



Clairfield industry snapshot

Building Products & Distribution - M&A

April 2024

■ **clairfield**



Tom McCarthy
Partner

A slight uptick in deal volumes in H2 2023 compared to H1 2023

- M&A deal activity improved slightly in the second half of 2023, with 32 deal completions compared to 29 in H1 2023. However, this increase was skewed by a rise in the proportion of distressed deals, which comprised c. 20% of the total deal volume for H2 2023, up from <5% in H1 2023. It was also below the long-term average of 37 deals per half-year.

Total merchants' sales were 5.7% lower in Q4 2023 compared to Q4 2022

- The Builders Merchants Business Index (BMBI) reported that sales in Q4 2023 were 5.7% lower than in Q4 2022. This reduction was underpinned by volumes being down 12.0% but prices being 7.1% higher. Subsectors that particularly suffered in H1 2023 included Timber & Joinery Products and Heavy Building Materials, with total sales down on Q4 2022 by 10.3% and 7.3% respectively. Few subsectors saw sales growth, however Workwear/Safetywear and Decorating sales increased by 5.3% and 6.8% respectively compared to Q4 2022.



Peter Waplington
Director

Deal volumes affected by distressed sales

- Sellers faced the continued challenge of maintaining trading performance, while buyers grappled with the same while factoring in the increased cost of capital. This led to slow deal processes and reduced numbers of completed deals in the period compared to historical averages. Continued inflation and high interest rates began to take effect, evidenced by the higher number of distressed sales in the period.

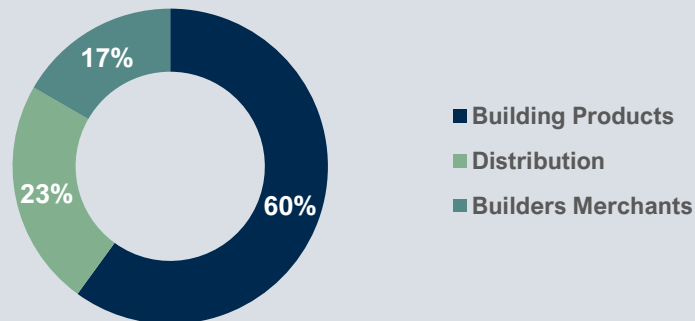
International appetite in the UK softened slightly

- International buyers accounted for 25% of buyers in H2 2023, a slight decrease on the historical average. However, this again is skewed by the increased number of distressed sales, which saw UK-based strategic and financial buyers acquire local assets during administration and accelerated M&A processes.



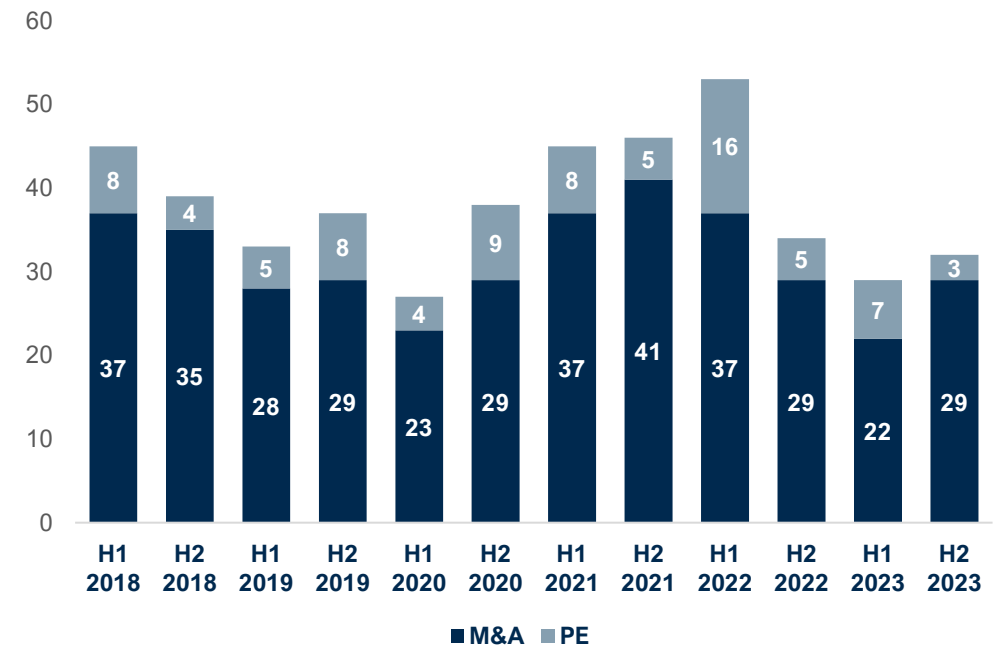
Liam Hadfield
Manager

DEAL VOLUMES BY SUBSECTOR

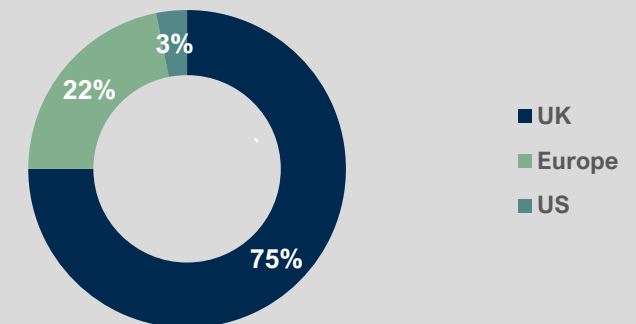


Sources: S&P Capital IQ, BMBI

M&A VOLUMES BY TYPE



BUYERS HQ BY GEOGRAPHICAL REGION



TRADE

“Strategic deal volumes saw a slight uptick in H2 2023, affected by a higher proportion of distressed sales”

PRIVATE EQUITY

“Private equity activity was subdued, with a focus on select platform investments and bolt-ons”

TRADE & PRIVATE EQUITY BUYERS

Building Products	Building Products	Builders Merchants
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Have acquired



Have acquired



Have acquired



Ideal Standard



Building Products	Building Products	Building Products
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Have acquired a majority stake in



Have acquired



Have acquired



Builders Products	Builders Merchants	Building Products
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Have acquired



Have acquired



Have acquired



Notable trade deals in H2 2023 include:

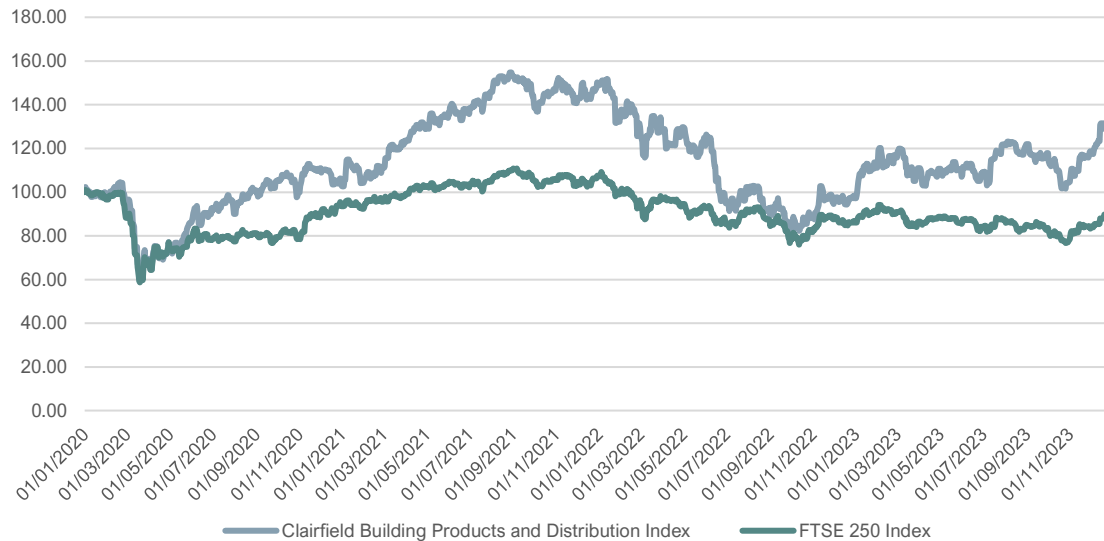
- Villeroy & Boch, one of the world’s largest premium brands for ceramic products, acquired Ideal Standard Group, a manufacturer of sanitary ware products and fittings, for c. £517m (c. 8.1x EBITDA). This marks the largest acquisition to date for the group and allows Villeroy & Boch to expand its regional presence, sales strategies and product range.
- The Alumasc Group completed the acquisition of ARP Group, a manufacturer of rainwater and roofing products for £10m (7.7x EBITDA). This acquisition allows Alumasc to combine product ranges with ARP Group and produce a ‘one stop shop’ for customers.
- Lords Group Trading plc, a leading B2B distributor of building plumbing, heating and DIY goods, continued its acquisitive growth through the purchase of Alloway Holdings Limited for c. £2.25m. Alloway Timber is an independent timber merchant, specialising in providing timber and general building supplies in the South-East of England.
- Soprema S.A.S. reached an agreement with Saint-Gobain for the purchase of a majority stake in its polyisocyanurate insulation (PIR) activity in the UK under the Celotex brand. This strategic move has further enhanced Soprema’s manufacturing capability in the PIR space.
- Sidey Group, the largest window and door manufacturer in Scotland, has become a part of Inwido AB Group, representing the group’s largest acquisition to date. Inwido are currently Europe’s leading window group with operations in 11 countries across Europe. They view the transaction as providing opportunities for synergies through joint purchasing, insourcing of production and other collaborations.
- Swedish company Lindab, a leading manufacturer of ventilation products, acquired HAS-Vent Ltd one of the UK’s leading manufacturers and distributors of ventilation products. The transaction is still subject to Competition and Markets Authority (CMA) clearance.

Notable PE deals in H2 2023 include:

- Rubicon Partners acquired O&S Doors Ltd, providing an exit for Sun European Partners. O&S Doors manufacture made to measure kitchen and bedroom doors and are one of the largest manufacturers in Northern Ireland.
- Independent Builders Merchant Group (“IBMG”), acquired MS Roofing Supplies (“MSR”). MSR provide a wide range of both pitched and flat roof products from 5 locations across the UK. This expansion has allowed further geographic reach and a product extension.
- Nene Capital acquired Serene Stone, a Nottinghamshire-based manufacturer and supplier of architectural cast stone. Serene Stone will remain and operate as a standalone entity within the Nene Capital portfolio.

“Listed building product and distribution company valuations saw a sharp uptick of circa 30% in Q4 2023”

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 - H1 2023	H2 2023
Building Products	11	8
Builders Merchants	12	6
Distribution	11	9

Private Transaction Summary

- The Enterprise Value to EBITDA multiple ranges below are based on disclosed deal multiples, with several recent deals in the lower to midrange. Notable recent exceptions include the acquisitions by Alumasc and Villeroy & Boch, which just above the higher end of the range.

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

Top 10 Midmarket rankings

Recent Clairfield Building Products Transactions

Building Products

KESTREL
ALUMINIUM SYSTEMS

was sold to

SCHÜCO

Building Products

STUART TURNER
ENGINEERED TO EXCEL

acquired

AGM
Aquatronic Group Management Plc.

Building Products

etex
acquired

from

POZBRUK

Building Products

Blanchon
GROUPE

backed by

Investment Partners **ABENEX**
CAPITAL

acquired

RIGO
VERFFABRIEK

Building Products

Embregour
sold its stake in

CIFE **ETPO**

to

spie batignolles

backed by

TIKEHAU CAPITAL **zemz**

Building Products

FRENEHARD & MICHAUX
sold

to

ROY

PICOT / **DIRICIX**

backed by **Gimv**

Building Products

SOTRALU
GROUP

backed by

Bridgepoint

acquired

F.R. Accessories

Building Products

REGAL
ROOFING

was sold to

PERIMETER
ROOFING



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