



Building and Infrastructure Conference 2014

The 2014 Building and Infrastructure Conference, sponsored by Lincoln International and L.E.K. Consulting, took place on October 2, 2014 at the New York Athletic Club in New York City.

Lisa Marquis Jackson, Senior Vice President at John Burns Real Estate Consulting, was the keynote speaker and presented her firm's data-driven perspective on the current and future state of the housing industry. Lisa highlighted that most of the major metros in the industry are lower than average risk. In addition, some key housing fundamentals, like new home sales and overall construction levels, still have a long way to go to reach normalized levels.

Lisa noted that the share of homes sold to first-time buyers remains historically low, partially due to high levels of student loan debt, which currently exceeds \$1 trillion. John Burns estimates that this unprecedented amount of student loan debt results in 400,000 lost home transactions for first time home buyers every year.

Lisa presented John Burns' outlook on the housing market and articulated that they expect continued tepid housing growth. The firm predicts a slowdown of growth in the overall economy in

2017, which will be driven by factors outside of the housing industry.

Following the keynote address, Jeff Corum, Managing Director at Lincoln International, led the Near-Term M&A Outlook panel. The panel consisted of senior members from the housing and private equity industries and examined current and future residential construction activity, non-residential construction markets and infrastructure investments. The panel agreed that construction fundamentals, specifically housing starts, will be driven by consumer confidence.

Moreover, the panel discussed how M&A activity in the marketplace is being fueled by cheap financing alternatives, which is driving up purchase price multiples.

Furthermore, the panel explained that companies in the building products space have received buyout offers for premium multiples due to their outsized growth compared to other industries. Panelists were excited about growing interest in building products, but cautioned against the urge to overpay for unproven businesses.

Next, Rob Rourke, Managing Director at L.E.K. Consulting, led the Growth

Priorities and Challenges panel, which discussed housing growth, construction activity, capacity levels, growth priorities and implications of increased M&A activity.

Consistent with earlier speakers, the panelists agreed that housing is likely to continue to grow at a normalized rate. As it relates to capacity, panel members mentioned that they were forced to enhance efficiency during the downtown and now have more efficient operations with the flexibility needed to address a shift in demand.

To conclude the conference, Todd Buchholz, a former White House senior economic advisor, Tiger hedge fund Managing Director and best-selling author spoke about the state of various economies around the world.

A key theme Todd highlighted is the necessity for parties to have "skin in the game," mentioning that the best outcomes are generated by a communal investment in any activity.

Todd also discussed that many successful corporations were not the "first mover" but simply the "best mover," that strategically positioned and sold existing products by partnering with clients and providing great customer service. ■

*Lisa Jackson
presenting the keynote
address*



*Todd Buchholz
presenting the endnote
address*



*Growth Priorities and
Challenges Panel*



*Near-Term M&A Outlook
Panel*



Conference Highlights

Keynote Address: *State of the Housing Industry*

Lisa Marquis Jackson

Senior Vice President,
John Burns Real Estate Consulting

Summary of Keynote Address

- Most of the country's major housing markets are currently at lower-than-average risk. Some of the industry's key fundamentals have a long way to go in order to recover to normalized levels.
- Extraordinary levels of student loan debt results in at least 400,000 lost first-time home transactions each year

Near-Term M&A Outlook

Moderator: Jeff Corum

Managing Director, Lincoln International

Panelists:

- **Kirk Benson**
Chairman and CEO, Headwaters Incorporated
- **Daniel Grant**
Senior Vice President, Martin Marietta
- **Mark McFadden**
Managing Director, CCMP Capital
- **Aaron Wolfe**
Managing Director, Sun Capital Partners

Construction Activity

- The non-residential space has seen increased variability across various markets; for example, Texas and the Gulf Coast are performing strongly, while other markets have not experienced the same recovery
- Increased state and federal government investment will be required to improve infrastructure
- Consumer confidence will continue to determine residential construction fundamentals

M&A Activity

- Interest has grown substantially in the building products space due to its recent growth and expected outperformance compared to other industries
- Caution should be taken as purchase price multiples are reaching record levels
- Banks will continue to remain aggressive in the near-term, incentivizing aggressive borrowing for potential acquisitions

Growth Priorities and Challenges

Moderator: Rob Rourke

Managing Director, L.E.K. Consulting

Panelists:

- **Ryan Brewer**
Chief Operating Officer, Build.com
- **Timothy Fazio**
Managing Partner, Atlas Holdings
- **Lawrence Repar**
Executive Vice President, Chief Operating Officer, Masonite International
- **Daniel Sansone**
Executive Vice President, Vulcan Materials Company

Lessons Learned from 2008

- Before the recession, building products businesses were ill-prepared for shifts in demand
- Companies have implemented strategic operational initiatives and can now adapt capacity levels to match market fluctuations
- Some companies are beginning to see rising prices as some capacity was permanently removed as a result of the downturn

Growth Themes

- Growth will be driven by a firm's ability to scale and expand its current business
- Players in the construction space should seek to maintain and develop relationships with potential partners, rather than compete on purchase price alone

Endnote Address: *Competing in a Chaotic Economy*

Todd Buchholz

Economist, Former White House
Senior Economic Advisor

Summary of Endnote Address

- The U.S. government must structure and implement economic policies in which all involved parties are invested in achieving an optimal outcome
- The "first mover" is not necessarily the most successful, instead the "best mover" who focuses on its end-markets and provides outstanding customer service is ultimately rewarded