A construction worker wearing a high-visibility vest and a hard hat is working on a roof. The worker is using a power drill. A circular saw is also visible on the roof. The background shows a cloudy sky.

Clairfield industry snapshot

Building Products & Distribution M&A Activity H1 2024

October 2024

■ **clairfield**



Tom McCarthy
Partner

Continued muted activity

- M&A transaction activity was on a par with the previous 18 months, reflecting the ongoing cautious nature of deal making in the sector since the deal rush of 2021 and early 2022. Thirty-three deals were disclosed in the first half of 2024 which is below the pre-pandemic average for the sector. Corporate re-organisations and strategic deals still occurred, but many buyers and sellers played a waiting game for trading to pick up and greater levels of certainty to return.

Total merchants' sales lower in Q2 2024 compared to Q2 2023

- Modest price increases managed to offset reduced volumes, but the net result was still a 6.4% reduction in merchant sales compared to the same period in 2023, according to the Builders Merchants Building Index (BMBI). Positive messaging from the new government regarding house building will not result in material changes in the market in the short term, with expectations that the 2024 outturn will remain a competitive trading environment.

Trading continues to be challenging

- The Construction Products Association (CPA, Summer 2024) projected total construction output to dip by 2.9% this year. New housing registrations were also down on the prior year.
- Half-year reports from industry leaders such as Breedon, Ibstock, Travis Perkins and Brickability followed a general trend of revenues and profitability being down on the previous year. Themes of streamlining operations and managing costs were common across the reports. CEOs of many of the publicly listed business signaled to the markets that trading is expected to be challenging for the remainder of 2024, albeit with some cautious optimism for increasing demand in 2025.

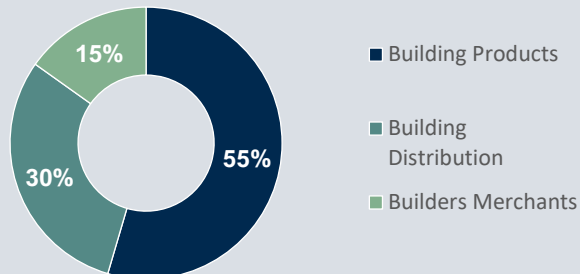


Peter Waplington
Director



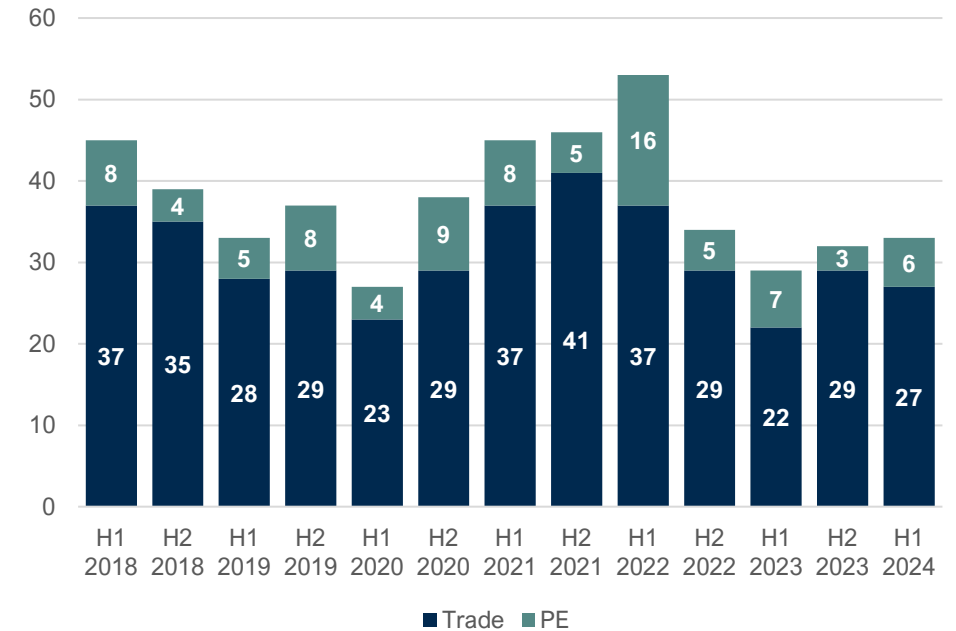
Liam Hadfield
Manager

DEAL VOLUMES BY SUBSECTOR

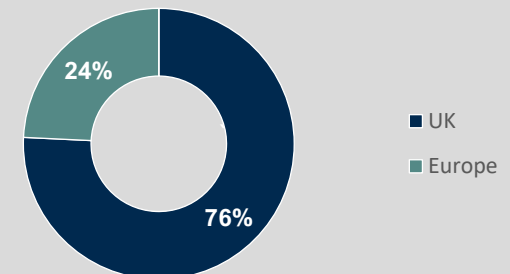


Sources: S&P Capital IQ, BMBI

M&A volumes by deal type



BUYERS HQ BY GEOGRAPHICAL REGION



TRADE & PRIVATE EQUITY BUYERS

Building Products  	Building Products 	Building Products 
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Have acquired



Have acquired



Ibstock Plc

Have acquired



Builders Distribution 	Building Products 	Building Products 
---	---	---



Have acquired



Have acquired



Have acquired



Building Products 	Building Products  	Builders Distribution 
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Have increased their stake in



Have acquired a minority stake in



Have acquired



Notable trade deals in H1 2024 include:

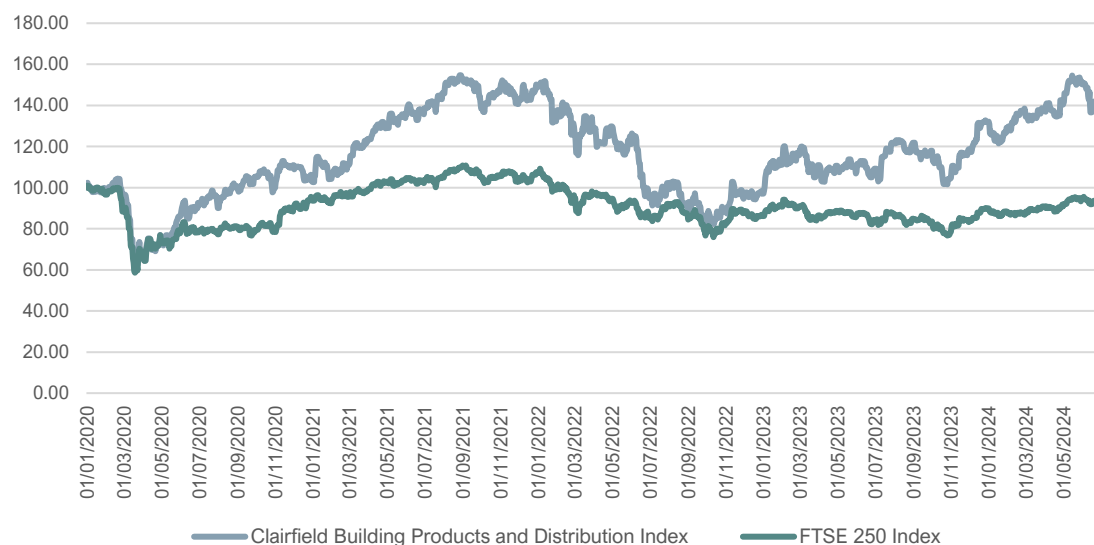
- Heidelberg continued its acquisitive growth through the purchases of Mick George Limited (MGL) and B&A Group, helping Heidelberg develop its circular materials offering. MGL operates circa 40 recycling facilities, waste transfer stations, aggregate quarries and ready-mixed concrete plants in East Anglia and the East Midlands. B&A Group is a leading construction soil and aggregate recycling company operating across South West England.
- Breedon had a busy quarter of M&A, acquiring US business BMC Enterprises for \$300m while bolting on two smaller UK companies: Eco-Asphalt Supplies Limited, an asphalt plant in the North West and Phoenix Surfacing, a contractor based in the Midlands.
- Ibstock purchased Coltman Precast Concrete Limited at the start of the year at the same time that it mothballed some of its brick production. The Coltman acquisition allows Ibstock to diversify its product offering amid tough macroeconomic conditions.
- Brickability Group plc, a distributor and supplier of bricks and building materials, acquired Topek Southern Limited for £48m. Topek delivers façade systems and fire remediation solutions for live and occupied sites across the UK. The acquisition gives Brickability national coverage in the cladding market.
- MKM acquired HVAC distributor Oceanair. The business has sites in Mansfield and Crawley and will continue to operate under the Oceanair brand. The acquisition strengthens MKM's offering in the HVAC market.
- Designer and distributor of energy efficient systems, RES Distribution, was acquired by Wolseley. RES will operate under its own brand and allows Wolseley to develop its environmentally friendly products range.

Notable private equity deals in H1 2024 include:

- Duke Capital have increased their stake in United Glass Group Ltd, an Aldridge based manufacturer of architectural glass. Duke increased its equity stake in the company from 30% to 73.8% through a £2.9m secondary share purchase from existing shareholders.
- CVC Capital Partners acquired a minority stake in Hempel, the Danish owner of upmarket paint and wallpaper manufacturer Farrow & Ball. The deal values Hempel at £2.83bn and marks the first time in 75 years that Hempel has had an external shareholder.
- The UK's largest independent distributor of bathroom products, Robert Lee, was acquired by The HLD Group, owners of Aquadart. The transaction presents an opportunity to strengthen their combined offering within the bathroom sector through enhanced sourcing and distribution.

“Listed building product and distribution company valuations saw an increase of 11% in H1 2024, versus a 3% increase for the FTSE 250 Index”

FTSE 250 Index vs Clairfield Building Products Index



Clairfield Building Products & Distribution Index includes:



Source: S&P Capital IQ

Plc valuation summary

- The Enterprise Value to EBITDA multiples below are the average across our index of listed business. A private company discount of 30-50% is typically applied to Plc multiples to indicate private company transaction multiples:

	Average 2015 – H2 2023	H1 2024
Building Products	11	8
Builders Merchants	12	8
Distribution	11	7

Private transaction summary

- The Enterprise Value to EBITDA multiple ranges below are based on disclosed deal multiples, with several recent deals in the lower to midrange.

Building Products	5	to	7
Builders Merchants	4	to	6
Distribution	4	to	6

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32 countries



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790 deals closed in the last 5 years

Top 10 in European Midmarket rankings

Recent Clairfield building products transactions

<p>Building Products </p> <p>KESTREL ALUMINIUM SYSTEMS</p> <p>was sold to</p> <p>SCHÜCO</p>	<p>Building Products </p> <p>STUART TURNER ENGINEERED TO EXCEL</p> <p>acquired</p> <p>AGM Aquatron Group Management Plc.</p>	<p>Industrials </p> <p>Southern EXTERIORS</p> <p>backed by</p> <p>THE HALIFAX GROUP</p> <p>was sold to</p> <p>MONOMOY CAPITAL PARTNERS</p>	<p>Building Products </p> <p>etex acquired</p> <p>SCALAMID FACADE - FLOOR - WALL</p> <p>from</p> <p>POZBRUK</p>
<p>Building Products </p> <p>Embregour sold its stake in</p> <p>CIFE ETPO</p> <p>to</p> <p>spie batignolles</p> <p>backed by</p> <p>TIKEHAU CAPITAL zem</p>	<p>Building Products </p> <p>FRENEHARD & MICHAUX sold</p> <p>ROY</p> <p>to</p> <p>PICOT / DIRICKX</p> <p>backed by Gimv</p>	<p>Building Products </p> <p>SOTRALU GROUP</p> <p>backed by</p> <p>Bridgepoint</p> <p>acquired</p> <p>F.R. Accessories</p>	<p>Building Products </p> <p>REGAL ROOFING</p> <p>was sold to</p> <p>PERIMETER ROOFING</p>



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