

A low-angle photograph of a construction worker wearing a yellow hard hat and a white t-shirt, using a hammer on a wooden roof structure. The image is overlaid with a dark blue semi-transparent filter. A vertical bar on the left side of the page is blue with a yellow segment.

Building Products

QUARTERLY UPDATE

Q1 2026



Key Insights and Observations

The Building Products sector remained increasingly bifurcated in Q1 2026, with resilient demand concentrated in infrastructure, non-residential, and repair-driven categories, while residential new construction activity remained constrained by elevated financing costs and affordability pressures.

Following a more muted 2025, which saw 230 Building Products M&A transactions, activity showed early signs of improvement entering 2026. Q1 2026 recorded approximately 52 transactions, representing an increase of ~24% compared to Q1 2025. While improving, activity remains below historical levels as elevated financing costs and tighter credit conditions continue to constrain broader participation.

Demand across key end markets remains uneven. Residential activity remains below normalized levels as elevated mortgage rates and affordability pressures continue to suppress both new construction and existing home sales. Repair and remodel demand has stabilized, supported by aging housing stock and non-discretionary maintenance activity. In contrast, non-residential construction remains relatively resilient, supported by infrastructure, institutional, and data center-related investment.

Cost dynamics remain a central theme. The ongoing conflict in Iran, combined with tariff-related pressures on inputs, has driven an acceleration in commodity prices, with recent residential PPI data reflecting significant upward momentum. These conditions have reinforced a shift toward domestic sourcing and continue to favor scaled operators with pricing power and supply chain flexibility.

Strategic M&A activity remains active despite a more selective financing environment, with buyers continuing to prioritize scaled distribution, infrastructure exposure, and earnings durability. Notable examples include QXO's ~\$2.3 billion acquisition of Kodiak Building Partners and CRH's ~\$2.1 billion acquisition of Eco Material Technologies, highlighting a focus on distribution scale, sustainability, and infrastructure exposure.

Despite ongoing macroeconomic uncertainty, strategic consolidation remains a defining theme across the sector, while private equity participation continues to be more selective.

Looking ahead, recovery is expected to remain gradual. However, long-term fundamentals, including housing undersupply, infrastructure investment, and data center construction, continue to support a constructive medium-term outlook.

Q1 2026 Key Takeaways



Residential Demand Remains Constrained



Infrastructure and Data Centers Support Growth



Repair and Remodel Remains Resilient



Strategic M&A Activity Continues to Recover Gradually



Buyers Remain Focused on Scale and Earnings Durability



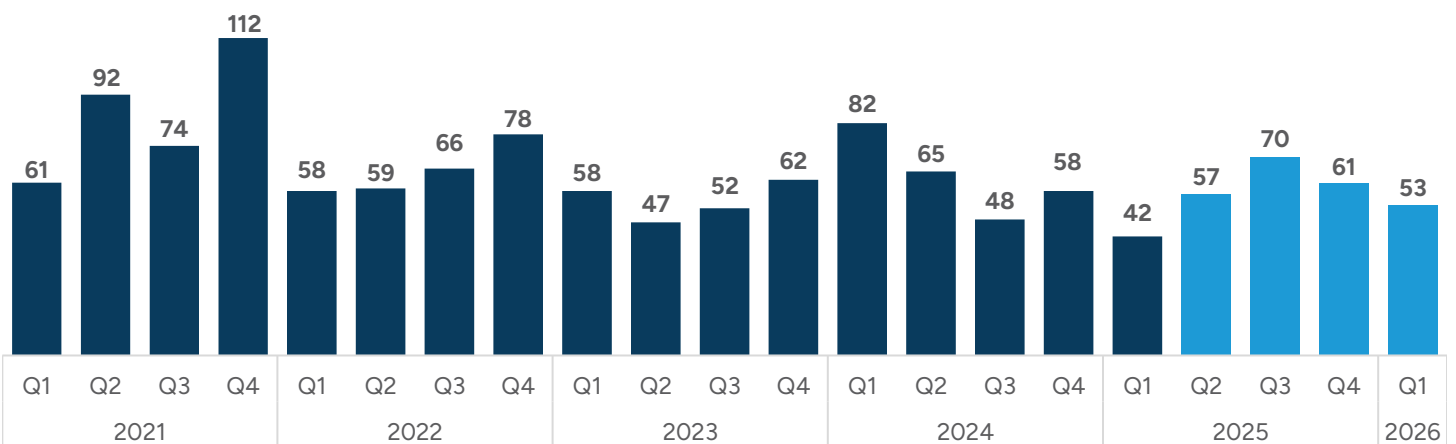
M&A Activity Trends

Q1 2026 Observations

- Building products M&A activity showed early signs of recovery in Q1 2026, with approximately 53 transactions, up from 42 in Q1 2025. Despite the improvement, activity remains below prior cycle levels amid elevated financing costs and a more selective deal environment
- Deal activity was concentrated in interior products and distribution, reflecting investor preference for more stable, repair-driven, and asset-light segments. Select strategic transactions, including QXO's ~\$2.3 billion acquisition of Kodiak Building Partners and CRH's ~\$2.1 billion acquisition of Eco Material Technologies, continue to support overall deal value and consolidation trends

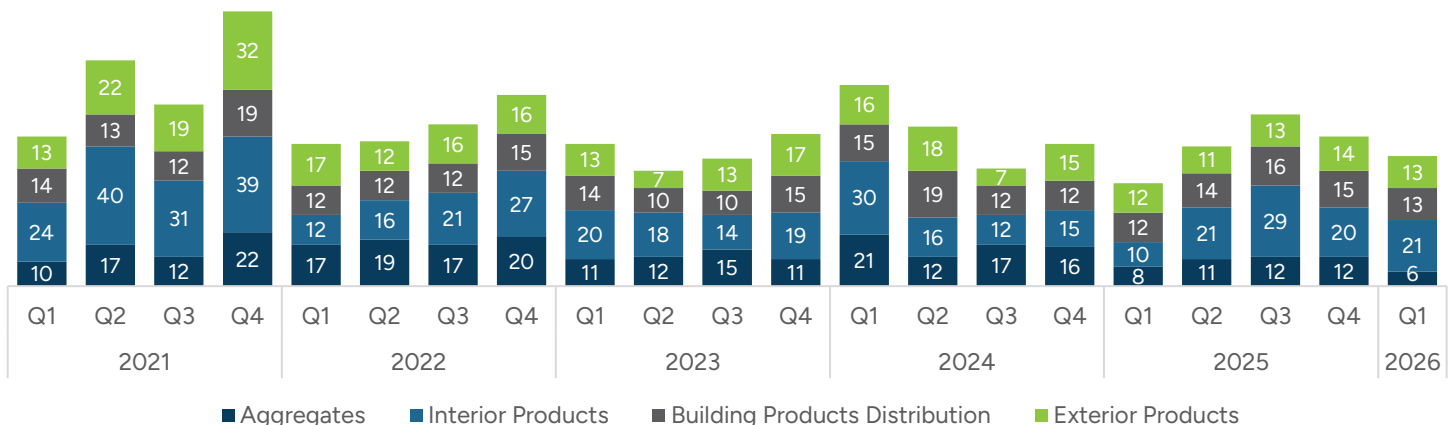
Quarterly Building Products M&A Transaction Volume

(Number of announced M&A Transactions)



M&A Transaction Volume by Building Products Subsector

(Number of announced M&A transactions)



M&A Activity Trends (cont.)

AGGREGATES

- M&A activity within the aggregates segment declined ~35% in 2025 compared to 2024, representing the most pronounced slowdown across subsectors
- Underlying demand remained supported by infrastructure investment, with U.S. public construction spending continuing to grow year-over-year, driven by federal funding programs and large-scale project pipelines

INTERIOR PRODUCTS

- M&A activity within the interior products segment increased ~10% in 2025 compared to 2024, driven by consolidation across windows, doors, and finished interior components
- Activity remained supported by repair and remodel demand, which continues to account for a majority of residential spend, though overall home improvement activity moderated in 2025 amid elevated borrowing costs and lower housing turnover

BUILDING PRODUCTS DISTRIBUTION

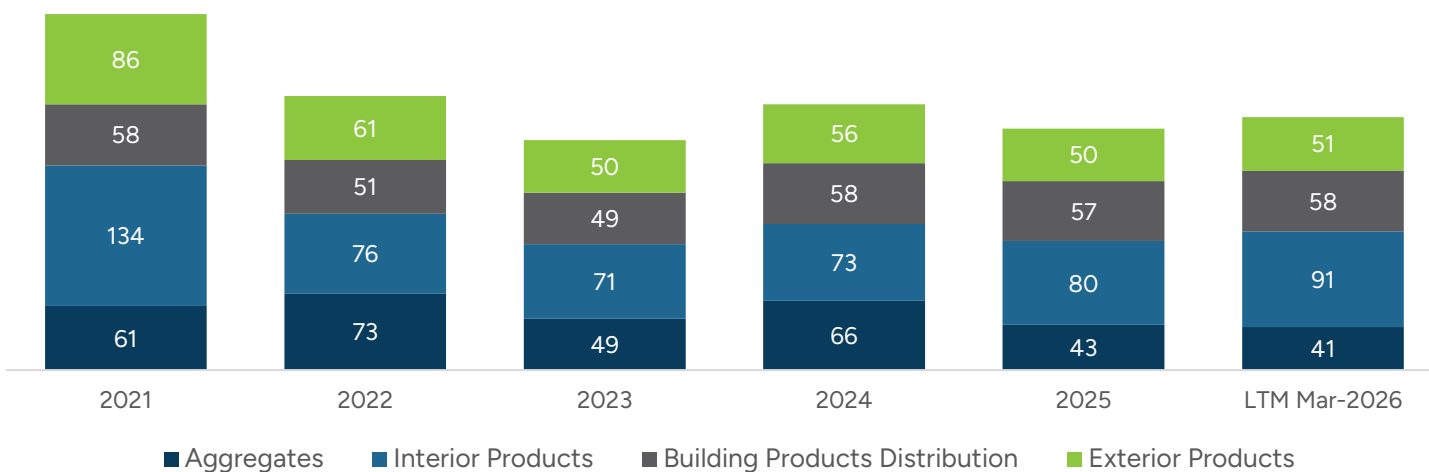
- M&A activity within building products distribution remained relatively stable, declining ~2% in 2025 compared to 2024
- Consolidation remained active, driven by the need for scale, local density, and service capabilities, with distributors continuing to benefit from repair-driven demand and ongoing investment in logistics and value-added services

EXTERIOR PRODUCTS

- M&A activity within the exterior products segment declined ~11% in 2025 compared to 2024, reflecting reduced deal activity across siding and broader building envelope categories
- Demand remained more resilient in roofing and weatherproofing, supported by non-discretionary repair activity, with re-roofing continuing to represent a significant portion of residential exterior spend

M&A Volume by Subsector

1



Note: Interior Products includes windows, doors, flooring, plumbing, lighting and electrical, and HVAC; Exterior Products includes roofing, siding, lumber, and industrial coatings

Macroeconomic Update

RECENT MACROECONOMIC PERFORMANCE

U.S. economic activity remained uneven entering Q1 2026, following a volatile 2025. Real GDP growth showed modest recovery after periods of contraction during the year, while inflation eased toward ~3%, indicating improving but still above-target price stability.

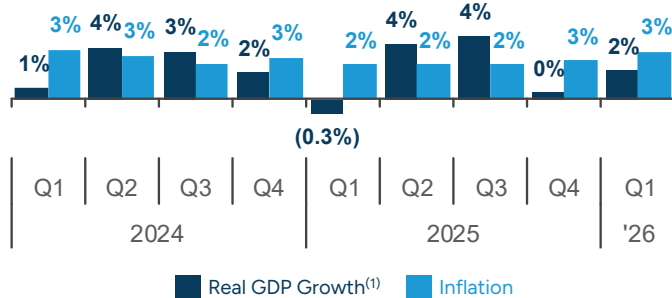
Labor markets remained stable, with unemployment holding near ~4.4%, though consumer confidence declined to ~92%, reflecting continued affordability pressures and cautious spending. While the Federal Reserve reduced the federal funds rate from peak levels, borrowing costs remain elevated, continuing to weigh on interest-rate-sensitive sectors.

INDUSTRY TRENDS

Manufacturing activity showed stabilization entering 2026, with PMI returning to expansionary levels (~52.7) after a period of contraction. Despite this improvement, demand remains uneven, with new orders and backlog improving from contractionary levels, though still below prior-cycle strength. Elevated input costs, ongoing tariff dynamics, and supply chain shifts continue to pressure margins, while cautious corporate spending and delayed project timelines are limiting a broader rebound. As a result, industrial and construction-related activity is improving but remains below normalized levels, with recovery uneven across end markets.

Real GDP Growth and Inflation⁽¹⁾

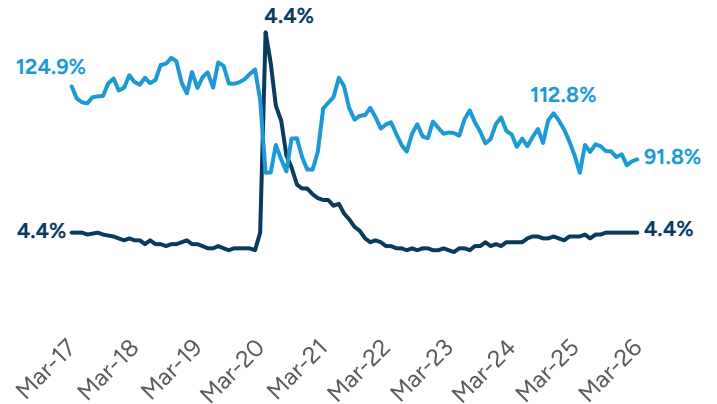
(Real GDP growth represents annualized quarterly percentage change)



(1) Inflation metrics reflect CPI data

Unemployment and Consumer Confidence

(Percentage of unemployed persons in the U.S. labor force)
(Index of consumer sentiment; long-term average = 100)



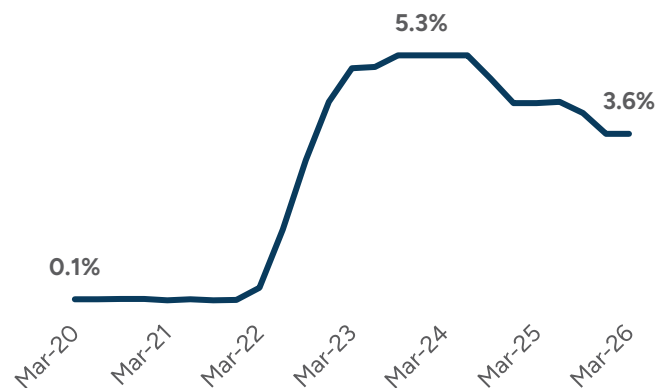
Purchasing Manager's Index

(Measures economic health of manufacturing sector 0 – 100)



Effective Federal Funds Rate

(Volume-weighted median of overnight federal funds transactions)



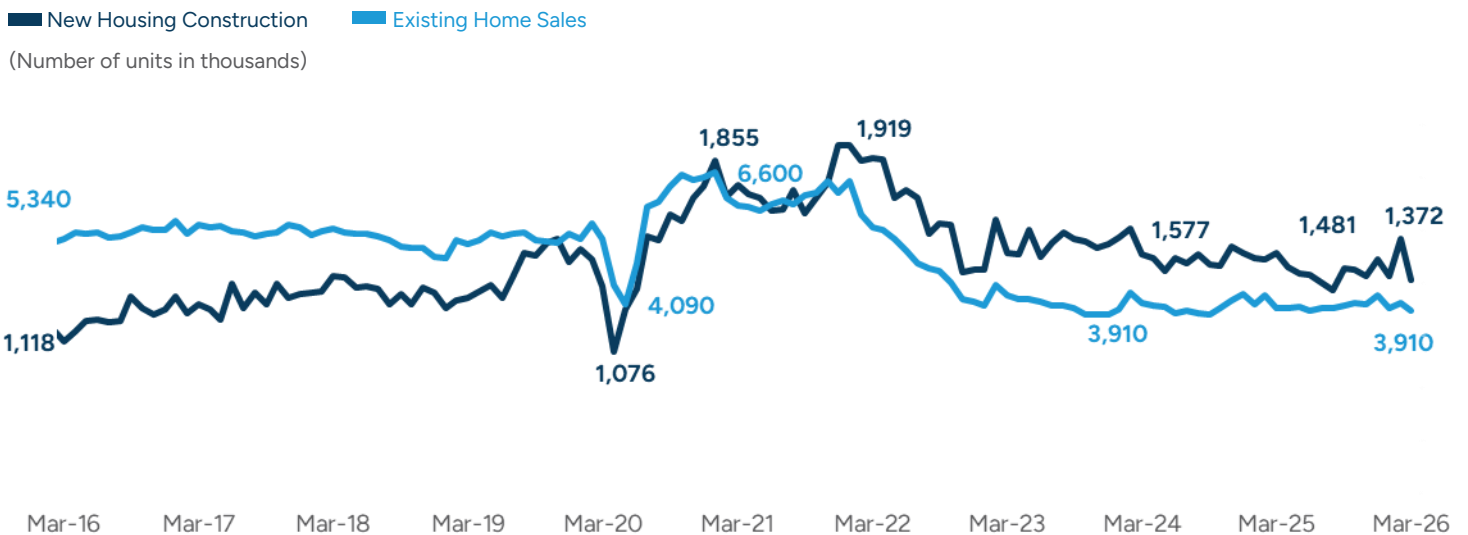
Residential Housing Market

RESIDENTIAL HOUSING MARKET AND INTEREST RATE ENVIRONMENT

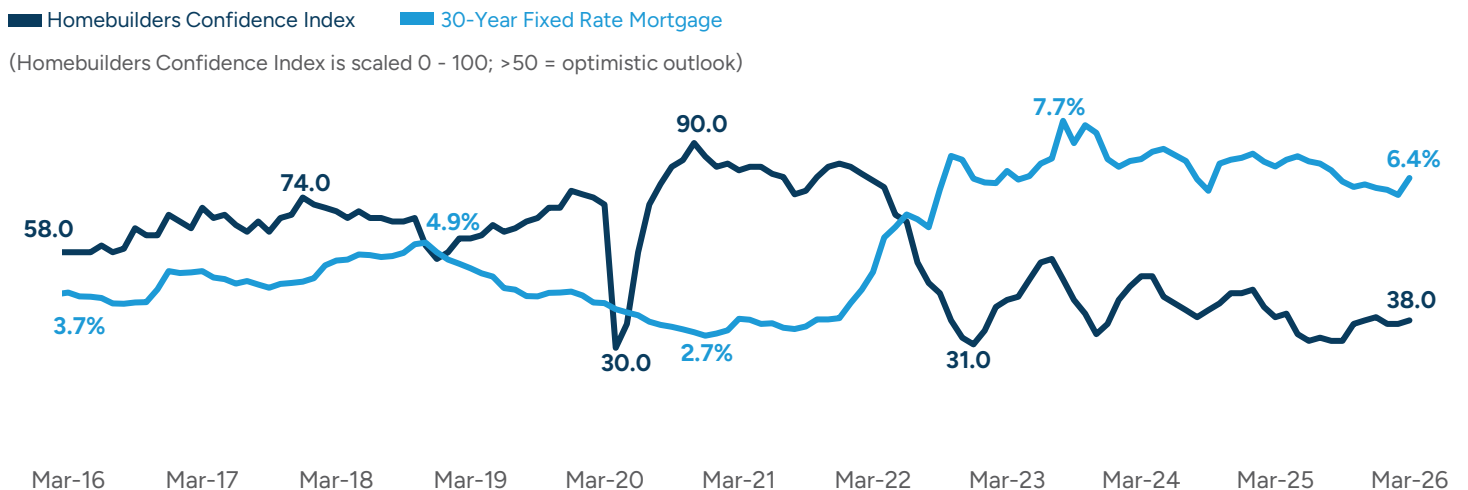
Residential housing activity remained constrained entering Q1 2026, as elevated mortgage rates and affordability pressures continued to weigh on both new construction and existing home sales. While mortgage rates have moderated from peak levels, they remain elevated at approximately 6.4%, limiting buyer demand and keeping transaction activity subdued. Existing home sales remain particularly pressured, as homeowners continue to hold onto lower-rate mortgages, restricting inventory availability.

New housing construction has shown periods of recovery since 2020 lows but remains volatile, with recent months reflecting uneven momentum, including a brief uptick followed by a pullback. Homebuilder sentiment has improved from prior trough levels but remains below neutral, indicating continued caution across the sector. Despite structural housing undersupply, elevated financing costs and affordability constraints continue to limit a sustained recovery in residential activity.

New Housing Construction and Existing Home Sales



Homebuilders Sentiment and Interest Rates



Non-Residential Construction

COMMERCIAL ACTIVITY VARIED ACROSS SEGMENTS

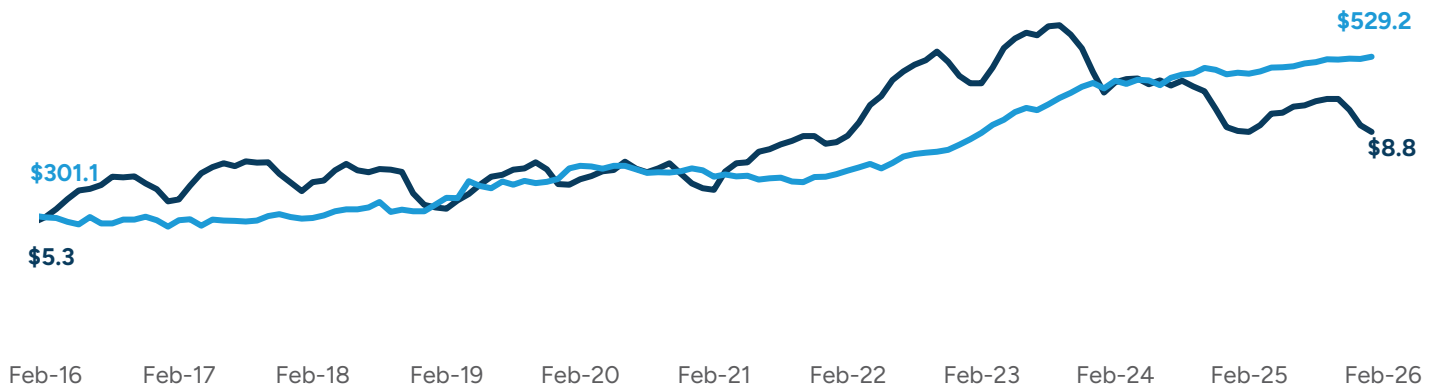
Non-residential construction activity remained mixed entering Q1 2026, with a clear divergence between public and private spending. Public construction continued to grow steadily, exceeding \$520 million, supported by infrastructure investment and government funding. In contrast, private construction has softened from recent peaks, reflecting tighter financing conditions, elevated interest rates, and more cautious capital deployment. Overall activity has begun to level off following strong growth in prior periods.

Performance across end markets remains uneven. Data centers and manufacturing continue to support activity, while more cyclical segments face softer demand. Cost pressures have eased, with the Non-Residential Producer Price Index modestly stabilizing; however, construction spending has also plateaued near recent highs, suggesting a more measured pace of activity as private investment remains selective.

Private and Public Non-Residential Construction Spending

■ Total Private Commercial Construction Spending ■ Total Public Commercial Construction Spending

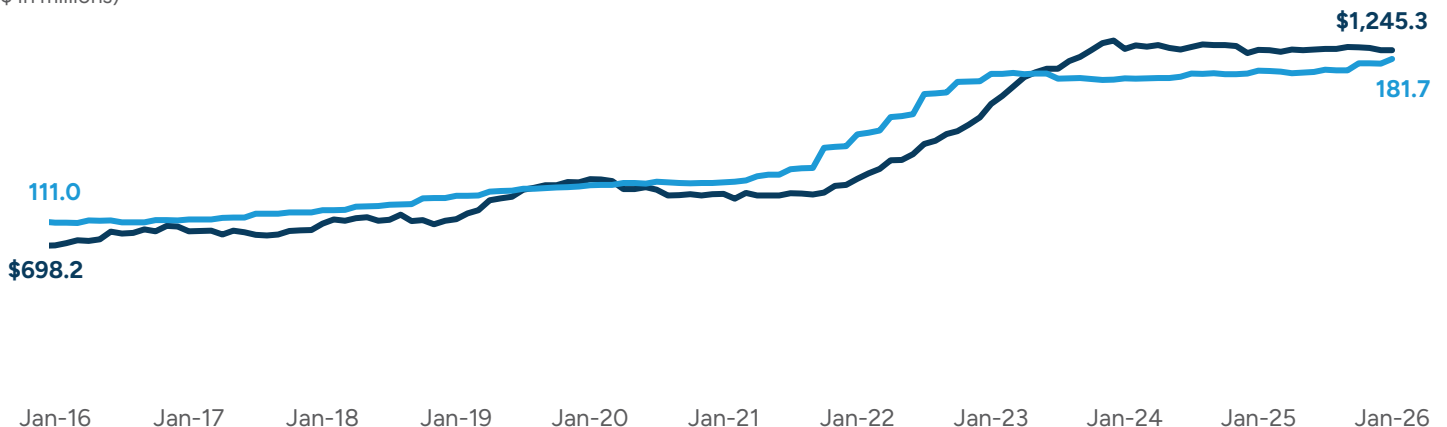
(\$ in millions)



Non-Residential Construction Spending and Producer Price Index

■ Total Non-Residential Construction Spending ■ PPI – New Non-Residential Building Construction

(\$ in millions)



Input Costs

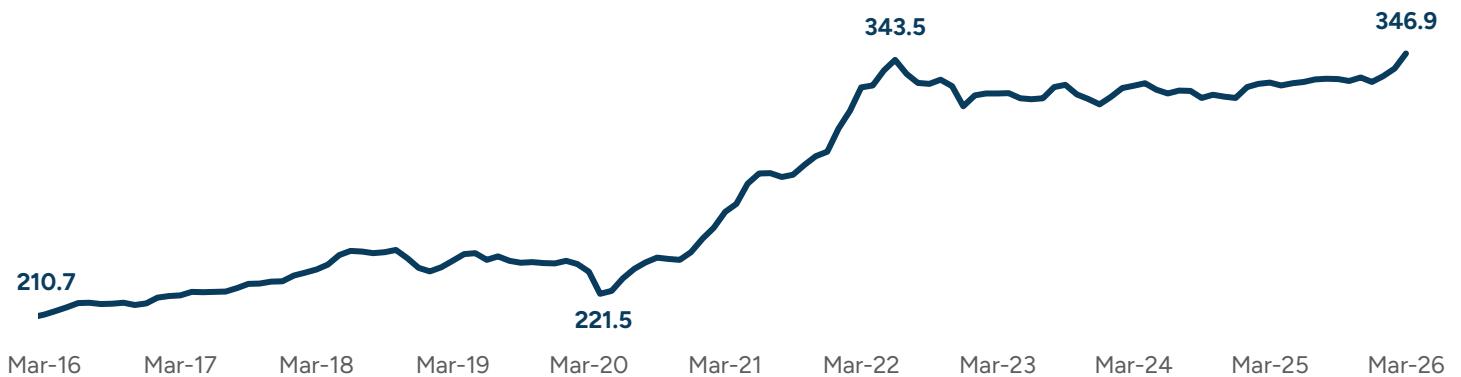
COMMODITY PRICE TRENDS

The Producer Price Index (PPI) for residential construction inputs remained elevated entering Q1 2026, with recent data indicating a slight uptick following a period of relative stability. Input costs continue to reflect sustained pricing pressure, with the index reaching 346.9 in March 2026.

Select energy-related commodities showed mixed near-term movement, with domestic crude petroleum increasing sharply while natural gas declined month-over-month. These shifts were primarily driven by fluctuations in global energy markets and continue to contribute to variability in construction input costs.

Certain material categories exhibited resilience as key inputs, including steel mill products, iron / steel scrap, and fabricated structural metals. More broadly, tariff-related pressures on imported materials, particularly across metals and wood products, continue to influence pricing and sourcing dynamics across the sector.

PPI – Net Inputs to Residential Construction



PPI – Commodity Index Percent Change (Mar-26)

Commodity	1 Month % Change	12 Month % Change	Current Tariff Impact
Lumber and Wood Products	0.6%	2.1%	10% tariff on softwood lumber; 25% on cabinets and furniture (up to 30–50% on select products)
Steel Mill Products	2.1%	15.4%	25–50% tariffs on steel imports and derivative products
Concrete Products	0.5%	2.3%	~25% tariffs on cement imports (Canada & Mexico)
Iron and Steel Scrap	0.7%	1.3%	25–50% steel tariffs have reduced import demand
Plumbing Fixtures and Fittings	0.4%	9.9%	Large exposure on products from China
Domestic Crude Petroleum	20.2%	12.3%	U.S. policy maintains exemptions to preserve supply
Natural Gas	(4.9%)	9.5%	Limited, regionally concentrated imports
Fabricated Structural Metal Products	1.0%	7.5%	Shifted demand toward domestic fabrication
Nonferrous Wire and Cable	(0.5%)	14.7%	50% tariffs on copper and derivative imports
Precast Concrete Slabs, Tiles, Roofs, & Floors	0.0%	0.0%	Minimal direct tariff exposure

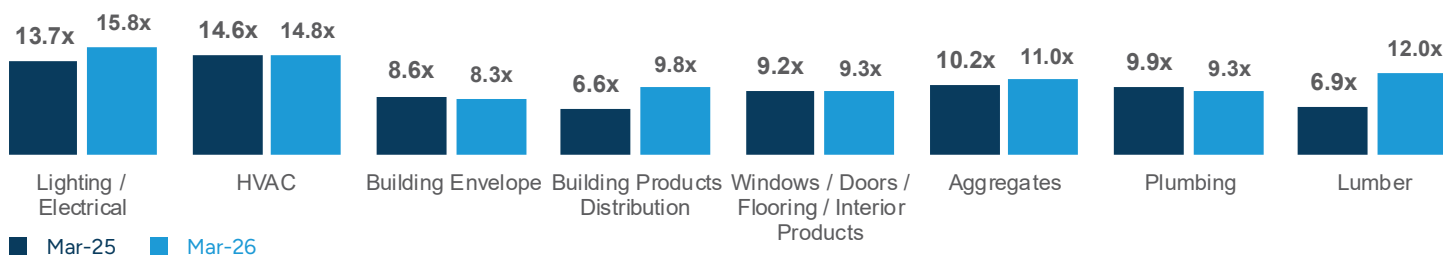
Building Products Market Trends

VALUATION METRICS

In Q1 2026, building products valuation multiples were mixed across subsectors, reflecting continued end-market uncertainty, uneven demand trends, and differences in cyclicity across product categories.

More cyclical subsectors showed divergent performance: Building Envelope and Plumbing experienced multiple compression, while Lumber expanded significantly from a depressed prior-year. Lighting / Electrical, Building Products Distribution, and Aggregates demonstrated relative strength, as investor sentiment continues to favor businesses with durable demand drivers, pricing power, and stable margin profiles.

Subsector Average NTM EBITDA Multiples



SELECT RECENT BUILDING PRODUCTS INDUSTRY TRANSACTIONS

Date	Target (Ownership)	Subsector	Acquirer (Ownership)
Mar-26	Métalunic	Exterior Products	Norea Capital
Mar-26	DCI Hollow Metal on Demand	Interior Products	Allegion (NYSE: ALLE)
Feb-26	Kodiak Building Partners (Court Square Capital)	Distribution	QXO (NYSE: QXO)
Feb-26	BWI Distribution / Louisiana Millwork / Florida Made Door (Owens Corning)	Interior Products	Metrie
Feb-26	3 aggregates/asphalt/ready-mix ops, El Paso, TX	Aggregates	GCC, S.A.B. de C.V. (BMV: GCC*)
Jan-26	NEFCO (Bertram Capital)	Distribution	Leonard Green & Partners
Dec-25	Bright Wood Corporation	Exterior Products	Andersen Corporation
Dec-25	North American Aggregates	Aggregates	CRH (NYSE: CRH)
Sep-25	Metal Sales Manufacturing Corp.	Exterior Products	Cornerstone Building Brands (CD&R)
Sep-25	Geometrik Manufacturing Inc.	Interior Products	Armstrong World Industries (NYSE: AWI)
Sep-25	Autumn Ridge Stone & Landscape Supply	Distribution	SiteOne Landscape Supply (NYSE: SITE)
Sep-25	Service Wholesale Inc.	Distribution	Decks & Docks
Sep-25	Carolina Precision Fibers	Interior Products	Installed Building Products (NYSE: IBP)
Aug-25	Foundation Building Materials (CD&R / American Securities)	Distribution	Lowe's (NYSE: LOW)
Jul-25	Eco Material Technologies (One Equity Partners / Warburg Pincus)	Aggregates	CRH (NYSE: CRH)
Jul-25	Progressive Roofing (Bow River Capital)	Exterior Products	TopBuild Corp. (NYSE: BLD)
Jun-25	GMS Inc. (NYSE: GMS)	Distribution	Home Depot / SRS Distribution (NYSE: HD)
Jun-25	Scranton Products (NYSE: AZEK)	Interior Products	Sky Island Capital
Apr-25	KCG / Rew Materials	Distribution	Foundation Building Materials (CD&R / American Securities)
Apr-25	Artisan Design Group (Sterling Group)	Interior Products	Lowe's (NYSE: LOW)
Mar-25	Beacon Roofing Supply (Nasdaq: BECN)	Distribution	QXO (NYSE: QXO)
Mar-25	The AZEK Company (NYSE: AZEK)	Exterior Products	James Hardie Industries (NYSE: JHX)

Practice Overview

ABOUT

The Stout Building Products group leverages deep advisory experience as well as dedicated coverage and expertise across a range of key building products subsectors. The team leverages strong, long-standing relationships with the key strategic consolidators and highly active financial sponsors in the space, which enables us to provide superior outcomes for our clients.

FOCUS AREAS



Aggregates



Building Products Distribution



HVAC



Lighting / Electrical



Lumber



Plumbing



Building Envelope



Interior Products

RECENT STOUT TRANSACTIONS

 **ABC STONE**

has been acquired by



SELL-SIDE ADVISOR

 **sylvan**

a portfolio company of

 **BLUEPOINT**
Capital Partners

has been acquired by

 **E3Tech**
andressen.
horowitz

SELL-SIDE ADVISOR

 **RUSSELL PLYWOOD**

has been acquired by

 **WÜRTH**

SELL-SIDE ADVISOR

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