

Building Materials Industry Report

Q4 2022



BUILDING MATERIALS KEY TAKEAWAYS

- ❑ **Building Materials:** Market valuations on an Enterprise Value to Last-Twelve-Months (LTM) EBITDA basis are at multi-year highs, balance sheets are fortified with cash, and debt levels are well within historical norms. Despite the variability in economic output over the last year and a decline in backlogs, the macro-outlook is favorable, driven by a strong residential market and the ever-increasing likelihood of a \$1T infrastructure bill passing in the House.
- ❑ **Building Material revenues** are expected to increase at an annualized rate of 1.3% over the next five years. As disposable income increases more industry projects will bolster revenue growth.
- ❑ **External Drivers**
 - **Rising Input Costs:** The pandemic has had a net negative overall impact on construction pricing with pockets of cost inflation raising concerns. The increases in lumber and rebar pricing were key contributors to the 12.1% February year-over-year rise in the Federal Reserve's Producer Price Index for Construction Materials. From May to July the Index has risen 3.98%.
 - **Recovering Demand from Downstream Markets:** For most of the five years to 2021, favorable lending rates and improved per capital disposable income have helped bolster construction activity across several building markets, increasing demand for industry services. However, economic downturn in 2020 following the spread of COVID-19 caused a sharp decline in construction as corporate profit fell, reducing overall industry demand and revenue within the same year. Recovering demand from downstream markets will likely sustain revenue growth through 2026.
 - **House Price Index:** Demand for residential spending on home improvements generates a substantial amount of industry revenue. Higher housing prices represent an increase in household wealth and encourage investment in home improvements for families seeking to boost home values further. Therefore, rising housing prices encourage renovation, which boosts demand further. The house price index increased in Q2 2022..
- ❑ **Industry Outlook**
 - **Environmental Concerns:** Environmentally conscious consumers are beginning to demand sustainable building materials. This will likely increase demand for greener alternatives.

MAIN ACTIVITIES BY CATEGORY

Concrete:

- ☐ Concrete placement on construction projects
- ☐ Finishing on concrete slabs and footings
- ☐ Foundation construction
- ☐ Concrete pumping
- ☐ Sidewalk construction
- ☐ Curb, culver and guttering construction or repair
- ☐ Concreting grout and shotcrete work
- ☐ Concrete patio construction
- ☐ Concrete parking lot construction
- ☐ Installing and finishing precast concrete

Iron & Steel:

- ☐ Direct reduction of iron ore
- ☐ Manufacturing and converting pig iron
- ☐ Producing steel iron ore in blast furnace
- ☐ Producing steel via recycled materials in electric arc furnace
- ☐ Manufacturing cold-rolled and hot-rolled steel products
- ☐ Manufacturing basic steel shapes (bar, plate, rod, sheet, coil)
- ☐ Manufacturing and converting ferroalloys

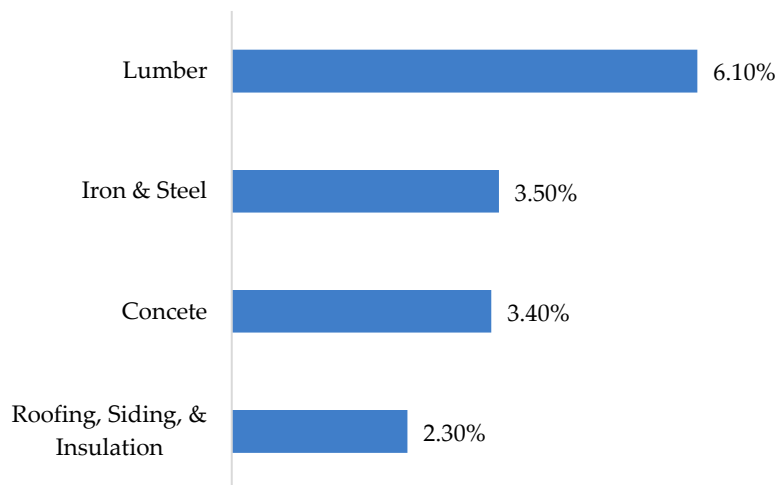
Lumber:

- ☐ Wholesaling lumber and boards
- ☐ Millwork
- ☐ Soft Plywood and oriented strand board
- ☐ Cabinets
- ☐ Wood flooring

Roofing, Siding, & Insulation:

- ☐ Wholesale roofing products
- ☐ Siding products
- ☐ Insulation material

Median Annual Revenue Growth (2016 - 2022)

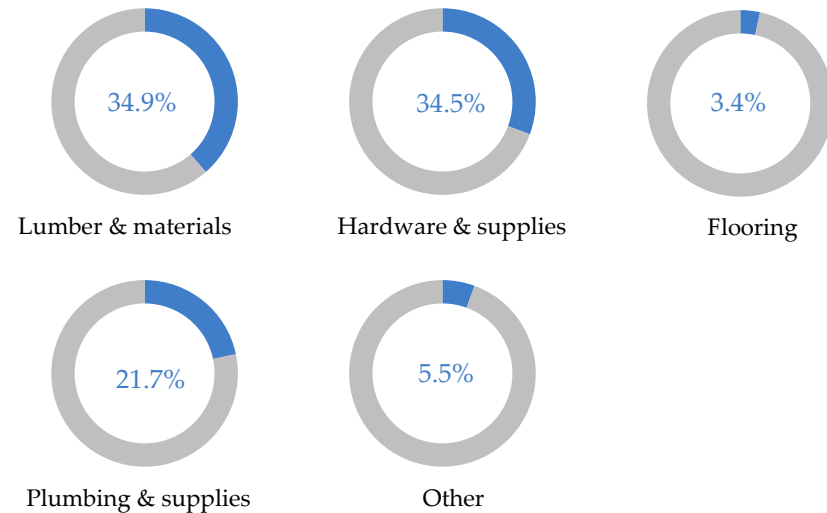


LUMBER & BUILDING MATERIALS INDUSTRY AT A GLANCE

Key Statistics

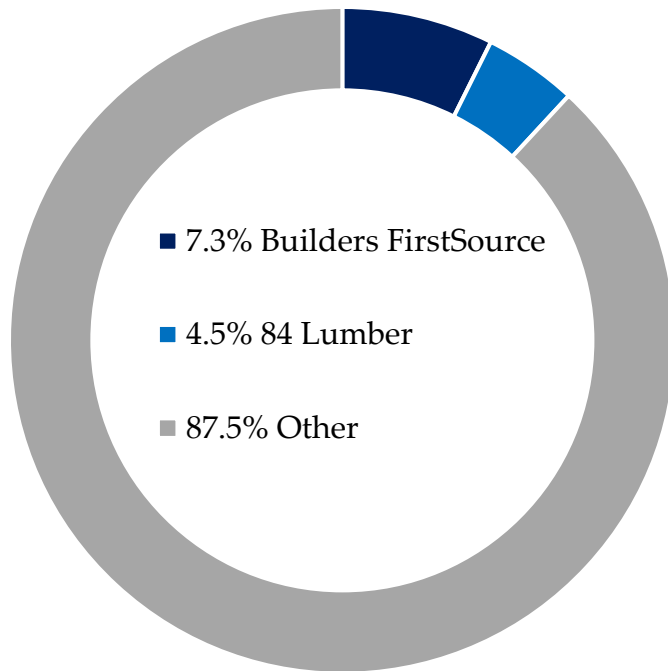


Industry Segments



LUMBER & BUILDING MATERIALS INDUSTRY AT A GLANCE

Major Players



SWOT Analysis

S STRENGTHS

- Low Imports
- High Profit vs. Sector Average
- Low Product/Service Concentration
- High Revenue per Employee
- Low Capital Requirements

W WEAKNESSES

- Low & Steady Barriers to Entry
- None & Steady Level of Assistance
- High Customer Class Concentration

O OPPORTUNITIES

- High Revenue Growth (2017-2022)
- High Revenue Growth (2022-2027)
- Price of sawmill lumber

T THREATS

- Low Revenue Growth (2005-2022)
- Low Outlier Growth
- Low Performance Drivers
- Consumer Confidence Index

IRON & STEEL INDUSTRY AT A GLANCE

Key Statistics



\$101.0bn Revenue

Annual Growth	2017-2022	0.3%
Annual Growth	2022-2027	-0.9%



\$7.6bn Profit

Annual Growth	2012-2021	8.7%
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7.5% Profit Margin

Annual Growth	2017-2022	2.5pp
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307 Businesses

Annual Growth	2017-2022	-3.6%
Annual Growth	2022-2027	-1.6%



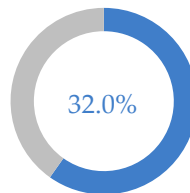
97,531 Employment

Annual Growth	2017-2022	2.8%
Annual Growth	2022-2027	-0.3%

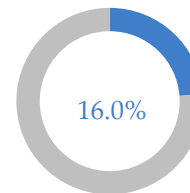


\$8.5bn Wages

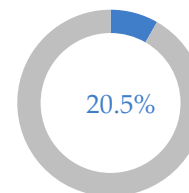
Annual Growth	2017-2022	1.3%
Annual Growth	2022-2026	-0.4%



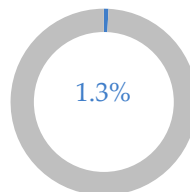
Hot-rolled sheets & strips



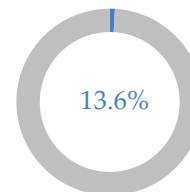
Cold-rolled sheets & strips



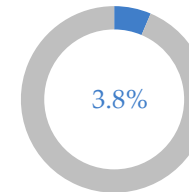
Hot-rolled bars & shapes



Cold-finished bars & shapes



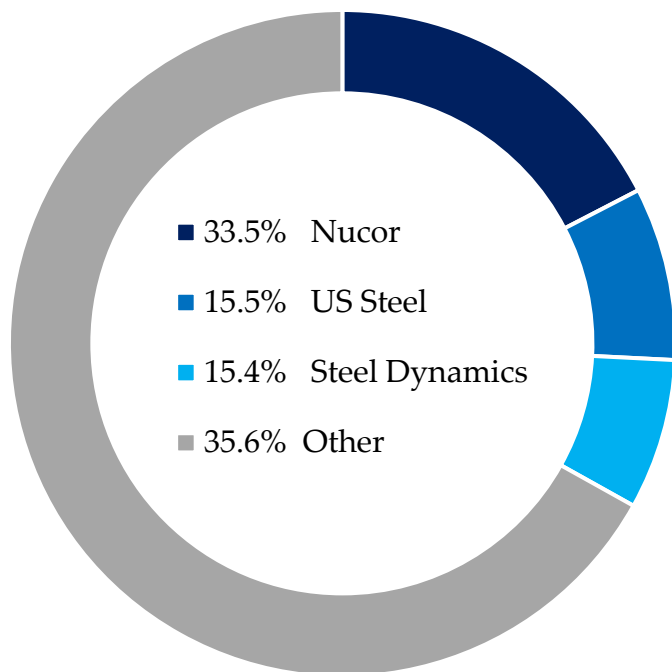
Steel ingots & shapes



Tubular products

IRON & STEEL INDUSTRY AT A GLANCE

Major Players



SWOT Analysis

S STRENGTHS

- High & Steady Barriers to Entry
- High & Increasing Level of Assistance
- Medium Imports
- High Profit vs. Sector Average
- Low Customer Class Concentration
- Low Product/Service Concentration
- High Revenue per Employee

W WEAKNESSES

- High Competition
- High Volatility
- High Capital Requirements

O OPPORTUNITIES

- High Revenue Growth (2016-2021)
- High Performance Drivers
- Trade-weighted index

T THREATS

- Low Revenue Growth (2005-2021)
- Low Revenue Growth (2022-2026)
- Low Outlier Growth
- World price of steel

CONCRETE CONTRACTORS INDUSTRY AT A GLANCE

Key Statistics



\$73.3bn Revenue

Annual Growth	2017-2022	2.2%
Annual Growth	2022-2027	1.2%



\$5.2bn Profit

Annual Growth	2017-2022	2.8%
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7.1% Profit Margin

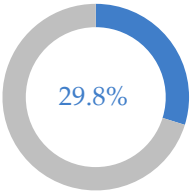
Annual Growth	2017-2022	0.2pp
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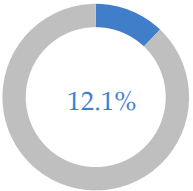
215k Businesses

Annual Growth	2017-2022	4.4%
Annual Growth	2022-2027	3.2%

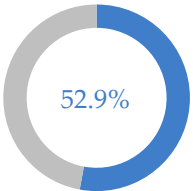
Industry Segments



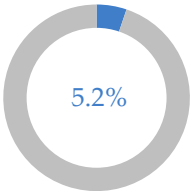
New residential construction



Additions & reconstruction



New nonresidential construction



Other Services

CONCRETE CONTRACTORS INDUSTRY AT A GLANCE

Key External Drivers

Housing starts

Value of private
nonresidential
construction

Demand from
municipal building
construction

Demand from bridge
and elevated highway
construction

Yield on 10-year
Treasury note

2nd Tier Suppliers

Ready-Mix Concrete
Manufacturing in US

Precast Concrete
Manufacturing in the
US

Construction
Machinery
Manufacturing in the
US

1st Tier Suppliers

Tool & Hardware
Wholesaling in the US

Construction &
Mining Equipment
Wholesaling in the US

Lumber & Building
Material Stores in the
US

Concrete Contractors in the US

1st Tier Buyers

Road & Highway
Construction in the
US

Bridge & Elevated
Highway
Construction in the
US

Home Builders in the
US

Municipal Building
Construction in the
US

2nd Tier Buyers

Consumers in the US

Public Administration
in the US

ROOFING, SIDING, & INSULATION AT A GLANCE

Key Statistics



\$62.7bn Revenue

Annual Growth	2017-2022	3.7%
Annual Growth	2022-2027	-1.3%



\$1.4bn Profit

Annual Growth	2017-2022	-6.2%
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2.3% Profit Margin

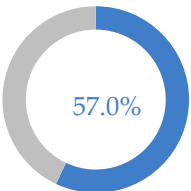
Annual Growth	2017-2022	-1.5pp
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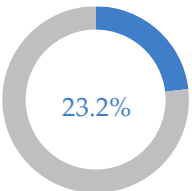
868 Businesses

Annual Growth	2017-2022	0.4%
Annual Growth	2022-2027	0.5%

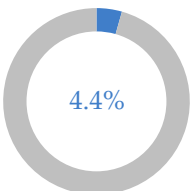
Industry Segments



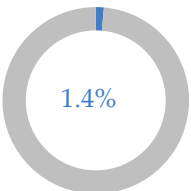
Nonwood roofing



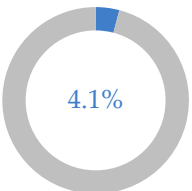
Nonwood siding



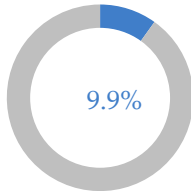
Insulation materials



Rain-carrying products



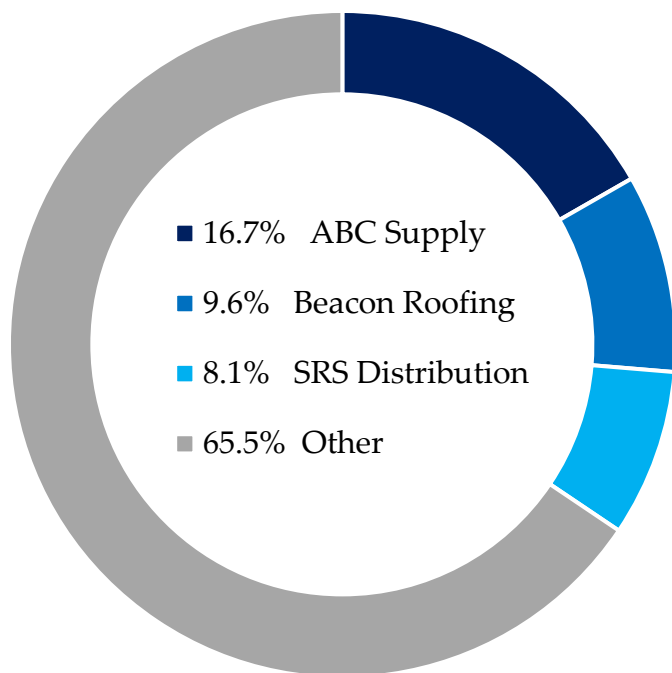
Housewraps & vapor barriers



Other

ROOFING, SIDING & INSULATION AT A GLANCE

Major Players



SWOT Analysis

S STRENGTHS

- Low Imports

W WEAKNESSES

- Low & Steady Level of Assistance
- High Competition
- Low Profit vs. Sector Average
- High Customer Class Concentration
- High Product/Service Concentration
- Low Revenue per Employee
- High Capital Requirements

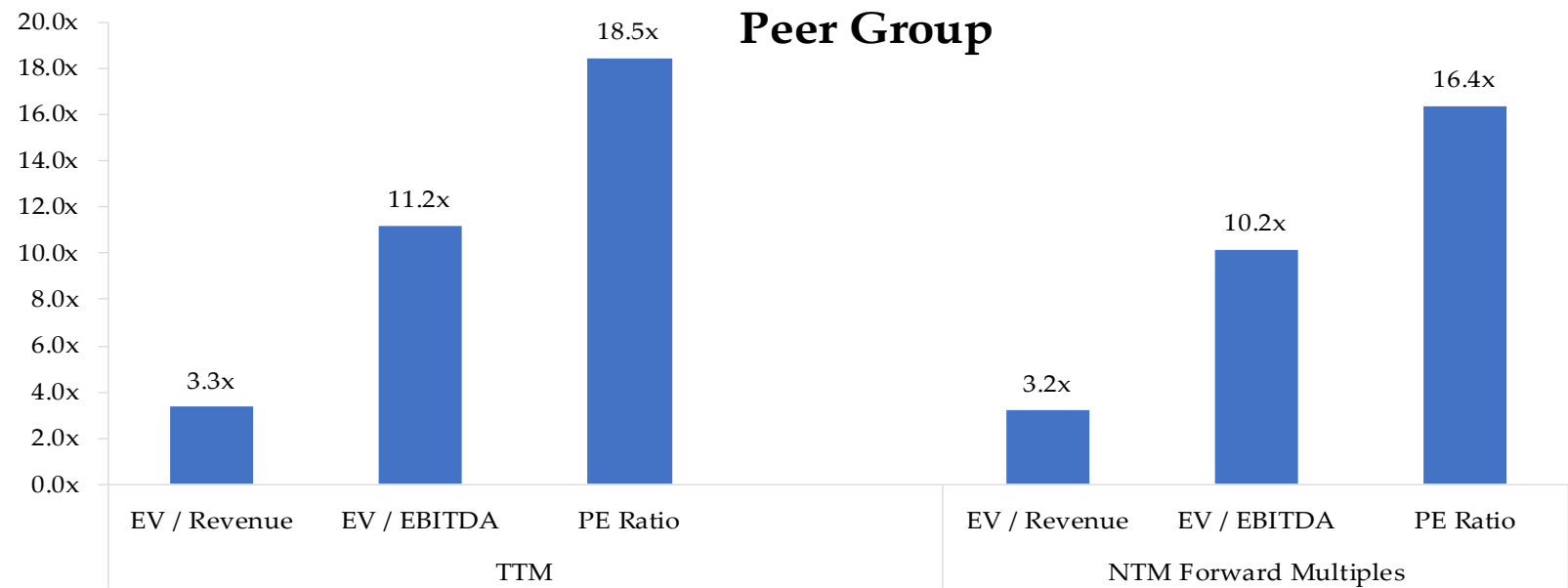
O OPPORTUNITIES

- High Revenue Growth (2017-2022)
- High Performance Drivers
- Prime rate

T THREATS

- Low Revenue Growth (2005-2022)
- Low Revenue Growth (2017-2022)
- Low Outlier Growth
- Private nonresidential construction value

PUBLIC COMPARABLES

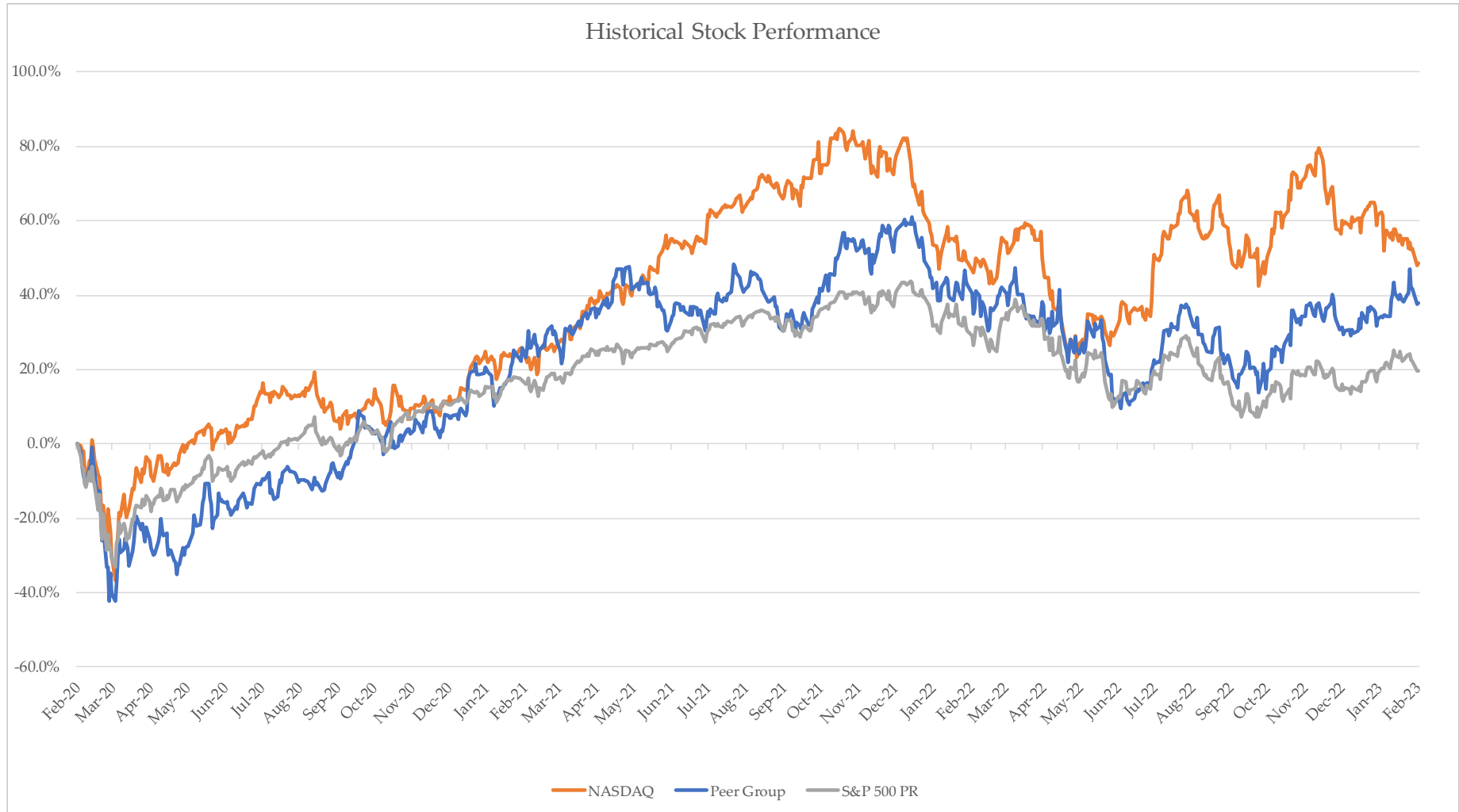


PUBLIC COMPARABLES

\$ in Millions	Martin Marietta	Vulcan Materials Company	Armstrong World Industries	Eagle Materials	Owens Corning	
Ticker	MLM	VMC	AWI	EXP	OC	
Total Revenue	6,181	7,190	1,233	2,091	9,761	
Gross Profit	1,416	1,560	449	603	2,616	
EBIT	1,195	963	284	587	1,723	
Net Income	840	594	203	436	1,241	
EBITDA (Normalized)	1,602	1,634	385	740	2,267	
Total Debt	5,442	4,737	687	1,096	3,196	
EV	27,018	28,379	4,125	5,997	10,976	
Employees	10,000	11,912	2,960	2,200	20,000	
Ratio Analysis						Median
Revenue/Employee	\$618,060	\$603,559	\$411,033	\$950,481	\$488,050	\$603,559
EV/Revenue	4.39x	3.88x	3.35x	2.87x	1.12x	3.35x
Debt/EBITDA	3.22x	3.00x	1.90x	1.46x	1.40x	1.90x
EV/EBITDA (Normalized)	16.88x	17.46x	10.71x	8.01x	4.84x	10.71x
Market Cap/EBITDA	12.65x	15.54x	9.63x	6.87x	3.92x	9.63x
Market Cap (mm)	22,334	23,992	3,544	4,962	8,833	
Close Price	359.70	180.52	78.00	137.64	97.31	
52 Week Low	284.99	137.54	66.86	101.98	72.97	
52 Week High	406.85	197.76	97.04	152.15	105.62	
Gross Margin	22.9%	21.7%	36.4%	28.8%	26.8%	26.8%
EBIT	19.3%	13.4%	23.0%	28.1%	17.7%	19.3%
EBITDA	27.6%	21.4%	29.8%	34.6%	23.1%	27.6%
Acct. Receivable Days	52	50	34	34	45	45
Inventory Days	60	34	51	57	63	57
Acct. Payable Days	29	29	50	34	67	34
Revenue Growth	21.3%	40.4%	11.4%	16.7%	14.9%	16.7%

BUILDING MATERIALS INDEX VS. S&P 500

Historical Stock Performance



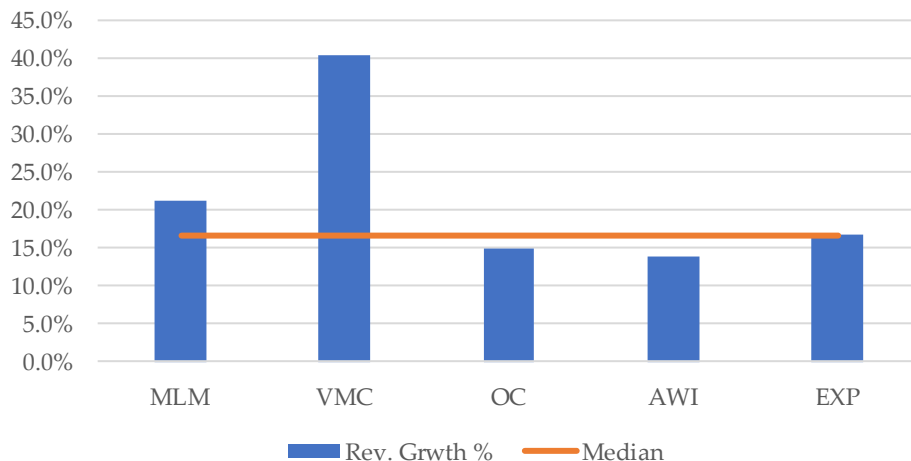
DCA Building Materials Index: MLM, VMC, EXP, OC, AWI, TREX

RECENT TRANSACTIONS

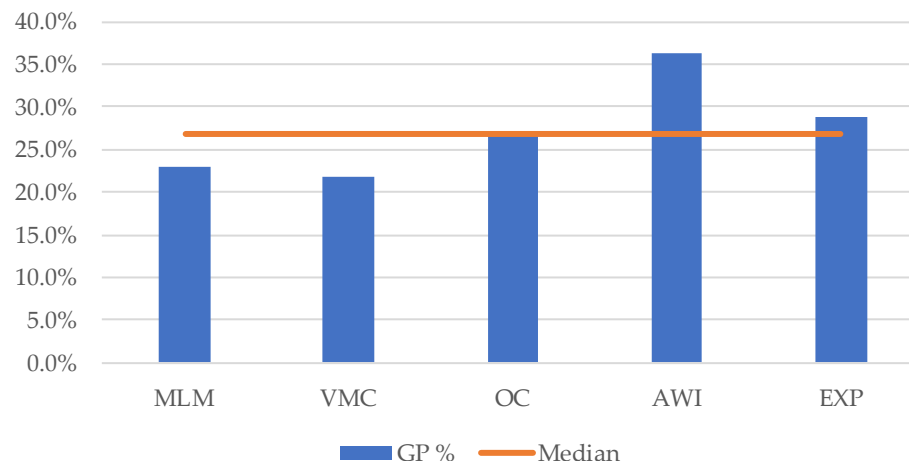
Deal Date	Companies	Investors	Deal Size (\$MM)	HQ Location
21-Dec-2022	CMI	Charger Investment Partners	NM	Woodstock, GA
19-Dec-2022	Prominent Paints	Rockwood Private Equity	NM	Alberton, South Africa
16-Dec-2022	Continental Carpentry Components	Ambassador Supply	NM	Wanatah, IN
08-Dec-2022	McKee Utility Contractors	Boyne Capital	NM	Prague, OK
05-Dec-2022	Sexton Group	PFM Capital	NM	Winnipeg, Canada
01-Dec-2022	Esdec Solar Group	Blackstone , Rivean Capital	NM	Deventer, Netherlands
30-Nov-2022	Staka	Ox Greenfield	NM	Oosterhout, Netherlands
25-Nov-2022	Imerys	Platinum Equity	942.03	Paris, France
08-Nov-2022	Artistic Paver Manufacturing	Blue Ridge Construction Capital	NM	North Miami Beach, FL
02-Nov-2022	Concrete Block Insulating Systems	Wynnchurch Capital	NM	West Brookfield, MA
28-Oct-2022	Yongyu Bamboo	Zhejiang Henglin Chair	73.26	Huzhou, China
25-Oct-2022	Armor-Panneaux	Peninsular capital	39.11	La Chapelle Caro, France
04-Oct-2022	Precision Surfacing Solutions	Angeles Equity Partners, Bison Capital Asset Management	NM	Mount Prospect, IL

Q4 2022 OPERATING METRICS

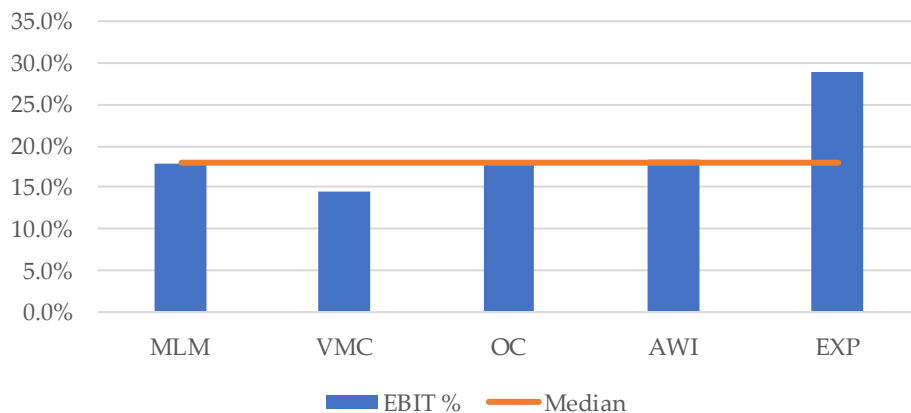
Revenue Growth



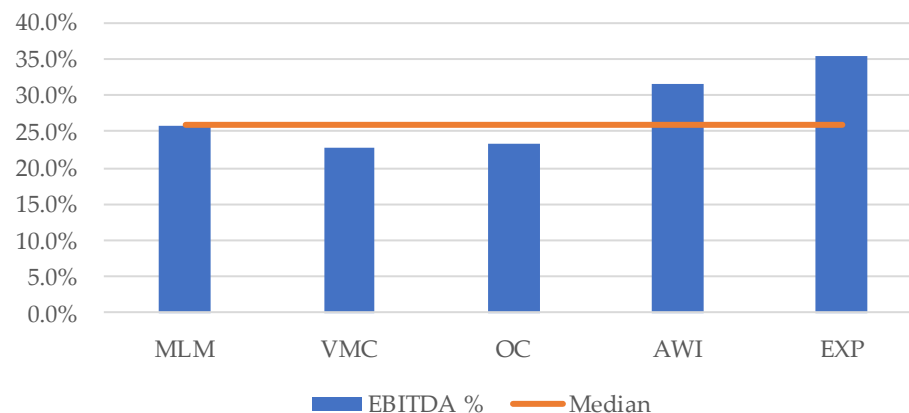
Gross Profit Margin



EBIT Margin Normalized

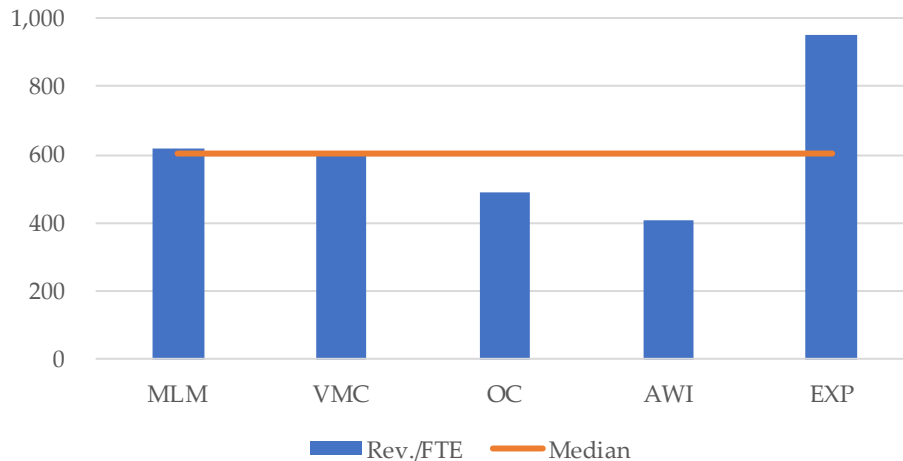


EBITDA Margin Normalized

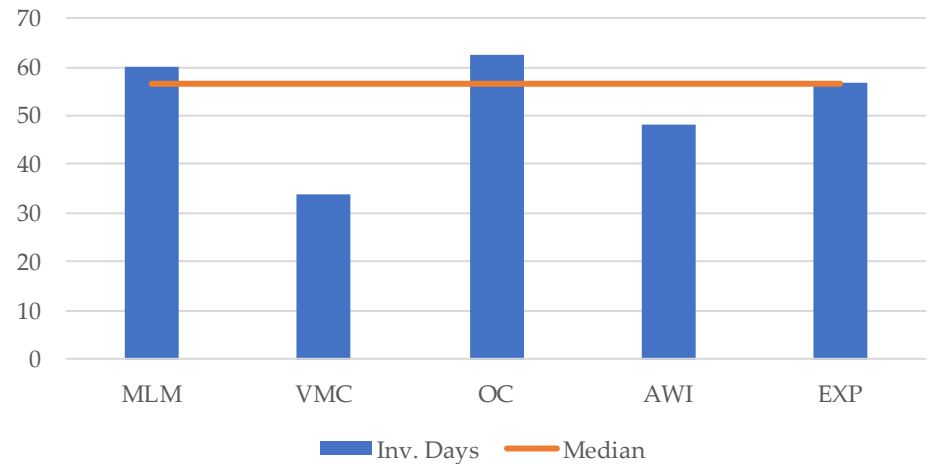


Q4 2022 RATIO ANALYSIS

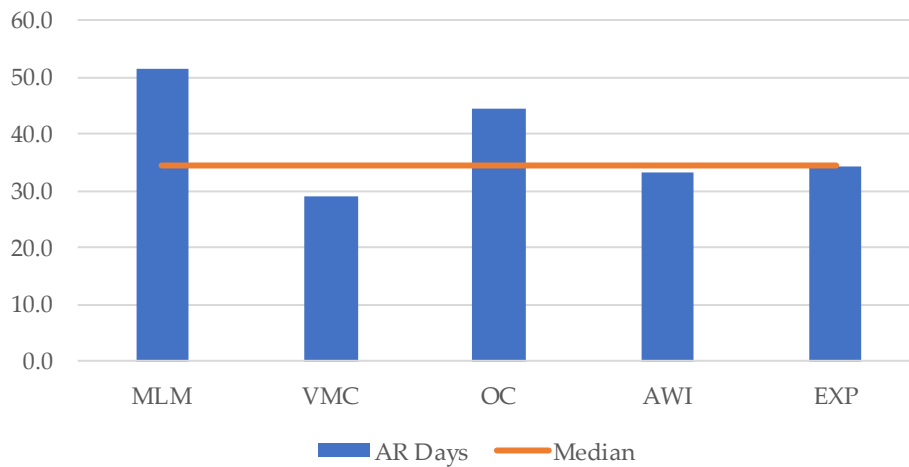
Revenue per Employee



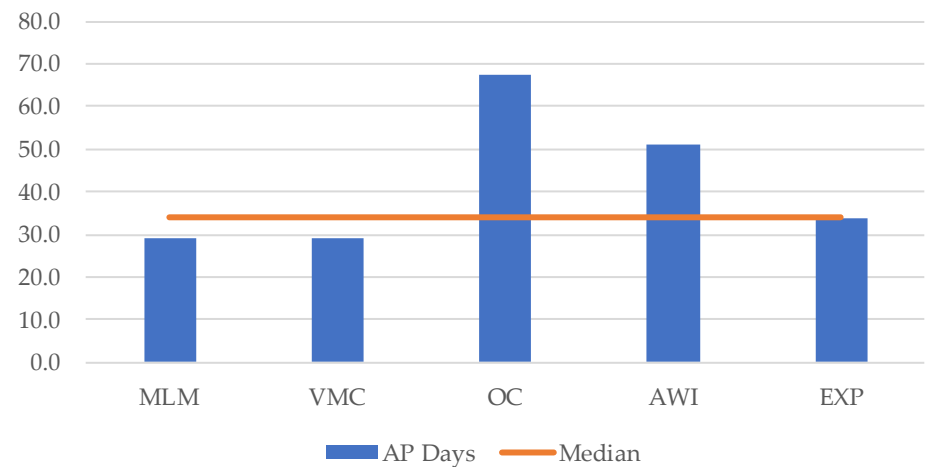
Inventory Days



AR Days



AP Days



VALUATION TRENDS

(\$MM)		Fundamentals								
Ticker	Company	TIM						NTM Estimates		
		Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
MLM	Martin Marietta	361.24	22,334	27,018	6,181	1,707	13.47	6,264	1,830	14.78
VMC	Vulcan Materials Company	180.89	23,992	28,379	7,190	1,540	4.47	7,541	1,803	5.85
EXP	Eagle Materials	139.55	4,962	5,997	2,091	723	11.63	2,142	752	12.43
OC	Owens Corning	97.37	8,833	10,976	9,761	2,254	12.85	9,178	1,851	9.88
AWI	Armstrong World Industries	79.34	3,544	4,125	1,233	368	4.38	1,284	406	4.84

		Multiples					
Ticker	Company	TIM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
MLM	Martin Marietta	4.4x	15.3x	26.37	4.3x	14.8x	24.44
VMC	Vulcan Materials Company	3.9x	18.4x	40.65	3.8x	15.7x	30.95
EXP	Eagle Materials	2.9x	8.3x	12.07	2.8x	8.0x	11.23
OC	Owens Corning	1.1x	4.9x	7.67	1.2x	5.9x	9.86
AWI	Armstrong World Industries	3.3x	11.2x	18.45	3.2x	10.2x	16.39

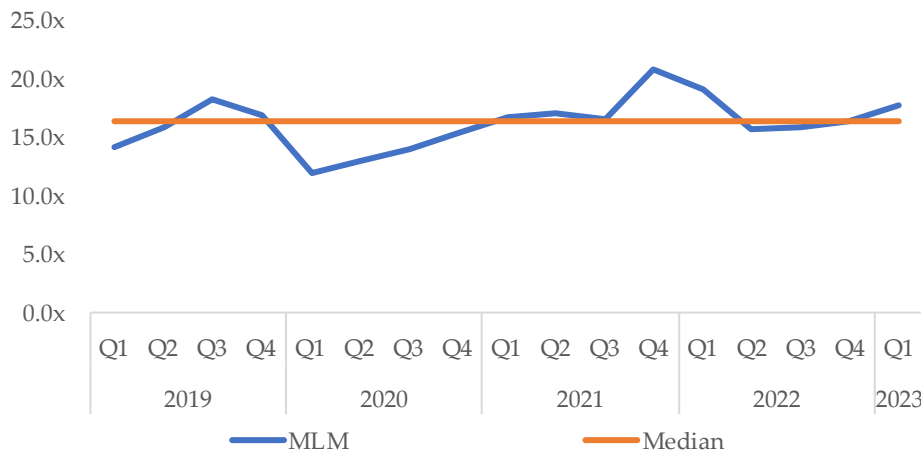
PUBLIC COMP

Martin Marietta (NYS: MLM)

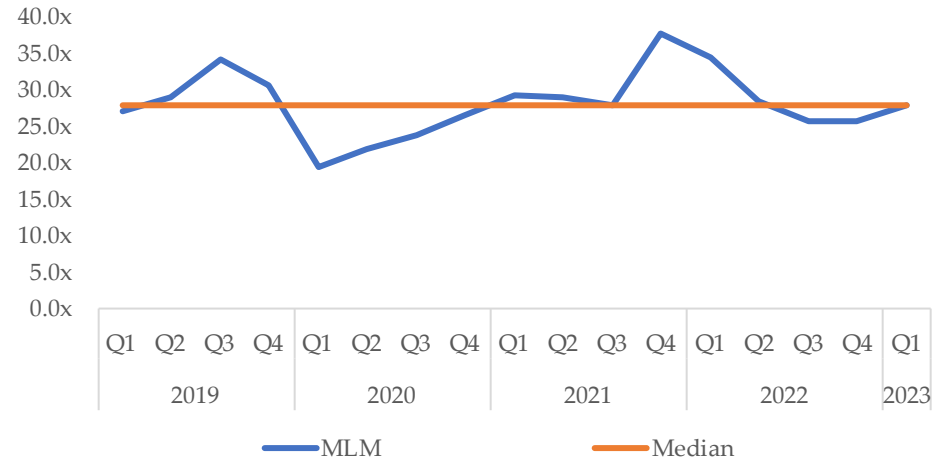
Martin Marietta Materials, Inc., a natural resource-based building materials company, supplies aggregates and heavy-side building materials to the construction industry in the United States and internationally. It offers crushed stone, sand, and gravel products; ready mixed concrete and asphalt; paving products and services; and Portland and specialty cement used in the infrastructure projects, and nonresidential and residential construction markets, as well as in the railroad, agricultural, utility, and environmental industries. The company also manufactures and markets magnesia-based chemical products for the industrial, agricultural, and environmental applications; and dolomitic lime primarily for customers in the steel and mining industries.



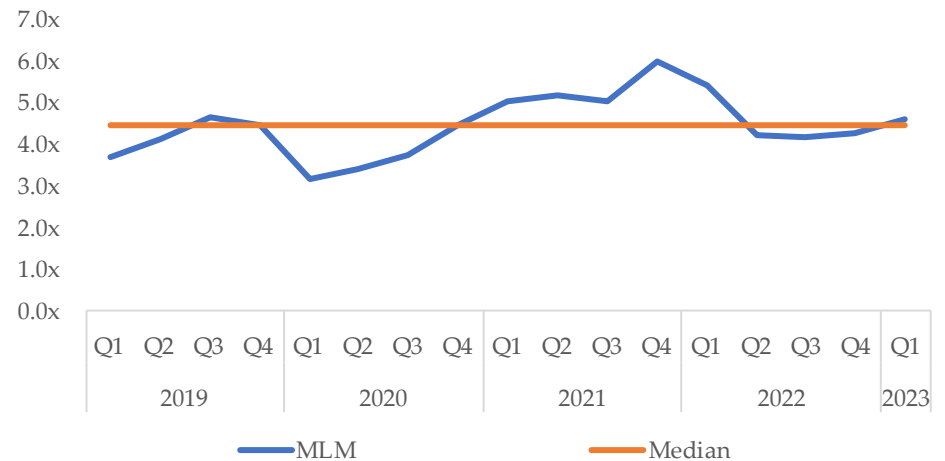
EV/EBITDA Martin Marietta



P/E Martin Marietta



EV/Revenue Martin Marietta



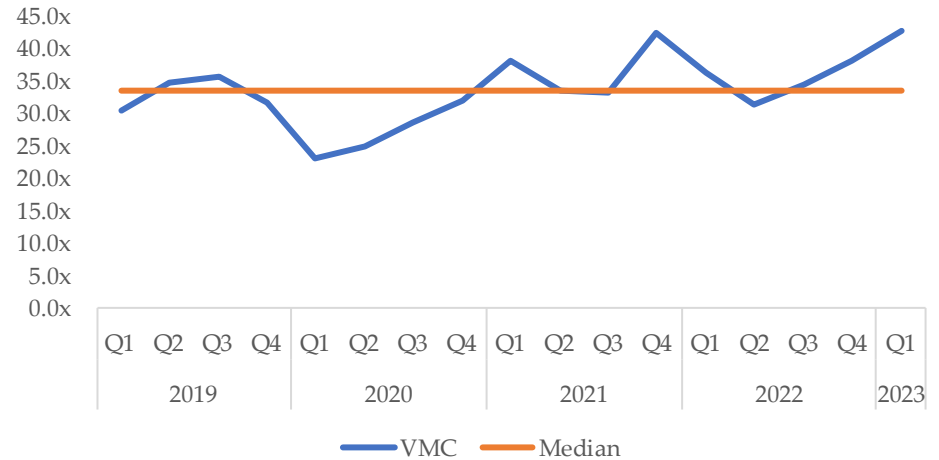
PUBLIC COMP

Vulcan Materials Company (NYSE: VMS)

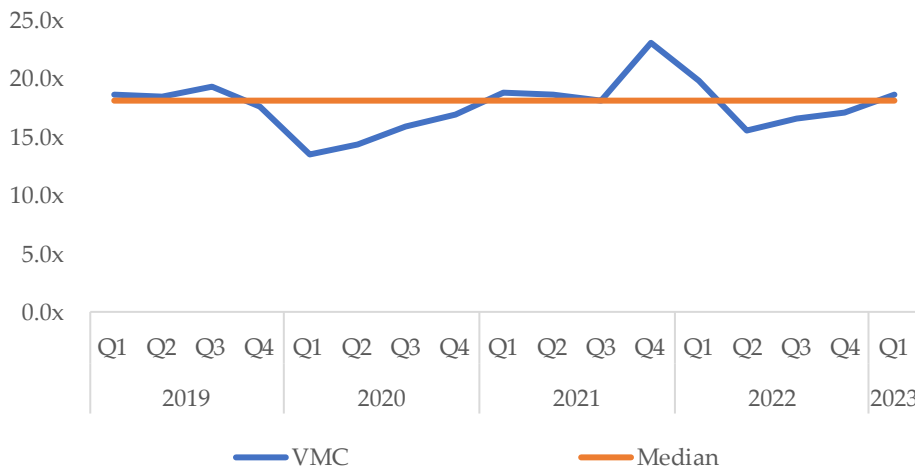
Vulcan Materials Company, The company was formerly known as Virginia Holdco Inc, was founded in 1909 and is headquartered in Birmingham, Alabama. is the United States' largest producer of construction aggregates mainly crushed stone, sand, and gravel. Products and services that are applied in construction and maintenance of highways, streets, and other public works, as well as in the construction of housing and commercial, industrial, and other nonresidential facilities. Its largest markets include Texas, California, and much of the Southeast United States. The company has approximately 9,200 employees.



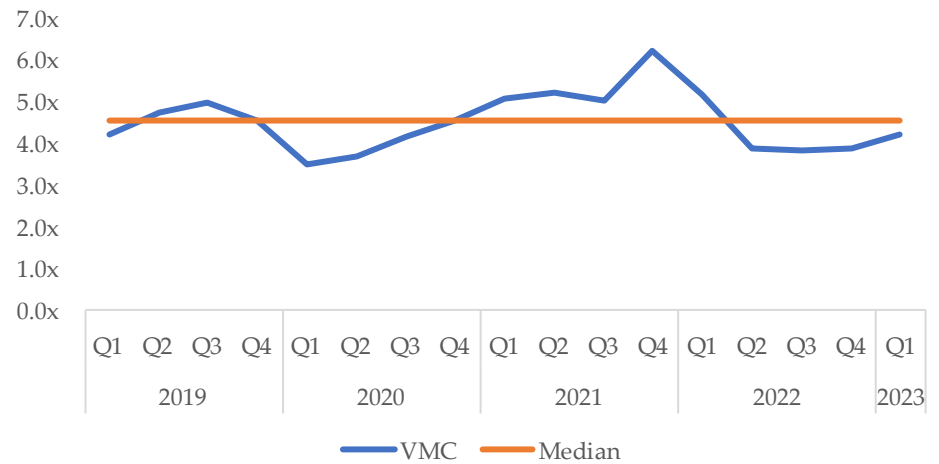
P/E Vulcan Materials Company



EV/EBITDA Vulcan Materials Company



EV/Revenue Vulcan Materials Company



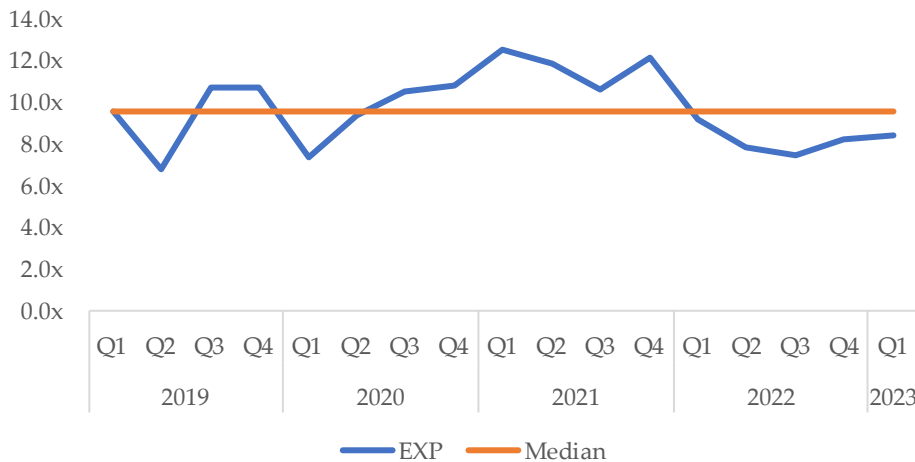
PUBLIC COMP

Eagle Materials. (NYS: EXP)

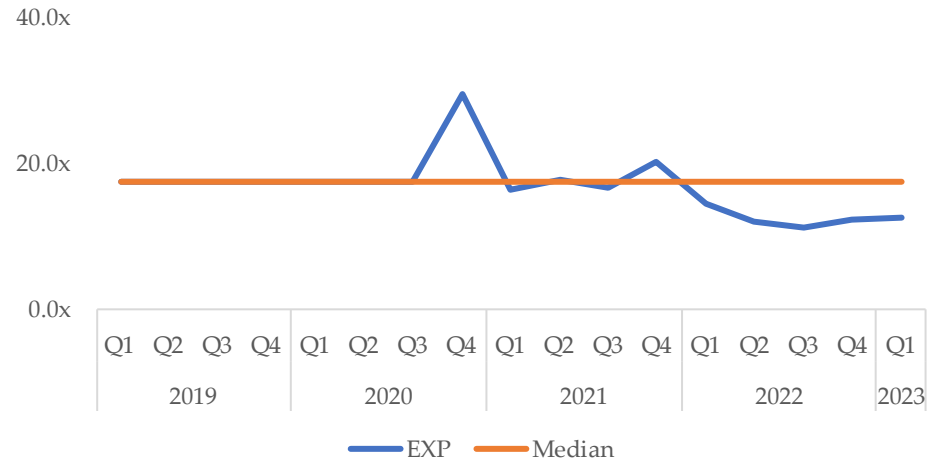
Eagle Materials Inc., through its subsidiaries, produces and supplies heavy construction materials, light building materials, and materials used for oil and natural gas extraction in the United States. It operates in five segments: Cement, Concrete and Aggregates, Gypsum Wallboard, Recycled Paperboard, and Oil and Gas Proppants. The company engages in the mining of limestone for the manufacture, production, distribution, and sale of Portland cement; grinding and sale of slag; and mining of gypsum for the manufacture and sale of gypsum wallboards used to finish the interior walls and ceilings in residential, commercial, and industrial structures. It is also involved in the manufacture and sale of recycled paperboard for the gypsum wallboard industry and other paperboard converters, as well as provision of containerboard grade and lightweight packaging grade products.



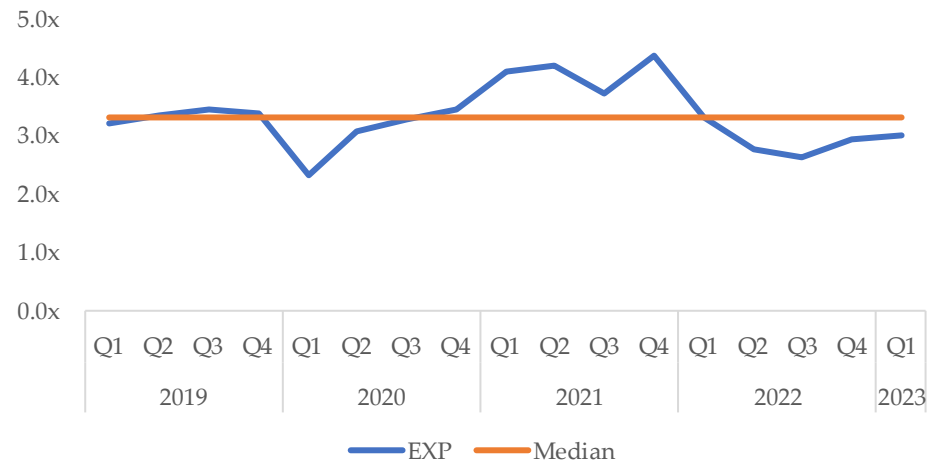
EV/EBITDA Eagle Materials



P/E Eagle Materials



EV/Revenue Eagle Materials



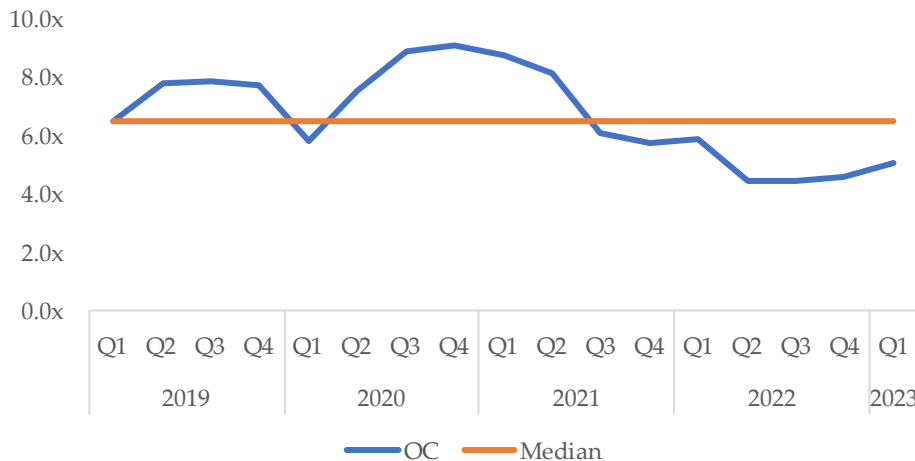
PUBLIC COMP

Owens Corning: (NYS: OC)

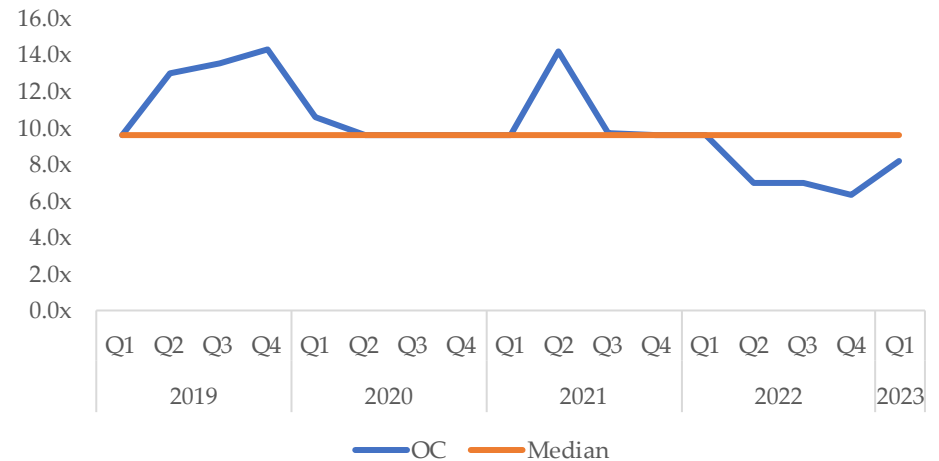
Owens Corning manufactures and markets a range of insulation, roofing, and fiberglass composite materials in the United States, Canada, Europe, the Asia Pacific, and internationally. It operates in three segments: Composites, Insulation, and Roofing. The Composites segment manufactures, fabricates, and sells glass reinforcements in the form of fiber; and manufactures and sells glass fiber products in the form of fabrics, non-wovens, and other specialized products. Its products are used in pipe, roofing shingles, sporting goods, consumer electronics, telecommunications cables, boats, aviation, automotive, industrial containers, and wind-energy applications in the building and construction, transportation, consumer, industrial, and power and energy markets.



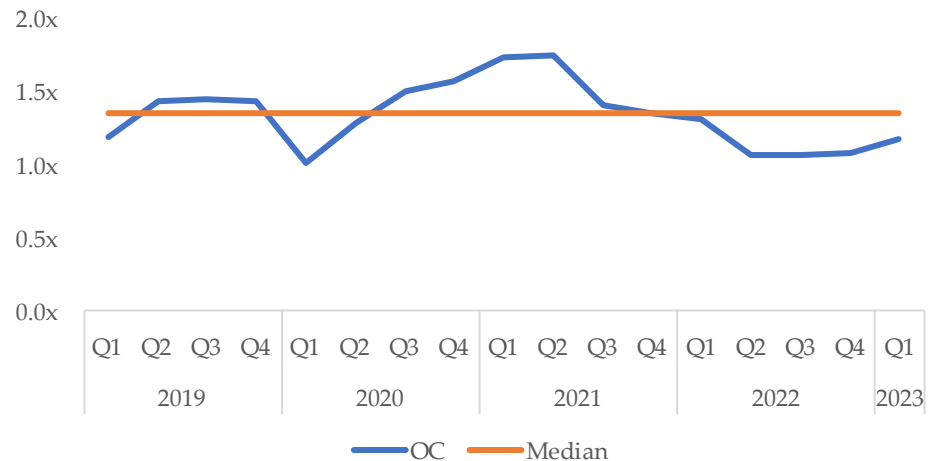
EV/EBITDA Owens Corning



P/E Owens Corning



EV/Revenue Owens Corning



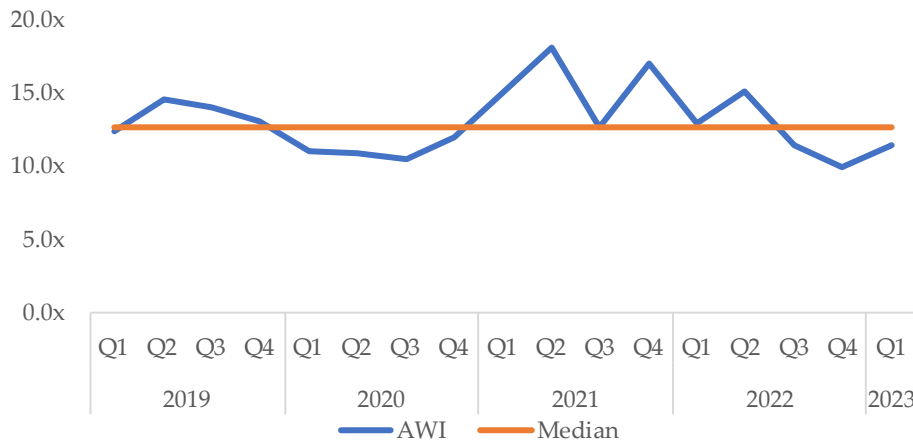
PUBLIC COMP

Armstrong World Industries (NYS: AWI)

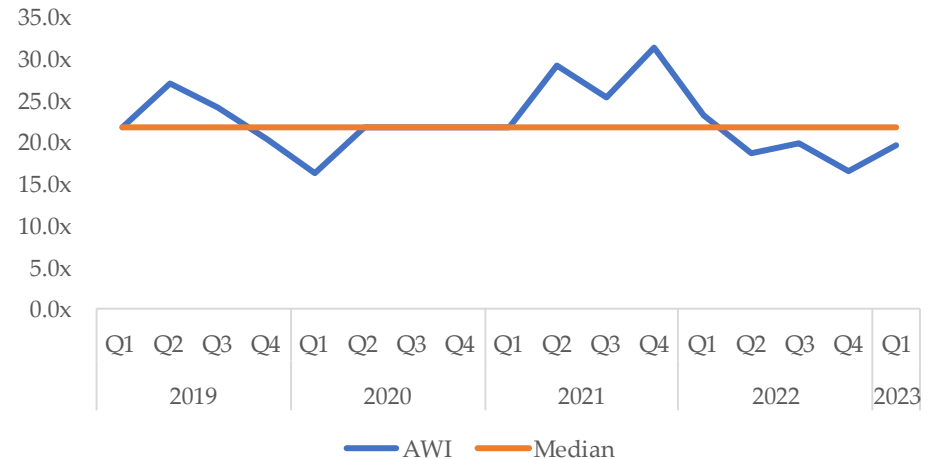
Armstrong World Industries, Inc., together with its subsidiaries, designs, manufactures, and sells ceiling systems primarily for use in the construction and renovation of residential and commercial buildings in the United States, Canada, and Latin America. The company operates through Mineral Fiber and Architectural Specialties segments. The company produces suspended mineral fiber, soft fiber, fiberglass wool, and metal ceiling systems, as well as wood, wood fiber, glass-reinforced-gypsum, and felt ceiling and wall systems; ceiling component products, such as ceiling perimeters and trims, as well as grid products that support drywall ceiling systems; ceilings and walls for use in commercial settings; and acoustical controls and architectural cast ceilings, walls, facades, columns, and moldings solutions



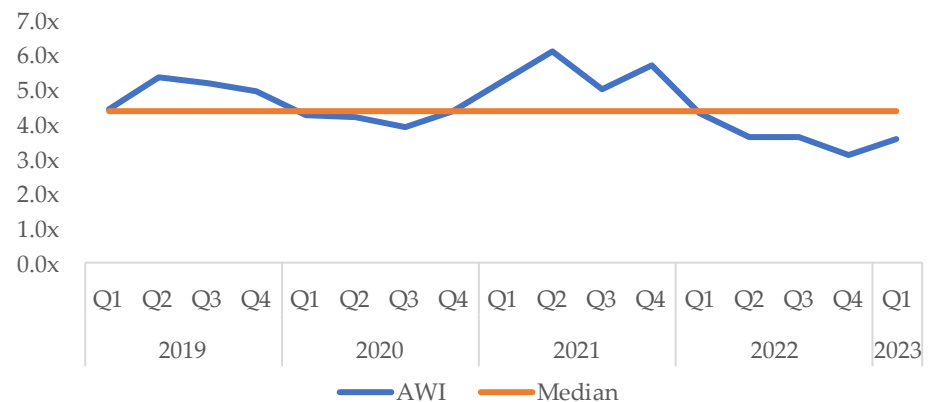
EV/EBITDA Armstrong World Industries



P/E Armstrong World Industries



EV/Revenue Armstrong World Industries



DAVIDSON CAPITAL ADVISORS PROFESSIONALS

Robert S. Cashion

Managing Director, Investment Banking and Advisory Services

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firms overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



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DAVIDSON CAPITAL ADVISORS PROFESSIONALS

Elizabeth Folger **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



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Maxwell Purdy **Corporate Finance Coverage**

Prior to joining Davidson Capital Advisors in 2021, Mr. Purdy interned with Graycliff Partners, a private equity located in New York, NY. He graduated from University of North Carolina Chapel Hill in 2021 with a BS in Political Science and a minor in Economics and Entrepreneurship.

Maxwell assists in leading the firm's corporate finance client coverage as well as private equity coverage.