

# SECTOR SNAPSHOT - H2 2021

## BUILDING PRODUCTS & DISTRIBUTION



**Tom McCarthy**  
Partner



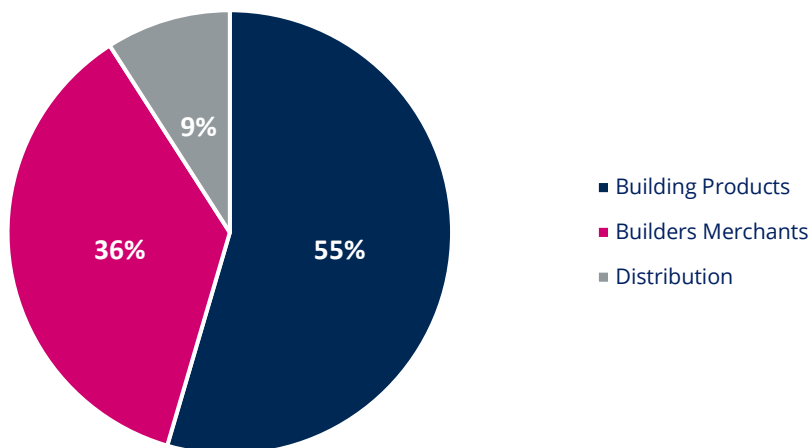
**Peter Waplington**  
Director



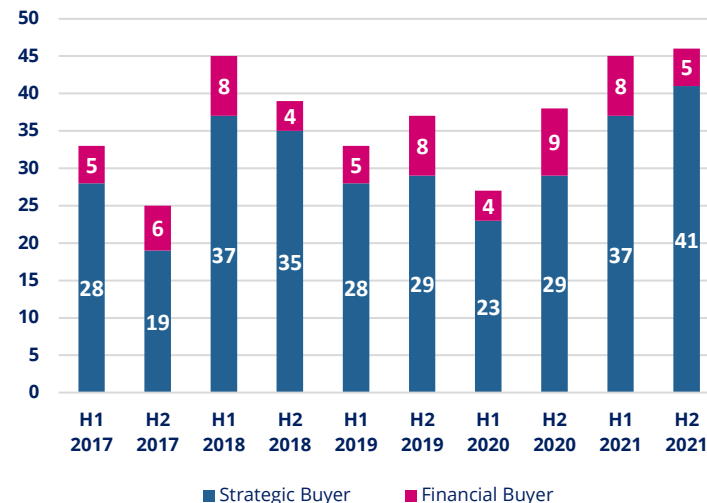
**Liam Hadfield**  
Executive

- M&A deal volumes were in line with the first half of 2021, with 46 deals completed involving UK target companies compared to 45 in H1 2021.
- Confidence in the sector was driven by continued RMI / DIY demand and favourable residential, commercial and infrastructure market dynamics. Data from the Builders Merchants Business Index (BMBI) showed that while sales in Q4 2021 were lower than Q3 2021, suggesting a slight weakening in the market, sales in Q4 2021 were still 21% up on Q4 2019.
- M&A activity was driven in part by corporate restructuring in response to the pandemic, as several large players chose to simplify their businesses through divestment. In addition, Owner Managers took advantage of the sellers' market to exit their businesses, encouraged by strong valuations and the fear of another cataclysmic event and / or changes to Capital Gains Tax.
- Private equity remained an important player in the sector, particularly in the Builders Merchants market, where private equity backed businesses continued their buy and build strategy.
- Rising costs (materials, labour and fuel in particular) and supply chain issues created challenges to completing deals with due diligence processes becoming more onerous. There has never been a greater need for vendors to have high quality data both as a means of making informed decisions for their business, but also to provide sufficient comfort to acquirers and investors.
- We expect a slight softening in the M&A market in 2022 as appetite for home improvement slows in the face of increases in the cost of living coupled with uncertainty over materials and energy costs.

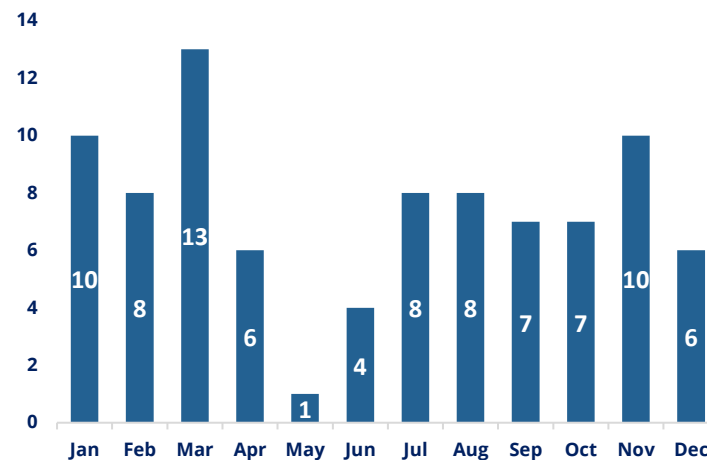
### DEAL VOLUMES BY SUBSECTOR H2 2021



### BUILDING PRODUCTS & DISTRIBUTION DEAL VOLUMES



### M&A DEAL VOLUMES BY MONTH - CALENDAR YEAR 2021



# KEY TRANSACTIONS – H2 2021

## TRADE & PRIVATE EQUITY BUYERS

### TRADE

“Strong trading and favourable market trends have driven a sellers market”

Have acquired

For £0.6m

Builders Merchants

Have acquired divisions of

For £520m

Builders Merchants

Have acquired

For £5.5m

Building Distribution

Have acquired

For £4.4m

Building Distribution

Have acquired

For undisclosed value

Builders Merchants

Have acquired 3 distribution brands from

For undisclosed value

Building Products

### Notable trade deals in H2 2021 include:

- AIM-listed Brickability acquired solar business HBS NE and roofing services business Leadcraft. Both deals were for £5.5m and were the 12<sup>th</sup> and 13<sup>th</sup> acquisitions that Brickability has made in the last three years.
- SIG expanded their product range through the acquisition of F30 Building Products, diversifying into general building materials to compliment their range of interior building supplies. H2 2021 was a busy period for SIG as it also acquired drylining rival Penlaws.
- After its IPO in July 2021, Lords Group continued its buy and build strategy by acquiring Nu-Line Builders Merchants for an enterprise value of £0.6m.
- Wolseley acquired Saint Gobain’s remaining plumbing, heating and sanitaryware distribution brands in a show of intent having been acquired by global private equity house Clayton, Dubilier & Rice in February 2021.
- Huws Gray significantly increased their market share by acquiring the Buildbase, Civils & Lintels, PDM Buildbase, The Timber Group, Bathroom Distribution Group, Frontline and NDI brands from Grafton Group PLC. It separately continued its buy and build spree by acquiring Exall Jones and TBS Building Supplies.

### PRIVATE EQUITY

“There is significant competition amongst private equity buyers for quality assets whether they are corporate carve outs or owner managed business”

Have acquired

For undisclosed value

Building Products

Have acquired

For undisclosed value

Building Products

Have acquired a minority stake in

For undisclosed value

Building Merchants

MBO of

For undisclosed value

Building Products

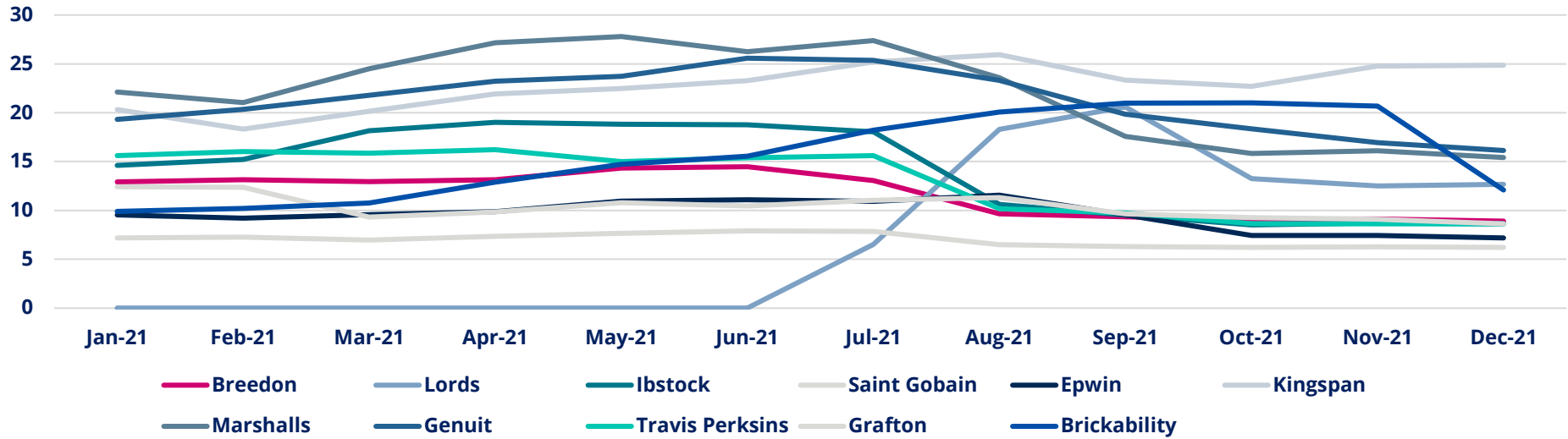
### Notable PE deals in H2 2021 include:

- Rubicon Partners acquired Consolidated Timber Holdings with plans to invest in both the distribution and manufacturing sides of the business.
- HLD Group have acquired modular building firm Thurston Group, adding to its portfolio of building products companies.
- Blackstone acquired a stake in acquisitive Huws Gray, providing an exit for Inflexion who originally backed the business in 2018.
- Alcuin Capital Partners supported the MBO of toughened glass manufacturer Tuff X. The glass processing sector includes numerous regional players and is ripe for consolidation.
- Cairngorm Capital Partners merged two of its portfolio companies, Grant & Stone Group and Independent Builders Merchant Group (IBMG) in September 2021. The combined business has revenues in excess of £500m and has shown its intent to continue to grow through acquisitions.

# VALUATION MULTIPLES

## BUILDING PRODUCTS & DISTRIBUTION

“Plc valuation metrics have softened since H1 2021 as supply chain issues, rising materials, fuel and labour costs weakened market confidence”



### Plc Valuation Summary

- The Enterprise Value to EBITDA multiples below are the average across our index of listed business:

#### Building Products



#### Builders Merchants



#### Distribution



### Private Transaction Summary

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

#### Building Products



#### Builders Merchants



#### Distribution



Orbis is an independent corporate finance advisory firm, working with business owners, management teams and investors to advise them through every aspect of corporate finance.

The partners have over 100 years of deal-making experience and combine their broad network of global relationships with deep sector knowledge and investor skills to deliver a specialist M&A experience.

Orbis is the UK partner for Clairfield International, a global investment bank, offering clients access to over 400 corporate finance professionals situated in over 20 countries across the globe.

## ORBIS PARTNERS: SERVICES

A complete range of M&A services providing a wealth of experience to our clients

- Company Sales**
- Extensive mid market M&A expertise and experience across the team.
  - International reach – over 20 countries and growing.
  - Over 90% of all sale mandates involve an overseas party.

- Acquisition Support**
- Research and origination - internal research team and tools.
  - Strategic and financial assessment.
  - Deal management.

- Due Diligence**
- Experienced and informed advice.
  - Extensive experience within the UK and of international transactions.
  - Partner Led

- Management Buy Out**
- Deal leadership and fund raising.
  - Align interests with management team.
  - Co-investors on 15 deals.

- Capital Raising**
- Supporting existing business to fund development.
  - Supportive investor bringing focus on value creation.
  - Co-investors on numerous deals.

- Business Improvement**
- Independent advice and planning strategy led by sector insights.
  - Turnaround and profit improvement credentials.
  - Leading the team through uncertainty whilst developing a game plan.

## ORBIS / CLAIRFIELD: INDUSTRIALS CREDENTIALS

Sold to

For undisclosed value  
Building Products

Sold to

For undisclosed value  
Building Products

Sold to

For undisclosed value  
Building Products

Sold to

The Investor Group

For undisclosed value  
Building Products

Sold to

For undisclosed value  
Building Products

Acquired

ORBIT Intrinsic is Orbis' investment vehicle

For undisclosed value  
Building Products



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