

Exit Preparation/Positioning Of Leading Construction Supplies Manufacturer: Developing A Fact-based Growth Story

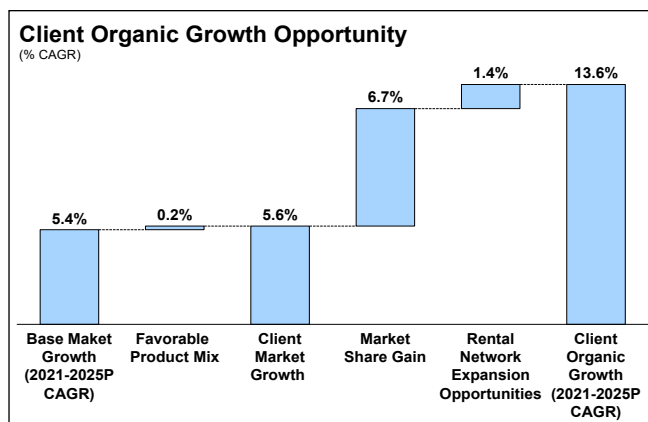
The Challenge: Our client, a leading supplier of construction supplies to non-residential construction, was a 100-year-old brand with leading market positions in multiple equipment and chemical categories and extensive presence at both national and independent construction supply distributors. Our client also operated an equipment rental business primarily serving infrastructure and large-scale commercial construction projects. The client was preparing for a successful exit and wanted to provide potential buyers with a robust understanding of the company's markets and competitive positioning and asked Gotham to help craft a fact-based growth story. Gotham's positioning and growth opportunity assessment had the following objectives: (1) establish the construction supplies market size and growth outlook; (2) establish channel and customer dynamics; (3) establish competitive dynamics; (4) identify/quantify the client's key growth opportunities; and (5) establish the opportunity from rental branch network expansion.

Fact-based Positioning and Growth Opportunity Assessment: Gotham conducted extensive primary and secondary research, analyzed granular sales and market data, and gained management input/buy-in to our findings and conclusions; as we:

- Developed an industry primer detailing construction methods, relevant engineered and commodity product usage, channels and routes-to-market, and client's product and channel presence
- Detailed historic and projected construction activity by end-market and by state using Dodge data
- Conducted 50+ interviews and surveyed 400+ customers (dealer/distributors, contractors, manufacturers, DOT officials, etc.) to gain insights into the: strength of client's relationships with its customers; buying/specification process, key performance criteria, and engineering support requirements by construction method/end-market' and Impacts of COVID and the infrastructure bill
- Built a competitive database for each equipment and chemicals player in the market, profiling company history, product offerings, vendor relationships, U.S. manufacturing capabilities, products, recent company news, etc.
- Built a bottom-up model to estimate market size and growth rates for client's products by: determining product usage by product category, end-market, and construction method; and leveraging construction activity trends
- Established client's growth opportunities from: (1) market share gain by identifying underpenetrated states in each product category; (2) rental network expansion by using an optimization model to identify underserved geographies; and (3) impact of state-level infrastructure bill spending on client's current business through modelling

Company Focuses On Highly Engineered Products Supported By Strong Sales & Engineering Relationships

Gotham's analysis of our client's product portfolio and market presence revealed our client focuses on serving modern construction techniques that use engineered solutions to reduce on-site labor and enable faster construction. Use of these modern techniques is growing at a faster pace than traditional methods, and is expected to overtake traditional method volume in 2023. While traditional methods rely on the construction supply distribution channel, modern construction methods have multiple direct routes-to-market as many construction activities shift to the manufacturing environment and engineering solutions require close relationships with contractors and engineers. Our customer interviews indicated that engineering solutions are a distinct segment from commoditized and price-sensitive products. Our client typically competes with one other domestic supplier in each of its engineered product categories and has strong sales and engineering relationships.



Company Has Well-established Brands And Is Highly Regarded By Customers For Its Product Quality

Our client is the only full-line provider of equipment and chemicals with a strong, longstanding presence at both national and independent construction supply distributors, as well direct relationships with contractors and manufacturers. Due to its brand strength and customer service; most customers have increased their volume with the client over time. The client received the highest NPS among competitors, with high ratings in product quality, technical offerings/support, and engineering. In addition, the client's rental business has a strong presence with contractors, creating opportunities to provide bundled solutions. The rental fleet allows our client to deepen distributor relationships through "network effect" as distributors do not mix their rental fleet and rely on re-renting from the client to fill their inventory gaps.

Company Expected To Grow At 13.6% CAGR

Our modeling of our client's exposure to construction activity trends indicated that 5.4% growth is driven by underlying construction activity growth, with an additional 0.2% growth attributed to the client's favorable product mix. Our gap analysis of the client's market share at state and product category levels indicated another potential 6.7% growth via geographic expansion, increased offering of bundled solutions, and development of a new salesforce structure to grow direct channels. Further, Gotham's analysis of the client's rental network suggested a 1.4% growth opportunity from expanding product offerings at existing rental locations and expanding into geographies not currently served to full take advantage of increased spending from the infrastructure bill.

The Outcome: Our client's management team and investment bankers used our data-driven report to position the client as a provider of highly engineered solutions. In addition, through our interview and survey work, Gotham provided the client with extensive feedback from customers on its highly regarded positioning, allowing the management team to develop a strong growth case and provide potential buyers with a fact-based market and growth opportunity understanding.