

# Quazar Capital Corporation

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## Quazar Report – Building Products and Construction

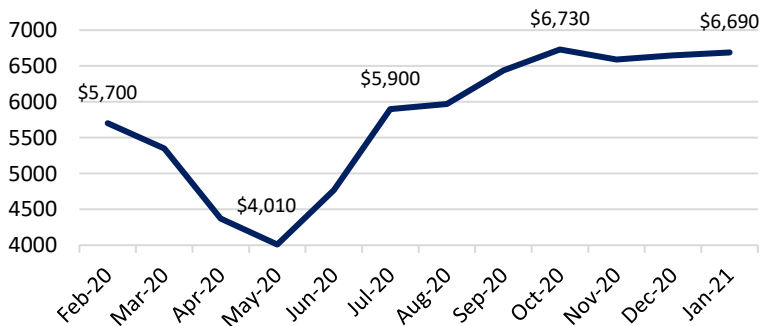
Q2 2021

Estimated Read Time: 4 minutes

The Building Products Industry consists of a wide range of manufacturers and suppliers that provide materials and services to the downstream Commercial and Residential Construction Industry. Drivers for this industry are largely related to increases in construction of multifamily residential units, single-family homes, and nonresidential buildings and infrastructure. Input prices for a number of commodities used in this industry have seen dramatic increases over the course of 2020, including concrete products, plywood, and most notably, softwood lumber, with prices in January 2021 being up 73% YoY.<sup>1</sup> As input prices continue to rise, it has led to a subsequent surge in home prices. Yet, this has not fettered demand for downstream home sales, with historically low mortgage rates, new home sales have increased 18.8% YoY in 2020, leaving home builders struggling to meet the needs of the market. Inventory levels for new single-family homes for sale has been relatively low, with only a 4.3 months' supply in December 2020, 18.9% lower than December 2019.<sup>2</sup> As the Commercial Construction sector begins to rebound going into 2021, infrastructure and public utility projects are expected to lead this sector, as well as an increase in warehouse and distribution facilities to meet the continuous rise in e-commerce.

As more people are spending time in their homes as a result of the pandemic, the remodeling and improvement market has followed suit with the boom in new construction. Homeowners are adapting their lifestyles to spend more time in their home for work, school, and relaxation, and they are focusing on smaller remodels and DIY projects to make their space more amenable to these lifestyle changes. This trend can be illustrated by the National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) increasing from 48 in Q1, to 79 in Q4 2020.<sup>3</sup>

United States Existing Home Sales  
(\$ in Thousands)



Source: Tradingeconomics.com | National Association of Realtors

### Key Trends/Industry Highlights

- “The recent spike in softwood lumber prices has caused the price of an average new single-family home to increase by \$16,148 since April 17, according to NAHB standard estimates of lumber used to build the average home.”<sup>4</sup>
- According to CBRE Research, multifamily investment volume is expected to increase in 2021, reaching about \$148 billion in 2021, lower than the 2019 record of \$191 billion, but will still represent a 33% gain over 2020.<sup>5</sup>
- Linchpin SEO estimates that green construction is responsible for 3.3 million jobs created in the last three years, as eco-conscious construction of non-residential green buildings has been driving up demand for green building materials.
- Due to the pandemic, 3D or virtual home tours has become a new and widely used feature in selling a home.
  - In a survey conducted by Redfin in September 2020, it found that nearly 8 in 10 home buyers are taking 3D home tours.<sup>6</sup>

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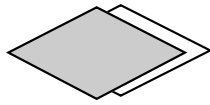
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#### Sources:

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6. Matterport, “Nearly 8 in 10 Home Buyers are Taking More 3D Home Tours During the Pandemic, Citing Safety Concerns,” <https://matterport.com/blog/nearly-8-10-home-buyers-are-taking-more-3d-home-tours-during-pandemic-citing-safety-concerns>, 03/19/2021.



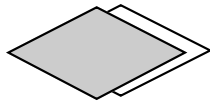
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## Selected Transactions: Recent Industry M&A Activity

<b><u>Transactions Announced Date</u></b>	<b><u>Target/Issuer</u></b>	<b><u>Total Transaction Value (\$USDmm, Historical Rate)</u></b>	<b><u>Buyers/Investors</u></b>
02/23/2021	Industrial business of Gibraltar Industries, Inc.	\$38.0	Pacific Avenue Capital Partners, LLC
02/01/2021	General Tools & Instruments LLC	\$115.0	Worthington Industries, Inc. (NYSE:WOR)
12/04/2020	Hadrian Inc.	\$101.7	Zurn Industries, LLC
11/20/2020	Arktura, LLC	\$121.0	Armstrong World Industries, Inc. (NYSE:AWI)
11/16/2020	Larson Manufacturing Company, Inc.	\$740.0	Fortune Brands Home & Security, Inc. (NYSE:FBHS)
11/05/2020	T.A. Industries, Inc.	\$359.8	The RectorSeal Corporation
10/29/2020	Architectural Mailboxes, LLC	\$27.0	Gibraltar Industries, Inc. (NasdaqGS:ROCK)
10/22/2020	Substantially All Assets of Colonial Elegance Inc.	\$44.1	Renin Corp.
10/01/2020	Facility Located in McCook, Illinois	\$25.0	Apogee Enterprises, Inc. (NasdaqGS:APOG)
09/01/2020	Partsmaster, Inc.	\$42.3	Lawson Products, Inc. (NasdaqGS:LAWS)
08/27/2020	BMC Stock Holdings, Inc.	\$3,038.9	Builders FirstSource, Inc. (NasdaqGS:BLDR)
07/31/2020	Canadian Commercial Vehicles Corp.	\$1.3	1252256 B.C. Ltd.
07/28/2020	Turf Design Inc.	\$118.0	Armstrong World Industries, Inc. (NYSE:AWI)
03/02/2020	Royals Commercial Services, Inc.	\$10.1	Installed Building Products, Inc. (NYSE:IBP)
02/24/2020	PolyVision Corporation	\$74.0	Industrial Opportunity Partners, LLC
02/24/2020	Hunter Insulation, Inc.	\$9.1	TopBuild Corp. (NYSE:BLD)

Source: Capital IQ



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## Selected Transactions: Recent Industry M&A Activity (without disclosed value)

<b><u>Transactions Announced Date</u></b>	<b><u>Target/Issuer</u></b>	<b><u>Buyers/Investors</u></b>
03/02/2021	Binford Supply LLC	Fencing Supply Group
03/01/2021	Assets of LockeyUSA	NWI Enterprises, Inc.
03/01/2021	Altaflo LLC	Pexco LLC
02/24/2021	BMMS Diversified, Inc.	S.R. Smith LLC
02/08/2021	Supreme Screw Products, Inc	Schivo Medical Limited
02/08/2021	Miracle Windows and Sunrooms, Inc.	Leaf Home Enhancements, LLC
02/08/2021	Storm Tight Windows Inc.	Leaf Home Enhancements, LLC
02/02/2021	Atlantic Fasteners, Inc.	Wurth Industry of North America LLC
01/14/2021	ThermaMasters, L.L.C.	Aavid Thermalloy, LLC
01/12/2021	Bio Bidet	Bemis Manufacturing Company, Inc.
01/11/2021	Hudson River Window & Door Corp.	NSE Windows LLC
01/11/2021	Veloce Innovation Inc.	XPEL, Inc. (NasdaqCM:XPEL)
01/08/2021	Certain Assets of Parterre Flooring Systems	AHF, LLC
01/06/2021	W.S. Molnar Inc.	Victor Capital Partners LLC
12/21/2020	Gateway Manufacturing, LLC d/b/a Salo Manufacturing	American Bath Group
9/25/2020	Carpet King, Inc.	31 <sup>st</sup> Street Capital, LLC

Source: Capital IQ

## Quazar Business Brokerage Advises Salo Manufacturing in Its Sale



**Quazar Business Brokerage** is pleased to announce Gateway Manufacturing, LLC d/b/a Salo Manufacturing ("Salo" or "the Company") has been acquired by American Bath Group, a portfolio company of Centerbridge Partners. Quazar Business Brokerage ("Quazar") advised Salo in the transaction.

The Shareholders of Salo made a decision to transition the business in order retire and find a buyer who would continue to grow the business and create new opportunities for its employees. The Shareholders chose Quazar as their M&A Adviser primarily due to Quazar's unique marketing approach, extensive network, ability to reach strategic buyers, and reputation for successfully working with privately-held businesses.

After an extensive marketing process, the Shareholders ultimately decided that American Bath Group was the right buyer for the business due to its extensive industry knowledge, ability to create new opportunities for Salo's employees, and its suite of additional product lines to offer the Company's customer base. With Quazar's assistance and leadership, the transaction closed on December 21, 2020.

"I could not be more pleased with the outcome of the sale. Quazar was able to reach a wide range of buyers, provide us with multiple options for selling the business, and was instrumental in negotiating a great deal and leading the transaction to a successful closing. I am excited for the direction that American Bath Group can lead the business to in the future, and I am thrilled to know American Bath Group plans to create additional opportunities for existing employees while creating new jobs in the community as well." – Terry Petersen, President of Salo Manufacturing

**Salo Manufacturing** ([salomfg.com](http://salomfg.com)) is a leading manufacturer of fiberglass bathtubs and showers in the upper Midwest. The Company primarily sells its products into the multifamily housing market, including apartments, condos, townhouses, student housing, senior living facilities, and hotels. Salo was founded in 1986 and is headquartered in Menahga, Minnesota.

**Quazar Business Brokerage** ([quazarbusinessbrokerage.com](http://quazarbusinessbrokerage.com)) is a Minnesota-based Business Brokerage Firm specializing in providing professional brokerage services to clients with at least \$1 million of enterprise value.

*Professional Business Brokers*

## Quazar Business Brokerage Advises Carpet King, Inc. in its Sale



Quazar Business Brokerage is pleased to announce Carpet King, Inc. has been acquired by 31<sup>st</sup> Street Capital, LLC. Quazar Business Brokerage (“Quazar”) advised Carpet King in the transaction.

The Shareholder of Carpet King made a strategic decision to transition the business in order to focus on other business endeavors and to augment Carpet King’s leadership team with additional industry experience. The Shareholder chose Quazar as their M&A Adviser primarily due to Quazar’s unique marketing approach, extensive network, industry experience, and reputation for successfully working with privately-held businesses.

After an extensive marketing process, the Shareholder ultimately decided that a family office with an existing flooring company that could offer significant synergies would be the best fit to continue to expand the business and create new opportunities for its employees.

“Quazar was highly professional throughout the entire process. They came through by identifying a well-qualified buyer, and they were invaluable in leading the deal to an expedited and successful closing. I am excited for the future of the business as well as the opportunity for the employees to grow under new and experienced ownership.” – Bill Bailey, President and Shareholder of Carpet King

**Carpet King** ([carpetking.com](http://carpetking.com)) is a full-service floor covering dealer that has been servicing the Twin Cities community since 1946. For many decades, the Company has been the premiere residential replacement flooring retainer in the Twin Cities. The Company operates 11 retail locations under the Flooring Expo by Carpet King name and two wholesale locations under the Trade Direct name. Additionally, the Company offers shop-at-home services. Carpet King is headquartered in Minneapolis, Minnesota.

**Quazar Business Brokerage** ([quazarbusinessbrokerage.com](http://quazarbusinessbrokerage.com)) is a Minnesota-based Business Brokerage Firm specializing in providing professional brokerage services to clients with at least \$1 million of enterprise value.