Building Products Report

Trending Positive with Building Economic & Demand Tailwinds

October 2024

TMCAPITAL
A DIVISION OF JANNEY

TM Capital's Building Products Team & Transaction Experience

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Selected Transactions

Pacific Coast Lighting
A SUBSIDIARY OF
KEECO
A PORTFOLIO COMPANY OF
CENTRE LANE PARTNERS
HAS BEEN ACQUIRED BY
Salt Creek Capital
The undersigned served as financial advisor to Keeco LLC in connection with this transaction.
TM CAPITAL

INTEGRATED OPENINGS SOLUTIONS
HAS PARTNERED WITH
Frontenac
The undersigned served as financial advisor to Integrated Openings Solutions, LLC ("IOS") in connection with this transaction.
TM CAPITAL

CARLISLE wide plank floors
A PORTFOLIO COMPANY OF
JMH Capital
HAS BEEN ACQUIRED BY
SWITCHBACK CAPITAL
The undersigned served as financial advisor to Carlisle Wide Plank Floors, Inc. in connection with this transaction.
TM CAPITAL

A SPECIALTY CONSUMER FINANCE COMPANY
HAS SECURED A $220 MILLION CREDIT FACILITY FROM
Capital One · BMO · First Horizon · United Community Bank
The undersigned served as exclusive financial advisor to the Company in connection with this transaction.
TM CAPITAL

WALKER
A PORTFOLIO COMPANY OF
KENSINGTON
HAS BEEN ACQUIRED BY
Ironbridge EQUITY PARTNERS
The undersigned served as financial advisor to Walker Glass Company Ltd. in connection with this transaction.
TM CAPITAL

BellSimons COMPANIES
HAS BEEN ACQUIRED BY
MUNCH'S SUPPLY
A SUBSIDIARY OF
marcone
A PORTFOLIO COMPANY OF
GENSTAR CAPITAL
The undersigned served as financial advisor to BellSimons in connection with this transaction.
TM CAPITAL

PROSOURCE
A PORTFOLIO COMPANY OF
CID CAPITAL
HAS BEEN ACQUIRED BY
BLUE SEA CAPITAL
The undersigned served as exclusive financial advisor to ProSource, LLC in connection with this transaction.
TM CAPITAL

Halco LIGHTING TECHNOLOGIES
A PORTFOLIO COMPANY OF
SUMMER STREET CAPITAL PARTNERS
HAS DIVESTED ITS SPECIALTY LIGHTING ASSETS TO
HAYWARD
The undersigned served as exclusive financial advisor to Halco Lighting Technologies, LLC in connection with this transaction.
TM CAPITAL

RP LIGHTING · FANS
A PORTFOLIO COMPANY OF
FULTON CAPITAL · MIDWEST MEZZANINE FUNDS
HAS BEEN ACQUIRED BY
FERGUSON
The undersigned served as financial advisor to Royal Pacific Limited in connection with this transaction.
TM CAPITAL

SBS HOLDINGS, LLC
San Benito Shutter · LEWIS CABINET SPECIALTIES
A PORTFOLIO COMPANY OF
LONGWATER OPPORTUNITIES
HAS BEEN RECAPITALIZED BY
MONUMENT MICROCAP PARTNERS
The undersigned served as financial advisor to SBS Holdings, LLC in connection with this transaction.
TM CAPITAL

DURO DYNE
HAS BEEN ACQUIRED BY
nsi INDUSTRIES
A PORTFOLIO COMPANY OF
ODYSSEY INVESTMENT PARTNERS, LLC
The undersigned served as financial advisor to Duro Dyne National Corp. in connection with this transaction.
TM CAPITAL

Pebble Technology INTERNATIONAL
A PORTFOLIO COMPANY OF
GRAYCLIFF PARTNERS · SEASIDE EQUITY PARTNERS
HAS BEEN ACQUIRED BY
Oldcastle APG A CRH COMPANY
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TM CAPITAL

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Note: All data in the report is through 10/18/2024

2024 Update and Go-Forward Outlook

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Cautious Optimism Abounds

Looking forward to 2025 and beyond, there is cautious optimism for the building products sector following a year of foundational growth in 2024. The Federal Reserve has heeded data indicating lower inflation and a cooling labor market, opting to cut the benchmark interest rate by 50 basis points in mid-September. This was **the FOMC's first decision to ease monetary policy in four years**, which, overlaid with market expectations for an additional 50 basis points of cuts by year-end 2024, **has improved the outlook for construction spending and activity in both residential and non-residential markets** moving forward.

Enduring, Structural Residential Demand

Through mid-October 2024, the **residential** building products market has been characterized by muted demand resulting in continued underperformance. The rapid rise in mortgage rates in 2022 and 2023 has created "gridlock" in the housing market – whereby existing homeowners, who would be sellers in a lower interest rate environment, have deferred transacting due to the historic differential between their existing mortgage rate (sub-4% for most), and current market rates (~6.5%). This "gridlock" has limited the supply of homes available-for-sale, keeping prices elevated. Record-high prices of homes available-for-sale, combined with higher mortgage rates, continues to put homeownership out of reach for many prospective first-time buyers, forcing them to remain on the sidelines until conditions improve. This has resulted in lower home sale activity, which has driven down renovation spending – much of which is performed in connection with the purchase or sale of a home. However, there is optimism on the horizon – September's rate cut has the market on the precipice of a seismic shift, supported by **structural long-term demand. As of the end of 2023, the shortage of single-family housing was estimated at more than 7.2 million units. With over 100 million individuals set to cross the median homebuying age of thirty-four by 2040, there is likely to be strong, sustained demand for new residential construction.** Estimates indicate that homebuilders need to triple the pace of new residential construction to close the supply gap by 2030. This reality is contributing to improving homebuilder sentiment and a positive outlook from the nation's largest public homebuilders. Further, as interest rates continue to decline, home sales are expected to rise, which will drive increased renovation activity. The expectation of increased new residential construction and renovation activity should support a prolonged period of earnings growth for building products companies with residential exposure.

Public Funding Driving Nonresidential Activity

The **nonresidential** building products market can be characterized by continued strength driven by **historic public funding for the repair and improvement of the nation's infrastructure, and the onshoring and re-shoring of critical manufacturing capabilities. The 2021 Infrastructure Investment & Jobs Act ("IIJA") has led to the deployment of ~$480 billion across 60,000 projects and will continue to bolster spending for the next five-plus years with ~$720 billion still to-be-deployed.** Similarly, the CHIPS & Science Act and Inflation Reduction Act, both signed into law in 2022, have driven historic levels of investment in domestic manufacturing, which is projected to remain elevated compared to pre-2022 levels through the end of the decade. Although the commercial sector continues to face challenges, planning activity is accelerating – supporting a positive industry outlook for 2025 and beyond, with the warehouse, hotel, retail and data center sectors exhibiting particular strength. Further, over $400 billion in commercial mortgages for office buildings are set to reach maturity by 2028P, many of which back aging properties that are struggling to attract and retain tenants. The maturity of these mortgages is likely to create opportunity for investors and stimulate changes of ownership, which will drive significant investment to remodel or reposition assets.

M&A Activity is Robust, with Strategic Investments in Proven Theses

Despite mixed sector performance through mid-October, **merger and acquisition activity has been a bright spot for the building products sector in 2024.** Per data aggregated from CapitalIQ and Pitchbook, **total transaction volume is up ~25% compared to the same period a year prior and is equal or above last year's levels across all transaction types – strategic, financial sponsor-backed strategic and pure sponsor-driven transactions.** Strategics and financial sponsor-backed strategics have accounted for most of the activity, with the two cohorts increasing deal volume by 28% in aggregate compared to the same period a year ago, while accounting for ~89% of deal volume through mid-October. Specifically, sponsor-backed strategics have more than doubled the count of add-ons completed compared to the year-ago period, capitalizing on the opportunity to further build out platform investments during a period of mixed industry performance. **The growth in transaction activity evidences strategics' belief in the long-term prospects for the building products sector, as companies and investment firms alike are positioning themselves for a prolonged, multi-dimensional construction cycle.** Buyers have focused their attention on further developing capabilities – whether that be an extension of product lines, entering new geographies or penetrating new sales channels. Privately-owned distributors have generated significant market interest, particularly those with strong footholds in certain geographic markets or specific product categories. **Within the distribution landscape, residential categories with business models that generate significant recurring revenue – Exterior & Roofing; Windows, Doors & Access Systems and HVAC have generated meaningful interest and competition for assets.** Through mid-October, private equity exits have been the sole segment of the market demonstrating a downturn in activity, as investment firms await more favorable conditions to exit investments – focusing on earnings growth for portfolio companies and more attractive valuation multiples. Private equity investments outpacing exits has led to a growth in the number of private equity-owned companies to over 300, which is likely to support continued transaction activity and strategic consolidation in the years to come.

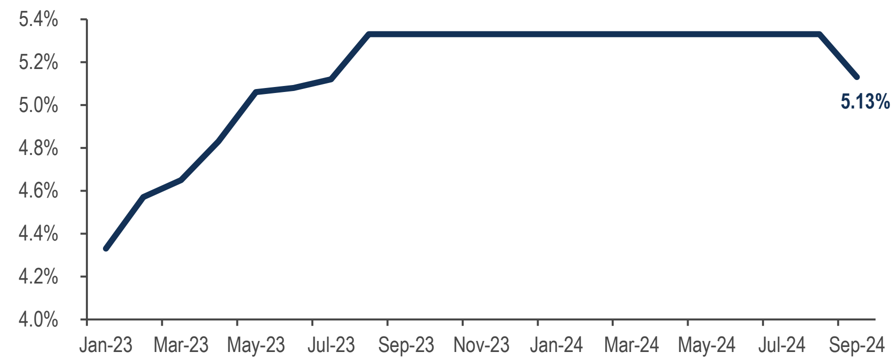
Macroeconomic Update

YTD 2024 Update – Fed Held Rates Steady to Tame Inflation

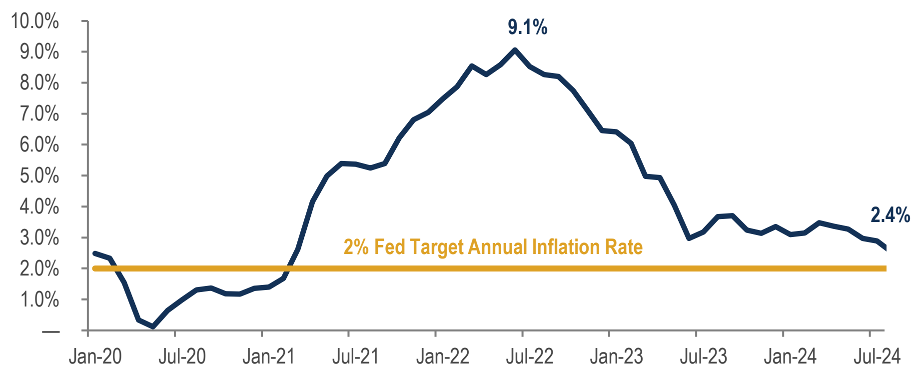
Until September, the Federal Reserve held the federal funds rate between 5.25% and 5.50%, its highest level in 17 years – which helped reduce inflation to just 2.5% on a year-over-year basis, nearing the Fed's 2.0% target

- To curb rapidly rising inflation, the Federal Reserve ("Fed") began a series of federal funds rate increases in March 2022
  - By June 2022, inflation reached 9.1% – the highest level since the 1980s
  - To curb borrowing and with the goal of a non-recessionary "soft landing", the Federal Reserve commenced an aggressive rate hiking campaign resulting in 11 rate increases between March 2022 and July 2023
  - The Fed's most recent rate increase in July 2023 raised the federal funds rate to a range of 5.25% to 5.50%, its highest level since 2007
- Inflation as measured by the Consumer Price Index ("CPI") – the Fed's preferred gauge – fell to a 2.4% annual rate in the twelve months ended September 2024
  - Inflation is down significantly from multi-decade highs in 2022, with the September reading being the smallest annual increase since February 2021
  - The easing in headline inflation, coupled with weaker-than-expected employment reports in the summer months, indicates inflation and the labor market are coming into a better balance
  - The Fed has become increasingly confident inflation is approaching its 2.0% annual rate target

Effective Federal Funds Rate [1]



Annual Inflation Rate [1]



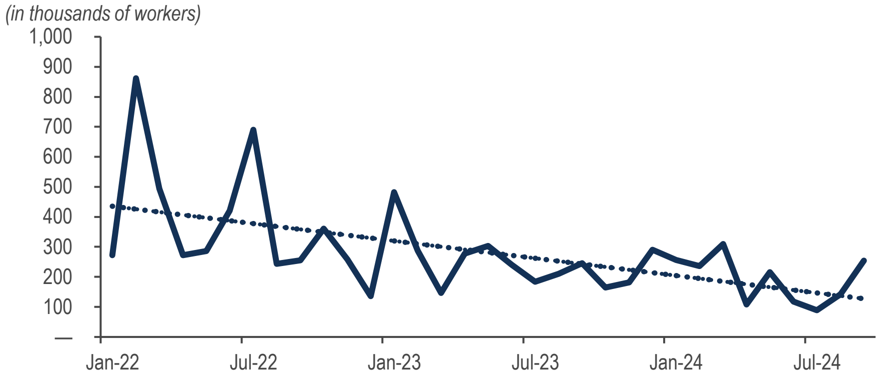
(1) Federal Reserve Economic Data

Signs of Weakness in Labor Market set the Stage for a September Cut

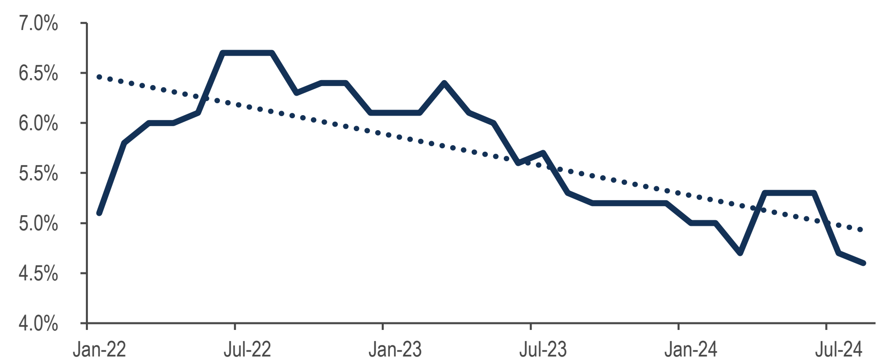
Employment reports from the summer months showed a slowing U.S. labor market, setting the stage for the Fed's September rate cut

- Given compelling readings that showed inflation was moving closer to its 2% target, the Fed shifted its attention in recent months to the labor market
- Heading into the Fed's policy meeting in mid-September, the latest labor market data showed signed of weakness
  - The three-month average employment gain for June through August was just 116,000 – the lowest reading since the pandemic
  - As of August, the unemployment rate was 4.2%, and continued to trigger the *Sahm Rule* – forewarning the beginning of a recession
  - The number of job openings fell to 7.7 million in July from 7.9 million in June – the lowest reading since January 2021, indicating a moderation in labor demand
- As of August's employment report, average hourly earnings increased by 3.8% year-over-year, bringing down the 3-month moving average wage gains to 4.7%
  - Measures of wage growth are consistent with the Fed's 2% annual inflation target, and are consistent with Jerome Powell's comments at the Fed's Economic Symposium at Jackson Hole that the labor market isn't currently imposing an inflationary threat

U.S. Nonfarm Payrolls, Change from a Month Earlier [1]



U.S. Median Hourly Wage Growth – 3-Month Moving Average [1]



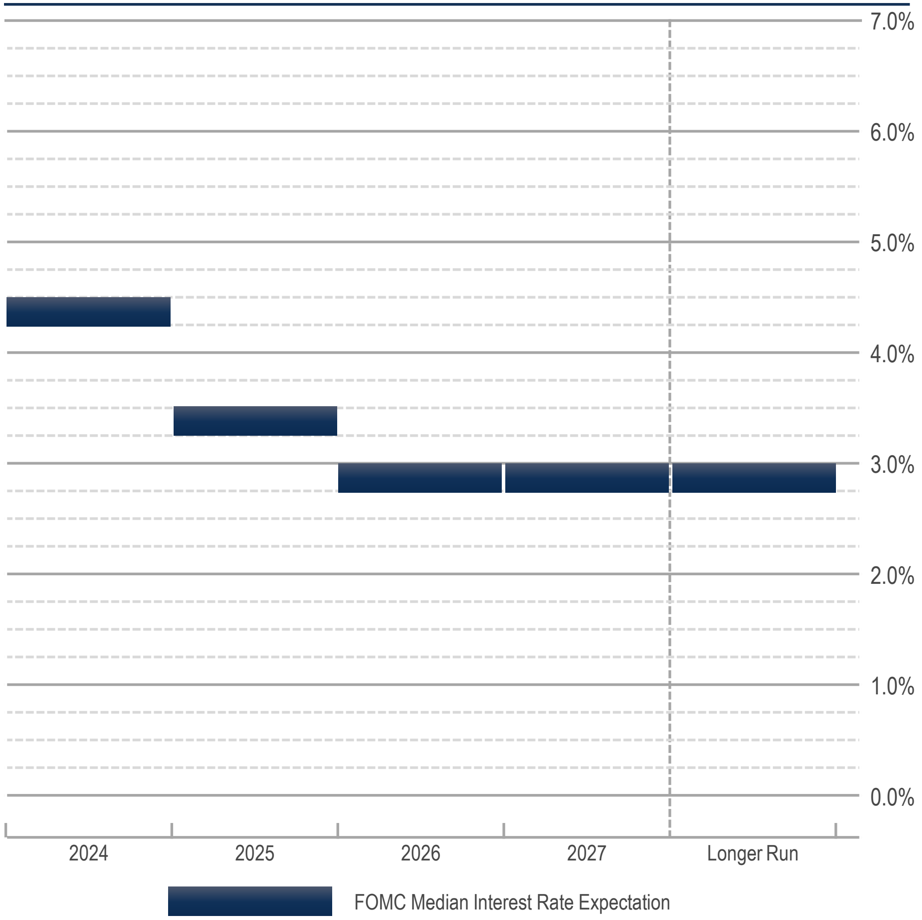
(1) Federal Reserve Economic Data

September's Rate Cut and the Fed's Outlook for ROY 2024 & 2025

With inflation moving closer to the Fed's 2% long-run target and the labor market showing signs of weakness, the Fed cut the benchmark interest rate by 50 basis points in September, in hopes of stimulating economic activity in the form of labor gains, earnings growth and price stability

- The Fed lowered interest rates by 50 basis points at its mid-September policy meeting to a target range of 4.75% – 5%
  - The Fed's decision to ease monetary policy is the first in four years, and reflects continued progress toward achieving the Fed's dual mandate of maximum employment and price stability
  - The move marks shift in the Fed's stance, now believing the labor market as now a bigger risk to the economy than inflation – Jerome Powell commented that the primary focus has shifted from bringing down inflation to supporting maximum employment
  - The rate cut is likely to support future growth and stabilize a slowing labor market
- The Fed and strategists alike are anticipating continued interest rate reductions through 2026:
  - FOMC meeting participants expect that the Federal Funds Rate will drop another half a point – to 4.4% by the end of 2024 – likely in the form of a quarter percentage cut in November and December
  - The median FOMC participant anticipates 100 basis points of cuts in 2025 and 50 basis points of cuts in 2026 to a terminal rate of 2.9%, where they see rates remaining through the end of 2027

Federal Reserve Dot Plot – FOMC Median Interest Rate Expectations (1)



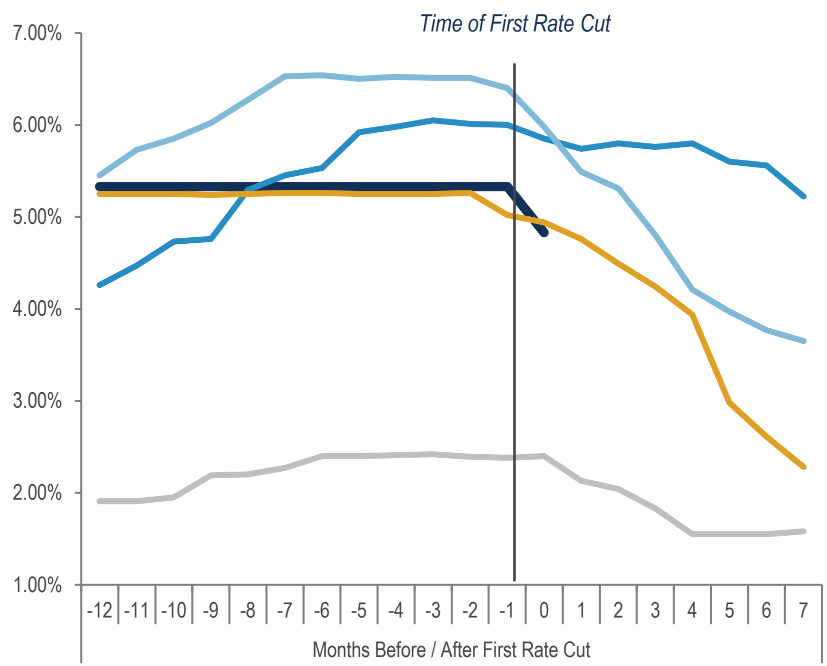
(1) Federal Reserve

Initial Interest Rate Cuts and Likely Impact Over the Coming Months

The Fed's go-forward rate expectations align with historical rate cuts in similar scenarios, indicating the potential for aggressive cuts through the first half of 2025, which could boost consumer spending, "unlock" the residential housing market and reinvigorate M&A activity

- The Fed's current rate cut plan is aggressive, with several planned reductions over the next 6 months – roughly aligning with the committee's historical actions
- Past rate cuts stimulated economic growth and catalyzed M&A activity, with private equity-sponsored transactions being the greatest beneficiary, as downward pressure on the cost of financing increases the attractiveness of leveraged buyouts
  - Declining interest rates coupled with an unlocking of the housing market and commercial real estate sectors are driving improved sentiment for 2025

Federal Funds Rate, Months Before / After First Rate Cut [(1)]



Month of First Rate Cut	Rate				Delta from Month 0 to 7
	Month -1	Month 0	Month 1	Month 7	
September 2024	5.33%	4.83%	n/a	n/a	n/a
July 1995	6.00%	5.85%	5.74%	5.22%	(0.63%)
January 2021	6.40%	5.98%	5.49%	3.65%	(2.33%)
September 2007	5.02%	4.94%	4.76%	2.28%	(2.66%)
July 2019	2.38%	2.40%	2.13%	1.58%	(0.82%)

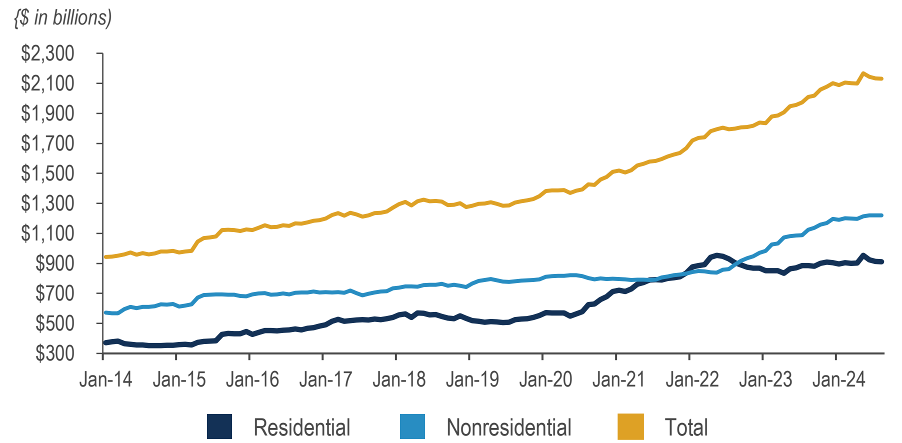
(1) WSJ, Federal Reserve

Construction Spending – Nonresidential Strength & Improving Outlook

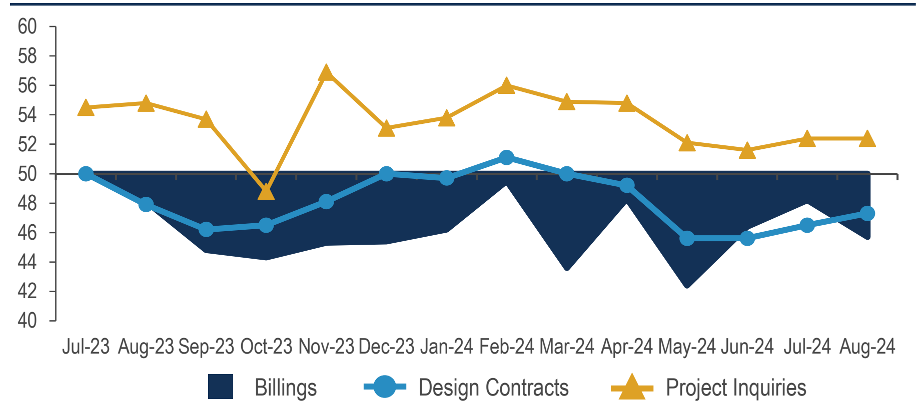
Construction spending has softened in recent months and the ABI continues to indicate sluggish billing activity for architectural firms; however, a recent uptick in project backlogs and design inquiries, combined with September's rate cut are generating optimism for Q4 2024 and 2025

- The seasonally adjusted annual rate of construction spending in August was $2.2 trillion – flat compared to July, but up 6.1% compared to August 2023
  - Nonresidential spending continues to be a strength, with August's annual rate reading of $1.221 trillion coming in 8.6% higher than August 2023
  - Manufacturing and infrastructure continue to account for nearly all the increase in nonresidential spending, with annual rates of expenditure in August increasing by 17% and 11%, respectively
- The Architecture Billings Index – which serves as a leading indicator for nonresidential construction activity by 9-12 months – continued to report soft business conditions in August
  - August's ABI reading of 45.7 was down from 48.2 in July; a reading below 50 indicates a decline in firm billings from the previous month, which has been the case for 13 straight months
  - The Project Inquiries Index registered a score of 52.4 in August – a score above 50 indicates growth in project planning, a leading indicator for nonresidential construction activity approximately one year forward
  - Project Inquiries have indicated increasing planning activity for 10 consecutive months, as optimism for late 2024 and 2025 increases on the heels of rate cuts

U.S. Construction Spending [1]



Architecture Billings Index ("ABI") [2]



(1) U.S. Census Bureau
(2) American Institute of Architects

Construction Labor Shortage Continues to Grow, Driving up Wages

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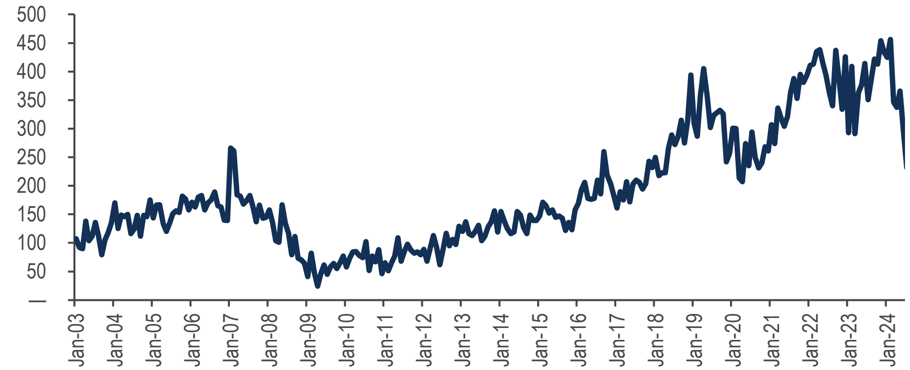
The structural shortage of construction labor persists, driving up project costs due to higher wages and elongating project timelines – while the industry has increased the pace of hiring in 2024, projections indicate the need for further acceleration in hiring to meet demand

- The construction labor shortage is contributing to higher building costs via increased wages and longer project durations
  - The shortage of construction labor can be traced back to the Great Recession, which resulted in about half of all construction companies going out of business [(1)] – many skilled construction laborers found jobs in new industries
  - Demand for construction labor is anticipated to increase in late 2024 and 2025 as the Fed reduces interest rates
- Construction hiring has accelerated in recent months, with the industry adding 34,000 jobs in August – higher than the monthly average gain of 19,000 over the prior twelve months
  - Construction job openings grew 59% from June to August, bringing the total number of openings to 340,000 – amongst the highest levels historically, but still below the first quarter average of 409,000
  - As of August, the construction industry unemployment rate was just 3.2%, which is below than the national average – indicating the need to expand the pool of labor
- Estimates indicate the construction industry will need to bring in nearly 454,000 new workers on top of the normal pace of hiring in 2025 to meet industry demand [(2)]
  - The spring of 2024 saw vocational enrollment grow 18% over the prior year, potential indicating relief for the construction labor market [(3)]

Construction Job Openings [(4)]

(in thousands)



Construction Labor Hiring Challenges [(5)]

Proportion of general contractors by segment indicating they have had difficulty hiring skilled labor over the last twelve months

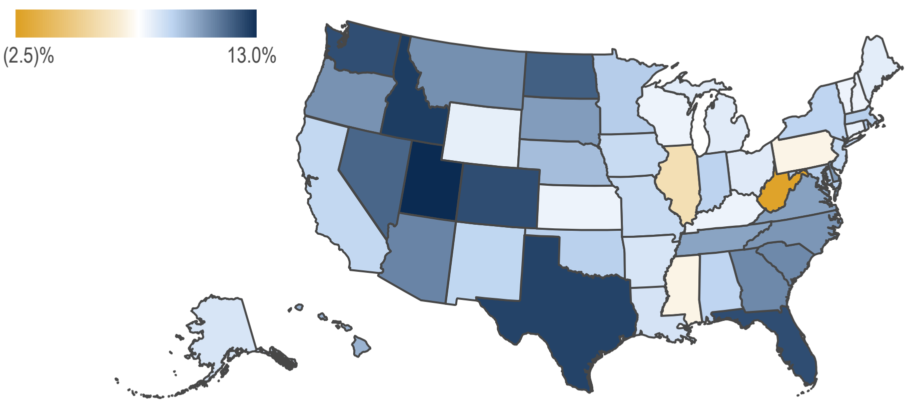
(1) Realtor.com
(2) Associated Builders and Contractors
(3) National Student Clearinghouse
(4) Federal Reserve Economic Data
(5) Farnsworth Contractor Index (Q3 2024)

Population Continues to Redistribute from Major Cities to the Sunbelt

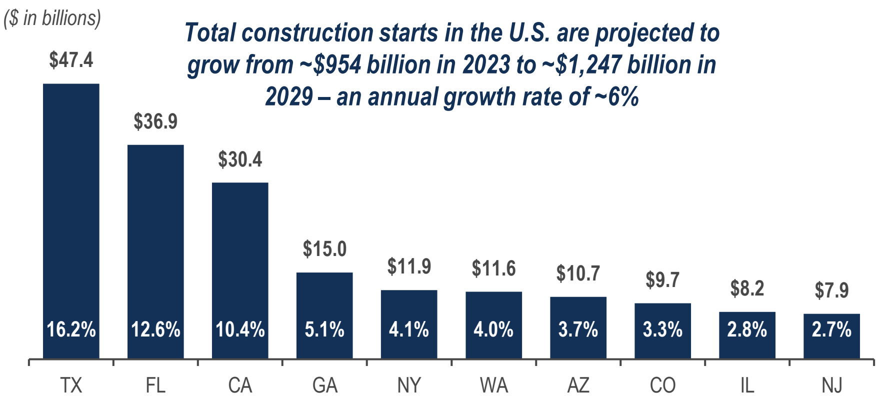
Population migration trends – which continue to skew toward the Southeast and pockets of the West – are a leading indicator for future residential construction spending, while federal funding for infrastructure & manufacturing development are a leading indicator for nonresidential spending

- Projected population growth from 2020 – 2030 is consistent with migration trends that the U.S. has seen for the past decade:
  - Citizens continued to move from the major metros, with IL and PA projected to experience population reduction; Northeast states are likely to experience slower growth than the national average of 5.5%
  - The Sunbelt Region – and particularly the Southeast – continues to lead the nation in projected population growth, with North Carolina, South Carolina and Florida all projecting total growth of 6.5% or better
- Population migration trends are a leading indicator for future construction spending when analyzing the regional landscape of the industry – though not the only factor
  - Several states – including Arizona and New York – are benefitting from federally-funded mega project activity to invest in manufacturing and re-shoring capabilities
  - Similarly, some of the nation's largest states by population – including California and New York – stand to benefit from federal funding allocations to revitalize aged infrastructure
  - **Further, the 2021 Infrastructure Investment and Jobs Act ("IIJA") has granted $480 billion for over 60,000 projects to date, with over $720 billion left to be deployed – indicating continued future spending [1]**

Projected Population Growth by State (2020 – 2030) [2]



Forecasted Growth in Construction Starts from 2023 – 2029P (% of Total) [3]



(1) Whitehouse.gov
(2) UVA, Weldon Cooper Center
(3) ConstructConnect; Exhibit shows Top 10 States

Residential Market Update

Residential Market Overview

YTD 2024 depressed spending on new residential construction and remodeling, but favorable long-term demographics for housing demand and declining mortgage rates portend increased spending in 2025 & beyond, reflected via positive homebuilder & home improvement retailer sentiment

The "Gridlock Effect" constraining sale activity and inventory in the residential housing market following the rapid rise in mortgage rates in 2022 and 2023, discouraging existing homeowners from transacting and being subject to higher borrowing costs for the purchase of a new home	**~89%** of Homeowners with a Mortgage Rate Below 6%
Existing homeowners indicate a higher willingness to sell their home and purchase a new property if the record-high delta between their existing mortgage rate and the market rate contracts – this critical tipping point could be achieved by the end of 2025	**2H 2025** Projections for Mortgage Rates to Drop Below 6%
The "Gridlock Effect" is constraining available-for-sale housing inventory, which, combined with elevated mortgage rates is constraining affordability for many would-be homebuyers – forcing them to remain on the sidelines and driving demand for alternative classes of shelter, such as multifamily	**~80%** Increase in Mortgage Payment for Median Home (1)
Remodeling spending has been flat YTD, but is trending up as wage growth continues to outpace inflation and reductions to the benchmark interest rate are likely to catalyze home sale activity, which drives renovations on behalf of both buyers and sellers	**20** Consecutive Months Wage Growth Outpaced Inflation
Long-term, the demand for housing remains robust, as younger Millennials and Gen Z are approaching prime home buying ages and continue to express a strong interest in homeownership while growing their purchasing power and financial capabilities	**100 million** Individuals to Cross Median Home Buying Age by 2040
Structurally, the shortage of housing units continues to grow, as the pace of residential construction is yet to recover to pre-Great Recession levels – indicating the need for builders to significantly increase the pace of construction, leading to an uptick in home builder sentiment and long-term outlook	**7.2 million** Est. Single-Family Housing Unit Shortage as of YE2023

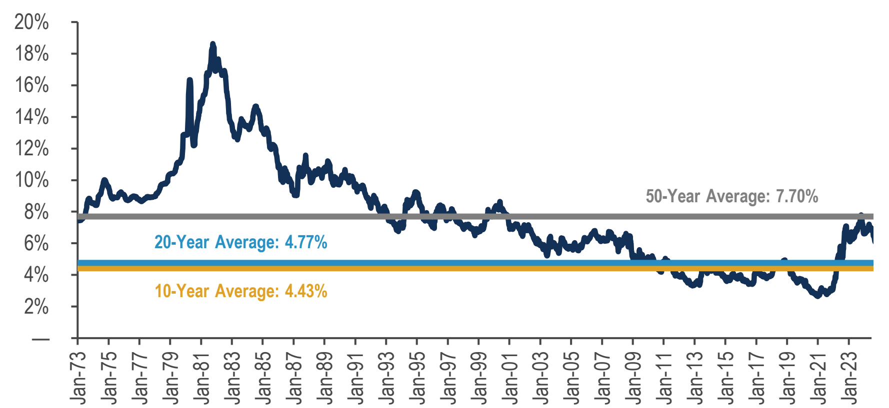
(1) January 2020 – September 2024

Residential Housing Market in the "Gridlock Effect"

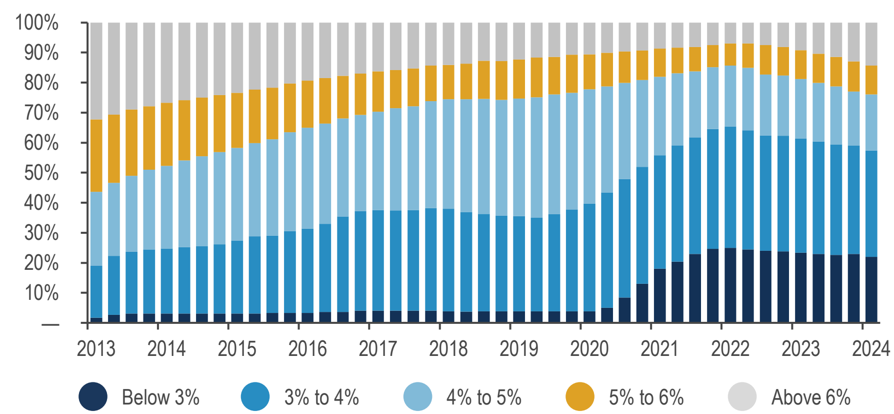
The rapid rise in mortgage rates from ~3% in 2021 to ~6.3% currently has resulted in most U.S. homeowners having a meaningfully lower mortgage rate than what is currently offered in the market, creating a "gridlock effect" whereby both buyers and sellers are discouraged from transacting

- After bottoming out at 2.93% in January 2021, the national average rate for a 30-year fixed mortgage was 6.32% as of mid-October 2024 – near the lowest level in eighteen months
  - Many homeowners capitalized on low rates offered in 2020 & 2021, choosing to refinance their existing mortgage or take out their first mortgage
  - As of Q1 2024, around 57% of outstanding U.S. mortgages had a rate below 4% – were these homeowners to move, they would have to pay close to 7% for a new 30-year mortgage, representing the widest gap since the 1980s (1)
- The spike in mortgage rates beginning in 2022 has created a so-called "gridlock effect", whereby homeowners feel locked into their home and deterred from selling since they would have to bear significantly higher interest costs for a mortgage currently
  - Nearly 9 out of every 10 (89%) U.S. homeowners with a mortgage have an interest rate below 6%
  - Nearly 8 out of every 10 (79%) of U.S. homeowners have an interest rate below 5%, which is believed to be a critical tipping point whereby homeowners are twice as willing to sell their home if their mortgage rate is 5% or higher
  - Most projections indicate the 30-year rate will be around 6% by the end of 2025, meaning it may take into 2026 and beyond for the housing market to begin to "unlock"

30-Year Fixed Rate Mortgage – National Average Rate (2)



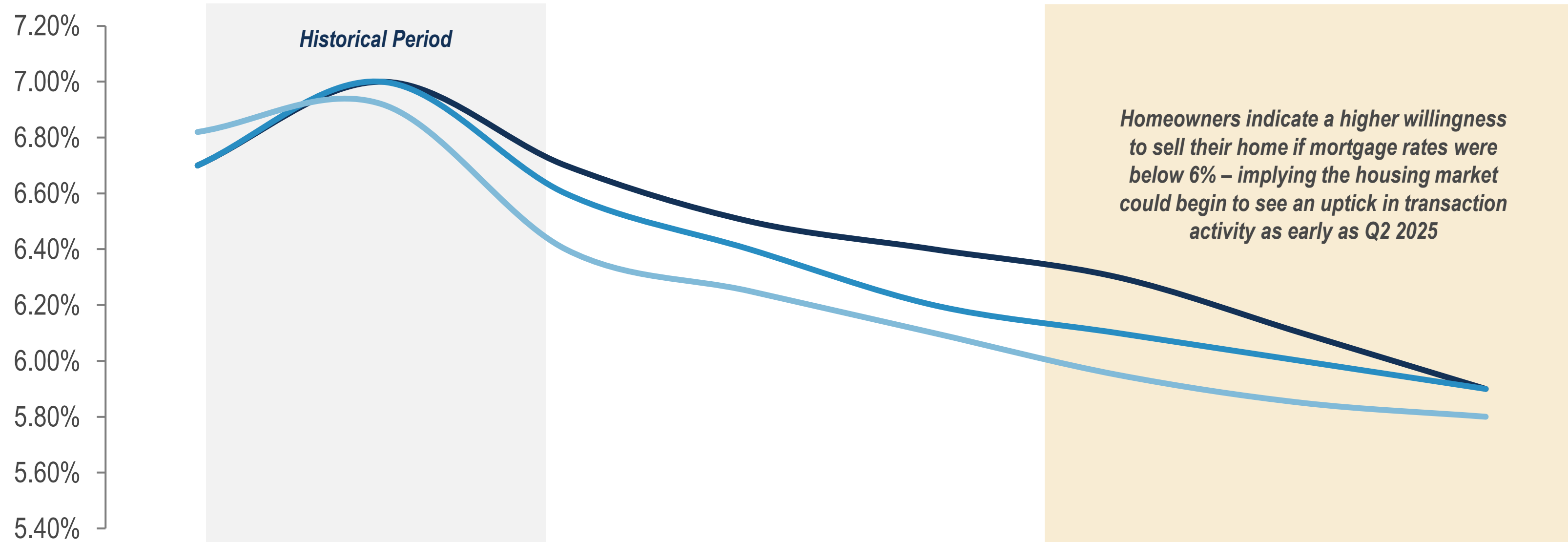
Existing Homeowner Mortgage Rates (3)



(1) Redfin
(2) Federal Reserve Economic Data (as of 10/10/2024)
(3) FHFA, National Mortgage Database; thru Q1 2024

Projected Mortgage Rates & Potential "Unlocking" of Housing Market

With interest rate reductions underway, experts project the average 30-year fixed mortgage rate to fall below 6% by late 2025 – a potential critical tipping point to spur homeowners with low mortgage rates to transact; mortgage rates have declined by ~50 basis points since May 2024



	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
MBA Mortgage Bankers Association	6.70%	7.00%	6.70%	6.50%	6.40%	6.30%	6.10%	5.90%
Fannie Mae	6.70%	7.00%	6.60%	6.40%	6.20%	6.10%	6.00%	5.90%
Wells Fargo	6.82%	6.92%	6.40%	6.25%	6.10%	5.95%	5.85%	5.80%

Source: Fannie Mae, Mortgage Bankers Association, Wells Fargo (as of 09/05/2024)

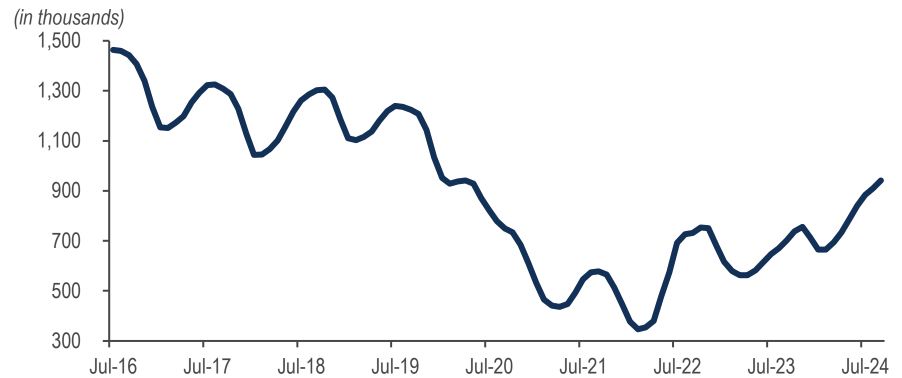
Existing Homes Sales in "Gridlock" – Constraining Transaction Activity

TM CAPITAL
A DIVISION OF JANNEY

Slow housing market activity throughout 2024, as the total number of homes available for sale and volume of home sales remain meaningfully below historical levels due to the "gridlock effect", with buyers and sellers patiently awaiting a lower mortgage rate environment

- Despite recent increases in inventory, the number of homes available for sale remains ~30% lower than pre-pandemic levels, reflecting a gridlocked housing market whereby buyers and sellers are awaiting a lower mortgage rate environment
- Following September's rate cut, transaction activity modestly increased
  - Sellers increased activity in September, as newly listed homes for sale were 11.6% higher than last year's level – marking a three year high
  - Pending sales activity is beginning to tick upwards after hitting the lowest level of any month on record in July 2024, aside from April 2020, when the pandemic brought the housing market to a halt
  - Home sale activity is unlikely to meaningfully increase until mortgage rates decline, motivating sellers to transact and potentially alleviating affordability challenges for buyers
- Estimates indicate a correlation between the decelerating market speed and the increase in the number of homes for sale since the beginning of 2024
  - In September, homes spent 55 days on the market – representing the slowest September in five years
  - The share of listings with a price cut in September was 18.6% – 0.9%% higher than September 2023

Total Homes Available for Sale (1)



Pending Home Sales (2)

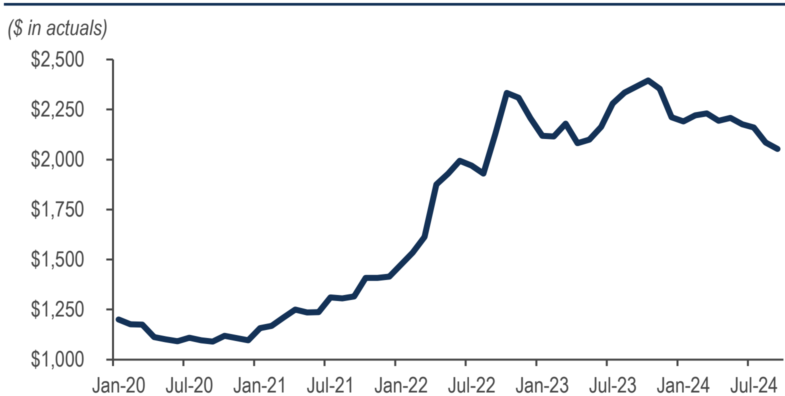
(1) Federal Reserve Economic Data
(2) National Association of Realtors

Affordability Constrained by Elevated Home Prices & Mortgage Rates

Persistently high home prices, combined with the highest mortgage rates in decades has increased the cost of ownership by ~75% since the beginning of 2020, constraining affordability and reducing the practicality of homeownership for many would-be home buyers

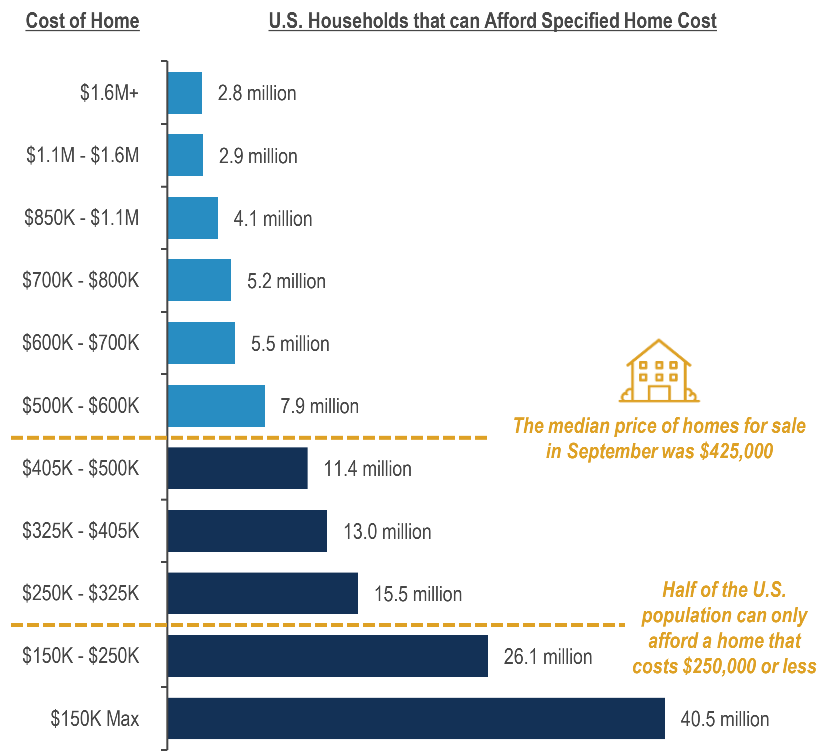
- The median price of homes for sale in September was $425,000 – 1.0% less than the September 2023 median of $429,500
- The combination of elevated home prices and multi-decade high mortgage rates creates an affordability crunch, forcing many would-be homebuyers to remain on the sidelines
  - Rising mortgage rates have increased the cost of financing 80% of the median home price by roughly $852 per month (+71%) since the beginning of 2020 far outpacing cumulative wage growth over the same period (~22%) (1)
- Further, the ancillary costs of homeownership – property taxes, insurance, utilities, repairs, etc. – have increased by ~30% since 2020 (2)

Mortgage Payment for Median Priced Home at Average 30-Year Rate (1)



Households by the Highest Priced Home they Can Afford (3)

Nearly half of U.S. households are unable to afford a home above $250,000, while roughly 75% cannot afford a median-priced home



(1) Federal Reserve Economic Data
(2) CNBC
(3) National Association of Home Builders

Increases in Household Income Could Imply "Gridlock" Relief

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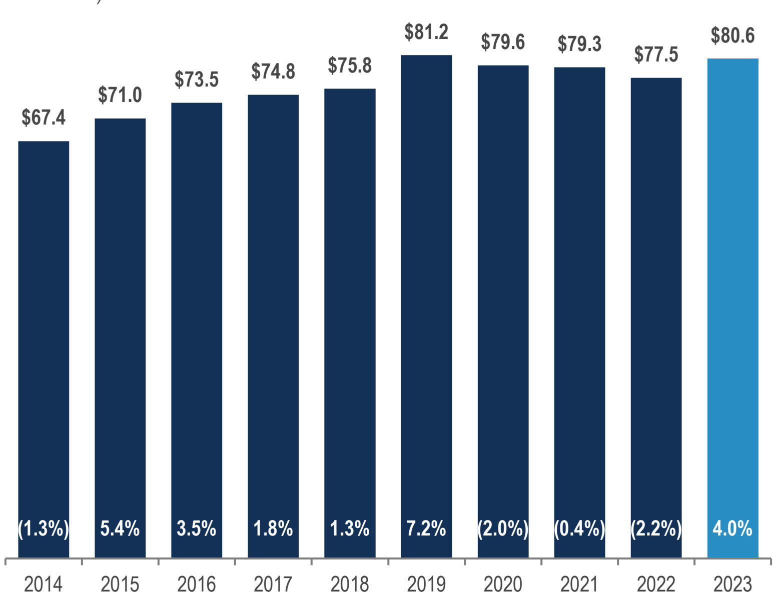
Inflation-adjusted median household income grew on a year-over-year basis in 2023 for the first time since 2019 – indicating increases in consumer disposable income which could drive incremental remodeling spending and alleviate affordability challenges, thus spurring home sale activity

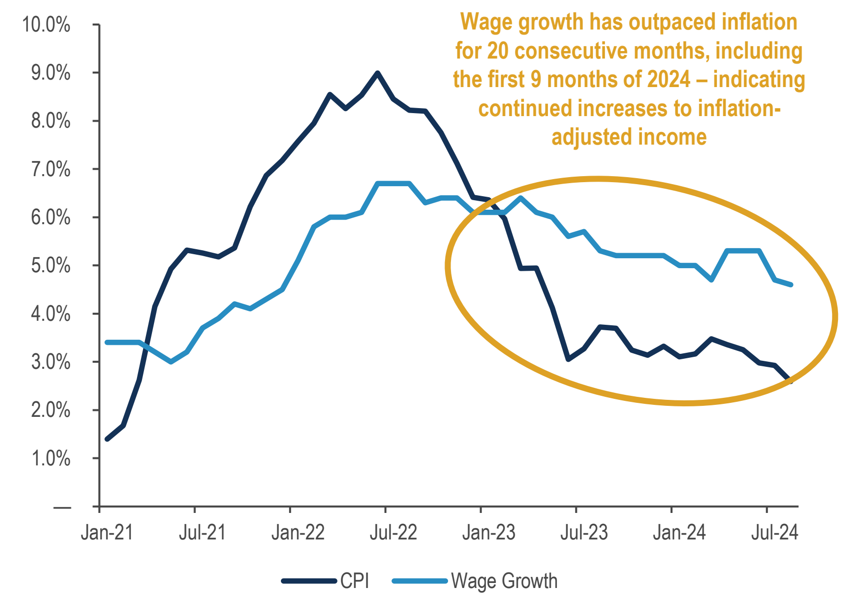
- Households experienced growth in their inflation-adjusted income in 2023 for the first time since prior to the pandemic – with cumulative wage gains outpacing cumulative inflation for the full year 2023
  - The trend has continued in 2024, with wage growth outpacing inflation, as calculated by the CPI, for the first nine months of the year
  - Inflation-adjusted increases in household income is generating optimism regarding consumer spending, including spending on home renovation projects and the ability for first time homebuyers to access the housing market, which many have struggled with due to affordability challenges

Median Household Income, 2023 CPI-Adjusted Dollars (% Growth) [1]

($ in thousands)



Wage Growth vs. Inflation [2]



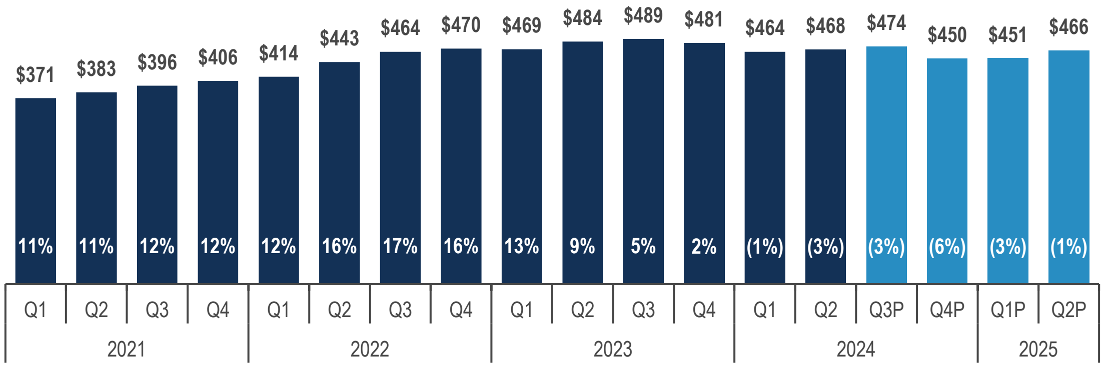
(1) U.S. Census Bureau
(2) Federal Reserve Economic Data

Reduced Sales have Cooled Remodeling Spending, but Trending Up

The average homeowner's spending on remodeling has slowed in lockstep with reduced transaction activity for homes, but pro "do it for me" remodeling and replacement activity has exhibited growth – indicating continued strength for more affluent consumers

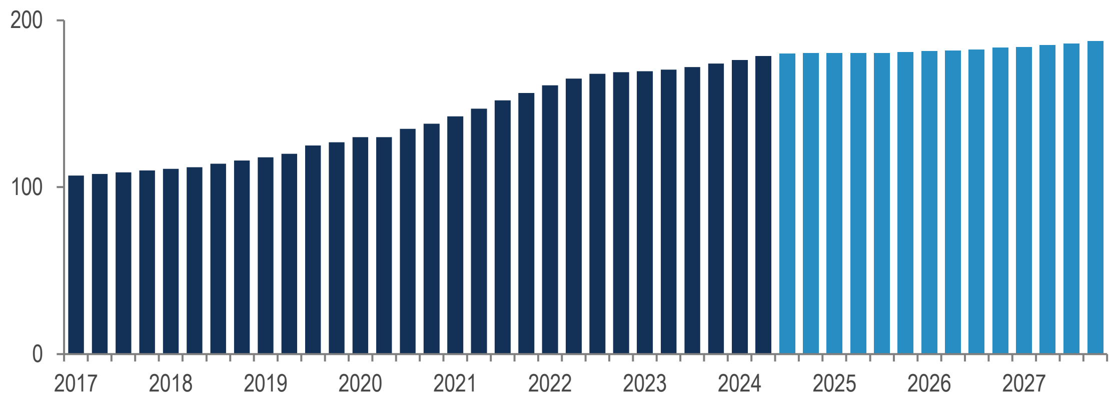
Rolling Four-Quarter Homeowner Remodeling Spending (Quarterly Growth) (1)

($ in billions)



- Homeowner spending on remodeling has trended modestly down throughout 2024 as home sales activity has remained muted – in the LTM period ended June 2024, spending on improvements and repairs declined ~3% compared to the LTM June 2023 period
- The LIRA's projections indicate an uptick in remodeling spending through the middle of 2025 to levels in-line with early 2024

Zonda Residential Remodeling Index (RRI) (2)



- The RRI, which is primarily focused on professional remodeling projects, reached an all-time high as of Q1 2024
- Zonda references a substantial number of impending renovations and moves poised to surge as household financial conditions continue to improve, and forecasts that those deferred projects will occur from 2025 to 2030

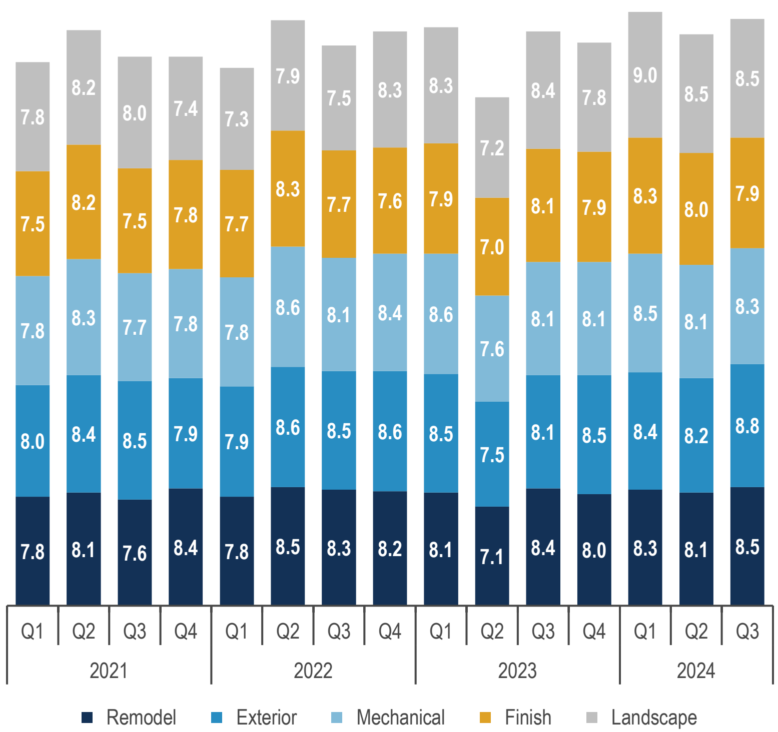
(1) LIRA
(2) Zonda Remodeling Index

Contractor Sentiment Building for Homeowner Improvement Projects

Forward-looking contractor sentiment for the next six-to-twelve months has increased modestly throughout 2024, with the majority of contractors anticipating revenue growth between 6% and 20% for their business through the middle of 2025

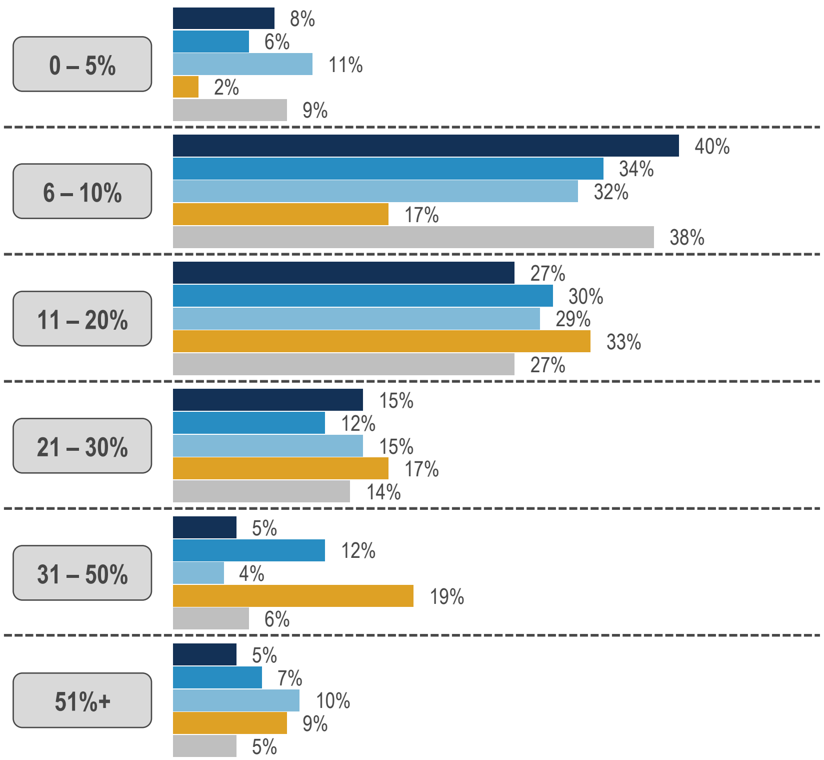
Contractor Confidence by Segment – Next Six Months (1)

Contractor's expectations for their company's ability to generate new business over the next six months, measured out of 10



Contractor Expectations for Revenue Growth – Next Twelve Months (1)

Contractor's expectations for revenue growth over the next twelve months, by segment



(1) Farnsworth Contractor Index – Q3 2024

Public Company Commentary:

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THE HOME DEPOT

- Supported by interest rate reductions, Home Depot is expecting increased spending by homeowners on improvement projects in 2025
- Home Depot positioning for growth in home improvement spending via its strategic acquisition of SRS Distribution in June, which solidifies Home Depot's position as the market leading supplier to professional residential contractors

"During the quarter, higher interest rates and greater macroeconomic uncertainty pressured consumer demand more broadly, resulting in weaker spend across home improvement projects. Additionally, we saw a continued softness in spring projects, which were also impacted by the extreme weather changes throughout the quarter."

"…as [qualified mortgage] rates head down towards 6%, we would expect to see activity… the other piece of the puzzle is the amount of folks who are in mortgages as low as 3%... there's a golden handcuff dynamic going on with those rates. And for 1 or 2 years, you might stay in those golden handcuffs and enjoy the low rate… so we would see a gradual unlocking of that even if that adds to a delayed response to housing from a traditional rate cut environment."

Edward P. Decker,
Chairman, President & CEO

THE HOME DEPOT

Q2 Earnings Call
August 13, 2024

LOWE'S

- Lowe's anticipates an increase in homeowner improvement spending in 2025 and beyond, driven by an aging housing stock, home price appreciation sustaining record levels of home equity, growth in household disposable income and continued housing formations
- Lowe's has focused on "pro" capabilities amidst softness in the DIY segment, as affluent consumers have focused on professional services

"In terms of housing specifically, we're seeing significant implications as a result of a lock-in effect. Simply put, people aren't moving nearly as often because current mortgage rates are so much higher than their existing rates And as a consequence, housing turnover is hovering near its lowest levels sine the mid-1990s. And the preference of spending on services, especially for the more affluent customer, has persisted much longer than expected."

"When you combine [the appreciation of home values, increase in disposable income and aging housing] with trends like a large number of millennials forming households, baby boomers aging in place and people continuing to work from home, we remain optimistic about the medium- to long-term outlook of the home improvement industry."

Marvin R. Ellison
President, CEO & Chairman

LOWE'S

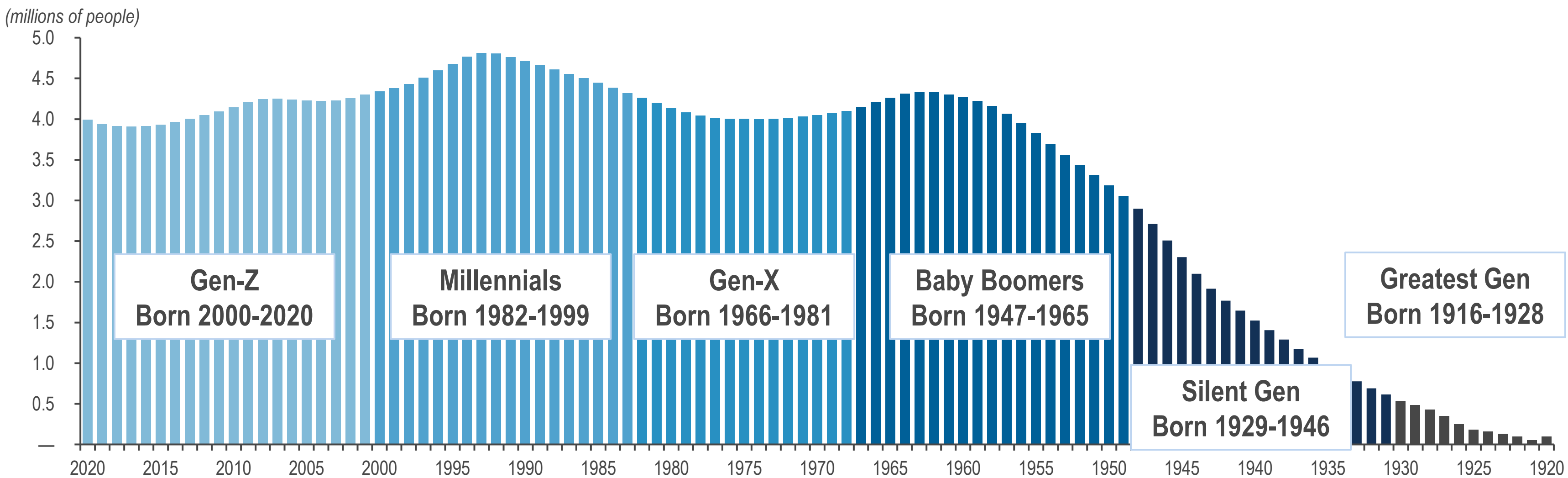
Q2 Earnings Call
August 20, 2024

Demographics Continue to Drive Current and Future Housing Demand

The long-term structural demand for housing remains robust, as there are more than 100 million Americans set to cross the median home buying age of thirty-four by 2040

- Despite short-term challenges around inventory availability and affordability, the long-term demand outlook for the residential housing market remains robust
  - The younger Millennials and Gen Z cohorts combine to total more than 100 million individuals that are set to cross the median home buying age of thirty-four by the year 2040 – both cohorts continue to express strong interest in homeownership, with roughly two-thirds believing that homeownership is a critical tenet of the American Dream
  - Due to challenges associated with the Global Financial Crisis, COVID-19 pandemic and availability / affordability challenges, younger Millennials and Gen Z have entered the home buying market more slowly than past generations
  - However, during 2024, Millennials accounted for 38% of home buyers, the most of any generation; Gen Z accounted for 3% of buyers

Total U.S. Population by Birth Year – Wave of Millennial Home Buyers at Prime Home Buying Ages (1)



(1) Knoema

Shortage of Single-Family Homes Continues to Grow

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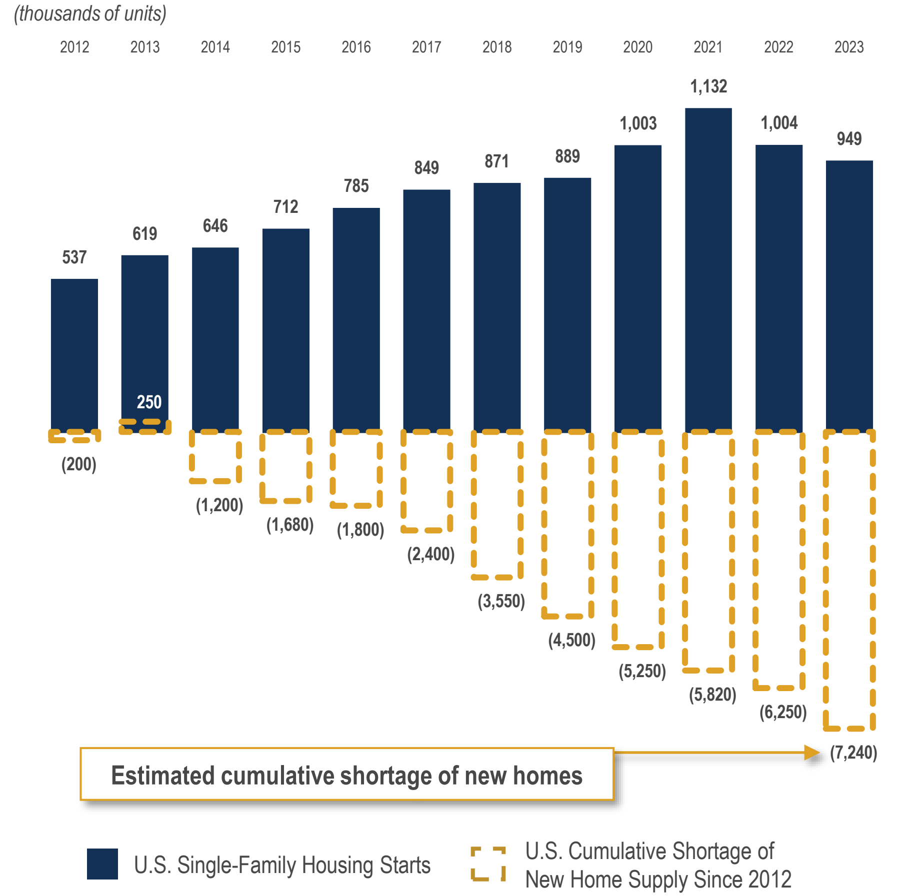
The United States is experiencing the largest housing shortage in its history, with an estimated shortage of 7.2 million single-family units as of the end of 2023 – requiring significant construction to address the shortage

- Between 2012 and 2013, there were 7.2 million more household formations than single-family homes completed – a shortage that can be traced back to both supply and demand drivers:
  - From a supply perspective, the primary driver of the shortage has been historical underbuilding, much of which can be traced back to the Great Recession
  - Following the Great Recession, with about 50% of construction companies going out of business and construction labor exiting the industry, builders have not been able to meet demand
  - There was a roughly 80% drop in new construction from the peak in Q3 2005, to the trough in Q1 2009
  - The industry continues to face challenges, including the availability of construction labor and the rising cost of building materials
  - From a demand perspective, the U.S. population has more than doubled since 1950; additionally, Americans are living longer, thus requiring shelter for longer
  - There are many more people living alone today – both seniors and young unmarried adults – increasing the need for housing units relative to decades ago
- The rate of single-family housing starts would need to triple to keep pace with demand and close the supply gap within 5 years

Single-Family Starts & Cumulative Housing Shortage [1]



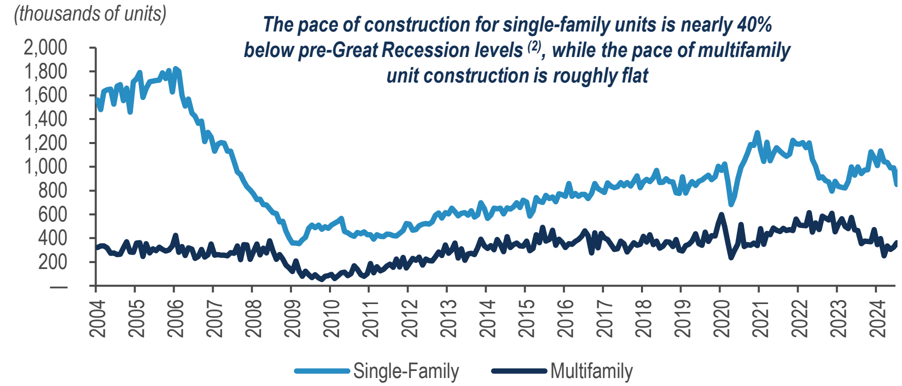
(1) Federal Reserve Economic Data & Realtor.com; housing shortage calculation considers levels of housing formation and new home completions

New Residential Construction Still Below Long-Term Historical Levels

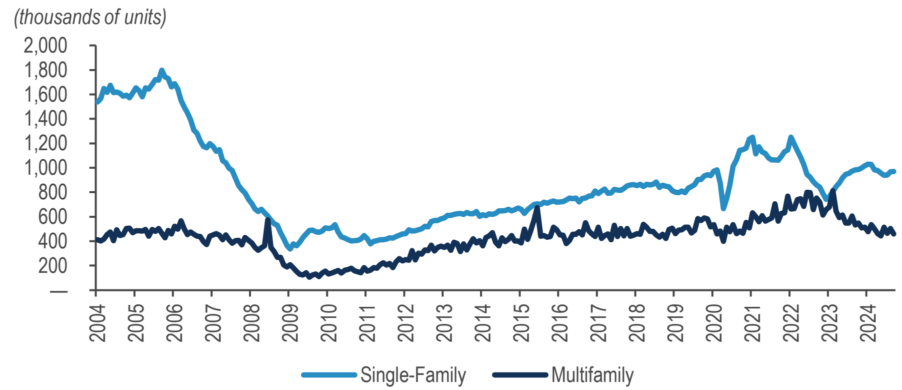
The pace of construction for single-family and multifamily units remains meaningfully below pre-Great Recession levels; builders and developers will need to increase the pace of completions over the next decade to unwind the still-growing shorting of residential housing units in the U.S.

- Builders and developers must increase the pace of construction to alleviate the growing shortage of housing units
  - The cumulative gap between household formations and single-family home completions was 7.2 million from 2012 to 2023
  - However, including multifamily construction – which saw increased levels of building in 2021 & 2022 – reduces the gap to 2.5 million units
  - New multifamily units offer an alternative option to home ownership for rising Millennial & Gen Z generations
- Despite the need for increased housing units, starts and permits activity has steadily declined since early 2024 and remains meaningfully below pre-Great Recession levels
  - The seasonally adjusted annual rate of housing units started was 1,354,000 in September – 0.5% below August's rate and 0.7% below September 2023's rate
  - Conversely, housing completions surged to a seasonally adjusted annual rate of 1,680,000 in September – bringing new supply in the near-term to a constrained market, and 15% higher than the year ago period
  - Completions in the near-term are likely be strong, bolstered by the approximately 1 million multifamily units under construction – the highest level since 1973

Single-Family & Multifamily Unit Starts (1)



Single-Family & Multifamily Permits (1)



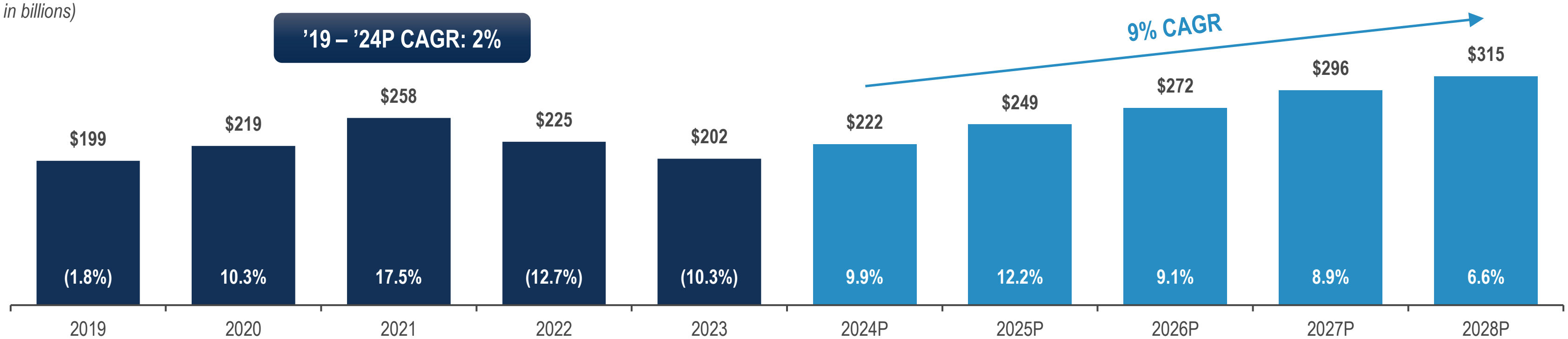
(1) Federal Reserve Economic Data
(2) "Pre-Great Recession levels" calculated as 2004 – 2006

Single-Family and Multifamily Starts Beginning to Gain Momentum

The value of single-family and multifamily starts are projected to increase by 9% and 12% annually through 2028, as builders bring new supply onto the market to alleviate the still-growing shortage of residential housing

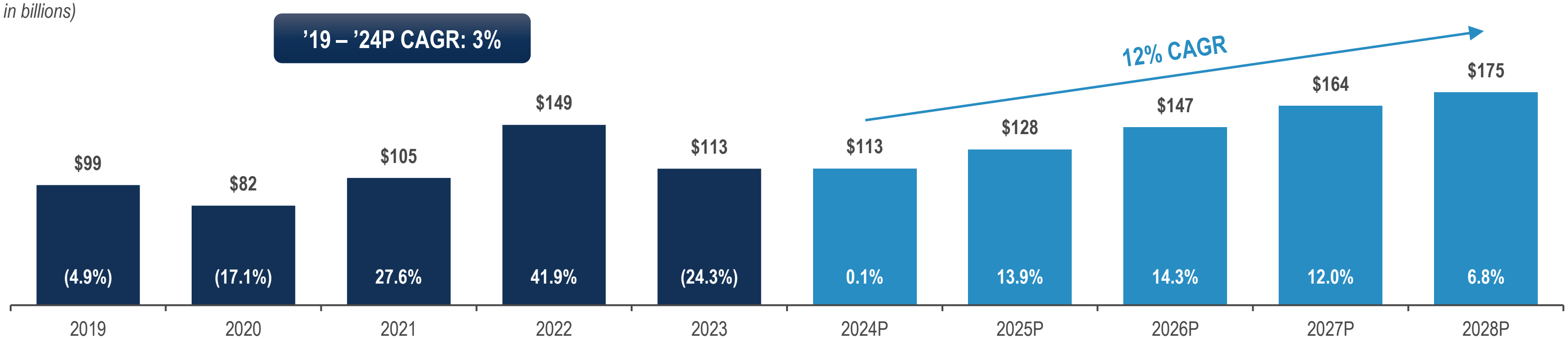
Historical & Projected Value of Single-Family Starts [1]

($ in billions)



Historical & Projected Value of Multifamily Starts [1]

($ in billions)



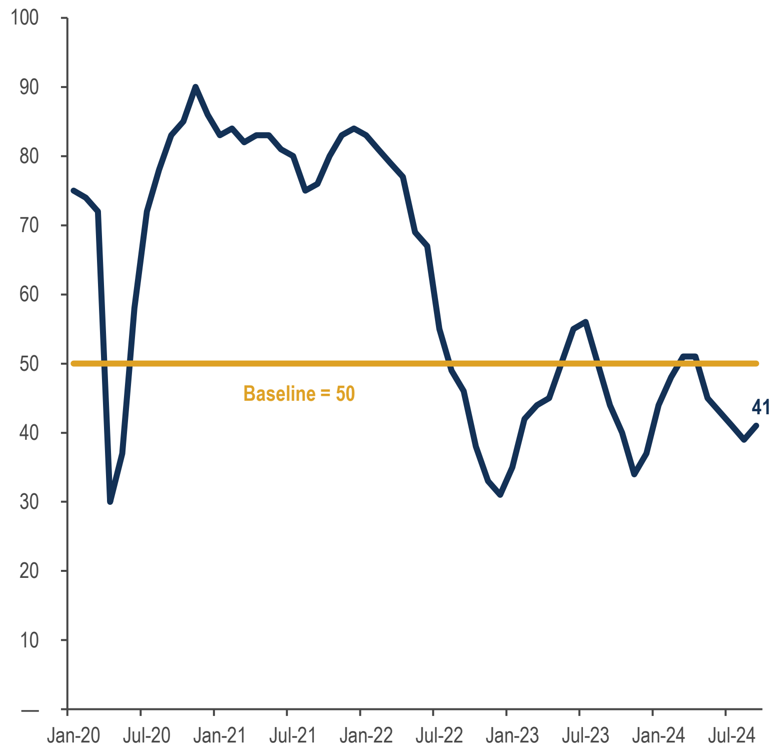
(1) ConstructConnect

Sentiment and Challenges for Single-Family and Multifamily Builders

Home builder confidence rose to 41 in September from a reading of 39 in August, breaking a streak of four consecutive monthly declines – affordability challenges, buyer and seller hesitation from elevated interest rates and high prices have kept near-term builder confidence muted

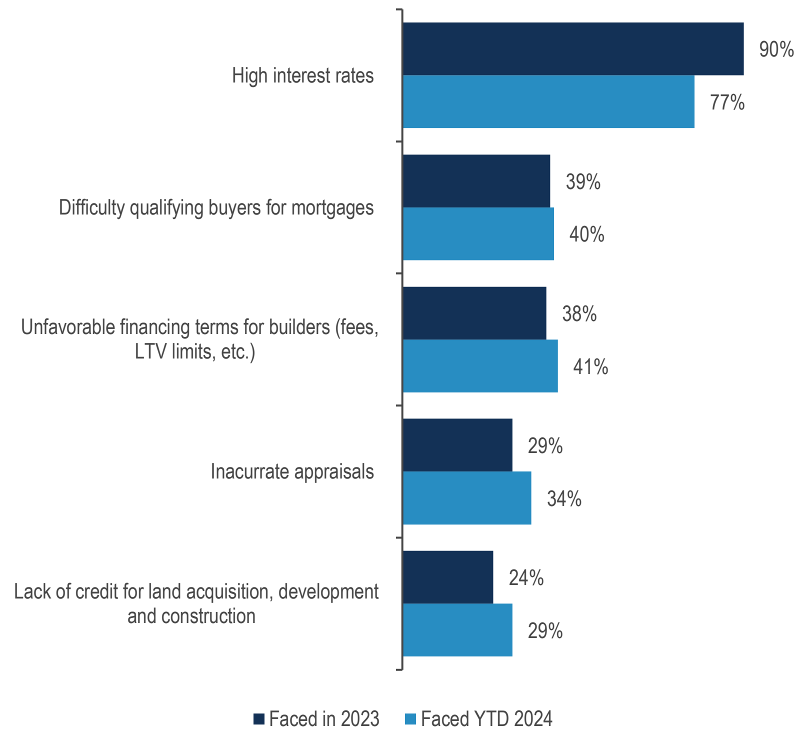
NAHB / Wells Fargo Housing Market Index [1]

The NAHB / Wells Fargo Housing Market Index is a measure of overall builder sentiment for the single-family housing market, with a reading >50 indicating builders feel confident about the near-term outlook for housing



Most Significant Financing Problems Faced by Multifamily Builders [1]

According to a survey administered to multifamily builders and developers conducted by the NAHB, interest rates and tight lending conditions were the most widely cited obstacles in 2023 & YTD 2024



(1) National Association of Home Builders

National Homebuilders Commentary Supports Strong Long-Term Outlook

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"Although inflation and mortgage interest rates remain elevated, the supply of both new and existing homes at affordable price points is still limited, and the demographics supporting housing demand remained favorable."

"Our average construction cycle times are back to normal and improved from the second quarter, driving additional improvement in our housing inventory turns."

D·R·HORTON — America's Builder

Paul J. Romanowski
President, CEO & Director

Q3 Earnings Call
July 18, 2024

"We are optimistic that market conditions will remain positive for homebuilders into the foreseeable future. The underlying drivers of demand remain firmly in place, including favorable demographics, driven by millennials, many of whom are buying their first home later in life. . ."

"There also continues to be an underbuilt and aging stock of homes for sale, with the undersupply exacerbated by the lock-in effect of higher rates, which is keeping inventory at historically low levels."

Toll Brothers — AMERICA'S LUXURY HOME BUILDER

Douglas C. Yearley
Chairman & CEO

Q3 Earnings Call
August 21, 2024

"The housing deficit of several million homes is likely a structural reality for years to come… our country's underlying new home supply issue has been exacerbated by the lock-in effect caused by the dramatic rise in interest rates over [recent] years…"

"We've seen an increase in existing and new home supply in select markets in Florida and Texas… high prices, higher interest rates and the resulting high monthly payments are making potential buyers more cautious. . ."

PULTEGROUP

Ryan R. Marshall
President, CEO & Director

Q2 Earnings Call
July 23, 2024

"Overall, the economic environment remains very constructive for homebuilders. Demand remains very strong and the migration to lower interest rates will further activate that demand. Lower rates will enhance affordability, which will enable many more families to access and attain homeownership…"

"… lower rates will stabilize confidence and the consumer will prioritize shelter and purchase as affordability enables them to do so"

LENNAR

Stuart A. Miller
Co-CEO & Executive Chairman

Q3 Earnings Call
September 20, 2024

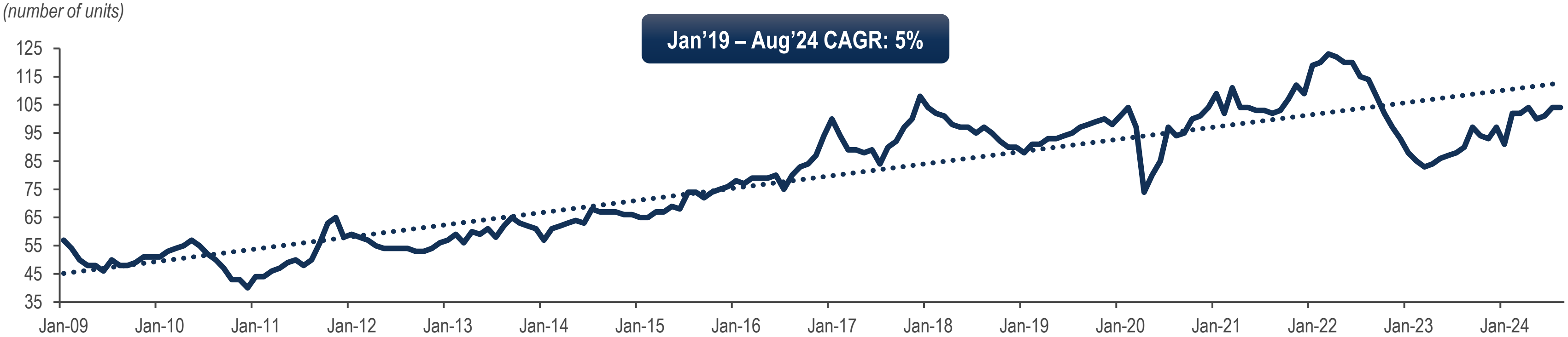
Manufactured Housing Gaining Momentum & Acceptance

Manufactured housing is rapidly gaining acceptance and momentum as an affordable shelter option amidst the limited supply of single-family homes for sale and affordability challenges for would-be homebuyers

- The stigma around manufactured housing's low-quality materials and inadequate long-term shelter, is slowly dissipating as manufactured homes now offer modern design leveraging high quality materials and are more affordable than typical single-family homes
- Given the significant demand for affordable housing, manufactured housing has become an attractive alternative for many to homeownership or rental
  - Manufactured housing can cost up to 50% less per square foot than conventional site-built homes
  - The affordability of manufactured housing is a result of both the efficiency of the off-site factory-building process, which omits external challenges that are often faced during traditional home construction, and economies of scale
- Manufactured housing experienced a drastic production decline in 2023 due to local zoning, planning and development restrictions that prohibited manufactured homes, but production has recovered in YTD 2024 due to several regulation and funding changes
  - The Federal Housing Administration increased loan limits for manufactured housing in February, states loosened manufactured housing restrictions in May and the U.S. Department of Housing and Urban Development launched a new program to invest in manufactured home communities in June

Total Shipments of New Manufactured Homes (1)

(number of units)



(1) Federal Reserve Economic Data

Nonresidential Market Update

Nonresidential Market Overview

Nonresidential spending remains above-historical levels, driven by public funding supporting investments in the nation's infrastructure and manufacturing capabilities; increasing planning activity and aging commercial real estate portend a broadening of strength in the years to come

Nonresidential project planning activity – shown to lead nonresidential construction spending by a full year – is more than 20% higher YTD 2024 compared to YTD 2023, with the warehouse, hotel, retail and data center sectors showing particular strength in planning activity	**+21%** Dodge Momentum Index Sep24 vs. Sep23
The Infrastructure Investment & Jobs Act ("IIJA") – signed into law in November 2021 – has led to the deployment of ~$420 billion across 60,000 projects to repair and develop the nation's infrastructure, generating a ~40% increase in the annual rate of infrastructure spending relative to pre-2021 levels	**$720 billion** Remaining IIJA Funding to-be-Deployed
The CHIPS & Science Act and Inflation Reduction Act – both signed into law in 2022 – have driven unprecedented levels of investment in on-shoring & re-shoring of manufacturing; while spending levels are anticipated to moderate, they are projected to remain more than double that of pre-2022	**~$78 billion** Manufacturing Construction Spending ('24P – 28P)
Mega projects – primarily those related to the development of data centers and manufacturing facilities for semiconductor, electric vehicle and/or battery production – are driving most of the growth in nonresidential construction, and creating the need for supporting local real estate & infrastructure	**8** Manufacturing Mega Projects of $11 billion+ (1)
The installed base of commercial real estate continues to age, creating a growing divide between buildings constructed / renovated in the past decade, which are high-performing, and those that are outdated, lacking contemporary design and amenities – thus failing to attract and retain tenants	**75%** of Commercial Buildings Constructed Prior to 2000 (2)
There is a massive impending mortgage maturity wall for office buildings, which is likely to catalyze ownership changes and create an opportunity for new investors to remodel or reposition assets given the growing divide in performance between contemporary and aged commercial assets	**~$250 billion** in Office Mortgages to Come Due through YE2026

(1) Announced or underway as of October 2024
(2) Represents 70% of total commercial floorspace

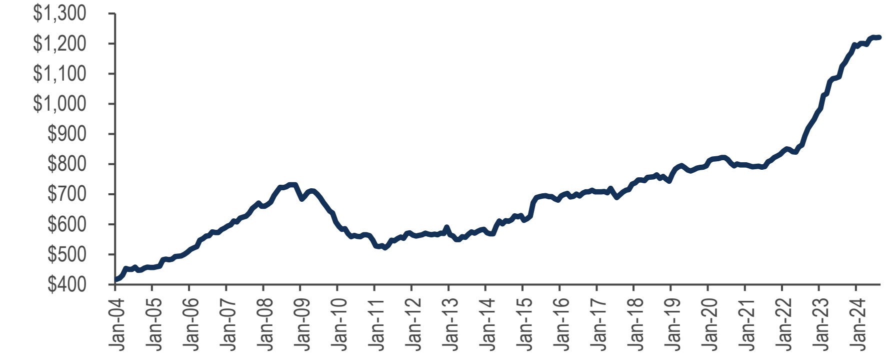
Nonresidential Construction Activity Remains Above Historical Levels

Nonresidential construction activity remains well-above historical levels, driven by significant investment in the nation's infrastructure and manufacturing capabilities, supplemented by commercial & institutional sectors that are experiencing growing demand from an evolving economy

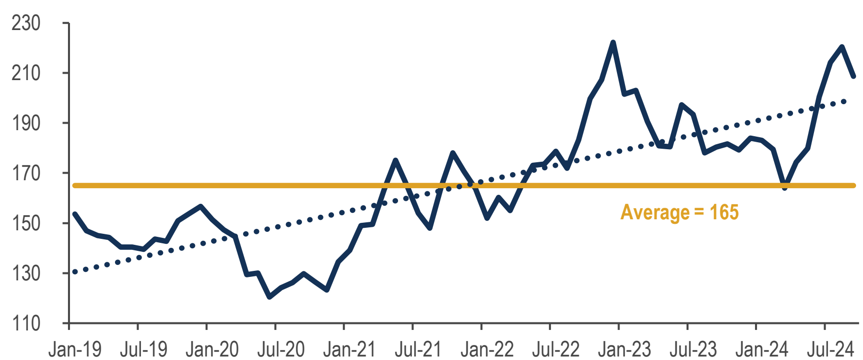
- The seasonally adjusted annual rate of nonresidential construction spending was $1.221 trillion in August 2024 – 9% higher than the same period a year prior
  - Several sectors are driving the year-on-year increase, including manufacturing (+17%), education (+6%) and healthcare (+6%)
  - Further, the sectors collectively defined as "Infrastructure" (communication, highway & street, power, sewage & waste disposal, transportation and water supply) generated an annual spending rate of $464 billion in August – 11% higher than August 2023's annual rate of $417 billion
- The Dodge Momentum Index ("DMI") registered a reading of 209 in September – 4% below August's reading, but 21% above the reading from September 2023
  - The DMI is a monthly measure of the value of nonresidential building projects in planning, shown to lead nonresidential construction spending by a full year
  - Commercial planning showed broad-based improvements, with a reading 31% higher than the same period a year prior – warehouses, hotels and retail demonstrated increasing momentum with data centers continuing to dominate large project activity

Seasonally Adjusted Annual Rate of Nonresidential Construction Spending [1]

($ in billions)



Dodge Momentum Index [2]



(1) U.S. Census Bureau; "Nonresidential" includes infrastructure construction spending

(2) Dodge Construction Network

Infrastructure Spending Continues at Torrid Pace, Supported by IIJA

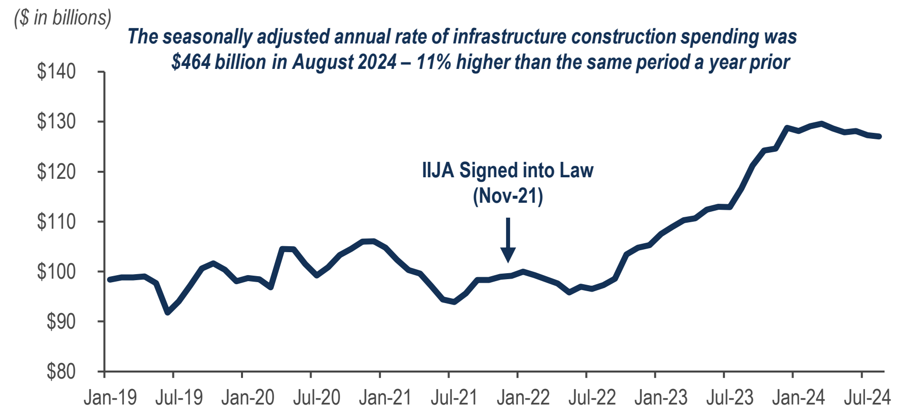
The Infrastructure Investment & Jobs Act ("IIJA"), signed into law in November 2021, allocated $1.2 trillion to improving the nation's infrastructure over the next five-to-ten years – to date, ~$480 billion has been deployed across 60,000 projects, with $720 billion left to be deployed

Infrastructure Investments & Jobs Act ("IIJA") Allocations

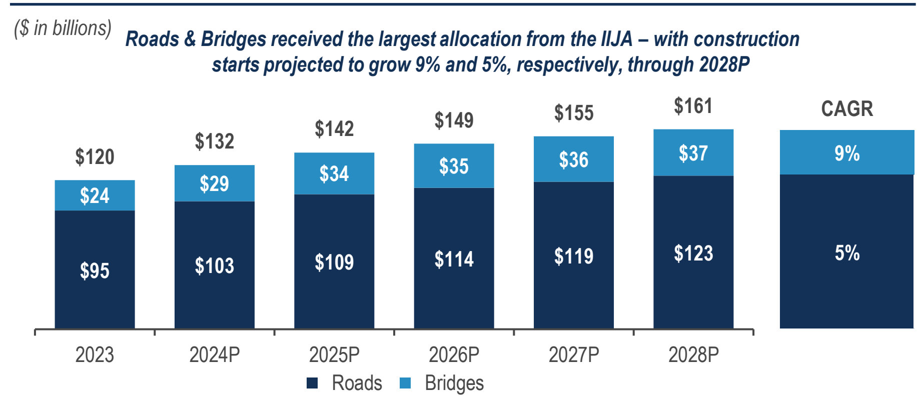
The IIJA authorizes $1.2 trillion in infrastructure spending – including $550 billion for "new" investments and programs:

$110b *Roads & Bridges*	**$66b** *Railroads*
$65b *Power Grid*	**$65b** *Broadband*
$63b *Water Infrastructure*	**$50b+** *Cybersecurity*
$39b *Public Transit*	**$25b** *Airports*
$21b *Environmental Clean-Up*	**$17b** *Ports*
$15b *Electric Vehicles*	**$11b** *Safety*

Seasonally Adjusted Annual Rate of Infrastructure Construction Spending (1) (2)



Historical & Projected Value of Road & Bridge Starts (2)



(1) U.S. Census Bureau; "Infrastructure" includes communication, highway & street, power, sewage & waste disposal, transportation and water supply sectors
(2) ConstructConnect

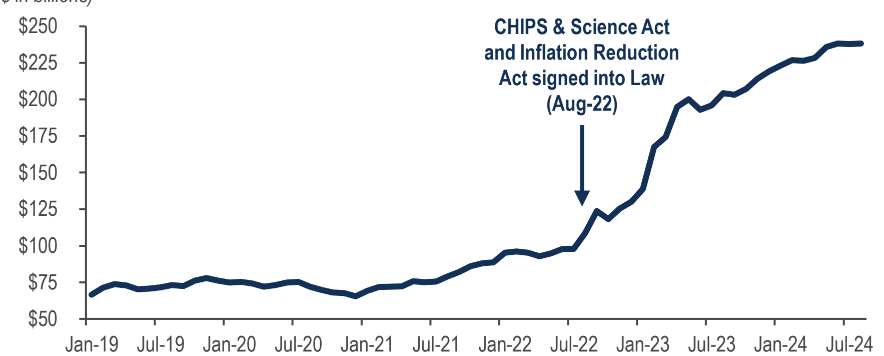
Manufacturing Investment Cooling Following Period of Historic Levels

The CHIPS & Science Act and Inflation Reduction Act – both signed into law in 2022 – have supported historic levels of investment in domestic manufacturing, but with meaningful proportions of funding already deployed, growth is expected to moderate beginning in 2024 and beyond

- The seasonally adjusted annual rate of manufacturing construction spending was $238 billion in August 2024 – 16.6% higher than the same period a year prior
  - Historic investment in U.S. manufacturing beginning in 2022 has been supported by public funding
  - The CHIPS & Science Act – signed into law in August 2022 – allocated $53 billion to catalyze investments in domestic semiconductor manufacturing
  - The Inflation Reduction Act – also signed into law in August 2022 – allocated billions in tax credits to broadly support investments in clean energy manufacturing, including clean energy plants, battery manufacturing and electric vehicle manufacturing
  - The CHIPS & Science Act and the Inflation Reduction Act were designed to strengthen U.S. manufacturing and continue the trend of onshoring
  - The two acts in combination helped to more than double the rate of spending on manufacturing construction within the first year of deployment
- However, after two historically strong years of manufacturing-related spending, growth is anticipated to reverse course beginning in 2024, with $84 billion in projected manufacturing starts – and is projected to remain well-above levels achieved prior to the government stimulus

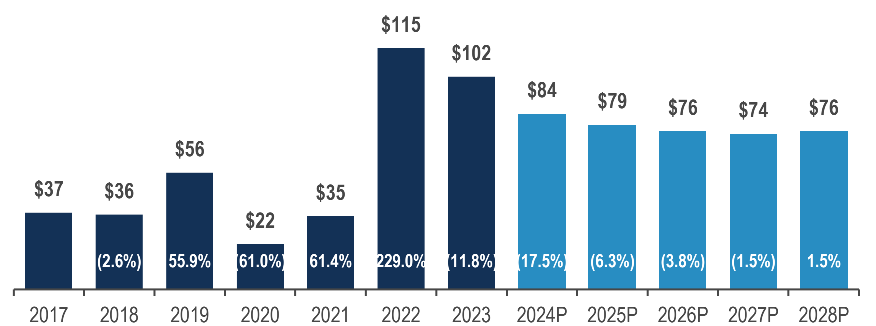
Seasonally Adjusted Annual Rate of Manufacturing Construction Spending [1]

($ in billions)



Historical & Projected Value of Manufacturing Starts (% Growth) [2]

($ in billions)



(1) U.S. Census Bureau
(2) ConstructConnect

Mega Project Activity and Ancillary Effects Drive Construction Spending

TM CAPITAL
A DIVISION OF JANNEY

Manufacturing and industrial mega projects are driving much of the growth in spending in their respective categories, while small-to-midsize projects are facing difficulties; the "second-order" effects of mega projects portend continued future investment in their metro areas

- Mega projects are accounting for much of the growth in nonresidential construction spending, while smaller-to-midsize projects are facing more difficulties related to project financing, building material availability and labor shortages, leading to delays and an uncertain environment
  - There is an active pipeline of manufacturing mega projects announced or underway, supported by a favorable federal funding backdrop
  - Similarly, there's been exponential growth in the number of data center mega projects in recent years, as builders attempt to match supply to explosive demand due to the rise of artificial intelligence – the data center construction market is projected to grow ~12% annually through 2029 (1)
  - Mega projects – typically outside city centers in rural areas where land is plentiful – stimulate demand for building products and materials for the project itself, but also to develop housing, commercial real estate and infrastructure to support burgeoning population hubs due to job creation

Manufacturing Mega-Projects *(Announced / Underway)*

Facility	Location	Estimated Value / Expenditure
Micron Semiconductor Fabrication Facility	Clay, NY	$100 billion
TSMC Semiconductor Fabrication Facility	Phoenix, AZ	$65 billion
Samsung Semiconductor Plant	Taylor, TX	$45 billion
Intel Chip Factory	Chander, AZ	$32 billion
Intel Chip Factory	Licking County, OH	$28 billion
Micron Technology Campus	Boise, ID	$25 billion
GlobalFoundries Manufacturing Facility	Malta, NY	$11.5 billion
Texas Instruments Wafer Fab Plant	Lehi, UT	$11 billion
Hyundai Motor Group Metaplant	Bryan County, GA	$7.6 billion

Data Center Mega-Projects *(Announced / Underway)*

Facility	Location	Estimated Value / Expenditure
Microsoft Data Center	Mount Pleasant, Wisconsin	$3.3 billion
Stack Infrastructure Data Centers	VA, AZ, GA	$3 billion
Google Data Center	Ft. Wayne, IN	$2 billion
Sarpy Data Center	Chander, AZ	$1.5+ billion
Prime Data Center Campus	Elk Grove Village, IL	$1 billion
Facebook Dekalb Data Center	Dekalb, IL	$1 billion
Google Data Center	Kansas City, MO	$1 billion
Google Cloud Data Center	Midlothian, TX	$1 billion
Meta Data Center	Cheyenne, Wyoming	$800 million

(1) PR Newswire

New Commercial Construction Starts Projected to Increase

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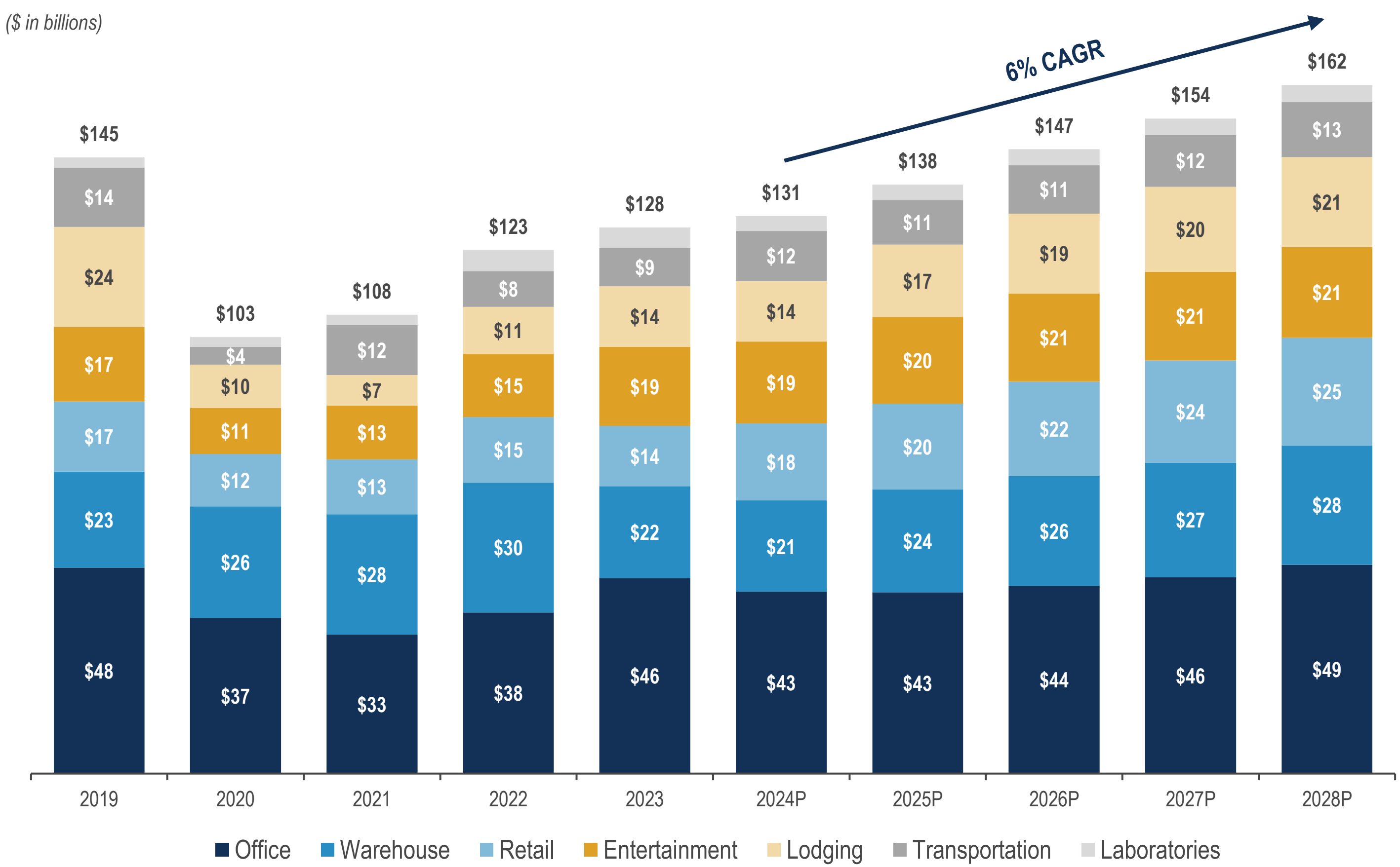
The value of commercial building starts is projected to increase from ~$131 billion in 2024P to ~$162 billion in 2028P, driven by declining interest rates and inflation, overlaid with more favorable project financing conditions

Historical & Projected Value of Commercial Building Starts by Sector [1]



Sector	2019	2020	2021	2022	2023	2024P	2025P	2026P	2027P	2028P
Transportation	$14	$4	$12	$8	$9	$12	$11	$11	$12	$13
Lodging	$24	$10	$7	$11	$14	$14	$17	$19	$20	$21
Entertainment	$17	$11	$13	$15	$19	$19	$20	$21	$21	$21
Retail	$17	$12	$13	$15	$14	$18	$20	$22	$24	$25
Warehouse	$23	$26	$28	$30	$22	$21	$24	$26	$27	$28
Office	$48	$37	$33	$38	$46	$43	$43	$44	$46	$49
Total	$145	$103	$108	$123	$128	$131	$138	$147	$154	$162

CAGR's	'20 – '24P	'24P – '28P
Laboratories	10%	4%
Transportation	30%	2%
Lodging	9%	10%
Entertainment	15%	3%
Retail	10%	9%
Warehouse	(5%)	7%
Office	4%	4%

(1) ConstructConnect; "Entertainment" includes Amusement, Sports Stadiums and Convention Centers

New Institutional Construction Starts to Recover in 2025 and Beyond

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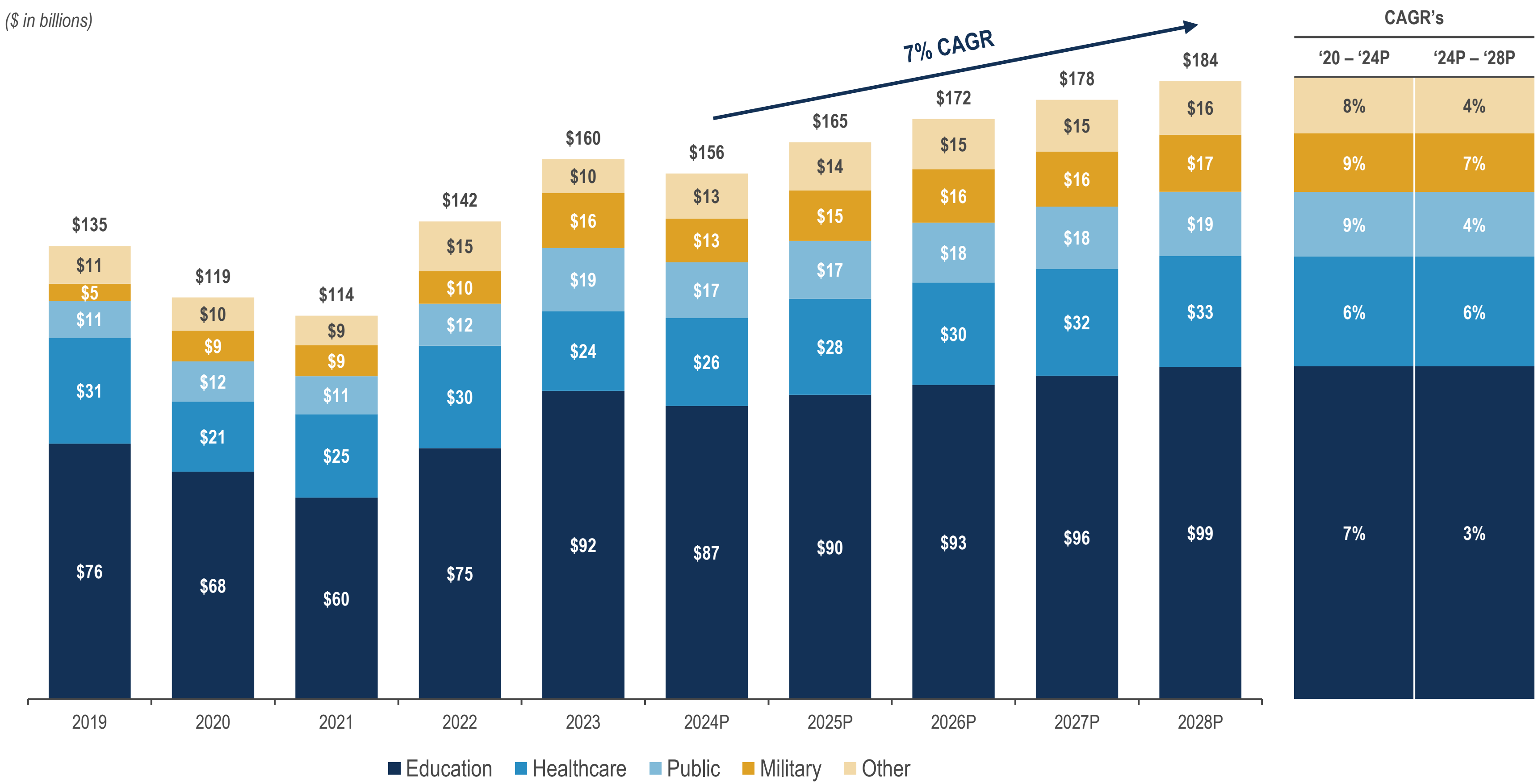
The value of institutional structure starts is projected to increase from ~$156 billion in 2024P to ~$184 billion in 2028P, led by sectors showing continued strength and supported by federal funding and legislation – Education, Healthcare and Military

Historical & Projected Value of Institutional Structure Starts by Sector [1]



	2019	2020	2021	2022	2023	2024P	2025P	2026P	2027P	2028P
Other	$11	$10	$9	$15	$10	$13	$14	$15	$15	$16
Military	$5	$9	$9	$10	$16	$13	$15	$16	$16	$17
Public	$11	$12	$11	$12	$19	$17	$17	$18	$18	$19
Healthcare	$31	$21	$25	$30	$24	$26	$28	$30	$32	$33
Education	$76	$68	$60	$75	$92	$87	$90	$93	$96	$99
Total	$135	$119	$114	$142	$160	$156	$165	$172	$178	$184

CAGR's	'20 – '24P	'24P – '28P
Other	8%	4%
Military	9%	7%
Public	9%	4%
Healthcare	6%	6%
Education	7%	3%

(1) ConstructConnect; "Public" includes Courthouse, Fire Stations, Libraries, Museums, Police Stations and Prisons

Aging Commercial Installed Base Aids Sustained Renovation Investment

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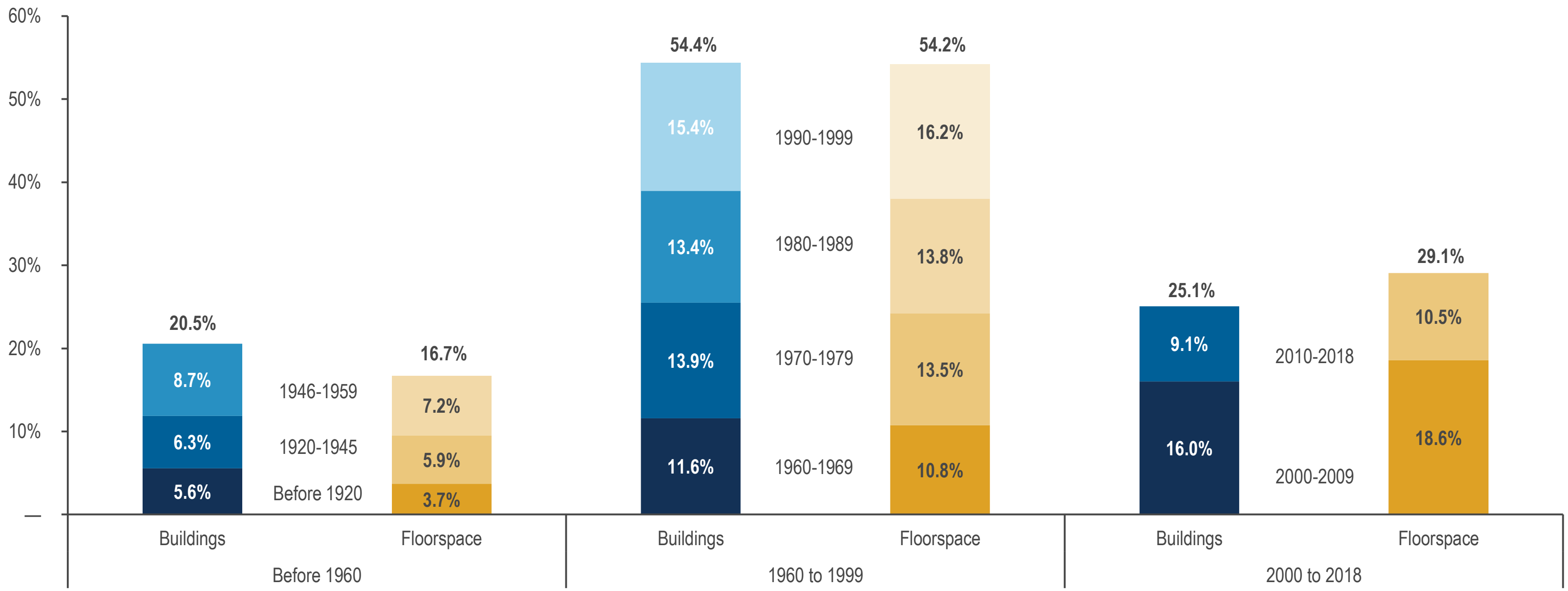
The existing stock of commercial buildings and floorspace is aging rapidly – with over 75% of buildings and 70% of floorspace constructed prior to 2000, there is a growing need for the renovation of existing commercial spaces to align space to modern demands or repurpose to better uses

- There is a growing divide within the commercial real estate sector between two types of buildings – the "desirable" and the "old stuff":
  - The "desirable" buildings are those primarily built in the last decade – they can be identified by their modern look and high-tech infrastructure
  - The "old stuff", or undesirable buildings, are those built prior to 2000, and lack contemporary designs and amenities
  - The undesirable buildings are struggling to find tenants and rapidly losing value, catalyzing the need for owners to renovate and re-imagine the space to meet modern demands

U.S. Commercial Buildings by Year Constructed (1)



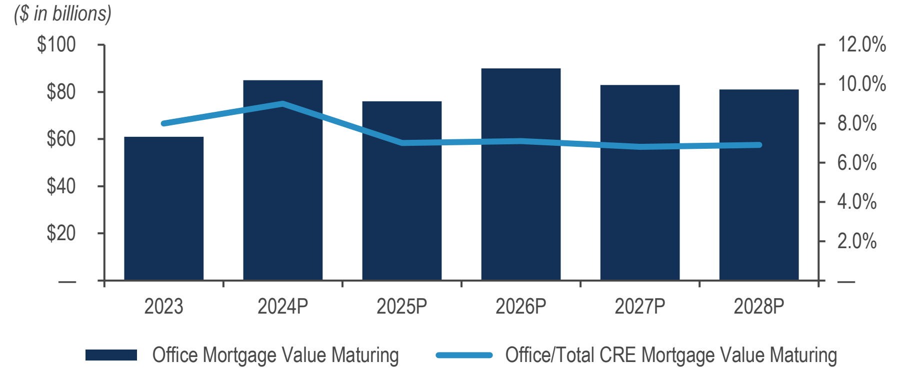
(1) U.S. Energy Information Administration

"Maturity Wall" Portends Meaningful Office Retrofit & Conversion Activity

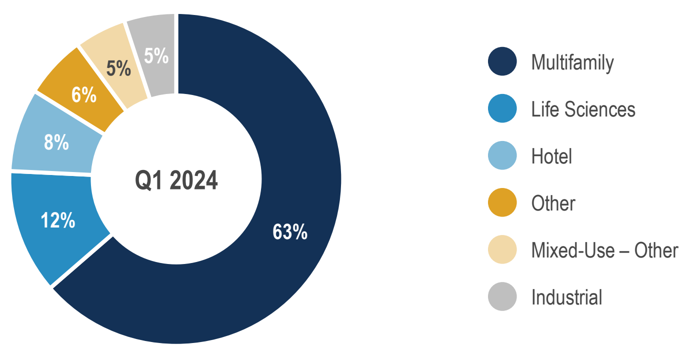
The impending maturity wall for office mortgages may necessitate ownership changes for buildings, which in-turn can catalyze meaningful investments to renovate office space into "Class A" quality, or capitalize on recent momentum to repurpose space to alternative uses

- Origination data shows that over $80 billion of office mortgages will come due in 2024, which is expected to grow to nearly $100 billion by 2026 – particularly as lenders push out maturity dates
  - With interest rates high, the resale market for buildings has been frozen for recent years, despite many indicating they were ready to buy
  - September's interest rate cut, combined with the maturation of office mortgages, is likely to catalyze transaction activity for office buildings, which in-turn will lead to investments to renovate or repurpose
  - Investors have been bracing for a wave of commercial real estate loan maturities, with many believing there will be a six-to-eight-month window of opportunity commencing with the Fed's September rate cut
  - Mayors and City Councils are enticing developers with tax breaks, zoning changes and other incentives that reduce the cost of transforming older offices to new uses, especially housing
  - Remodeled office assets have had success recently – buildings constructed in the 1970s through 2000s that have been renovated in the past decade have nearly the same levels of occupancy gains as new construction since the pandemic [1]

Office Mortgage Maturity Schedule [2]



Underway / Planned Office Conversion by New Property Type in the U.S. [3]



(1) JLL
(2) S&P Global Market Intelligence
(3) CBRE

Building Products M&A Activity

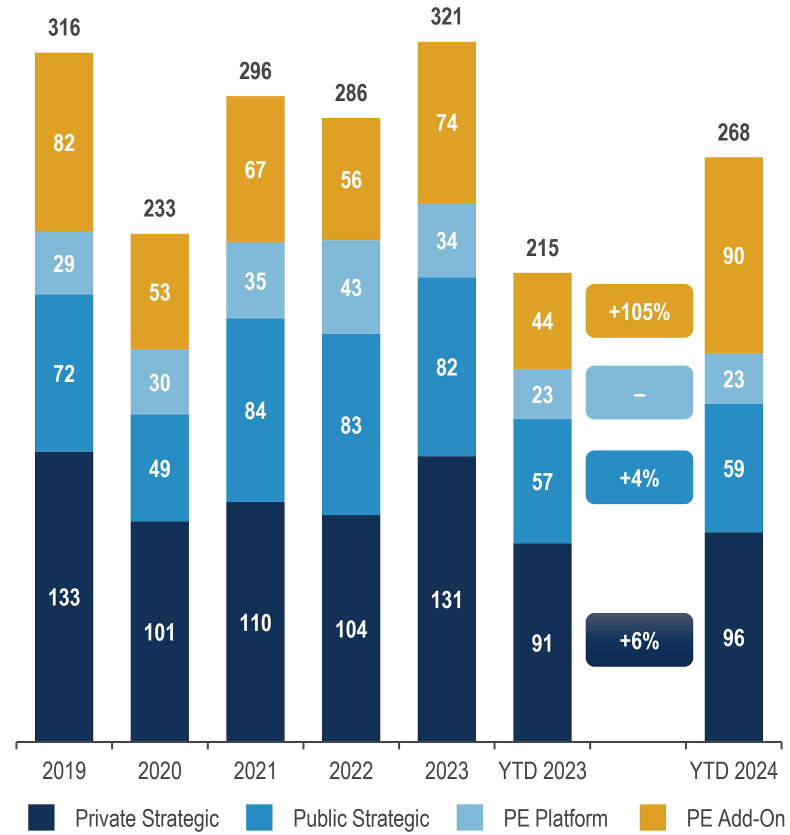
Building Products M&A Market Update

Despite high interest rates, an inflationary macroeconomic backdrop and general uncertainty, building products M&A activity has remained robust through mid-October 2024, with all buyer types contributing to a growth in transaction volume compared to 2023

- Building products M&A volume has increased YTD through mid-October 2024, with 268 transactions closed or announced – up 25% compared to the same period a year prior
  - M&A volume has equaled or exceeded last year's levels across all buyer types, with private-equity backed strategics completing add-ons accounting for most of the increase in deal count
  - Private-equity backed strategics closed or announced 90 deals through mid-October 2024 – up by a staggering 105% – or 46 deals – compared to the year ago period
- Strategics continue to account for the majority of transaction volume
  - Public and private strategics combined to close or announce 155 deals through mid-October – up 5% compared to 2023, and accounting for 58% of YTD deal volume
  - Privately-owned distributors with strong footholds in geographic markets or product categories have garnered the acquisition interest of strategics seeking to diversify their offerings, and have been the focal point of significant ongoing consolidation across the distribution landscape
  - Within building products distribution, there's been strong strategic interest in residential categories that generate recurring revenue streams driven by replacement cycles – namely Exterior & Roofing; Windows, Doors & Access Systems and HVAC
- Through mid-October, private equity investments in building products business have continued to outpace exits, leading to growth in the number of private equity-owned companies – currently, there are over 320 U.S. or Canada-based private equity-backed building products companies
  - With Limited Partners demanding liquidity, private equity exits are likely to increase as interest rate cuts reduce the cost of acquisition financing and drive growth in construction spending

Historical Building Products M&A Deal Count by Buyer Type [1]

(number of deals)



(1) CapitalIQ & Pitchbook

Select Strategic Exterior & Roofing Transactions

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	JUN 2024	JUN 2024	JUL 2024
	$18.3b / 16.1x THE HOME DEPOT HAS ACQUIRED SRS Distribution	Great Day Improvements HAS ACQUIRED TWO BRANDS ENGLERT, Leafguard (Get it today. Protected for life.) FROM ELM HOME & BUILDING SOLUTIONS	$130m ADENTRA HAS ACQUIRED WOOLF
Target Description	*SRS Distribution is a leading residential specialty trade distribution company operating across several verticals that serve professional roofers, landscapers and pool contractors*	*Englert is a vertically integrated manufacturer of residential and commercial metal roof and gutter systems sold to distributors and contractors* *Leafguard is a branded one-piece gutter-protection solutions sold directly to consumers*	*Woolf Distributing Company is a value-added distributor of architectural building and millwork products – including interior and exterior doors, composite decking and aluminum railing – for residential and commercial end markets*
Strategic Rationale	▪ The acquisition will increase Home Depot's total addressable market by approximately $50 billion to a total of ~$1 trillion ▪ The combination of the two business will accelerate Home Depot's growth with the professional residential customer ▪ SRS complements Home Depot's "pro capabilities" and further establishes Home Depot as the leading specialty trade distributor	▪ The acquisitions provide access to two new verticals for Great Day, expanding the Company's already-expansive suite of home improvement brands and products ▪ "This acquisition shows we are well positioned for growth and a successful future despite any ups and downs in the home remodeling industry. . . we [are creating] a strategically resilient business," said Ed Weinfurtner, Executive Chairman of Great Day Improvements	▪ The acquisition expands Adentra's geographic footprint and product offering ▪ The addition of Woolf deepens Adentra's access to the attractive Pro Dealer customer channel, where Adentra expects favorable multi-year demand from new residential and remodel markets – supported by low existing home inventories, favorable demographics, strong home equity levels and an aging U.S. housing stock

Enterprise Value

EV / 2023 EBITDA Multiple

Select Strategic Windows, Doors & Access Systems Transactions

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	May 2024	Mar 2024	Aug 2024
Enterprise Value	$3.9b	$3.1b	$1.1b
EV / 2023 EBITDA Multiple	8.6x	11.5x	~9x
	Owens Corning has acquired Masonite	MITER Brands has acquired PGT Innovations	Quanex has acquired Tyman International
Target Description	*Masonite is a leading global manufacturer and distributor of interior and exterior doors and door systems, serving both the repair & remodel and new construction markets*	*PGT Innovations is a manufacturer and supplier of premium, highly-engineered impact-resistant windows, doors and garage doors through a family of brands including CGI, PGT Custom, WinDoor and others*	*Tyman is an international manufacturer and supplier of window and door hardware, commercial access solutions and seals and extrusions, serving both the residential and commercial construction markets*
Strategic Rationale	▪ The acquisition of Masonite will expand Owens Corning's position in branded residential products, and complement the Company's existing product portfolio ▪ Owens Corning expects to achieve approximately $125 million in run-rate cost synergies, and drive meaningful shareholder value creation with the ROIC exceeding the Company's cost of capital by the end of year 3 post-close	▪ The acquisition combines two of the industry's most innovative and customer-focused companies with highly complementary product offerings and similar geographic footprints ▪ PGT Innovations' impact-resistant offering is complementary to MITER's expansive window and door offering	▪ The acquisition aligns with Quanex's growth strategy to expand its product offering into complementary adjacencies and increase penetration of new end markets ▪ The combination creates a larger, more diversified supplier of components to OEMs and strengthens Quanex's brand leadership by adding Tyman's brands with wide customer base ▪ Annual run-rate cost synergies of $30m

Enterprise Value   EV / 2023 EBITDA Multiple

Select Strategic HVAC Manufacturing Transactions

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	JUL 2024 — $8.1b BOSCH HAS AGREED TO ACQUIRE **THE RESIDENTIAL & LIGHT COMMERCIAL HVAC BUSINESS OF** Johnson Controls HITACHI	SEP 2024 Rheem HAS AGREED TO ACQUIRE NGH NORTEK GLOBAL HVAC	FEB 2024 — $300m SPX TECHNOLOGIES HAS ACQUIRED ingēnia INNOVATION & TECHNOLOGIES
Target Description	*The Residential & Light Commercial HVAC Business is a joint venture between Johnson Controls and Hitachi – the business manufactures ducted and ductless HVAC equipment and components*	*Nortek Global HVAC ("NGH"), a subsidiary of Madison Industries, is a leading manufacturer of HVAC systems and adjacent products, with brands including Broan, Frigidaire, Maytag and others*	*Ingénia is a Quebec-based designer and manufacturer of high-performance custom air handling units for applications in the healthcare, education, industrial and other end markets*
Strategic Rationale	▪ The acquisition will nearly double Bosch's Home Comfort Group sales revenue to ~$9.8 billion annually and further the Company's strategy to strengthen their presence in the U.S. and Asia by providing innovative, energy efficient solutions ▪ Bosch acquisition thesis was underpinned by beliefs that the HVAC market will grow 40% by 2030 – supported by technological innovations, concerns regarding climate change and evolving government regulations	▪ NGH will join Rheem's Global Air division upon closing; NGH's products, operating capabilities and market channels will complement Rheem's expanding Air and Water businesses ▪ The acquisition is expected to generate meaningful revenue and cost synergies	▪ Ingénia expands the SPX Technologies' position in Engineered Air Movement ("EAM") solutions market with the addition of a well-respected brand with attractive niche-engineered products ▪ SPX Technologies plans to scale its position in the market by integrating Ingénia's product offering into its strong distribution channels ▪ The combination is expected to generate meaningful synergies and accelerate growth

Enterprise Value   EV / 2023 EBITDA Multiple

Diversified Building Products Consolidators

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GMS – Gypsum Management & Supply, Inc.

4 acquisitions YTD – distributors of framing, ceiling, exterior and insulation products

		Enterprise Value
Kamco Building Supply Corp.	March 2024	$322m
Howard & Sons Building Materials Inc	May 2024	
Yvon Building Supply	July 2024	$143m
R.S. Elliott Specialty Supply, Inc.	August 2024	

Ferguson

8 acquisitions YTD – 6 distributors of HVAC, plumbing or sewage products for residential & commercial

Grove Supply, Inc.	January 2024
Yorkwest Plumbing Supply Inc.	March 2024
GeoSolutions	May 2024
AVCO Supply Inc.	May 2024
Gerster Equipment Company (GEC)	August 2024
United Water Works Inc.	August 2024

The Cook & Boardman Group

(Platinum Equity)

9 acquisitions YTD – 8 of distributors and installers of commercial doors and access systems

Discovery Door	February 2024
Lanmor Services Inc.	February 2024
OKEE Industries	June 2024
McBride Door & Hardware	July 2024
Bunting Door & Hardware Co., Inc.	July 2024
bhl	August 2024
Architectural Doors Incorporated	August 2024
Mullins Building Products	October 2024

● Enterprise Value

Diversified Building Products Consolidators (cont.)

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BEACON

10 acquisitions YTD – 9 of manufacturers and/or distributors of roofing (with a focus on metal roofing/panels), siding, sealants, waterproofing and other exterior materials

Roofers Supply Est. 1982 February 2024	Metro Sealant February 2024	General Siding, Windows, & Gutters April 2024
Smalley & Company May 2024	Integrity Metals Architectural Fabrication July 2024	ExtremeMetal Fabricators July 2024
PAMPCO August 2024	SSR Roof Supply Ltd August 2024	Chicago Metal Supply September 2024

U.S. LBM

(Bain Capital & Platinum Equity)

7 acquisitions YTD – manufacturers and/or distributors of exterior and structural building products including windows, doors, roofing and other components

Old Mission Windows February 2024	Homestead Building Systems, Inc March 2024	BBT May 2024
RAKS Building Supply June 2024	API July 2024	Gregory Door & Window September 2024
Milton Truss September 2024	NIX September 2024	Texas Tool Traders October 2024

Private Equity Building Products Investments

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Recent Acquisitions of North American Building Products Companies by Private Equity Firms (February 2024 – September 2024) [1]			
Transaction Close Date	**Target**	**Acquirer / Investor**	**Target Description**
9/19/2024	Kichler Lighting	Kingswood Capital Management	Manufacturer of decorative residential and light commercial lighting products
9/3/2024	Unified Door & Hardware Group	Foundation Building Materials (CDR)	Value-add distributor of doors and related hardware for commercial building applications
8/15/2024	Cobra Anchors	PrimeSource Brands (Clearlake Capital)	Manufacturer of drywall, masonry anchors, picture hooks, plant hangers, hanging devises, masonry anchors and concrete screws
7/15/2024	B&R Reinforcing	White Cap (CDR)	Distributor of concrete accessories and fabricated rebar to the non-residential and infrastructure end markets
7/3/2024	Michael Reilly Design	Stately Door & Windows (Kin Capital Partners)	Manufacturer of high-end, luxury hardwood and steel doors and windows
6/17/2024	ELM Home & Building Solutions	Great Day Improvements (Littlejohn & co.)	Acquired Englert & Leafguard brands; Englert is manufacturer of residential and commercial metal roof and gutter systems; Leafguard provides branded one-piece gutter-protection solutions directly to consumers
6/12/2024	Dayton Superior	White Cap (CDR)	Manufacturer of concrete construction supplies and accessories, such as wall forming, bridge deck and rebar supports
6/10/2024	Wright Commercial Floors	Diverzify (ACON investments)	Installer of flooring for general contractors, architects, interior designers, building owners, property managers and corporate facilities groups
6/10/2024	Floors Maintenance Group	Diverzify (ACON investments)	Specialty contractor with a focus in flooring maintenance solutions for plaster and gypsum boards, counter tops and ceilings
6/10/2024	Continental Floors	Diverzify (ACON investments)	Specialty contractor and installer of flooring serving the residential and commercial end markets
6/7/2024	Rebar Solutions, LLC	White Cap (CDR)	Distributor of steel rebar and pre-assembled products serving the industrial and commercial end markets
6/3/2024	West Orange Roofing	Roofing Service Solutions (Dunes Point)	Contractor specializing in re-roofing and building exterior services for residential and commercial customers
5/7/2024	Southern Exteriors	Monomoy Capital Partners	Manufactures and installs siding, roofing, gutters windows and other exterior building products for residential and commercial customers
4/29/2024	Connecticut Cellar Doors	Heritage Holdings Group	Manufacturer of cellar doors, bottom entry doors, egress systems and basement windows intended to serve homeowners
4/29/2024	MDC Interior Solutions	Norwest Equity Partners	Distributor of vertical interior wall coverings intended to serve hospitality, corporate, healthcare, institutional and retail end markets
4/23/2024	Brandner Design	Adelphi Capital Partners	Manufacturer of custom interior architectural elements intended for residential and commercial properties
4/11/2024	Bowtex LP	Big 7 Ventures	Manufacturer of survey stakes and other specialty grading products intended for construction, surveying and land development projects
4/2/2024	Willow Creek	Outdoor Living Supply (Trilantic)	Distributor of natural and manufactured stone, hardscapes, nursery and other landscape products
3/20/2024	Harvey Building Products	Cornerstone Building Brands (CD&R)	Manufactures and distributes building products, such as vinyl and impact-resistant windows and doors, porch enclosures, siding, roofing and decking products
2/21/2024	SBG Holdings	Charger Investment Partners	Manufacturer and provider of solutions for the concrete, general construction, surface preparation and concrete polishing industries

(1) Does not include investments YTD by private-equity backed The Cook & Boardman Group and U.S. LBM – see pages 45 & 46 for more detail

Private Equity Building Products Exits

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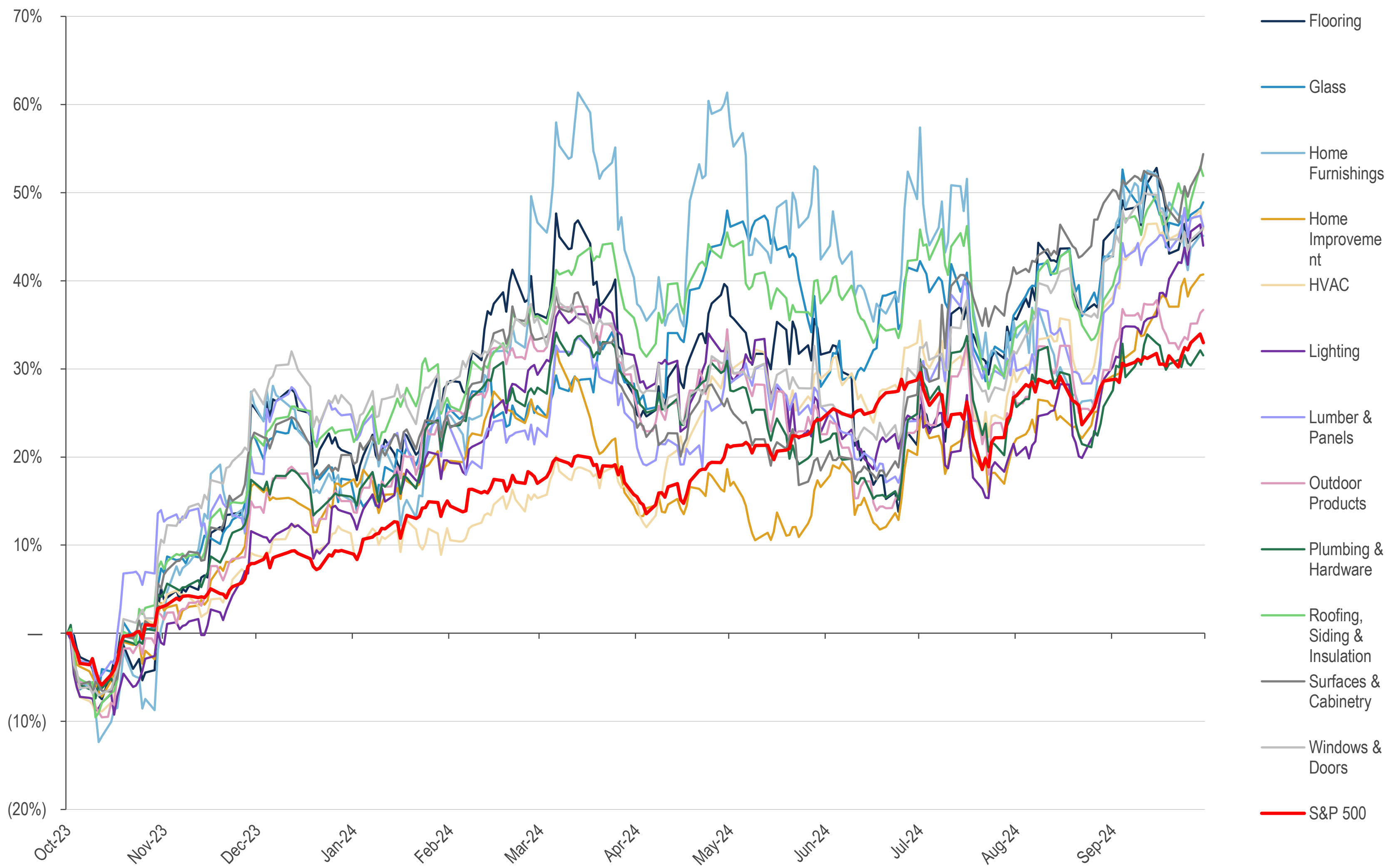
Recent Exits of North American Building Products Companies by Private Equity Firms (February 2023 – September 2024)				
Transaction Close Date	**Target**	**Seller**	**Acquirer / Investor**	**Target Description**
9/3/2024	Unified Door & Hardware Group	Dunes Point Capital	Foundation Building Materials (CDR)	Value-add distributor of doors and related hardware for commercial building applications
6/18/2024	SRS Distribution	Leonard Green & Partners, Berkshire Partners	Home Depot (NYSE:HD)	Distributor of specialty building products serving professional roofers, landscapers and pool contractors
6/17/2024	ELM Home & Building Solutions	Audax Private Equity	Great Day Improvements (Littlejohn & co.)	Acquired Englert & Leafguard brands; Englert is manufacturer of residential and commercial metal roof and gutter systems; Leafguard provides branded one-piece gutter-protection solutions
2/21/2024	SBG Holdings	Blue Point Capital Partners	Charger Investment Partners	Manufacturer and provider of solutions for the concrete, general construction, surface preparation and concrete polishing industries
2/8/2024	Signature Systems	Center Rock Capital Partners	Charger Investment Partners	Manufacturer and distributor of composite matting ground protection for industrial applications, stadium turf protection and temporary event flooring
1/30/2024	Foundation Building Materials	American Securities	Clayton, Dubilier & Rice	Distributor of building products, such as wallboards, suspended ceiling systems and metal framing
10/16/2023	US LBM	Bain Capital Private Equity	Platinum Equity	Distributor of building materials including lumber and engineered wood products, wallboards and tracks
9/29/2023	The Cook & Boardman Group	LittleJohn & Co.	Platinum Equity	Distributor of architectural hardware, doors, doorframes and relation building products for non-residential building applications
9/17/2023	MAC Metal Architectural Inc.	Caron Capital	Cornerstone Building Brands (Clayton, Dubilier & Rice)	Manufacturer and installer of external building products for the commercial, residential, and repair and remodel markets
7/5/2023	Form Tech Concrete Forms	Kirtland Capital Partners; Midwest Mezzanine Funds	White Cap Supply Holdings, LLC	Leading independent provider of concrete forming and shorting rental equipment and related consumables
7/5/2023	UKFD Realisations Ltd	BGF Investment Management Ltd.	Keswick Flooring Limited (Nestware Holdings Limited)	Online retailer of carpets, flooring coverings and real wood, laminate and vinyl flooring
7/1/2023	STARC Systems	Blue Heron Capital, North Haven Capital	North Branch Capital	Manufacturer of first-rate, reusable temporary modular wall systems
6/28/2023	Carlisle Wide Plank Floors	JMH Capital	Switchback Capital	Nationally recognized leader in the design, manufacture and direct sale of luxury hardwood wide plank flooring
6/20/2023	Syracuse Glass	Lineage Capital	Oldcastle Building Envelope	Manufacturer and distributor of custom architectural glass and aluminum products, such as tempered and laminated glass, shower enclosures and glass entrances
6/24/2023	Contour Glass	Cardinal Equity Partners	Kissel Capital	Manufacturer of glass products for appliances, lighting products, building products, transportation, displays and solar power projects
6/5/2023	Parkline	Summit Park	Trachte (Palladium Equity Partners)	Manufacturer of highly engineered metal building systems for industrial and commercial applications
4/28/2023	BVGlazing Systems	Hennick & Company	Exchange Income Corp. (TSX:EIF)	Manufacturer of windows, doors and railing systems for mid-rise and high-rise building projects
3/29/2023	TileBar	LongueVue Capital	AEA Investors	Manufacturer and distributor of floor and wall tile products, such as tiles, stones, vinyl flooring, glass and other building materials
3/23/2023	Skamol A/S	FSN Capital Partners AS	Etex N.V. (ENXTBR:094124453)	Manufacturer and distributor of thermal insulating materials for heat-intensive industries and passive fire protection
2/23/2023	Burrow's Post Frame Supply	Woodlawn Partners	Morton Buildings	Manufacturer of custom wood trusses and roll-formed metal roofing and siding for independent professional builders
2/1/2023	Direct Cabinet Sales	US LBM (Bain Capital)	Express Kitchens	Manufacturer and distributor of kitchen cabinetry and related products tor residential, commercial and new construction contractors

Public Equity & Sector Performance

Public Equity Stock Price Performance

1-Year Stock Price Performance [1]



(1) CapitalIQ; for the period October 16, 2023 to October 15, 2024; Market Cap weighted

Building Products Sector Constituents

TM Capital's Building Products Sectors are equally weighted, and comprised of the following companies:

- **Flooring:** Floor & Décor Holdings, Forbo Holding AG, Interface, James Halstead, Mohawk Industries, Tarkett
- **Glass:** Apogee Enterprises, Saint-Gobain, Sisecam, Tecnoglass
- **Home Furnishings:** Arhaus, La-Z-Boy, MillerKnoll, Restoration Hardware, Wayfair, Williams Sonoma
- **Home Improvement:** Home Depot, Lowe's, Tractor Supply Company
- **HVAC:** AAON, Carrier Global, Daikin Industries, Johnson Controls, Lennox International, Systemair, Trane Technologies, Watsco
- **Lighting:** Acuity Brands, Fagerhult Group, Hubbell, LSI Industries, Signify
- **Lumber & Panels**: BlueLinx Holdings, Boise Cascade, Canfor, Interfor, Louisiana-Pacific Corporation, Stella-Jones, UFP Industries, West Fraser Timber
- **Outdoor Products**: Central Garden & Pet, CRH, Hayward, Maytronics, Pentair, Pool Corporation, Scotts Miracle-Gro, Spectrum Brands, The Azek Company, The Toro Company, Trex Company
- **Plumbing & Hardware**: Advanced Drainage Systems, A.O. Smith Corporation, Ferguson, Fortune Brands Innovations, LIXIL, Masco Corporation, Mueller Water Products, Toto, Villeroy & Boch, Zurn Elkay Water Solutions
- **Roofing, Siding & Insulation**: Beacon Roofing Supply, Carlisle Companies, James Hardie Industries, Owens Corning
- **Surfaces & Cabinetry**: Adentra, American Woodmark Corporation, MasterBrand, Patrick Industries, Sherwin Williams
- **Windows & Doors**: Assa Abloy, Fortune Brands Innovations, Griffon Corporation, JELD-WEN, Quanex Building Products Corporation

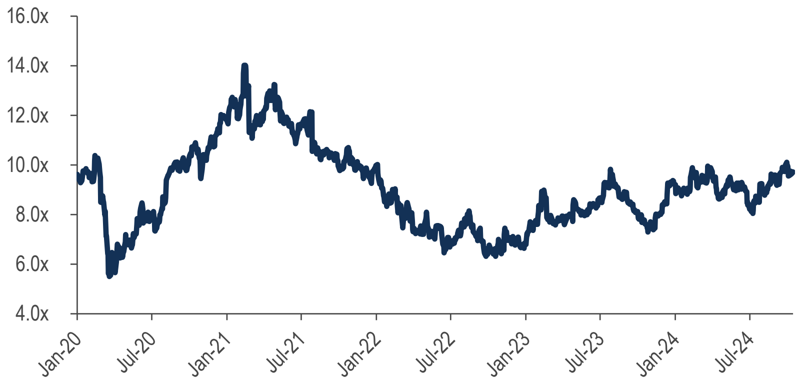
Public Sector Performance: Flooring

TM CAPITAL
A DIVISION OF JANNEY

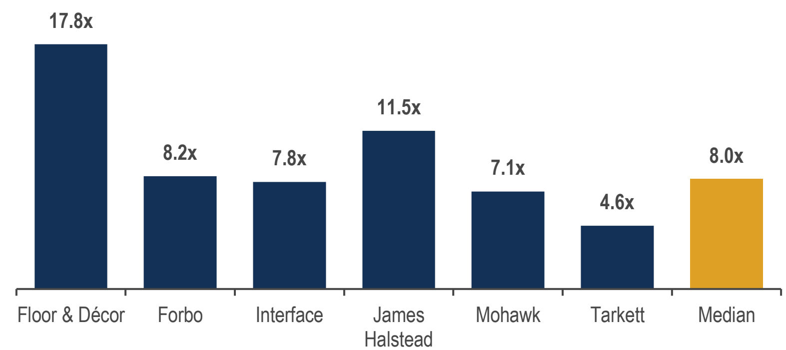
Representative Public Companies

FLOOR & DECOR | Forbo | Interface | James Halstead | MOHAWK | Tarkett

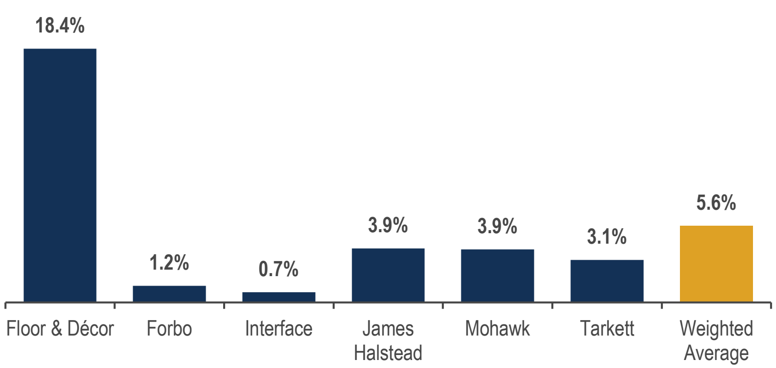
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



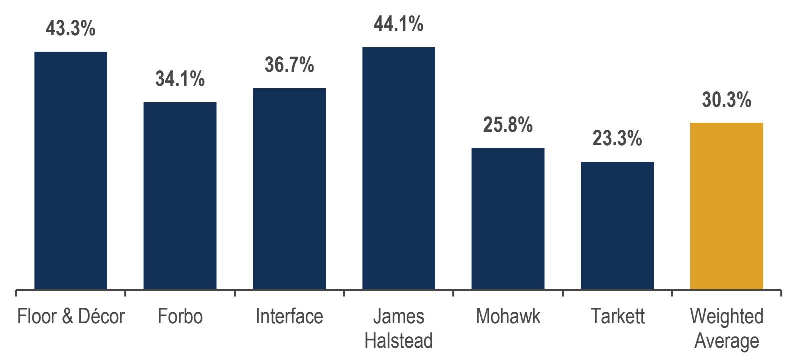
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



Source: CapitalIQ; All data as of market close on 10/15/2024

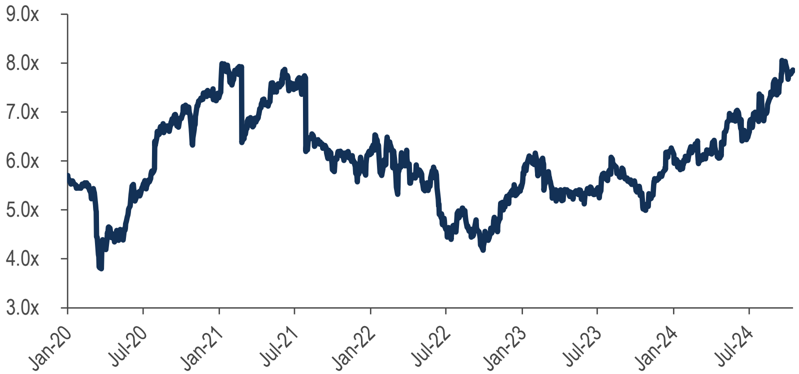
Public Sector Performance: Glass

TM CAPITAL
A DIVISION OF JANNEY

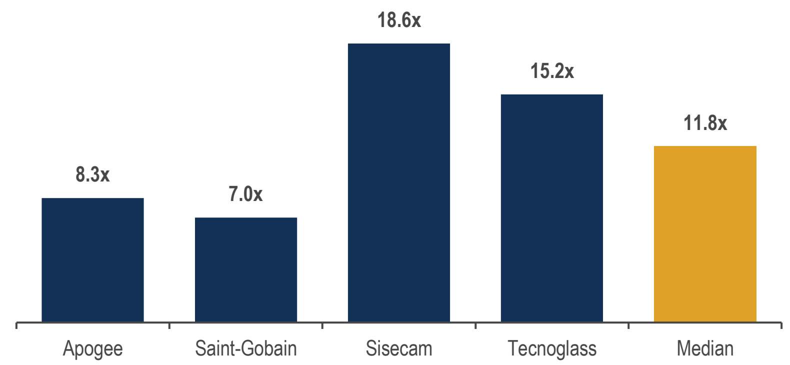
Representative Public Companies

apogee enterprises, inc. | SAINT-GOBAIN | ŞİŞECAM | TECNOGLASS

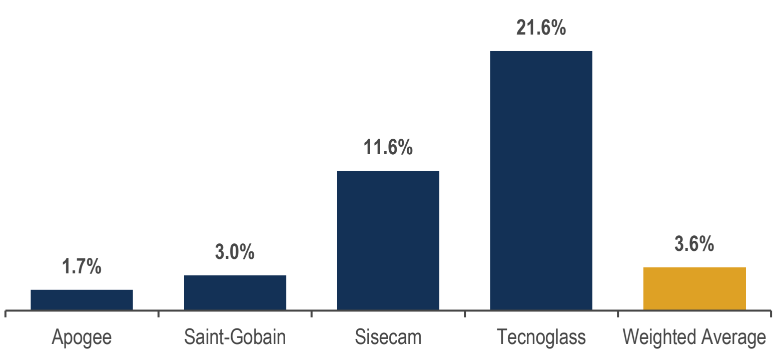
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



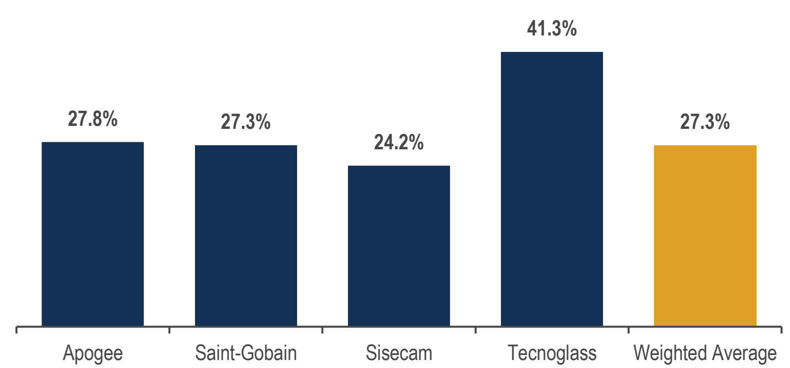
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins

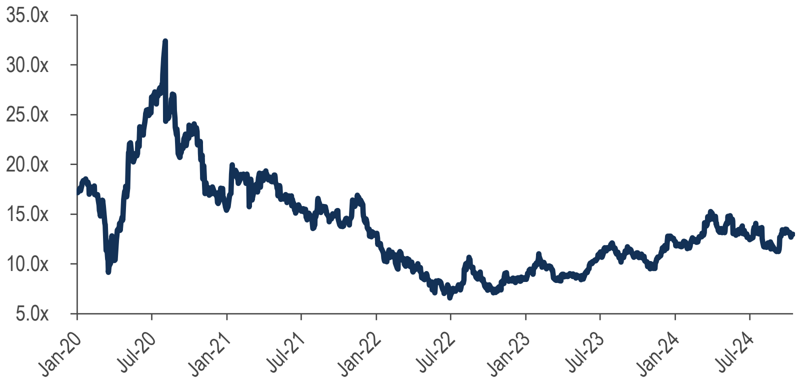


Source: CapitalIQ; All data as of market close on 10/15/2024

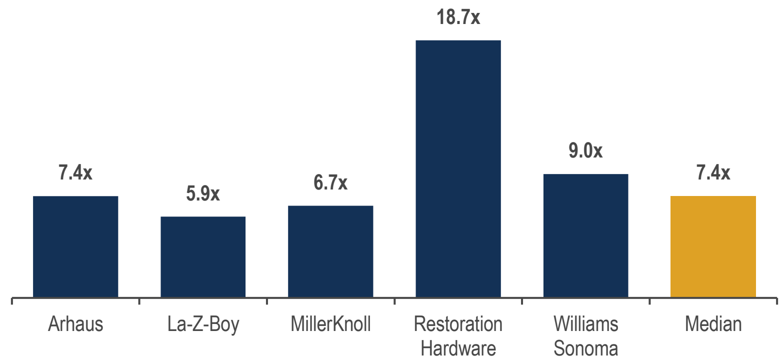
Public Sector Performance: Home Furnishings

Representative Public Companies

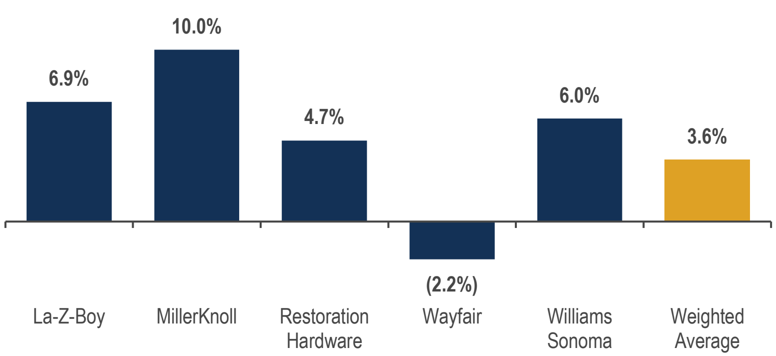
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



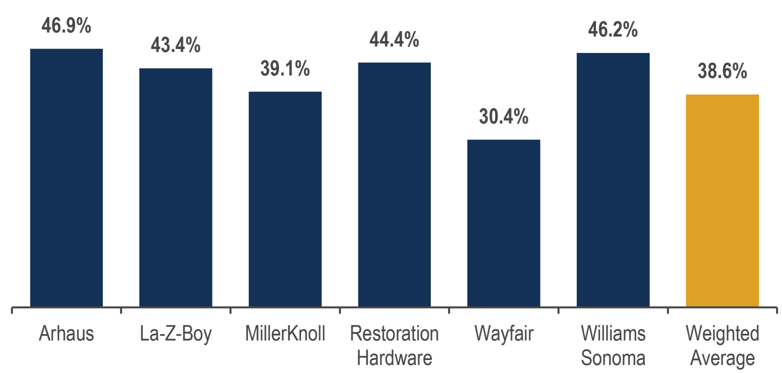
TEV / LTM EBITDA Multiples (1)



4-Year Revenue Growth (2)



LTM Gross Margins



Public Equity & Sector Performance
Source: CapitalIQ; All data as of market close on 10/15/2024

(1) Wayfair excluded due to negative LTM EBITDA
(2) Arhaus excluded due to not being public in 2020

Public Sector Performance: Home Improvement

TM CAPITAL
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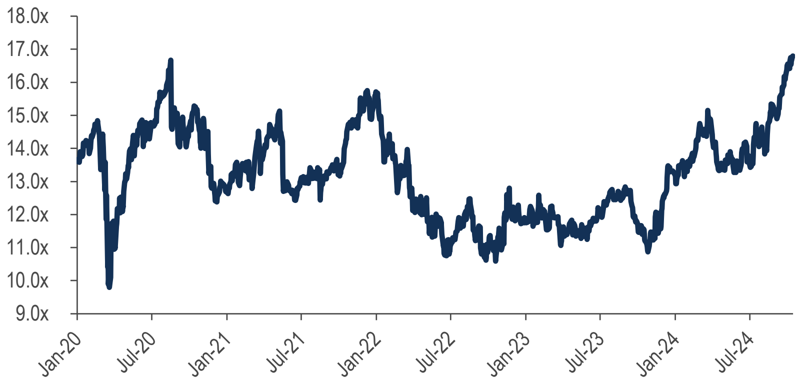
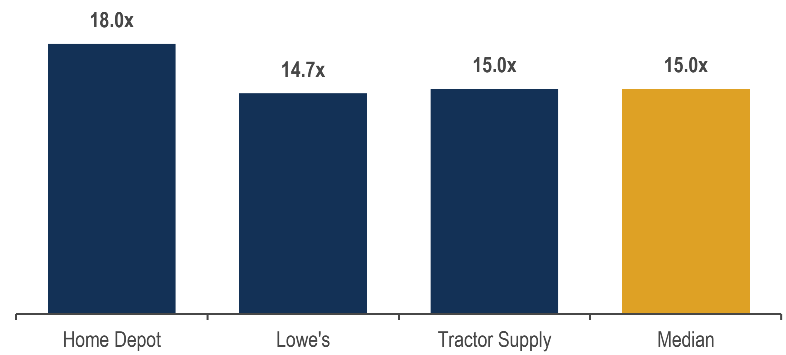
Representative Public Companies

THE HOME DEPOT — LOWE'S — TRACTOR SUPPLY CO

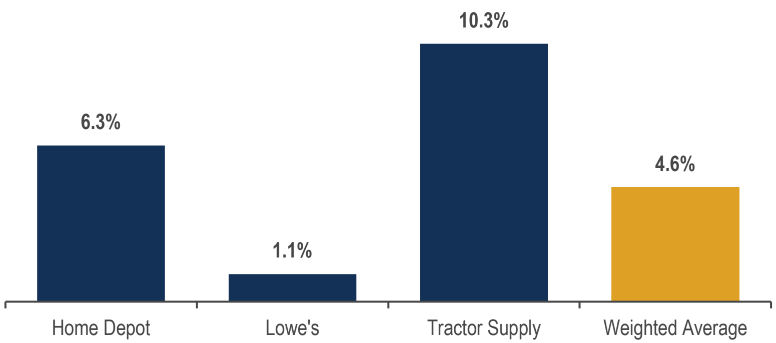
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



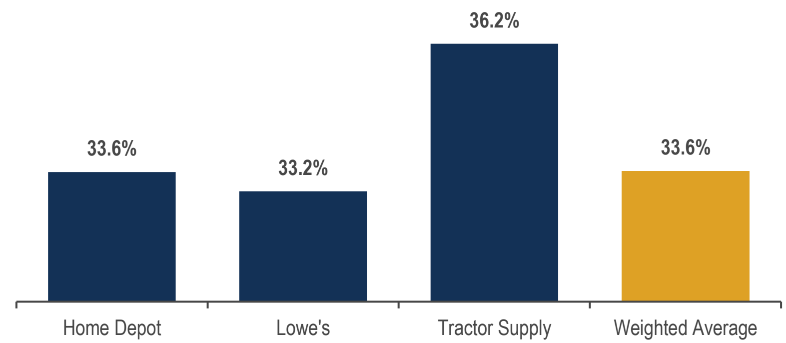
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



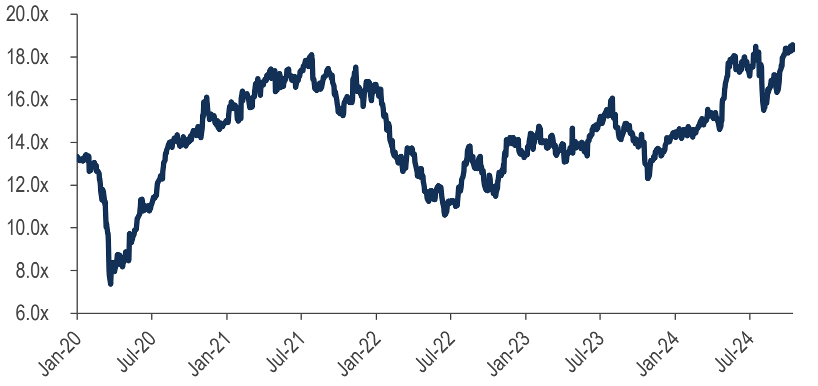
Source: CapitalIQ; All data as of market close on 10/15/2024

Public Sector Performance: HVAC

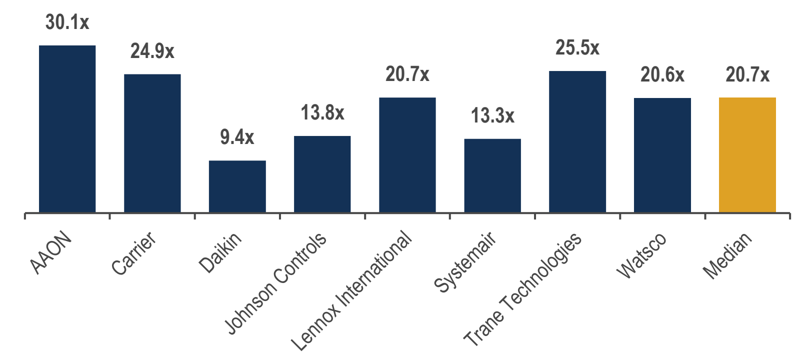
Representative Public Companies

AAON, Carrier, Daikin, Johnson Controls, Lennox International, Systemair, Trane Technologies, Watsco

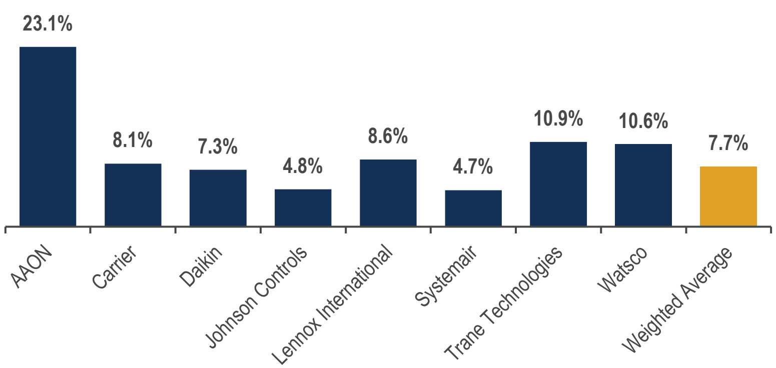
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



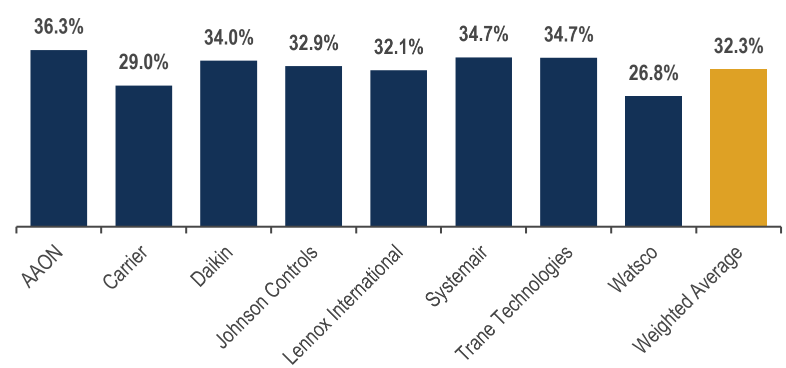
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



Source: CapitalIQ; All data as of market close on 10/15/2024

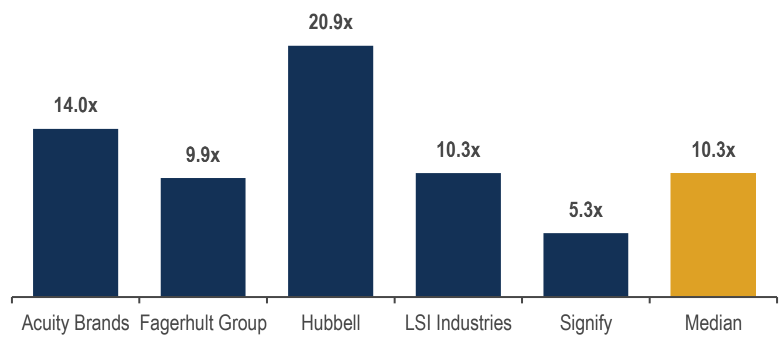
Public Sector Performance: Lighting

Representative Public Companies

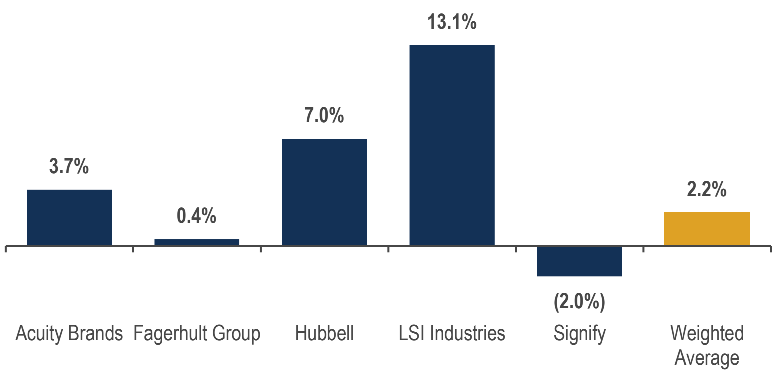
AcuityBrands FAGERHULT HUBBELL Lighting LSI signify

Historical TEV / LTM EBITDA Multiples – TEV Weighted Average

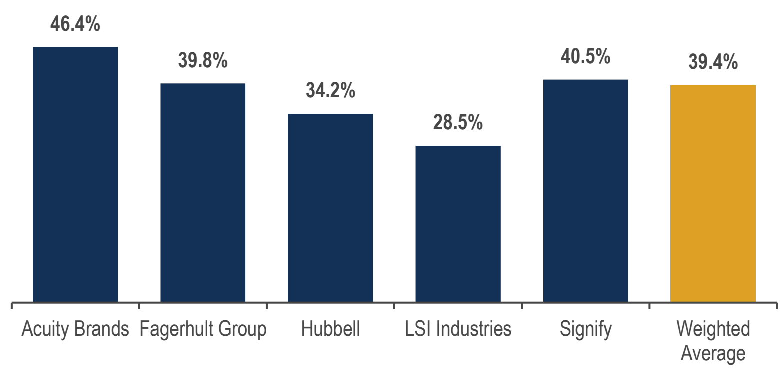
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



Source: CapitalIQ; All data as of market close on 10/15/2024

Public Sector Performance: Lumber & Panels

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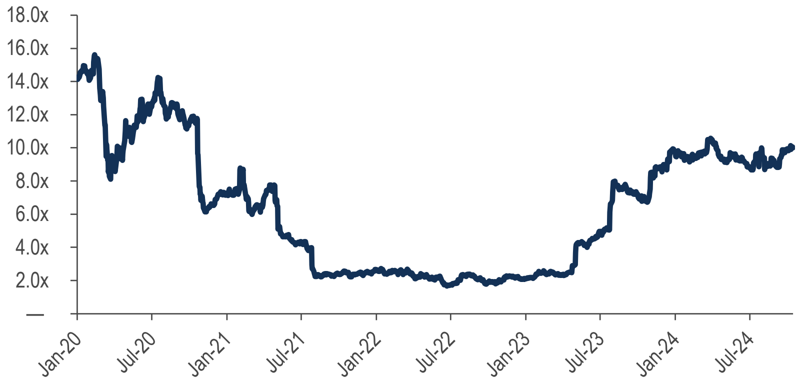
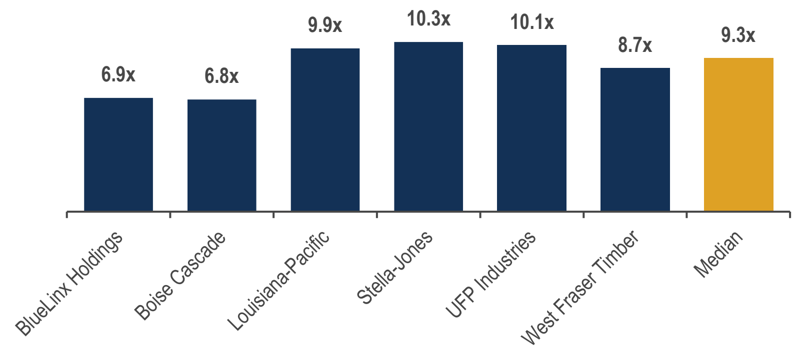
Representative Public Companies

BLUELINX | Boise Cascade | CANFOR | INTERFOR | LP | Stella-Jones | UFP INDUSTRIES | West Fraser

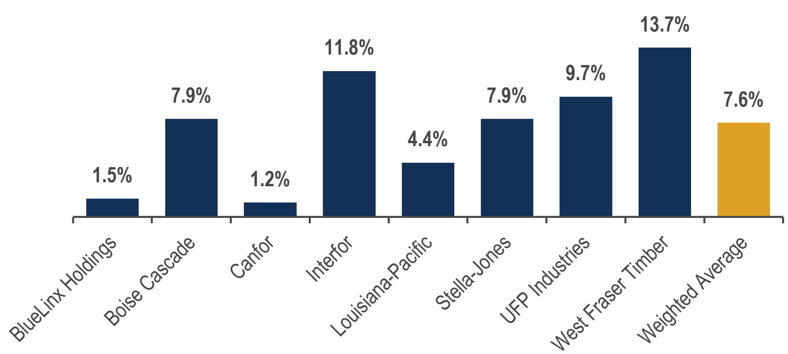
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



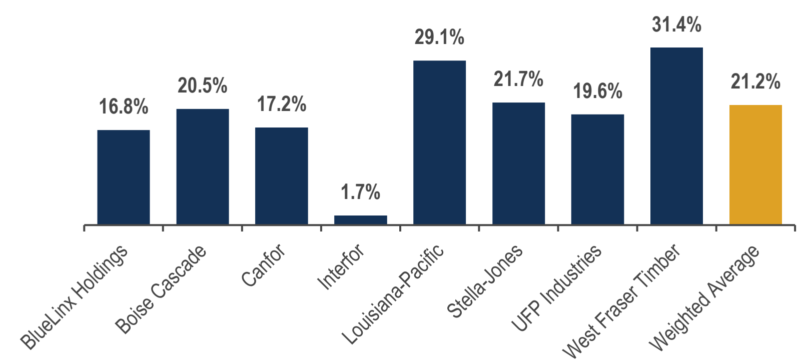
TEV / LTM EBITDA Multiples (1)



4-Year Revenue Growth



LTM Gross Margins



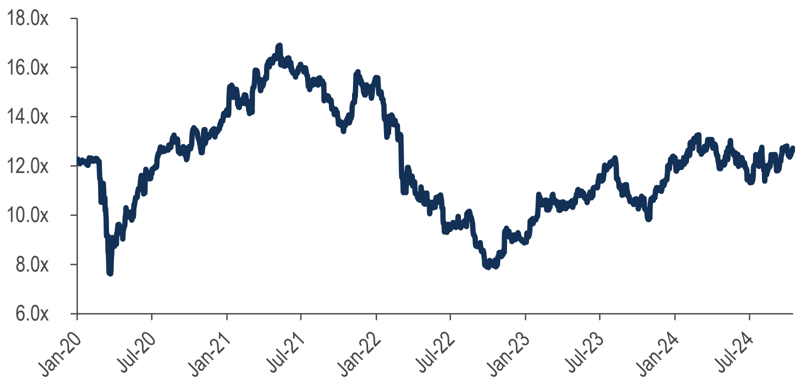
Source: CapitalIQ; All data as of market close on 10/15/2024

(1) Canfor & Interfor excluded due to negative LTM EBITDA

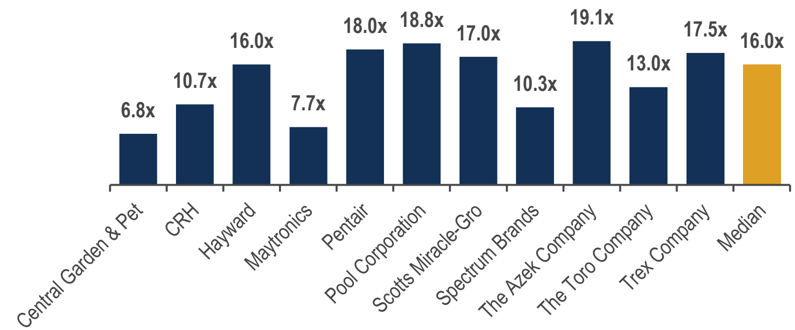
Public Sector Performance: Outdoor Products

Representative Public Companies

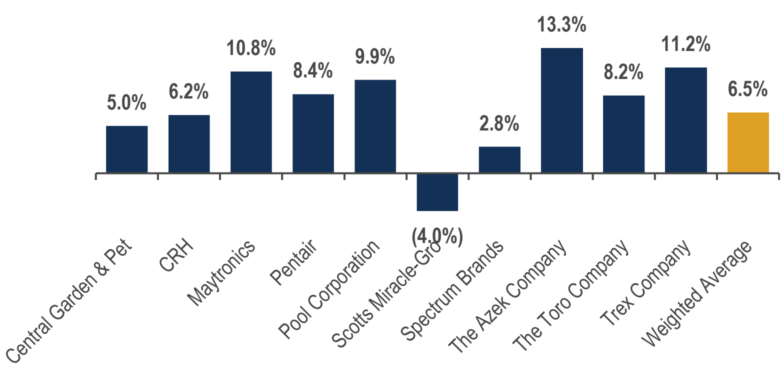
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



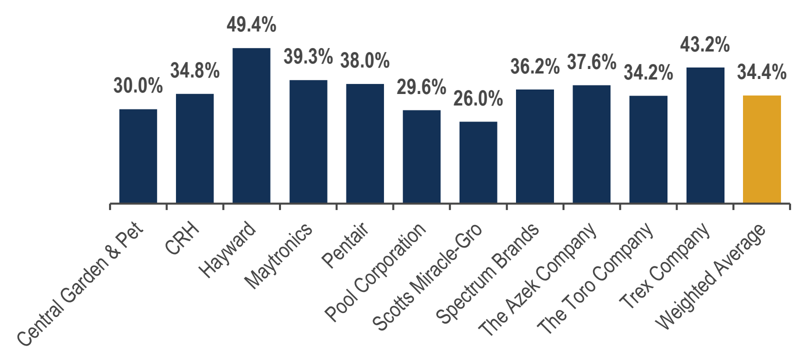
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



Source: CapitalIQ; All data as of market close on 10/15/2024

Public Sector Performance: Plumbing & Hardware

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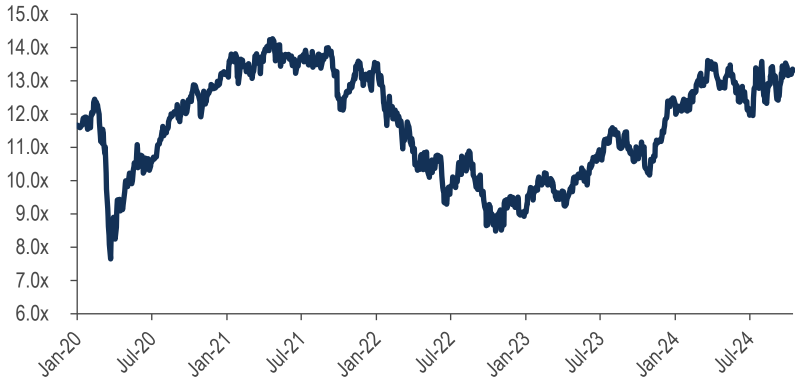
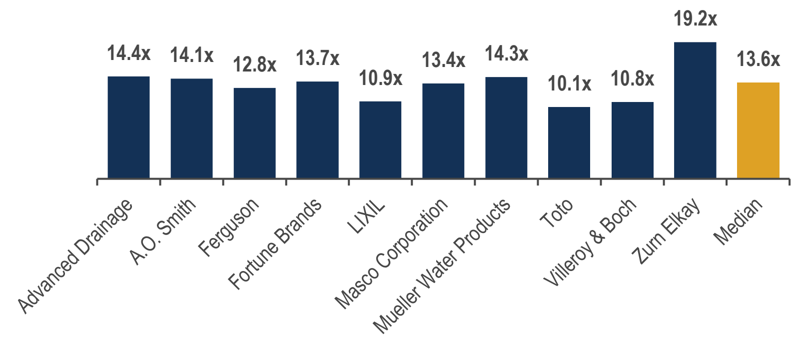
Representative Public Companies

ADS · AO Smith · FERGUSON · FORTUNE BRANDS · LIXIL Link to Good Living · MASCO · MUELLER · TOTO · Villeroy & Boch 1748 · zurn ELKAY

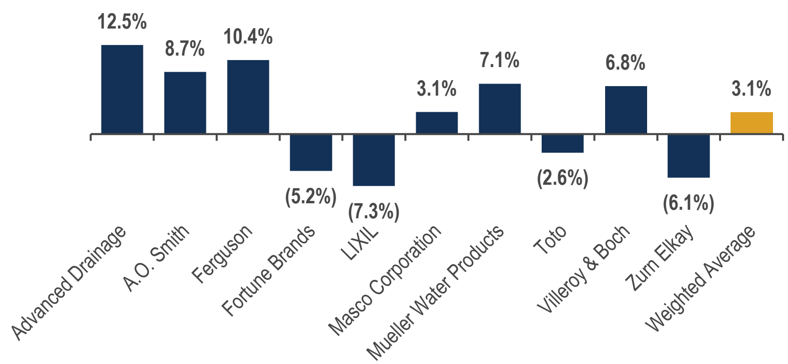
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



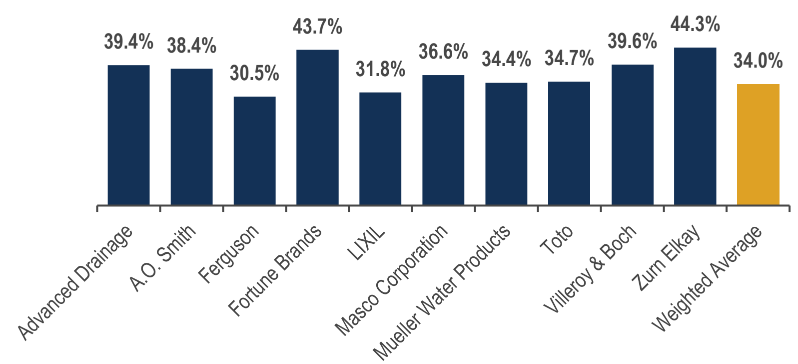
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



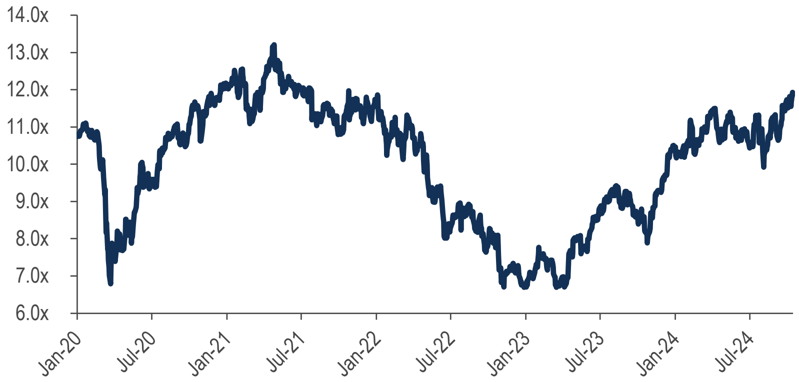
Source: CapitalIQ; All data as of market close on 10/15/2024

Public Sector Performance: Roofing, Siding & Insulation

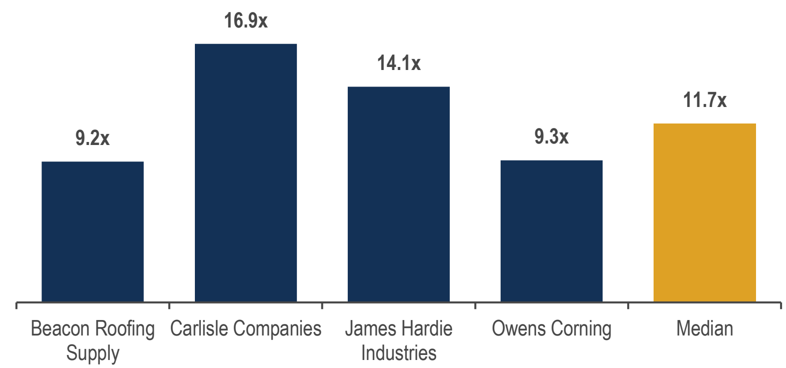
Representative Public Companies

BEACON | CARLISLE | JamesHardie | OWENS CORNING

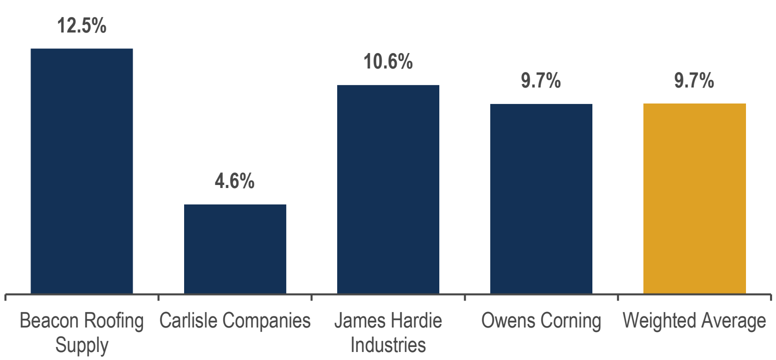
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



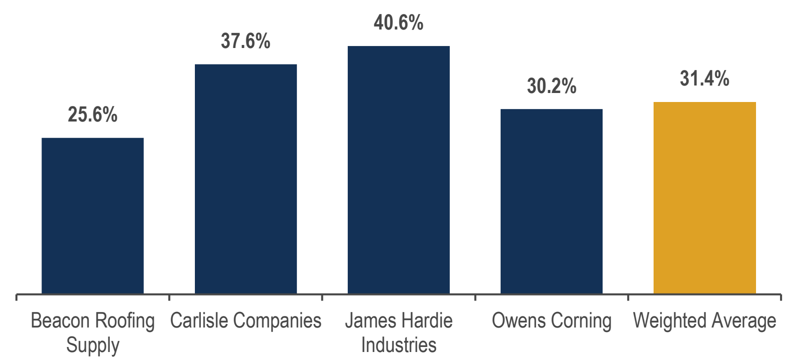
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



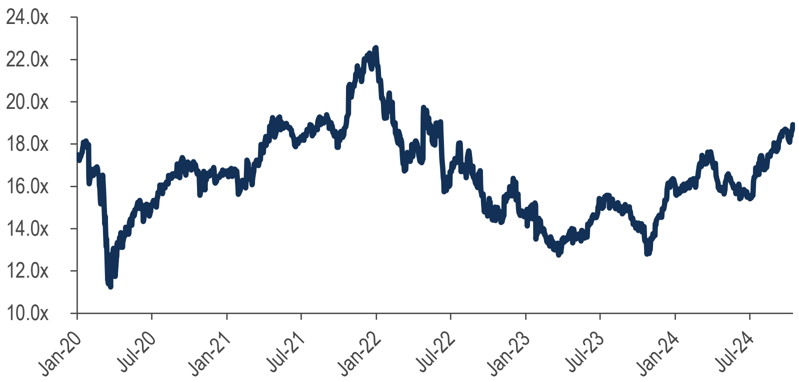
Source: CapitalIQ; All data as of market close on 10/15/2024

Public Sector Performance: Surfaces & Cabinetry

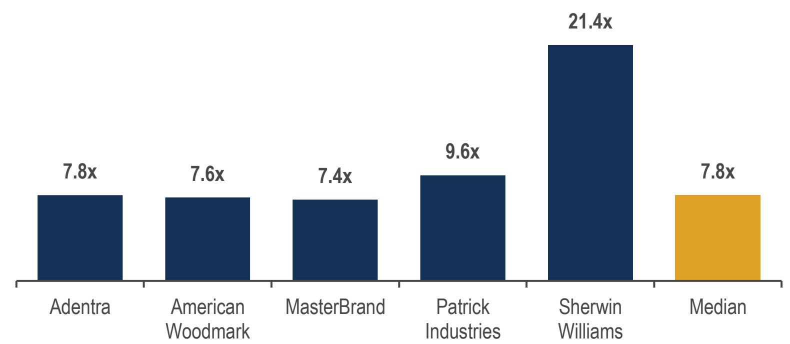
Representative Public Companies

ADENTRA | American Woodmark | MASTERBRAND | PATRICK | SHERWIN-WILLIAMS

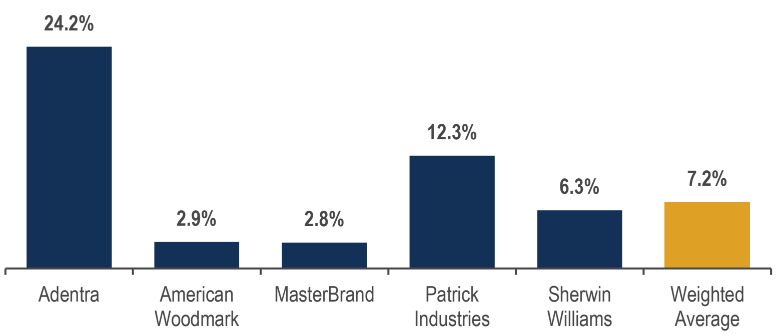
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



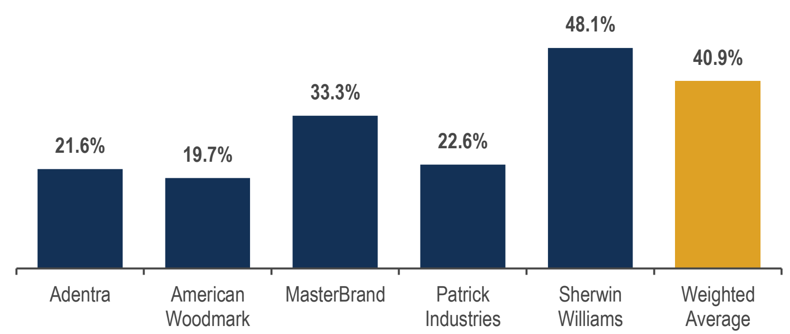
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



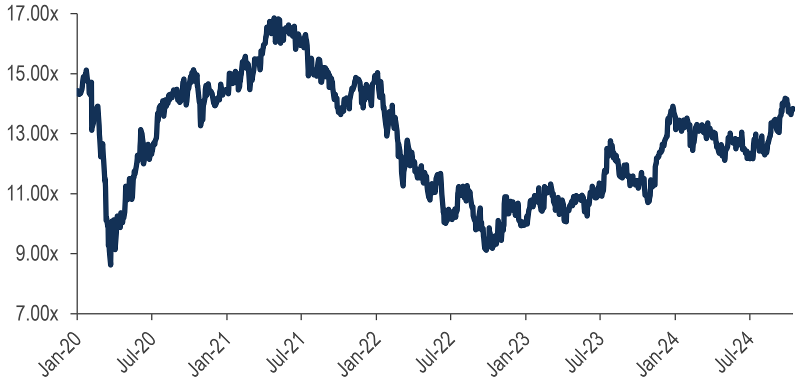
Source: CapitalIQ; All data as of market close on 10/15/2024

Public Sector Performance: Windows & Doors

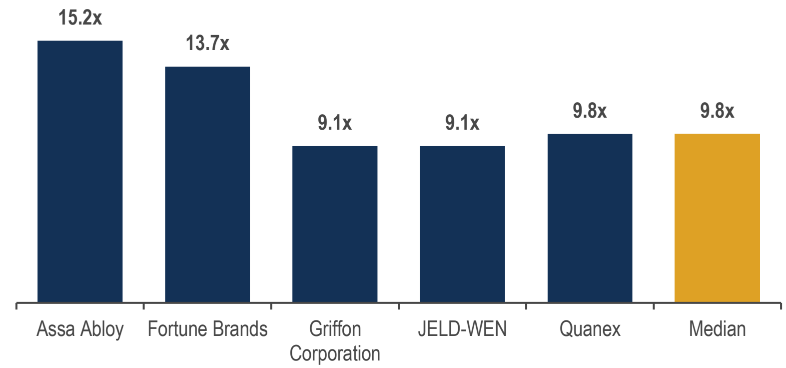
Representative Public Companies (1)

ASSA ABLOY | FORTUNE BRANDS | Griffon Corporation | JELD-WEN | Quanex

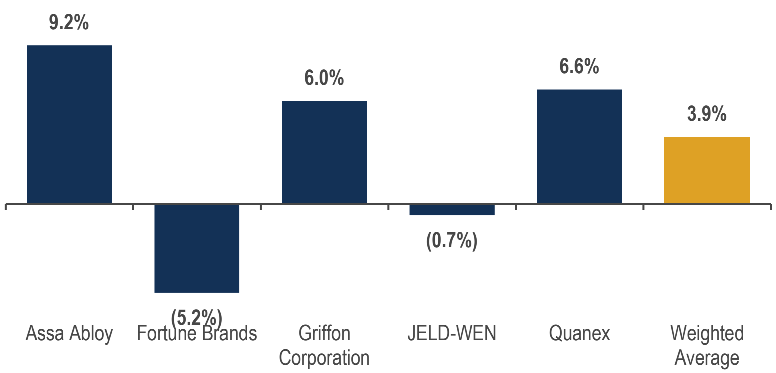
Historical TEV / LTM EBITDA Multiples – TEV Weighted Average



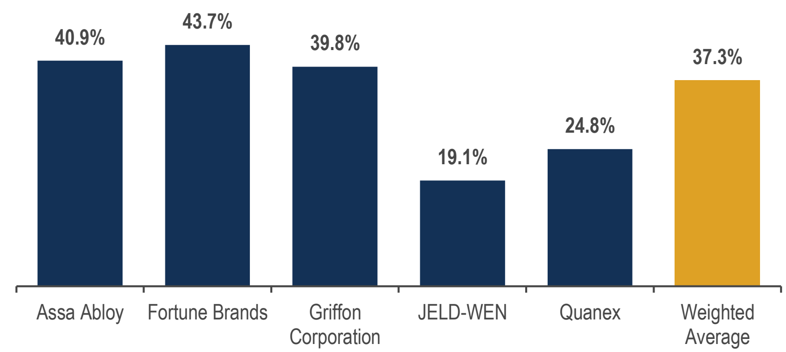
TEV / LTM EBITDA Multiples



4-Year Revenue Growth



LTM Gross Margins



Source: CapitalIQ; All data as of market close on 10/15/2024

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