

Going for gold to support a sustainable world-class vision

SPOT ON | MANUFACTURING AND DISTRIBUTION OF BUILDING MATERIALS | JANUARY 2019

In this issue of Spot On, Oaklins' Brian Livingston draws on deep experience in the industry to share his views on the manufacturing and distribution of building materials sector.



WHAT DOES THE FUTURE HOLD? WHAT CAN THE WORLD CUP TELL US?

Historically, the World Cup tournament has had a significant impact on the building industry. We looked into the 2026 World Cup bids — the "United 2026" bid and the bid from Morocco — to explore the key trends and their potential impact on the building materials sector's future.

(CONTINUED ON NEXT PAGE)

“It’s becoming increasingly clear that businesses are shifting their models towards specialisation as opposed to pure revenue growth, especially with regard to new sustainable technologies. In this newsletter we have explored what the future may hold by reflecting on the recent World Cup bids.”

BRIAN LIVINGSTON

MANAGING DIRECTOR
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Read more on the following:

MARKET TRENDS

How the bids to host the 2026 World Cup point towards the future of sustainability in the construction industry. [\(pg.2\)](#)

SPOTLIGHT

We spoke with the Corporate Development team at RGIB to gain insight into their growth and acquisition strategy. [\(pg.4\)](#)

VALUATION TRENDS

The latest trends in the valuation of building materials companies globally. [\(pg.9\)](#)

RECENT M&A ACTIVITY

A selection of recent transactions in the manufacturing and distribution of building materials sector. [\(pg.11\)](#)



Market trends

HOW THE BIDS TO HOST THE 2026 WORLD CUP POINT TOWARDS THE FUTURE OF SUSTAINABILITY IN THE CONSTRUCTION INDUSTRY

The World Cup tournament has always had an impact on the building industry: in preparation for Russia 2018, an estimated US\$5.3bn was spent on the construction and upgrading of stadiums alone.

We looked further into the 2026 World Cup bids — the United 2026 bid and the bid from Morocco — to explore the key trends and potential impact on the building materials sector's future.

The key focus of both bids was on sustainability, but what did that really mean and how did they propose to achieve it?

LEGACY MODULAR STADIUMS (LMS)



Morocco's bid book detailed 14 stadiums to be built or renovated; however, six of the 14 proposed were Legacy Modular Stadiums (LMS).

Each LMS shared a common core design, with the ability to customize the exterior to reduce the complexity and cost. Additionally, the capability to remove modules helps avoid the risk of ending up with underused, oversized stadiums that become white elephants. Post-tournament, the intention was to reduce the stadium capacities to c. 20,000 to 25,000 seats and reconfigure for local community needs — the proposal being to use the dismantled infrastructure for other projects, such as new community halls and other sports areas.

Modular homes are not a new concept; however, we are seeing an increase in deployment throughout the world. For example, Kattera, an off-site construction startup established in 2015 that handles design, sourcing, supply and construction, recently completed a Series-D fundraising that valued the company at US\$3bn.

Another key development in modular construction has been the use of new materials, including:

- silicone-based adhesives, to help increase the energy-saving characteristics of doors and windows in modular construction
- materials similar to the fiber panels used on boats, to help create more durable and efficient homes. These materials are increasingly attractive as they are lightweight, waterproof, mould-proof and termite-proof.

BREEAM CERTIFICATION

Morocco committed, in its bid book, to ensuring all stadiums are designed to meet Building Research Establishment Environmental Assessment Method (BREEAM) and High Quality Environmental (HQE) certification standards.

It referenced a number of elements, including:

- gray water recycling
- the use of eco-friendly, recycled or recyclable materials wherever possible, in line with the Clean Workplace Charter.

What a year 2018 was!

- Apple became the first company ever to reach a valuation of US\$1 trillion
- Donald Trump and Kim Jong-un became the first in-office US president and North Korean leader to meet
- The hosts of the biggest World Cup ever, with 48 teams playing 80 matches over 34 days, were revealed to be the United States, Canada and Mexico jointly — under the name United 2026.

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)

LEED is a certification for the design, construction and operation of green buildings and areas and is the globally recognized standard.

We counted how often LEED is referenced throughout the United 2026 bid documentation: 21 times. The bid writers clearly focused on LEED certification of the stadiums and highlighted the Mercedes-Benz Stadium in Atlanta, home to MLS club Atlanta United, as the first stadium in the world to receive LEED platinum certification.

The use of LEED-compliant materials is forecast to grow throughout the world.

The characteristics of such materials include:

- locally sourced/manufactured
- utilizing sustainably grown materials in the product's manufacture
- products made from renewable materials
- biodegradable
- toxin-free.

Manufacturers that can provide building materials satisfying the LEED criteria could see an increase in business over the coming years.

GRAY WATER RECYCLING

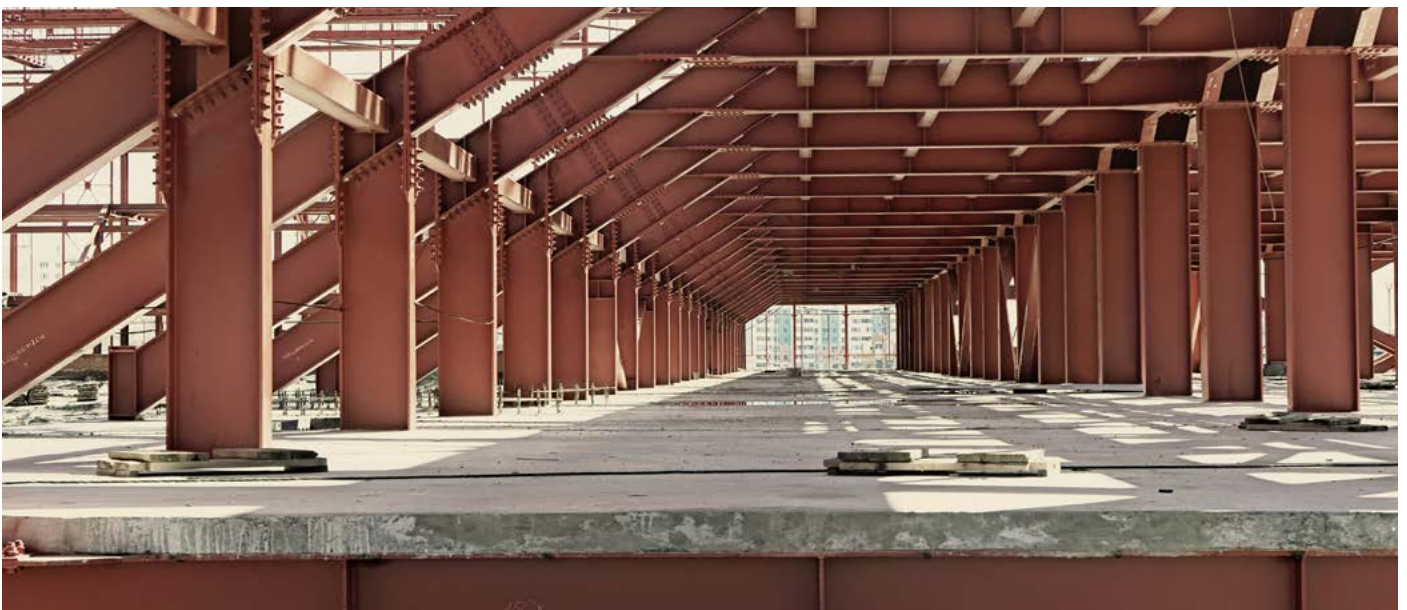
Wastewater generated from showering, bathing, handwashing and laundry, amongst other domestic activities, is commonly known as gray water.

With the right systems there are many opportunities for this water, once filtered, to be reused — for example, for gardening, laundry and as toilet bowl water.

Despite being available since the 1960s, gray-water systems have yet to be widely implemented due to the high installation costs.

However, more recently, a number of commercial operators — notably hotel chains — have begun to see the benefits, reducing the installation costs by implementing the gray-water systems during initial construction.

The inclusion of gray-water systems in Morocco's bid could be the start of a wider uptake throughout the world, creating new growth opportunities for operators in the plumbing sub-sector.





ROYO GROUP INTERNATIONAL BATHROOM (RGIB) IS ONE OF THE LEADING EUROPEAN GROUPS IN THE FIELD OF BATHROOM FURNITURE AND SHOWER EQUIPMENT

RGIB is the result of the buy-and-build strategy of the Royo Family and H.I.G. Capital.

The Royo family has extensive knowledge and experience of the sector, whilst H.I.G. Capital has significant financial strength. This combination provides an ideal platform for growth and consolidation.

RGIB is a leader in the bathroom market in the countries it operates in



Top 10



Market leader



Market leader



Top 5



Top 5



H.I.G. CAPITAL is a leading global private equity investment firm with over US\$30bn of equity capital under management.

The company looks to align itself with committed management teams and entrepreneurs, and help build businesses of significant value.



OVERVIEW

RGIB is a leader in the bathroom market in the regions in which it operates.

The company is looking to continue its growth, with a focus on product innovation and manufacturing excellence, combined with high-quality customer service.

RGIB works with more than 10,000 specialist bathroom and ceramic customers worldwide and has deeply embedded relationships with the top DIY players in Europe.

The group currently has three core brands across two departments. The Royo and Elita brands operate within the bathroom furniture division, and the Fiora brand within the shower tray market.

RGIB plans to expand both by acquisition and organically, with greater intensity, and to win more market share in its specialist areas.

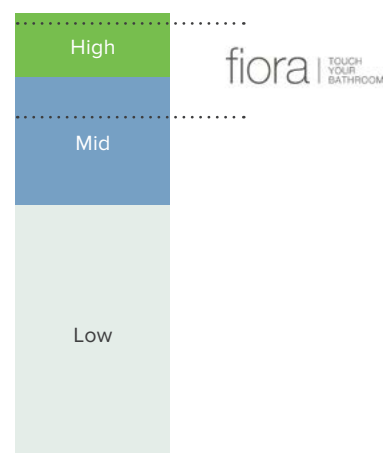
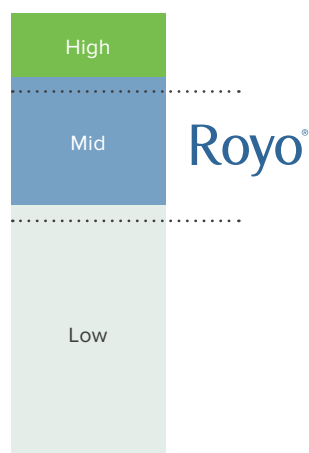
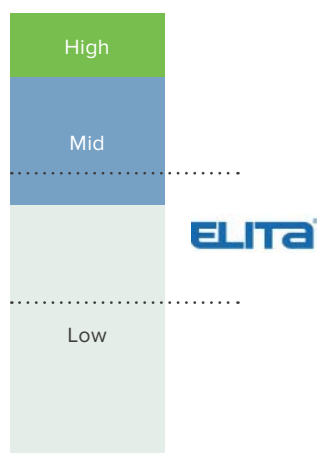
We spoke with the Corporate Development team at RGIB to gain insight into their growth and acquisition strategy.

BRAND POSITIONING

Royo and Elita have grown organically in their core markets of Spain, France and Poland. The current positioning of these brands is considered to be mid-to-low.

Acquired in January 2018, Fiora is the leading shower tray manufacturer in Spain and Italy, and number two in France. Fiora's current brand positioning is considered to be mid-to-high.

RGIB BRAND POSITIONING



Source: HIG newsletter

Q&A

What are you looking for in target acquisitions?

We are looking for companies involved in the manufacture of bathroom products (see below for further details on product portfolios sought), although we would consider distributors if an appropriate target was found.

We are looking to acquire well-known brands that are innovative and remain relevant and recognized in their field, with a strong position in their respective market.

Brand positioning is key for us: to fit alongside our current brands we are seeking brands with mid-segment positioning, whilst maintaining a strong reputation in professional channels.

We understand you are looking to expand globally. Can you go into more detail about your focus areas?

We are already market leaders in Spain and Poland, but we want to continue growing and we are looking to consolidate our position in these countries, as well as in France and Italy.

We recognize that Germany and the UK remain untapped European markets for us, with significant potential given the size of their economies and markets, and we are actively looking for expansion opportunities there.

The USA and Canada also offer fantastic potential for growth through acquisitions. In addition to the above-mentioned countries, RGIB are also open to acquisitions in other countries if the right opportunity arises.

Your current focus is on bathroom furniture and shower trays, are you looking to expand into new product types?

Our sales are currently split into roughly 75% bathroom furniture and 25% shower trays. Furniture is where Royo began, and this is core to our operations. As such, we are looking to make acquisitions in this area. We recognize, however, that expansion of the brand and product range will help drive growth and so we are looking for manufacturers of complementary product types, which we have summarized below.

What size of company are you looking to invest in?

We have the financial backing of a large investor with significant funds available for acquisitions. We are looking for entities of size and scale, with revenues ranging from US\$15m to US\$180m. However, if a company with significant brand value — offering differentiation and innovation — presented itself and was outside of these ranges, then we would consider exploring the opportunity.

How would you describe working with Oaklins?

Oaklins has demonstrated to us its deep sub-sector expertise. They understand the building materials sector and their reach is truly global.

When we worked with Oaklins on the acquisition of Fiora in January 2018, the team added real value throughout and their hands-on approach allowed us to continue to focus on running our business. Transactions can be time-sapping processes, but it really was business as usual.

FACT

Conventional wisdom says a shower saves more water than a bath, but with more powerful, longer-lasting showers this is not always true. An average bath uses 80 liters of water; an eight-minute power shower uses 136 liters.

(Source: The Telegraph)





SUSTAINABILITY TARGETS

1. Furniture	2. Washbasin fittings & accessories	3. Shower trays and bathtubs, fittings & accessories	4. Shower enclosures
<ul style="list-style-type: none"> – washbasin cabinets – wall-hung washbasin cabinets – auxiliary furniture – mirrors 	<ul style="list-style-type: none"> – single-lever & two-handle mixers – wall-mounted fittings – self-closing fittings – towel racks, soap dispensers & mugs 	<ul style="list-style-type: none"> – shower trays & shower boards – head & hand-held showers – shower systems & hoses – towel racks & shower baskets 	<ul style="list-style-type: none"> – sidewalls – doors – bath screens – walk-ins













FACT

The oldest bathtub yet discovered is in the queen's bathroom in the palace of Knossos on Crete and dates from 1500 BC. It was made from fired clay and sat alongside one of the earliest water-flushed lavatories.

(Source: The Telegraph)



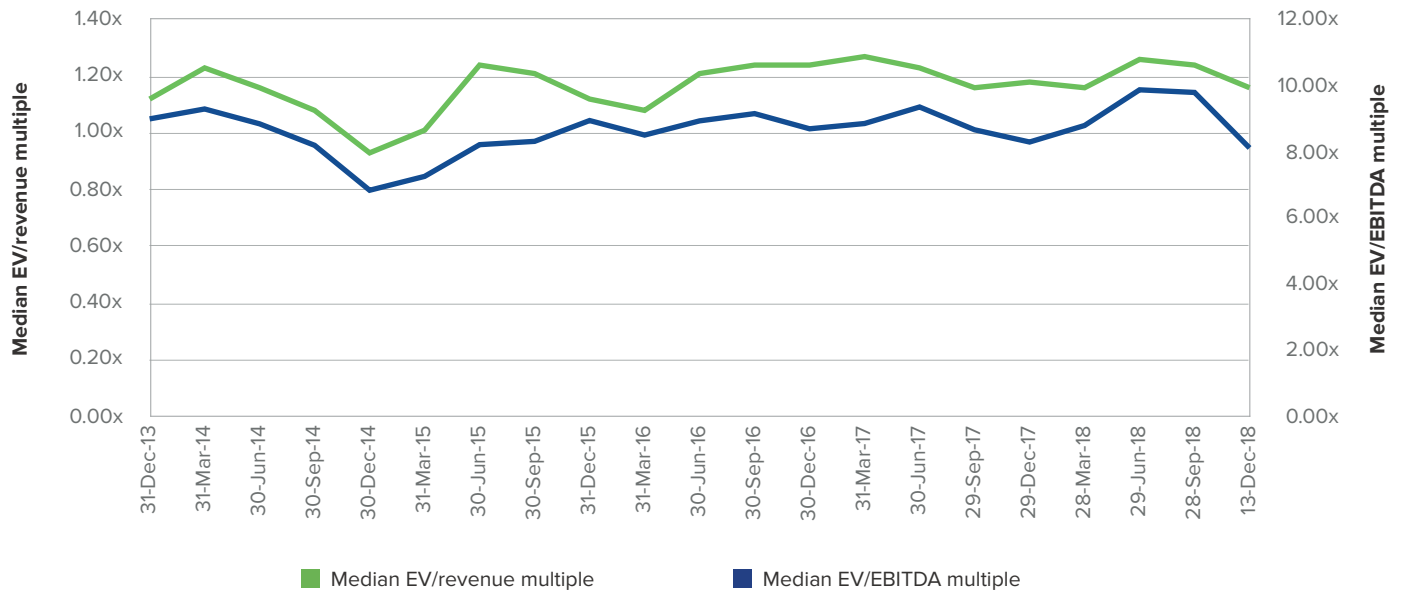
Selected public company valuations

Manufacturers	Head office location	Enterprise value (US\$m)	Enterprise value			
			LTM sales	NTM sales	LTM EBITDA	NTM EBITDA
Anhui Conch Cement Company Limited		22,473	1.5x	1.5x	4.0x	3.7x
CEMEX, S.A.B. de C.V.		17,416	1.3x	1.2x	7.1x	6.5x
Compagnie de Saint-Gobain S.A.		29,754	0.6x	0.6x	6.3x	5.7x
CRH plc		30,893	1.1x	1.0x	8.5x	7.6x
CSR Limited		1,062	0.5x	0.6x	4.7x	4.3x
KCC Corporation		3,288	1.0x	1.0x	7.8x	6.9x
Louisiana-Pacific Corporation		2,347	0.8x	0.8x	2.9x	4.3x
Masco Corporation		11,596	1.4x	1.3x	9.0x	8.0x
PPC Ltd.		928	1.2x	1.1x	8.1x	5.6x
ROCKWOOL International A/S		5,124	1.7x	1.6x	8.8x	8.1x
Toto Ltd.		5,398	1.0x	1.0x	8.6x	8.2x
USG Corporation		6,701	2.0x	1.9x	12.9x	11.1x

Source: Capital IQ

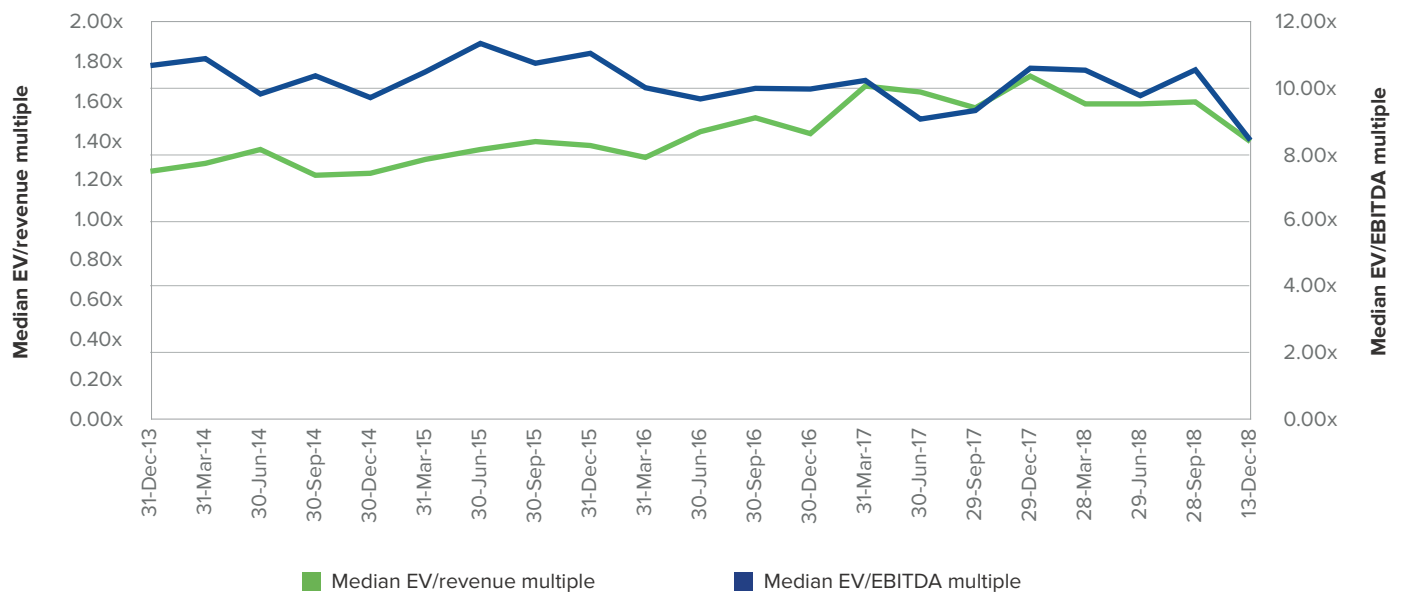
Selected public company valuation trends

EMEA HISTORIC MULTIPLES



Source: Capital IQ

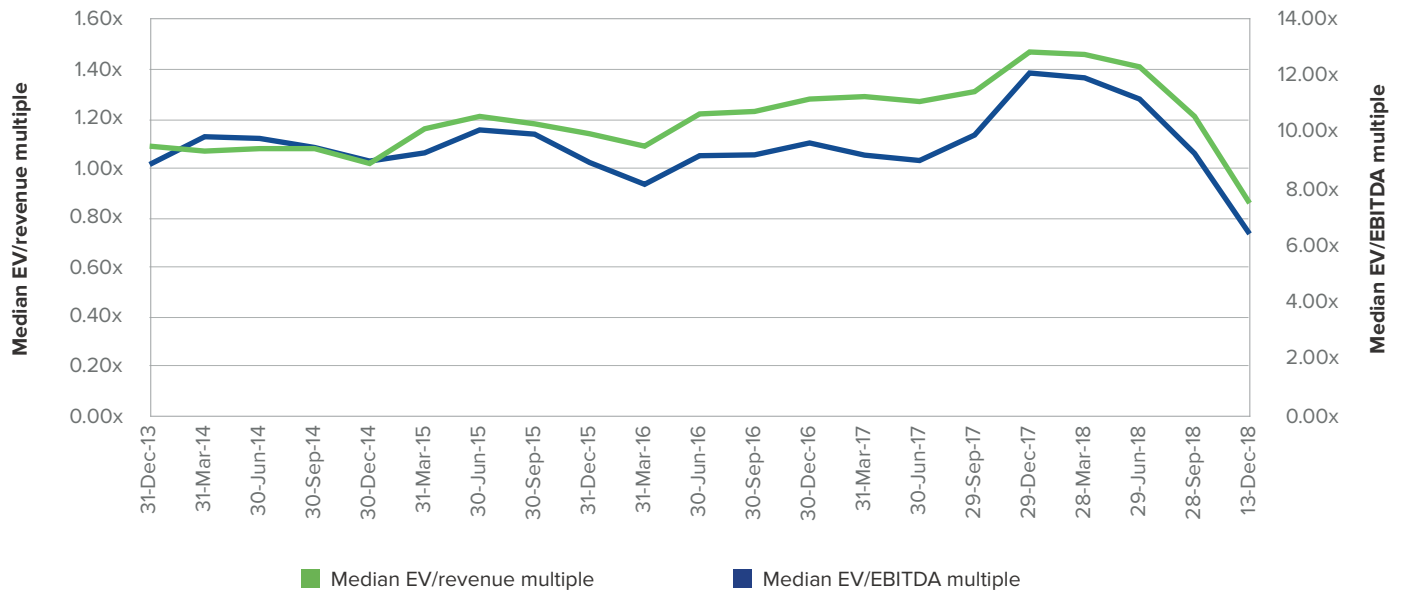
AMERICAS HISTORIC MULTIPLES



Source: Capital IQ

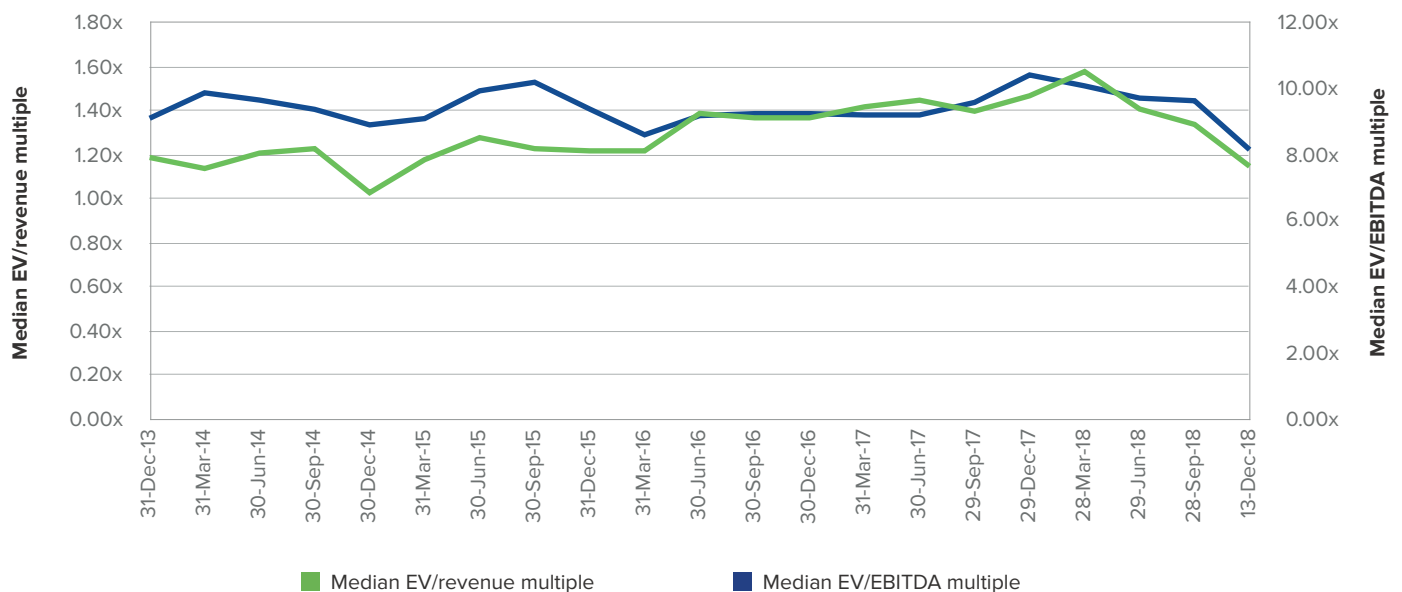
Selected public company valuation trends

ASIA-PACIFIC HISTORIC MULTIPLES



Source: Capital IQ




































GLOBAL HISTORIC MULTIPLES



Source: Capital IQ

Recent M&A activity

A selection of private transactions in the manufacturing and distribution of building materials sector

Date	Target	Country	Target description	Bidder	Country	Valuation		
						EV (US\$m)	EV/ Rev	EV/ EBITDA
13-Dec-2018	Plants & Paving division of 		Manufactures hot-mix asphalt			555	0.9x	N/A
23-Nov-2018	Industrial and property assets at Xuzhou site of 		Manufactures and distributes materials and solutions for wellbeing worldwide in the construction sector	Maven Capital Partners UK LLP		226	0.8x	N/A
20-Nov-2018			Manufactures engineered floor, wall and roof systems			6	0.6x	4.5x
16-Nov-2018			Manufactures exterior building products for residential construction			1,206	N/A	N/A
1-Nov-2018			Manufactures and distributes metal roofing tiles			39	N/A	N/A
25-Oct-2018			Manufactures a range of building products from roofing to pipes			56	2.7x	7.0x
27-Aug-2018			Provides flooring solutions			N/A	0.6x	N/A
14-Aug-2018			Manufactures pipe systems and plastic products			37	N/A	N/A
13-Aug-2018			Manufactures and supplies residential impact-resistant windows and doors			358	N/A	19.2x



Case study

COASTAL CONSTRUCTION HAS PARTNERED WITH SUPPLY CHAIN EQUITY

The shareholders of Coastal Construction Products, LLC (CCP) have joined with a financial partner, Supply Chain Equity Partners, which will enable CCP to become a national leader in the waterproofing distribution space.

CCP is one of the largest independent distributors of caulking and sealants, waterproofing and concrete restoration materials in the United States. With roots going back 40 years, the company has worked with customers across the Southeast and the Caribbean, supporting them as they built or restored state capitals, office towers, power plants, bridges and more.

“Supply Chain Equity Partners acquires or invests solely in wholesale distributors and related logistics companies that are a critical link in the supply chain, regardless of sub-sector. The firm utilizes its extensive knowledge, experience and relationships in the distribution industry to maximize the growth and profitability of its portfolio companies.”

Oaklins' team in Jacksonville acted as lead advisor to the seller.



has partnered with



M&A SELL-SIDE

Construction & Engineering Services/
Logistics/Private Equity

Client testimonial

“CCP has developed our brand of exceptional customer service, broad product knowledge and fully stocked inventories over 40 years,” said Martin S. Harrell, CEO of Coastal Construction Products, LLC. “We believe this customer-centric focus provides excellent growth opportunities for opening new branch locations and partnering with like-minded distributors.”

Deep local roots, global commitment

Oaklins brings you opportunities from across the world and we meet you with our expertise wherever you are

OAKLINS OFFERS A COMPREHENSIVE RANGE OF SERVICES

- M&A advisory (buy-side and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

Building materials is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become one of the most experienced M&A advisors in the building materials sector, with a large network of relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for building materials companies.

If mergers, acquisitions, or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.

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Oaklins is the world's most experienced mid-market M&A advisor, with 800 professionals globally and dedicated industry teams in 40 countries worldwide. We have closed over 1,500 transactions in the past five years.

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