



WEST COAST

BUILDING SUPPLY DEALERS AND PRODUCERS

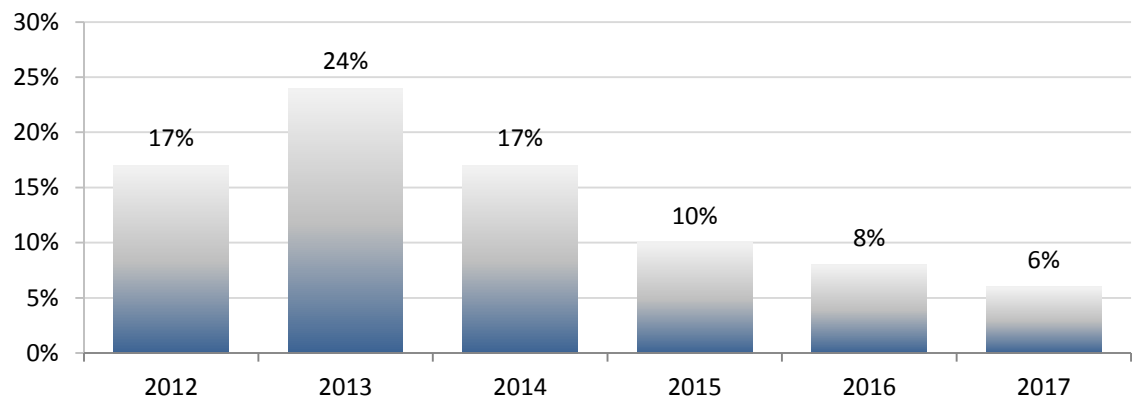
INDUSTRY UPDATE FOR 2014

Construction Spending Expected to Rise in 2014

The value of US private and public building construction, an indicator for building supply dealers and producers, is forecast to grow at an annual compounded rate of 10 percent between 2013 and 2017.

Additionally, in a recent article with ENR magazine, McGraw Hill Construction forecasts that construction will improve by 9% in 2014 for an estimated \$555 billion in new construction contracts.

McGraw Hill expects a similar pattern for its West region, forecasting \$130.1 billion in new construction for 2014, a 10% gain. These gains will be largely propelled by an expected 29% increase in residential construction. In the nonresidential sector, \$37.2 billion in new contracts are expected in 2014, with commercial and manufacturing contracts supplying the majority of that growth.



FirstResearch forecasts are based on INFORUM forecasts that are licensed from the InterIndustry Economic Research Fund, Inc. INFORUM's interindustry-macro approach to modeling the economy captures the links between industries and the aggregate economy.

With Growth Come Challenges

As construction activity increases, nearly 75 percent of U.S. companies reported that there are not enough construction professionals available. Most firms expect the shortage to continue into 2014. As competition for craft workers increases, companies are losing employees to higher-paying jobs at other firms.

Industry Growth Rating



Due to the increasing sophistication and large variety of products now available at building material and supply stores, salespeople must have a broad knowledge of many types of products and their applications. Experienced building material and supply salespeople are increasingly difficult to find. Salespeople who serve commercial customers typically require even higher levels of training and expertise.

The "working warehouse" structure of many building material and supply stores means that shelves are stocked during the day, with employees spending substantial amounts of their time handling merchandise. Customers can be injured by stocking activity or improperly stacked merchandise on high shelves, leading to lawsuits and adverse publicity. Companies must follow OSHA's safety standards regarding operation of forklifts or other machinery in proximity to customers and some companies have stricter policies for additional safety.

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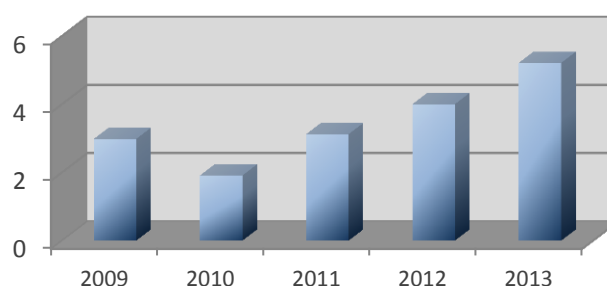
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VALUATIONS INCREASE FOR BUILDING SUPPLY DEALERS AND PRODUCERS

EBITDA Multiples

Year	Median TV/EBITDA
2009	2.98
2010	1.91
2011	3.12
2012	4.00
2013	5.21

BV Market Data 2013



BUYERS

While there are many types of buyers in the Building Materials industry, the two most common types are Private Equity and Strategic buyers. Below are examples of active Private Equity and Strategic buyers.

Private Equity Buyers

Company Name	Website
Altus Capital Partners	www.altuscapitalpartners.com
Atlas Holdings, LLC	www.atlasholdingsllc.com
Brookfield Asset Management, Inc.	www.brookfield.com
Bounds Equity Partners, LLC	www.boundsequity.com
CHS Capital	www.chsonline.com

Buyer activity in the space is increasing with the loosening of credit and economic recovery. Strategic investors often pay higher premiums for business acquisitions due to the potential added value the company can provide to the strategic buyer's current holdings. This increase in both activity and valuation can be seen in the significant uptick in transaction value/EBITDA multiples in 2013 compared to previous years.

Strategic Buyers

Company Name	Website
Vulcan Materials Company	www.vulcanmaterials.com
Lehigh Hanson	www.lehighhanson.com
Oldcastle Materials	www.oldcastle.com
Pacific Coast Building Products	www.paccoast.com

For additional information, including more detailed industry data, please call David Ryan at (707) 523-9651 or e-mail DRyan@uptonco.com.