

# 2015 RECAP

## Building & Infrastructure Conference

**More than 125 attendees**, representing 70+ leading building products companies, private equity firms and other professional service organizations

- **Keynote Speaker:** John Burns, CEO of John Burns Real Estate Consulting
- **2 Expert Panels:**
  - Panel 1 focused on the near term M&A outlook
  - Panel 2 focused on growth priorities and challenges
- **Endnote Speaker:** Geoff Colvin, author and senior editor-at-large at *Fortune Magazine*

**Synopsis:** While recent construction activity has begun to pick up, there is still substantial room for growth across several verticals, which includes the residential new construction, residential repair & remodel and nonresidential markets

### Panel 1

#### Near Term M&A Outlook

##### Panelists



**Michael J. Brady**  
Executive Vice President  
Summit Materials, LLC



**Eugene Hahn**  
Managing Director  
JLL Partners



**Franklin McClelland**  
Vice President of Strategy and  
Business Development  
Allegion Plc



**Margaret Whelan**  
Chief Executive Officer  
Whelan Advisory, LLC

##### Moderator



**Jeff Corum**  
Managing Director, Building &  
Infrastructure  
Lincoln International LLC

##### Key Takeaways:

- Residential cycle is moving in the right direction; may be earlier in the cycle than first thought, which supports M&A activity
- Slow and steady recovery in housing activity has created an attractive environment for buyers and sellers
- Sellers who were on the sidelines now believe it is a good time to sell; has led to steady flow of sellers, which will continue through at least 2016
- In current environment, assets are trading for very high multiples, both in the public markets and in transactions
  - High multiples can be paid for the right deal
  - More strategic activity from sponsor-backed platforms
  - Companies with good growth opportunities and synergies are achieving highest valuations

### Panel 2

#### Growth Priorities & Challenges

##### Panelists



**Mike Gummesson**  
Chief Executive Officer  
NDS, Inc., A Division of  
NORMA Group



**Michael Werner**  
President and Chief  
Executive Officer  
Globe Union Group, Inc.



**Plamen Jordanoff**  
former Chief Executive  
Officer  
Hanson Building Products

##### Moderator



**Robert Rourke**  
Managing Director  
L.E.K. Consulting

##### Key Takeaways:

- Those who invested wisely during the downturn are being rewarded
- Crucial to know your company's value chain
  - Understand your unique position with consumers, end users and distributors
  - Identify and capitalize on the drivers
- Customer feedback can direct you to new adjacent markets; markets must be developed as part of a broader organizational strategy
- Profit expansion is expected across many sectors as additional volume provides operating leverage, and suppliers experience improving pricing power

## Keynote Address

### Bullish Outlook on Building Products



**John Burns**

Chief Executive Officer

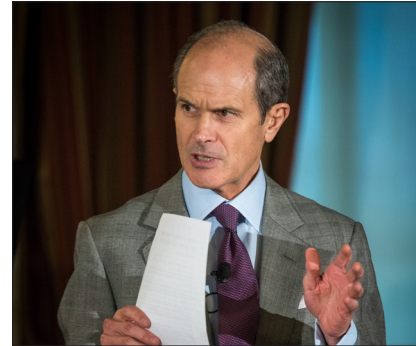
John Burns Real Estate Consulting, LLC

#### Key Takeaways:

- Downturns are usually regional
- The aggregate U.S. housing market recovery will mirror regional recoveries (e.g., Houston 1983, Southern California 1988)
- Builders need to operate profitably; difficult with current shortage of quality labor
- Industry forecast
  - Total housing construction to increase 15% through 2018, reaching 1.22 million starts
  - Single-family construction to outperform, growing 22% through 2018
- Key drivers are demographics and other external factors
  - *Economy*: those born in 1980 and later have faced economic growth more similar to the 1930s than any decade since
  - *Government*: government involvement in the mortgage industry makes a huge impact on homeownership
  - *Technology*: health technology is extending life 2.4 months per year
  - *Social shifts*: only 22% of women aged 25-29 are married with children today, compared to 68% in 1967
- Growth challenges
  - Land costs are high
  - Lack of trained labor
- Remodeling: should benefit from aging housing stock, older homeowners and fewer movers if rates rise

## Endnote Address

### Leading Ahead of What's Next



**Geoff Colvin**

Senior Editor-at-Large, *Fortune Magazine*

Author and Commentator on Business & Economic Issues

#### Key Takeaways:

- We must think about business models differently
  - Combine business segments (e.g., Candy Crush, newspapers / magazines, Kodak, Panasonic)
  - Recognize and execute innovation; key since models shift quickly
- Traits of leaders
  - Innovate their own business model
  - Build skills of employees
  - Combine business segments – successful group is achieved by finding the best combination of all inputs, not by taking the best of each team/unit (e.g., Apple inventing the iPod)
  - Create experience

## Organizers



**Robert Rourke**  
Managing Director  
L.E.K. Consulting



**Jim Lawson**  
Chairman  
Lincoln International LLC



**Chris Kenney**  
Managing Director  
L.E.K. Consulting



**Jeff Corum**  
Managing Director, Building & Infrastructure  
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