

# SECTOR SNAPSHOT – H1 2022

## BUILDING PRODUCTS & DISTRIBUTION



**Tom McCarthy**  
Partner



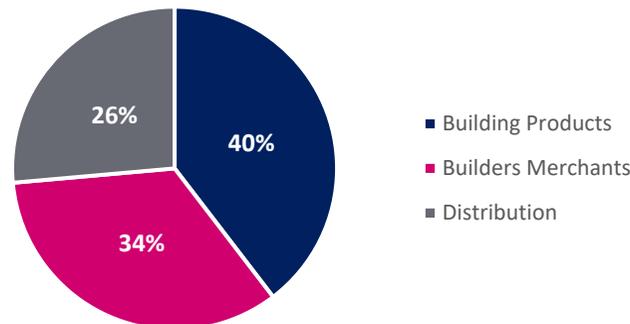
**Peter Waplington**  
Director



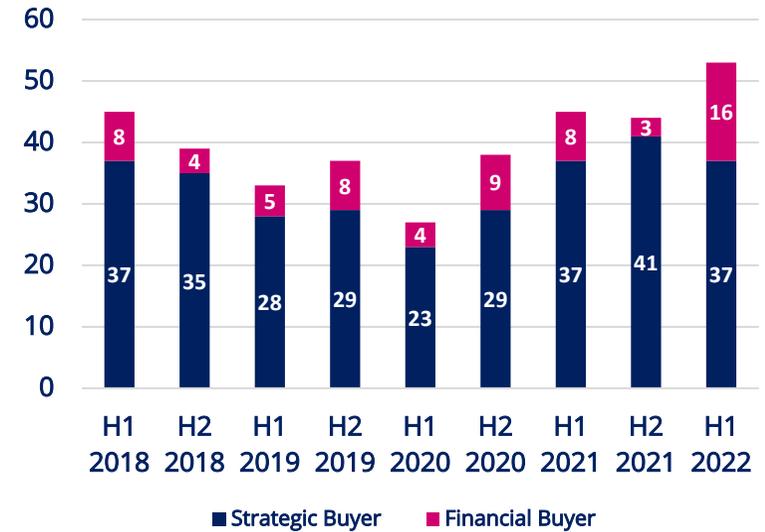
**Liam Hadfield**  
Executive

- M&A deal volumes saw a modest increase compared to the first half of 2021, with 53 deals completed involving UK target companies compared to 46 in H1 2021. Despite some emerging headwinds in the economy in Q2, there was significant momentum in the M&A market as deals that were started in 2021 reached their conclusions.
- Data from the Builders Merchants Business Index (BMBI) showed that sales in Q1 2022 exceeded those in Q1 2021 by 18%, albeit 16% of this increase was driven by price increases as opposed to volume, suggesting that the demand of recent years has peaked.
- As in 2021, corporates continued their restructuring in response to the pandemic while owner managers took advantage of the sellers' market. Both continued to fuel high levels of M&A.
- Private equity continued to feature strongly, whether this was supporting carve outs and MBOs, or continuing their buy and build strategies – with private equity backed consolidation particularly strong within the builders merchant sector.
- Rising costs (including materials, labour, energy and fuel) alongside supply chain issues, heightened by the Ukraine crisis, have led to an inflationary marketplace. Material price increases in particular have led to greater margin and working capital scrutiny during due diligence, accompanied by higher levels of cash being tied up in stock to mitigate supply issues. This has raised the importance of sellers being able to produce high quality reporting and analysis during the sale process.
- We expect a softening in the M&A market in the remainder of 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.

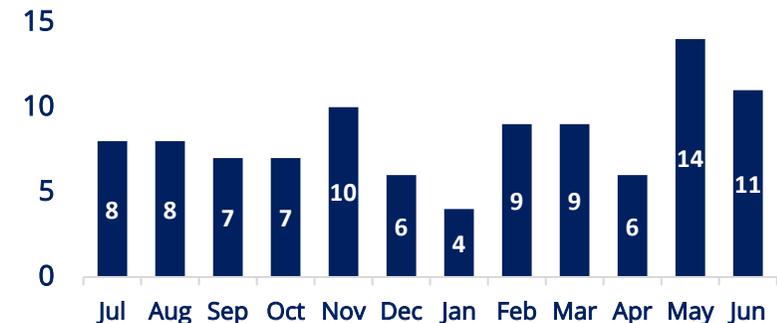
### DEAL VOLUMES BY SUBSECTOR H1 2022



### BUILDING PRODUCTS & DISTRIBUTION DEAL VOLUMES



### M&A DEAL VOLUMES BY MONTH – LTM JUNE 2022



# KEY TRANSACTIONS – H1 2022

## TRADE & PRIVATE EQUITY BUYERS

### TRADE

“Strong trading and resilient market trends in 2021 and early 2022 resulted in an active six months for strategic acquisitions”

**WOLSELEY**

Have acquired 3 Irish brands

**Heat Merchants**

For undisclosed value

Builders Merchants

**Marshalls**

Have acquired

**Marley**

For £536.5m

Builders Products

**Brickability**

Have acquired

**BEACON ROOFING LIMITED**

For £6.5m

Building Distribution

**LORDS GROUP TRADING**

Have acquired

**AR ADVANCE**  
Roofing Supplies Ltd

For £3.7m

Building Distribution

**ASSA ABLOY**

Have acquired

**CALDWELL**

For undisclosed value

Builders Products

**BUFAB**

Have acquired

**TIMCO**

For £74m

Building Distribution

### PRIVATE EQUITY

“Private Equity remain key investors with the Building Merchants and Distribution sectors, with activity levels increasing from H2 2021”

**CHILTERN CAPITAL**

MBO of

**International DECORATIVE SURFACES**

For undisclosed value

Building Distribution

**IBMG**

Have acquired 7 builders merchants

**merkko**  
BUILDERS MERCHANTS

For undisclosed value

Building Merchants

**HIGHBOURNE GROUP LTD**

Have acquired

**plumbworld**  
Big brands, small prices.

For undisclosed value

Building Distribution

**storskogen**

Have acquired a majority stake in

**FABCO**

For undisclosed value

Building Products

**AURELIUS EQUITY OPPORTUNITIES**

Have acquired

**CTD**  
ceramic tile distributors

For undisclosed value

Building Distribution

**MKM**

Have acquired

**WOODROW**  
TIMBER & SUPPLIES

For £9.8m

Building Merchants

### Notable trade deals in H1 2022 include:

- Wolseley UK has acquired heating, plumbing, tiling and bathroom businesses Heat Merchants, Tubs & Tiles, and Hevac. The acquired firms have combined revenues of c. €150m and employ over 400 people across 47 locations in the Republic of Ireland.
- Marshalls plc acquired Marley Ltd for £536.6m in April at a 10.7x multiple, which provided an exit for Inflexion Private Equity. The acquisition enhances the Group's exposure to the cyclically resilient UK roofing RMI market.
- Brickability Group continued their M&A drive with the acquisitions of the Modular Clay Products Ltd and Beacon Roofing Ltd for transaction values of £4.8m and £6.5m respectively, representing multiples of 3.7x and 5.9x. These deals reinforced the commitment of Brickability to carry out strategic acquisitions in order to strengthen their service offering to the construction sector.
- Lords Group Trading completed the acquisition of Advance Roofing Supplies Ltd for £3.7m and took a 90% stake in DH&P HRP Holdings Ltd for £9.3m. These deal values represented multiples of 6.2x and 5.1x respectively and continue to expand the product range that Lords' offers to its customer base.

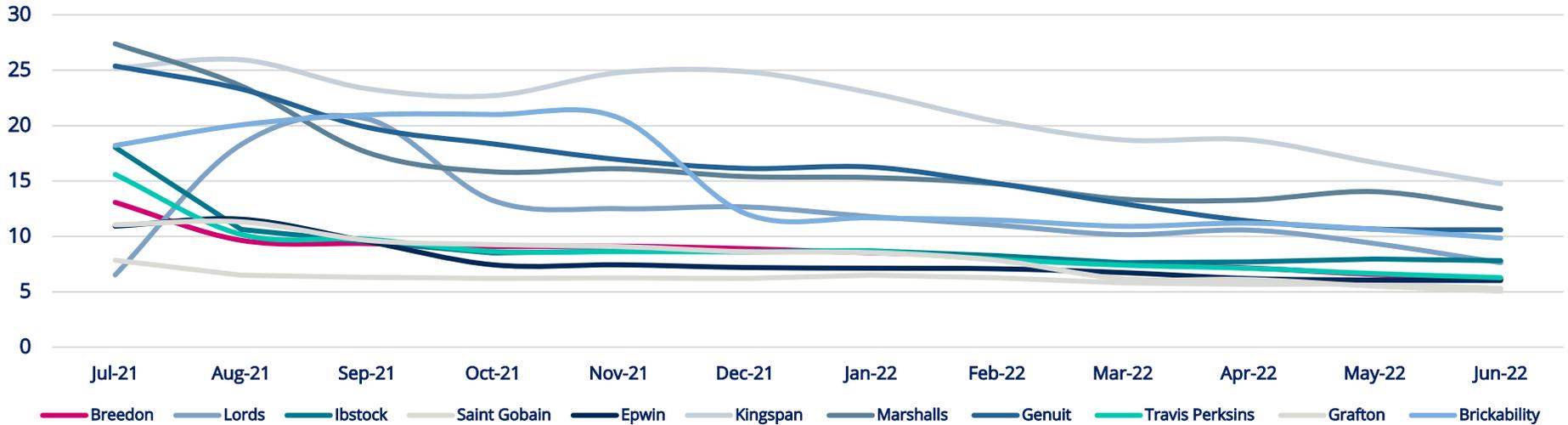
### Notable PE deals in H1 2022 include:

- Saint-Gobain Building Distribution Ltd continued its disposal of non-core assets by selling International Decorative Surfaces Ltd (“IDS”) and Ceramic Tile Distributors Ltd (“CTD”) to Chiltern Capital LLP and AURELIUS Equity Opportunities respectively. IDS reported revenues of £130m in 2021, with CTD generating revenues of approximately £100m. This is the fourth acquisition completed by AURELIUS' co-investment structure.
- Independent Builders Merchant Group Ltd, backed by Cairngorm Capital, significantly increased their brand range by acquiring seven UK building merchants, including Hoppings Softwood Products Ltd and Dougfield Plumbers Supplies Ltd. This takes their total acquisitions to over 20 since 2018.
- Highbourne, backed by HIG Capital, acquired Plumbworld, who specialise in bathroom, kitchen, plumbing and heating products and employed over 160 staff.
- Storskogen has acquired 80% of the shares in Fabco Sanctuary, a leading manufacturer of steel windows, doors, screens and partitions.
- MKM, backed by Bain Capital, expanded its branch network in Scotland with the purchase of Woodrow Timber & Supplies. The acquisition takes the total number of MKM branches in the UK to 97.

# VALUATION MULTIPLES

## BUILDING PRODUCTS & DISTRIBUTION

“Plc valuation metrics have continued to soften since H2 2021 as macro economic factors, supply chain issues, rising materials, fuel and labour costs weakened market confidence in the face of inflationary pressures”



### Plc Valuation Summary

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

#### Building Products



#### Builders Merchants



#### Distribution



Assume circa 50% private company discount for non-listed businesses

### 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 70% 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

**KESTREL**  
ALUMINIUM SYSTEMS

Sold to

**SCHÜCO**

For undisclosed value

Building Products

**STUART TURNER**  
ENGINEERED TO EXCEL

Acquired

**AGM**  
Aquatronic Group Management Plc.

For undisclosed value

Building Products

**cpm**  
Concrete for life

Sold to

**Marshalls**

For undisclosed value

Building Products

**Opella**  
plumbing innovations

Sold to

**Fluidmaster**

For undisclosed value

Building Products

**HOMELUX**  
**NENPLAS**

Sold to

**QEP**

For undisclosed value

Building Products

**AQUALOX**  
Est. 1979

Acquired

**AQATA**  
Est. 1988

ORBIS Intrinsic is Orbis' investment vehicle

For undisclosed value

Building Products



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