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# Mergers & Acquisition Overview Wholesale (2-Step) Distribution

# Wholesale (2 – Step) Distribution Overview

Building product wholesale 2-step distributors service both *independent and national pro dealers along with retailers such as Lowes and Home Depot* with *products and services* representing a myriad of *building product manufacturers*.

## Category Definition

- **Product Types**

- Commodity** – framing lumber, structural panels, siding, roofing, gypsum, fasteners, etc.

- Specialty /Premium Products** – Composite Decking, EWP, weatherization products, etc.

- Value Add Products** – Doors and Millwork

- **Types of Distributors –**

- Full Line Distributors** – Participate in multiple categories generally in wide geographic footprints

- Specialty/Premium Distributors** – Participate in multiple categories but less focus on commodity items

- Value Add Distributors** – Those focusing on specific categories such as doors and millwork

## Market Landscape

- Full Line distributors or distributors focused primarily on commodity product lines have always and continue to require significant scale both in terms of volume (servicing both pro and retail channels) and geography to drive sustainable profitability. Leading national distributors in this category include Boise Cascade Distribution, BlueLinx , Prime Source
- Many building product categories are driven by direct manufacturer sales to dealers and one step customers selling directly to the builder and contractor . Examples include windows, roofing, gypsum panels, and lumber. There is still a demand for wholesale (2-step) distribution in many of these categories for smaller dealers, and for fill in items, but the lions share of volume is captured at the one-step level or with the aforementioned large national wholesalers
- Specialty/Premium Product lines such as composite decking, weatherization products as well as value add lines like doors and millwork generally drive a large percentage of their sales through wholesale ( 2 step) distribution. Wholesale Distributors are able to provide dealers with strong product education and after sales service support. They are also well positioned to deal with the complexity and SKU intensity of these product lines. In the door and millwork space they can provide efficient value add services such as pre hanging. Historically the 2 step wholesalers of these products were regional or local in nature, although we have started to witness the consolidation of these distributors.

# Wholesale ( 2 step ) Consolidation

- The consolidation of **one** step distributors and lumber yards has been ongoing since the 1990's resulting in the formation of today's largest players including Builders First Source, US LBM, ABC Supply, Beacon, SRS, etc.
- Beginning in approximately 2010 the industry started to witness consolidation in the wholesale 2 step arena as private equity funds came into the market once it was clear the great recession was behind us and the long-term outlook for the housing market gained traction.
- Early consolidations in the wholesale space started in the millwork business with the Tenon Holdings formation from Empire Moldings and subsequent acquisition of Southwest Moldings. Blue Wolf Capital acquired Tenon in 2016 and formed NOVO Building Products. Subsequently Blue Wolf sold the NOVO business to Hardwoods Distribution Inc, a Canadian public company (now Adentra).
- In 2016 Hardwoods (now Adentra) purchased Rugby Building Products putting them in the door wholesale space. Rugby / Adentra subsequently purchased River City Millwork and Pacific Mutual Door.
- The industry has also witnessed some forward integration in the space with Jeld Wen acquiring their distributors Milliken Millwork and American Building Supply and Masonite acquiring Bridgewater Wholesalers (BWI).
- Independent millwork distributor North Atlantic Corp purchased Central Woodwork in 2018 marking the first mid size private business utilizing a strong cash position and debt to drive scale in the industry.
- In similar fashion to Adentra and its predecessor companies, Specialty Building Products (SBP) was born from the legacy business U.S. Lumber. U.S. Lumber sold out to private equity firm Madison Dearborn in 2017 who subsequently sold the business to The Jordan Company in 2020 and SBP was born. Since 2020, SBP has made several transformative acquisitions in the millwork and specialty products business including the largest millwork wholesaler on the East Coast, Reeb Millwork. In addition, they purchased DW Distribution (millwork and specialty products) along with Florida Millwork wholesaler MSI in 2021. In 2023, SBP purchased Amerhart a large Midwest distributor of specialty building materials
- Other private companies looking to drive scale in the wholesale millwork business since 2020 include Canadian based Metrie who acquired EL and EL Wood Products, a leading west coast wholesaler of doors and moldings. Woodgrain purchased Huttig Building products, expanding their product offering to other specialty building products from a millwork centric focus.
- In 2022 Adentra acquired on the the Midwest's largest Specialty and millwork wholesalers, Mid Am Building products.
- 2023 saw one of the country's largest full line wholesalers (and component manufacturer) Boise Cascade purchase Northeast stalwart Brockway Smith Company (BROSCO). Wynnchurch Capital, through their operating entity Trimlite, purchased Builders Hardware and Francis-Schulze Company, both premier millwork distributors

## Noteworthy acquisitions in the Wholesale Space

- 2016 Blue Wolf Capital acquires Tenon NA (NOVO)
- 2016 Hardwoods Inc acquires Rugby
- 2016 Tri West Capital acquires Trimlite
- 2017 Jeld Wen acquires Milliken Millwork
- 2017 Trimlite acquires Codel Doors
- 2017 Madison Dearborn Partners acquire U.S. Lumber
- 2018 Jeld Wen acquires ABS
- 2018 Masonite acquires Bridgewater Wholesalers (BWI)
- 2018 North Atlantic Corp buys Central Woodwork
- 2019 Hardwoods (Adentra) acquires Pacific Mutual
- 2020 Hardwoods (Adentra) acquires River City Millwork
- 2020 Jordan Company acquires US Lumber – renamed Specialty Building Products (SBP)
- 2021 SBP acquires DW Distribution, Millworks Sales and Reeb Millwork.
- 2021 Adentra acquires NOVO
- 2021 Wynnchurch acquires Trimlite
- 2022 Adentra acquires Mid Am
- 2022 Trimlite acquires Builders Hdwe.
- 2022 Woodgrain acquires Huttig
- 2022 Metrie acquires EL & EL
- 2023 SBP acquires Amerhart
- 2023 Boise acquires BROSCO
- 2023 Trimlite acquires Francis Schulze Company
- 2023 Woodgrain acquires Trimco



# Wholesale M&A Opportunities

The consolidation of the wholesale space provides continued M&A opportunity on both the buy and sell side.

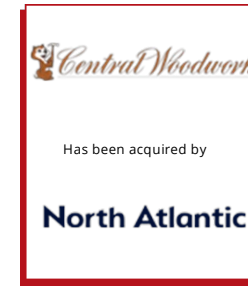
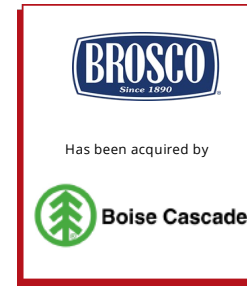
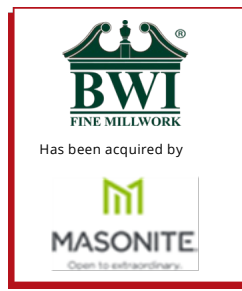
## **Buy Side drivers of consolidation and M&A Activity**

- Consolidators in the space want to continue to drive scale and accompanying profitability with operating leverage, purchasing power and back-office savings
- Full Line Distributors will continue to pursue premium specialty and value add acquisitions to enhance their quality of earnings.
- Private Equity likes the long-term outlook for building products and are recognizing the superior profitability of the 2 step wholesalers in the specialty and value add spaces
- Well-run private and public companies are driving free cash flow after alleviating the working capital (inventory) build up from COVID and need to reinvest.

## **Sell Side Drivers of consolidation and M&A Activity**

- Independent distributors are finding challenges *in* or are reluctant to invest needed capital in technology and distribution logistics to keep pace with the the rapid evolution of the building products supply chain.
- The consolidation of the wholesale (2 step) distribution base is creating an environment where some manufacturers are providing advantage to their larger , more geographically diverse wholesalers or in some cases taking on the role of the wholesaler themselves.
- Succession planning is becoming more challenging as many of the Gen Z and Millennial generation are looking for different avenues to pursue than their family businesses.
- The continued consolidation of the dealer market with large national pro dealers favors alignment with wholesalers with wider and larger footprints.

**THE JIAN GROUP IS THE LEADING SELL SIDE ADVISOR IN WHOLESAL ( 2-STEP) DISTRIBUTION WITH PERSONAL EXPERTISE AND OVER \$1B IN TRANSACTION VALUE IN THE SPACE**



# JIAN Overview

Founded in 1992, the JIAN Group is the first investment bank to specialize in independent building material companies. Led by Hunter Morin and Michael Turner, the JIAN Group has successfully closed over 250 transactions. With over 150 years of industry experience, the JIAN partners have extensive industry experience allowing us to maximize the value of our clients. Headquartered in Northern Virginia with offices in Florida, North Carolina and California, we have represented clients across the Nation. Our clients represent the building blocks of the homebuilding industry and span manufacturers, distributors, and specialty service providers. We manage the entire mergers & acquisitions (M&A) process to ensure a smooth transaction.



**“The JIAN Group played a crucial role in facilitating a successful transaction for our Company and family. Their guidance and expertise were invaluable. The decision to trust JIAN exceeded our expectations resulting in a successful outcome for all parties.**

**Charlie Smith  
President, BROSCO**

**Key  
Differentiators**

**Deep Industry &  
Operational Experience**

**Extensive Relationships  
with Active Buyers**

**Long-standing Reputation  
of Successful  
Transactions**

The JIAN Group

# Deal Team

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Our unique deal team is made up of professionals with deep industry knowledge, a history of operating roles, and sell-side advisory experience. The JIAN Group has advised over 250 sell-side transactions.



**Hunter Morin**  
Managing Partner

R. Hunter Morin brings decades of experience with not only being a Managing Partner for The JIAN Group but as Founder and President of the GeMROI Company, a Fredericksburg, Virginia marketing organization. The GeMROI Company provides marketing, merchandising, and sales for a variety of major millwork and building manufacturers. Mr. Morin is also President and Founder of Mercantek Industrial Corporation, an importer/exporter of variety of products, including building materials, hardware, and millwork.

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**John Beeken**  
Partner

John Beeken has closely worked with independent building product distributors for over 35 years driving the value for his customers. Prior to being with The JIAN Group, Mr. Beeken was the Vice President of Distribution for Masonite. He managed the \$1 billion residential wholesale business. Throughout his career, Mr. Beeken has been integral part of Mergers and Acquisitions in the building materials industry. He has been the lead partner in JIAN's most recent wholesale transactions

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**Chuck Beringer**  
Partner

Charles Beringer brings a combination of operating experience and expertise in corporate finance to counsel clients during all phases of a transaction, from initial valuation through integration. Mr. Beringer has advised clients in transactions across a broad array of industries including manufacturing, distribution, and construction services throughout his career with the JIAN Group.

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**Indy Bal**  
Director

Indy Bal has a very competent blend of consulting, investment banking, and knowledge of the building material industry. Mr. Bal brings a unique perspective to his analysis and understands the value drivers and opportunities for companies in the industry. Mr. Bal's investment banking experience includes advising companies through mergers and acquisitions and capital sourcing. Mr. Bal's industry experience includes being Market Business Manager for BMC in the Washington DC Market.

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## Let's maximize the value of your company

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