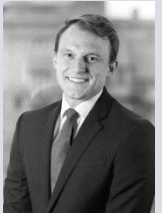


Sector Snapshot – H1 2023

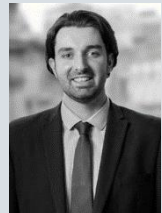
Building Products & Distribution - M&A



Tom McCarthy
Partner



Peter Waplington
Director



Liam Hadfield
Manager

Deal volumes softened in H1 2023 compared to H1 2022

- M&A deal volumes decreased in the first half of 2023, with 29 deal completions compared to 34 in H2 2022. Continued inflationary pressures and general geo-political uncertainty continued to impact M&A activity with a marked decline from the 2021-2022 post-lockdown M&A run.

Total merchants' sales were 3.3% lower in H1 2023 compared to H1 2022

- The Builders Merchants Business Index (BMBI) reported that sales in H1 2023 were 3.3% lower than in H1 2022. This reduction was underpinned by volumes being down 14.9% but prices being 13.7% higher. Subsectors that particularly suffered in H1 2023 included Timber & Joinery Products and Landscaping, with total sales down on H1 2022 by 15.8% and 14.9% respectively. Decorating sales increased from H1 2022 by 13.1%, and the Renewables & Water Saving was the standout area of the sector, with sales increasing 43.3%.

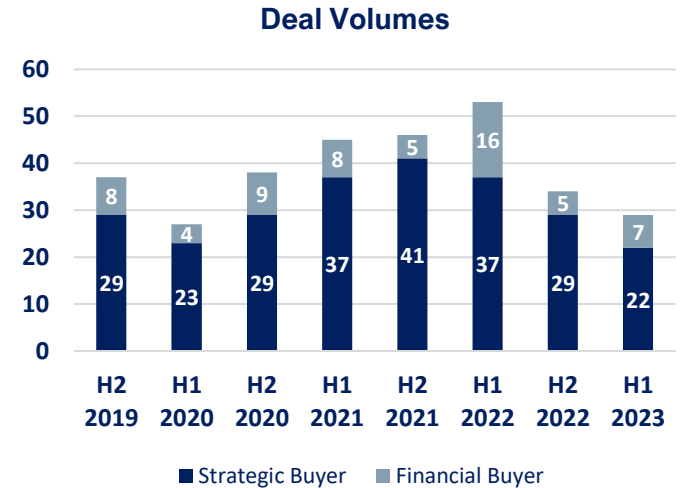
Challenging Deal Making Conditions

- Sellers faced the challenge of maintaining recent trading performance while buyers juggled business specific and macro risks when assessing targets. The softening market increased the requirement for extensive due diligence with subsequent impact on completion timetables. The hangover of stronger valuation multiples from 2021 and 2022 created gaps in expectations between buyers and sellers, with an increasing proportion of deals bridged by earn outs.

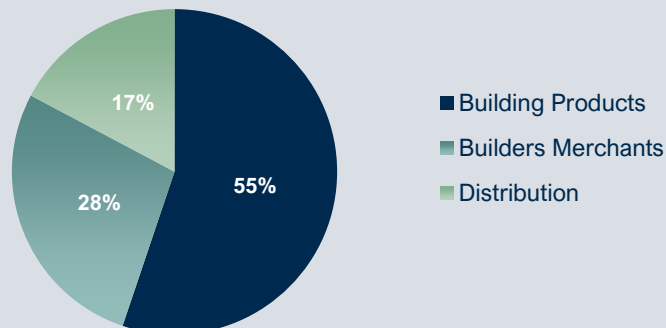
International appetite in the UK market continues to be resilient

- International buyers are still viewing the UK market as attractive with 31% of buyers in H1 2023 having their HQ based overseas. This is in line with the historical average. Cross-border transactions are remaining resilient supported by favourable foreign exchange rates and demand for quality assets based in the UK.

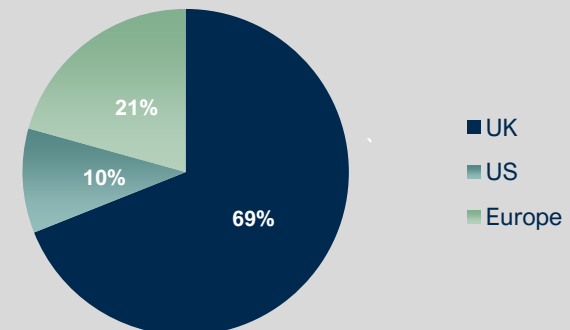
M&A VOLUMES BY TYPE



DEAL VOLUMES BY SUBSECTOR



BUYERS HQ BY GEOGRAPHICAL REGION



Sources: S&P Capital IQ, BMBI

TRADE

“Challenging trading conditions and less favourable market trends resulted in reduced M&A activity, with corporates focussing on selective strategic acquisitions”

PRIVATE EQUITY

“Private equity backed buy and build strategies continue to be a prominent market feature, rather than new platform investments”

TRADE & PRIVATE EQUITY BUYERS

Builders Merchants	Building Products	Building Distribution
 Have acquired 	 Have acquired 	 Have acquired
Building Products	Building Products	Building Products
 Have acquired 	 Have acquired 	 Have acquired
Builders Merchants	Builders Merchants	Building Products
 Have acquired 	 Have acquired 	 Have acquired

Notable trade deals in H1 2023 include:

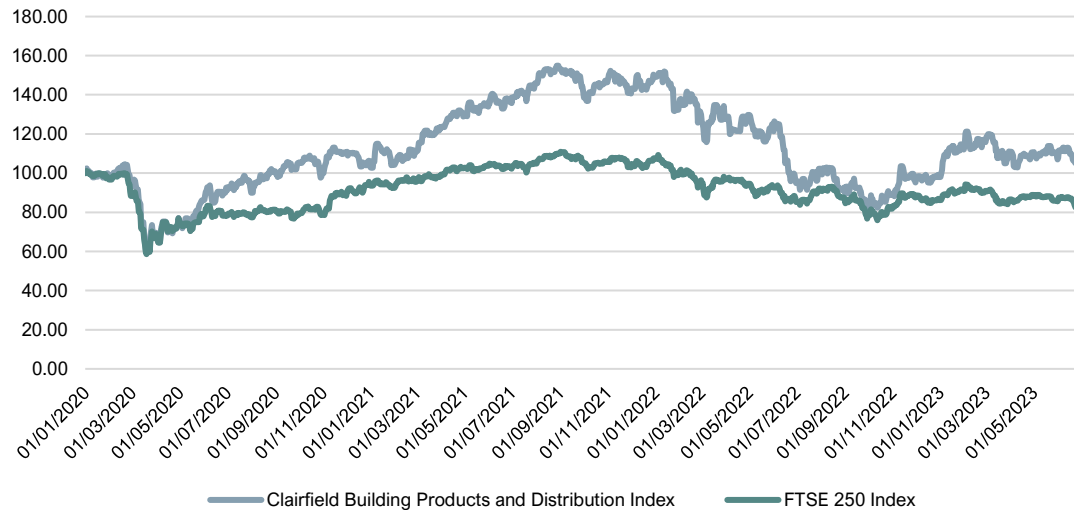
- Lords Group Trading plc, a leading B2B distributor of building plumbing, heating and DIY goods, acquired Chiltern Timber Supplies Limited for £1.6m. Chiltern Timber is an independent timber merchant, specialising in providing hardwoods, special timber sections and veneered sheet material.
- Aggregate Industries, a leading UK supplier of innovative and sustainability building materials, acquired Besblock Limited, a supplier of precast building blocks. The acquisition allows Aggregate Industries to expand its existing product range with the introduction of a range of technically niche and sustainable building blocks, and enable closer working relationships with large and medium sized housebuilders.
- Wolseley UK Limited completed the acquisition of Kooltech, a UK based HVAC business that specialises in the cooling and air conditioning sector. This acquisition allows Wolseley to increase its capabilities as a leading heating, cooling and infrastructure trade merchant. Kooltech operate across 7 locations and following the completion will act as a standalone business as part of the Wolseley Group.
- Swiss company SanSwiss AG, a major European manufacturer of shower enclosures and shower screens, acquired Kudos Shower Products Limited. The takeover of Kudos allowed SanSwiss to expand into the UK market with existing Swiss products.
- US company Kohler Co. continued its acquisitive activity with their takeover of Kast, a UK boutique designer and manufacturer of contemporary concrete basins and sinks. The acquisition will enable Kohler to expand its Luxury Brands division.
- Etex N.V acquired UK company Superglass. The acquisition of Superglass allows Etex N.V to strengthen its European footprint in the sustainable insulation market.

Notable PE deals in H1 2023 include:

- National Timber Group (“NTG”), backed by Cairngorm Capital, acquired NORclad for an undisclosed value. The acquisition further strengthens NTG’s position as the UK’s largest specialist timber processing business.
- Independent Builders Merchant Group (“IBMG”), has acquired Roofing Gear. This expansion has led to a further 3 branches of IBMG’s roofing division and added £6m turnover to the group. IBMG also acquired Kent Blaxill. Kent Blaxill is the first acquisition for IBMG in the East of England, further filling a geographical gap and providing a foothold for further growth in the future.
- Swedish Industrial Investor Volati AB acquired Tornum (formally known as “JW Installations Ltd”) for an undisclosed amount. JW Installations was the first acquisition for Volati AB located in the UK, providing a foothold into a new market.

“Listed building product and distribution company valuations have recovered since the low in H2 2022 following the mini budget but are still well below historical averages”

FTSE 250 Index vs Clairfield Building Products Index



Clairfield Building Products & Distribution Index includes:



Source: S&P Capital IQ

Plc Valuation Summary

- The Enterprise Value to EBITDA multiples below are the average across our index of listed business. A private company discount of 30-50% is typically applied to Plc multiples to indicate private company transaction multiples:

	Average 2015-2022	H1 2023
Building Products	11	7
Builders Merchants	12	7
Distribution	11	6

Private Transaction Summary

- The Enterprise Value to EBITDA multiple ranges below are based on disclosed deal multiples:

Building Products	5	to	7
Builders Merchants	4	to	6
Distribution	4	to	6

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35+ Offices globally



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140+ Transactions per year

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Recent Clairfield Building Products Transactions

Building Products



Building Products



Construction and building products



Building Products



Building Products



Building Products



Building Products



Building Products



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