



# BUILDING INDUSTRY ADVISORS, LLC

MERGERS - ACQUISITIONS - EQUITY - DEBT

## BIA Executive Insights

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

January 2021

### Here's an In-Depth Look at 2020's Deals ... and the Quick Start We're Seeing in 2021

*By Michael Collins, Managing Director, BIA*

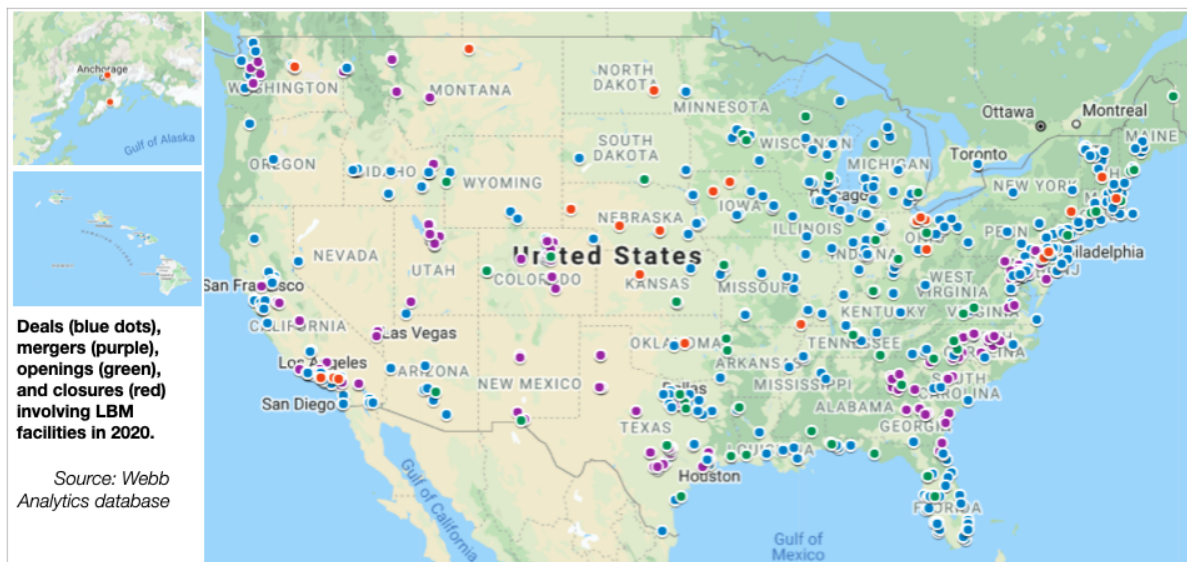
While I'm working on deals for clients, my colleague Craig Webb of [Webb Analytics](#) has been keeping count of mergers and acquisitions activity in LBM as well as all the greenfield openings, store closures, and mergers of equals. This week, he tallied the numbers for 2020 and made that summary available for me to share with you. You can [download that report here](#). What follows are highlights from the report.



	2020	2019	2018	Totals by category
<b>Acquisitions</b>	473	232	301	<b>1,006</b>
<b>Greenfield openings</b>	54	103	71	<b>228</b>
<b>Closures</b>	27	39	38	<b>104</b>
<b>Totals by year</b>	<b>554</b>	<b>374</b>	<b>410</b>	

Let's start by comparing what happened in 2020 with the previous two years. There were 69 acquisitions involving LBM operations or their subsidiaries in 2020, down from 83 in 2019 and 74 in 2018. But the impact of those 69 deals was far greater, as there were more than double the number of facilities involved in acquisitions last year than the year before. And the 473 facilities acquired excludes **BMC's** 164 facilities that merged with **Builders FirstSource**, which Webb excluded because it was more a combination of equals than a takeover. That 473 also leaves out **US LBM's** 300 facilities (and still expanding), because new majority stakeholder **Bain Capital** appears to have left unchanged US LBM's management and strategies.

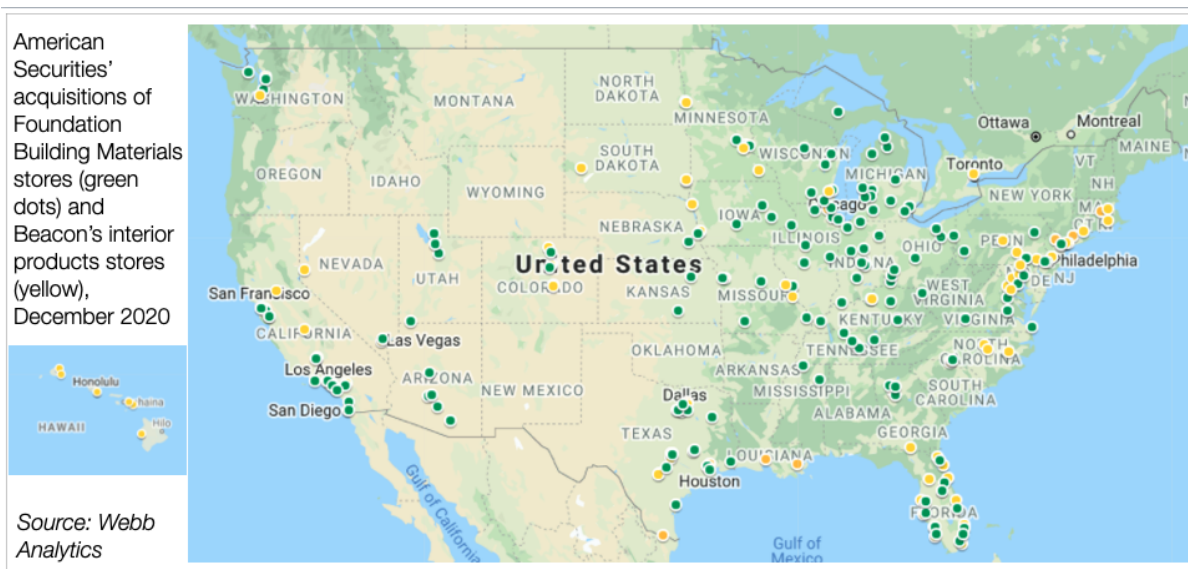
The map below shows what took place where in 2020. The blue dots represent facilities involved in acquisitions, green is for greenfield openings, red denotes closures, and purple represents the BMC sites that merged with BFS.



Thirteen companies did at least two transactions apiece and together figured in 41 of the 69 deals. (The [downloadable report](#) lists every acquirer.) The most active participant was

**Heritage Landscape Supply Group**, a subsidiary of **SRS Distribution**. Heritage made six acquisitions that landed it 32 branches. Those 32, plus three greenfield openings, helped enable Heritage to top 100 branches, despite having been launched just two years ago.

That said, the prize for the company that made the biggest splash must go to **American Securities LLC**. The private equity firm purchased **Beacon's** nearly 90 facilities specializing in interior products--mainly gypsum and insulation--as well as **Foundation Building Materials'** 160 yards. Those two deals amounted to just over half of all the facilities purchased last year. The map below shows American Securities' acquisitions, with Foundation stores marked in green and the former Beacon yards in yellow.

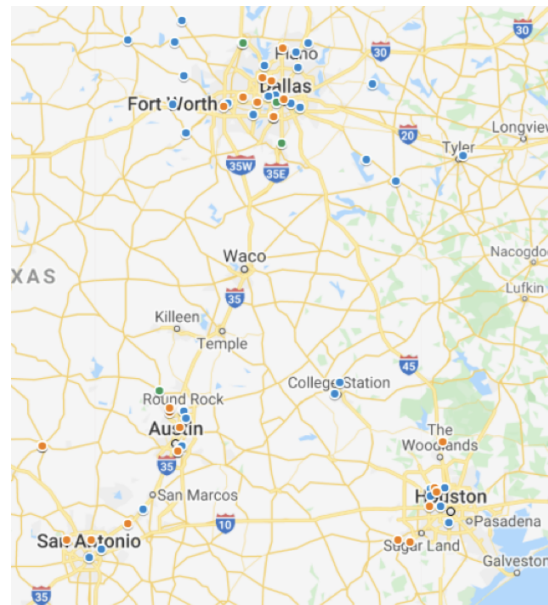


**Nation's Best Holdings** also made six acquisitions involving a total of 17 facilities. Next came **US LBM** and **SRS** with five transactions apiece, and **Kodiak Building Partners** with two.

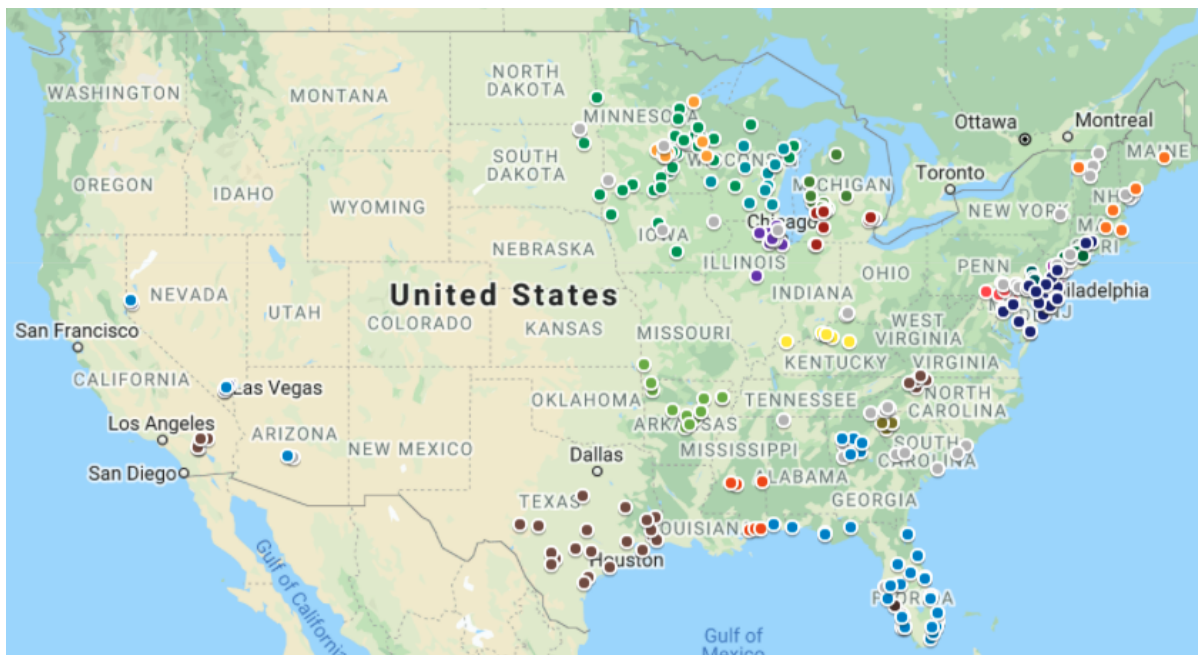
Lumberyards and component plants figured in 36 of the 69 deals but only 21% of the facilities. That combined 21% is down from roughly 30% in 2019 and 46% in 2018.

Texas led the nation last year in the number of facilities that changed their status in 2020, with 80 total: 39 through acquisitions, 34 in the BFS-BMC merger, seven via greenfield openings, and nary a single

closure. A big share of activity in the Lone Star State was along Interstate 35 and around Houston, as the map at right shows.



California finished second at 77 facilities, but if you looked at acquisitions alone it was No. 1, with 48 facilities involved in deals. Another 24 California yards were part of the BFS-BMC merger. Two facilities opened for the first time and three closed. The next most active states were North Carolina (28 facilities), Maryland (27), and Georgia and Colorado (26). Every state plus the District of Columbia saw at least one change.



No company acquired more multi-branch lumberyards than US LBM did in 2020; the map above shows all its divisions today. Joining the roster were **Maner Building Supply**, with three units, **Zeeland Lumber** (7), **Tri-County Building Supply** (5), and **Jennings Builders Supply** (4). The only single-unit acquisition was **Ridgefield (CT) Supply**. All happened after Aug. 2.



And before we leave 2020, if you want a sign of just how active M&A was last year, consider **Peoples Supply** of Hyattsville, MD. On Nov. 2, it was acquired by **TW Perry**. Twenty-eight days later, TW Perry was acquired by BMC. And three days after that, BMC merged with BFS.



Finally, let's catch up with 2021 happenings, which you can see in the map above.

**American Construction Source's** news the morning of Jan. 20 that it bought **Builder's Resource Group**, a two-store operation in Wisconsin, means we already have had 29 LBM facilities that changed hands, closed, opened, or soon will open in 2021. Builder's will be folded into ACS' **Arrow Building Center**.

Earlier in January:

- \* ABC Supply's **L&W Supply** purchased **Merrimack Building Supply**, a specialty dealer with stores in Merrimack, NH; Medway, MA; and Stratford, CT.

- \* US LBM took over **Gilcrest/Jewett**, a lumberyard with branches in Altoona, Coralville, Waukee, and Marion, IA, plus a truss plant in Osceola, IA.

- \* SRS Distribution's Heritage Landscape Group bought **Wolf Creek Distribution's** eight landscaping yards in Ohio, Kentucky, and Pennsylvania.

- \* **Curtis Lumber** absorbed **Wiley Bros.** of Shaghticoke, NY, while New Jersey's **Jaeger Lumber** bought **West Essex Lumber**.

- \* **Red's Lumber**, a hardware and lumber store in Malden, MO, opened.

\* **Oman and Son Builders Supply** closed its Ocean Park, WA, store.

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



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

Here's a setback that's an opportunity: Because the [2021 ProSales 100 Conference](#) will be a virtual event, you now can watch my M&A panel discussion from anywhere ... and for free. It will take place from 12:30 to 1:30 pm ET on Feb. 26, 2021.

The 2021 panel features leaders from four of the biggest--and most acquisition-minded--companies in LBM. They are: Jim Drexinger, CEO, **American Construction Source** (upper left); Steve Swinney, CEO, **Kodiak Building Partners** (upper right); L.T. Gibson, president, and CEO, **US LBM** (lower left); and Ryan Nelson, SVP for corporate strategy, **SRS Distribution** (lower right).

As the moderator, I'm intent on making this more than just a discussion on to 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.

This event and the rest of the ProSales 100 are free. [Register and get more info here](#),

## 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.

Michael Collins

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