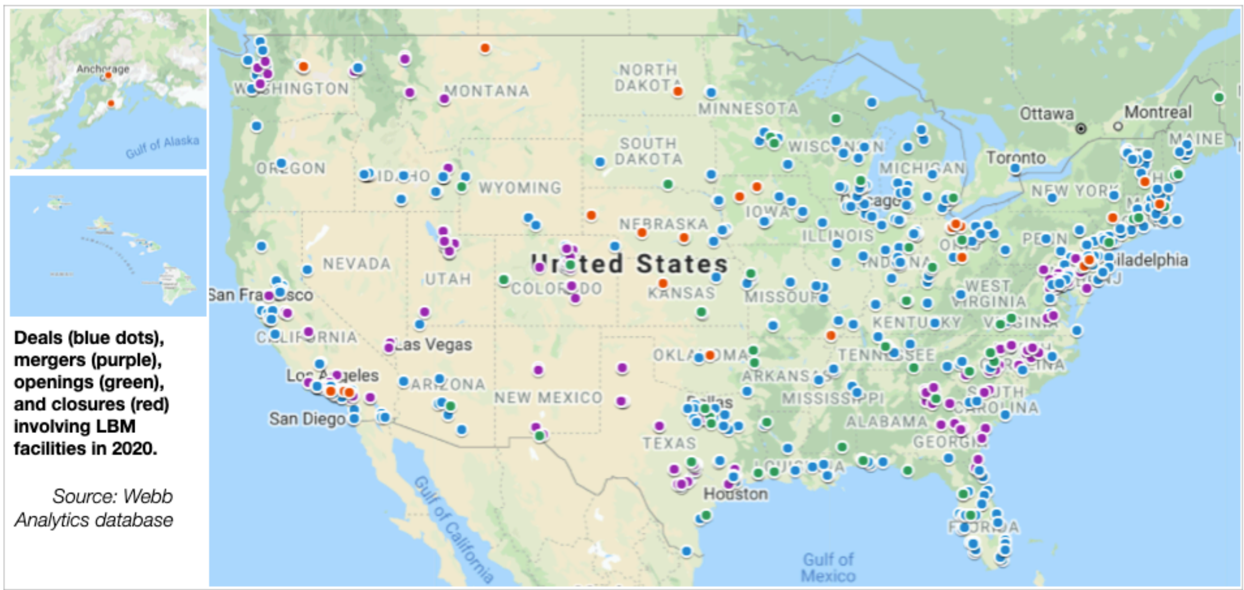
Webb Analytics

Insights and Strategies for Construction Supply

2020 LBM Deals Report



Deals (blue dots), mergers (purple), openings (green), and closures (red) involving LBM facilities in 2020.

Source: Webb Analytics database

Fewer deals but much bigger results: That's a quick summary of what happened in M&A for lumber and building material dealers in 2020. Webb Analytics' tracking of developments found 69 acquisitions in 2020, down from 83 in 2019 and 74 in 2018. But the impact was far greater, with the number of facilities involved in acquisitions more than doubling in 2020 from the previous year. And that count excludes two of the biggest developments: The merger of **BMC's** 164 facilities into **BFS**, and **Bain Capital's** majority stake in **US LBM**, now at 300+ facilities and still growing. Here are the highlights, starting with comparisons over the past three years:

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

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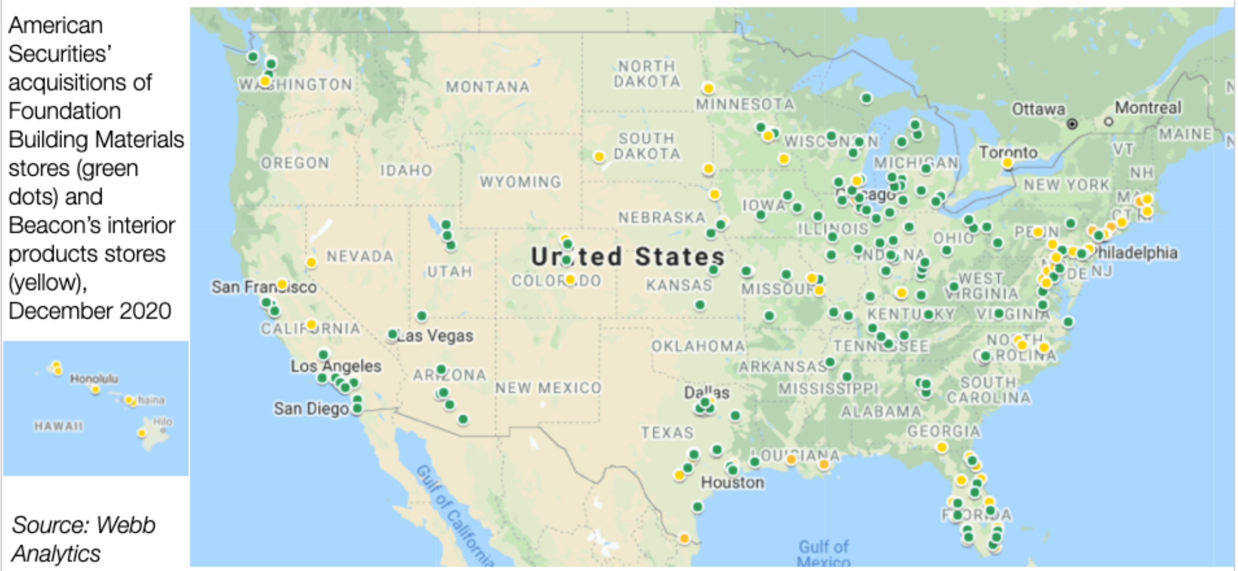
Among the highlights:

* **SRS Distribution** and **Nation's Best Holdings** were the most active players. SRS' **Heritage Landscape Supply** did six deals that landed it 32 branches, while parent SRS Distribution did five more for 17 branches. Nation's Best—powered in part by Do it Best's equity stake—made six acquisitions for 17 facilities.
* The private equity firm **American Securities LLC** did just two deals, but they were whoppers. First it purchased **Beacon's** nearly 90 facilities specializing in internal products—mainly gypsum and insulation. Then it acquired **Foundation Building Materials'** 160 yards.
* American Securities' two deals amounted to just over half of all the facilities purchased last year. On the other hand, lumberyards and component plants figured in 36 of the 69 deals.
* Lumber facilities amounted to 16% of all yards acquired and components, truss, and millwork facilities added another 5%. That combined 21% is down from roughly 30% in 2019 and 46% in 2018.
* SRS also led the league in greenfield branches, with 10. That's double the five branches opened by second-place US LBM.
* Based on what we've heard, there were fewer closures in 2020 than the previous two years.

American Securities' acquisitions of Foundation Building Materials stores (green dots) and Beacon's interior products stores (yellow), December 2020



Source: Webb Analytics

Who Grew the Most? A Newcomer

In facility terms, nobody beat American Securities, which went from zero to 247 locations in one day (see map above), making if an instant rival to **GMS** in the drywall and steel studs business. In second place was **Lansing Building Products**, which bought **Harvey Building Products'** 38 facilities in mid-March. And note Heritage Landscape Supply Group's six acquisitions that netted it 32 facilities. Those plus its three greenfield openings mean the SRS division has gone from conception to more than 100 locations in just 22 months.

Top Dealmakers

A total of 41 companies acquired LBM operations last year. Thirteen of them did between two and six purchases while the other 28 made only one transaction each. The 13 that engaged in M&A multiple times accounted for 59.4% of the 69 deals and 78.2% of all the yards. Aside from SRS, **ABC Supply** (and its **L&W Supply** division), **Kodiak Building Partners**, and US LBM, there were several newcomers. Among them was Vermont's **Bethel Mills**, which bought two New England companies comprising four facilities.

Dealmakers with at least 2 deals	# of Deals	% of Deals	Branches	% of Branches
Heritage Landscape Supply Group (SRS)	6	8.7%	32	6.8%
Nation’s Best Holdings	6	8.7%	17	3.6%
US LBM	5	7.2%	20	4.2%
SRS	5	7.2%	17	3.6%
Kodiak Building Partners	3	4.3%	11	2.3%
American Securites LLC	2	2.9%	247	52.2%
American Construction Source	2	2.9%	9	1.9%
Bethel Mills	2	2.9%	4	0.8%
L&W Supply (ABC Supply)	2	2.9%	4	0.8%
Foundation Building Materials	2	2.9%	3	0.6%
ABC Supply	2	2.9%	2	0.4%
Builders FirstSource	2	2.9%	2	0.4%
Central Network Retail Group	2	2.9%	2	0.4%
Subtotal	41	59.4%	370	78.2%
All other deals	28		103	
Total Deals	**69**	100.0%	**473**	

Here’s an alphabetized list of all the companies that made acquisitions in 2020:

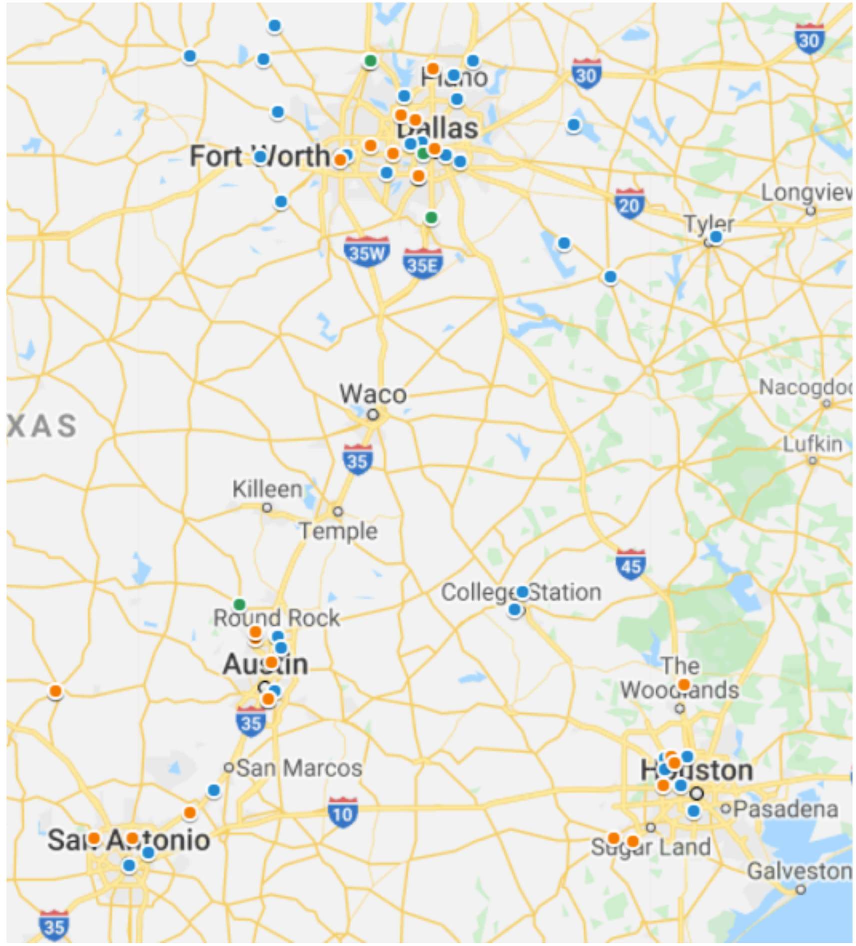
Acquirers	Branches bought	Share of All Branches
ABC Supply/L&W Supply	6	1.3%
All-Fab Group	1	0.2%
American Construction Source	9	1.9%
American Securities LLC	247	52.2%
Bethel Mills	4	0.8%
BMC	10	2.1%
Bryan & Char Herrera	1	0.2%
BFS	2	0.4%
Builders General Supply	1	0.2%
Building Home Center	1	0.2%
Canwell	1	0.2%
Central Network Retail Group	2	0.4%

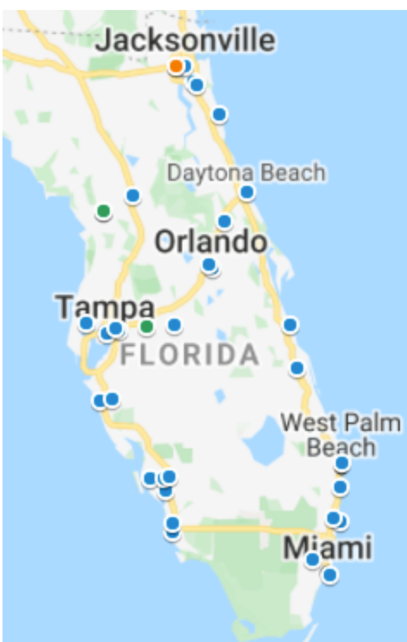
Acquirers	Branches bought	Share of All Branches
Drexel Building Supply	1	0.2%
Foundation Building Materials	3	0.6%
Fulcrum Building Group	3	0.6%
GMS	1	0.2%
Hartville Hardware	1	0.2%
The Home Depot*	14	3.0%
HPM Building Supply	4	0.8%
Inland Builders Supply	3	0.6%
Jacob Ackerman	1	0.2%
Jeremy Fields	1	0.2%
Kodiak Building Partners	11	2.3%
Lansing Building Products	38	8.0%
Mans Lumber	1	0.2%
Nabors Do it Best	1	0.2%
Nation's Best Holdings	17	3.6%
National Lumber (Baltimore)	2	0.4%
Pleasant River Lumber	3	0.6%
Professional Builders Supply	1	0.2%
PulteGroup	1	0.2%
R.P. Lumber	2	0.4%
Rk Miles	4	0.8%
Heritage Landscape Supply Group	32	6.8%
SRS Distribution	17	3.6%
Sunpro	1	0.2%
TAL Holdings	2	0.4%
TW Perry	1	0.2%
US LBM	20	4.2%
Zuern Building Products	2	0.4%
TOTAL	**473**	100.0%

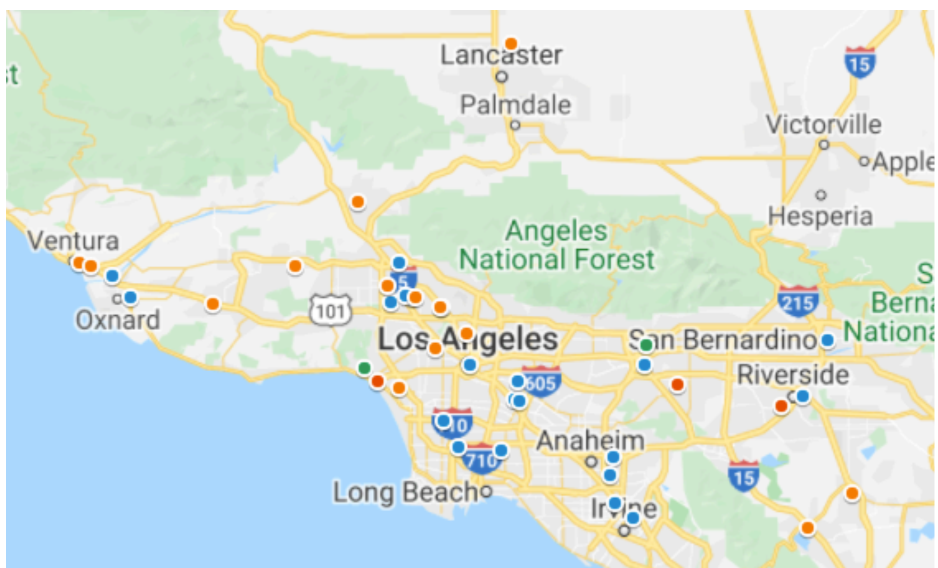
State/Local Activity

Texas led the nation last year in facilities that changed their status in 2020, with 80 total—39 through acquisitions, 34 in the BFS-BMC merger, seven openings and zero closures. California finished second at 77 facilities, but if you look at acquisitions alone it was No. 1, with 48 facilities involved in deals. Another 24 California yards were in the BFS-BMC merger, two opened for the first time and three closed. Florida trailed far back in third with 37 facilities, followed by North Carolina (28), Maryland (27), and both Georgia and Colorado (26). As you'd expect, the biggest metro areas saw the most action. Every state plus the District of Columbia saw at least one change, and even Canada's Ontario province got included because a Foundation Building Materials yard is there.

Legend: Acquisitions (blue dots), mergers (orange), openings (green), and closures (red)



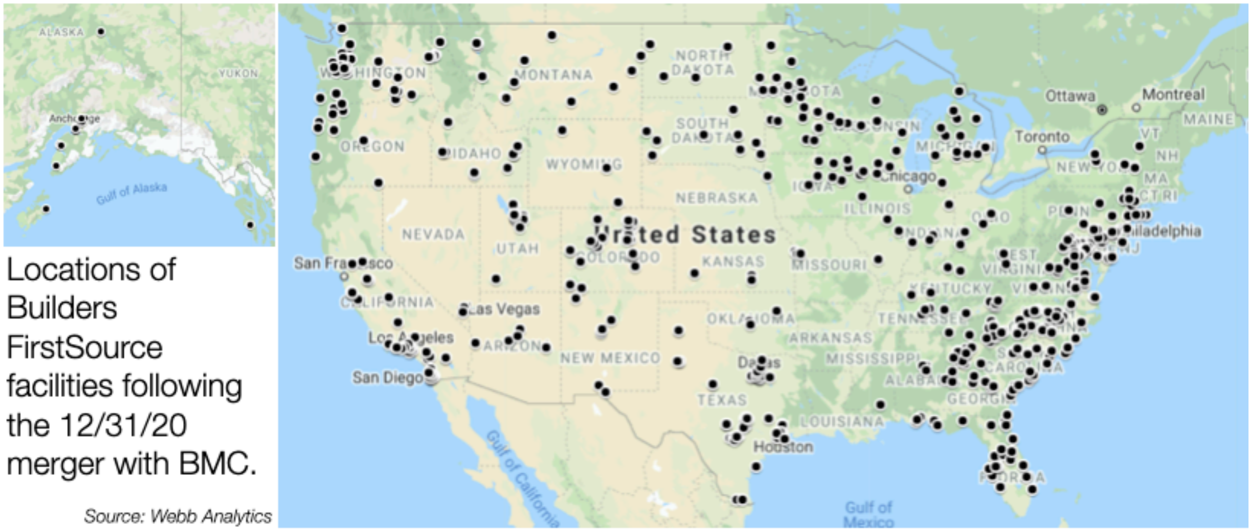




Here’s the state-by-state summary:

States	Total	Acquisitions	Openings	Closures	Mergers
Alaska	2	0	0	2	0
Alabama	4	3	1	0	0
Arkansas	3	1	2	0	0
Arizona	8	7	1	0	0
California	77	48	2	3	24
Colorado	26	11	3	0	12
Connecticut	11	9	2	0	0
Delaware	6	1	1	1	3
District of Columbia	1	1	0	0	0
Florida	37	31	3	1	2
Georgia	26	6	1	0	19
Hawaii	14	14	0	0	0
Iowa	14	12	0	2	0
Idaho	20	11	0	0	9
Illinois	10	9	1	0	0
Indiana	20	19	1	0	0
Kansas	7	5	1	1	0
Kentucky	7	6	1	0	0
Louisiana	9	7	2	0	0
Massachusetts	19	17	1	1	0
Maryland	27	19	0	0	8
Maine	8	5	3	0	0
Michigan	21	20	1	0	0
Minnesota	9	7	2	0	0
Missouri	11	9	1	1	0
Mississippi	4	3	1	0	0
Montana	6	0	0	1	5

States	Total	Acquisitions	Openings	Closures	Mergers
North Carolina	28	13	2	0	13
North Dakota	3	2	0	1	0
Nebraska	9	6	0	3	0
New Hampshire	7	6	0	1	0
New Jersey	16	15	1	0	0
New Mexico	3	0	0	0	3
Nevada	5	3	0	0	2
New York	6	5	0	1	0
Ohio	19	11	3	5	0
Oklahoma	3	2	0	1	0
Oregon	2	2	0	0	0
Pennsylania	21	18	1	1	1
Rhode Island	2	2	0	0	0
South Carolina	7	2	1	0	4
South Dakota	4	3	1	0	0
Tennessee	8	6	2	0	0
Texas	80	39	7	0	34
Utah	17	5	0	0	12
Virginia	20	11	2	0	7
Vermont	11	11	0	0	0
Washington	20	14	0	1	5
Wisconsin	14	12	2	0	0
West Virginia	1	0	0	0	1
Wyoming	4	3	1	0	0
Ontario	1	1	0	0	0
TOTALS	**718**	**473**	**54**	**27**	**164**



Locations of Builders FirstSource facilities following the 12/31/20 merger with BMC.

Source: Webb Analytics

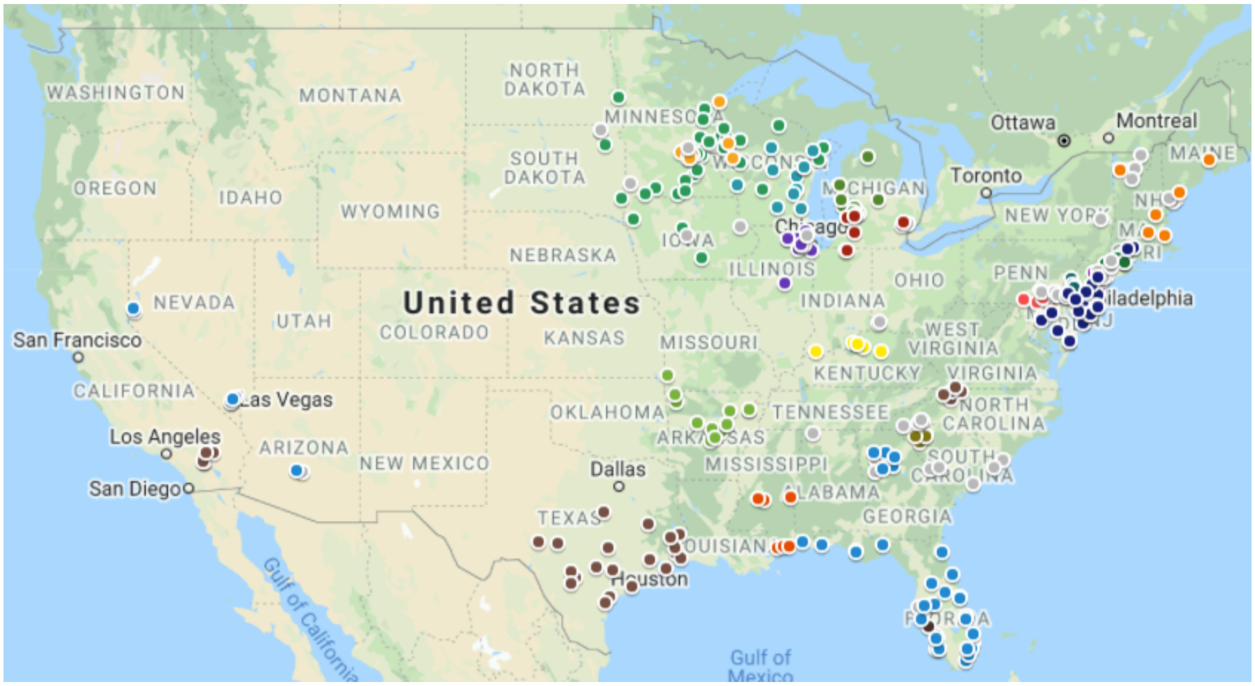
The Mega-Merger

Until 2020, Webb Analytics' database had only three buckets: Acquisitions, greenfield openings, and closures. But the unification of Builders FirstSource and BMC had a different feel. It looked more like a merger of equals than a takeover, even if the BMC yards will be renamed as BFS facilities. For one thing, BMC's David Flitman took over as CEO. For another, Wall Street analysts didn't regard it as a BFS takeover. So this year's report treats this deal as a merger. The state-by-state table lists only the BMC yards that were affected by the merger, because they're the ones getting the name change. The map above lists all 550+ facilities.

Greenfield Activities

SRS and its Heritage Landscape Supply subsidiary accounted for nearly a quarter of the greenfield operations that opened up shop in 2020. US LBM also was busy, particularly in its Universal Supply operation, which launched three new locations. All four of **84 Lumber's** openings were value-added operations—two door shops, a truss plant, and a components factory. And all of **E.C. Barton's** openings were in its Home Outlet division. Lumberyards and components plants comprised 19 of the 54 openings. Another 17 openings were primarily roofing outlets, and another 12 were other specialty dealers. The other five openings were hardware and home centers

Greenfield Branches Opened	# of Branches	% of Total
SRS Distribution	10	18.5%
US LBM	5	9.3%
84 Lumber	4	7.4%
ABC Supply	3	5.6%
E.C. Barton	3	5.6%
Heritage Landscape Supply Group (SRS Distribution)	3	5.6%
All others	26	48.1%
TOTAL	54	100.0%



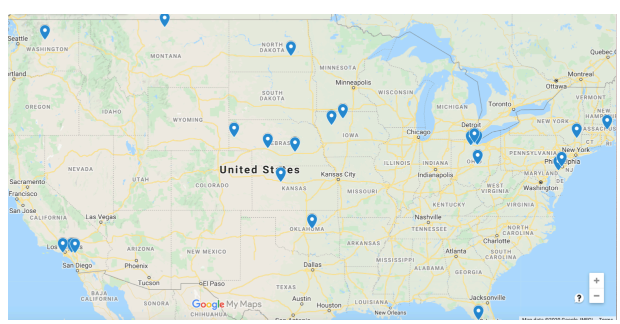
US LBM's Second-Half Spurt

No company acquired more multi-branch lumberyards than US LBM did in 2020. 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. In addition, US LBM got a new majority owner on Nov. 19: the private equity firm Bain Capital. Because the current management team remains in place and the operating philosophy doesn't appear to have been changed, Bain's purchase of all 300+ yards isn't included in the overall count.

Multiple Masters

2020 was particularly notable for how quickly some dealers changed owners. The poster child was **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 on Dec. 31, BMC merged with BFS. Meanwhile, Foundation Building Materials made two acquisitions for three yards in 2020, only to be acquired near year's end by American Securities.

Closures



Companies don't like to announce closures, so news about facilities being shuttered often comes second-hand, such as via newspaper articles and social media. As a result, Webb Analytics' closures list is likely to be missing names. In 2020, we heard of 27 locations that shut their doors, far less than the 39 and 38 closures in 2019 and 2018, respectively. Most of 2020's closures were in smaller towns or were part of a consolidation by the parent company Odds are good we will learn about other closures that happened in 2020, but not until later this year … or even 2022.

Methodology

Webb Analytics' Deals Report is based on a database this company has managed since the consultancy was founded in 2018. The database attempts to track all openings, closures, and acquisitions involving lumberyards and specialty construction supply dealers that cater to professional builders. Its data comes from press releases, newspaper and TV articles, social media posts, and reports from trusted sources. The information compiled here represents what Webb Analytics knew as of the date of publication. This 2020 list is likely to be updated in coming years, as it's common to learn about some deals, and particularly about closures, well after they have occurred.

In some cases, the Webb Analytics facility count might vary from a number that the company uses to describe its locations. This is because Webb Analytics uses a combination of postal addresses and company names to identify facilities. As a result, there are some facilities in the database that have multiple operations—building product sales and component manufacturing, for instance—while other companies with adjacent operations are counted as two facilities in the Webb Analytics because they use different mailing addresses for those activities. In addition, if differently named branches of the same company have co-located operations on the same grounds, Webb Analytics treats them as separate facilities.

Dates listed in the spreadsheet generally come from the day a deal or a store opening was announced. Some dates represent when a grand opening was held. Closure dates usually are based on the best estimate of when a store was shuttered.

Most acquired companies will show up in the deals data, even if they continue to operate under their existing brand name, because the acquiring company is likely to influence the acquired company's future direction. An exception this year is US LBM, which has a new majority owner in Bain Capital but otherwise appears to be operating the same as before. Thus, US LBM's facilities aren't included in the 2020 deals count.

The 2020 report also includes a new category: mergers. This was done to accommodate the merger of BMC and BFS, which by all accounts appears to be a combination of equals rather than a takeover by one over the other. For this report, the 164 BMC yards are included in the merger column because they will change their name to BFS. To help provide clarify as to BFS' current status, the map on page 8 pinpoints BFS' existing locations as well as the newly renamed BMC yards.

Questions? Comments? Contact Webb Analytics' Craig Webb at cwebb@webb-analytics.com.