

FINANCIAL BUYERS PROPEL BUILDING PRODUCTS MARKET M&A IN 2024 AMID SECTOR STRENGTH

BUILDING PRODUCTS SECTOR UPDATE | MARCH 2025



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Building Products

Financial Buyers Propel Building Products Market M&A in 2024 Amid Sector Strength

KEY SECTOR TAKEAWAYS

Capstone Partners' Building Products & Construction Services Team is pleased to share its Building Products report. Healthy construction activity and steady increases to sector spending continued to create favorable acquisition conditions for sector participants in 2024. As macroeconomic conditions continue to moderate, buyers are expected to remain acquisitive in 2025, prioritizing targets that buoy services, scale, and market share. Several key report takeaways are outlined below.

1. Robust construction activity throughout 2024 helped drive growth within the Building Products sector, particularly within Infrastructure, Energy, Manufacturing, and Data Center verticals exposed to federal funding and shifting technology demands.
2. Building products merger and acquisition (M&A) activity continued to accelerate for the second consecutive year in 2024 amid healthy construction activity.
3. An easing cost of capital environment invigorated financial buyers, whose increased interest in building products businesses underpinned elevated sector M&A activity in 2024.
4. The Lumber market stabilized in 2024, with prices returning to typical seasonal patterns after experiencing post-pandemic volatility.
5. M&A momentum will likely remain elevated throughout 2025 amid expectations that additional interest rate cuts will bolster dealmaking conditions and reinvigorate construction activity in exposed end markets.
6. Capital invested in the Building Products sector rebounded in 2024 as a result of declining interest rates and growing demand for energy efficient solutions.

Capstone Partners has developed a full suite of corporate finance solutions to help privately-owned businesses and private equity firms navigate through each stage of a company's lifecycle. These solutions include financial advisory services, merger and acquisition advisory, debt advisory, equity capital financing, and employee stock ownership plan (ESOP) advisory.

To learn more about Capstone's wide range of advisory services and Building Products sector knowledge, please [contact us](#).



RATE CUTS, FEDERAL FUNDING, DATA CENTERS DRIVE SECTOR GROWTH

Robust construction activity throughout 2024 helped keep demand for building products elevated, particularly as sector macroeconomic pressures moderated and project financing conditions continued to improve. Through November 2024, construction spending totaled \$1,866 billion, marking a year-over-year (YOY) increase of 6.5%, according to the U.S. Census Bureau.¹ Notably, sector spending continued to accelerate in 2024 despite project delays and muted construction activity in the Residential and Commercial end markets as elevated interest rates deterred new project financing and homebuying. These pressures to sector demand were counteracted by federal funding and increasingly complex technology infrastructure requirements that propelled YOY construction spending growth in the Highway & Street (+6.1%), Manufacturing (+21.5%), Power (+10.8%), and Data Center (+55.2%) verticals as of November.

Federal support for manufacturing initiatives, clean energy investments, and infrastructure upgrades through the Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act kept project backlog levels elevated and underpinned construction spending growth in the U.S. in 2024. To date, the CHIPS act has allocated \$36 billion in proposed funding, including 16 construction projects for semiconductor manufacturing facilities, according to the U.S. Department of Commerce.² Additionally, \$1 trillion in funds allocated from the IIJA supported construction across 11,400 bridges and 196,000 miles of road, according to Construction Dive.³

Policy changes from the incoming Presidential administration have jeopardized funds for clean energy and infrastructure projects. Of note, the Unleashing American Energy executive order suspended IRA and paused IIJA funding disbursements. Sector growth in 2024 was also supported by data center construction that accelerated amid increasingly complex technology infrastructure requirements needed to meet rising demand for artificial intelligence (AI). In December, the Dodge Momentum Index, which measures the monthly value of nonresidential building projects going into planning, grew 5% YOY excluding Data Center construction and 19% when included, according to a press release.⁴ Sector growth will likely remain buoyed in 2025 by data center mega projects that continue to enter planning phases, bolstering sector backlogs. This includes the \$1.6 billion Powerhouse 95 data center and four phases of the \$1 billion Brambleton Data Center.

Interest rate cuts initiated in the latter half of 2024 eased sector constraints to project financing and buoyed contractors' outlook for 2025. While proposed tariffs and immigration policy threaten to push materials costs higher and exacerbate labor shortages in 2025, contractors' six-month sales and margin outlook continued to accelerate in December alongside expectations for tax cuts and deregulation, according to Associated Builders and Contractors (ABC).⁵ Further rate cuts are also anticipated to reignite residential and commercial construction amid pent up demand for affordable housing and commercial projects. Capstone expects M&A momentum in the Building Products sector to persist in 2025 as buyers aim to capitalize on robust and profitable sector growth.



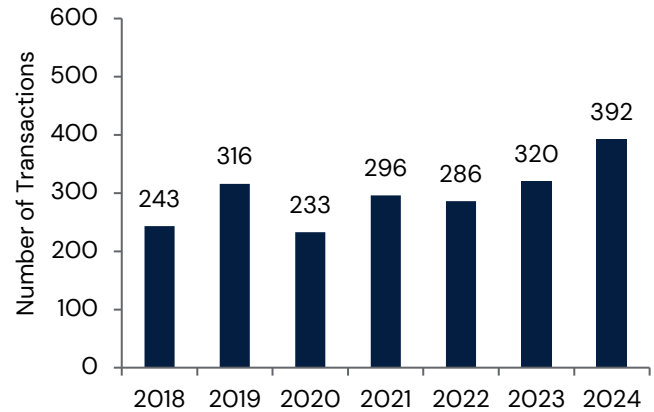
Darin Good
Managing Director, Head of Building Products & Construction Services

"Building Products market M&A activity for 2025 will likely exceed the levels reached in 2024, particularly as market conditions improve and interest rates decline."

SPONSOR ACTIVITY UNDERPINS BUILDING PRODUCTS M&A GROWTH

Building Products sector M&A activity accelerated for the second consecutive year in 2024 amid healthy construction activity and interest rate cuts, rising 22.5% YOY with 392 transactions announced or closed. Elevated deal volumes were supported by interest rate cuts that eased high project financing costs and mortgage rates in the exposed Commercial and Residential verticals. The easing cost of capital environment invigorated financial buyers, whose increased M&A interest in building products businesses underpinned elevated sector activity in 2024. While deal activity still largely stemmed from strategic buyers (59.9%), the proportion of deal activity from financial buyers (40.1%) reached its highest level in 2024. Of note, sponsor-backed transactions saw the largest gains, rising 59.5% YOY with 118 deals announced or closed as private equity groups bolstered existing assets in an effort to capitalize on sector tailwinds driving healthy construction activity. Platform transactions increased by five deals YOY to 39 transactions announced or closed, a 14.7% gain. Sector players with strong customer portfolios and scalable growth potential continued to pique private equity appetite, especially those serving clients with healthy project backlogs.

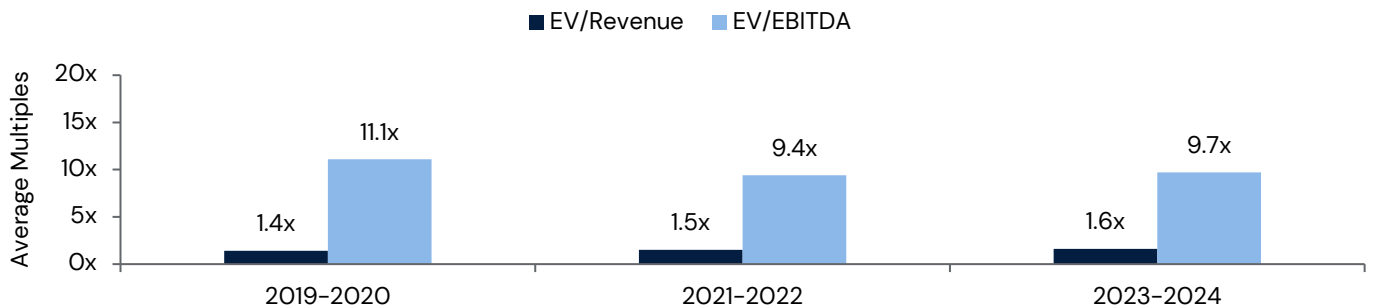
Building Products M&A Hits Record High in 2024



Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Heightened M&A competition with financial buyers amid interest rate cuts accelerated strategic deal activity in 2024 as revenue visibility from healthy construction activity also pulled many sellers off the sidelines. Private and public strategic buyer activity in the sector rose 10.7% and 11.1% YOY, respectively. Strategic buyers focused M&A efforts towards targets that were financially accretive, aligned with industry tailwinds, and expanded offerings and market share. "Sellers have come to the market with an intent to sell...they're not exploring," noted Builders FirstSource (NYSE:BLDR) CFO Peter Jackson, in its Q3 earnings call.⁶

Building Products M&A Valuation Analysis



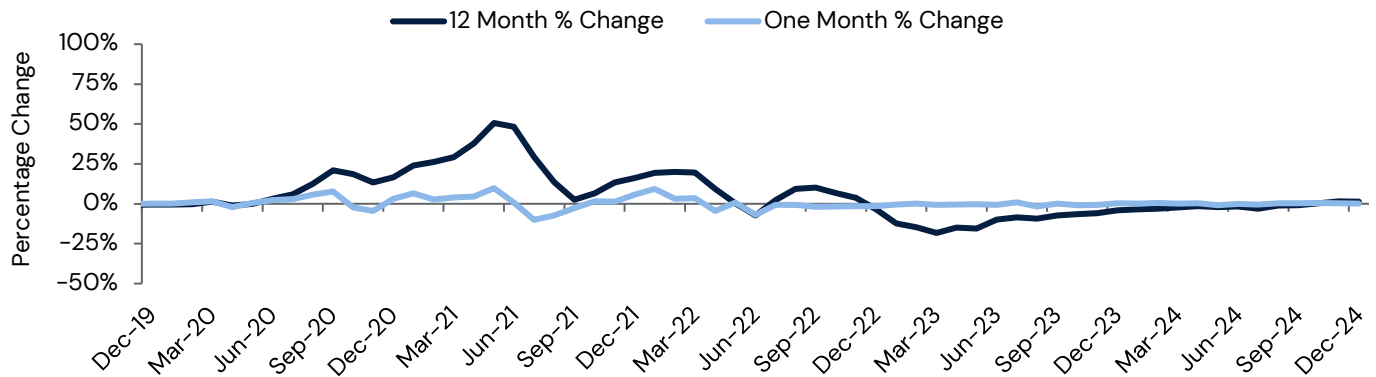
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Valuation Insight

While M&A revenue multiples within the Building Products sector inched higher since 2019, an elevated interest rate environment kept EBITDA multiples below peak levels seen between 2019 and 2020. From 2023 through 2024, sector M&A multiples averaged 1.6x EV/Revenue and 9.7x EV/EBITDA. Although average disclosed deal value increased YOY, middle market transactions (below \$500 million enterprise value) continued to account for the majority (72.7%) of disclosed sector deal flow in 2024. The average middle market building products deal size jumped 28.3% YOY to \$151.7 million in 2024, up from \$118.2 million in 2023.

LUMBER MARKET STABILIZES, SUPPORTS SEGMENT M&A

Producer Price Index: Lumber and Wood Products



Source: U.S. Bureau of Labor Statistics, Associated Builders and Contractors, and Capstone Partners

The Lumber market stabilized by year-end, with prices returning to typical seasonal patterns after experiencing post-pandemic volatility. Recent market volatility stemmed from a weak Housing market and elevated interest rates. These headwinds created a difficult operating environment for lumber suppliers and manufacturers that count homebuilders as their largest customer group. However, easing interest rates and post-election optimism helped stabilize lumber prices in 2024 and provides an optimistic outlook for a rebound in residential construction activity. Key Lumber market updates are detailed below.

- Lumber and millwork companies comprised 11.7% of total building products M&A transactions in 2024, which largely stemmed from private businesses (69.6%) either expanding existing supply networks or stockpiling materials in preparation for an eventual rebound in residential construction.
- U.S. and Canadian lumber production volume recovered from depressed levels seen in 2023 but remained below historical norms. Through Q3 2024, U.S. lumber production fell 4% YOY while Canadian production remained flat, with volumes at 27.5 and 15.5 million board feet, respectively, according to Builder Online.⁷



Builders FirstSource entered into a definitive agreement to acquire Alpine Lumber (December, undisclosed). Alpine supplies homebuilders and contractors with prefabricated trusses, wall panels, and millwork across 21 locations in Colorado and New Mexico and generated ~\$500 million in sales as of November, according to a recent press release.⁸ In addition to its strong customer portfolio and rapid growth, the deal enhances FirstSource's Western U.S. operations and builds upon the company's recent acquisitions of Kleet Lumber (November, undisclosed) and Douglas Lumber (October, undisclosed).



Doman Building Materials (TSX:DBM) acquired CM Tucker Lumber for an enterprise value of \$255 million (October). Lumber and treated wood supplier, CM Tucker, operates three treatment plants, a specialty sawmill, and a trucking fleet across its Eastern U.S. operations. The deal supports Doman's expansion efforts across the U.S. and complements its existing Western and Central U.S. footprint. The deal also strengthens Doman's position as a top pressure-treated lumber producer with an additional 800 million board feet treatment capacity, according to a press release.⁹



SRS DEAL BUOYS HOME DEPOT, DISRUPTS DISTRIBUTION SEGMENT



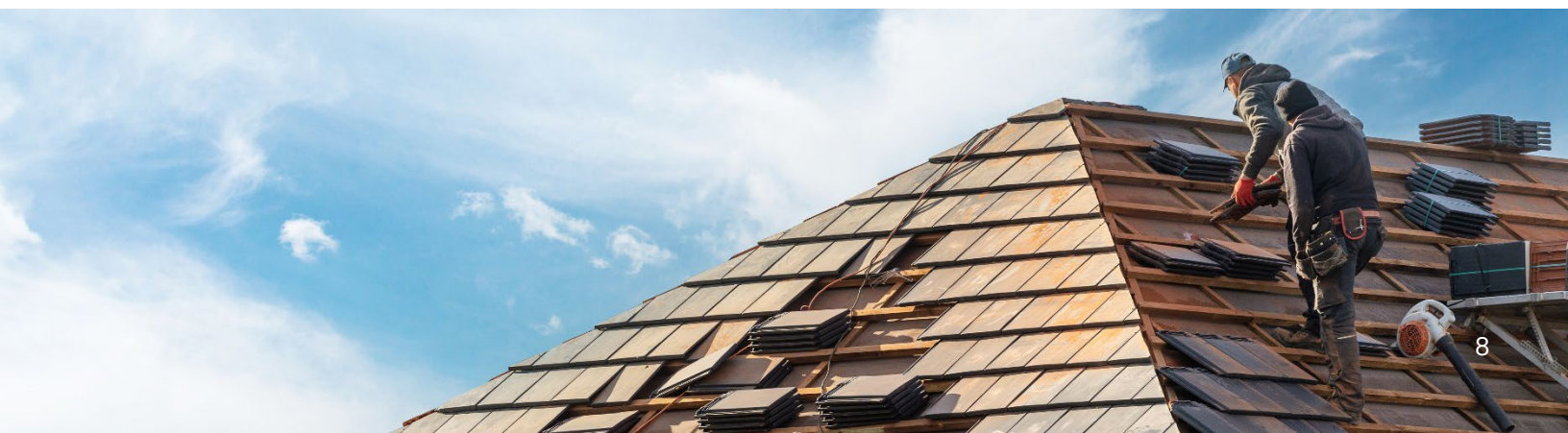
As detailed in depth in [Capstone's August Building Products Market Update](#), Home Depot (NYSE:HD), a top building products retailer for do-it-yourself (DIY) consumers, acquired SRS Distribution for a total enterprise value of \$18.3 billion, or 1.8x EV/Revenue and 16.6x EV/EBITDA (June). The acquisition sent ripples throughout the industry as it marked Home Depot's entry into the Residential Professional Contractor end market via SRS, the second largest building products distributor on a 2023 revenue basis after Builders FirstSource, according to investor and earnings releases from both companies.^{10,11} Key post-acquisition updates are detailed below.

Home Depot Post-Acquisition Updates

- By Q3, SRS was on track to generate \$6.4 billion in incremental sales in fiscal year (FY) 2024 for the seven months under Home Depot's ownership, according to its Q3 earnings call.¹²
- Post-acquisition, Home Depot's top priority has been to support SRS's growth strategy, which has historically focused on tuck-in M&A and opening new branch locations. Through Q3, SRS continued to open new branches and completed three acquisitions through subsidiaries including Freshwater Farms (October, undisclosed), Nucci Brothers Pool Supply (August, undisclosed), and Sunniland's Fertilizer assets (July, undisclosed).
- Home Depot's next post-acquisition initiative is accelerating cross-selling by making SRS' products available through its Pro Desk channel and outside sales. While still nascent and small, this initiative has seen triple-digit sales growth already, according to the Q3 earnings call.

Competitor and Market Impacts

- Evidenced by the Home Depot and SRS deal, competition between distributors for vertical and regional market share has accelerated. As a result, sector players have increasingly eyed larger M&A opportunities to stay competitive.
- Notably, technology-forward building products distributor, QXO (NYSE:QXO) offered to buy established distributor Beacon Roofing Supply (Nasdaq:BECN) for an enterprise value of \$11.6 billion (January 2025, 1.2x EV/Revenue, 11.1x EV/EBITDA). The offer comes after new entrant, QXO secured \$3.5 billion (June) and another \$620 million (July) in financing, leaving the company with \$5 billion cash on hand to deploy, according to Roofing Contractor.¹³ Beacon rejected the deal, stating it significantly undervalues its worth and growth prospects, according to a press release.¹⁴ In response, QXO has threatened a proxy battle takeover amid claims Beacon delayed the deal process, according to a press release.¹⁵





NOTABLE TRANSACTIONS



In December, Crane Company (NYSE:CR) sold its Engineered Materials business unit, Crane Composites, to KPS Capital Partners for an enterprise value of \$227 million. Crane Composites manufactures fiberglass reinforced plastic (FRP) composite products, including wall and ceiling panels, used in the Commercial Construction end market. Crane divested the unit as part of efforts to streamline operations towards its Aerospace & Electronics and Process Flow Technologies business units. Crane Composites operates four U.S. manufacturing facilities which KPS plans to bolster via organic and inorganic growth initiatives, according to a press release.¹⁶



Insteel Wire Products, a subsidiary of Insteel Industries (NYSE:IIN), acquired Liberty Engineered Wire Products (EWP) for an enterprise value of \$70 million (October). EWP manufactures welded wire reinforcement products for cast-in-place and precast applications in Nonresidential and Residential Construction end markets. EWP expands Insteel's market share and competitive positioning within the key Midwest region in the U.S. "The acquisition of EWP will enhance our customer service capabilities and drive down operating costs through operational synergies," noted Insteel President and CEO, H.O. Woltz, in a press release.¹⁷



Progress Lighting, a portfolio company of Kingswood Capital Management, acquired Kichler Lighting from Masco (NYSE:MAS) for an enterprise value of \$125 million (September). Kichler Lighting offers decorative residential and light commercial lighting products, ceiling fans, and LED lighting systems across Homebuilder, Trade, Showroom, Retail, and E-Commerce market sales channels. After closing, Kingswood Capital merged its platform Progress Lighting and Kichler under the new name "Coletto Brands". However, lighting products will remain under both brands' original names as part of its go-to-market strategy. Kingswood cited expanded distribution footprint, service capabilities, and product catalog as motivation for the deal.



Apogee Enterprises (Nasdaq:APOG), acquired Heartwood Partners' platform, UW Solutions, for an enterprise value of \$240 million (September). Vertically integrated UW Solutions manufactures coated substrates serving building products providers in the Distribution and Manufacturing categories. Apogee cited UW's scalable growth potential in the Specialty Coatings & Materials market as motivation for the deal and merged the company into its Large-Scale Optical segment. The deal value represents 8.5x EV/EBITDA based on UW's estimated 2026 earnings and is expected to generate \$30 million in incremental net sales for FY 2025 and \$5 million in operational and cost synergy benefits by the end of FY 2027, according to deal press releases.^{18,19}



Brian Krehbiel
Director

"Private equity corporate carve-out momentum is increasing in the building products industry as evidenced by the divestitures of Kichler Lighting by Masco and the Engineered Materials business of Crane Composites in 2024,"

BUILDING PRODUCTS SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
12/02/24	Crane Composites	KPS Capital Partners	Manufactures fiber-reinforced composite materials for construction, industrial, and commercial applications.	\$227.0	-	-
11/07/24	Spartan Mat	Exchange Income (TSX:EIF)	Provides industrial composite access mats and interlocking mat system for construction projects.	\$120.0	-	-
11/07/24	PF Waterworks	CSW Industrials (Nasdaq:CSWI)	Manufactures and sells drain management products.	\$40.0	-	9.5x
10/21/24	Engineered Wire Products	Insteel Wire Products	Sells and manufactures welded wire reinforcement (WWR) products for Precast and Concrete industries.	\$70.0	0.8x	-
10/17/24	Plasti-Fab	Carlisle Companies (NYSE:CSL)	Offers Expanded Polystyrene (EPS) building materials and insulation for infrastructure applications.	\$259.6	2.4x	-
10/01/24	CM Tucker Lumber	Doman Building Materials (TSX:DBM)	Manufactures pressure treated wood products.	\$255.0	-	-
09/03/24	L.D. Kichler	Progress Lighting	Provides indoor and outdoor lighting solutions to showrooms, electrical distributors, and e-retailers.	\$125.0	-	-
08/01/24	Stavola Construction Materials Unit	Arcosa MS9	Operates an aggregates-led, vertically integrated construction materials company.	\$1,200.0	4.2x	12.0x
07/29/24	Woolf Distributing Company	ADENTRA (TSX:ADEN)	Distributes building materials and millwork products serving the Wisconsin and Illinois regions.	\$135.0	0.8x	-
07/22/24	ThermaSol Steam Bath	Harvia Oyj (HLSE:HARVIA)	Designs and manufactures components and systems for smart showers and steam baths.	\$30.4	2.1x	-
07/01/24	Mueller	Cornerstone Building Brands	Manufactures pre-engineered metal buildings and metal roofing products.	\$475.0	-	-
06/13/24	DMC Global (Nasdaq:BOOM)	Steel Connect	Provides engineered products for the Construction, Energy, Industrial, and Transportation markets.	\$631.1	0.9x	5.4x
06/03/24	Rytec	Nucor (NYSE:NUE)	Designs, manufactures, and sells doors.	\$565.0	-	12.5x
05/17/24	Timber Technologies	Star Equity Holdings (Nasdaq:STRR)	Manufactures glue-laminated timber for Agriculture, Industrial, Infrastructure, and Construction markets.	\$24.1	1.3x	4.4x
04/03/24	The Bailey Group of Companies	CertainTeed Canada	Provides metal products serving commercial and residential construction markets.	\$651.0	1.7x	9.6x
03/28/24	SRS Distribution	The Home Depot (NYSE:HD)	Distributes roofing products.	\$18,250.0	1.8x	16.6x
03/11/24	L.S. Starett (NYSE:SCX)	MiddleGround Management	Manufactures industrial, professional, and consumer measuring and cutting tools.	\$130.4	0.5x	4.0x
02/09/24	Masonite (NYSE:DOOR)	Owens Corning (NYSE:OC)	Designs and manufactures exterior doors and door solutions for residential and nonresidential construction.	\$4,252.4	1.5x	8.5x
01/02/24	Signature Systems	Myers Industries (NYSE:MYE)	Manufactures and distributes of temporary flooring and fencing products.	\$344.0	3.1x	-
01/02/24	PGT Innovations (NYSE:PGTI)	MITER Brands	Supplies and manufactures impact-resistant aluminum frame windows and doors.	\$3,164.2	2.1x	11.2x
12/15/23	STANLEY Infrastructure	Epiroc (OM:EPI A)	Manufactures handheld hydraulic tools.	\$760.0	1.4x	-
Mean				\$1,510.0	1.8x	9.4x
Median				\$259.6	1.6x	9.6x

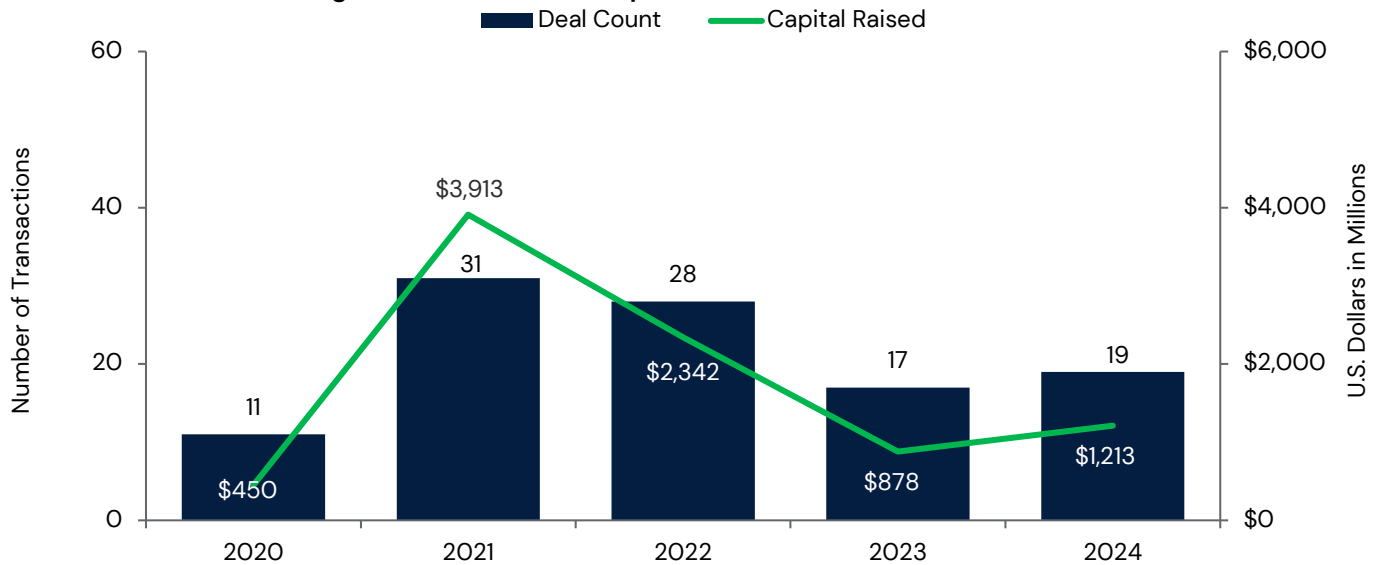
Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

LOWER INTEREST RATES DRIVE SECTOR EQUITY FINANCING REBOUND

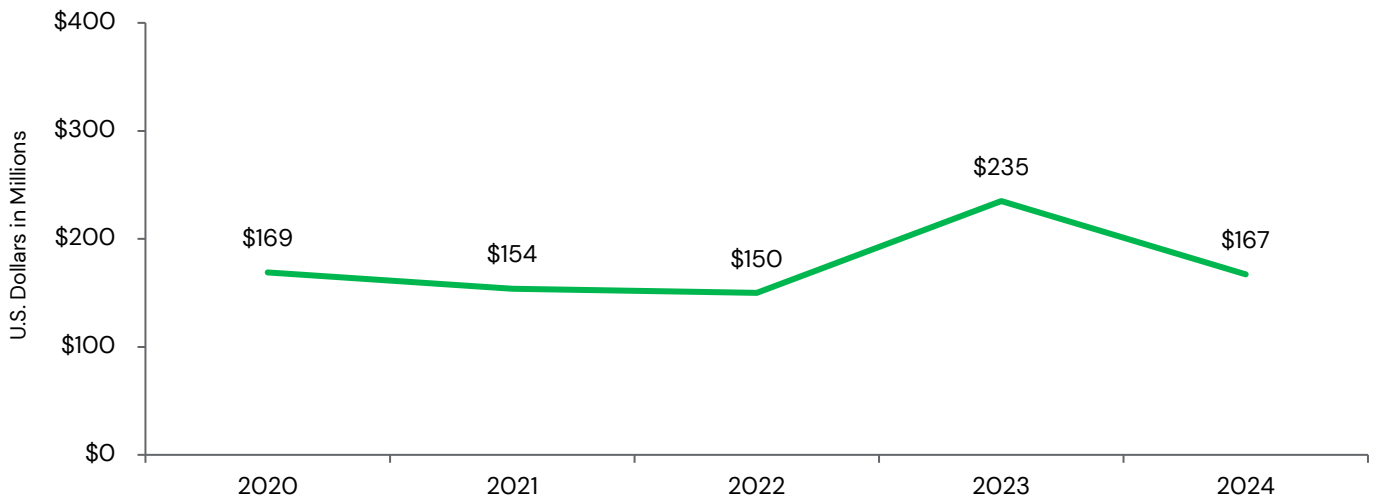
Significant Activity for Minority-Stake Sales in the Building Products Sector

Capital invested in the Building Products sector by growth equity firms registered an increase YOY to \$1.2 billion across 19 transactions in 2024. The rebound in investment was driven by two key factors: declining interest rates and increasing demand for energy efficient solutions. As interest rates have come down, borrowing costs for developers, builders, and homeowners have decreased. This led to a resurgence in construction activity, particularly in the Housing market, where affordability concerns had slowed new builds. Lower rates also made capital-intensive projects, such as commercial developments and infrastructure improvements more financially viable, increasing demand for building materials and products. In addition, governments and consumers have increasingly prioritized solutions to reduce their carbon footprint which continues to buoy demand for energy-efficient building materials.

Building Products Growth Capital Raises Increase Year-Over-Year



Median Pre-Money Valuations for Building Products Growth Companies Moderate



Source: PitchBook and Capstone Partners



NOTABLE FINANCING ROUNDS



\$20 Million
Government Funding
October 2024

Furno, a California-based climate technology company intended to produce zero-emission ordinary Portland cement, raised \$20 million from the US Department of Energy in October 2024. The funds will be used to build up micro kilns at a concrete plant in Chicago.



\$51 Million
Series B
October 2024

LuxWall, a manufacturer of vacuum-insulated glass designed to improve the energy efficiency of buildings and homes, raised \$51 million in a Series B round at a post-money valuation of \$230 million. The deal was led by Climate Investment and Sustainable Impact Capital.



\$75 Million
Growth Funding
September 2024

Sublime Systems, a Massachusetts-based cement manufacturer focused on an electrified manufacturing process that makes clean cement, raised \$75 million from CRH (NYSE:CRH) and Holcim MAQER Ventures in September 2024.



\$30 Million
Series C
July 2024

Vantem, a manufacturer of a panel sheet system for construction applications intended to provide safe and simplified building construction, announced a capital raise of \$30 million in a Series C round.



\$18 Million
Government Funding
June 2024

Alpen, a manufacturer of commercial windows and architectural glass products, raised \$18 million of grant funding from the U.S. Department of Energy in June 2024. The company produces insulating glass and windows and offers suspended coated film for architectural and OEM markets.



\$85 million
Series C
March 2024

Fortera, a California-based cement products manufacturer focused on reducing carbon dioxide emissions, raised an \$85 million Series C round at a post-money valuation of \$320 million from a group of investors that included Temasek, Alumni Ventures, and Khosla Ventures.

EQUITY CAPITAL MARKETS GROUP

The [Equity Capital Markets Group](#) focuses on raising equity capital financing for growth-oriented companies and is active in the Building Products sector. Our team works closely with our Building Products & Construction Services Group to help our clients secure equity capital to fund growth initiatives, recapitalize the balance sheet (often including shareholder liquidity), and to finance M&A transactions.

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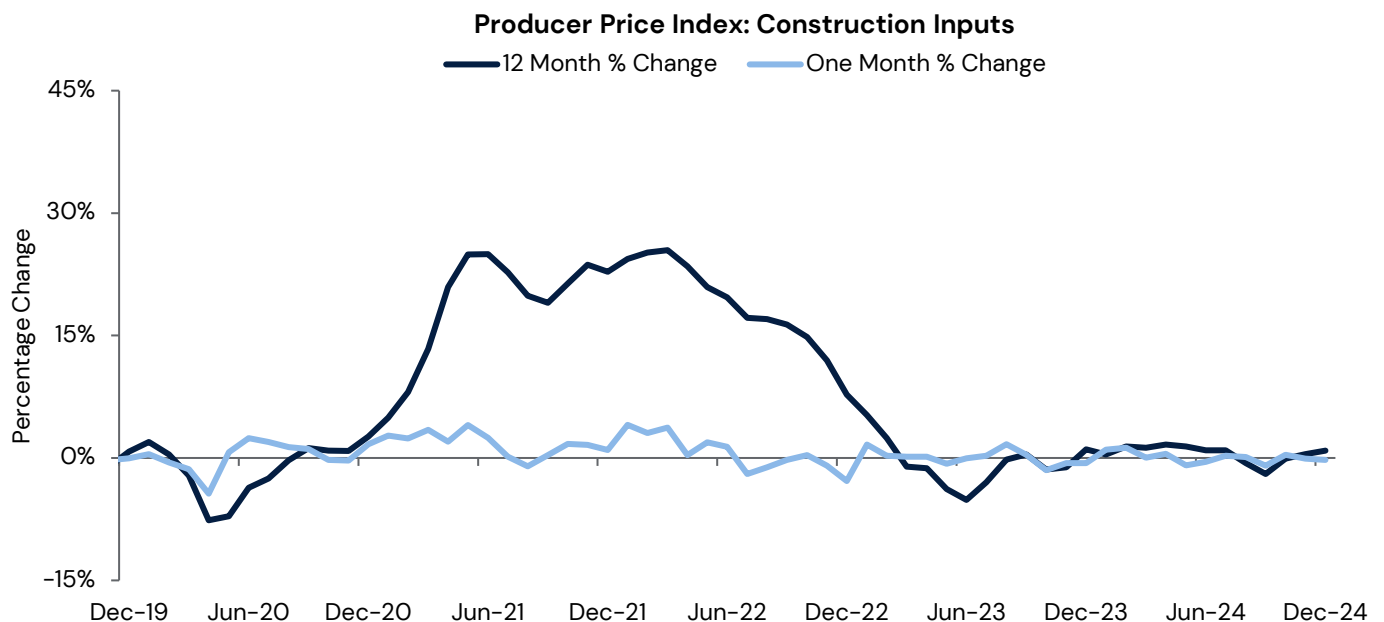
Analyst
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CONSTRUCTION INPUT PRICING: UPSTREAM SUPPLY

After two years of volatility, construction input prices moderated, falling 0.2% month-over-month (MoM) and rising 0.9% YOY, according to the Bureau of Labor Statistics.²⁰ Softwood lumber and natural gas prices jumped 12.9% and 22.5% YOY, respectively, after prices dipped in 2023. In contrast, steel inputs fell in late 2024, with iron and steel scrap input prices sinking 15.2% YOY and steel mill products falling 11.5% YOY.

Producer Price Index Percent Change
(Inputs to Construction, December 2024)

Input	One Month % Change	12 Month % Change
Concrete Products	0.1%	4.1%
Crude Petroleum	0.5%	-0.8%
Fabricated Structural Metal Products	0.0%	-0.5%
Iron and Steel Scrap	-2.4%	-15.2%
Natural Gas	57.7%	22.5%
Nonferrous Wire and Cable	-1.8%	4.8%
Plumbing Fixtures and Brass Fittings	0.1%	2.1%
Prepared Asphalt, Tar Roofing & Siding Products	-0.1%	1.6%
Softwood Lumber	1.1%	12.9%
Steel Mill Products	-3.0%	-11.5%
Unprocessed Energy Materials	10.0%	4.1%



Source: U.S. Bureau of Labor Statistics, Associated Builders and Contractors, and Capstone Partners

2024 CONSTRUCTION BACKLOGS PACE 2023 LEVELS

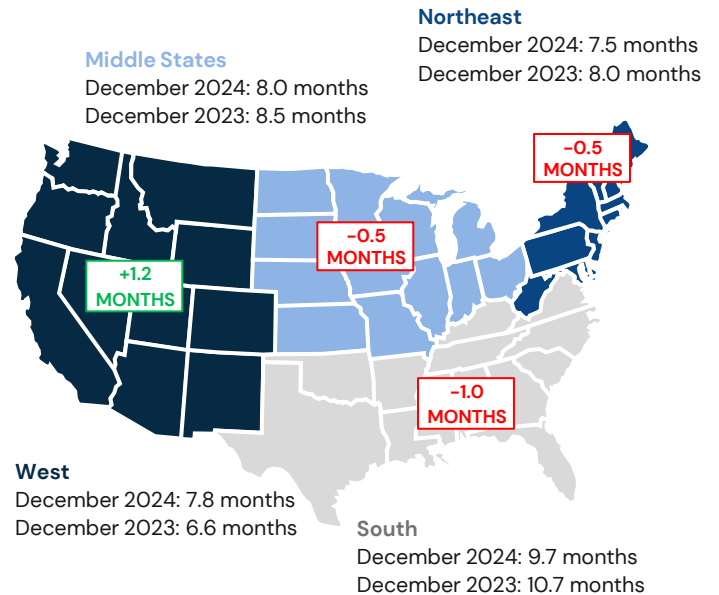
Construction Backlog

ABC's Construction Backlog Indicator (CBI) is a forward-looking national economic indicator that reflects the amount of work that will be performed by commercial and industrial contractors in the coming months. Through fourth quarter 2024, backlogs amounted to 8.4 months, which marked a marginal 0.1-month YOY decline while quarter-over-quarter (QoQ) backlogs remained stable, according to ABC's December CBI release.

In December, infrastructure backlog levels grew to the highest level seen since August 2023, and led the Nonresidential Construction market at 10.0 months, a 1.3-month MoM increase. In contrast, the Heavy Industrial (8.5 months) and Commercial & Institutional (8.2 months) segments registered marginal declines in forecasted work, falling 0.2- and 0.3-months MoM, respectively.

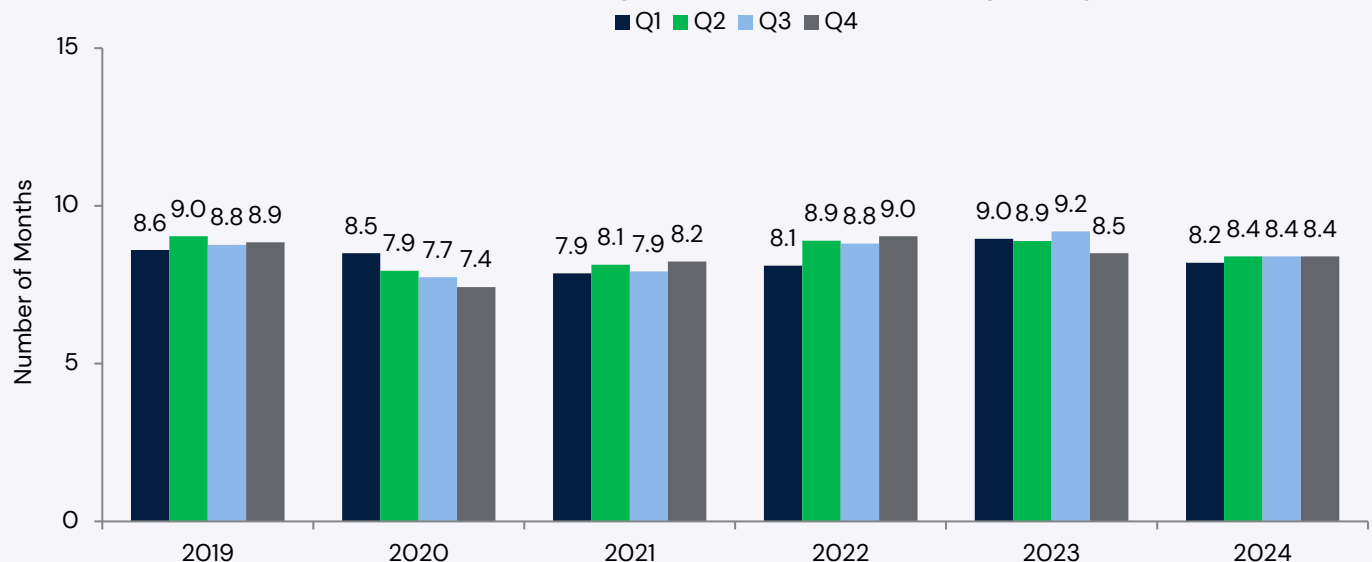
The chart below displays the national annual average, broken down by quarter. Average backlogs in Q4 remained stable for three consecutive quarters.

CBI Map of Regions and Backlog Month



Source: Associated Builders & Contractors and Capstone Partners

Construction Backlog Indicator – National Backlog Average



Source: Associated Builders & Contractors and Capstone Partners



CONSTRUCTION INDICES

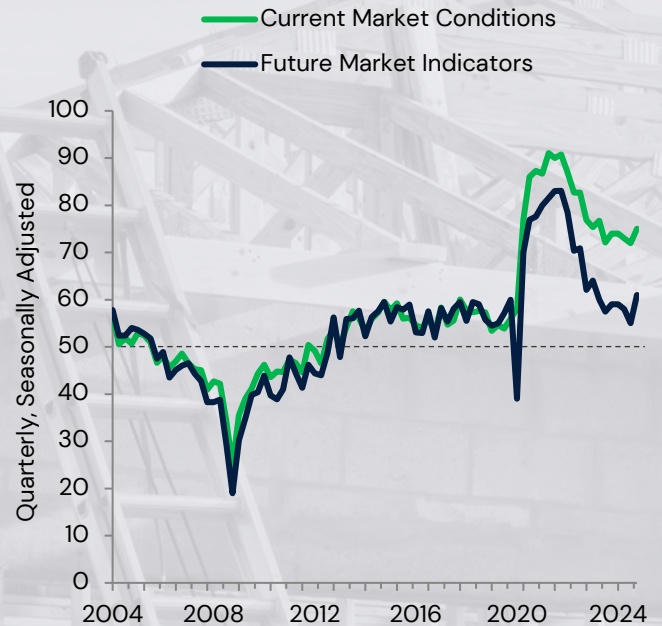
Remodeling Market Index

The Remodeling Market Index (RMI) is based on a quarterly survey of National Association of Home Builders (NAHB) remodeler members that provides insight on current market conditions as well as future indicators for the Remodeling market.

The RMI survey asks remodelers to rate five aspects of the remodeling market as "good," "fair," or "poor." Each question is measured on a scale from 0 to 100, where an index number of 50 indicates a higher share of remodelers' view conditions as good rather than poor.

The RMI posted a reading of 68 in Q4, a significant QoQ jump from 63 in Q3 2024 and the highest index reading since Q2 2023, according to NAHB.²¹ Current market condition sentiment rose QoQ from 72 in Q3 to 75 in Q4. The future market indicator reading increased QoQ up from 55 in Q3 to 61 in Q4. Both current and future market condition scores in Q4 also reached highs not seen since Q3 2023.

Remodeling Market Index (RMI)



Source: NAHB Remodeling Market Index and Capstone Partners

Architecture Billings Index

The American Institute of Architects' (AIA) monthly Architecture Billings Index (ABI) is a leading economic indicator for nonresidential construction activity, with a lead time of approximately 9–12 months. The index is derived from AIA's Work-on-the-Boards survey, which has gathered data on shifts in billings from architectural firm leaders for over 20 years. While billings slowed in November, levels remain on par MoM and design contracts accelerated substantially, up three turns MoM, according to AIA.²²

Architecture Billings Index

An index score of above 50 indicates an increase in firm billings or design contracts from the previous month, while below 50 indicates a decrease.

Billings

November

49.6

Design Contracts

November

48.3

October

50.3

October

45.3

Billings by Sector



Commercial/
Industrial:

49.4



Institutional:

50.6



Residential:

50.8

Source: The American Institute of Architects and Capstone Partners



PUBLIC COMPANY DATA

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	01/13/25	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Plumbing / HVAC									
AAON, Inc.	\$123.40	85.7%	\$10,029.9	\$10,101.7	\$1,209.6	\$310.7	25.7%	NM	NM
A. O. Smith Corporation	\$68.63	74.2%	\$9,951.0	\$9,838.6	\$3,818.1	\$817.1	21.4%	2.6x	12.0x
Lennox International Inc.	\$618.51	90.6%	\$22,033.4	\$23,200.7	\$5,341.3	\$1,237.6	23.2%	NM	18.7x
Masco Corporation	\$73.56	84.8%	\$15,870.5	\$18,632.5	\$7,828.0	\$1,600.0	20.4%	2.4x	11.6x
Average:		83.8%	\$14,471.2	\$15,443.4	\$4,549.2	\$991.4	22.7%	2.5x	14.1x
Decking / Siding / Drywall									
Eagle Materials Inc.	\$239.48	74.4%	\$8,033.0	\$9,036.7	\$2,267.0	\$811.3	35.8%	4.0x	11.1x
James Hardie Industries plc	\$30.39	78.3%	\$13,062.1	\$13,819.4	\$3,935.9	\$1,136.2	28.9%	3.5x	12.2x
Trex Company, Inc.	\$65.22	64.0%	\$6,987.9	\$7,081.4	\$1,179.6	\$381.4	32.3%	6.0x	18.6x
Average:		72.2%	\$9,527.2	\$9,979.2	\$2,460.8	\$776.3	32.3%	4.5x	14.0x
Building Systems									
Apogee Enterprises, Inc.	\$53.40	60.7%	\$1,172.3	\$1,468.9	\$1,377.1	\$213.3	15.5%	1.1x	6.9x
Armstrong World Industries, Inc.	\$142.91	86.9%	\$6,229.2	\$6,783.0	\$1,390.3	\$484.8	34.9%	4.9x	14.0x
Owens Corning	\$169.50	79.0%	\$14,540.4	\$20,048.4	\$10,439.0	\$2,520.5	24.1%	1.9x	8.0x
Average:		75.6%	\$7,314.0	\$9,433.4	\$4,402.1	\$1,072.9	24.8%	2.6x	9.6x
Window / Door									
JELD-WEN Holding, Inc.	\$8.49	39.0%	\$718.4	\$1,864.9	\$3,900.9	\$242.0	6.2%	0.5x	7.7x
Quanex Building Products	\$22.31	56.8%	\$1,049.1	\$1,844.4	\$1,277.9	\$131.6	10.3%	1.4x	14.0x
Average:		47.9%	\$883.8	\$1,854.6	\$2,589.4	\$186.8	8.3%	1.0x	10.9x
Lumber / Wood Products									
Boise Cascade Company	\$120.51	77.5%	\$4,628.1	\$4,394.4	\$6,801.1	\$695.0	10.2%	0.6x	6.3x
Louisiana-Pacific Corporation	\$105.70	86.0%	\$7,424.2	\$7,450.2	\$2,919.0	\$691.5	23.7%	2.6x	10.8x
UFP Industries, Inc.	\$113.09	80.0%	\$6,867.4	\$6,068.9	\$6,714.7	\$729.0	10.9%	0.9x	8.3x
Average		81.2%	\$6,306.6	\$5,971.2	\$5,478.2	\$705.1	14.9%	1.4x	8.5x
Building Product Distribution									
Beacon Roofing Supply, Inc.	\$105.44	90.7%	\$6,525.5	\$10,161.1	\$9,659.1	\$1,044.8	10.8%	1.1x	9.7x
Builders FirstSource, Inc.	\$146.47	68.2%	\$16,856.5	\$20,865.7	\$16,731.0	\$2,530.3	15.1%	1.2x	8.2x
GMS Inc.	\$80.49	76.3%	\$3,124.3	\$4,820.5	\$5,590.6	\$620.7	11.1%	0.9x	7.8x
Watsco, Inc.	\$476.57	83.4%	\$17,903.7	\$18,247.6	\$7,467.6	\$922.2	12.3%	2.4x	19.8x
Average		79.6%	\$11,102.5	\$13,523.7	\$9,862.1	\$1,279.5	12.3%	1.4x	11.4x

EV = enterprise value; LTM = last twelve months

\$ in millions, except per share data

NM = Not Meaningful

Source: Capital IQ and Capstone Partners as of January 13, 2025

Average Last Twelve Months Total Returns

S&P 500	Dow Jones Industrial Average	Plumbing / HVAC	Decking / Siding / Drywall	Building Systems	Window / Door	Lumber / Wood Products	Building Product Distribution
22.0%	12.5%	21.8%	-11.4%	20.1%	-43.1%	11.2%	3.0%

Source: Capital IQ and Capstone Partners as of January 13, 2025



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Darin is an advocate for his clients, guiding them through the complex process of raising debt, equity or selling their company. During the past 25 years, Darin has led business owners and their board of directors through this process over 80 times. Courts, trade groups and national publications recognize Darin's expertise where he provides testimony as an expert witness and speaks about topics involving mergers and acquisitions. Prior to joining Capstone, Darin started, operated, made acquisitions and sold three successful companies in construction, import and distribution, and commercial real estate management. Three sell side transactions that Darin performed are published and taught in business schools around the globe. Darin teaches these cases at the University of Denver, where he received his Bachelor of Science in Finance.



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Crista started her career at KPMG LLP then accepted a Senior Associate role with a \$12 billion multi-strategy hedge fund managing the monthly P&L close process for several funds. She was promoted to Vice President, Valuations responsible for pricing the portfolio of over 8,000 securities monthly, as well as reporting to the Valuation Committee on a bi-monthly basis. At Capstone, Crista works with clients to improve their financial metrics and reporting capabilities. Additionally, she performs research, valuation analysis, prepares marketing documentation, manages client data rooms and responds to due diligence inquiries. Crista graduated summa cum laude from Drake University with a degree in Finance and Accounting. She also earned a Master's of Accounting degree from Drake University and is a CFA Charterholder.



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Prior to joining Capstone Partners in 2011, Brian spent five years with a boutique investment bank performing sell-side transactions, financial modeling and value-add client services. At Capstone, Brian is a member of the Building Products & Construction Services team assisting clients with sell-side, buy-side and debt and equity raise transactions. Prior to his career in Investment Banking, Brian developed construction industry and operations experience owning and managing a successful family-owned residential construction company. His education and industry expertise are resources used in all aspects of the transaction process. Brian graduated from the University of Northern Colorado with a BS degree in Finance and is a CFA Charterholder.



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Izzy serves as a Market Intelligence Associate at Capstone Partners covering the Transportation & Logistics, Building Products & Construction Services, and Agriculture industries. Prior to joining Capstone, Izzy was a Research and Insights Associate for the PR Agency Racepoint Global, where she conducted secondary research to help guide brand communication strategies for clients in industries such as Consumer Technology. Izzy graduated with a Bachelor of Arts degree in Business from Southwestern University.

FIRM TRACK RECORD

Capstone Partners' [Building Products & Construction Services Team](#) has represented clients across various construction specialties. Our deep industry focus allows us to provide our clients with real-time transaction feedback and immediate access to key decision makers among the most active acquirers and investors in the Construction industry. A sampling of closed transactions is shown below.

 <p>HAS BEEN ACQUIRED BY</p> <p>AN EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)</p>	 <p>a portfolio company of</p>  <p>HAS BEEN ACQUIRED BY</p>  <p>SUN CAPITAL PARTNERS, INC.</p>	<p>CONFIDENTIAL</p> <p>RECEIVED DEBT FINANCING</p> <p>SPECIALTY CONTRACTOR</p>
 <p>HAS BEEN ACQUIRED BY</p>  <p>WILLSCOT mobile mini</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>a portfolio company of</p>  <p>WARREN EQUITY PARTNERS</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>HURON CAPITAL</p>
 <p>HAS BEEN ACQUIRED BY</p>  <p>a portfolio company of</p>  <p>PALM BEACH CAPITAL</p>	 <p>HAS BEEN ACQUIRED BY</p> <p>AN EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>BLUE RIDGE CONSTRUCTION CAPITAL</p>
 <p>HAS BEEN ACQUIRED BY</p>  <p>a portfolio company of</p>  <p>Blackstone</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>Lithko CONTRACTING, LLC</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>THE FACILITIES GROUP</p>

CAPSTONE'S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The stage and initiatives of a business often dictate which financial services are in demand. As the bulk of CEOs polled in Capstone's 2024 Middle Market Business Owners Survey indicated growth strategies are a priority for 2025, the lion's share (40.7%) of owners anticipate a need for growth strategy support services. Similarly, 38.1% of CEOs require equity capital advisory services to support operational initiatives and business expansion. Nearly one-third of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, 30.2% of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company's lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed specialty advisory practices to provide financial performance, buy-side, employee stock ownership plan (ESOP), and equity and debt services. All of these capabilities are supported by 12 industry banking groups, an active sponsor coverage group, and a dedicated Market Intelligence Team.

Top Financial Services Required by Business Owners in 2025



40.7%

Instituting a growth strategy



38.1%

Raising equity capital



32.4%

Accounting & audit support



30.2%

Accessing relevant industry research



20.2%

Raising debt capital



19.8%

Corporate restructuring

Question: Have you ever had, or do you anticipate having, a need for any of the following services?
Source: Capstone Partners' Middle Market Business Owner Survey, Rebased Sample Size (N): 278



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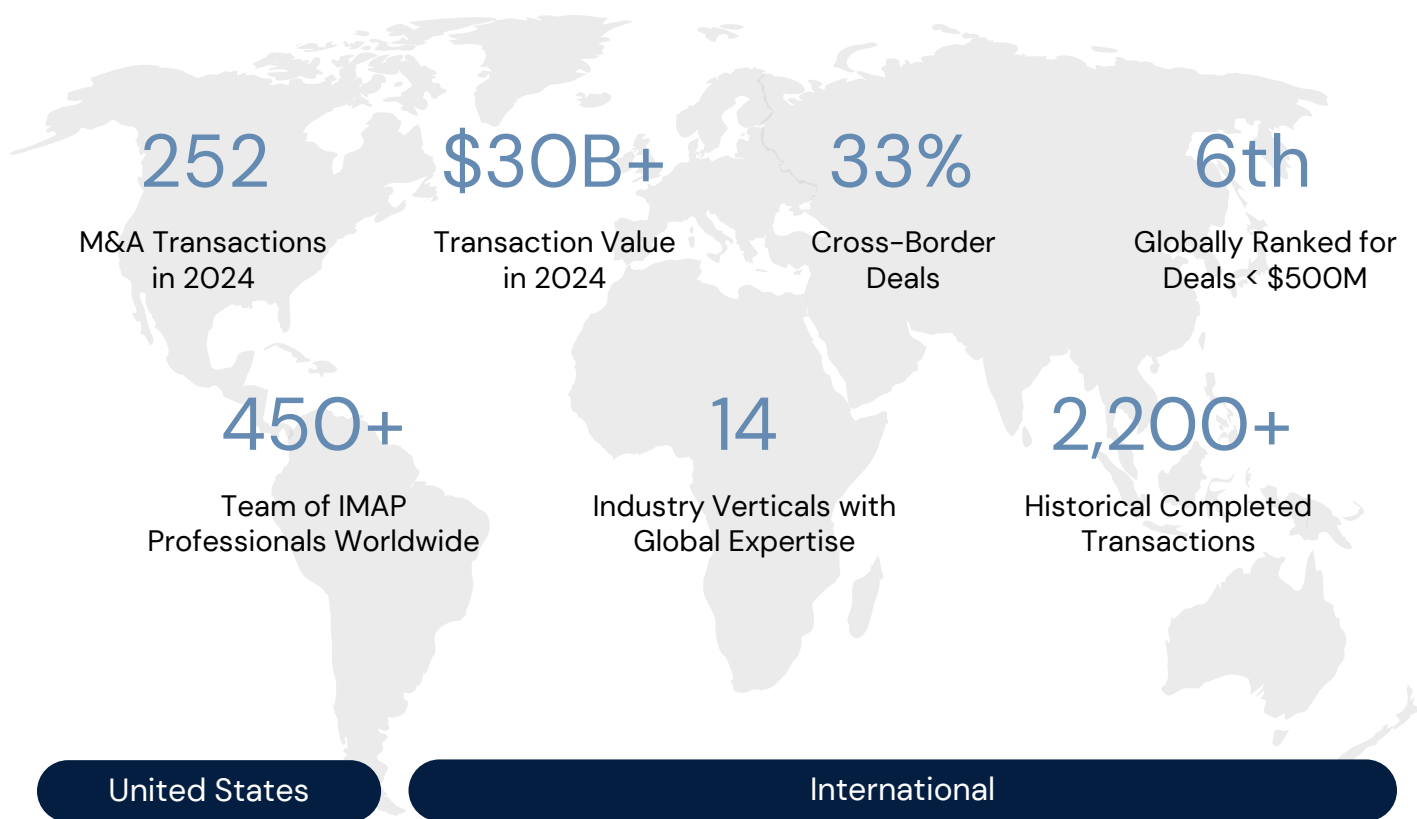
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