm	nm	nm
Quanex Building Products Corporation	13.4x	8.3x	7.9x	14.5x	5.1x	6.6x	4.1x	3.8x	8.2x	6.9x
The Sherwin-Williams Company	14.3x	10.9x	10.9x	8.6x	7.4x	7.5x	8.9x	8.0x	9.1x	8.0x
Simpson Manufacturing Co., Inc.	11.5x	13.8x	12.8x	16.8x	9.3x	7.0x	7.5x	9.7x	11.1x	10.2x
USG Corporation	nm	nm	nm	nm	nm	8.1x	5.8x	2.3x	1.7x	3.0x
Median	**12.5x**	**10.5x**	**11.3x**	**12.8x**	**6.8x**	**7.0x**	**8.0x**	**8.0x**	**9.1x**	**8.0x**
Commercial Focused Building Product Manufacturers										
Lennox International, Inc.	11.1x	8.9x	10.8x	10.7x	6.2x	7.8x	9.9x	8.4x	6.5x	6.3x
Valmont Industries, Inc.	8.4x	8.0x	11.2x	7.4x	7.3x	13.9x	11.3x	8.6x	9.2x	7.8x
Median	**9.8x**	**8.5x**	**11.0x**	**9.1x**	**6.7x**	**10.8x**	**10.6x**	**8.5x**	**7.8x**	**7.1x**
Construction Materials										
CEMEX, S.A.B. de C.V.	14.0x	12.0x	12.3x	9.9x	6.0x	6.3x	8.1x	8.6x	6.3x	7.1x
CRH plc	8.1x	9.7x	9.4x	8.7x	5.5x	6.8x	9.7x	9.2x	8.7x	8.0x
Eagle Materials Inc.	nm	17.8x	15.6x	10.8x	8.0x	6.8x	6.1x	9.5x	9.5x	9.0x
Granite Construction Incorporated	5.4x	6.5x	10.6x	5.0x	5.6x	5.9x	9.0x	8.5x	8.8x	5.9x
Holcim Ltd.	7.7x	7.6x	8.0x	7.7x	5.6x	6.7x	7.5x	8.4x	6.5x	7.1x
Lafarge S.A.	7.3x	7.2x	8.5x	8.4x	6.1x	7.7x	7.9x	8.0x	7.2x	7.8x
Martin Marietta Materials Inc.	12.8x	12.9x	14.0x	11.7x	10.3x	11.6x	10.9x	9.8x	9.4x	9.9x
MDU Resources Group Inc.	7.1x	6.9x	6.9x	7.2x	5.3x	7.3x	7.5x	7.7x	7.4x	7.1x
Monarch Cement Co.	8.0x	12.1x	8.6x	3.8x	3.1x	4.9x	3.7x	6.1x	5.0x	6.1x
Texas Industries Inc.	nm	nm	nm	13.8x	9.3x	14.6x	12.0x	4.4x	6.6x	20.2x
United States Lime & Minerals, Inc.	6.7x	8.3x	6.8x	7.9x	5.3x	8.2x	8.5x	9.0x	5.7x	5.9x
US Concrete Inc.	8.4x	6.0x	nm	nm	nm	5.8x	8.3x	10.1x	8.8x	8.5x
Vulcan Materials Company	18.2x	25.2x	22.2x	15.9x	13.0x	8.5x	10.5x	10.9x	9.0x	9.6x
Median	**8.0x**	**9.0x**	**9.4x**	**8.5x**	**5.8x**	**6.8x**	**8.3x**	**8.6x**	**7.4x**	**7.8x**

Source: Capital IQ

Valuation Trends

Recent public valuation multiples for building products companies have shown appreciation since the last construction cycle that ended in 2010. Since 2010, building products companies have been focused on minimizing their exposure to commodity prices and garnering market share, including some companies that heretofore were not aggressive acquirers, but are highly interested in continuing vertical integration initiatives to consolidate the supply chain. In addition to strategic buyers, private equity firms continue to evidence a strong interest in acquiring building products companies given current valuations that compare favorably with historical results and projected expectations. Key traits that have attracted private equity firms to the building products space are reasonable valuations (in reference to historical standards), a likely rebound in residential construction in the foreseeable future, high degree of fragmentation, and its likely consolidation by large global strategic acquirers at the time of exit (i.e., known buyers and potential multiple/valuation expansion). Overall, we believe that owners of building products companies have the opportunity to realize reasonable valuations in the current industry environment. However, most senior and subordinated cash flow lenders view the entire building products industry as anathema in the current market, which can pose challenges for private equity groups to pay high valuation multiples. In addition, as the public markets put pressure on companies to grow, it is anticipated that this will inherently create competition for acquisitions and the likelihood for higher valuations.

Figure 18: Strategic and Financial Valuation Drivers

Strategic Buyer - Valuation Drivers
• Leading Market Position
• Vertical Integration
• Strong Asset Base
• Channel Diversification
• Product Line Extension
• End Market Diversification

Financial Buyer - Valuation Drivers
• Customer Diversification
• Leading Market Position
• Niche Product or Market
• Geographic Diversification
• Market Fragmentation
• High Free Cash Flow
• Product Conversion
• Management Talent

Source: League Park Estimates

Valuation Metrics

Figure 19: Trends in Industry Valuations

As of June 30, 2012

	Market Cap	Enterprise Value*	Total Debt / LTM EBITDA	Total Debt / Capital	Enterprise Value / LTM Revenue	Enterprise Value / LTM EBIT	Enterprise Value / LTM EBITDA
Lumber & Building Material Suppliers							
Beacon Roofing Supply Inc.	$1,160.3	$1,310.7	2.0x	27.7%	0.7x	9.7x	8.2x
Bluelinx Holdings Inc.	144.6	587.5	nm	nm	0.3x	nm	nm
Builders FirstSource, Inc.	368.6	536.8	nm	nm	0.6x	nm	nm
The Home Depot, Inc.	78,523.0	86,157.0	1.3x	13.8%	1.2x	12.4x	10.0x
Lowe's Companies Inc.	31,677.3	38,055.3	1.8x	30.3%	0.7x	9.8x	7.0x
Universal Forest Products Inc.	731.3	828.0	1.4x	12.4%	0.4x	26.4x	12.4x
Median	**$945.8**	**$1,069.4**	**1.6x**	**20.7%**	**0.6x**	**11.1x**	**9.1x**
MRO / Specialty Product Distributors							
W.W. Grainger, Inc.	$12,874.7	$13,151.9	0.4x	4.1%	1.6x	11.9x	10.6x
Watsco Inc.	2,204.9	2,433.3	0.2x	1.9%	0.8x	12.0x	11.3x
WESCO International Inc.	2,393.6	2,993.9	1.8x	27.7%	0.5x	8.5x	7.9x
Wolseley plc	9,970.9	10,824.4	1.2x	14.0%	0.5x	12.0x	9.0x
Median	**$6,182.3**	**$6,909.1**	**0.8x**	**9.1%**	**0.6x**	**11.9x**	**9.8x**
Residential Focused Building Product Manufacturers							
Acuity Brands, Inc.	$2,056.8	$2,182.0	1.4x	17.2%	1.1x	10.2x	8.6x
American Woodmark Corp.	238.6	196.6	37.3x	10.3%	0.4x	nm	nm
Griffon Corporation	492.7	1,033.1	5.1x	nm	0.6x	13.7x	7.4x
Masco Corporation	4,376.3	7,197.3	8.3x	nm	0.9x	26.2x	13.6x
Mohawk Industries Inc.	4,377.0	5,771.9	2.6x	38.8%	1.0x	16.6x	9.0x
PGT, Inc.	157.3	188.7	3.3x	28.9%	1.1x	nm	13.8x
Quanex Building Products Corporation	625.3	572.7	0.0x	0.2%	0.7x	nm	13.4x
The Sherwin-Williams Company	13,016.0	14,312.3	1.3x	10.2%	1.6x	17.4x	14.3x
Simpson Manufacturing Co., Inc.	1,314.0	1,157.7	0.0x	0.3%	1.8x	14.8x	11.5x
USG Corporation	1,697.6	3,457.6	nm	nm	1.1x	nm	nm
Median	**$1,505.8**	**$1,669.9**	**2.6x**	**10.3%**	**1.1x**	**15.7x**	**12.5x**
Commercial Focused Building Product Manufacturers							
Lennox International, Inc.	$2,162.4	$2,632.5	2.2x	24.3%	0.8x	14.8x	11.1x
Valmont Industries, Inc.	3,012.0	3,214.6	1.3x	16.2%	1.1x	10.5x	8.4x
Median	**$2,587.2**	**$2,923.5**	**1.7x**	**20.2%**	**1.0x**	**12.7x**	**9.8x**
Construction Materials							
CEMEX, S.A.B. de C.V.	$6,435.6	$31,597.9	7.5x	nm	2.2x	nm	14.0x
CRH plc	12,161.6	16,817.8	3.0x	51.9%	0.7x	15.2x	8.1x
Eagle Materials Inc.	1,474.4	1,734.8	3.7x	18.1%	3.5x	nm	nm
Granite Construction Incorporated	872.0	753.6	1.7x	27.4%	0.4x	9.6x	5.4x
Holcim Ltd.	16,929.7	32,053.0	3.6x	89.7%	1.5x	13.0x	7.7x
Lafarge S.A.	11,622.4	29,306.1	4.7x	nm	1.5x	10.7x	7.3x
Martin Marietta Materials Inc.	3,112.5	4,242.9	3.4x	36.5%	2.4x	27.2x	12.8x
MDU Resources Group Inc.	3,946.6	5,289.7	1.9x	36.0%	1.3x	13.2x	7.1x
Monarch Cement Co.	87.5	103.1	1.3x	18.8%	0.8x	nm	8.0x
Texas Industries Inc.	968.4	1,595.7	NM	67.6%	2.5x	nm	nm
United States Lime & Minerals, Inc.	290.3	309.0	0.8x	12.0%	2.1x	9.6x	6.7x
US Concrete Inc.	59.9	122.1	4.6x	nm	0.2x	nm	8.4x
Vulcan Materials Company	4,465.2	7,088.5	7.2x	63.0%	2.7x	nm	18.2x
Median	**$3,112.5**	**$4,242.9**	**3.5x**	**36.2%**	**1.5x**	**13.0x**	**8.0x**

** Enterprise Value includes Preferred Equity and Cash*

Source: Capital IQ

V. M&A Trends

Demographics

Although residential construction has undergone a tough few years, we continue to remain bullish on the sector due to overwhelmingly favorable demographic trends including immigration, the migrating population, and mass affluence, all of which are anticipated to be primary long-term drivers.

From 2000 – 2010, the U.S. Census reported 1.35 million average new households per year, the majority of which were the direct result of immigration. Historically, home ownership remains in the single digits for immigrants in their first ten years in the U.S. and then jumps to over 50% in their second ten years. We believe this dynamic will continue to drive demand for residential construction as immigrants continue to be a large pool of first time house buyers. Since immigrants average lag between entry and home ownership is 11-13 years, the majority of immigrants that entered the U.S. in the late 1990s and early 2000s have yet to buy their first home. This large pool of first time house buyers is anticipated to drive long-term demand for residential construction in the Southwest and Southeast, regions that have historically attracted large pools of immigrants.

Although a Federal Immigration Bill has yet to pass, a modified bill that provides a path to legal status for some 12 million immigrants and benefits employers and immigrants through a guest-worker program will likely be adopted at some point in the future. Several opponents have argued that it would unfairly confer amnesty on illegal aliens and do too little to make the borders safer; however, it is highly unlikely that the Federal government would bear the cost of locating the millions of illegal immigrants and send them back to their respective county of origin. As a result, we believe immigrants will continue to be a large pool of first time house buyers and a long-term driver of residential construction in the U.S., potentially at levels consistent with the most recent residential boom of 2000-2006.

In addition to immigration, the U.S. population continues to migrate to the Southeastern and Southwestern portions of the U.S. This migration will not only drive residential construction, but as the populations continue to swell, greater demand will also be placed on non-residential and infrastructure resources.

Consequently, building products companies that have an established presence within these high growth regions are likely to continue to garner premium valuations in the marketplace. For companies within low growth regions, it is likely they will be pressured to consolidate their existing market to garner operating efficiencies and pricing power or make acquisitions within higher growth markets.

There has also been a trend towards mass affluence, where consumers are no longer acquiring more of the same basic mass-market product, but are consuming higher-end/semi-luxury goods in mass quantities. We should note that the trend of mass affluence is more likely to influence value over volume. For example, consumers within the mass affluence category are more likely to utilize granite countertops over basic laminate sheet and decorative satin nickel pulls over basic brass. We believe that building products companies that are well positioned to capture this segment of the market will be extremely desirable acquisition candidates and will garner premium valuations.

We believe consolidators within the building products industry will utilize the current slowdown in the residential construction market to continue to make strategic acquisitions that position them to disproportionately benefit from the positive long-term demographic trends in the U.S.

Disintermediation and Conversion

As consolidation continues across the entire building products supply chain, and companies enhance their respective product offerings and services, many believe that disintermediation of distributors will become more prevalent. For example, as pro-dealers continue to consolidate the marketplace and enhance their installation capabilities, commodity contractors and distributors may become disintermediated as end-users will come to require those services. The assertion is that as customers and manufacturers continue to increase in size, it will become economical for customers to directly source materials and services from manufacturers or pro-dealers. We believe that disintermediation is an issue for select portions of the supply chain, but not for the majority. For example, distributors of commodity products provide limited value for high volume commodity items that can easily be sourced by a large end-user (i.e., national homebuilder) directly from a manufacturer. In addition, within a two-step (master) distribution environment, the second layer of distributors may begin to efficiently source products directly from the manufacturer, effectively eliminating the master distributor.

Overall, we believe it is unlikely that widespread disintermediation will occur for the majority of participants in the building products supply chain. Select characteristics of building products that will inhibit disintermediation are:

- Significant warehousing resources;
- Diversified product offering;
- Unique value-added services such as design and engineering support; and/or
- Broad-array of low volume, low-value products.

Given the aforementioned characteristics, we believe it would be cost prohibitive for many end-users to replicate the services akin to numerous building product suppliers, as the infrastructure costs for a single user are exorbitant. Similarly, we also believe it would be cost-prohibitive for manufacturers to provide similar services, as the national infrastructure and managerial costs for a single producer are excessive. As a result, broad-based disintermediation within the building products supply chain is remote, as it is cost-prohibitive for the majority of manufacturers, suppliers, and end-users to circumvent one another. We believe this will continue to contribute to the attractiveness of acquisitions of value-added building products distribution companies, where scale and scope can only lead to enhanced margins.

Although we deem disintermediation within the building products supply chain to be limited in nature, we believe that product conversion is both a risk and opportunity for manufacturers. For example, synthetic products that replicate stone continue to garner incremental market share over some natural stone products, and other synthetics have replaced wood in some applications (i.e., columns, moldings, and decking). Advances in technology will continue to drive the growing acceptance of products that mimic the look of "natural" products, have superior performance characteristics, and are significantly less expensive. In addition, many of these products employ eco-friendly inputs or manufacturing processes that over time may resonate with a segment of the population. As a result, companies whose products have product conversion risk may have significantly fewer M&A options and will realize discounted valuations in the market, while those that employ these technologies and market product should achieve strong valuation multiples.

Implications of Eco-Friendly Production

We believe the approximate $39.0 billion green building products market is positioned at a unique positive inflection point as the U.S. population:

- Continues to face unprecedented concern over rising energy prices and emissions;
- Seeks to improve indoor air quality through low toxicity finishes and materials;
- Requests sustainably harvested, recycled, or highly durable products that help protect our natural ecosystems; and/or
- Focuses on efficiency to conserve resources.

These issues are anticipated to translate into accelerating sales and market penetration for green building products within the residential and non-residential construction markets, and an increasing number of companies that realize the benefits (both marketability and actual margins) of green building. In addition, many of these products fall under "smart technologies" selling, which is a growing trend in both new construction and remodels (i.e., motion sensors for lighting).

Unlike other previous innovations in building products, the adoption of green building products in the residential market may initially be driven by end consumers pulling the products through the supply chain rather than building codes pushing product usage. Notable examples include (i) the expansion of Home Depot's "Eco Options" product lines and its corresponding increase in advertising of environmentally friendly products, (ii) the increased demand for energy efficient fluorescent light bulbs, and (iii) greater demand for Energy Star rated products that help reduce heating and cooling costs, carbon dioxide emissions, and energy consumption. Additionally, within select regions, diminishing natural resources are forcing manufacturers to increase their recycling efforts. For example, numerous construction materials companies in California and Florida have implemented recycling programs to crush existing concrete and asphalt that can be reused as aggregate.

McGraw-Hill estimates that 3% ($7.6 billion) of the residential construction market was green in 2010; however, a recent McGraw-Hill survey of national homebuilders estimated that between 40% and 50% of homes built in 2010 were green. We believe a driving force behind the anticipated rapid adoption of green homes is that 85% of green home buyers said they were more satisfied with their new green homes than with their previous traditionally-built home. In addition to new construction, the home improvement market is an opportunity for the utilization of green building products. The McGraw-Hill survey also found that approximately 40% of home owners that recently completed a remodeling or renovation utilized green building products. The success has yet to be clearly defined; Home Depot carries approximately 3,500 items with the green label, which shows effective merchandising and growing consumer acceptance and demand. Given this rapidly expanding market opportunity, nearly all manufacturers of building products are looking to enhance their green product offering.

However, consumers still require the product to provide value in the long-term. According to a recent NPD Group survey, 77% of consumers believe long-term savings are very important or extremely important regarding environmentally friendly products – an initial price premium is acceptable as long as the long-term savings are evident. The same survey also provided interesting perspective on demographics within the eco-building products space – consumers in the sub-$60,000 per year income bracket place a higher importance on eco-friendly products across numerous categories. Many of these same respondents are in the Generation Y category, which is expected to contribute greatly to a residential market resurgence, which bodes well for eco-friendly building products in general.

While public opinion and environmental responsibility are important elements that are driving the usage of green building products in residential construction, we believe cost will continue to be the primary determinant for the utilization of green building products in non-residential construction applications. Recent research indicates that there is no significant increase in average cost for a green building compared to a non-green building. As building owners increasingly assess the total life-cost of the structure over the initial installed cost, green buildings will continue to capture incremental share, which will drive the usage of green building products. In addition, progressive design and E&C firms will also be key drivers of green building products by educating building owners of the economic, health, and environmental advantages of green buildings. In particular, adherence to the Leadership in Energy and Environmental Design ("LEED") Green Building Rating System, developed by the U.S. Green Building Council, which provides a suite of standards for environmentally sustainable construction, is a critical element to many architects in their building design.

We believe green building products will become more and more prevalent and manufacturers that are able to develop a portfolio of green building products will have superior organic growth opportunities that will provide premium valuations in the market.

Globalization

We anticipate globalization will have a bifurcated impact on the U.S. building products industry. Many building products companies will experience limited effects of offshore competition due to their products' high levels of customization, short lead-times, high service requirements, and relatively high shipping costs. Examples of these types of products would include windows, doors, and cabinetry. To the contrary, low value commodity products will continue to experience significant pressure from low cost foreign manufacturers as distributors and retailers continue to leverage their highly efficient global supply chains. However, the majority of commodity-like manufacturers has already begun global sourcing operations, and in many cases has already sourced from China, India, Mexico, and other lower-cost locales for an extended period. In addition to distributors and retailers, domestic manufacturers will increasingly source commodity component products (e.g., cabinet hardware or locksets) from low cost foreign producers in an effort to drive profitability.

Given manufacturers of commodity products will likely continue to experience downward pressure on margins, we believe that this dynamic will continue to drive consolidation of non-branded, low-value products. Inversely, we believe that manufacturers that contain one or more of the following traits – branded products, highly customized products, short production lead-times, high service requirements, and high shipping costs – will continue to maintain a defensible domestic market position and realize premium valuations. Additionally, these manufacturers will also drive their profitability through global component sourcing initiatives, which will enhance their overall profitability and valuations.

Recent M&A Activity

The pace of M&A activity in the building products industry remained modest throughout 2011 and 2012 with relatively strong valuations. Approximately 85 transactions were reported in 2011, down 35% from 2010. The total M&A value for 2011 building products companies approximated $3.8 billion.

The most active acquirers were larger, strategic companies that sought to (i) strengthen a regional market; (ii) expand their geographic footprint; or (iii) expand/enter a new product line. Additionally, 2011 saw numerous transactions from financial acquirers, with a 40% increase over 2010.

Although deal volume declined in 2011, we believe many companies were waiting for a clear sign of a rebound before contemplating a sale transaction. The trend towards acquiring residential building product manufacturing companies should continue due to strong interest in the buyer community based on the long-term positive industry fundamentals, combined with the perception of multiple arbitrage based on current valuation levels.

Strategic Acquirers

We believe the fundamental motivation for strategic M&A activity will continue to remain robust, which is driven by the industry's high degree of fragmentation and the resultant revenue and cost synergies to be gained via consolidation. Strategic buyers look to leverage their improving balance sheets and market valuations to effectuate acquisitions. The fundamental rationale for completing these acquisitions includes:

- Geographic/International Expansion: An enhanced geographic coverage limits a company's exposure to regional specific cycles and augments its growth opportunities.
- Product Line Extension: A more robust product offering allows a company to leverage its distribution systems and supplier and customer relationships.
- Vertical Integration: Down or upstream integration enables companies to provide customers turnkey solutions or provides the company with a captive material supply.
- Market Position: Increased share creates a more defensible market position.
- Enhanced Profitability: Companies are able to leverage their scale through more efficient sourcing and better utilization of overhead expenses.

We believe strategic consolidators will continue to make acquisitions at a steady pace for the foreseeable future. We also anticipate that residential focused companies will be on an aggressive acquisition search in the near-term. Residential focused companies will look to show the "street" growth, enhance their market share, reposition their businesses for a rebound in the residential construction market, and frankly look to take advantage of a buyers' market. However, unless private ownership (e.g., estate planning) or balance sheet issues force a transaction, the average owner of a residential focused building products company will wait for the next market up cycle to take hold. We believe non-residential and infrastructure focused building products companies will continue to experience significant interest due to their long-term growth prospects, and thus will command strong multiples.

Private Equity Acquirers

We believe the building products industry continues to be an attractive sector for many private equity firms, primarily due to a positive long-term outlook, high degree of fragmentation, and available exit opportunities. The high degree of fragmentation in the building products industry provides many opportunities for private equity firms to acquire platform investments and then grow the business to a larger scale through add-on acquisitions, in many cases at a lower valuation than the initial platform (due to size and market position).

As a class of financial investors, private equity groups typically make an investment with varied exit alternatives, including a sale or public offering. Due to the continued industry consolidation, a financial investor in the building products industry can usually rely on a sale to a strategic buyer as a likely exit scenario. We believe that the current acquisition strategies of large building products companies adds more strategic parties to the M&A market and strengthens sale possibilities. In conjunction with a sound exit strategy, private equity firms also have the opportunity to create value through multiple expansions. If a private equity firm transitions its investment from a small niche company into a dominant player, it may realize more value, since larger companies are commonly worth more due to greater (i) market share and pricing power; (ii) purchasing leverage; (iii) customer diversification; and (iv) perceived management talent.

Key company specific elements that private equity investors desire in their investments include: (i) defensible market position with barriers to entry; (ii) limited cyclicality; (iii) leveragable balance sheet or cash flows; (iv) limited maintenance capital expenditure requirements; and (v) strong and visible exit alternatives. Building products companies with the aforementioned traits will experience significant interest from private equity investors, which may provide their owners with a broad array of liquidity alternatives in a sale process. In addition, building products companies with a portfolio of eco-friendly products or product conversion opportunities will be highly attractive to private equity buyers.

VI. 2012/2013 Expectations

Although the domestic building products industry is relatively mature and tied to overall economic activity, the industry remains fragmented and possesses meaningful long-term growth fundamentals. In an effort to properly position themselves, we believe many of the strategic buyers will continue to consummate acquisitions. In addition to generating financial growth, League Park believes additional factors will also drive consolidation, such as the desire to (i) vertically integrate; (ii) extend product lines; (iii) expand capabilities; and (iv) enter new geographic markets for diversification. We also believe that the strategics will be aggressively targeting companies with a strong green offering.

Overall, League Park expects the consolidators to increase their acquisition activity in 2012 and 2013. In general, these consolidators have strengthened their balance sheets over the last few years and have ample liquidity ($5.9 billion of cash and $2.2 billion of annual cash flow) to pursue acquisitions. Many of these consolidators have targeted the U.S. as part of their defined growth strategy, which should create a very favorable M&A environment. Within less capital-intensive sectors of the industrial and building products industries, private equity firms have also begun to become more interested and competitive, which provides another liquidity alternative for owners of private businesses. Due to the improving market environment, signs of returning industry valuations, and strong M&A interest by global strategic acquirers and private equity groups, League Park believes that owners of building companies will have numerous options to consider in 2012 and beyond.

League Park Overview

League Park is a boutique investment bank that professionally and ethically advises clients on strategies aimed to maximize shareholder value. We assist middle market companies with transactions that generate value through mergers and acquisitions, recapitalizations, capital raising, and outsourced corporate development.

Whatever the transaction, our clients receive specialized attention from senior bankers at every step in the deal process. Our team has decades of investment banking, corporate development, private equity, and operational experience, completing over 300 transactions across a diverse range of industries in the past 25 years.

Advisory Capabilities:

Mergers and Acquisitions
Recapitalizations
Capital Raising
Outsourced Corporate Development

Industry Expertise:

Business Services
Healthcare
Technology
Retail and Consumer Products
Industrial

- Automotive
- **Building Products and Construction**
- Distribution
- Industrial and Specialty Gas
- Industrial Services
- Metals
- Paper, Print and Packaging
- Specialty Chemicals
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Transactions represent personal experience of members of League Park while employed at League Park or other firms

Global Security Glazing

Global Security Glazing

has been acquired by

Grey Mountain PARTNERS

League Park acted as financial advisor to Global Security Glazing on the transaction

Company Overview

Global Security Glazing ("GSG" or "the Company") designs, manufactures, and provides institutional security and custom architectural glass and glazing products, offering a complete line of all-glass laminates, glass-clad polycarbonates, laminated polycarbonates and other specialty products. To meet the needs of a broad and diverse customer base in the detention, government architecture, military, specialty architecture, transportation, and other end markets, the Company's manufacturing facility is equipped with world class capabilities for glass laminating, tempering, heat and chemical strengthening, annealing, insulating and other aesthetic processing.

Transaction Overview

As a family-owned business, GSG shared common ownership and management resources with two other specialty glass companies. Given GSG's consistent historical performance and track record of success, the Company's shareholders retained League Park to execute a process seeking a corporate carve-out through a sale transaction. League Park leveraged GSG's leading market position, strong operating history, consistent financial performance, and diverse customer base to generate a high level of interest in the Company. A broad auction process and successful positioning of the Company drove a premium valuation, and the final purchase price exceeded valuation expectations. League Park views this successful outcome as evidence that scarce assets continue to command premium valuations.

Cardinal Fastener & Specialty Co.

CARDINAL FASTENER & SPECIALTY CO., INC.

has been acquired by

WÜRTH GROUP

League Park acted as financial advisor to Cardinal Fastener on the transaction

Company Overview

Cardinal Fastener & Specialty Co. ("Cardinal Fastener" or "the Company") is a leading manufacturer of hot forged, large diameter safety critical fasteners in North America. The Company serves a diverse set of end markets, including the energy, MRO, construction, off highway equipment, and capital equipment industries. Cardinal Fastener has developed a reputation for the fastest delivery times in the industry, including same day delivery, coupled with high product quality levels.

Transaction Overview

During its entry into the wind energy supply chain, the Company made large tooling and working capital investments; the growth from these investments materialized slower than anticipated, which required Cardinal Fastener to file for bankruptcy protection. League Park developed a broad process for marketing the Company, including leveraging its position as the only approved North American supplier of safety critical fasteners to the wind energy industry. Acquired by German-based Würth Group, Cardinal Fastener's sale generated strong interest from global participants and demonstrates specialty industrial distribution companies' willingness to explore unique strategies regarding their supply chain and target niche suppliers as acquisition candidates.

Sources and Disclosure

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U.S. Department of Transportation

Disclosure

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