



## Building Products Industry Navigating Growth and Uncertainty

### Q1 2025

*The U.S. building products industry entered Q1 2025 with cautious optimism, buoyed by stabilizing macroeconomic conditions and sustained demand in key end markets, despite persistent challenges. After a robust Q4 2024, where residential construction starts rose 7.2% Y-o-Y, the sector continued to benefit from steady home improvement spending and infrastructure investments. Non-residential construction, particularly in manufacturing and data centers, has also driven demand for building materials like concrete, steel, and engineered wood products.<sup>1,2</sup>*

### Current Trends

**Construction spending** for Q4'24 was estimated at a seasonally adjusted annual rate of \$6,548.5B, and for Q1'25 is recorded at \$6,571.5B<sup>1</sup>, marking modest gains driven by increased spending on both private and public construction activities. Increased spending on mega government and private infrastructure projects like the California High-Speed Rail and the Gordie Howe International Bridge among others are contributing to top line growth.<sup>2</sup>

**IIJA, CHIPS, and IRA** are boosting construction activity despite early-year delays in funding. Disbursements are now picking up, while major firms like OpenAI and SoftBank invest heavily in AI infrastructure and data centers.<sup>3,4</sup>

**Interest Rate cuts** in 2024, have paved the way for the pent-up demand for housing by newly rich millennials to materialize and one can expect a renewed housing gold run in the near to medium term. With further rate cuts scheduled for 2025, one can expect that cheaper project financing will benefit not only the residential subsegment but construction for larger projects as well.<sup>2</sup>

**Market indicators** like Dodge Momentum Index (DMI), declined 6.9% in March to 205.6 from a revised 220.9 in February. However, while planning activity softened across most nonresidential sectors, levels remain well above those from a year ago—pointing to continued construction momentum till mid-2026.<sup>5</sup>

**Materials** for projects like data centers, healthcare, and advanced manufacturing are increasingly emphasized upon as they are now prioritizing sustainability as a key driver of growth, intensifying demand for associated materials. Combined with the impact of natural disasters, this is expected to push prices higher across a wider array of inputs in 2025.<sup>5</sup>

**President Trump's imposition of tariffs** however, have introduced a degree of uncertainty regarding the future direction of federal infrastructure investment. The imposition of steep new tariffs—particularly on imports from China and other parts of Asia—has upended sourcing strategies for many companies. Businesses that rely on imported materials or components are being forced to reconfigure their supply chains rapidly. While this may lead to adjustments in timelines for some planned and ongoing projects, stakeholders are closely monitoring how these policy changes will shape the implementation of existing infrastructure programs.

### M&A Highlights

Companies are increasingly leveraging M&A in the sector to acquire capabilities that address evolving profit pools. The capabilities that come out on top imperatives driving this trend are: Enhancing distribution channels and customer access, integrating smart technologies into building systems,

1. Census 2. McKinsey 3. Construction Dive 4. ConExpo 5. Dodge Construction Network



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sustainability, embracing modular and off-site construction methods, implementing advanced digital tools and platforms. Local scale remains crucial, prompting continued roll-up strategies in fragmented markets. Building products companies that engage in regular and significant acquisitions achieve higher total shareholder returns—9.6% compared to 2.7% for less active firms.<sup>6</sup>

### Private Equity

Private equity enters mid-2025 with over \$1.0 trillion in dry powder and steady support from direct lenders, yet deal activity remains cautious amid ongoing macro uncertainty. Extended holding periods—now averaging nearly six years—are pressuring firms to plan exits as funds approach maturity. While many sponsors are expected to sell portfolio companies to return capital, we're not seeing a surge in selling. Instead, firms appear willing to manage longer hold times until market conditions improve.<sup>7</sup>

### Outlook

The focus of M&A is shifting from short-term synergies to acquiring technologies and tools that will define future business models. Companies aim to develop a sharp thesis on customer needs and understand competitive forces to identify and integrate valuable acquisitions effectively.<sup>6</sup> Strategic acquirers have re-entered the market with momentum. Recent high-profile deals in the window & door and cabinetry industries suggest that corporate buyers are aggressively targeting value-enhancing acquisitions to accelerate growth, broaden product offerings, and increase market diversity.

At the same time, fragmentation across all four sub-sectors continues to set the stage for consolidation. These markets remain highly fragmented, dominated by small to mid-sized regional operators. With few large-scale players and mounting regulatory and trade pressures under the current Administration, consolidation opportunities are expected to intensify as smaller companies look for scale and stability.<sup>7</sup>

### Let's Talk

In today's dynamic market, precision and flexibility are key to successful M&A. Balmoral Advisors partners with building products companies and investors to navigate challenges, time the market and structure smart deals. To explore trends in the sector, share updates about your business, or learn how we can support your next move, reach out to our team.



## Your powerful, competitive advantage

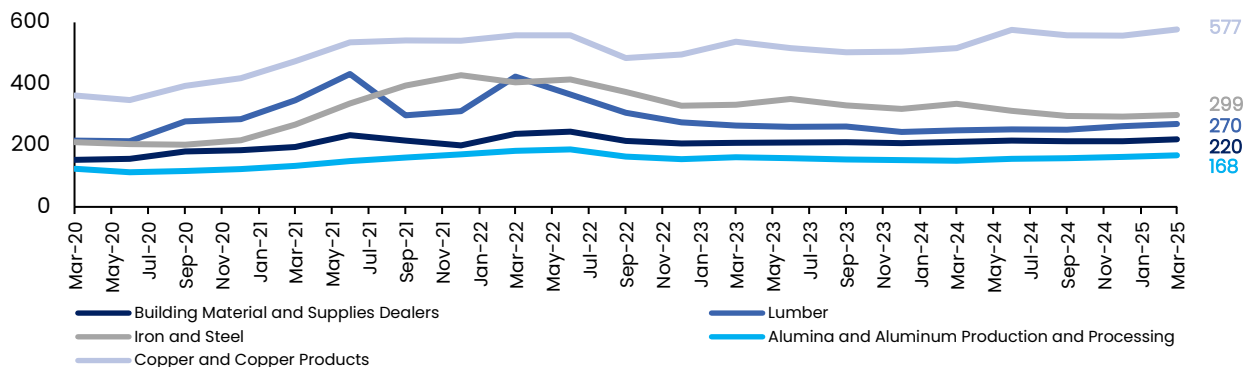


<sup>6</sup> Bain <sup>7</sup> PRNewswire

## Producer Price Index – Building Materials<sup>1</sup>

Chart 1

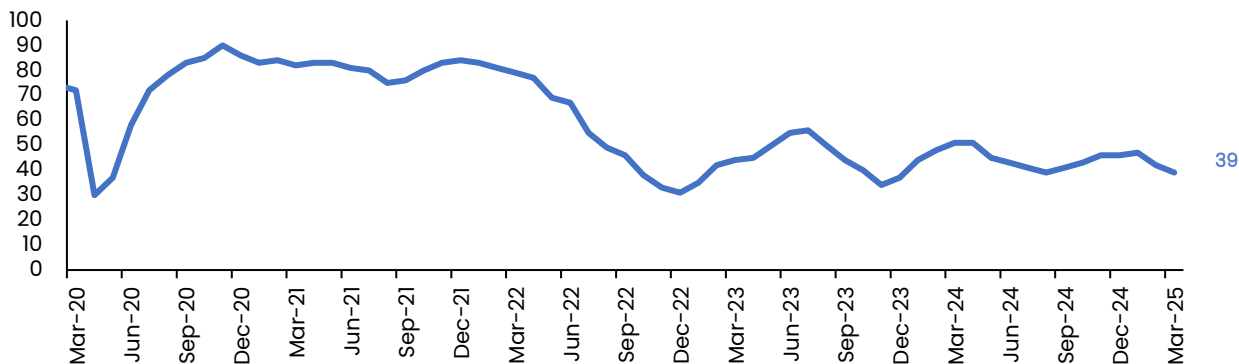
US tariffs on lumber and appliances set stage for higher costs on new homes and remodeling projects, raising costs for a single home by \$7,500-\$10,000.<sup>2</sup>



## Housing Market Index<sup>3</sup>

Chart 2

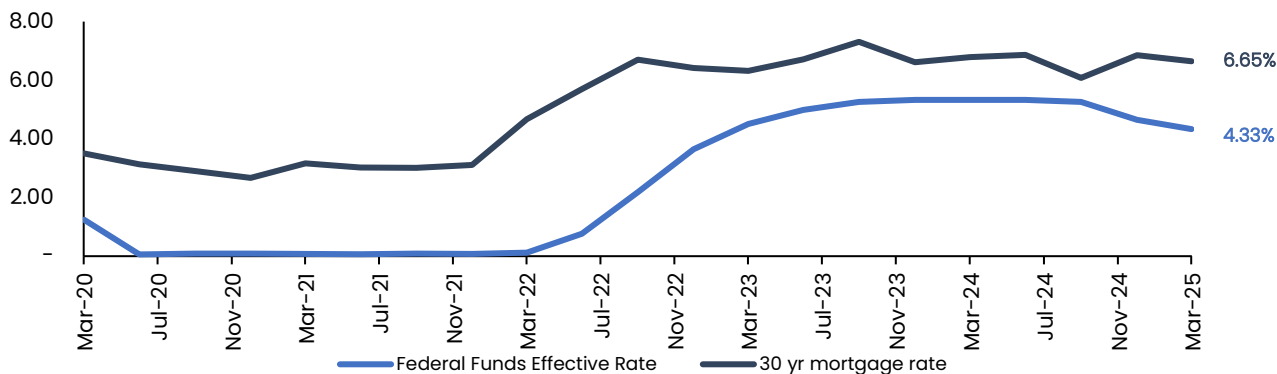
House prices are expected to rise by 3.0% overall in 2025. The higher-for-longer interest rate backdrop is here to stay, with mortgage rates expected to ease only slightly to 6.7% by the year end.<sup>4</sup>



## Key Interest Rates<sup>1</sup>

Chart 3

The Fed's benchmark interest rate is currently set in a range between 4.25% and 4.5%, where it has been since December following a series of rate cuts in 2024. If tariffs push up inflation, the situation may change.<sup>5</sup>

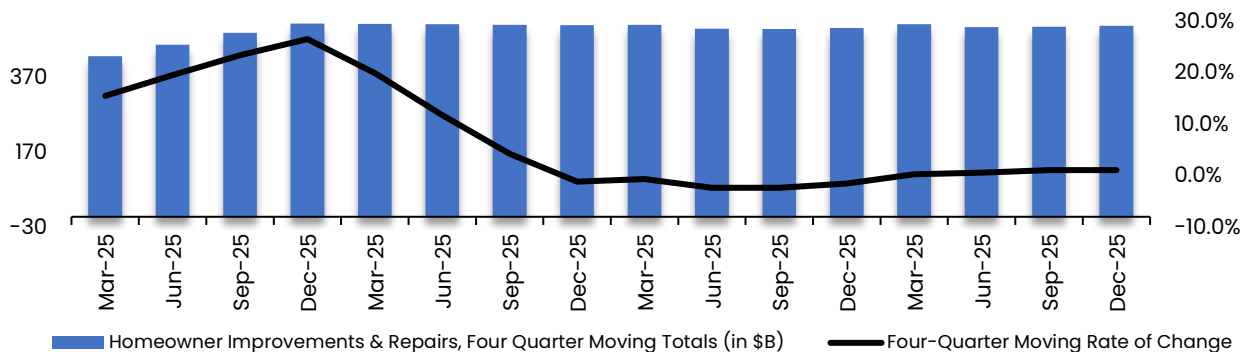


1. Fred 2. Economic Times 3. NAHB 4. JP Morgan 5. BBC

## LIRA Index<sup>1</sup>

Chart 4

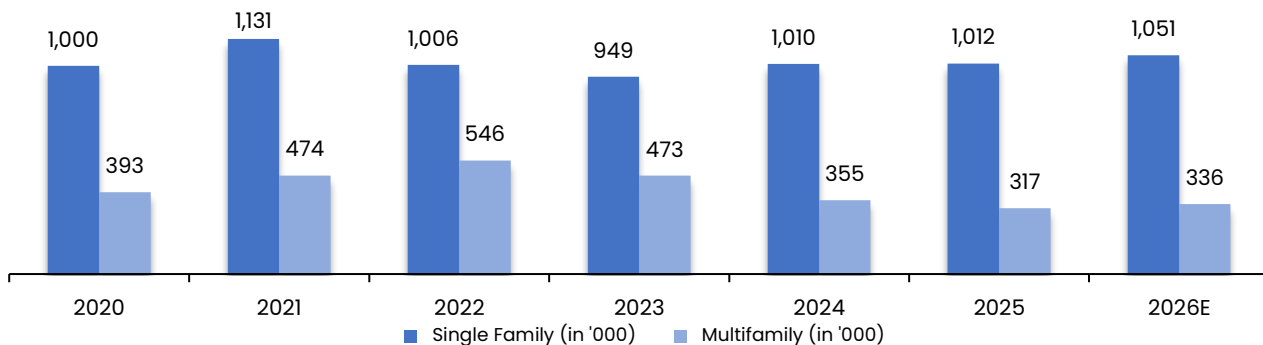
After two years of decline, annual expenditures for improvements and maintenance to owner-occupied homes are expected to grow at a mild pace throughout 2025.<sup>2</sup>



## Housing Starts<sup>3</sup>

Chart 5

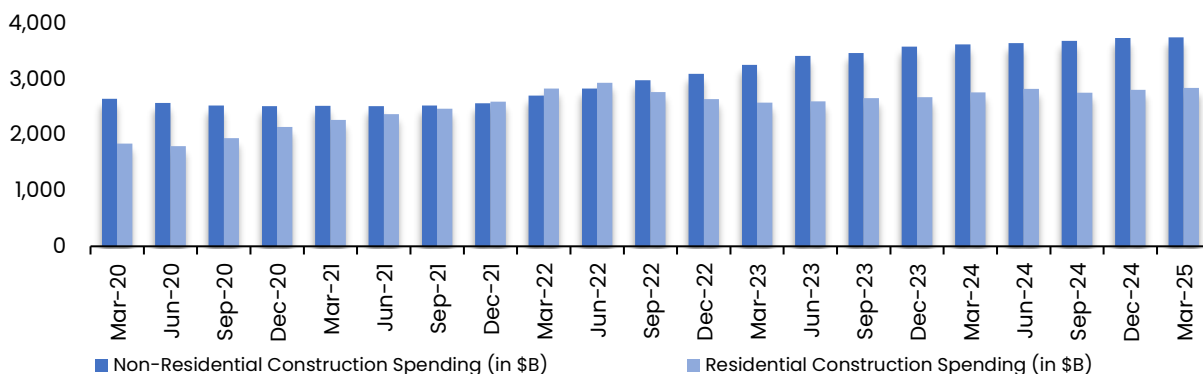
A NAHB survey said the impact of import duties was already being felt with "the majority of builders reporting cost increases on building materials due to tariffs."<sup>4</sup>



## Construction Spending<sup>5</sup>

Chart 6

Mortgage rates have eased from lofty levels at the start of the year which stimulate the pent-up demand. Nonetheless, tariffs on imported goods remain a constraint for builders.<sup>6</sup>



1. JCHS 2. Harvard 3. NAHB 4. Reuters 5. FRED 6. US Commerce Department

# Selected Public Companies

## Construction Equipment and Rental (\$MM)<sup>1</sup>

Company	Market Cap <sup>2</sup>	Enterprise Value	LTM Revenue	LTM EBITDA	NTM EBITDA	LTM EV/Revenue	LTM EV/EBITDA	NTM EV/EBITDA
Ashtead Group plc	\$23,201	\$34,227	\$10,890	\$4,784	\$5,413	3.1x	7.2x	6.3x
Caterpillar Inc.	157,622	190,471	63,259	14,717	13,539	3.0x	12.9x	14.1x
CNH Industrial N.V.	15,326	40,230	18,846	1,853	1,453	2.1x	21.7x	27.7x
Deere and Co	127,388	187,746	47,855	10,081	7,862	3.9x	18.6x	23.9x
Herc Holdings Inc.	3,825	8,814	3,625	857	1,602	2.4x	10.3x	5.5x
Terex Corporation	2,509	4,839	5,064	539	646	1.0x	9.0x	7.5x
United Rentals, Inc.	40,944	55,276	15,579	4,524	7,377	3.5x	12.2x	7.5x
Summary Statistics								
Mean	\$52,973	\$74,514	\$23,588	\$5,336	\$5,413	2.7x	13.1x	13.2x
Adj. Mean <sup>3</sup>	42,137	65,258	19,647	4,420	4,741	2.9x	12.6x	11.9x
Median	23,201	40,230	15,579	4,524	5,413	3.0x	12.2x	7.5x

## Construction Materials (\$MM)<sup>1</sup>

Company	Market Cap <sup>2</sup>	Enterprise Value	LTM Revenue	LTM EBITDA	NTM EBITDA	LTM EV/Revenue	LTM EV/EBITDA	NTM EV/EBITDA
Boise Cascade Company	\$3,731	\$3,546	\$6,615	\$557	\$564	0.5x	6.4x	6.3x
Builders FirstSource, Inc.	14,196	18,375	16,167	1,973	1,885	1.1x	9.3x	9.7x
Cemex, S.A.B. de C.V.	8,187	15,115	15,907	2,494	3,001	1.0x	6.1x	5.0x
CRH plc	59,585	72,673	35,795	6,779	7,517	2.0x	10.7x	9.7x
Eagle Materials Inc.	7,388	8,398	2,267	772	841	3.7x	10.9x	10.0x
Forterra, Inc.	469	605	431	64	78	1.4x	9.4x	7.8x
Martin Marietta Materials, Inc.	29,154	34,512	6,638	2,169	2,321	5.2x	15.9x	14.9x
Summary Statistics								
Mean	\$17,530	\$21,889	\$11,974	\$2,115	\$2,315	2.1x	9.8x	9.1x
Adj. Mean <sup>3</sup>	12,531	15,989	9,519	1,593	1,722	1.9x	9.3x	8.7x
Median	8,187	15,115	6,638	1,973	1,885	1.4x	9.4x	9.7x

## Distribution (\$MM)<sup>1</sup>

Company	Market Cap <sup>2</sup>	Enterprise Value	LTM Revenue	LTM EBITDA	NTM EBITDA	LTM EV/Revenue	LTM EV/EBITDA	NTM EV/EBITDA
ADENTRA Inc.	\$481	\$1,066	\$2,184	\$131	\$187	0.5x	8.1x	5.7x
BlueLinx Holdings Inc.	622	753	2,936	108	103	0.3x	7.0x	7.3x
Ferguson plc	31,838	37,095	29,898	2,857	2,895	1.2x	13.0x	12.8x
GMS Inc.	2,809	4,485	5,593	500	467	0.8x	9.0x	9.6x
TopBuild Corp.	8,918	10,096	5,284	1,036	1,019	1.9x	9.7x	9.9x
Watsco, Inc.	19,196	19,269	7,584	776	916	2.5x	24.8x	21.0x
Summary Statistics								
Mean	\$10,644	\$12,127	\$8,913	\$901	\$931	1.2x	11.9x	11.1x
Adj. Mean <sup>3</sup>	7,886	8,729	5,349	611	647	1.1x	10.0x	9.9x
Median	5,864	7,291	5,439	638	691	1.0x	9.4x	9.8x

## Electrical & Lighting (\$MM)<sup>1</sup>

Company	Market Cap <sup>2</sup>	Enterprise Value	LTM Revenue	LTM EBITDA	NTM EBITDA	LTM EV/Revenue	LTM EV/EBITDA	NTM EV/EBITDA
ABB Ltd	\$93,768	\$96,837	\$32,915	\$6,504	\$6,985	2.9x	14.9x	13.9x
Eaton Corporation plc	106,495	114,443	25,312	5,792	6,660	4.5x	19.8x	17.2x
Emerson Electric Co.	61,826	73,137	17,550	4,727	5,061	4.2x	15.5x	14.5x
Hubbell Inc	17,728	19,117	5,595	1,306	1,424	3.4x	14.6x	13.4x
Signify	2,706	3,814	6,618	690	841	0.6x	5.5x	4.5x
Summary Statistics								
Mean	\$56,505	\$61,470	\$17,598	\$3,804	\$4,194	3.1x	14.1x	12.7x
Adj. Mean <sup>3</sup>	57,774	63,030	16,493	3,942	4,381	3.5x	15.0x	13.9x
Median	61,826	73,137	17,550	4,727	5,061	3.4x	14.9x	13.9x

1. S&P Capital IQ Data presented as of 03/31/2025. All charts represent Global Data 2 - Market Capitalization as of 03/31/25. 3 - Adj. mean excludes high and low values.

# Selected Public Companies

## Finishings, Furnishings & Fixtures (\$MM)<sup>1</sup>

Company	Market Cap <sup>2</sup>	Enterprise Value	LTM Revenue	LTM EBITDA	NTM EBITDA	LTM EV/Revenue	LTM EV/EBITDA	NTM EV/EBITDA
Azek Company Inc	\$7,033	\$7,437	\$1,520	\$367	\$434	4.9x	20.2x	17.1x
Interface Inc	1,157	1,449	1,323	177	206	1.1x	8.2x	7.0x
JELD-WEN Holding, Inc.	510	1,681	3,592	118	157	0.5x	14.3x	10.7x
Masco Corporation	14,741	17,548	7,703	1,487	1,286	2.3x	11.8x	13.6x
Mohawk Industries, Inc.	7,146	9,113	10,683	1,408	1,360	0.9x	6.5x	6.7x
Owens Corning	12,217	17,515	10,975	2,562	2,572	1.6x	6.8x	6.8x
Quanex Building Products Corporation	873	1,703	1,439	122	274	1.2x	14.0x	6.2x
Trex Co Inc	6,229	6,484	1,151	360	379	5.6x	18.0x	17.1x
Summary Statistics								
Mean	\$6,238	\$7,866	\$4,798	\$825	\$833	2.2x	12.5x	10.7x
Adj. Mean <sup>3</sup>	5,776	7,322	4,377	654	656	2.0x	12.2x	10.3x
Median	6,631	6,960	2,556	364	406	1.4x	12.9x	8.9x

## Home Improvement Retailers (\$MM)<sup>1</sup>

Company	Market Cap <sup>2</sup>	Enterprise Value	LTM Revenue	LTM EBITDA	NTM EBITDA	LTM EV/Revenue	LTM EV/EBITDA	NTM EV/EBITDA
Floor & Decor Holdings, Inc.	\$8,659	\$10,158	\$4,519	\$488	\$545	2.2x	20.8x	18.6x
Lowe's Companies, Inc.	130,540	168,492	83,674	12,615	12,307	2.0x	13.4x	13.7x
The Home Depot, Inc.	364,303	425,729	159,514	25,287	25,390	2.7x	16.8x	16.8x
Summary Statistics								
Mean	\$167,834	\$201,460	\$82,569	\$12,797	\$12,747	2.3x	17.0x	16.4x
Adj. Mean <sup>3</sup>	130,540	168,492	83,674	12,615	12,307	2.2x	16.8x	16.8x
Median	130,540	168,492	83,674	12,615	12,307	2.2x	16.8x	16.8x

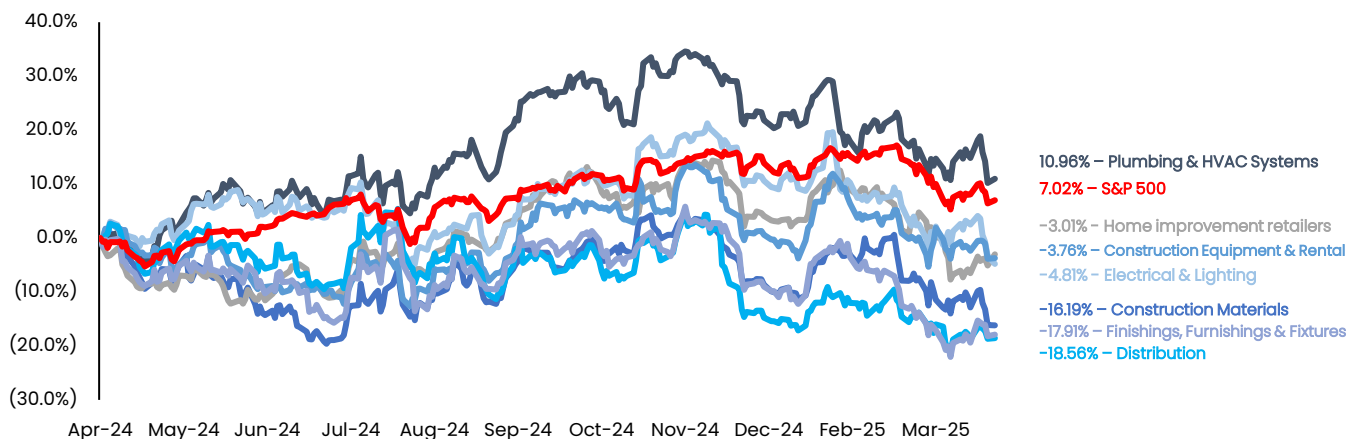
## Plumbing and HVAC Systems (\$MM)<sup>1</sup>

Company	Market Cap <sup>2</sup>	Enterprise Value	LTM Revenue	LTM EBITDA	NTM EBITDA	LTM EV/Revenue	LTM EV/EBITDA	NTM EV/EBITDA
A. O. Smith Corporation	\$9,381	\$9,333	\$3,803	\$769	\$813	2.5x	12.1x	11.5x
AAON, Inc.	6,375	6,546	1,261	267	363	5.2x	24.5x	18.0x
Carrier Global Corporation	54,777	63,967	22,284	3,232	5,129	2.9x	19.8x	12.5x
Comfort Systems USA, Inc.	11,434	11,193	7,322	965	1,036	1.5x	11.6x	10.8x
Johnson Controls International plc	52,884	64,067	23,169	3,343	3,898	2.8x	19.2x	16.4x
Lennox International Inc.	19,954	21,020	5,367	1,119	1,197	3.9x	18.8x	17.6x
Trane Technologies plc	75,568	79,393	20,311	3,934	4,394	3.9x	20.2x	18.1x
Summary Statistics								
Mean	\$32,910	\$36,503	\$11,931	\$1,947	\$2,404	3.2x	18.0x	15.0x
Adj. Mean <sup>3</sup>	29,686	33,916	11,817	1,886	2,268	3.2x	18.0x	15.2x
Median	19,954	21,020	7,322	1,119	1,197	2.9x	19.2x	16.4x

<sup>1</sup> S&P Capital IQ Data presented as of 03/31/2025. All charts represent Global Data 2 - Market Capitalization as of 03/31/25. 3 - Adj. mean excludes high and low values.

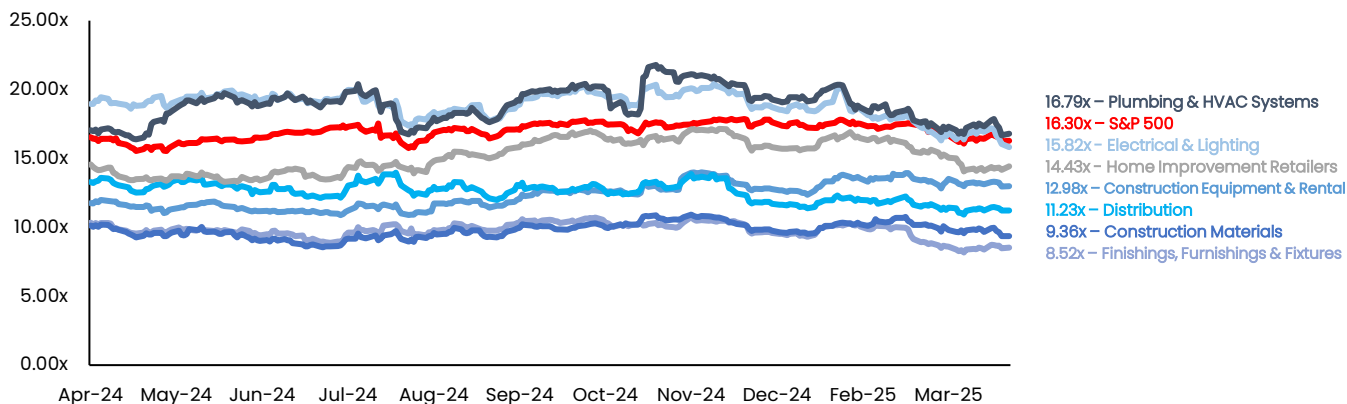
## Stock Price Performance LTM Relative Stock Performance<sup>1</sup>

Chart 7



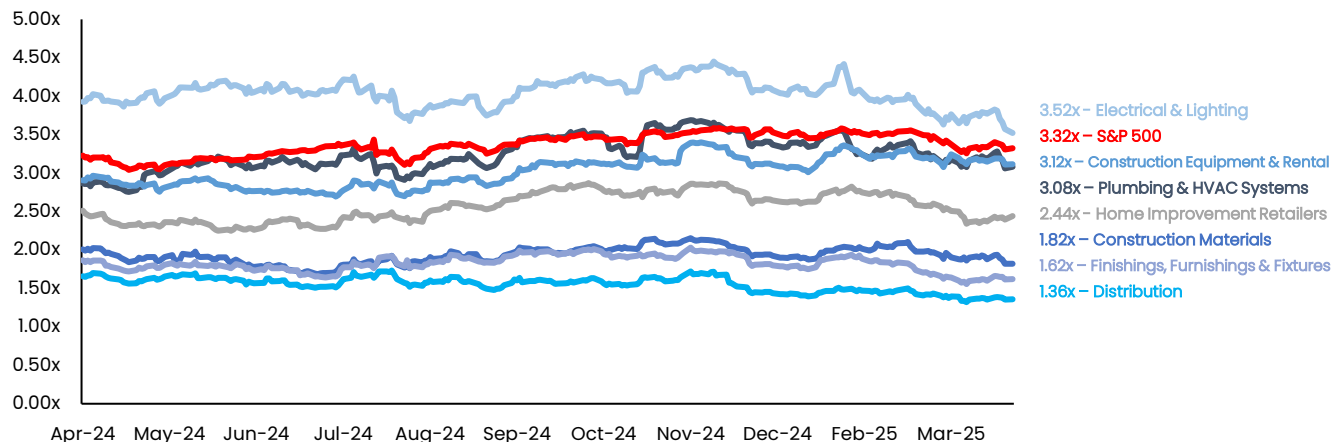
## EV/EBITDA LTM EV/EBITDA Multiples<sup>1</sup>

Chart 8



## EV/Revenue LTM EV/Revenue Multiples<sup>1</sup>

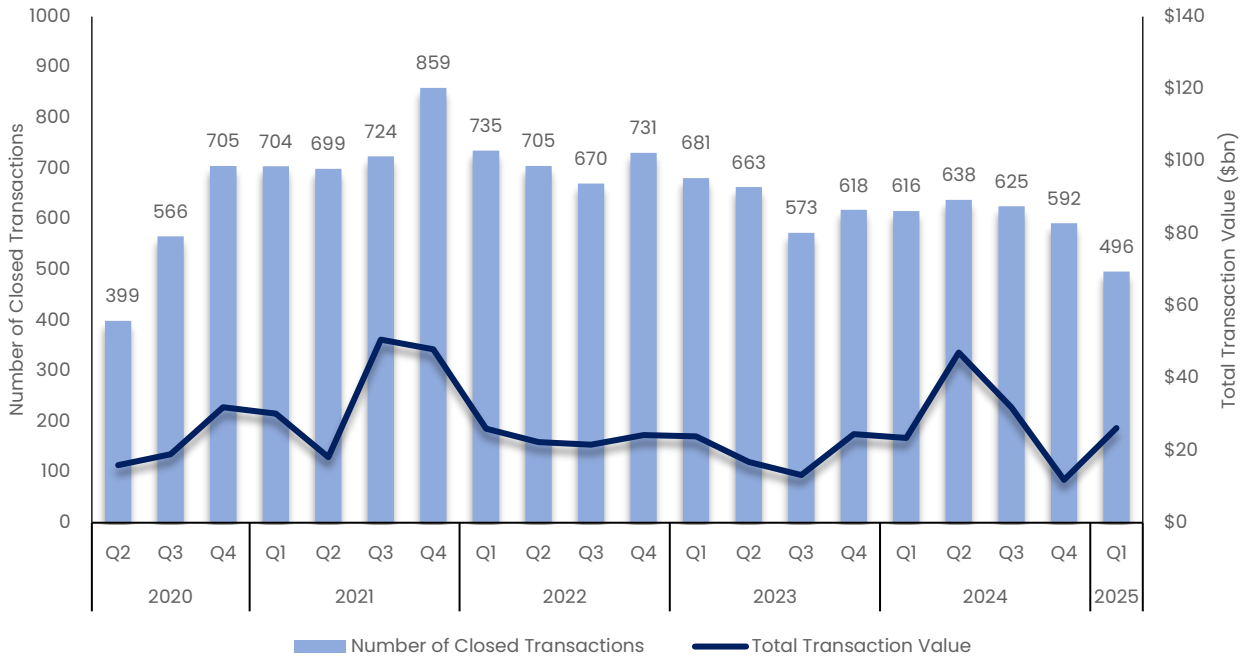
Chart 9



<sup>1</sup> S&P Capital IQ Data presented as of 3/31/2025, All charts represent Global Data

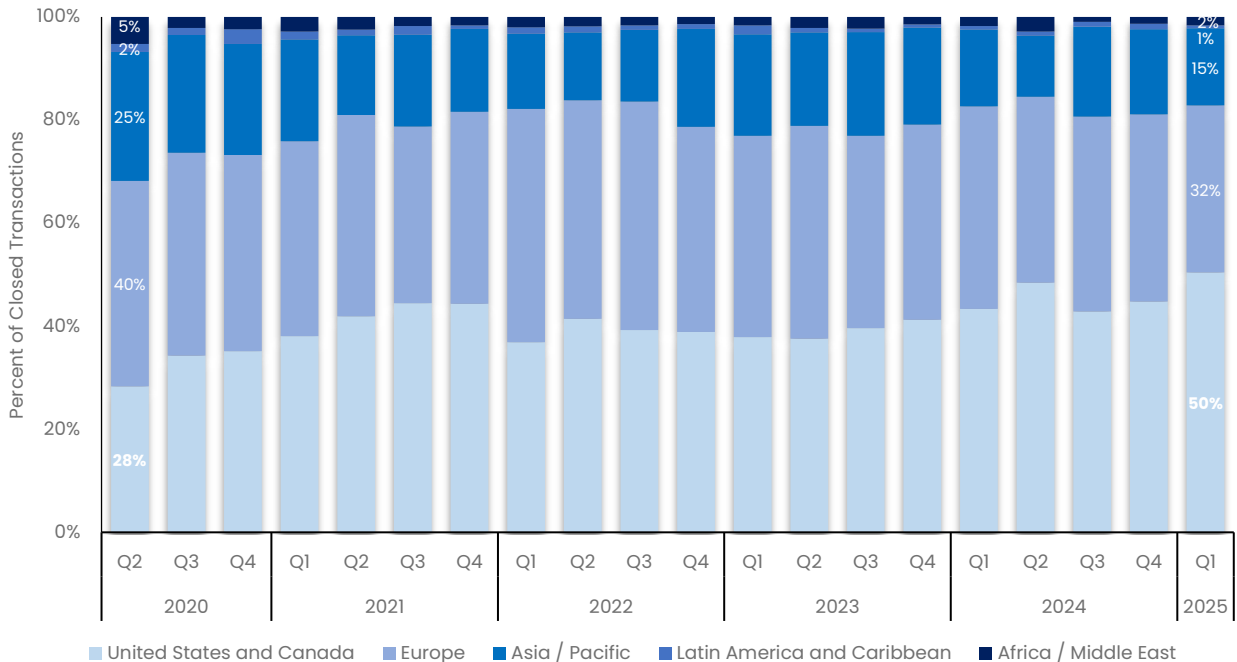
## Disclosed Transaction Volume<sup>1</sup>

Chart 10



## Disclosed Transaction Activity by Geographic Region<sup>1</sup>

Chart 11



<sup>1</sup> S&P Capital IQ Data presented as of 03/31/2025, All charts represent Global Data

# Active Industry Buyers

## Strategic Buyers

Select Active Buyers<sup>1</sup>
















Acquirer	Targets	Status/Date	Strategy
		Closed Mar-25	Beacon Roofing Supply's acquisition of DM Figley adds 60 branches across US, expanding its distribution network while preserving local customer relationships and enhancing service offerings.
		Closed Aug-24	The acquisition highlights Beacon Roofing Supply's expanding metal solutions capabilities, including skilled craftspeople specialized in fabrication.
	 	Closed Jul-24	The acquisition enabled Beacon to expand their residential and commercial roofing catalog with metal solutions, meeting rising demand in Florida.
		Closed May-24	The acquisition enhanced Beacon Roofing Supply's national waterproofing platform by expanding its geographic footprint across US.
		Closed Jan-25	The acquisition was aimed to expand Builders FirstSource's presence in Colorado and New Mexico, aligning with its strategy to invest in high-growth markets.
		Closed Nov-24	The acquisition allowed Builders FirstSource to strengthen its market presence in the Northeast and enhance service to builders, contractors and homeowners in the region.
		Closed Oct-24	The acquisition enabled Builders FirstSource to strengthen its presence in the Northeast by integrating one of Rhode Island's largest independent building material distributors.
		Closed Sep-24	The acquisition enabled Builders FirstSource to expand its installed products and services, offering customers more comprehensive end-to-end building solutions.
		Closed Feb-24	Comfort Systems partnered with J&S Mechanical to strengthen its presence in the Intermountain West, leveraging J&S's expertise, capabilities, and leadership across all levels of the business.
		Closed Feb-24	Comfort Systems acquired Summit Industrial Construction as a strategic platform to expand its off-site solutions, particularly for advanced technology and heavy industrial customers.
		Closed Oct-23	The acquisition enabled Comfort Systems to add established capabilities and expand its presence in key Northeast markets.
		Closed Feb-25	The acquisition enabled Saint-Gobain to strengthen its presence in high-growth markets like India and the Middle East, supporting its strategy to lead in light and sustainable construction.
		Closed Jan-25	The acquisition was aimed to strengthen Saint Gobain's presence in the fast-growing Mexican and Central American construction chemicals markets.
		Closed Jul-24	The acquisition enabled Saint-Gobain to grow in fast-expanding Asia-Pacific markets, aligning with their "Grow & Impact" strategy and global leadership in light, sustainable construction.
		Closed Nov-23	The acquisition enabled Saint-Gobain to expand its building envelope offering in Saudi Arabia, accelerating growth in the Gulf amid rapid development and major construction projects.
		Announced Mar-25	The acquisition enabled TopBuild to to strengthen their installation presence in Nebraska.
		Closed Mar-24	The acquisition was aimed at enhancing TopBuild's presence in the Pennsylvania residential insulation market.

1. S&P Capital IQ Data presented as of 03/31/2025

# Active Industry Buyers

## Financial Buyers

Select Active Buyers<sup>1</sup>

Acquirer	Targets	Status/Date	Strategy
 <b>Portfolio Company of</b>  <b>AMERICAN SECURITIES</b>		Closed Sep-24	The acquisition allowed Foundation Building Materials to enhance its product offerings in commercial building applications, particularly doors and related hardware.
		Closed Oct-23	The acquisition was aimed at expanding Foundation Building Materials' presence in the Northeast U.S., adding two locations in Rochester and Buffalo, New York.
		Closed Jun-23	The acquisition allowed Foundation Building Materials to expand its presence in the Great Lakes Region by integrating a well-established supplier.
		Closed Apr-23	The acquisition allowed Foundation Building Materials to expand its branch network and enhance service levels along the East Coast, from New Hampshire to Florida.
		Closed Dec-23	The acquisition created a leading residential lighting platform by combining with Kichler Lighting to expand distribution and service across North America.
		Closed Dec-23	The acquisition was aimed at capitalizing on Hubbell's century-long brand reputation and product catalog, positioning it for growth in the fragmented lighting sector.
		Closed Dec-24	The acquisition allows KPS Capital to leverage Crane Composite's leadership in fiberglass reinforced plastic products and best-in-class manufacturing capabilities.
		Closed Sep-24	The acquisition enabled KPS Capital to leverage Catalyst Acoustics Group's broad product development competencies, providing a platform for future growth.
 <b>Portfolio Company of</b>  <b>PlatinumEquity</b>		Closed Mar-25	The acquisition enabled US LBM to expand its presence across the Carolina markets.
		Closed Feb-25	US LBM acquired Goodrich Bros. to complement its existing operations and expand its manufacturing capabilities in Michigan.
		Closed Feb-25	US LBM partnered with Walker Lumber & Supply to establish its first location in Tennessee, expanding its presence in the growing Southeast region.
		Closed Sep-24	The acquisition enabled US LBM to enhance its specialty product and service offerings in Texas.
		Closed Jun-24	US LBM acquired RAKS to expand its network into the high-growth Albuquerque market, where housing demand remains strong amid low inventory levels.

1. S&P Capital IQ Data presented as of 03/31/2025

# Find out why so many clients trust Balmoral Advisors with their middle-market investment banking needs.

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Balmoral Advisors excels in delivering comprehensive middle-market mergers and acquisitions, corporate finance, and financial restructuring advisory services. With our extensive experience, unmatched expertise, and an unwavering commitment to client satisfaction, we serve as the ideal partner for companies striving to achieve their strategic objectives. Whether the aim is to drive growth, secure capital, or navigate financial challenges, Balmoral Advisors possesses the capabilities, skills, and resources to enable success.

Our team's proficiency extends to both domestic and cross-border transactions, enabling us to assist clients not only within the United States but also on a global scale. Our exceptional track record underscores our steadfast dedication to delivering outstanding service. Through a collaborative approach, we actively engage with our clients, comprehending their unique needs and goals to provide tailored solutions.

We are invaluable partners in your journey towards success.

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