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BIA Executive Insights

Analysis, strategy, and insights for decision makers in the building products industry.

February 2021



Coming Friday, Feb. 26: My PS100 M&A Session with Four of the Nation's Biggest LBM Execs

By Michael Collins, Managing Director, BIA

As you read this, I am preparing my final questions and slides for an event you won't want to miss: My discussion with four of the nation's most acquisitive LBM executives regarding their strategies and buying philosophies. This online session will take place from 12:30 to 1:30 pm ET on Friday,



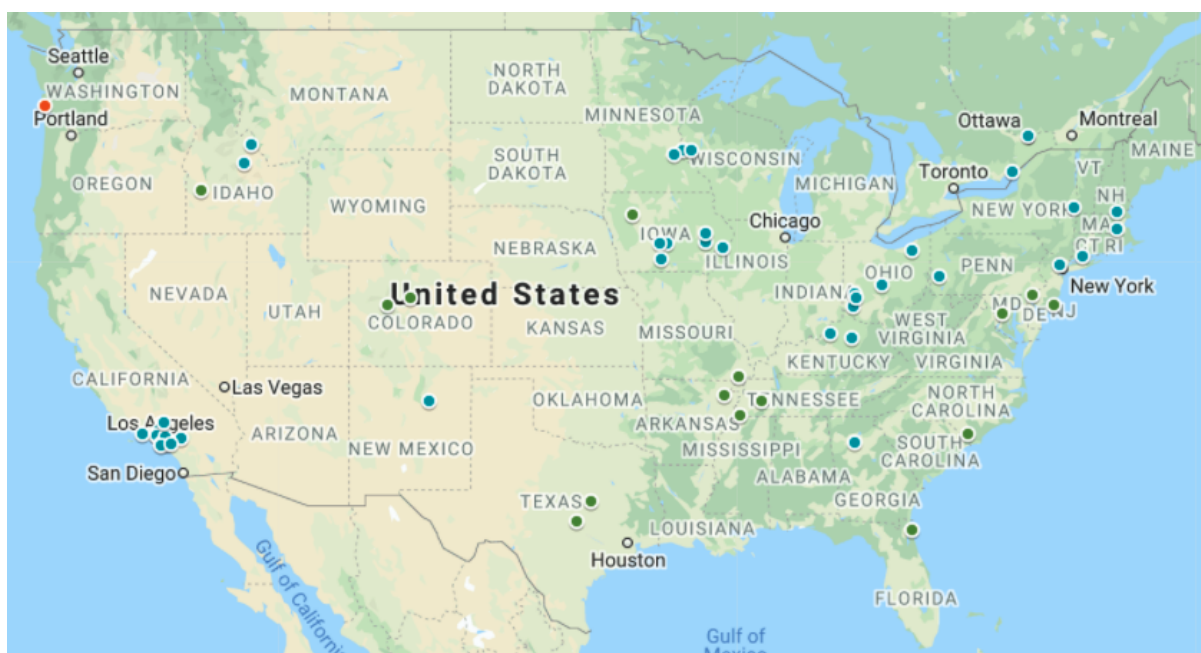
Feb. 26, during the [2021 ProSales 100 Conference](#). It's available at no cost to LBM distributors, and you're invited.

The panel features Jim Drexinger, CEO, **American Construction Source** (top upper left photo); Steve Swinney, CEO, **Kodiak Building Partners** (upper right); L.T. Gibson, president, and CEO, **US LBM** (lower left); and Ryan Nelson, EVP and CFO--and formerly head of corporate strategy--at **SRS Distribution** (lower right).

Combined, these companies accounted for 21 of the 69 acquisitions reported in Webb Analytics' 2020 LBM Deals Report (which you can [download here](#) with my compliments). That's 30% of all the transactions. Those deals netted the businesses 89 new facilities, or roughly 19% of all the yards that changed hands last year.

As the moderator, I'm intent on making this more than just a discussion on how to do deals. It also will be about lessons learned from recent combinations that you can use as you consider buying or selling in the future. How should you adjust your company's geographies to reflect market cycles? What is your business resiliency plan? Expect, too, for the panelists to share a teachable lesson from a particular acquisition.

[Register and get more info here,](#)



M&A, Opening, Closure Activity So Far in 2021

Is Keeping Up Late 2020's Robust Pace

SRS Distribution's purchase of **J B Wholesale Roofing and Building**, a specialty dealer with 11 yards, ranks as the biggest single deal to have taken place this year. But right behind it was the purchase of eight **Wolf Creek Distribution** facilities by **Heritage Landscape Supply Group**, a division of SRS. Add to that Heritage's purchase of **Atlanta Landscape Materials** of Doraville, GA, and the SRS-Heritage combination figures in 20 of the 39 locations that have changed hands through mid-February.

In general, 2021 is off to a busy pace. There have been 55 facilities that figured in openings, closures, and acquisitions so far this year: 39 in deals, 15 via greenfield openings that have either occurred or been announced, and just one closure.

Aside from the SRS deal, these notable actions have taken place since mid-January:

- * **Massa Home Center** acquired **Allied Builders Supply** of Challis, ID, and sister company **Lemhi Lumber** in Salmon, ID.
- * Continuing its affection for Minnesota's Twin Cities market, **US LBM** purchased **Villaume Industries**, a truss manufacturer based in Eagan, MN.
- * **Nations Best Holdings** continued its consolidation of operations that are part of the Do it Best network, this time acquiring **BTU Do it Center** of Las Vegas, NM.
- * **GMS** announced all at once the opening of five greenfield sites: In Waco, TX; Egg Harbor Township, NJ; Memphis, TN; Jackson, TN; and Jonesboro, AR. And that same Feb. 3, it also reported its purchase of a Canadian outfit, **D.L. Building Materials**, which has branches in Kinston, Ontario, and Gatineau, Quebec.
- * **R.P. Lumber** entered Iowa for the first time, purchasing **Dick-N-Sons Lumber** of Blue Grass.
- * **Contract Lumber** staked its claim to do business in the Wilmington, NC, and Myrtle Beach, SC, markets by opening a yard between the two in Whiteville, NC.
- * **American Construction Source**, seeking to beef up its **Arrow Building Center** division, purchased **Builder's Resource Group**, the owner of a Lumberyard in Woodville, WI, and a design center in Hudson, WI.
- * Look for **Beach Building Products** to open in Jacksonville Beach, FL, this spring, according to a LinkedIn post by owner **Mason Third**.

* **84 Lumber** opened a new truss plant in Richmond, VA. The plant is located on the site of 84's former door shop that was moved last year to Richmond's big new facility in the city.

As usual, the auction pages include several lumberyards being offered for sale. Most are modest operations, but then we came across [this offer](#) from an unnamed dealer that claims \$26.5 million in gross revenue and EBITDA of \$3,873,000 from its two stores located 55 miles apart in the Southwestern U.S.

In addition:

* **Walker Lumber** of Minong, WI, can be yours for \$1.55 million. Its annual gross revenue tops \$2.1 million.

* **Gastineau Hardware and Lumber** of Ellington, MO, is for sale. The asking price of \$2 million buys you a company with gross revenue of \$1.6 million plus \$400,000 worth of inventory and \$850,000 in real estate.

* An unnamed Missouri business claims \$3 million in gross revenue and \$324,000 in EBITDA. It didn't disclose an asking price.

* An unidentified Central Pennsylvania lumber company with \$1.25 million in revenue and \$100,000 in EBITDA is for sale. No asking price was disclosed.

We also have learned of two acquisitions made late in 2020 that weren't reported in Webb Analytics' 2020 LBM deals report. In one, **East Hardwoods** (the parent company whose holdings include **Safrit's Building Supply**) acquired **Community Lumber & Hardware** in Swansboro, NC. The yard is continuing under that name. In the other deal, **Will and Gary Nolan** purchased **Hahn Lumber** in Harmony, MN. They've renamed it **Nolan Lumber**.

Is there something that you would like to see covered in a future issue of BIA Executive Insights? Write to us with your request.

Two Recent Public Deals Show Current Events Don't Launch the Process, but Can Help Close It

By Craig Webb, president, Webb Analytics

One thing that impressed me reading the *Master and Commander* series of novels was how a British battleship during the Napoleonic wars remained in a near-constant state of readiness even when the seas were placid and the target was far away.

The more I learn about M&A, the more I see parallels. Capt. Jack Aubrey's crew called him "Lucky Jack" because he did so well capturing enemy ships. But it wasn't luck that made him a success so much as the fact that he was prepared. "There isn't a moment to lose," Aubrey says throughout the series. So too, it seems, in M&A.

[My recent story](#) about **American Securities'** purchase of both **Foundation Building Materials** and **Beacon's** interior products companies noted that FBM, which had its initial public offering in February 2017, was considering offers from American Securities and others as early as June 2018. That bid ultimately ended, but interest revived in July 2020 and the deal was signed on Nov. 14 and closed on Jan. 29.

If you hadn't known about that 2018 offer, it would be easy to assume that American Securities had decided to pursue FBM and Beacon because the Covid pandemic had hurt multifamily and office construction and thus sales of the drywall and steel studs that were the specialty at both FBM and Beacon's interior units. But it appears American Securities was playing a longer game.

Likewise, look at last August's announcement of plans to merge **Builders FirstSource** and **BMC**. That news surprised many in LBM because, aside perhaps from low interest rates and the way Covid was boosting both homebuilding and remodeling, there didn't seem to be a timely reason for them to combine.

However, [as I reported recently](#) after reviewing SEC filings, the deal wasn't triggered by the pandemic or by Chad Crow's planned departure from BFS. Rather, it becomes clear that the boards of BFS and BMC were constantly reviewing their companies' competitive status and future prospects and thus always were on the lookout for potential opportunities. According to the SEC, the two companies had talked informally for years about potential relationships.

With that always-be-ready attitude in place, the two sides were positioned to act in January 2018 when BMC said goodbye to its CEO, Peter Alexander, and revealed a change in strategy. Two months later, in March 2018, BFS hired a consultant to examine strategic opportunities. Conversations ensued, and prospects got hot and cold over the following months. They got particularly chilly early last year as the pandemic at first left LBM executives worried about a sales crash and then warmed again when, surprisingly, sales boomed. BFS and BMC returned to merger talks last summer and ultimately announced a deal.

The moral I draw from these stories is this: Every day is a good day to work on your business and your business plan. Like the sailors in the *Master and Commander* series, you need to check your course every day and consider whether you're on the right path to your ultimate destination--indeed, whether that even should be your destination. That way, when the winds do change, you'll be ready to act. There isn't a moment to lose.

We Can Answer Your Most Pressing M&A Questions

- * How do the most active buyers in today's market value my company?
- * What parts of the business should I change to improve its valuation?
- * When is the right time to sell?

These are questions that are commonly asked by the owners of building products manufacturers and distributors. Our work in selling and raising capital for companies puts us in a unique position to help answer these important questions. Regardless of when you might decide to approach the market, please contact me to have a confidential discussion about your company and ways to maximize its value for the owners.

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