

US Residential Roofing Market

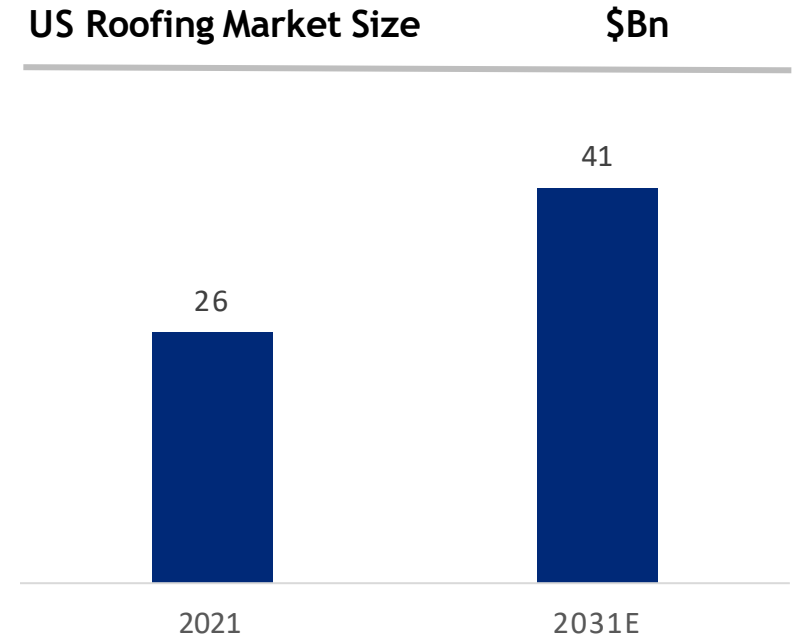
Sector Review - August 2023



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Residential Roofing Market Overview

- 367 advisors is glad to present US residential roofing market review for August 2023. The residential roofing market comprises of roofing material manufacturers, distributors and contractors providing solutions to homeowners
- Public roofing companies have performed strongly with the sector broadly outperforming the S&P 500 by 38%⁽¹⁾ over last 12 months. Robust equity performance of the sector was driven by strong share price growth of companies like Builders Firstsource, Owens Corning and Beacon roofing
- We believe that the market has strong tailwinds driven by growing trend of remodeling, increasing focus on sustainable housing, increasing demand for innovative specialty products and increasing construction activity of new homes
- M&A activity in the sector remained strong continuing the theme of roofing distributor consolidations
 - Holcim expanded its roofing platform by acquiring Duro for \$1.3Bn in Mar 23
 - Highly fragmented contractor market has seen increased M&A activity as small and mid-sized companies seek financial partners to scale



Residential roofing market is estimated at ~38% of overall market

Source: Allied Analytics

Residential Roofing - Key Market Drivers

Rise in Construction Activity

- US construction industry's market dominance positively impacts the roofing sector through modern and modular structures
- Building permits for housing units increased by 5.2% y-o-y in May 23
- New construction in May 23 reached 1.63m up 5.7% y-o-y , driving the demand for roofing solutions

Eco-friendly and Recycled Roofing

- Green roofs incorporate multiple layers on a traditional roof, including waterproofing and protective layer
- Increasing demand for recycled asphalt shingles (which incorporate 15% recycled materials) help reduce millions of tons of discarded asphalt ending up in landfills

Energy Efficient Roofing

- Energy-efficient roofing materials on the rise: Cool roofs, solar panels, and green roofs are gaining popularity for their ability to cut energy costs, enhance building thermal performance, and improve indoor air quality
- Solar roofing provides clean energy and lower electricity bills, driving homeowners to make the switch
- US solar roofing market set to reach \$965 Mn by 2025

New Technologies

- New technologies increasing roof life, enhancing safety, improving air quality, and reducing noise & air-conditioning costs are fueling the growth of the roofing market
- Introduction of advanced technologies in aesthetics is set to strengthen the roofing market by elevating the visual appeal of roofs

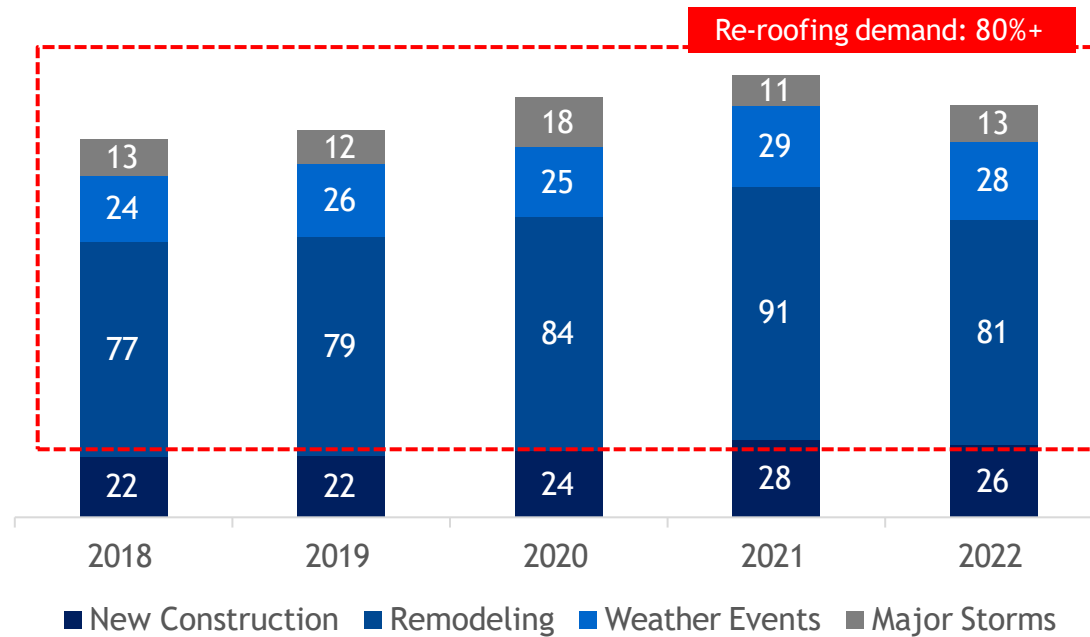
Climate Change & Extreme Weather Events

- Changing global climate leads to increase in roof damage from wind, hail and other weather incidents
- Due to inclement weather, average roof's lifespan is now 10-12 years- driving remodeling or re-roofing demand

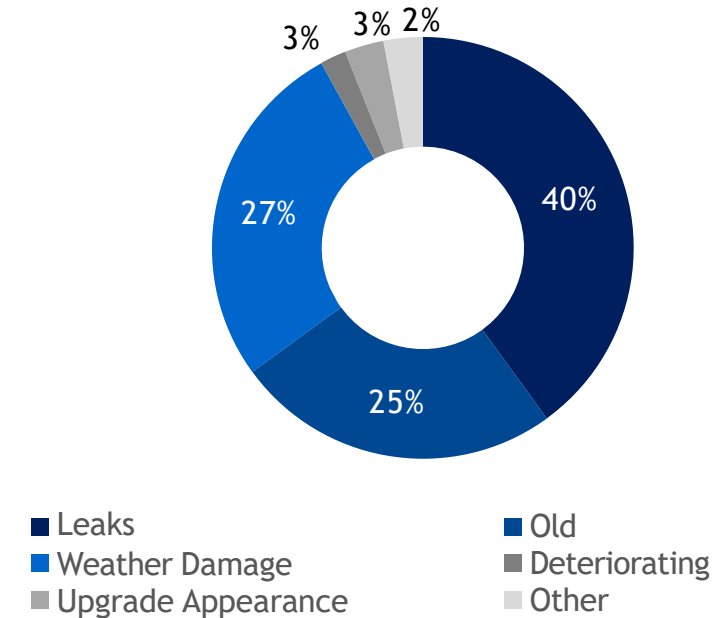


80%+ Market Demand Driven by Re-roofing

U.S. Asphalt Shingle Market (MM sq. Meters)



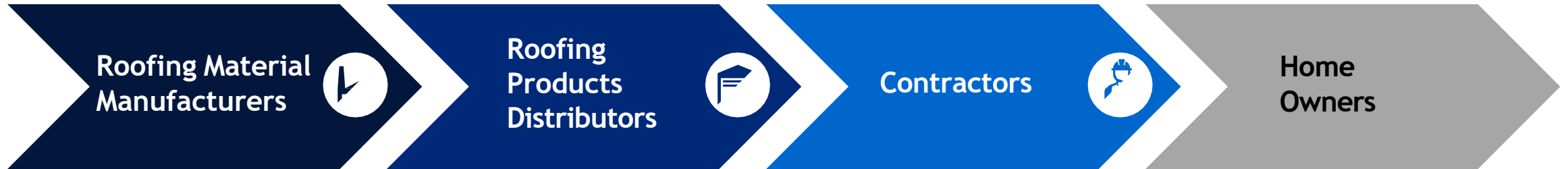
Drivers of Re-reroofing (2020)



Re-roofing projects are essential maintenance that can't typically be delayed, even in tough economic times

Source: Owens Corning & Beacon Investor Presentations

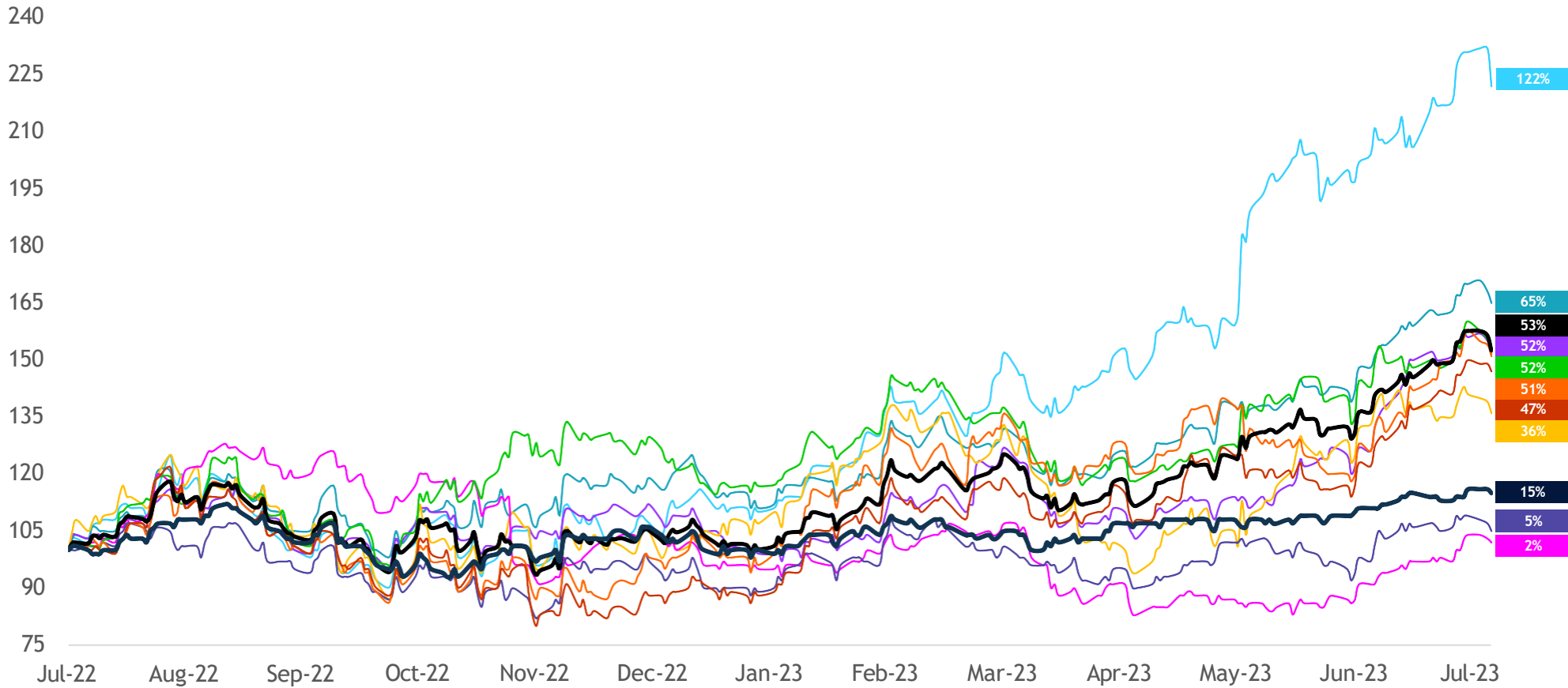
Roofing Market Value Chain



				<p>& 95,000+ National, regional and local contractors across the U.S.</p>		

Integrated value chain with a diverse mix of large and smaller players

Residential Roofing - LTM Equity Market Performance



- Robust sector performance generating 53% returns (38% higher than S&P 500)
- Primarily driven by Builders Firstsource, Owens Corning and Beacon Roofing

— Builders Firstsource — Owens Corning — Beacon Roofing — Bluelinx Holdings
— Carlisle Companies — Masco Corporation — Gibraltar Industries — Installed Building Products
— Top Build — Roofing Index⁽¹⁾ — S&P 500

Note(1): The Roofing-Index has been calculated as market cap weighted average of nine companies - Builders Firstsource, Owens Corning, Beacon Roofing, Bluelinx Holdings, Carlisle Companies, Masco Corporation, Gibraltar Industries, Installed Building Products and Top Build

M&A Update: Atlas Creates Roofing Platform Tecta America

Atlas Partners' platform approach using 'buy-and-build' strategy

- Atlas Partners acquired Tecta America in 2018 from ONCP a mid market private equity firm
- Tecta America, is a commercial roofing contractor in U.S. and is known for its broad array of services, including installation, replacement, repairs, and maintenance. With a nationwide presence through a network of over 60 locations. They have acquired more than 50 companies since inception
- Tecta America has built strong local relationships, contributing to its remarkable growth and success which Atlas Partners recognized as a key source of strength
- Atlas is using Tecta to build one of the largest roofing contractors in the US by completing 5 acquisitions - 3 in residential and 2 in commercial roofing space
- Roofing contracting is a highly fragmented market with multiple niche specialized services - ripe for consolidation and has attracted many PE firms targeting the platform approach

Acquisitions Done by Atlas / Tecta America

Date	Target	Target Business Description	Enterprise Value (\$mn)	EV / EBITDA
Nov-18	Tecta America Corporation (acquired by Atlas)	Provides a comprehensive set of commercial roofing services to national and local customers across a spectrum of industries	Na	Na
Jun-22	Katchmark construction (acquired by Tecta)	Specialize in installation of Shingle Roofs Cedar Shakes, Rubber Slate, Metal Shingles, Standing Seam Metal and many more	Na	Na
Jan-22	Roof Services (acquired by Tecta)	Provider of roofing products and services. Their roof systems are designed and installed to maximize their long-term performance	Na	Na
Dec-20	C.E. Reeve Roofing (acquired by Tecta)	Provides a variety of roofing and roof asset management services to customers	Na	Na



M&A Update (cont'd) : Platform Play by Gauge Capital & New State Capital Partners

Acquisitions by Gauge Capital

- Gauge Capital launch Apple Roofing, a newly roofing contracting platform company after the acquisition Crest Exteriors LLC and Apple Roofing LLC
- Apple Roofing was formed to assist roofing companies who are seeking for capital solutions, ownership transitions and partnering with experienced executives to boost growth
- The aim is to build the largest regional roof repair and replacement company

Date	Target	Target Business Description	Enterprise Value (\$mn)	EV / EBITDA
Mar-22	Crest Exteriors	They provide roof repair, replacement, and other related services to residential and commercial customers throughout the central and south-central United States	Na	Na
Mar-22	Apple Roofing	Apple Roofing provides roof replacement and repair services to residential and commercial customers through its branch locations in 10 states	Na	Na

Acquisitions Done by New State Capital Partners

- The acquisition of Patuxent marks New State's fourth and the third platform investment in New State Capital Partners Fund III
- This acquisition plans to pursue geographic expansion and explore a new sector of complementary building maintenance, repair, and renovation services

Date	Target	Target Business Description	Enterprise Value (\$mn)	EV / EBITDA
Apr-22	Patuxent Roofing & Contracting	Patuxent primarily focuses on reroofing services to hospitals, schools, government buildings, and other high-end facilities that are subject to complex bid procedures and require operational specialization	Na	Na



M&A Update (cont'd) : Other M&A Deals in Residential Roofing

Date	Acquiror	Target	Target Business Description	Enterprise Value (\$mn)	EV/EBITDA
May-23	Morgan Stanley Capital Partners	Allstar Services	Provider of residential exterior replacement, repair and maintenance services across trades including roofing, siding, windows, and gutters	Na	Na
Jan-23	Freeman Spogli & Co. and LightBay Capital	Infinity Home Services	Leading provider of residential roofing replacement and other exterior home services	Na	Na
Nov-22	B&B Siding and Roofing	NU-TEK Roof Systems	Provides commercial and residential roofing, construction and maintenance services	Na	Na
Sep-22	Legacy Restoration, LLC	Janney Construction Services	Offers exterior restoration and remodeling services, such as residential and commercial roofing	Na	Na
Aug-22	Roofing Corp of America	Deer Park Roofing	Provides commercial and residential roofing contracting services in the Midwest America	Na	Na
Jul-22	Copley Equity Partners	The Roof Depot	Operates as a roofing contractor that distributes commercial / residential roofing, siding and gutter products	Na	Na
Jul-22	Infinity Home Services	Cochran Exteriors	Provider of residential roofing, siding, window, and gutter replacement in the non-insurance, retail market	Na	Na
Jun-22	Infinity Home Services	American Home Contractors	Provider of residential roofing, siding, window and gutter replacement in the non-insurance, retail market	Na	Na
Apr-22	Infinity Home Services	High Point Roofing	High Point is a leading provider of residential roofing, siding, window and gutter replacement in the non-insurance, retail market	Na	Na
Aug-21	Bessemer Investors	Legacy Restoration	Provider of exterior restoration and remodeling services	Na	Na

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