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# SECTOR SNAPSHOT – H2 2022

## BUILDING PRODUCTS & DISTRIBUTION

### M&A volumes softened in H2 2022 compared to H1 2022

M&A deal volumes decreased in the second half of 2022, with 34 deals completed involving UK target companies compared to 53 in H1 2022. Increasing material and energy costs, weakening RMI demand and general economic uncertainty led to a decline in M&A activity. The softening of the M&A market in the second half of 2022 was expected. 2021 and H1 of 2022 were bumper periods that were unlikely to be maintained. The 34 deals completed in H2 2022 are in line with the run rate in the three years prior to the pandemic.

### Price inflation remains high across the industry but notably with heavy building materials

Data from the Builders Merchants Business Index (BMBI) showed that sales in Q3 2022 exceeded those in Q3 2021 by 4.3%, despite a 9% decrease in volume. The main driver behind the increasing sales was a 14.6% price inflation. In particular, Heavy Building Materials, such as Aggregates, Cement and Plasterboard, have seen prices grow by 21.2% in Q3 2022 versus Q3 2021.

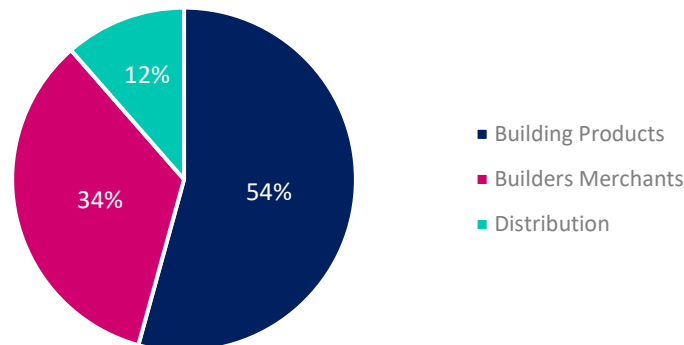
### Buyers outlook remains cautious due to continued global geopolitical risks factors

In our experience and based on discussions with other dealmakers, diligence processes took longer as buyers juggled with risk factors. Some of these were global (the Ukraine war, supply chain), some local to the UK (Trussonomics and cost of capital), some were business-specific (pricing, materials, labour and energy costs, supply chain issues, stock valuation and stock control amongst others). All of these had an impact on diligence and decision making, resulting in deals taking longer to complete. This will have had some impact on the overall number of completed deals within the period.

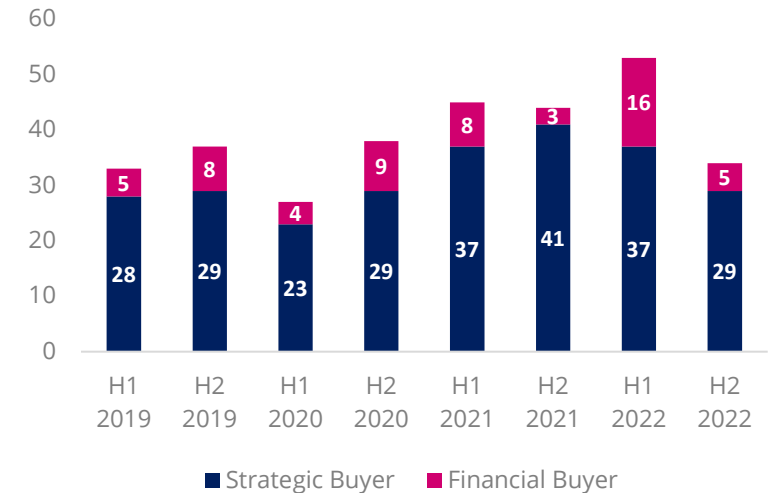
### International appetite in the UK market continues to be resilient

As in H1 2022, international buyers are still viewing the UK market as attractive, with cross border transactions remaining at pre-pandemic levels supported by favourable foreign exchange rates.

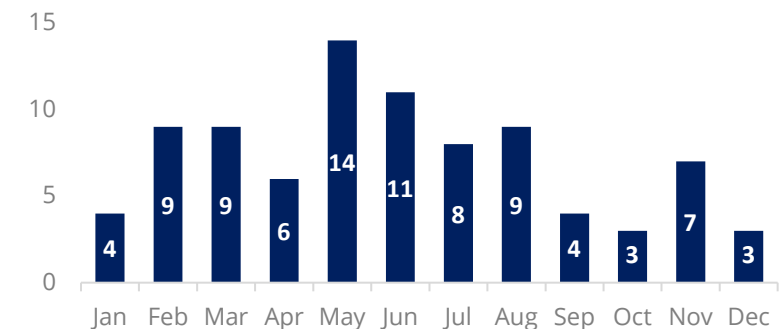
### DEAL VOLUMES BY SUBSECTOR H2 2022



### BUILDING PRODUCTS & DISTRIBUTION DEAL VOLUMES



### M&A DEAL VOLUMES BY MONTH – 2022



# KEY TRANSACTIONS – H2 2022

## TRADE & PRIVATE EQUITY BUYERS

### TRADE

“H2 2022 saw a number of strategic acquisitions and carve outs, particularly for international buyers”

Have acquired the building division of

For £740m

Builders Merchants

Epwin Group

Have acquired

Poly-Pure Ltd

For up to £30m

Building Products

Have acquired

For £131m

Building Products

Have acquired

For £36.5m

Building Products

Have acquired 3 merchants

For undisclosed value

Builders Merchants

Have acquired

For £11.6m

Building Products

### PRIVATE EQUITY

“Private Equity remain key investors and consolidators in the sector, especially within the Builders Merchant sector”

Have acquired a majority stake in

For undisclosed value

Builders Merchants

Have acquired

For £6.9m

Building Distribution

Have acquired a majority stake in

For undisclosed value

Building Products

### Notable trade deals in H2 2022 include:

- Danish firm, Stark Group, a leading B2B distributor of heavy building materials in Northern Europe, acquired Saint-Gobain Building Distribution for £740m. The acquisition brought with it over 600 branches and distribution centres across the UK and is expected to complete in the spring of 2023.
- Epwin Group plc continued its acquisitive activity with their takeover of Poly-Pure Ltd for up to £30m, with £15m on completion representing an upfront multiple of 6x. Poly-Pure is a leading UK materials re-processor, recycling post-consumer and post-industrial PVC building materials. The acquisition will enable Epwin to expand its recycling capabilities and take advantage of cost synergies.
- US company Fortune Brands made a strategic move in acquiring British shower manufacturer Aqualisa for approximately £131m, providing an exit for LDC. Fortune Brands view Aqualisa as a complementary brand to their existing portfolio.
- SIG plc acquired Miers Construction Products, a leading supplier of specialist construction materials, for £36.5m, representing a multiple of 7.2x.
- Wolseley UK completed the acquisition of two Irish businesses, Tubs & Tiles and Hevac, as well as C.P. Hart in England. The acquisition of C.P. Hart marks Wolseley's entry into the premium bathroom sector across both retail and commercial customers.
- Brickability Group plc continued its M&A drive through the acquisition E.T. Clay Products and Heritage Clay Tiles for £11.6m, a 3.9x multiple. ET Clay are a leading supplier of UK and imported facing bricks and will expand Brickability's import division.

### Notable PE deals in H2 2022 include:

- National Timber Group (“NTG”), backed by Cairngorm Capital, acquired SV Timber. The acquisition fills a geographic gap in NTG's existing branch network and further extends its customer reach within the Midlands. This follows the acquisition of Orchard Timber in late 2021, and the development of specialist business units, National Timber Systems (NTS) and Intelligent Door Solutions (IDS).
- Foresight Group LLP have acquired a 71% stake in Etag Fixings, a distributor of construction materials, for £6.9m. The investment from Foresight will allow further geographical expansion across the UK and Ireland, along with the development of an e-commerce channel.
- Ethos Partners LLP supported the Management Buyout of Norwegian Log Buildings, a UK-based designer and manufacturer of premium log cabins and buildings.

## Kestrel Aluminium Systems and Kestrel Powder Coating

### Orbis Partners advised on the sale of Kestrel Aluminium Systems Limited and Kestrel Powder Coating Limited (together “Kestrel”) to Schueco UK Limited

- Kestrel is a nationwide fenestration systems house. It supplies quality aluminium extrusions and accessories for the fabrication of shopfronts, commercial and domestic doors, curtain walling, windows and glazed roofs. The business provides products to the commercial and domestic markets via fabricators, specifiers and contractors.
- Schueco UK are based in Milton Keynes and are part of the Schüco Group, based in Bielefeld, Germany. The Schüco Group develops and sells system solutions for the building envelope made from aluminium, steel and PVC-U. Founded in 1951, the company is now active in more than 80 countries. Schüco works with 10,000 fabricators and 30,000 architectural practices, as well as construction professionals who commission buildings around the world.
- Orbis helped to prepare the business for a sale and subsequently advised on a discrete sale process on behalf of Kestrel’s shareholders.

### OUR ROLE

- Orbis worked closely with the shareholders of Kestrel on the sale process. Specifically, we:
  - Utilised our knowledge of the building products market to run a targeted and competitive sales process, working with our overseas partners to identify a focused group of strategic buyers.
  - Spent time with the shareholders to understand the unique selling points of the business and presented these to the potential buyers.
  - Analysed the financials of the business and presented a detailed run-rate analysis in order to maximise the value for the shareholders.
  - Presented the business to potential acquirers and led negotiations to secure the best deal for our clients.
  - Managed the preparation and flow of information throughout the diligence process to ensure commercially sensitive information was safeguarded.
  - Acted as the principal contact between the Buyer and their advisors.
  - Negotiated key commercial aspects of the legal documents to ensure the successful and timely completion of the deal.
  - Overall project management through to a successful conclusion.



Building Products

*“Having started the business in 1989 and developed it over 33 years it was important to us that the sale was handled correctly to protect the legacy and future of the company and its staff. Orbis understood this right from the start and working with them made the process as easy as possible and often enjoyable.*

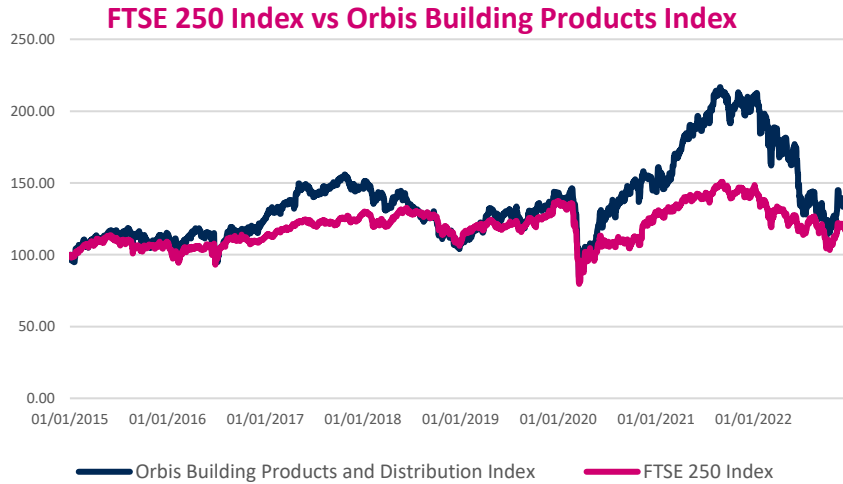
*They are supported by a team of professionals that covered all the aspects of the process in a friendly and enjoyable way. They achieved a very good outcome for us and we feel confident for the future of the company.”*

**Steve Shute, Director at Kestrel**

# VALUATION MULTIPLES

## BUILDING PRODUCTS & DISTRIBUTION

“Plc valuation metrics and market capitalisations have continued to soften since H1 2022 as macroeconomic factors, supply chain issues, rising materials, fuel and labour costs weakened market confidence in the face of inflationary pressures”



Orbis Building Products & Distribution Index includes:



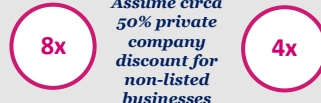
### Plc Valuation Summary

- 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 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.

- 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

BH Srl holding company

Acquired 40% of

from

For undisclosed value

Building Products

Sold to

to

For undisclosed value

Building Products

Acquired

For undisclosed value

Building Products

Sold to

For undisclosed value

Building Products



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