

The Nation's Crumbling Infrastructure: Driving Growth in Construction

Transportation infrastructure continues to be one of the most active areas of development and growth within the building and construction industry. Driving the demand for spending on bridges and highways is the aging state of the U.S. transportation infrastructure and the increasing load being placed on these structures. According to the U.S. Department of Transportation Federal Highway Administration ("FHWA") in 2005, 153,871 of the nation's 596,808 bridges, or 25.8%, were rated as either structurally deficient or functionally obsolete. Many of the bridges currently in service on the nation's roadways are more than 50 years old and are nearing or past the end of their design lives. The bridge deficiency data (bridges rated as either structurally deficient or functionally obsolete) as a function of the age of the bridge is shown in Chart A.

As a result of several recent high profile construction failures, the public has become increasingly aware of the current

deficient state of the nation's bridge and highway infrastructure. These deficiencies are supported by reams of reports, data and statistics and have been brought to the forefront of the national consciousness by occurrences such as the collapse of the I-35W bridge in Minneapolis, Minnesota on August 1, 2007, as seen in Figure A. As a result of this, there is significant public pressure to increase spending at the federal and state levels to improve the nation's transportation infrastructure.

Due to the critical state of the nation's transportation infrastructure, experts predict that spending for non-building structures, such as bridges and highways, will substantially increase over the next several years, growing at a CAGR of 11.7% from 2005 to 2009, as shown in Chart B. Federal and state appropriations for bridges and highways are also beginning to be supplemented by public-to-private partnerships in which private capital markets are tapped to provide funding for

public projects. According to the McGraw-Hill Construction Outlook 2008, the level of private investment supporting infrastructure projects could reach approximately \$100 billion over the next two years, up from less than \$7 billion over the prior two years.

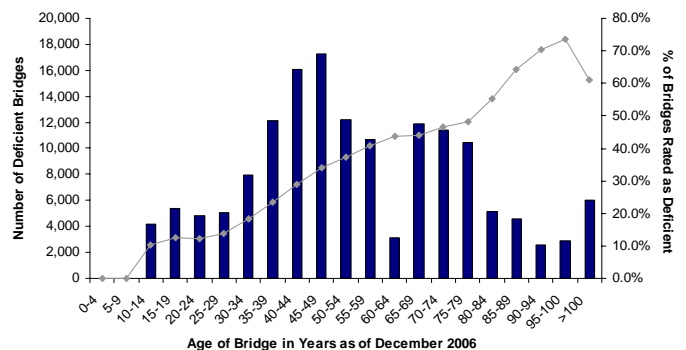
More broadly speaking...

...despite an uncertain housing and economic environment, building and construction-related mergers and acquisitions continue to be completed. As shown in Chart C, over 220 M&A transactions were completed in the twelve months period through Q1 2008. While down slightly from the historical peak achieved in 2007, the level of M&A activity continues to be strong for companies that are well-run, profitable, and that have a significant and profitable backlog. Lincoln expects that acquisitions across all sectors of the building and construction industry will continue, with foreign buyers in particular seeking to expand their market presence in the U.S.

Figure A: I-35W Bridge Following Collapse in Minneapolis, MN

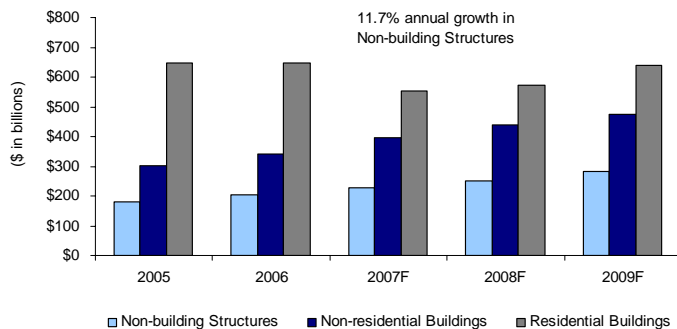


Chart A: U.S. Bridge Age and Deficiency Data



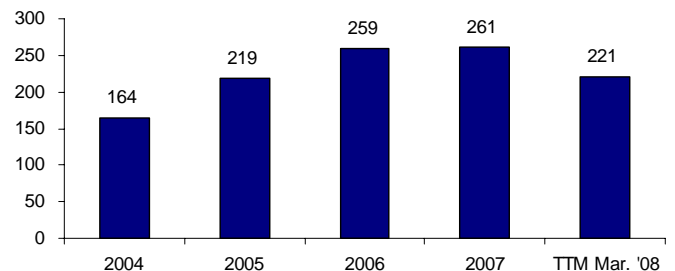
Source: FHWA.

Chart B: U.S. Construction Put in Place



Source: Reed Construction data.

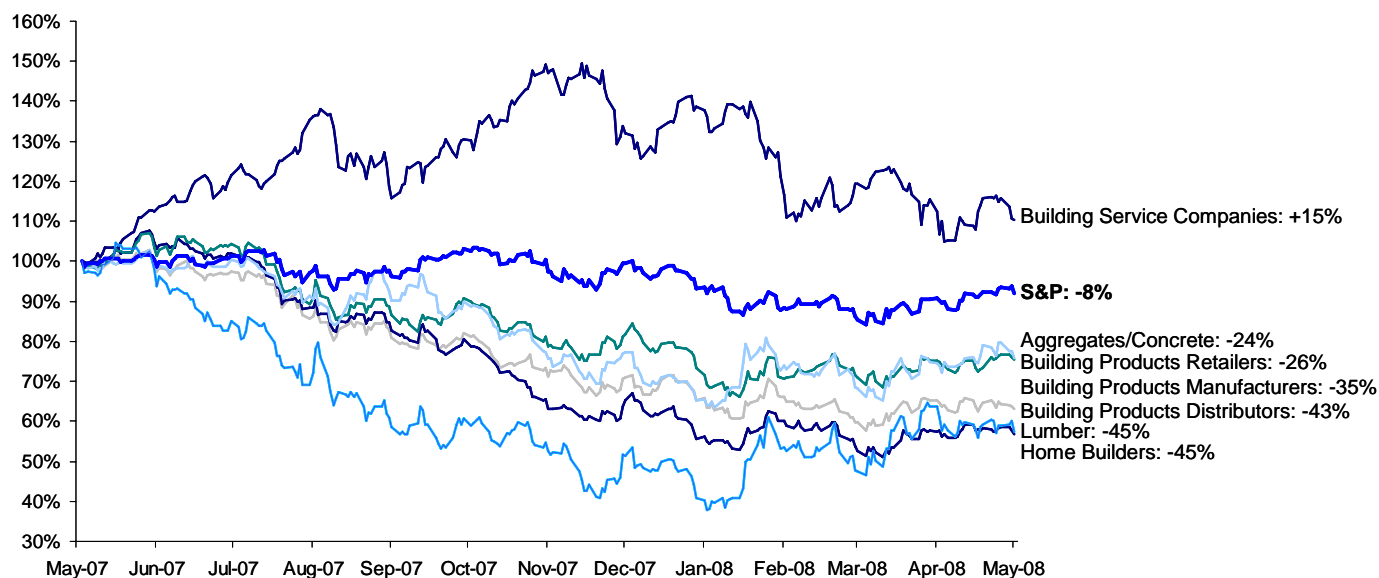
Chart C: Building Products and Services U.S. M&A Volume



Source: Mergerstat.

Publicly Traded Building and Construction Companies

Chart D: S&P 500 vs. Building Products Indices



Multiples from Public Building and Construction Companies

(USD in millions, except per share data)

Aggregates/Concrete	Ticker	Stock Price 5/12/08	52-Week		Market Value	Enterprise Value	LTM			Enterprise Value / LTM			P/E	
			High	Low			Revenue	EBITDA	EBIT	Revenue	EBITDA	EBIT	LTM	2008F
Cemex S.A.B. de C.V.	NYSE:CX	\$ 28.15	\$ 41.36	\$ 20.86	\$ 20,349	\$ 39,858	\$ 21,680	\$ 4,129	\$ 2,950	1.8x	9.7x	13.5x	8.1x	9.6x
CRH plc	ISE:CRG	37.03	60.19	34.46	19,285	27,543	30,639	4,196	3,066	0.9x	6.6x	9.0x	8.7x	8.8x
Eagle Materials Inc.	NYSE:EXP	34.97	52.16	28.21	1,498	1,832	796	216	173	2.3x	8.5x	10.6x	12.5x	15.1x
HeidelbergCement AG	DB:HEI	170.77	187.57	139.54	19,352	43,645	15,019	3,388	2,602	2.9x	12.9x	16.8x	6.9x	<i>nmf</i>
Holcim Ltd.	VIRTX:HOLN	98.21	136.75	93.52	27,165	42,857	23,866	6,114	4,432	1.8x	7.0x	9.7x	7.3x	10.7x
Lafarge SA	ENXTPA:LG	185.05	212.70	154.27	29,555	44,684	25,708	5,980	4,606	1.7x	7.5x	9.7x	10.2x	10.0x
Martin Marietta Materials Inc.	NYSE:MLM	112.97	170.25	95.02	4,380	5,491	2,207	572	422	2.5x	9.6x	13.0x	17.5x	16.5x
Texas Industries Inc.	NYSE:TXI	72.25	93.80	45.38	1,444	1,752	1,011	175	124	1.7x	10.0x	14.1x	15.6x	16.4x
US Concrete Inc.	NasdaqNM:RMIX	4.10	9.48	2.14	141	439	804	72	42	0.5x	6.1x	10.6x	<i>nmf</i>	13.4x
Vulcan Materials Company	NYSE:VMC	69.91	128.62	60.20	7,143	10,765	3,328	927	656	3.2x	11.6x	16.4x	14.0x	14.2x
Median										1.8x	9.0x	11.8x	10.2x	13.4x

Building Products Manufacturers	Ticker	Stock Price 5/12/08	52-Week		Market Value	Enterprise Value	LTM			Enterprise Value / LTM			P/E	
			High	Low			Revenue	EBITDA	EBIT	Revenue	EBITDA	EBIT	LTM	2008F
AAON Inc.	NasdaqNM:AAON	\$ 20.08	\$ 23.37	\$ 15.39	\$ 311	\$ 310	\$ 263	\$ 45	\$ 36	1.2x	6.8x	8.7x	14.1x	12.0x
American Woodmark Corp.	NasdaqNM:AMWD	20.30	38.25	15.60	270	241	625	48	13	0.4x	5.0x	18.5x	27.1x	46.6x
Gibraltar Industries, Inc.	NasdaqNM:ROCK	14.50	23.96	9.59	340	793	1,312	114	81	0.6x	6.9x	9.8x	11.0x	10.8x
Griffon Corp.	NYSE:GFF	9.11	25.19	7.39	233	383	1,524	65	22	0.3x	5.9x	17.8x	19.5x	15.1x
Headwaters Inc.	NYSE:HW	10.88	22.94	8.80	538	1,041	1,182	254	183	0.9x	4.1x	5.7x	41.2x	12.1x
Lennox International Inc.	NYSE:LII	33.26	42.22	26.51	2,113	2,148	3,750	325	276	0.6x	6.6x	7.8x	14.3x	11.8x
Louisiana-Pacific Corp.	NYSE:LPX	10.94	21.57	8.95	946	1,146	1,705	(112)	(222)	0.7x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>
Masco Corp.	NYSE:MAS	18.50	31.58	17.92	7,028	10,194	11,770	1,513	1,265	0.9x	6.7x	8.1x	17.2x	17.8x
NCI Building Systems Inc.	NYSE:NCS	27.35	52.93	20.15	417	866	1,626	163	125	0.5x	5.3x	6.9x	7.1x	7.3x
Owens Corning	NYSE:OC	24.65	36.93	16.51	2,216	4,168	4,978	626	283	0.8x	6.7x	14.7x	81.6x	33.6x
Quanex Building Products Corporation	NYSE:NX.WI	17.00	18.40	13.00	618	545	964	127	89	0.6x	4.3x	6.2x	10.8x	0.0x
Sherwin-Williams Co.	NYSE:SHW	57.12	73.96	49.99	6,288	7,227	8,005	1,152	988	0.9x	6.3x	7.3x	11.1x	10.4x
Simpson Manufacturing Co., Inc.	NYSE:SSD	24.24	37.45	22.42	1,174	989	817	149	121	1.2x	6.6x	8.2x	17.2x	17.3x
Trane Inc	NYSE:TT	46.45	63.74	32.09	9,060	9,217	7,450	835	720	1.2x	11.0x	12.8x	23.7x	18.6x
Trex Co. Inc.	NYSE:TWP	10.38	25.00	5.34	103	236	329	(52)	(74)	0.7x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	20.9x
US Home Systems Inc.	NasdaqNM:USHS	3.67	16.00	2.95	26	21	132	8	7	0.2x	2.6x	3.1x	6.5x	9.2x
USG Corp.	NYSE:USG	36.24	52.75	29.71	3,303	4,244	5,202	370	194	0.8x	11.5x	21.9x	42.7x	<i>nmf</i>
Median										0.7x	6.6x	8.2x	17.2x	12.1x

Source: Capital IQ. As of May 12, 2008.

Publicly Traded Building and Construction Companies (continued)

(USD in millions, except per share data)

Building Products Distributors	Ticker	Stock Price 5/12/08	52-Week		Market Value	Enterprise Value	LTM			Enterprise Value / LTM			P/E		
			High	Low			Revenue	EBITDA	EBIT	Revenue	EBITDA	EBIT	LTM	2008F	
Beacon Roofing Supply Inc.	NasdaqNM:BECN	\$ 11.38	\$ 18.88	\$ 6.70	\$ 348	\$ 748	\$ 1,664	\$ 99	\$ 65	0.4x	7.5x	11.6x	16.3x	14.7x	
Bluelinx Holdings Inc.	NYSE:BXC	5.20	11.96	2.96	133	633	3,834	36	15	0.2x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
Builders FirstSource, Inc.	NasdaqNM:BLDR	7.02	17.77	5.72	248	429	1,592	39	15	0.3x	11.1x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
Building Materials Holding Corp.	NYSE:BLG	3.74	22.44	3.66	178	520	2,504	63	63	0.2x	8.2x	8.2x	<i>nmf</i>	<i>nmf</i>	
Huttig Building Products Inc.	NYSE:HBP	2.51	8.77	2.35	65	90	875	(5)	(10)	0.1x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
Interline Brands Inc.	NYSE:IBI	16.08	28.13	17.31	592	958	1,239	129	114	0.8x	7.4x	8.4x	11.7x	11.1x	
Travis Perkins plc	LSE:TPK	20.05	43.20	20.11	2,584	4,488	6,334	748	636	0.7x	6.0x	7.1x	7.0x	<i>nmf</i>	
Watsco Inc.	NYSE:WSO	44.15	64.46	30.14	1,133	1,179	1,758	118	111	0.7x	10.0x	10.6x	16.7x	17.0x	
WESCO International Inc.	NYSE:WCC	41.46	66.59	31.01	1,523	2,826	6,003	431	394	0.5x	6.6x	7.2x	7.1x	7.0x	
Wolseley plc	LSE:WOS	11.30	27.66	9.61	6,396	11,890	32,966	2,171	1,540	0.4x	5.5x	7.7x	6.6x	8.9x	
W.W. Grainger, Inc.	NYSE:GWW	87.73	98.60	69.00	5,753	5,731	6,418	803	671	0.9x	7.1x	8.5x	14.8x	12.7x	
										Median	0.4x	7.4x	8.3x	11.7x	11.9x

Building Products Retailers	Ticker	Stock Price 5/12/08	52-Week		Market Value	Enterprise Value	LTM			Enterprise Value / LTM			P/E		
			High	Low			Revenue	EBITDA	EBIT	Revenue	EBITDA	EBIT	LTM	2008F	
The Home Depot, Inc	NYSE:HD	\$ 28.57	\$ 41.49	\$ 23.77	\$ 46,865	\$ 58,704	\$ 88,909	\$ 10,273	\$ 8,386	0.7x	5.7x	7.0x	11.4x	14.3x	
Lowe's Companies Inc.	NYSE:LOW	24.69	35.74	19.94	34,503	39,721	48,309	6,406	5,007	0.8x	6.2x	7.9x	11.4x	13.6x	
										Median	0.7x	6.0x	7.5x	11.4x	14.0x

Building Service Companies	Ticker	Stock Price 5/12/08	52-Week		Market Value	Enterprise Value	LTM			Enterprise Value / LTM			P/E		
			High	Low			Revenue	EBITDA	EBIT	Revenue	EBITDA	EBIT	LTM	2008F	
AMEC plc	LSE:AMEC	\$ 16.33	\$ 16.72	\$ 9.91	\$ 4,670	\$ 3,229	\$ 4,683	\$ 297	\$ 249	0.7x	10.9x	13.0x	19.9x	<i>nmf</i>	
Arcadis NV	ENXTAM:ARCAD	60.70	110.30	48.85	1,239	1,619	2,204	186	139	0.7x	8.7x	11.7x	14.1x	11.7x	
Chicago Bridge & Iron Company N.V.	NYSE:CBI	40.84	63.50	30.00	4,491	4,398	4,363	240	200	1.0x	18.3x	21.9x	27.2x	18.0x	
Fluor Corporation	NYSE:FLR	162.76	172.15	87.89	12,096	10,707	16,691	755	609	0.6x	14.2x	17.6x	23.3x	24.2x	
Granite Construction Inc.	NYSE:GVA	33.96	74.62	26.64	1,197	1,053	2,738	247	165	0.4x	4.3x	6.4x	11.4x	10.8x	
Jacobs Engineering Group, Inc.	NYSE:JEC	88.59	103.29	44.11	8,863	8,501	8,927	548	489	1.0x	15.5x	17.4x	27.7x	23.1x	
Michael Baker Corporation	AMEX:BKR	20.51	53.22	23.40	224	206	725	50	44	0.3x	4.1x	4.7x	8.3x	14.3x	
Perini Corp.	NYSE:PCR	41.57	75.43	25.08	1,037	590	4,628	150	141	0.1x	3.9x	4.2x	10.8x	10.2x	
Shaw Group Inc.	NYSE:SGR	48.59	77.30	29.02	4,961	5,690	6,160	183	141	0.9x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	24.8x	
Skanska AB	OM:SKA B	16.97	27.51	16.37	7,340	5,440	21,453	980	781	0.3x	5.6x	7.0x	10.8x	<i>nmf</i>	
SNC Lavalin Group Inc.	TSX:SNC	55.12	51.13	30.55	6,869	8,378	6,446	260	152	1.3x	<i>nmf</i>	<i>nmf</i>	154.3x	27.7x	
URS Corp.	NYSE:URS	43.90	64.19	32.74	2,823	3,914	5,383	283	231	0.7x	13.8x	16.9x	14.4x	13.9x	
										Median	0.7x	9.8x	12.3x	14.4x	16.1x

Home Builders	Ticker	Stock Price 5/12/08	52-Week		Market Value	Enterprise Value	LTM			Enterprise Value / LTM			P/E		
			High	Low			Revenue	EBITDA	EBIT	Revenue	EBITDA	EBIT	LTM	2008F	
Beazer Homes USA Inc.	NYSE:BZH	\$ 9.42	\$ 38.76	\$ 4.53	\$ 314	\$ 1,958	\$ 4,274	\$ 191	\$ 181	0.5x	10.2x	10.8x	<i>nmf</i>	<i>nmf</i>	
Centex Corporation	NYSE:CTX	22.05	49.85	17.77	2,503	6,722	9,732	32	(25)	0.7x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
Champion Enterprises Inc.	NYSE:CHB	9.20	14.59	7.15	845	1,079	1,273	48	28	0.8x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
DR Horton Inc.	NYSE:DHI	15.18	24.49	9.78	4,384	8,056	10,171	712	648	0.8x	11.3x	12.4x	<i>nmf</i>	<i>nmf</i>	
Hovnanian Enterprises Inc.	NYSE:HOV	9.05	28.27	4.25	573	3,057	4,727	(131)	(116)	0.6x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
KB Home	NYSE:KBH	24.29	49.34	15.76	2,077	2,914	6,417	(89)	(107)	0.5x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
Lennar Corp.	NYSE:LEN	18.52	47.67	11.98	2,483	4,706	10,187	32	(22)	0.5x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
M/I Homes, Inc.	NYSE:MHO	16.87	31.40	7.20	251	707	1,016	31	23	0.7x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
MDC Holdings Inc.	NYSE:MDC	42.66	96.67	31.57	1,856	1,918	2,886	(56)	(70)	0.7x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
Meritage Homes Corporation	NYSE:MTH	17.65	38.72	7.04	385	1,088	2,344	72	54	0.5x	15.2x	20.2x	<i>nmf</i>	<i>nmf</i>	
NVR Inc.	NYSE:NVR	608.91	851.96	398.96	2,805	2,430	5,155	831	814	0.5x	2.9x	3.0x	9.9x	14.8x	
Pulte Homes Inc.	NYSE:PHM	13.26	29.40	8.20	3,152	6,206	9,257	266	182	0.7x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	
Ryland Group Inc.	NYSE:RYL	31.75	48.61	19.51	1,156	1,820	3,033	235	181	0.6x	7.7x	10.1x	<i>nmf</i>	<i>nmf</i>	
Standard Pacific Corp.	NYSE:SPF	3.00	24.08	1.47	276	2,033	2,906	128	120	0.7x	15.9x	17.0x	<i>nmf</i>	<i>nmf</i>	
Toll Brothers Inc.	NYSE:TOL	23.30	31.15	15.49	3,086	4,410	4,399	547	518	1.0x	8.1x	8.5x	<i>nmf</i>	<i>nmf</i>	
										Median	0.7x	10.2x	10.8x	9.9x	14.8x

Source: Capital IQ. As of May 12, 2008.

Publicly Traded Building and Construction Companies (continued)

(USD in millions, except per share data)

Lumber	Ticker	Stock Price 5/12/08	52-Week		Market Value	Enterprise Value	LTM			Enterprise Value / LTM			P/E	
			High	Low			Revenue	EBITDA	EBIT	Revenue	EBITDA	EBIT	LTM	2008F
Ainsworth Lumber Co. Ltd.	TSX:ANS	\$ 2.29	\$ 8.51	\$ 3.12	\$ 54	\$ 962	\$ 551	\$ (65)	\$ (131)	1.7x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>
Canfor Corp.	TSX:CFP	7.98	14.00	7.55	1,140	1,644	3,317	(48)	(235)	0.5x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>
Louisiana-Pacific Corp.	NYSE:LPX	10.94	21.57	8.95	946	1,146	1,705	(112)	(222)	0.7x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>
Norbord, Inc.	TSX:NBD	6.13	9.66	4.82	716	1,261	1,104	42	(46)	1.1x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>
Universal Forest Products Inc.	NasdaqNM:UFPI	34.59	52.70	26.26	521	694	2,513	101	53	0.3x	6.9x	13.0x	25.4x	24.5x
West Fraser Timber Co. Ltd.	TSX:WFT	34.94	45.08	26.56	1,364	2,061	3,358	104	(165)	0.6x	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>
Weyerhaeuser Co.	NYSE:WY	63.66	84.85	58.25	13,085	20,366	16,308	1,689	715	1.2x	12.1x	28.5x	278.1x	57.5x
Median										0.7x	9.5x	20.7x	25.4x	24.5x

Source: Capital IQ. As of May 12, 2008.

Annual Building and Construction Market M&A Conference



WHEN Tuesday, June 24th, 2008
1:00 PM — 6:00 PM EDT

WHERE New York Athletic Club
180 Central Park South New York, NY 10019

Unprecedented growth in emerging markets is creating opportunities for building & construction companies, but an uncertain economic environment in the U.S. and rising commodity prices worldwide represent a significant risk to the industry.

To better understand these challenges and their impact on companies and financial sponsors that invest within the non-residential and residential building and construction markets, Lincoln International and Arthur D. Little are hosting a conference to bring together senior industry executives from several leading global companies including **Home Depot, CRH and ITW**, and private equity firms including **AEA Investors, H.I.G. Capital, Long Point Capital** and **Merit Capital Partners**, among others.

The event format provides a venue for powerful discussion around the topics of industry issues, financing alternatives, market opportunities, and much more.

The conference will begin with registration at 1:00 PM and will end by 6:00 PM. Ample time will be provided for interactive discussions. A cocktail party to facilitate one-on-one discussions will be held immediately following.

For more information and to register for the event, please visit: www.lincolnternational.com/bcconference2008

This event is compliments of:  

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Lincoln International specializes in merger and acquisition services and private capital raising for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, London, Los Angeles, Madrid, New York, Paris, and Vienna and strategic partnerships with China Everbright and other partner firms in Asia, Lincoln International has strong local knowledge and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise, and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolnternational.com

Officer Contacts

NORTH AMERICA

Andrew Bohutinsky
Managing Director & Group Head
abohutinsky@lincolnternational.com
+1-312-580-2805

Jim Lawson
Managing Director & Co-Chairman
jlawson@lincolnternational.com
+1-312-580-8326

Robert Crawford
Director
rcrawford@lincolnternational.com
+1-212-277-8104

Jeff Corum
Vice President
jcorum@lincolnternational.com
+1-312-580-6282

FRANKFURT

Frank Winter
Managing Director
f.winter@lincolnternational.de
+49-69-97-10-54-54

PARIS

Jean-Rene Hartpence
Managing Director
jr.hartpence@lincolnternational.fr
+33-1-53-53-18-21

Contributors

Carlos M. Galvez, Associate
cgalvez@lincolnternational.com

Greg T. Hicks, Analyst,
ghicks@lincolnternational.com

Benjamin C. Kessler, Analyst
bkessler@lincolnternational.com



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