SECTOR INSIGHTS

# BUILDING PRODUCTS & SERVICES

2021 | BDO MERGERS & ACQUISITIONS | IN ASSOCIATION WITH THE CPA

## THE QUEST FOR A MORE **SUSTAINABLE FUTURE**

IDEAS | PEOPLE | TRUST

cpa construction products association

BDO

# KEY MARKET THEMES AND MERGERS & ACQUISITIONS (M&A) ANALYSIS

With the help of leading sector participants, BDO looks at key themes that are shaping the sector, and what this means for M&A globally and in the UK.

## KEY MARKET THEMES



## M&A ANALYSIS



## BDO IN THE SECTOR



**ACKNOWLEDGMENTS:**

BDO would like to thank the industry leaders who generously gave their time to provide views and comments used in the production of this report.

cpa construction products association

# A MOST UNUSUAL TIME

**Welcome to the 2021 edition of our Building Products & Services sector insights, which we are pleased to launch amid a much improved outlook compared to this time last year. Looking back over the year, where so much has changed, the sector has weathered the storm remarkably well.**

We've seen deal volumes go down over the last 12 months, but not as much as might have been feared. Unlike some other sectors, Building Products & Services is fortunate in being seen as an essential industry and has benefited from positive consumer activity.

Hence, despite an initial impact on productivity the sector has been quick to adapt to new market conditions and address the challenges it faced in operating safely. The industry received welcome support from government and was helped by growth in home repairs, maintenance and improvements.

Turning to the future, the promise of economy-rescuing infrastructure investments through initiatives such as the UK's Build Back Better plan leaves many Building Products & Services companies poised for a boost in the coming months and years. This prospect has not escaped the attention of private equity firms, which have increased their presence in the market in the past year. Furthermore, COVID-19 has also accelerated the trends towards digitalisation and sustainability that were already evident in the market in 2019.

Finally, for UK companies the uncertainties over Brexit are now a thing of the past. The deal with Europe may not be ideal for some businesses, but at least it's certain, giving business leaders a firm foundation upon which to plan for the future. All of this adds up to what has been a most unusual time for Building Products & Services. While there are still issues to be resolved on many fronts, the outlook for the sector is arguably brighter than it is for many other sectors.

It's definitely a time to buy and sell with many opportunities arising from portfolio reviews, corporates streamlining operations through carve-outs and significant cash available in the private equity market to invest in attractive businesses.

But corporate transactions remain as complex as ever, and there are additional challenges to be considered as businesses navigate through this period of upheaval and complexity, so it's important to seek sector-focused expert advice before going to market. At BDO, we have experience gleaned from thousands of transactions in the last half-decade alone, so we can offer advisory services that are second to none.

If you are thinking of embarking on M&A in 2021, we'd love to hear from you. Do get in touch.

**JOHN STEPHAN and MITHUN PATEL**
BDO Building Products & Services M&A

MORE THAN **5,000** TRANSACTIONS ACROSS THE GLOBE IN THE LAST **8** YEARS

DEAL VOLUMES **BETTER THAN EXPECTED** IN 2020, WITH **785** TRANSACTIONS WORLDWIDE -DECREASE OF **15.4%**

**SECTOR MULTIPLES REMAIN STRONG:** 2020 AVERAGE EV/EBITDA OF **6.7X**

US TRANSACTIONS DOWN **11%** ON 2019 BUT MARKET COMPLETES **38%** OF ALL OF ALL SECTOR DEALS

DEAL VOLUMES DROPPED ONLY **6%** IN THE UK, THE MOST ACTIVE MARKET FOR PRIVATE EQUITY

NORDICS ARE EUROPE'S SECOND MOST IMPORTANT MARKET FOR DEALS, WITH **18%** SHARE

OUTSIDE EUROPE AND NORTH AMERICA, DEAL VOLUMES INCREASED **21%** IN 2020 construction products association

A WORD FROM THE CONSTRUCTION PRODUCTS ASSOCIATION

# THE OUTLOOK FOR THE SECTOR IN THE UK

The two unprecedented structural changes of COVID-19 and Brexit have had substantial impacts on the construction industry and the market for Building Products & Services.

CONSTRUCTION OUTPUT
▼ 12.5% IN 2020
▲ 12.9% IN 2021
▲ 5.2% IN 2022

PRIVATE HOUSING STARTS
▼ 21.6% IN 2020
▲ 24% IN 2021
▲ 10% IN 2022

INFRASTRUCTURE WORK
▼ 3.9% IN 2020
▲ 23.9% IN 2021
▲ 5.9% IN 2022

Looking back, the impact of the initial national lockdown on 23 March 2020 was a shutdown on many construction sites across the industry. Over 40% of construction activity was lost in April 2020, with consequent impacts on the supply chain. Builders' merchants and product manufacturers closed down.

Although activity in the UK economy and construction fell, this wasn't a recession in the traditional sense. It wasn't due to a sharp fall in client demand or a lack of finance leading to a crisis, which normally takes a long time to recover from. The initial lockdown was a health crisis with an enforced shutdown of large parts of the economy and other parts of the economy unsure at the time how to continue operations in a safe manner.

So as soon as firms in the construction supply chain were able to work with site operating procedures and other safety measures from mid-May 2020, activity could recover quickly in some sectors, particularly given that subsequent lockdowns didn't affect the construction supply chain.

Infrastructure was the least affected of the construction sector. It is often on large sites with fewer groups of trades in tight spaces, so social distancing and other safety measures are easier to apply without hindering activity. In addition, given clients were keen to kick on with activity and with certainty over funding as well as a long pipeline of projects and frameworks, infrastructure activity returned to pre-COVID-19 levels by Autumn 2020.

In private housing refurbishment, the initial lockdown meant increased working from home and an increased desire for additional space. As the initial lockdown eased, private housing repair, maintenance and improvements activity peaked in October 2020, over 20% higher than pre-COVID-19 levels.

However, in sectors such as commercial, productivity on site has been hit significantly, particularly on commercial towers as it often involves groups of trades working in tight spaces. Towers that were anticipated to finish in the second half of 2020 are continuing into the first half of 2021.

Commercial ctivity in January 2021 remained over 15% lower than pre-COVID-19. However, the rapid recovery in construction activity in some sectors has led to a sharp rise in demand for certain building products, particularly imports including timber, copper, steel, roofing products, paints and resins. Just as construction demand has recovered sharply here, it has also recovered in key markets such as China and the US, increasing pressure on supply chains and leading to some product shortages.

In addition, shipping costs from China have risen from around $2,000 for a 40-foot container in Autumn 2020 to over $8,000 in January 2021 due to increased demand and COVID-19 disruption, leading to a reduction in shipping capacity and a lack of supply of empty containers in China. The shipping costs issue in particular has exacerbated already rising imported product costs challenges.

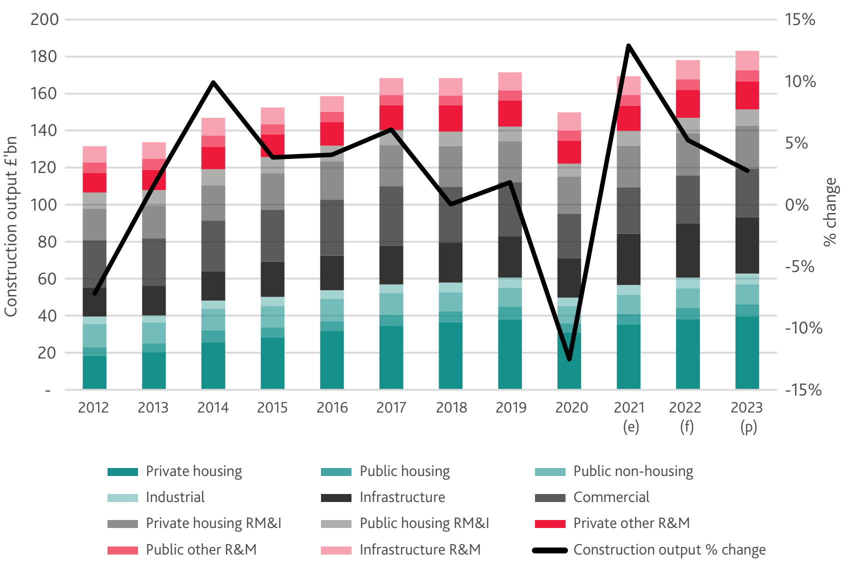
It is also worth noting that Brexit and COVID-19 have meant that there has been a 42% fall in the number of European Union (EU) workers in UK construction over the last three years. London is particularly reliant on EU construction workers. This means that as construction activity continues to pick up in the capital, we may be facing skills shortages.

In the short term, this is likely to increase costs as contractors recruit from the competition or attract labour in from other regions of the UK, particularly the Midlands. In the medium term, this may hinder growth—or on the positive side it may drive investment in digitalisation and modern methods of construction that are less labour intensive.

Contractors we have spoken to say housing demand continues to be strong and house builders are confident about the first half of the year. Private housing repair, maintenance and improvement (RM&I) activity remains strong, as does DIY. Public housing RM&I is strong for cladding remediation.

Infrastructure demand remains strong on major projects such as HS2 but there are concerns about small or medium-sized projects getting stuck in slow procurement processes.

## TOTAL CONSTRUCTION OUTPUT BY SECTOR




> Commercial activity is continuing on projects started or initially expected to finish in 2020, but there are fewer projects in the pipeline to replace them notably larger tower projects and hotel projects are on hold.
>
> However, a few local community projects remain in the pipeline and we could well see local retail and leisure projects flourish due to increased working at home. Meanwhile, traditional commercial offices and retail space is likely to be re-purposed for housing and industrial/logistics.

**PROFESSOR NOBLE FRANCIS**
Economics Director
Construction Products Association

THE **EUROPEAN UNION CONSTRUCTION WORKFORCE** IN THE UK **FELL BY 42%** FROM FOURTH QUARTER OF 2017 TO THE SAME PERIOD IN 2020

**WORKING FROM HOME** COULD LEAD TO A **40% FALL IN OFFICE DEMAND** IN URBAN CENTRES

RISES IN IMPORTED PRODUCT, LABOUR AND INSURANCE COSTS ARE **HITTING CONTRACTOR MARGINS**

BDO'S FRAMEWORK FOR RETHINKING BUSINESS AFTER THE COVID-19 PANDEMIC

# NAVIGATING A NEW NORMAL

From furloughs to face masks, it's hard to overstate how COVID-19 has reshaped the way we live and work in just over a year. And even as vaccine programmes start to curtail the coronavirus threat worldwide, it is still far from clear when - or even if - we will return to anything like the life we had in 2019.

Leaders we have spoken to have confirmed that COVID-19 has acted as a catalyst for people to look at their businesses in new ways. It has also accelerated changes in areas such as digitisation and collaboration. And there is little expectation of a return to pre-COVID-19 normality.

Particularly in areas such as remote working, Building Products & Services bosses believe that many of the changes seen in the last 12 months will be deep and long-lasting. Similarly, some businesses have engaged in automation and other technology investments that will likely change operations for good.

And that's despite the industry not being as hard hit as others in the UK thanks to Government initiatives such as the 'Build build build' campaign and temporary zero stamp duty on houses purchases under £500,000, according to a 2021 BDO survey of businesses across the Construction and Building Products & Services sectors.

These allowed construction output to bounce back to pre-COVID-19 levels by around November 2020, with the exception of private commercial building. And the survey found a high level of optimism in the sector, based on strong order books.

But this short-term cheer was tempered by lingering concerns related not just to COVID-19 but also Brexit. For example, while 48% of respondents felt the biggest challenge facing the UK construction industry would be further COVID-19-related restrictions, 45% cited labour shortages.

Similarly, 91% of respondents were concerned about the risk of supply chain failure. "There are many challenges ahead for construction businesses," says Paul Fenner, BDO's Head of Construction.

> "Some of these are long-standing issues, such as the war for talent and the difficulty of attracting high-fliers into the sector. Others, such as worries about supply chain resilience, reflect current economic uncertainties caused by the COVID-19 pandemic and exacerbated by Brexit."

▶ Find out more about the future of Construction in BDO's Construction in 2021 and beyond report, available at https://bit.ly/3moDeSc.

## BUSINESS VOICES

“Brexit and COVID-19 have been a double whammy. From increased raw material and shipping costs to extended lead times and currency impacts, it’s been a tough year across the business. We need stabilisation. But there is growing demand for exports of UK manufactured products. UK brand equity is high.”

**JOHN JEFFERIES**
Chief Executive Officer
International Interior Solutions
(doors and ironmongery supplier)

## CPA OPINION

Activity in the first quarter of 2021 has started as we anticipated last year. Recovery for the UK economy is likely to be ‘W’ shaped, with a dip during the initial lockdown and then a second dip in the first quarter of 2021 due to the third lockdown. But recovery for the construction industry has so far been ‘V’ shaped.

## BDO VIEWPOINT

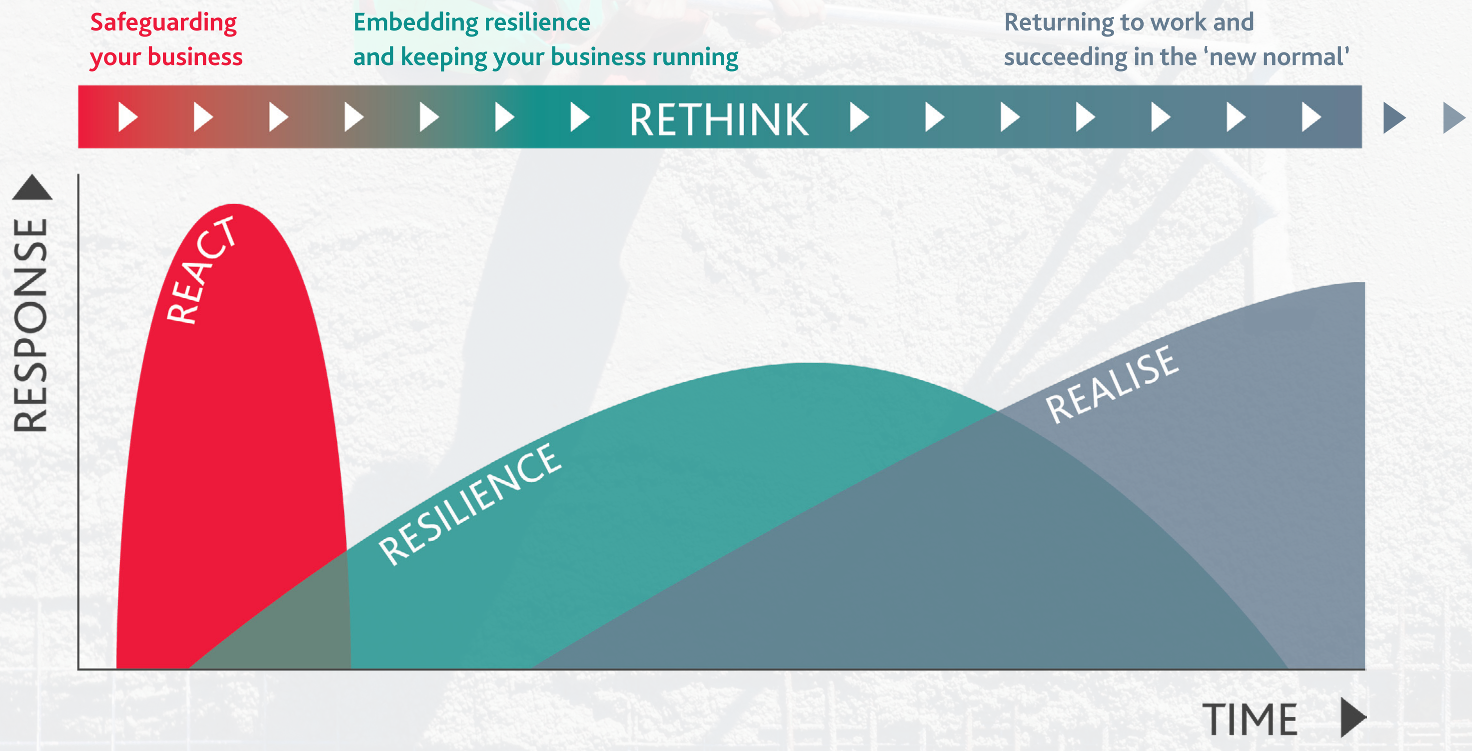
Government led vaccination programmes, should enable companies to return to a semblance of normality soon. But the last year has changed global business dynamics forever, and company leaders should reassess their models as soon as possible.

## MAPPING THE ROAD AHEAD

COVID-19 has created a vastly different business landscape for Building Products & Services than the one that existed 18 months ago. BDO has recognised that companies need help navigating this new normal and has come up with a framework called "Rethink" to reassess business models and commercial assumptions.

Rethink aims to help companies react to the crisis, building resilience into areas such as the supply chain and human resources and then realise benefits as and when the business environment improves.

The model defines the seven internal factors that need to be optimised – and realised - in order to ensure that an organisation can successfully adapt to the new reality.




| | | |
|---|---|---|
| DEAL WITH THE EMERGENCY | ANTICIPATE AND RESPOND TO FINANCIAL PRESSURES | THE 'NEW REALITY' |
| INTERPRET/ UNDERSTAND EVENTS | SUSTAIN OPERATIONS | PLAN FOR THE LONGER TERM |

As businesses move into the "Realise" phase BDO's 7p model is a powerful addition to the Rethink framework and identifies the seven core business functions that the global pandemic has impacted.

To find out what BDO's Rethink framework and 7p model can do for your business, get in touch with us, or visit https://bit.ly/3rPtXnm.

7p

**PEOPLE:** All about **who**

Protecting, retaining, and motivating a workforce

**PROCESSES:** All about **what**

Reframing operations, transactions, and interactions

**PURPOSE:** All about **why**

Finding WHY that will keep business resilient

**PERFORMANCE:** All about **how**

Adjusting activity-related initiatives and KPIs to achieve goals

**PRODUCTIVITY:** All about **results**

Adjusting activity-related initiatives and KPIs to achieve goals

**PLACE:** All about **where**

Rethinking the important of location and geography in order to adjust to the new reality

**PROFIT:** All about **ROI**

Reconsidering a financial strategy that is aligned to the new reality

**SUSTAINABILITY HAS BECOME A KEY AGENDA ITEM FOR COMPANIES RIGHT ACROSS THE SECTOR**

# ENVIRONMENTAL THINKING GETS THE GREEN LIGHT

It's a sign of the times that it no longer takes activists such as Greta Thunberg to tell us the environment is in danger. After lockdowns showed what a more sustainable world might look like, governments globally have put green growth at the centre of COVID-19 recovery plans.

Europe, for example, has earmarked €140 billion in green-tinged recovery aid. US President Biden has tabled a $2.3 trillion climate-friendly spending plan. In the UK, this year's Budget included a green savings bond and a plastics packaging tax, among other measures.

And in the private sector too, large quantities of cash are becoming available for sustainability investments. For example, Amazon has just issued its first sustainability bond, raising $1 billion to invest in renewable energy, clean transport, greener buildings and affordable housing.

For the Building Products & Services sector, this increased focus on sustainability may pose some challenges. Materials companies in industries such as cement and steel making will need to consider how to decarbonise their operations, for instance.

And even relatively non-polluting companies may need to examine their supply chains for sustainability-related risks. Generally speaking, all companies in the sector should now be reviewing their environmental, social and corporate governance (ESG) scorecards.

Generally across the industry, there is a growing awareness that gleaming ESG credentials are not just a desirable brand attribute, but also increasingly a prerequisite for market entry.

Take companies that deal with wood products, such as fire door specialist Integrated Doorsets. For these, Forest Stewardship Council certification is a must. Meanwhile there is increased evidence of construction sites upping their green credentials, for example cutting emissions and opting for electric or hybrid-powered equipment over diesel. Demand for such equipment will continue to rise, providing a boost to plant hire suppliers. Overall, the push for greater sustainability is a massive opportunity.

In the UK, major energy infrastructure projects underway include the 3.2-gigawatt Hinkley Point C nuclear plant and almost as much capacity again in offshore wind farms awarded in the Crown Estate's latest leasing round.

Beyond these vast infrastructure buildouts, growing environmental concerns may spur sector innovation as product lines are adapted or updated for lower environmental impact.

In sub-sectors such as lighting and heating, for example, the move towards greener products is frequently linked to digitisation, with smart home and buildings systems allowing consumers to use power, heating and other services more efficiently.

Fighting climate change also promises to yield significant levels of repairs, maintenance and improvement (RM&I) work in existing buildings, with the Green Finance Institute estimating that retrofitting homes and other buildings could create 200,000 new jobs by 2030.

However, the UK government still appears to have work to do in this area. In the two years to March 2019, 17% of English households lived in a home with no modern facilities, no effective insulation or heating. And the Builders Merchants Federation and the Construction Products Association called out Whitehall for failing to support remediation initiatives in the latest Budget.

The Government has also attracted criticism for withdrawing a £2 billion Green Homes Grant scheme introduced last year. BDO had advocated sustaining the scheme to stimulate RM&I.

Regardless of the government's posture, the sector is waking up to the green agenda opportunity, with industry sources almost unanimously claiming that sustainability is now a major priority.

One example is Johnsons Aggregates and Recycling, which recycles incinerator bottom ash from waste-to-energy plants into building aggregates. Total Rail Solutions, meanwhile, is gearing up for increased rail usage by rolling out solar-powered charging points to cut the carbon footprint of its operations.

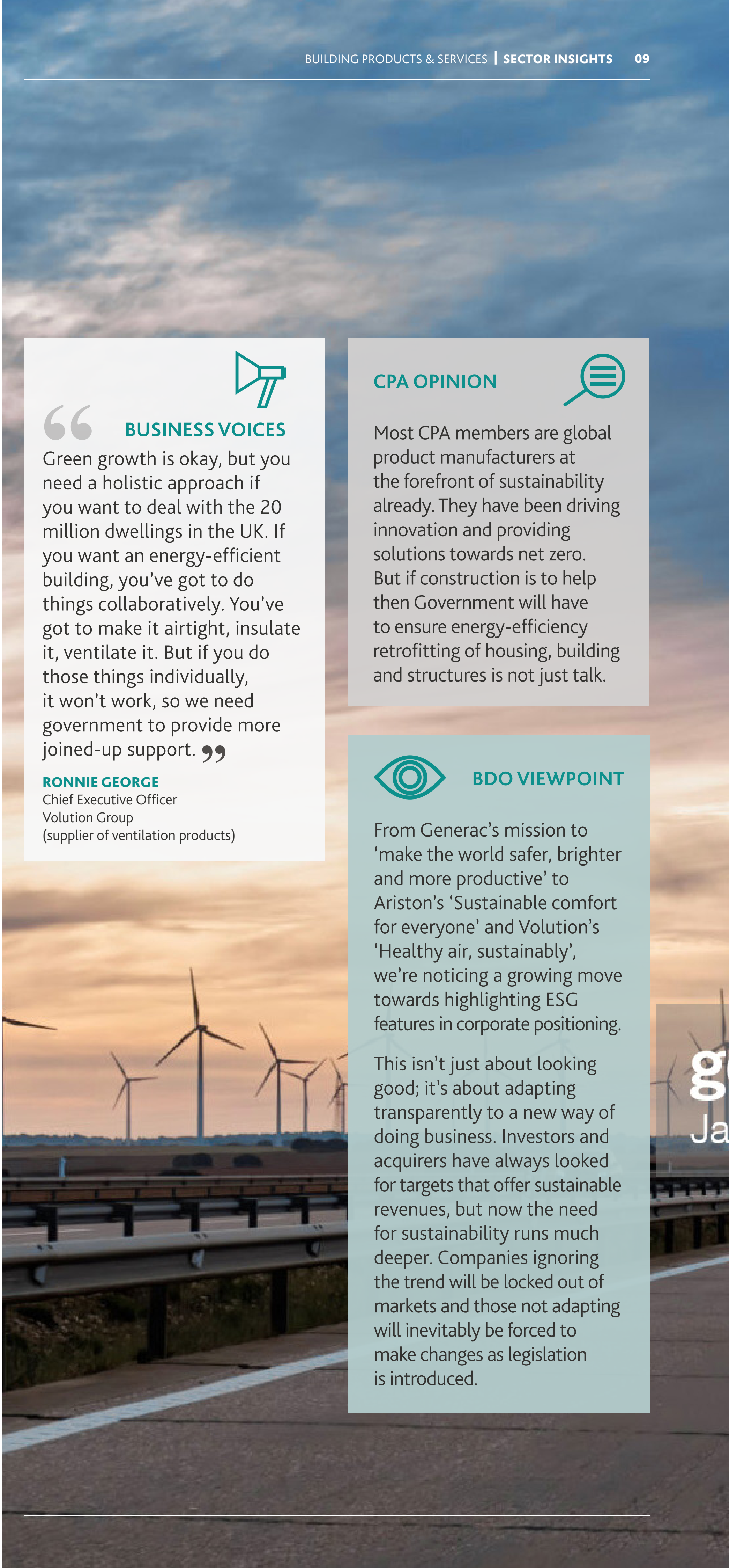
On the deal front, the integrated forestry and sawmilling leader BSW Group acquired Dick Brothers Forestry and the building and supply division of SCA Wood UK, after being bought out itself by private equity firm Endless in February last year.

This creates a £500 million turnover business, positioning for growth in demand for sustainable building materials. Also in February 2020, the Irish insulation and buildings envelopes specialist Kingspan Group unveiled a €750 million war chest for acquisitions.

It has since bought Colt Group, Fire-Us and Logstor International Holding, accelerating Kingspan's vision to become a pre-eminent provider of solutions for the sustainable built environment. Meanwhile there are plenty of private equity funds with an ESG focus looking for suitable investments.

This looks set to be the shape of things to come. Industry bodies such as the Building Merchants Federation and the Construction Products Association are lobbying for more sustainable practices and in March the Construction Leadership Council published a plan to reduce carbon across the construction sector.

The Building Products & Services sector is ready to do its bit for the planet. And the events of the last year have only strengthened the industry's resolve to help build a more sustainable future.



## BUSINESS VOICES

"Green growth is okay, but you need a holistic approach if you want to deal with the 20 million dwellings in the UK. If you want an energy-efficient building, you've got to do things collaboratively. You've got to make it airtight, insulate it, ventilate it. But if you do those things individually, it won't work, so we need government to provide more joined-up support."

**RONNIE GEORGE**
Chief Executive Officer
Volution Group
(supplier of ventilation products)

## CPA OPINION

Most CPA members are global product manufacturers at the forefront of sustainability already. They have been driving innovation and providing solutions towards net zero. But if construction is to help then Government will have to ensure energy-efficiency retrofitting of housing, building and structures is not just talk.

## BDO VIEWPOINT

From Generac's mission to 'make the world safer, brighter and more productive' to Ariston's 'Sustainable comfort for everyone' and Volution's 'Healthy air, sustainably', we're noticing a growing move towards highlighting ESG features in corporate positioning.

This isn't just about looking good; it's about adapting transparently to a new way of doing business. Investors and acquirers have always looked for targets that offer sustainable revenues, but now the need for sustainability runs much deeper. Companies ignoring the trend will be locked out of markets and those not adapting will inevitably be forced to make changes as legislation is introduced.

TECHNOLOGIES ARE TRANSFORMING THE SECTOR BUT BRING NEW CHALLENGES AS WELL

# COVID-19 AND THE TECH PUSH THE INDUSTRY NEEDS

If ever the Building Products & Services industry needed an excuse to embrace digitalisation, the COVID-19 pandemic has provided it. From collaborating via video to selling over the web, digital channels have sustained businesses of all stripes over the last year.

Companies in subsectors such as home improvement have realised how key it is to be able to reach customers remotely, with online buying powering a DIY boom that, in the UK at least, has contributed to price increases across many lines.

Elsewhere, companies have turned to technology to stave off the threat of unskilled labour shortages arising from COVID-19 and Brexit-induced travel restrictions. Mansfield-based Integrated Doorsets, for example, is spending hundreds of thousands of pounds on feed-through presses and other automation machinery.

And in a deal that had a strong offsite automation component, building materials giant Grafton Group, of Dublin, bought Stoke on Trent-based StairBox, which manufactures and distributes bespoke wooden staircases, for £44 million last year.

This all begs the question: as businesses have been forced to shift towards new technologies and digital channels, will 2021 be the year that the sector finally comes to embrace building information modelling (BIM)?

This data-based framework for the design, construction, operation and maintenance of buildings has been in development since the 1970s but has yet to fully take off. There are several possible reasons for this. The main one is simply that, until now, companies have not had an overriding need to work with BIM.

Existing processes and systems worked well enough, leading company bosses to question the value of investing in BIM platforms. Many businesses may have been loath to adopt BIM systems because they had already bought or developed alternative in-house tools.

And still others may simply have felt that BIM isn't a pre-requisite for commercial success. It doesn't help that BIM tools and processes can be hard to evaluate. Because a construction project can take years to complete, BIM pilot schemes might not yield meaningful results until well into the medium or long term.

Furthermore, BIM is a holistic framework and so projects that are restricted in scope might not reflect the true benefits of the approach. The picture is changing, though. Companies competing in the post-COVID-19 economy will need to be highly efficient, reducing labour and materials costs without compromising on quality.

Those that are using BIM systems are already achieving levels of operational efficiency above those of their peers.

Building Products & Services providers will also need to meet heightened customer expectations while navigating an increasingly complex regulatory environment, triggered by events such as the Grenfell Tower tragedy in the UK, the Building Safety Bill and increasing requirements for building information.

Again, BIM can help ensure these goals are achieved.

Finally, Building Products & Services will increasingly need to adopt sustainable principles. Encoding these requirements within BIM tools can allow architects and engineers to track environmental performance throughout the lifecycle of buildings and their components.

What is becoming increasingly clear is that data is set to become as important to Building Products & Services as it is to industries ranging from banking to telecommunications. Solution providers are using M&A to infill gaps so they can offer seamless data solutions throughout the construction cycle.

The Scandinavian construction industry data and software provider Byggfakta Group bought UK-based construction technology provider NBS, for example. Trimble and Autodesk have been buying too.

Advocates claim that it won't be long before the requirements embedded in BIM will automatically link to digital trading platforms and resource planning systems to bring new levels of efficiency and sustainability to the industry.

Imagine, for example, that when a plan is signed off by a client then a software platform takes care of sourcing the materials required, from anywhere in the world, and has them delivered to site for construction, as quickly, cheaply and sustainably as possible.

Such capabilities would bring about immense disruption to the Building Products & Services industry as we know it, just as the internet disrupted telecommunications or solar power is disrupting the energy system.

But like these other disruptions, BIM and its successors also promise to usher in transformational new opportunities. The question for today's businesses is: will they shape this change or be marginalised by it?

▶ Speak to your local BDO adviser or one of the contacts listed at the back of this report to find out how you can invest in innovation cost effectively.

## BUSINESS VOICES

“If you look at the transformation that has taken place in other industries, there's a big difference between digitization and digital transformation. Digitization simply turns an existing process into a digital process. What digital transformation did to most sectors was to transform those processes. As data proliferates in the sector, requirements to manage it and then harness its potential through the operating cycle will accelerate.”

**RICHARD WATERHOUSE**
Former CEO and Chief Strategy Officer
NBS (construction software platform)

## CPA OPINION

Offsite manufacturing and digitalisation have great opportunities, particularly given the skills shortages UK construction may face. But there needs to be certainty of demand. Technology requires upfront investment. It cannot deal with volatility and, historically, construction and house building have been volatile markets.

## BDO VIEWPOINT

The transformational potential of technology has been slow to reach Building Products & Services, but there is increasing awareness of the value of companies that are either investing in innovation today or could be enhanced through high-tech upgrades with backing from a suitable investment partner.

**COVID-19 AND THE GROWING INTEREST IN ONLINE CHANNELS TO MARKET**

# ROUTES TO MARKET ARE CHANGING

From e-commerce to videoconferencing, if one area got a boost as a result of COVID-19 then it was the move to embrace digital channels. Even before the pandemic, technology was changing the way Building Products & Services companies got to market.

Traditional models, often involving independent intermediaries in the form of contractors or builder's merchants, were gradually being replaced and augmented by more direct channels in what is known as an omni-channel approach.

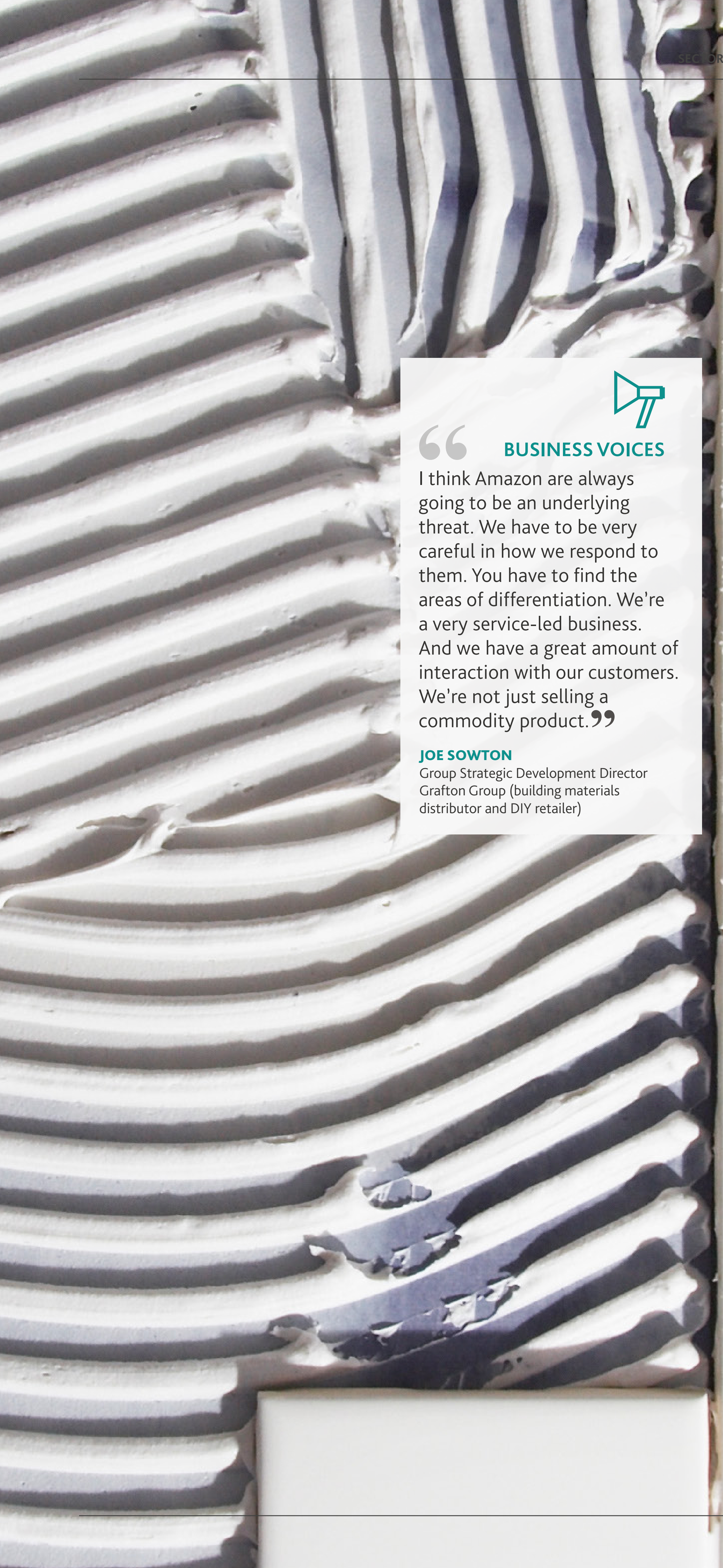
COVID-19 speeded that process and led to a rash of deals involving Building Products & Services companies with a tech-led market approach.

Key Capital Partners-owned online construction materials supplier CMOStores.com, for example, invested £1.5 million in the technology developer Peak "to include cutting-edge artificial intelligence and machine learning technology into its six digital superstores," according to a press release.

CMOStores.com continued its digital channel expansion this year with the purchase of online tile retailer Total Tiles, while Carpetright bought online flooring business Keswick Flooring and Broadview acquired kitchen and bathroom retailer Direct Online Services. Expect more deals of this nature.

While most builders are not yet buying their bricks and mortar off a web portal, the idea of doing so is not too far-fetched. On the contrary, for many businesses we speak to the omni-channel approach is a central strategic direction.

After all, if you can deliver goods more cheaply through digital channels, sooner or later online sales will take off—regardless of whether a global pandemic stops your customers from walking into your yard or showroom.



### BUSINESS VOICES

“I think Amazon are always going to be an underlying threat. We have to be very careful in how we respond to them. You have to find the areas of differentiation. We’re a very service-led business. And we have a great amount of interaction with our customers. We’re not just selling a commodity product.”

**JOE SOWTON**
Group Strategic Development Director
Grafton Group (building materials distributor and DIY retailer)

### BDO VIEWPOINT

Traditional supply chains are being challenged by the advent of digitalisation. Carefully thought-through omni-channel strategies can deliver clear competitive advantage, as businesses work out how to appeal to, and provide excellent service to an increasingly diverse customer base.

**BREXIT: ASSESSING THE IMPACT NOW THAT THE EUROPEAN UNION DEAL IS DONE**

# BREXIT IN THE REARVIEW MIRROR

UK Building Products & Services company bosses have spent years viewing Brexit with trepidation. So, for most it's a relief that the process is over. And with COVID-19 dominating business decisions for most of 2020, Brexit's effects have almost come as an afterthought.

Thanks to Boris Johnson's last-minute deal, nation-stalling logjams failed to materialise on either side of the channel. And despite high-profile teething problems with the separation from the European Union, British businesses have largely been able to survive the divorce. That's not to say there haven't been casualties.

Companies with trading links in Europe have seen higher costs and disruption to operations. Some of these issues, such as 65% drop in general trade between the UK and the Republic of Ireland in January, are likely temporary. But others are not.

In spite of regulatory alignment between EU and UK standards, there is no getting away from the fact that trade with Europe has become more cumbersome and costly, forcing businesses to rethink their supply chains with a view to securing access to materials and preserving margins.

And Brexit has also had a significant impact on the flow of European workers to the UK, many of whom have been returning to the continent since the outcome of the referendum. These impacts are here to stay, and the UK sector will have to learn to live with them.

In fairness, many bosses had already reviewed their supply chain arrangements before Brexit took place. And workforce shortages have forced some companies to improve levels of automation, which is no bad thing in terms of productivity and in avoiding future skills shortages.

At the same time, one of the responses of the industry to Brexit has been to share experiences between stakeholders so it can better understand the challenges of the supply chain. Hence the Construction Products Association is now working with the Builders Merchants Federation to discuss shortages.

What remains to be seen is whether Brexit is likely to affect foreign direct investment. For now, that seems unlikely: businesses we speak to confirm ongoing appetite for UK M&A. If anything, the Brexit deal has removed a measure of uncertainty in the market.

The UK may no longer be part of the European Union, but at least investors now know where they stand. Brexit has not only delayed private sector investment decisions, but has also acted as a drag on public spending. Now it's time to move on and catch up.

## BUSINESS VOICES

"Cash flow management has been a challenge due to the need to carry higher levels of raw materials in order to mitigate against supply chain disruptions resulting from Brexit. We've also seen employee fatigue driven by simultaneously handling both Brexit and COVID-19-related complexities. The government's support initiatives in response to COVID-19 has been very helpful in assisting businesses However, the lack of clarity surrounding Brexit on an operational basis needs to be addressed."

**MEGHA KAPOOR**
Managing Director
Serafin Group (Industrial group with businesses in the Construction Sector)

## CPA OPINION

From 1 January 2021, it will be more difficult for construction workers to come over to the UK due to the employer-led, points-based immigration system. This will be exacerbated by the age-demographic problem in the UK-born construction workforce. We will be losing over 500,000 workers in the next ten years.

## BDO VIEWPOINT

Now that Brexit has taken place, and once COVID-19 is under control, we expect to see a renewed push forward for investment and M&A activity, and increased cross-border transactions in the UK too as businesses address weaknesses in their supply chains.

The most important element now is for Government to listen to the views of the business community when shaping policies.

LOOKING FORWARD TO AN INFRASTRUCTURE BOOM AFTER YEARS OF UNCERTAINTY

# BRING ON THE BIG BUILDING PROJECTS

This will be the year we find out if policymakers are taking the idea of 'building back' the economy literally. So far, there are signs this is the case. The UK's March Budget, for example, saw the announcement of a national infrastructure bank with £12 billion of equity and debt for projects.

CHANCELLOR'S 2021 BUDGET: **12 BILLION** IN **INFRASTRUCTURE** BANK LOANS

INFRASTRUCTURE OUTPUT TO RISE **29%** IN 2021 & **6%** IN 2022

**MAJOR UK PROJECTS:** HS2, THAMES TIDEWAY TUNNEL, HINKLEY POINT C NUCLEAR PLANT

President Joe Biden's American Rescue Plan Act of 2021, meanwhile, includes a $1.3 trillion spend on infrastructure over ten years plus $2 trillion for clean energy during his first term as president.

These programmes have broad political consensus, so Building Products & Services companies will be looking forward to a busy time in the months and years ahead. And it's not a moment too soon.

Global infrastructure investments were anything from 19% to 23% below where they should have been before COVID-19, according to different estimates.

A desire to stimulate jobs and wealth creation in the wake of COVID-19 looks likely to shake off a lack of confidence in embarking on major projects, and the concern now is more around access to materials and skilled professionals.

Commenting on the latest Purchasing Managers' Index by IHS Markit, the Construction Products Association noted in March that construction firms had experienced the fastest rise in cost burdens for more than 12 years.

"Global demand patterns echo those of the pent-up demand and catch-up we are seeing in UK construction since activity restarted in May last year, with spiking demand for timber and steel in particular from across Europe, the US and Asia," said the Association.

It remains to be seen how this squeeze will affect projects such as the UK's HS2 high-speed rail link, which should represent an investment of anything up to £106 billion over the next 20 years and will touch communities all the way from London to Leeds.

HS2 alone could place serious strain on the UK's supply of skills, machinery and materials, further driving up costs. Nor is it the only rail infrastructure project planned for the UK.

The country has earmarked £200 billion to upgrade railways up until 2029, with investment expected to continue rising through to 2035.

As well as HS2, rail improvements are planned across Network Rail and for Crossrail, the Midlands and the Northern Powerhouse. And budget has been allocated for other infrastructure works, from flood defences to hospitals. For once, access to cash shouldn't be a problem for infrastructure.

"In the UK much of our infrastructure is financed, built, operated and maintained by the private sector," notes the Government in its UK Infrastructure Bank policy design document. "However, … the private sector cannot always shoulder the burden alone."

Alongside £12 billion of equity and debt capital, the UK Infrastructure Bank will have the ability to issue £10 billion in guarantees. Its primary focus will be on the economic infrastructure sectors covered in the National Infrastructure Strategy, including clean energy, transport, digital, water and waste.

Another feature of this year's Budget was an emphasis on 'levelling up' the infrastructure gap between the north and the south of the country. This translated into a fund that aims to support transport and other projects across England, Scotland and Wales, with a focus on achieving net-zero goals.

Other sources of cheer in the Budget included cash destined for the UK Community Renewal Fund, Community Ownership Fund and Towns Fund, plus the designation of eight new freeports that will doubtless attract infrastructure investment. What is unclear at this stage is whether
the dynamic of increased home-working has potential to adjust the shape of investment plans.

But even before these announcements, the Construction Products Association was forecasting that construction output could rise by 14% in 2021 and 4.9% in 2022, forecasts which have been further upgraded in the Spring Forecasts. The rush to invest in infrastructure can only improve that outlook.

Corporates and private equity investors alike are taking advantage of M&A opportunities to increase their exposure to the infrastructure market.

For example, M Group Services of Stevenage bought the UK infrastructure services business of Sweden's Skanska AB, a provider of tunnels, bridges, buildings, roads and civil engineering services, for £50m, and H2 Equity continued its buy-and-build programme of highways infrastructure businesses.

And the UK isn't the only country that's putting money into infrastructure in the wake of the COVID-19 pandemic, so buyers could have plenty of choice.

### BUSINESS VOICES

"I think it's an area of the UK economy which is becoming increasingly visible, increasingly talked about and increasingly attractive."

**TIM SMITH**
Chairman
Total Rail Solutions (on track plant hire and plant operations scheme services)

### CPA OPINION

The Budget provided further detail on the Government's new Infrastructure Bank, which will help to leverage investment from the private sector into local authority and green infrastructure. It is likely to help infrastructure investment, but it isn't a game changer given the limited funding available.

### BDO VIEWPOINT

The quantity of investment promised to the infrastructure sector is creating an enormous amount of interest, both from market players seeking to align to opportunities and from investors keen to get in on the action.

We expect to see Government move out of the planning phase and into the spending phase in 2021, at which point the sector will become a clear hotspot for M&A investment, particularly from private equity and large corporates seeking new capabilities and specialisms.

COUNTING THE COST OF COVID-19 ON MERGERS & ACQUISITIONS ACTIVITY

# BRACING FOR THE BOUNCE BACK

Yes, UK deal volumes dropped last year. But it's important to put the decline in context. In the midst of a planet-wide healthcare emergency, with global economies stalled for months on end, the Building Products & Services sector still saw more transactions than any time in the last 13 years, bar two.

### THE UK MARKET IN FIGURES

MORE THAN **1,500 DEALS** IN THE LAST SEVEN YEARS

**249 UK DEALS** IN 2020

SECTOR YEAR-ON-YEAR CHANGE **-6%**

TOTAL UK DEALS VOLUMES YEAR-ON-YEAR CHANGE **-14.5%**

(PER BDO'S PRIVATE COMPANY PRICE INDEX)

While deal volumes declined by 6%, it compares to a decline in the total UK market of 14.5%. The fact that COVID-19 was only able to reduce deal volumes to just above 2017 levels, coupled with the strong growth in transactions that the sector has been seeing for more than a decade, bodes well for the immediate future.

And that's before factoring in the massive infrastructure investments that the UK government is planning as part of its COVID-19 recovery programme.

In its spring 2021 construction industry scenarios, the Construction Products Association predicted the UK would make up practically all the output lost in 2020. And "further growth of 5.2% in 2022 is expected to ensure that construction output at the end of next year surpasses 2019's levels of output," the association said.

In terms of M&A, the UK Building Products & Services industry has been bouncing back since the middle of last year. After a strong start to 2020, volumes fell in the second quarter but have been recovering ever since.

All the signs are this trend will continue, particularly if the UK's ahead-of-the-curve vaccination programme allows the national economy to pull out of lockdowns before of the economies of Europe and North America.

With Brexit no longer creating uncertainty, foreign buyers are expected to look upon the UK as a fertile hunting ground for targets. The only thing that could prove a stumbling block is the availability of willing prospects: after last year's challenges, which might have impacted the margins of certain businesses, there may be a preference to hold out for improved profitability before seeking a buyer. Having said that, there is a window of opportunity to realise full value before Capital Gains Tax rates increase.

Besides foreign buyers entering the UK, there is a good chance that British companies will look to make acquisitions abroad as a result of Brexit. For companies that trade with Europe or have European supply chains, owning subsidiaries on the continent became a more attractive proposition on January 1.

As a result, we would expect to see a rise in cross-border deals to shore up supply chains after a fall in activity between 2019 and 2020. However, cross-border activity might take a while to pick up as countries worldwide, and particularly in Europe and North America, maintain lockdowns pending vaccine rollouts.

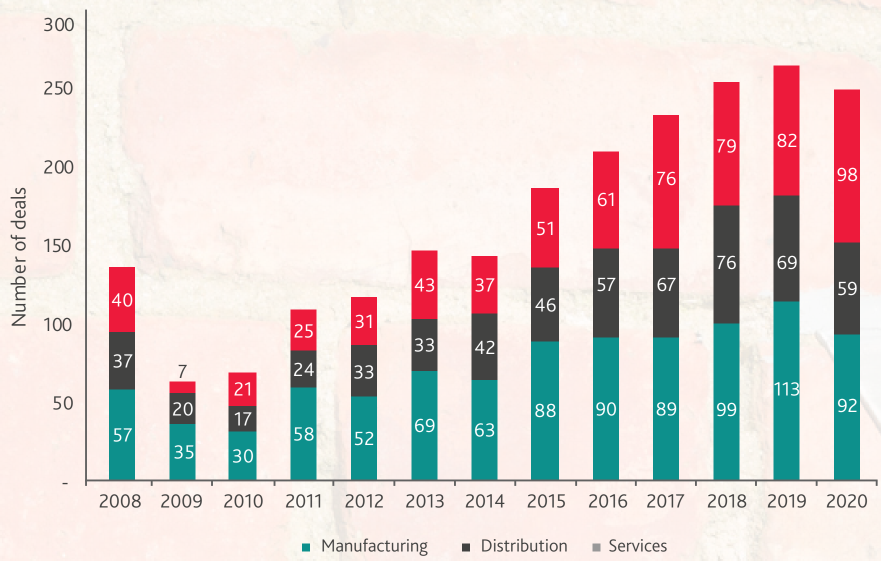
What kinds of targets will be attracting attention in 2021? Naturally, any business with high growth potential will find plenty of suitors.

But with a rising focus on environmental, social, and corporate governance issues, companies that score highly on sustainability could be particularly sought after.

Similarly, there is likely to be a growing premium on businesses that are adopting technology, either to deliver innovation through business processes or to create products appropriate to society's increasing need for smart infrastructure.

For company owners looking to sell, the message is clear: now is the time to be aligning your business to the key trends that suitors will be prioritising.

## NUMBER OF TRANSACTIONS BY TYPE




### 2020

Manufacturing ▼ 18.8%

Distribution ▼ 18.6%

Services ▲ 19.5%

Services increase share of M&A to account for 40% of all UK Building Products & Services deals in 2020.

## BUSINESS VOICES

“I regularly receive enquires about my business, including suggestions of deal structures which would allow a partial exit. There is a lot of cash around and US businesses seem particularly keen. The exchange rate favours them, and they can afford higher multiples.”

**NIGEL RICHMOND**
Managing Director
Integrated Doorset Solutions
(manufacturer of internal timber doorsets)

## BDO VIEWPOINT

The UK is likely to remain one of the world's largest markets for Building Products & Services sector M&A, but alongside the sizeable opportunities for growth there are a number of complicating factors in the market.

At BDO, we understand the dynamics facing businesses across the different sub-sectors and are here to advise you, whether you are an owner-managed business, a private equity-owned business, a corporate or an investor. We are highly active in the M&A market currently, with recent deals providing us with valuable insights into existing deal dynamics, notably negotiation angles arising in light of the pandemic.

THE YEAR THAT PRIVATE EQUITY MADE A PLAY FOR BUILDING PRODUCTS & SERVICES

# PRIVATE EQUITY MAKES ITS MOVE

It wasn't just COVID-19 that shaped the fundamentals of the UK Building Products & Services sector last year. Private equity's presence in the market also moved up a gear.

BUY-OUTS REPRESENTED NEARLY **A THIRD** OF ALL DEALS IN **2020**

The proportion of transactions involving private equity jumped from 22% in 2019 to 32% in 2020, the highest level in a decade. We have seen an increase in specialist funds, investors driving value from carve-outs and taking advantage of rapidly changing dynamics in the industry.

Last year's influx of private equity cash was likely triggered by a growing awareness of the sector's growth potential as the UK government doubled down on its infrastructure buildout commitments to bring back the economy after COVID-19.

A major play for private equity last year appeared to be the acquisition of partial divestitures or 'carve-outs' from corporates.

Examples included Clayton, Dubilier & Rice buying Wolseley UK from Ferguson, Newbury Investments acquiring Primaflow F&P from Travis Perkins in a £46 million deal, and Coverings purchasing another Travis Perkins subsidiary, Tile Giant.

Within the merchant sub-sector, buy-and-build strategies progressed, with Inflexion-backed Huws Gray completing three deals and Cairngorm Capital's Grant & Stone Group embarking on a spending spree last autumn that had resulted in five acquisitions by March 2021.

Elsewhere, private equity groups swooped on distressed windows and doors players such as Everest and Customade Group, and looked to diversify routes to market, as exemplified by Key Capital Partners-owned CMOStores.com's purchase of Total Tiles and artificial intelligence pioneer Peak.

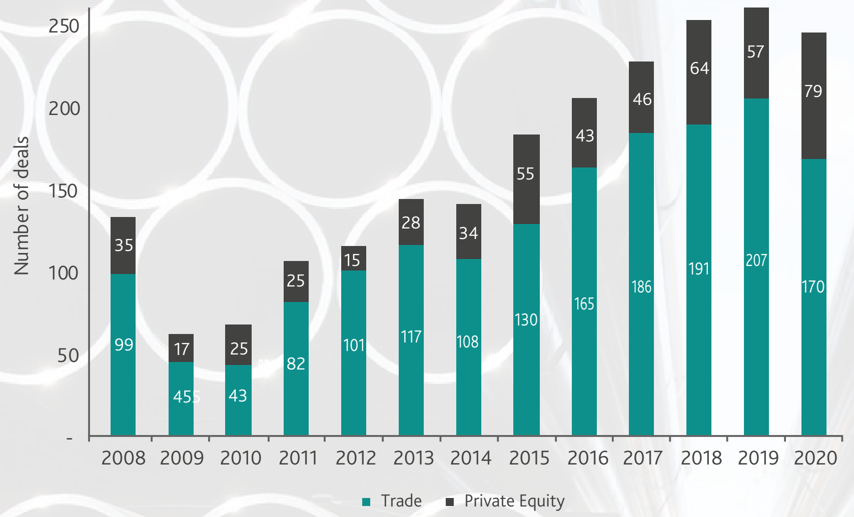
Even before COVID-19, however, private equity investors were targeting the sector because Building Products & Services companies offered interesting possibilities for growth through consolidation and value creation.

A classic example of a private equity target is a traditional, family-run business where there is potential to achieve an edge by introducing more professional teams and processes or by investing in automation and other forms of innovation.

Historically, private equity investors have been particularly drawn to subsectors such as windows and doors, participating in 37% of all transactions since 2008; kitchen and bathroom companies, accounting for 32% of activity; and roof, cladding and insulation, taking in part in 30% of deals.

This preponderance of private equity is expected to help push the sector forward and modernise operations. And given private equity's hunger for growth, it seems likely that Building Products & Services could be set for significant expansion in the coming years.

## TRADE AND PRIVATE EQUITY TRANSACTIONS




Source: Experian MarketIQ, BDO analysis

**2020**

Trade ▼ 25.1%

PE ▲ 38.6%

PE increase share of M&A to account for 32% of all UK Building Products & Services deals in 2020.

## BUSINESS VOICES

“In the current market there is more complexity to unpick, however fundamentally sound business models remain attractive, and private equity offers vendors certainty of execution.”

**CATHAL TURLEY**
Investment Director
H2 Equity Partners (private equity investor)

## BDO VIEWPOINT

Private equity is helping to professionalise and consolidate a market that is in many places dominated by traditional, family-run companies. For businesses looking to stay competitive as the market evolves, private equity partnerships can be of great benefit—provided goals are suitably aligned.

Private equity also has a key role to play in backing corporate carve-outs: with plenty of cash, they can provide the backbone to help a business establish itself as a standalone entity and take advantage of market opportunities.

VALUATIONS: WEIGHING UP THE IMPACT OF PRIVATE EQUITY INTEREST

# VALUATIONS HOLD FIRM IN SPITE OF PANDEMIC

UK trade multiples—as defined by enterprise value divided by earnings before interest, taxes, depreciation and amortisation (EV/EBITDA)—remained healthy last year, at 6.7x.

AVERAGE SECTOR MULTIPLE FOR DEALS IN 2020: **6.6X** EV/EBITDA FOR TRADE

**7.5X** EV/EBITDA FOR PRIVATE EQUITY

AVERAGE LISTED SECTOR MULTIPLE **12.1X** EV/EBITDA (MARCH 2021)

And private equity multiples increased from 7.2x to 7.5x as investors piled in to take advantage of the Building Products & Services sector's increasing growth potential.

Average multiples overall dipped slightly from 6.8x in 2019 to 6.7x EV/EBITDA in 2020, a negligible difference, thanks to the sector's relative resilience in the face of COVID-19.

Although not a dynamic in every transaction, our experience is that private equity cash is having an upward impact on valuations overall, with some assets attracting fierce competition between potential suitors. Here, the addition of seasoned professionals to the management mix and providing an incentive for innovation and growth can only be a good thing in terms of helping the industry to mature.

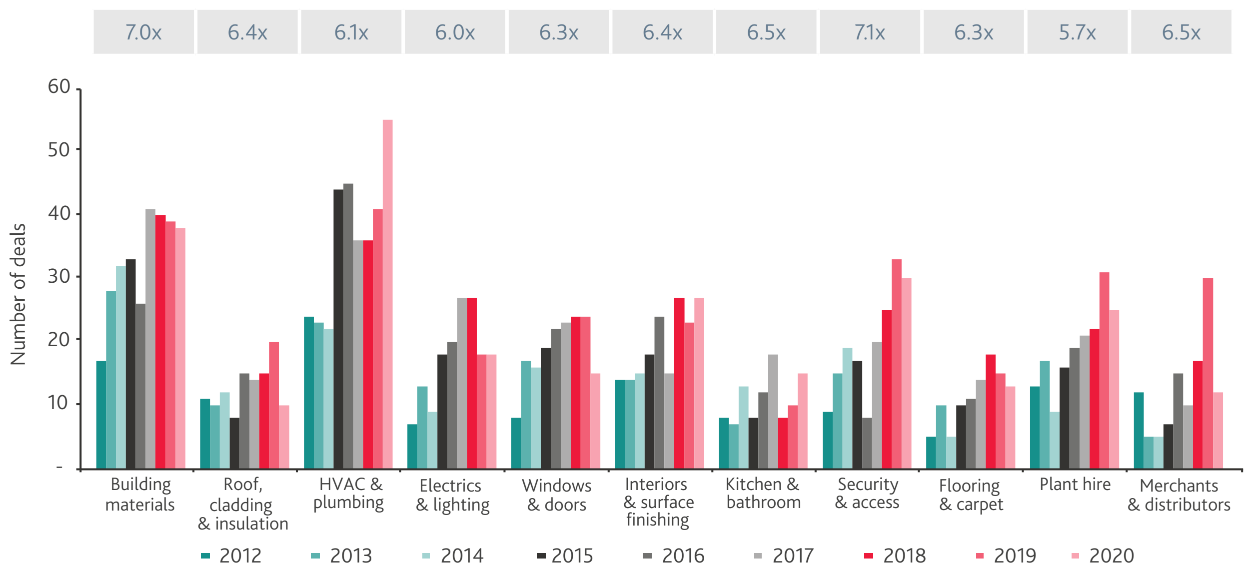
Meanwhile, BDO's Building Products & Services share price index reveals a V shaped recovery, with businesses in the sector bouncing back more sharply than the FTSE and continuing to outperform the market.

Listed sector valuations have increased too, with the average listed sector multiple rising from 9.4x EV/EBITDA in March last year to 12.1x in March 2021. Currently the sector is performing as well as it did in 2015.

## BDO VIEWPOINT

Cash-rich private equity investors and corporates are pushing up valuations, and businesses with a specialist angle continue to attract strong multiples. But while changes in average valuations make for great headlines, what matters to business owners and investors alike is getting a fair deal. Achieving this doesn't always depend on the headline figure, but often the way a deal is structured. Your adviser can offer more details.

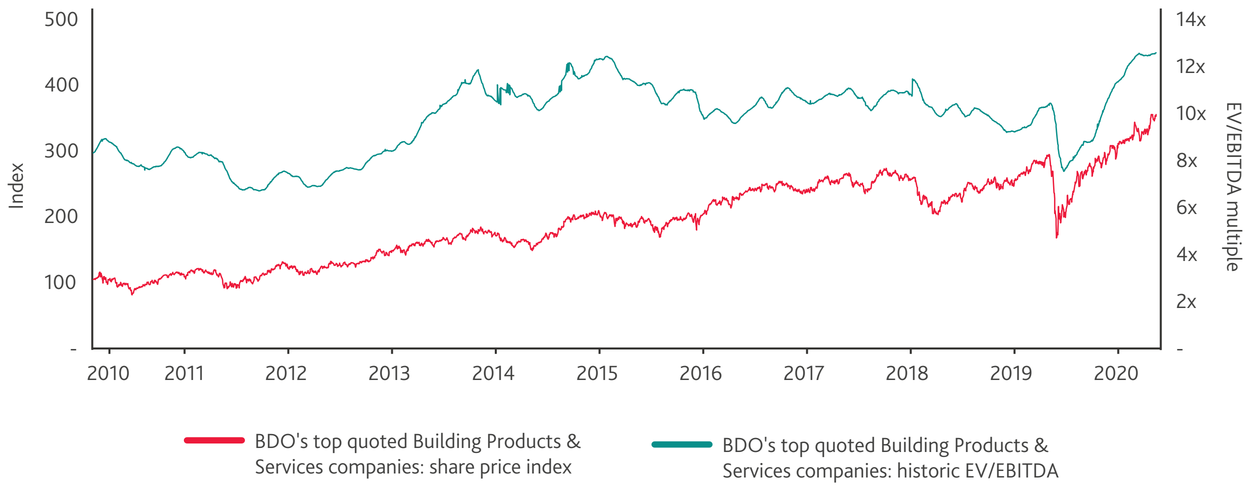
## TRANSACTION VOLUMES AND EV/EBITDA MULTIPLES BY SUB-SECTOR




Source: Experian MarketIQ, BDO analysis

## SHARE PRICE PERFORMANCE IN THE BUILDING PRODUCTS & SERVICES SECTOR

Data 26th March 2021




Source: S&P Capital IQ, BDO analysis

CARVE-OUTS BACK IN FASHION AS CORPORATES RETHINK

# COVID-19 CREATES A CARVE-OUT CLIMATE

'Stick to what you're good at' is sound advice at any time, but particularly in times of pressure. So, it's perhaps no surprise that COVID-19 concerns are leading to an uptick in carve-outs: sales of healthy but non-core business divisions.

Corporate carve-outs are complex transactions, undertaken due to shifts in strategic focus, liquidity and management bandwidth.

The number of carve-outs among FTSE100 companies shot up 29% in 2010, to its highest level this century. Carve-out volumes had been on a downward trend since then… until the COVID-19 pandemic came along.

The last 12 months have seen carve-outs back in fashion in the Building Products & Services sector. The UK's largest buildings materials group, Travis Perkins, was progressing this strategy even before COVID-19 arrived.

In January 2020, and as part of a corporate streamlining programme initiated in 2018, it sold its wholesale plumbing and heating division, Primaflow F&P, to private equity firm Newbury Investments for £46 million to "simplify the group and focus on its advantaged trade businesses," according to Reuters.

That wasn't the only carve-out for Travis Perkins, either. In October, after seeing an 81% drop in profits from COVID-19, the company sold its tile retailing division Tile Giant to Leeds-based specialist investment group Coverings.

And a demerger of its Wickes home improvement business, put on pause when COVID-19 hit in March 2020, was reinitiated a year later.

"The demerger will enable the management teams of Travis Perkins and Wickes to pursue their own independent strategies, each focusing on executing a distinct business plan to deliver the best service to their primary customer base and allocating capital in the optimum way," the company said.

Another company following a carve-out strategy in recent months is Saint-Gobain, the French multinational construction sector manufacturer. In November, the company sold its French home improvement specialist Lapeyre to the German investment house Mutares.

Saint-Gobain is also selling its distribution arms in Spain, Italy and the Netherlands, while at the same time bulking up its core business. In September, for example, it acquired the Dutch insulation systems company Strikolith to reinforce its position in energy-efficient renovation.

Elsewhere, in January listed plumbing and heating products specialist Ferguson announced the sale of its Wolseley UK subsidiary to Clayton, Dubilier & Rice, a global private investment firm, for £308 million.

"The transaction further simplifies the group and allows us to focus entirely on investing in and developing our business across North America where we have the greatest opportunities for profitable growth," said Ferguson's chief executive, Kevin Murphy.

Some of these transactions, such those of Travis Perkins and SIG, which had attempted to sell its buildings solutions division to rival Kingspan, are part of longstanding corporate streamlining programmes. But there is little doubt that COVID-19 has given the trend added impetus.

And that impetus could remain for a while. According to BDO's Rethink model (see p6), carve-out strategies correspond to the resilience and realise phases of adapting to the new reality following COVID-19.

"There may be many reasons why a carve-out may be explored, from shoring up balance sheets or realigning portfolios to delivering value to the overall group," says John Stephan, Head of global M&A at BDO.

> "Carve-outs, when well planned and executed, can have a positive impact on the divesting group and also a positive impact for the performance of the disposed entity in unlocking previously hidden value."

## MANAGING THE CARVE-OUT SALE PROCESS

### Confirm

- **Confirm the deal perimeter -** the importance of taking time to clearly define the proposed carve-out in terms of what is included.

### Craft

- **Craft the equity story -** the presentation of the business being sold in terms of the equity story and the historical and forecast financial information.

### Create

- **Create the separation plan -** the separation issues and the importance of creating a clear road map.

Based on extensive experience, BDO has developed a detailed insights document into how to manage carve-out sales in the sector. To find out more, go to https://tinyurl.com/knmbdnrj

### BDO VIEWPOINT

Many large corporates will be assessing the makeup of their group against their evolving strategy. Within that assessment, various factors will influence the decision to sell a subsidiary or business unit. Careful planning of the process is essential for a successful outcome. Given the complexity of the process, it's important to seek expert advice on these matters.

## THE UK SUB-SECTOR PICTURE: NO SURPRISES AFTER A CHALLENGING YEAR

# SUB-SECTORS RESILIENT ON THE WHOLE

Imagine a year in which people were told to stay at home and stores and showrooms closed for business. Retail and construction revenues would plummet, but you might see an uptick in home improvement sales.

That picture describes COVID-19's impact on revenues throughout 2020 but is also reflected in UK Building Products & Services sub-sector deal volumes. Direct-to-consumer sub-sectors maintained or even grew deal activity levels compared to previous years.

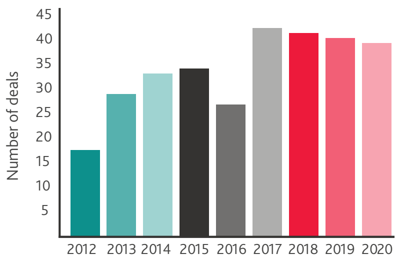
Kitchen and bathroom business transactions were up 50% and interiors rose by 17%, both reflecting a buoyant repairs, maintenance and improvement market.

And the heating, ventilation and air conditioning sub-sector saw deal volumes growing by 34%, accounting for 21% of all deals—ahead of building materials—and perhaps highlighting the innovation opportunity arising from the application of industrial internet of things technologies to improve sustainability and efficiency.

In most cases, though, the number of deals per sub-sector decreased in 2020, in some cases quite significantly.

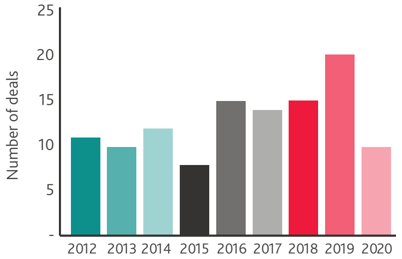
### BUILDING MATERIALS

Deal volumes and valuations remain strong despite a downwards trend.
Average EV/EBITDA multiple **7.0x**
2012 – 2020



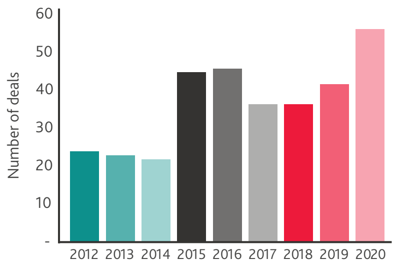

### ROOF, CLADDING & INSULATION

Deal volumes halved, to lowest level in five years.
Average EV/EBITDA multiple **6.4x**
2012 – 2020



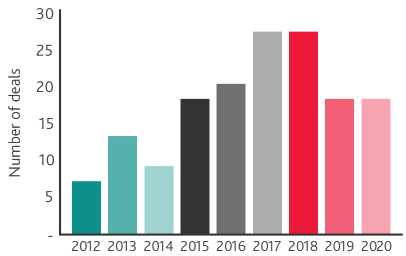

### HVAC & PLUMBING

Serial acquirers contributed to the hike in deal volumes: listed home assistance giant HomeServe made no fewer than ten acquisitions in 2020, including five in France, while Ansor's Efficient Building Solutions added four businesses.
Average EV/EBITDA multiple **6.1x**
2012 – 2020



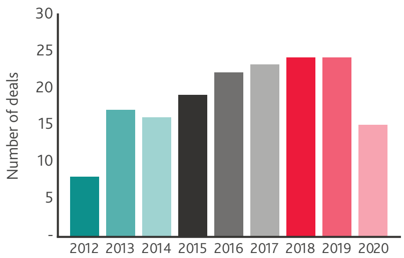

### ELECTRICS & LIGHTING

A fragmented market, with significant management buyout activity in 2020.
Average EV/EBITDA multiple **6.0x**
2012 – 2020



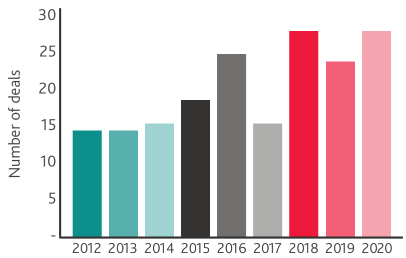

### WINDOWS & DOORS

Market challenges, with activity by turnaround-focused private equity players.
Average EV/EBITDA multiple **6.3x**
2012 – 2020



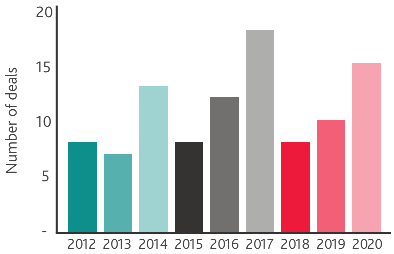

### INTERIORS & SURFACE FINISHING

Strong volumes likely galvanized by the pandemic-driven home improvement boom.
Average EV/EBITDA multiple **6.4x**
2012 – 2020



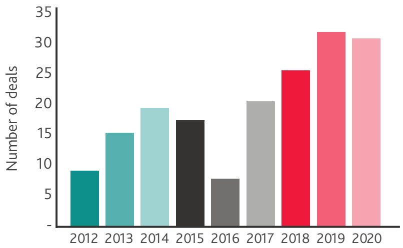
## KITCHEN & BATHROOM

Transactions focused on luxury brands, with Engineered Stone Group in three deals, and routes to market, with Broadview acquiring Direct Online Services.
Average EV/EBITDA multiple **6.5x**
2012 – 2020



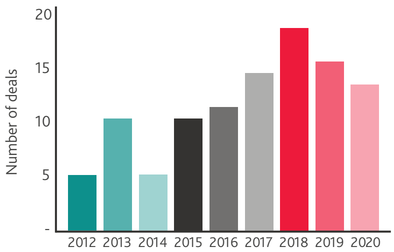

## SECURITY & ACCESS

JLA and Churches are among the actors consolidating this sub-sector. Expect more following Phoenix's acquisition of Spy Alarms as a platform to amalgamate the fragmented market.
Average EV/EBITDA multiple **7.1x**
2012 – 2020



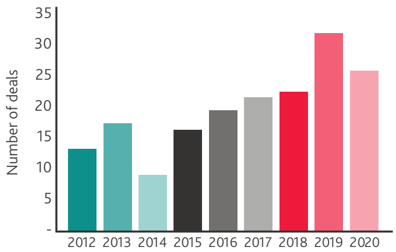

## FLOORING & CARPET

Significant deals included Victoria plc's £175m investment from Koch Equity Development, CMOStores' acquisition of Total Tiles and Carpetright's purchase of Keswick Flooring.
Average EV/EBITDA multiple **6.3x**
2012 – 2020



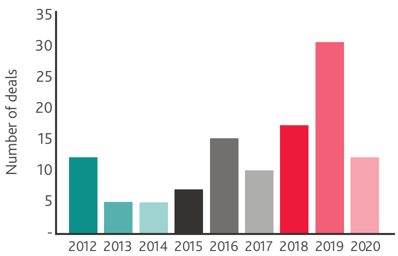

## PLANT HIRE

Deal volumes dropped after an impressive 2019—but remain above historic levels.
Average EV/EBITDA multiple **5.7x**
2012 – 2020




## MERCHANTS & DISTRIBUTORS

Private equity players are consolidating the market, with Cairngorm-backed Grant & Stone and Inflexion-backed Huws Gray completing multiple acquisitions.
Average EV/EBITDA multiple **6.5x**
2012 – 2020




## BDO VIEWPOINT

It would be easy to paint 2020 as an annus horribilis for UK Building Products & Services. And sure, compared to 2019 most sub-sectors saw a drop in deal volumes. But that's only part of the story.

Look back to 2015 and, in comparison, 2020 was a bumper year for transactions, with only one sub-sector having fewer deals. The long-term trend for the industry is clear: in almost all sub-sectors, deal activity is rising year on year.

This points to strong underlying fundamentals which, combined with the infrastructure buildout expected to get underway this year, points to a bright future for the sector—regardless of which part you are in.

INTERNATIONAL MARKET HIGHLIGHTS

# THE GLOBAL MARKET IN FIGURES

Last year's deal volume took the total amount of global Building Products & Services sector transactions to more than 5,000 over the last eight years but still represented a steep decline on 2019 levels, with the most severe impact seen in the non-US Americas (down 50%) and Europe (down 29.8%).

DEALS IN 2020: **785**

YEAR-ON-YEAR CHANGE: **-15.4%**

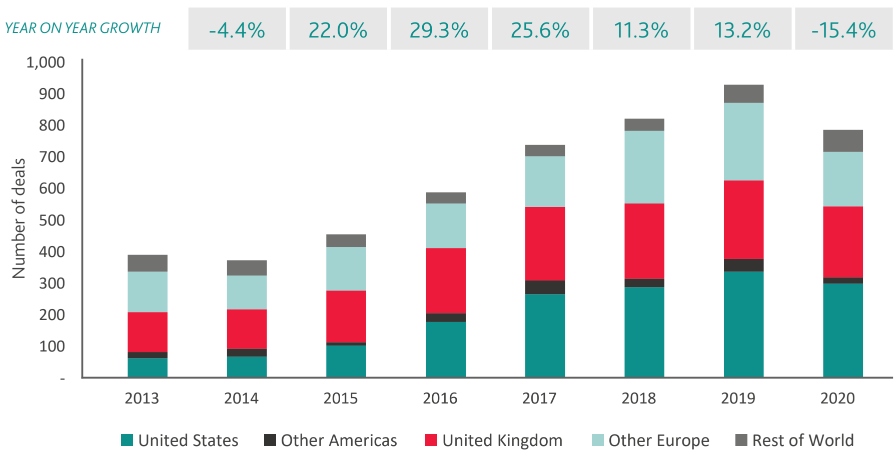
The UK and US deal volumes declined by 9.6% and 11.3% respectively, which was a lesser decline than Europe. Across the rest of the world transaction activity actually rose by a healthy 20.7%, buoyed by activity in India and, in particular, IPOs in China.

Global deal activity was hit hard by lockdowns in the second quarter of last year, but activity quickly resumed in Q3, with levels maintained in Q4.

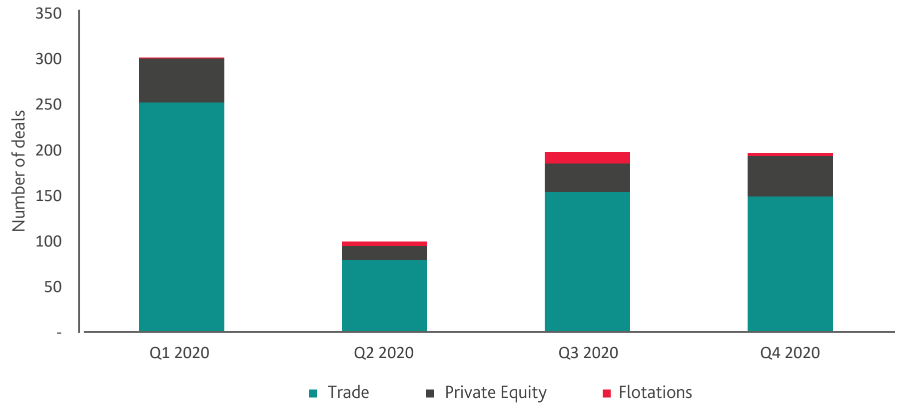
Buyouts increased slightly last year, although remained at roughly the same level as their eight-year average (18.2%). There was also a large increase in flotations, rising from six in 2019 to 21 in 2020. This was almost entirely driven by activity in China, which alone saw 14 public listings.

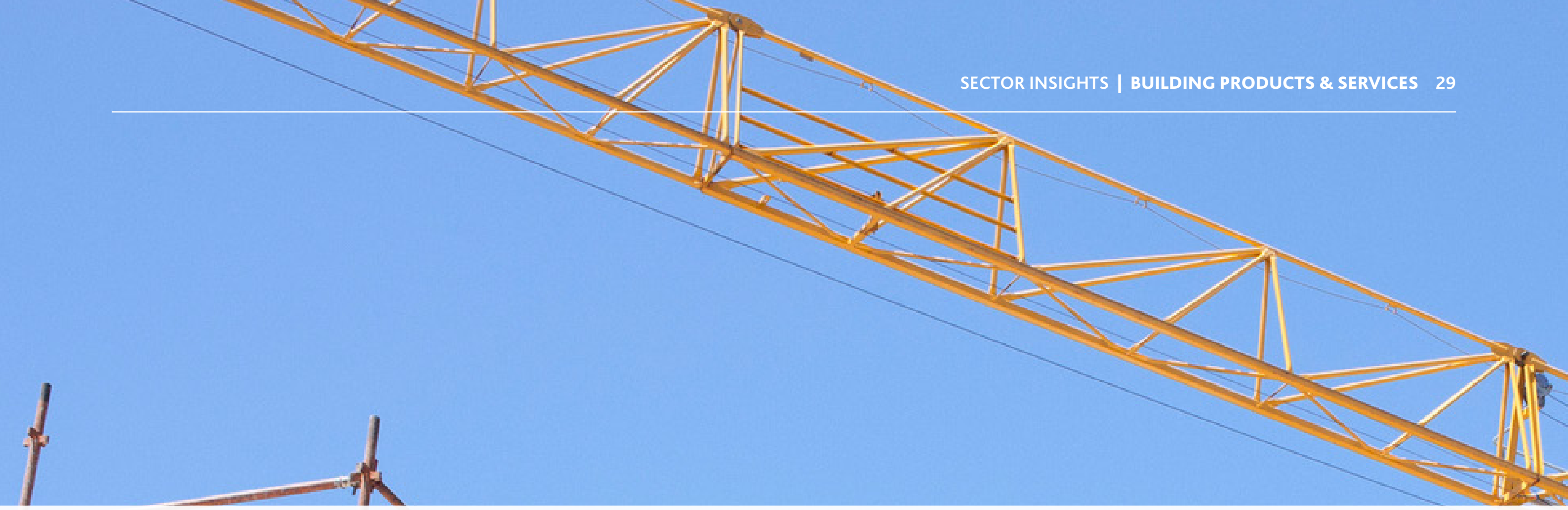
Likely reflecting travel restrictions, the level of cross-border transaction activity dipped in 2020, settling 4.5% below 2019 levels and well below the eight - year average of 26.8%. Four countries accounted for three quarters of all deal activity in 2020, with two - the US and the UK-representing two thirds.

## GLOBAL DEAL VOLUMES, 2013 – 2020

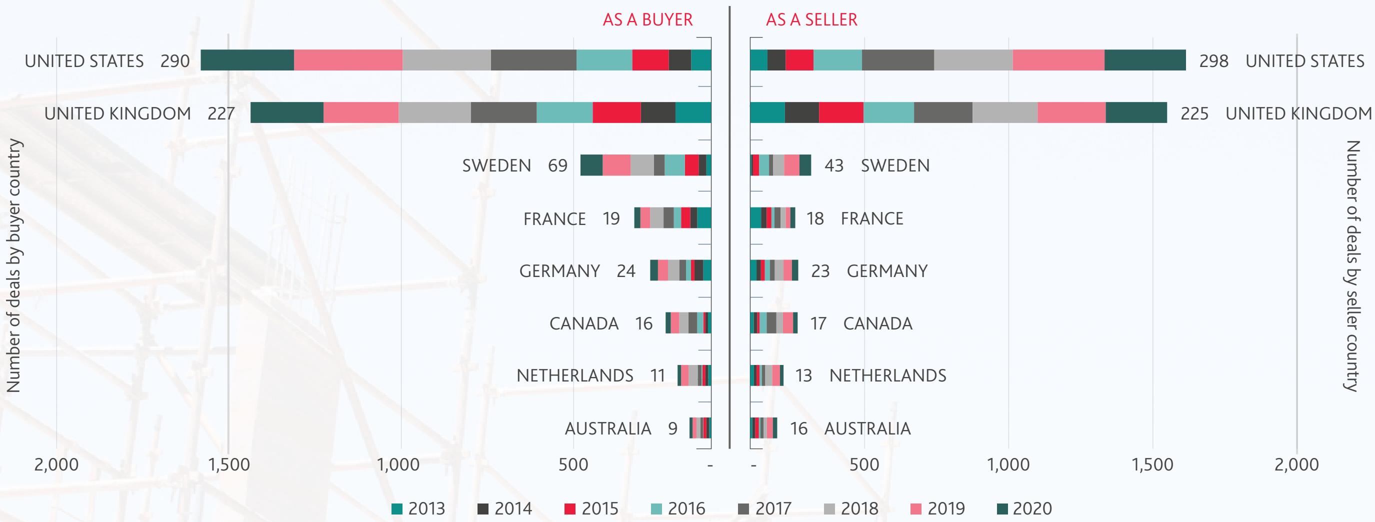



## GLOBAL DEAL VOLUMES – 2020 QUARTERLY ANALYSIS





## PRIMARY DEAL MARKETS




### CROSS-BORDER DEALS

2020 LEVEL:

**19.7%**

2019 LEVEL:

**24.2%**

### BUYOUTS

2020 BUYOUTS:

**17.1%**

2019 BUYOUTS:

**16.1%**

### BDO VIEWPOINT

We see international deal activity growing in 2021 on the back of a continuing recovery from the COVID-19 pandemic, albeit that challenges related to the healthcare emergency will persist in many parts of the world.

### BDO IN THE SECTOR

**160 DEALS** COMPLETED IN 2020

**41% OF OUR DEALS** WERE CROSS BORDER

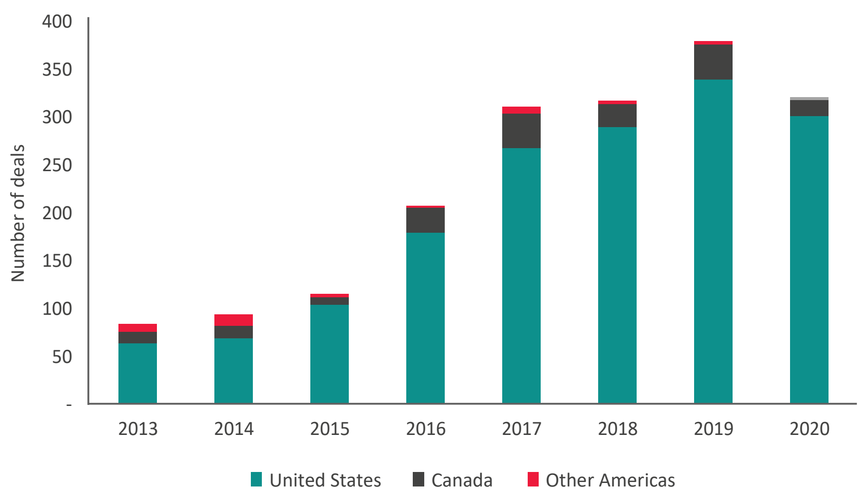
**24% OF DEALS** BACKED BY PRIVATE EQUITY

**INTERNATIONAL ROUNDUP: THE TOP MARKETS FOR M&A**

# INTERNATIONAL PERSPECTIVES: **AMERICAS**

With some 2,500 corporate finance professionals across more than 100 countries, BDO is one of the world's top advisers for Building Products & Services transactions. In this section our in-country experts provide insights into some of the key markets for the sector in 2021.

**AMERICAS DEAL VOLUMES**




## UNITED STATES: THE ACCA OPINION

Soaring materials costs, supply chain problems and project cancellations continue to impact the construction industry one year into the pandemic. Association officials are warning that the industry will have a hard time recovering unless President and Congress act promptly to remove costly tariffs and enact infrastructure funding to boost the economy and construction.

## UNITED STATES

In the US Building Products & Services sector, M&A volume declined 12% in 2020. However, this was coming off an increase of 17% the prior year, so all in all still a very active year by historical standards.

Most of the decline occurred during the second quarter, as boards and management teams dealt with the emerging COVID-19 health crisis. As markets stabilised, pent-up demand led to a flurry of deal closings in the third and fourth quarters, and that momentum has largely continued thus far into 2021.

Despite its reputation for vulnerability to recessions, the US housing market experienced a record year in 2020, with double-digit increases in new home sales and building permit applications, a bellwether for future construction.

Rising demand and record low inventory boosted US housing prices and remodeling activity, although concerns are mounting over rising input costs, most notably in lumber, and availability of other building materials which have been in very short supply with extended lead times.

Despite these challenges, we expect a very robust M&A environment in 2021 as interest rates remain low, home buyers seek more space, and the broader economic recovery takes hold. All eyes are on President Biden's multi-trillion-dollar infrastructure bill, which could add even more fuel to the fire.

**PATRICK BISCEGLIA**
MANAGING DIRECTOR
UNITED STATES

## CANADA

Canadian M&A activity within the Building Products & Services sector saw a reduction of 57% in terms of deal volume, with 17 completed transactions in 2020.

The lower level of activity can be attributed to not just the uncertainty around the pandemic but more specifically the practical challenges in navigating cross border transactions, which historically accounted for more than half of annual deals completed in the sector.

As we moved through the fourth quarter and into 2021 there are ample signs of a resumption in activity with key drivers of this being the ability of deal makers to adapt to the travel-challenged environment as well as debt and equity providers looking to deploy excess capital.

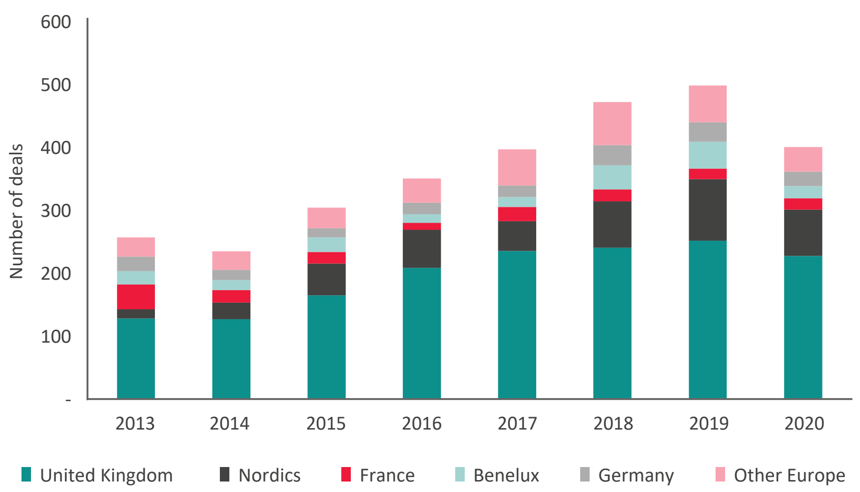
These factors, combined with the expected macroeconomic recovery, have us poised for excellent momentum through the 2021 year.

**RYAN FARKAS**
M&A MANAGING DIRECTOR
CANADA

INTERNATIONAL ROUNDUP:
THE TOP MARKETS FOR M&A

# INTERNATIONAL PERSPECTIVES: **UK AND SWEDEN**

DEAL VOLUMES




## EUROPE: EUROCONSTRUCT OPINION

Construction activity is expected to fall by 7.8% and rise by 4.9% in 2021. However a complete recovery is not anticipated before 2023, with much depending on how well government relief/stimulus programmes work.

Beyond the COVID-19 issue it is to be expected that in the mid-term positive factors like the need for housing in urban regions, for energetic renovation and for modernising the infrastructure will set the tone for growth again.

## UK: THE CPA OPINION

In the short term, a key risk is government policy. Given the reliance on Government for construction growth this year, it is essential that it delivers activity on the ground from its announcements of funding and ensures that policy stimulus doesn't face a cut off later in the year unless UK economic growth is sustained.

"

## UNITED KINGDOM

The UK'S Building Products & Services sector had to weather two storms in 2020. The most obvious one was COVID-19, which the UK struggled to contain and which ultimately led to the imposition of significant lockdowns and social distancing measures, some of which are still in place.

While dealing with the pandemic, Building Products & Services also had to contend with uncertainty over Brexit that lasted right up until the final hours of the transition period. Under the circumstances, it appears the sector handled both challenges well.

Deal activity fell in the second quarter of 2020, as would have been expected, but came back strongly in the three following quarters and might be expected to regain pre-pandemic levels this year. One unusual feature of the deal landscape in 2020 is that transactions involving services companies overtook those for manufacturing and distribution for the first time since we have been tracking the sector.

This was likely driven by the impact of lockdowns on manufacturing and distribution businesses, but we expect it is an underlying trend that will continue.

Looking forward to trading conditions for the rest of 2021, import restrictions continue to be a challenge for some players, and not just as a result of Brexit.

Companies are also reporting higher-than-usual shipping and materials costs from China, which is affecting pricing and forcing businesses to seek alternative supply chain arrangements in some cases.

Longer term, the government's green agenda and infrastructure spending plans have been welcomed by the sector, but there is also concern over an apparent lack of support for retrofitting in the residential sector. That said, we expect strong growth in 2021. "

**MITHUN PATEL**
DIRECTOR AND SECTOR CO-LEAD
UK

"

## SWEDEN

Despite the impact of the global pandemic, the Swedish Building Products & Services sector remained the most active European market for M&A after the UK. The Swedish sector generated a total of 43 deals, a slight decrease compared to the record-breaking volume of 56 deals in 2019.

The decline is in line with the global trend, where we saw a sudden downturn during the second quarter followed by a spectacular recovery in the third and fourth quarters, in terms of deals completed.

The Swedish Building Products & Services sector is still characterized by low private equity activity due to the larger presence of serial acquirers such as Instalco, Bravida and Indutrade, that together participated in 51% of the sector's deals in 2020.

With the sector still being highly fragmented and serial acquirers exceedingly active, the outlook for 2021 is positive. We are confident that the observed momentum in the third and fourth quarters of 2020 is to continue throughout 2021, driven by a low-interest climate and a pent-up demand for acquisition opportunities. "

**CLAES NORDEBACK**
M&A PARTNER
SWEDEN

INTERNATIONAL ROUNDUP:
THE TOP MARKETS FOR M&A

# INTERNATIONAL PERSPECTIVES: **GERMANY, FRANCE AND NETHERLANDS**

## GERMANY

The overall construction market in Germany proved very resilient during 2020, notwithstanding the COVID-19 pandemic. It was underpinned by strong order books, up 2.2% with absolute volumes at a 19-year high, and held up strongly compared to other European markets, including during the summer of 2020.

Unsurprisingly, given the sentiment around risk, M&A in the sector broadly followed Building Products & Services M&A trends in other European countries. There were 23 deals involving German target companies, down 26% year on year.

Declines in the second and third quarters were followed by a strong recovery in the fourth quarter. Cross-border activity, including outbound, remained high, at 46% of deals. Reported deals were very heterogenous and with limited discernible trends.

Generally, interest in domestic and commercial heating, ventilation and air conditioning solutions remained strong, driven also by an increased focus on energy saving and clean air solutions, with a shift to not only manufacturing but also consulting, distribution, installation and maintenance services.

We expect ongoing deal activity to be driven not only by meta trends such as climate change, including sustainability and smart cities, and digitalisation but also roll ups, driven by corporates and private equity houses, in specialised service and trade companies.

These would be designed to create larger regional or national players with a broader portfolio of services and critical mass, or otherwise gain access to the German market.

**JANE EVANS**
M&A SENIOR MANAGER
GERMANY

## FRANCE

The housing market has not been spared by the health crisis affecting most countries right now. To fight against the COVID-19 virus, the government put in place a lockdown which negatively impacted the construction sector.

Indeed, during the lockdown period—which lasted exactly 55 days—most construction sites were closed and no production was possible.

At the end of the lockdown, even though companies are starting to reopen their construction sites, the productivity per hour worked has shrunk due to new measures adopted for workers' health and safety.

To revive the economy, the government has set up a two-year recovery plan, from 2021 to 2022, with a budget of €100 billion for different sectors of activity.

Concerning housing, the emphasis is on energy renovation through the MaPrimeRénov scheme, with some other measures aimed at boosting new construction and limiting urban sprawl. These measures might not be enough to sustain housing market production in the short term.

Consequently, the housing market is expected to have decreased in 2020 due to lower activity linked to COVID-19 along with increasing house prices in prime areas and rather low lending rates, before going up from 2021.

Meanwhile, the non-residential market is suffering a lot from the health crisis.

The lockdown put in place by the government to fight against the virus led to a massive closure of shops, difficulties for the supply chain and an inability for workers to work in factories.

After few weeks of lockdown, construction sites were able to operate with sanitary measures that slowed construction but allowed the site to continue. Workers quickly adapted to allow the activity to be almost back to normal from June. Thanks to this, there will be a lesser impact than expected in 2020.

Even if the impact on the economy is massive, some types of building will be less affected than others. For example, warehouses will benefit from the rise of e-commerce while many shops will close, which will not encourage new building.

The government's two-year plan to revive the economy includes €4 billion dedicated to non-residential buildings, focused on energy saving in public buildings. These measures will barely support non-residential building construction, which was expected to decrease by 16.2% in 2020.

Non-residential building is strongly linked to the overall economy and the investment capacities of companies. The quicker the economy recovers, the quicker the non-residential building recovery will be.

Thanks to a good gross domestic product growth in the next few years, growth should resume in 2021—but 2019 levels will not be reached before 2024. Public works contracts did not rebound significantly during the summer, either in terms of work carried out or contracts concluded, although permanent employment increased slightly.

Unlike the first confinement, the second, which has just begun, will allow activity on building sites and at material distribution points. Private players have been weakened by the first confinement, but this is also the case for local authorities, the leading providers of works in France.

They have had lower revenues and have managed their resources to the detriment of investment. This was to be expected after the election last March, but the scale is unprecedented.

In the long term, after a mechanical rebound in 2021 and 2022 and the support of major works, a reform of local authority financing will certainly have a lasting impact on local council balances. ”

**PASCAL MARLIER**
ADVISORY PARTNER
FRANCE

“

## THE NETHERLANDS

Building activity in the Netherlands has come under pressure last year, fuelled by a national nitrogen debate, which is pressuring businesses to play their part in decreasing nitrogen levels in the atmosphere.

The construction sector in general is a key contributor to nitrogen levels, and therefore interest in the take-over of more general construction companies has been much lower than before. But it is now picking up again, especially given the large housing need in the Netherlands.

Demand is still especially great for companies that have a distinguishing focus or specialisation.

There also remains a broad interest for technical servicing, maintenance — for large property owners and housing associations—and installation companies, where a few consolidators are buying many smaller players and creating several national coverage companies.

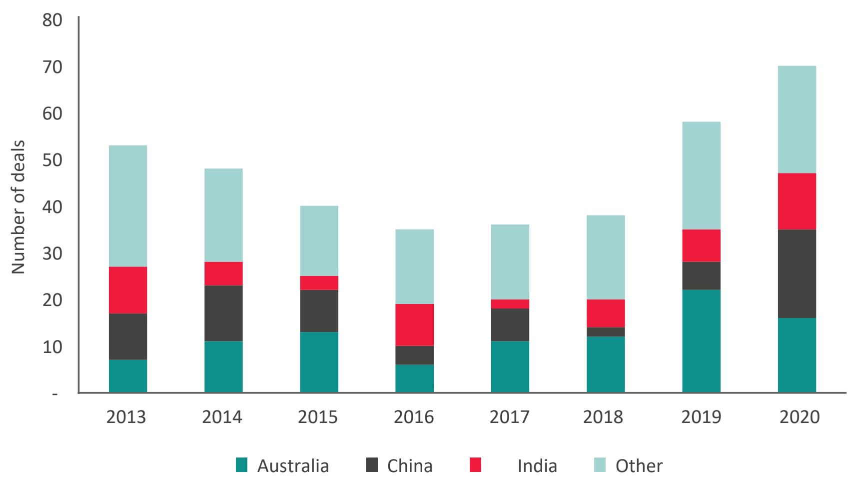
Also, private equity seems to be eyeing recurring revenue and contracted sectors, creating a favourable outlook for these sub-sectors especially. ”

**JOOST COOPMANS**
M&A PARTNER
THE NETHERLANDS

INTERNATIONAL ROUNDUP:
THE TOP MARKETS FOR M&A

# INTERNATIONAL PERSPECTIVES: **REST OF WORLD**

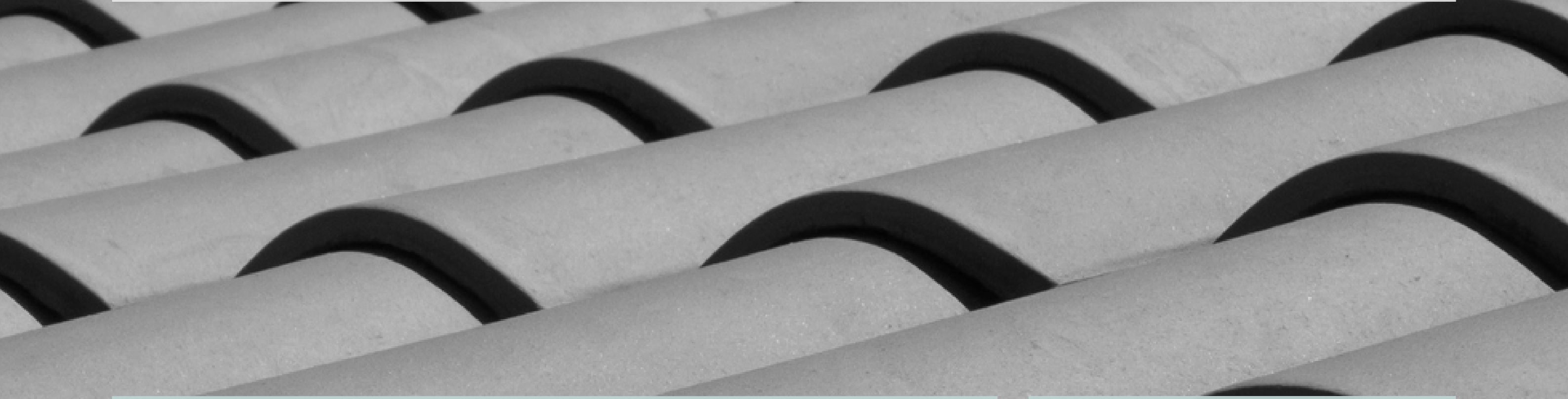
REST OF WORLD DEAL VOLUMES




## AUSTRALIA: THE ACA OPINION

The recently released Infrastructure Priority List reaffirms the critical role of construction in supporting the nation's economic recovery and ongoing economic competitiveness. With this record number of new investment opportunities, all levels of government need to work with industry to ensure that projects are delivered in a timely and efficient manner that maximises the social and economic benefits of the government's investment.

If we could just halve the gap in productivity growth between the construction industry and other industries over the past 30 years, we could construct an extra $10 billion of infrastructure every year for the same level of expenditure. This will be vital in a post COVID-19 world with high levels of government debt but no less of a requirement to construct productivity enhancing infrastructure. The opportunity is not just one of productivity and profitability it is the opportunity for industry sustainability.



## INDIA

In spite of the year of pandemic, there was an unprecedented spike in M&A deals in India's Building Products & Services sector. The two key factors underlying this spike are policy changes and reforms focused on infrastructure development, and the impact of insolvency law introduced in 2016.

An economic survey tabled by the Finance Minister in the 2019-2020 budget stated that India needs to spend about USD$1.4 trillion on infrastructure to achieve a gross domestic product of $5 trillion by 2024-25.

The budget for the year ending 31 March 2022 has already made significant allocations towards infrastructure development, including transport infrastructure, pipelines and the energy sector. Furthermore, there is significant policy support for initiatives around housing for all and smart cities.

With the demographic strength that India has, its increasing economic significance and with a growing discomfort of several countries against China as a supplier to the world, we believe that there will be significant inbound investments in Indian infrastructure and the related Building Products & Services space.

Meanwhile, the new bankruptcy law or Insolvency Business Code (IBC) introduced in 2016 in India has given the lending community teeth to take action against defaulting companies.

For example, an outstanding debt of more than $20 billion from three large steel companies has been settled through the IBC process, with all three companies now having new owners.

Due to the unsustainable debt levels of some of the companies in the Building Products & Services space, we believe there will be further M&A opportunities. It is also a good time to acquire operating assets at reasonable prices while stock markets are trading at all-time-high levels.

Overall, we believe that 2021 will see a further increase in M&A transactions, with a growing focus on infrastructure development, and increasing cases under IBC since the admission of new cases was temporarily suspended last year due to the pandemic.

**SAMIR SHETH**
PARTNER AND HEAD OF DEAL ADVISORY SERVICES
INDIA

## CHINA

The M&A activity in Building Products & Services in China was strong in 2020, with 19 deals completed in the year, an increase of 216% on the previous year. It is also notable that 14 out of the 19 completed deals were IPOs and most of them were completed in the second half of the year.

Under the dual circulation strategy of focusing on both external and domestic markets and effective control of COVID-19, China's economy has recovered rapidly in the third and fourth quarter of 2020. This has in turn resulted in a very active IPO market in China.

Looking forward to 2021, as more of the population is vaccinated and with continued economic stimulation policies, it is expected that the Chinese market and related M&A activity will remain very robust.

**LEE CHAN**
ADVISORY PARTNER, CHINA

## AUSTRALIA

The Australian Building Products & Services sector experienced a 27% decline in transaction volume in 2020. This was largely due to market uncertainty from COVID-19, with activity remaining subdued through the second quarter, followed by a sharp rebound in the third and fourth quarters.

Demonstrating the continual importance of cross-border activity, 38% of targets were sold to international buyers. There was strong interest from the US and European buyers seeking access to the high-growth Asia Pacific region.

Private equity also remains active in the space, looking to diversify capital allocations especially into sectors with prospects of long-term growth and stability. Looking forward, the construction sector remains key to Australia's economic recovery, with the Federal Government fast tracking a number of major projects.

This will result in flow-on activity for product and service providers, especially with a greater reliance placed on domestic providers due to foreign supply chain weaknesses that were highlighted during the pandemic.

We will also likely see increased distressed M&A activity as the Federal Government stimulus comes to an end during 2021, which is predicted to increase the number of companies that go into administration.

**ANDREW MCFARLANE**
M&A PARTNER
AUSTRALIA

## BDO ADVISORY SERVICES

# DELIVERING SERVICE THAT EXCEEDS EXPECTATIONS

The BDO brand is about exceptional client service delivered by empowered people. Nothing is more important to us than our clients. Our aim is to be the market leader for service delivery in our profession, with a brand that stands for quality and service and consistently aims to exceed client expectations.

## A FULL SPECTRUM OF ADVISORY SERVICES WITH AN INTERNATIONAL FIRM ACROSS 167 TERRITORIES AND ACCESS TO KEY FINANCIAL MARKETS

2,500 corporate finance professionals globally | Integrated capabilities encompassing tax, pensions and technical accounting | Sector-focused M&A teams.

We are global leaders in the M&A market, focused on maximising value for our clients | We are proud of our broad and deep sector experience, which drives demonstrable results.

### SELL SIDE

- Corporate strategy
- Full support through sales processes
- Preparation for sale
- Modelling.

### BUY SIDE

- Identification of suitable targets
- Full buy-side support from bid to structuring
- Management advice
- Refinancing
- Modelling.

### CAPITAL MARKETS ADVISORY

- Takeovers
- Listing rules
- Buy and sell side advisory.

### DEBT ADVISORY

- Refinancing
- Restructuring
- Stapled debt.

### STRATEGIC ADVISORY

- Reorganisation/share buy-back
- Investment/partial cash-out
- Growth capital/fundraising.

BDO

Helping you succeed

2020

THE BDO BUILDING PRODUCTS & SERVICES TEAM COMPLETED **OVER 150 DEALS**

### BUSINESS VOICES

“Excellent advice throughout from BDO, who supported us all the way through the transaction. They understood our business model and the sector and demonstrated this throughout the process, through excellent marketing materials, finding a suitable buyer and negotiating a favourable outcome. The situation was compounded by a very tight time schedule and we were astounded by the precision of BDO’s approach. We are delighted with the outcome. A great team to work with and we would highly recommend BDO.”

**ROGER CHERRINGTON AND PAT CHERRINGTON**
Shareholders, Mikrofill, on sale to Stuart Turner, backed by LDC

### BUSINESS VOICES

“BDO approached a long list of UK targets on my behalf. They did so in a professional, responsive and confidential matter, utilising their own relationship network but also opening doors where no previous relationship existed. They galvanised their teams in other departments to bring in expertise and relationships where required. They were available for advice and to serve as a sounding board for tactics. As a result, we successfully acquired Marflow Engineering and The Majestic Shower Company and have a strong pipeline of acquisition targets. I am not aware of an acquisition search and approach capability of the same calibre available elsewhere.”

**MARTIN MURPHY**
Managing Director, Sanbra Group, on acquisition of Marflow Engineering and The Majestic Shower Company

### BUSINESS VOICES

“Sincere thanks for an amazing job, for all the support, guidance, and talent in steering us through the preparation and complexities of an M&A deal. It’s been an absolute pleasure working with you. Anyone thinking about selling their business should talk to BDO. They’ll get a first-class service from people who really care about finding the right buyer for the business and getting the best price. Fantastic job, thanks again.”

**ALEX HANCOCK**
CEO and Shareholder, StairBox, on sale to Grafton

## BDO IS No.1 GLOBALLY, RANKED M&A Advisor IN EUROPE AND ACROSS THE UK

Pitchbook league tables 2020

BDO DEAL SNAPSHOTS

# DELIVERING QUALITY ADVICE WHERE IT MATTERS

Within the Building Products & Services sector, here are just a few of the recent corporate finance deals where we have gone the extra mile to secure a perfect outcome for our clients.

**SALE OF MIKROFILL TO STUART TURNER**

Manufacturer of regulatory approved pressurisation, boilers and hot water generation products

**ACQUISITION OF VG TECHNIEKEN BY K&F ELECTRO TECHNIEK**

HVAC services

**SALE OF PROLECTRIC SERVICES TO HILL & SMITH HOLDINGS PLC**

Sustainable lighting, power and security, providing green solutions to the built environment

**SALE OF ALLEGION PLC'S SUBSIDIARY QATAR METAL INDUSTRIES (QMI)**

To the HLD Group of Companies. Dubai-based commercial door manufacturer

**ACQUISITION OF AGENTOR BY REYNAER**

Building materials wholesaler

**ACQUISITION OF AKUSTIKMODULAR BY SAINT GOBAIN**

Acoustic systems manufacturer

**ACQUISITION OF MARFLOW ENGINEERING AND THE MAJESTIC SHOWER COMPANY BY SANBRA GROUP**

Leading designer and manufacturer of shower enclosures and bath screens

**ACQUISITION OF CURBCO BY SONEBRIDGE PARTNERS**

Concrete products manufacturer

**ACQUISITION OF ECOSOL BY OUDE MOLEN**

HVAC contractors

**ACQUISITION OF EKOVENT BY LINDAB SVERIGE**

Ventilation and fire protection

**ACQUISITION OF FIVE BUSINESSES BY INSTALCO**

Providers of building services

**ACQUISITION OF FORMS AND DESIGN IN SHOWER TRAY AND AKIRE STYLE BY THE ENGINEERED STONE GROUP**

Manufacturer of engineered stone shower trays, washbasins and panels

**SALE OF ACE POLE COMPANY TO BEACH TIMBER COMPANY**

Manufacturer of timber telephone and utility poles

**SALE OF DASPAG TO SWISSPOR**

Developer of building façade solutions

**SALE OF DVS ENTREPRENØR TO FASADGRUPPEN**

Provider of building façade services

### ACQUISITION OF ORCUS FIRE & RISK AND NEPTUNE FIRE PROTECTION BY RIDGE CAPITAL PARTNERS

Fire protection engineering

### ACQUISITION OF SEIL BY VOESTALPINE

Railway infrastructure contractor

### ACQUISITION OF BMI GROUP BUSINESS UNITS BY KERA GROUP

Manufacturer of skylights

### SALE OF MAJORITY STAKE IN LIOLI CERAMICA TO CAESARSTONE

Ceramic slabs manufacturer

### ACQUISITION OF 81MW OPERATING STORAGE PORTFOLIO BY GORE STREET ENERGY STORAGE FUND

Battery storage assets

### ACQUISITION OF SFC BY BRAKES INDIA

Building services installation

### ACQUISITION OF STRICKLAND TRACKS BY USCO

Manufacturer of undercarriage crawler track

### SALE OF MINORITY SHARE OF PIGIADA BY TORVATILK

Road construction materials manufacturer

### ACQUISITION OF TKZ POLNÁ BY ROSE INVESTMENTS AND HMS INVEST

Provider of interior fittings

### ACQUISITION OF GRÖMO METALLSYSTEME BY FEDRUS

Manufacture of yard goods and profiles

### INVESTMENT IN AETHON AERIAL SOLUTIONS AND FLIGHT EVOLVED LLC BY COPLEY EQUITY PARTNERS

Provider of aerial remote sensing solutions to utilities

### SALE OF S-RENTAL TO SIEVI CAPITAL

Construction plant rental

### INVESTMENT IN GREEN HOME GROUP LIMITED BY CIRCULARITY CAPITAL

Provider of energy efficiency measures into UK homes

### SALE OF STOBART RAIL & CIVILS TO BAVARIA INDUSTRIES AG

Railway infrastructure contractor

### REFINANCING OF VAN ELLE

Geotechnical and ground engineering contractor

### SALE OF STAIRBOX LIMITED TO GRAFTON GROUP PLC

Automated, off-site staircase manufacture

### INVESTMENT IN SPY ALARMS BY PHOENIX EQUITY PARTNERS

Provider of electronic security services for residential and commercial premises

### SALE OF FLORENTINO BROS CONTRACTING

Provider of heavy construction equipment and services

### SALE OF MAJORITY STAKE IN AUSTRALIAN VALVE GROUP TO WATTS WATER TECHNOLOGIES

Designer of heating control valves

### SALE OF STEEL STORAGE AUSTRALASIA TO JANUS INTERNATIONAL

Provider of self-storage design and construction solutions

**CONTACT THE EXPERTS: YOUR BDO BUILDING PRODUCTS & SERVICES TEAM**

# DELIVERING SECTOR INSIGHT AND THOUGHT LEADERSHIP

Our Building Products & Services team was established to work with leading midmarket privately owned businesses and private equity firms that, like us, believe strongly in the opportunities available in the sector.

With deep expertise in the sector, we understand company strategy, market and commercial drivers and have advised private equity and portfolio companies at all stages of the investment life cycle.

## YOUR UK CONTACTS

JOHN STEPHAN
PARTNER | SECTOR CO-LEAD

+44 (0)797 970 6731
john.stephan@bdo.co.uk

MITHUN PATEL
DIRECTOR | SECTOR CO-LEAD

+44 (0)779 405 9291
mithun.patel@bdo.co.uk

ALAN CHAN
ASSISTANT DIRECTOR

+44 (0)780 068 2871
alan.chan@bdo.co.uk

MATTHEW GOODLIFFE
ASSISTANT DIRECTOR

+44 (0)780 068 2418
matthew.goodliffe@bdo.co.uk

SUSANNAH PERKINS
SENIOR RESEARCH MANAGER

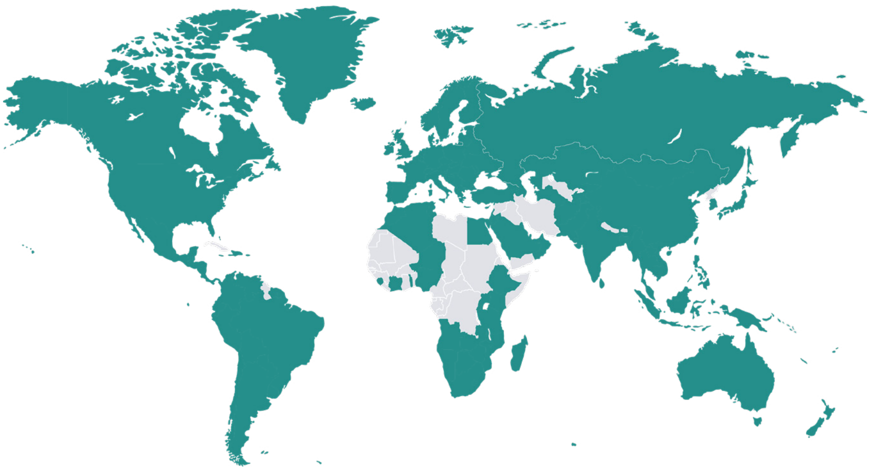
+44 (0)780 068 2066
susannah.perkins@bdo.co.uk

ALEX NEALE
ASSISTANT MANAGER

+44(0)758 307 2619
alex.neale@bdo.co.uk

EMMA LEVELLE
RESEARCH ANALYST

+44 (0)121 352 6236
emma.levelle@bdo.co.uk



## YOUR INTERNATIONAL CONTACTS


AUSTRALIA
ANDREW MCFARLANE
M&A PARTNER
T: +61 292 409 895
M: +61 417 494 475
E: Andrew.McFarlane@bdo.com.au

AUSTRIA
BERND WINTER
M&A AND TAX PARTNER
T: +43 153 737 406
M: +43 664 800 374 06
E: bernd.winter@bdo.at

BELGIUM
ALEXI VANGERVEN
ADVISORY PARTNER
T: +32 323 058 40
M: +32 479 408 490
E: alexi.vangerven@bdo.be

CANADA
RYAN FARKAS
M&A MANAGING DIRECTOR
T: +1 416 775 7804
M: +1 416 577 4953
E: rfarkas@bdo.ca

CHINA
L. L. CHAN
DIRECTOR, SPECIALIST ADVISORY SERVICES
T: +852 2218 8476
E: llchan@bdo.com.hk

DENMARK
NEIL SCHIANDER
M&A DIRECTOR
T: +45 391 552 00
M: +45 507 015 05
E: nsc@bdo.dk

FRANCE
PASCAL MARLIER
PARTNER – BDO ADVISORY
T: +33 170 372 301
M: +33 630 994 806
E: pascal.marlier@bipe.fr

GERMANY
JANE EVANS
M&A SENIOR MANAGER
T: +49 211 1371 192
M: +49 170 4204 226
E: jane.evans@bdo.de

INDIA
SAMIR SHETH
PARTNER, DEAL ADVISORY
E: samirsheth@bdo.in

IRELAND
KATHARINE BYRNE
M&A PARTNER
T: +353 147 00524
M: +353 863 844 534
E: kbyrne@bdo.ie

ITALY
STEFANO VARIANO
M&A PARTNER
T: +39 025 820 1152
M: +39 335 364 439
E: stefano.variano@bdo.it

NETHERLANDS
JOOST COOPMANS
M&A PARTNER
T: +31 402 698 168
M: +31 651 428 181
E: bart.receveur@bdo.nl

SPAIN
JUAN VEGA DE SEOANE PALLARES
M&A DIRECTOR
T: +34 917 022 212
M: + 34 675 540 768
E: juan.vegaseoane@bdo.es

SWEDEN
CLAES NORDEBÄCK
CORPORATE FINANCE PARTNER
T: + 46 812 011 894
E: claes.nordeback@bdo.se

SWITZERLAND
JÜRG GLESTI
M&A PARTNER
T: +41 444 443 593
E: juerg.glesti@bdo.ch

UNITED STATES
PATRICK BISCEGLIA
M&A MANAGING DIRECTOR
M: +1 804 513 9724
E: pbisceglia@bdocap.com


## BDO GLOBAL CORPORATE FINANCE

**1,546** COMPLETED DEALS IN 2020

WITH A TOTAL DEAL VALUE OF **$83.5bn**

**32%** PRIVATE EQUITY DEAL INVOLVEMENT

**23%** OF OUR DEALS ARE CROSS BORDER

**ONE OF THE MOST ACTIVE ADVISERS GLOBALLY***

**2,500** CORPORATE FINANCE PROFESSIONALS

**120** COUNTRIES PROVIDING DEDICATED CORPORATE FINANCE SERVICES

*1st most active M&A Advisor Globally – Pitchbook league tables 2020
1st most active Advisor & Accountant Globally 2020 – Pitchbook league tables 2020
2nd leading Financial Due Diligence provider Globally – Mergermarket global accountant league tables 2020

FOR MORE INFORMATION:

FOR MORE INFORMATION:

**JOHN STEPHAN**
john.stephan@bdo.co.uk

**MITHUN PATEL**
mithun.patel@bdo.co.uk

**ALAN CHAN**
alan.chan@bdo.co.uk

**MATTHEW GOODLIFFE**
matthew.goodliffe@bdo.co.uk

**SUSANNAH PERKINS**
susannah.perkins@bdo.co.uk



**www.bdo.co.uk**

42011387