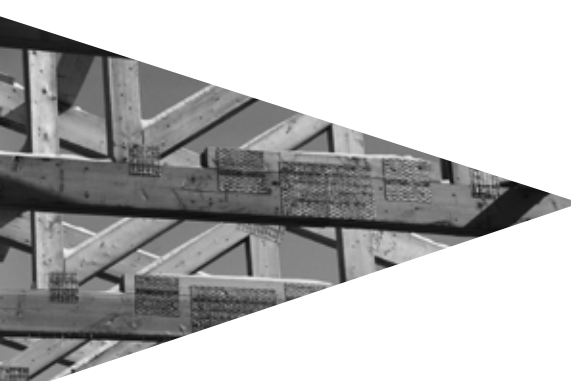


# Building Recap



## M&A activity softens and valuations fall in Q2/Q3

The US economy grew at an annual rate of 1.9% and 1.3% in the first and second quarters of 2011, respectively, in line with consensus estimates. However, leading indicators continue to demonstrate that more struggles may lie ahead as recovery expectations continue to weaken. Over the last two quarters, unemployment rose by approximately 400 basis points to 9.1% at the end of August, while housing starts continued to hover near historic lows, with only 571,000 units in August.

As the second quarter progressed, the immensity of the US debt crisis was pushed to the forefront, as US Congress became deadlocked in determining a plan to address the debt ceiling. While the US managed to reach a debt ceiling compromise agreement in time for the 2 August deadline, analysts and politicians both agree that further measures are necessary to rein in the federal deficit.

On 5 August, S&P took the drastic and unprecedented step of downgrading the US treasury's debt rating from AAA to AA+. Since then, uncertainty has been the underlying theme in the financial markets, with increased volatility and declining valuation levels across all sectors.

The Canadian economy no longer appears to be immune to continuing US and global economic struggles. Even the federal government has tempered expectations. While Canada's GDP grew 3.9% in the first quarter, the economy actually shrank by 0.4% in the second quarter. And although unemployment fell from 7.7% at the end of the first quarter to 7.3% in August, the federal and provincial governments have faced a resurgence in pressure to help stimulate job growth.

M&A activity in the North American home and building products sector slowed in the second quarter. In the third quarter, valuation multiples in home and building products experienced their steepest quarterly decline since early 2009, as global stock markets fell across all sectors. The volume of both large-cap and mid-market transactions was down, and over the coming few quarters we expect that slower-than-normal activity will continue, while growth in valuations will be nominal. Transaction activity in the Canadian market will be driven mostly by domestic-focused small to mid-cap companies with strong balance sheets.

## Transactions in brief

### Second quarter 2011:

- ▶ Gibraltar Industries, Inc. acquired Pacific Award Metals, Inc. for an undisclosed amount.
  - Baldwin Park, Calif.-based Pacific Award manufactures and distributes **ventilation metals, roofing drainage products, pipes and fittings** and has revenues of approximately US\$30 million.
  - Buffalo-based Gibraltar manufactures a wide range of residential and commercial building products. The company has revenues of US\$702 million and employs more than 2,000 people.
- ▶ Lowe's Companies Inc. acquired a minority stake in Sungevity, Inc. for an undisclosed amount.
  - Berkeley, Calif.-based Sungevity provides **residential solar panel solutions** in California and Colorado.
  - Mooresville, NC-based Lowe's is a retailer of home improvement products in North America. The company has revenues of over US\$48 billion and employs nearly 200,000 people.
- ▶ SNC-Lavalin Group Inc. acquired Groupe Stravibel for an undisclosed amount.
  - Abitibi-Témiscamingue, Que.-based Groupe Stravibel provides **engineering consulting services** for buildings, infrastructure and transportation projects, employing more than 300 people.
  - Montreal-based SNC-Lavalin provides construction, engineering and maintenance services worldwide. The company has approximately CDN\$6.6 billion in revenues and employs nearly 24,000 people.
- ▶ Trex Company, Inc. acquired Iron Deck Corporation for an undisclosed amount.
  - Castle Rock, Colo.-based Iron Deck manufactures **steel deck framing systems**.
  - Winchester, Va.-based Trex manufactures and distributes wood and plastic composite products for residential and commercial decks and railings. The company has approximately US\$320 million in revenues and more than 500 employees.
- ▶ Graco Inc. agreed to acquire the finishing business of Illinois Tool Works, Inc. for US\$650 million.
  - Glenview, Ill.-based Illinois Tool Works provides **fasteners, coatings and other construction products**. The company has revenues of approximately US\$16.5 billion and employs 61,000 people.

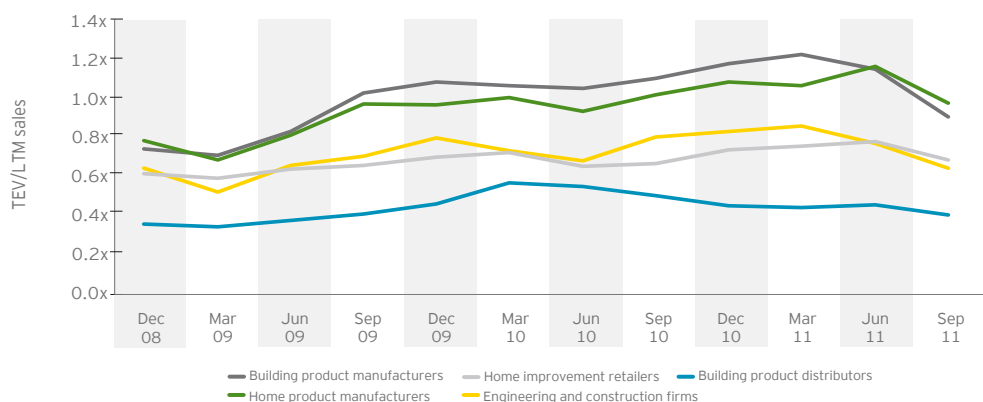
- Minneapolis-based Graco manufactures liquid and fluid control products used in painting and chemical dispensing. The company has nearly US\$800 million in revenues and over 2,000 employees.
- ▶ Tutor Perini Corporation acquired Anderson Companies, Inc. and Frontier-Kemper Constructors, Inc. in unrelated transactions for US\$81 million and US\$113 million, respectively.
  - Gulfport, Miss.-based Anderson provides residential and non-residential **building construction services**. The company has revenues of approximately US\$400 million and 600 employees.
  - Evansville, Ind.-based Frontier-Kemper provides heavy civil and mining construction services, and has revenues of approximately US\$148 million.
  - Sylmar, Calif.-based Tutor Perini provides contracting, construction management and design-build services. The company has approximately US\$2.9 billion in revenues and employs more than 3,000 people.
- ▶ WesternOne Equity Income Fund acquired Britco Structures Inc. for CDN\$93 million.
  - Langley, BC-based Britco manufactures **mobile and modular buildings**.
  - **Ernst & Young Orenda Corporate Finance Inc. acted as lead financial advisor to Britco, providing assistance throughout the transaction process.**
- ▶ All Weather Windows Ltd. acquired Allan's Glass & Aluminum Products Ltd. for an undisclosed amount.
  - Winnipeg-based Allan's manufactures and installs **commercial glass glazing systems** and has 30 employees.
  - Edmonton-based All Weather manufactures windows and doors, primarily for the residential markets.
- ▶ PBK Architects Inc. acquired WHW Architects Inc. for an undisclosed amount.
  - Halifax-based WHW provides **planning, design, project management and construction administration** for all building types.
  - Vancouver-based PBK provides architectural and engineering consulting services. It is a subsidiary of GENIVAR Inc., which provides engineering services, employing more than 4,500 people with revenues of approximately CDN\$600 million.
- ▶ American Residential Services LLC acquired Columbus/Worthington Air and Brothers Air & Heat Inc. for an undisclosed amount.
  - Columbus, Ohio-based Columbus/Worthington provides **heating, cooling, ventilation and plumbing contracting services**.
- Rock Hill, SC-based Brothers provides **heating, cooling, ventilation and plumbing contracting services**. The company has approximately US\$20 million in revenues and employs more than 100 people.
- Memphis-based American Residential provides installation and repair services for furnaces, boilers, heaters and air handlers. The company has approximately US\$600 million in revenues and employs more than 4,000 people.

### Third quarter 2011:

- ▶ Stantec acquired Bonestroo Inc. and agreed to acquire and FSC Architects & Engineers Inc., in two unrelated transactions for undisclosed amounts.
  - Saint Paul, Minn.-based Bonestroo provides **engineering and planning services** for municipalities and industrial clients in the US and employs approximately 115 people.
  - Yellowknife-based FSC provides **architecture and engineering consulting services** in northern Canada with a focus on cold climate projects. The company has more than 70 employees.
- Edmonton-based Stantec provides planning, engineering, design and architectural services. The company has approximately CDN\$1.3 billion in revenues and employs 11,000 people.
- ▶ The Sherwin-Williams Company acquired Leigh Paints Limited for an undisclosed amount.
  - UK-based Leigh Paints manufactures **industrial paints and coatings**, including fire resistant coatings, employing more than 260 people.
- Cleveland-based Sherwin-Williams manufactures and distributes paints, coatings and related products globally. The company has approximately US\$8.3 billion in revenues and employs over 32,000 people.
- ▶ Worthington Industries Inc. acquired BernzOmatic Corp. from the IRWIN Industrial Tool Company, a subsidiary of Newell Rubbermaid Inc.
  - Huntersville, NC-based BernzOmatic is a manufacturer and global marketer of **hand-held torches, solder accessories** and related products, generating approximately US\$100 million in revenues.
  - Wilmington, Ohio-based IRWIN manufactures and distributes hand tools and power tool accessories for trade professionals worldwide. Its parent

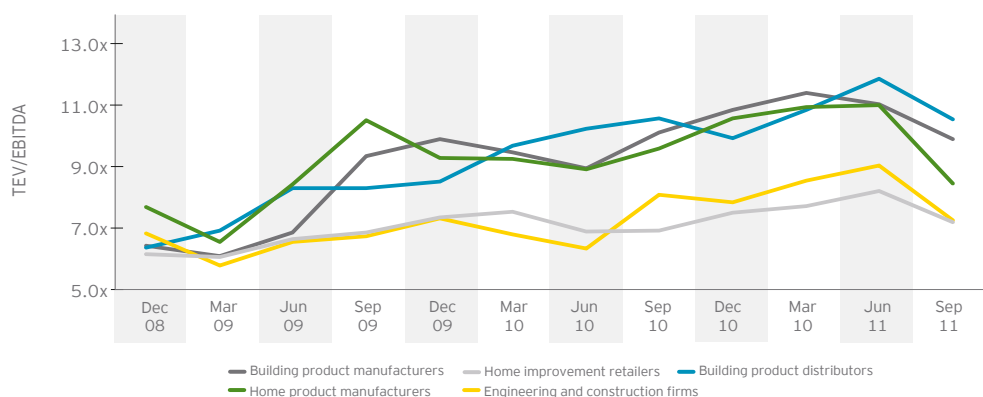
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## Multiple of total enterprise value (TEV) divided by last 12 months' (LTM) sales



\* For companies with a fiscal year other than calendar year, information relating to the latest quarter ended on or after 30 June 2011, has been included in the September 2011 data set above, and the prior quarters have been correspondingly adjusted. Multiples are average figures with outliers removed.

## Multiple of TEV divided by LTM EBITDA



\* For companies with a fiscal year other than calendar year, information relating to the latest quarter ended on or after 30 June 2011, has been included in the September 2011 data set above, and the prior quarters have been correspondingly adjusted. Multiples are average figures with outliers removed.

Note: The companies included in the industry subsectors in this newsletter have been compiled by Ernst & Young Orenda Corporate Finance Inc. solely for illustrative purposes. The companies chosen are publicly traded companies that are commonly used for industry composites to show stock performances within a sector. Not all public companies that could be categorized within each subsector were included nor should the list imply benchmarking or recommendations for a particular stock and/or subsector. Please note that as of June 2011, Huttig Building Products Inc. has been removed from the Building Product Distributors index and has been replaced with Beacon Roofing Supply Inc. This change has been applied retroactively to the Building Product Distributors index.

Charts: Ernst & Young Orenda Corporate Finance Inc.  
Data source: Capital IQ

Building product manufacturers	Ticker symbol
Brampton Brick Ltd.	TSX:BBL.A
Eagle Materials Inc.	NYSE:EXP
Gibraltar Industries Inc.	NasdaqNM:ROCK
NCI Building Systems Inc.	NYSE:NCS
Owens Corning	NYSE:OC
PFB Corp.	TSX:PFB
Richelieu Hardware Ltd.	TSX:RCH
Stanley Black & Decker	NYSE:SWK
Decker Inc.	
Tembec Inc.	TSX:TMB
Trex Company Inc.	NYSE:TREX
Vicwest Inc.	TSX:VIC
U.S. Concrete Inc.	NasdaqCM:USCR

Building product distributors	Ticker symbol
CanWel Holdings Corporation	TSX:CWX
Beacon Roofing Supply Inc.	NasdaqGS:BECN
Taiga Building Products Ltd.	TSX:TBL

Engineering and construction firms	Ticker symbol
Aecon Group Inc.	TSX:ARE
Bird Construction Inc.	TSX:BDT
The Churchill Corporation	TSX:CUQ
GENIVAR Inc.	TSX:GNV
The Shaw Group Inc.	NYSE:SHAW
SNC Lavalin Group Inc.	TSX:SNC
Stantec Inc.	TSX:STN

Home improvement retailers	Ticker symbol
Canadian Tire Corp. Ltd.	TSX:CTC.A
Home Depot Inc.	NYSE:HD
Lowe's Companies Inc.	NYSE:LOW
Rona Inc.	TSX:RON

Home product manufacturers	Ticker symbol
Dorel Industries Inc.	TSX:DII.B
Fortune Brands Inc.	NYSE:FO
Inscape Corp.	TSX:INQ
Mohawk Industries Inc.	NYSE:MHK
Masco Corp.	NYSE:MAS
Newell Rubbermaid Inc.	NYSE:NWL
Sherwin-Williams Co.	NYSE:SHW

Due to changes in corporate status, not all of the above companies have been included in all periods shown.

company, Newell Rubbermaid, has more than US\$5.8 billion in revenues and employs over 19,000 people.

- ▶ Friedman Fleischer & Lowe Capital Partners acquired C.H.I. Overhead Doors Inc. for US\$290 million.
  - Arthur, Ill.-based C.H.I. manufactures **residential garage doors and commercial sectional doors and shutters**.
- ▶ Tutor Perini Corporation acquired GreenStar Services Corporation for approximately US\$208 million.
  - New York City-based GreenStar provides **heavy mechanical, HVAC, electrical and general contractor services** across the US. The company is currently working on projects related to the World Trade Center memorial sites in New York City. GreenStar has revenues of approximately US\$560 million and employs over 1,900 people.
  - Sylmar, Calif.-based Tutor Perini provides general contracting, construction management and design-build services. The company has approximately US\$2.9 billion in revenues and employs 3,000 people.
- ▶ Owens Corning acquired two related companies, FiberTEK Insulation LLC and FiberTEK Insulation West LLC, in a transaction for approximately US\$109 million.
  - Salt Lake City, Utah-based FiberTEK manufactured **fibreglass and insulation products**.
  - Toledo, Ohio-based Owens Corning manufactures fibreglass, insulation and other building products. The company has approximately US\$5.0 billion in revenues and 15,000 employees.
- ▶ Bird Construction Inc. acquired H.J. O'Connell Ltd. for approximately CDN\$79 million.
  - Pointe-Claire, Que.-based H.J. O'Connell provides **heavy construction and civil engineering services** to the industrial, mining and infrastructure construction markets, employing approximately 600 people.
  - Toronto-based Bird provides general contracting, design-build and construction management services. The company has revenues of approximately CDN\$825 million and employs 700 people.
- ▶ Comstock Canada Ltd. was acquired by its management and certain outside investors in an MBO from its former parent, EMCOR Group Inc. for approximately CDN\$42 million.
  - Burlington, Ont.-based Comstock provides **electrical and mechanical planning and construction services**.

- ▶ Acklands-Grainger Inc. acquired Fercomat Inc. for an undisclosed amount.
  - Baie-Comeau, Que.-based Fercomat distributes **hardware, tools and fasteners**.
  - Richmond Hill, Ont.-based Acklands-Grainger distributes fasteners and other industrial safety products. The company is a subsidiary of W.W. Grainger Inc., which has revenues of more than US\$7.6 billion and employs over 17,000 people.

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Mergers and acquisitions advisory

- ▶ Divestitures
  - ▶ Mergers and acquisitions
  - ▶ Management and leveraged buyouts
  - ▶ Recapitalizations
- Structured finance
- ▶ Structure and arrangement of debt and equity
  - ▶ Project finance and infrastructure advisory services

Financial advisory services

Real estate transaction advisory

## Canadian home and building products industry team

**Tony Ianni \***

Toronto  
416 943 3476

**Jeff Larcina**

Toronto  
416 943 3984

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