

BUILDING PRODUCTS SECTOR CASE STUDY
SRS Distribution to be Acquired by Home Depot

M&A Advisory | Growth Capital | Recapitalizations | Board Advisory | Strategic Evaluations



April 2024

Announcement Overview

On March 28, 2024, SRS Distribution, Inc. (“SRS” or the “Company”), a leading residential specialty building products distributor, announced that it reached a definitive agreement to be acquired by Home Depot (NYSE: HD), the world’s largest home improvement retailer

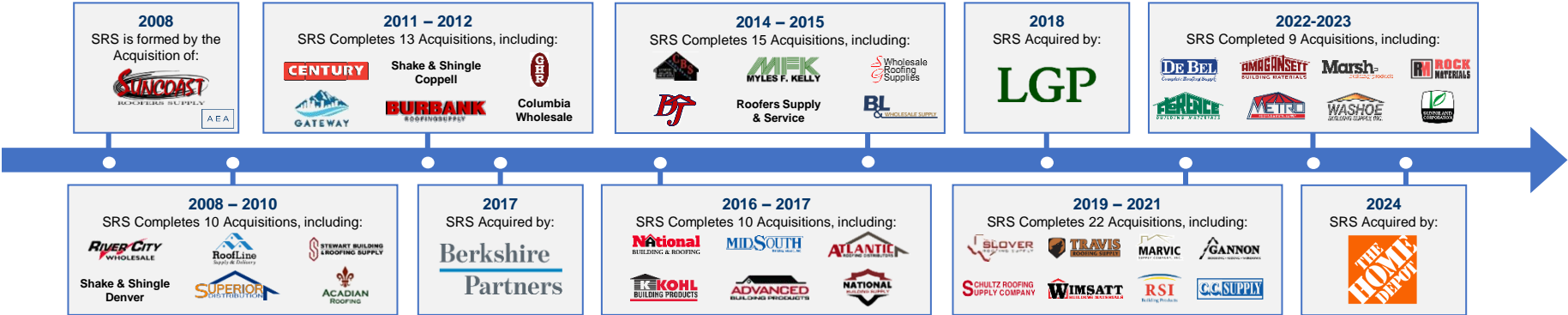
- Home Depot will acquire SRS for a total enterprise value (including net debt) of approximately \$18.25 billion, implying EV / LTM Revenue and EV / LTM EBITDA multiples of 1.8x and 16.6x, respectively
- The transaction is expected to close in the fourth quarter of 2024, financed through cash on hand and debt
- The acquisition is expected to accelerate Home Depot’s growth with residential professional customers – a key growth initiative in a high-growth segment
- Home Depot believes the acquisition will expand its total addressable market to approximately \$1 trillion, an increase of \$50 billion
- Home Depot expects the transaction to be accretive from a cash EPS perspective in the first year after closing
- The acquisition is the largest in Home Depot’s History

Overview of SRS Distribution

- SRS distributes roofing materials and building products, including steep & low slope roofing, siding, windows & doors, and coatings & sealants primarily to professional roofing contractors
- SRS operates 760+ branch networks in 47 states, supported by its 4,000+ truck fleet and job-site delivery capabilities
- The Company’s shareholders include Leonard Green & Partners and Berkshire Partners
- The Company was founded in 2008 and is headquartered in McKinney, TX
- The Company’s nationwide network of independent distributor brands consists of all major manufacturers, including the below brands:



SRS Distribution Ownership and Acquisition History





to be Acquired by



“We are looking forward to combining our differentiated assets and capabilities, including our extensive branch network, experienced sales team, robust trade credit offering, and order management system, geared at serving the complex project purchase occasion, with Home Depot’s competitive advantages. We believe this will enable us to better serve pros and continue growing in our large and highly fragmented market.”

– Dan Tinker, President and Chief Executive Officer, SRS Distribution (03/28/2024)

“Over the past 16 years, SRS Distribution has successfully grown its business while delivering tremendous shareholder value to its investors and, more uniquely, to its employees.”

– Jon Seiffer, Senior Partner, Leonard Green (03/28/2024)

“This next chapter with Home Depot is a logical step in SRS’ evolution and will mutually benefit both companies’ growth prospects for the benefit of all employees, customers, and suppliers.”

– Josh Lutzker, Managing Director, Berkshire Partners (03/28/2024)

“SRS’s ability to build leadership positions in each of its trade verticals while generating significant revenue growth is a testament to its strong vision, leadership, culture and execution. SRS has built a robust and successful platform that will accelerate our growth with the residential professional customer while presenting future opportunities with the specialty trade pro. SRS’s branch network, coupled with Home Depot’s 2,000+ U.S. stores and distribution centers, comprehensive product offering, and extensive pro brands, provides the residential pro customer with more fulfillment and service options than ever before. I look forward to welcoming the entire SRS team to Home Depot and capturing the exciting opportunity ahead.”

– Ted Decker, President, Chief Executive Officer, Home Depot (03/28/2024)

BUYER OVERVIEW: HOME DEPOT (NYSE:HD)

Company Overview

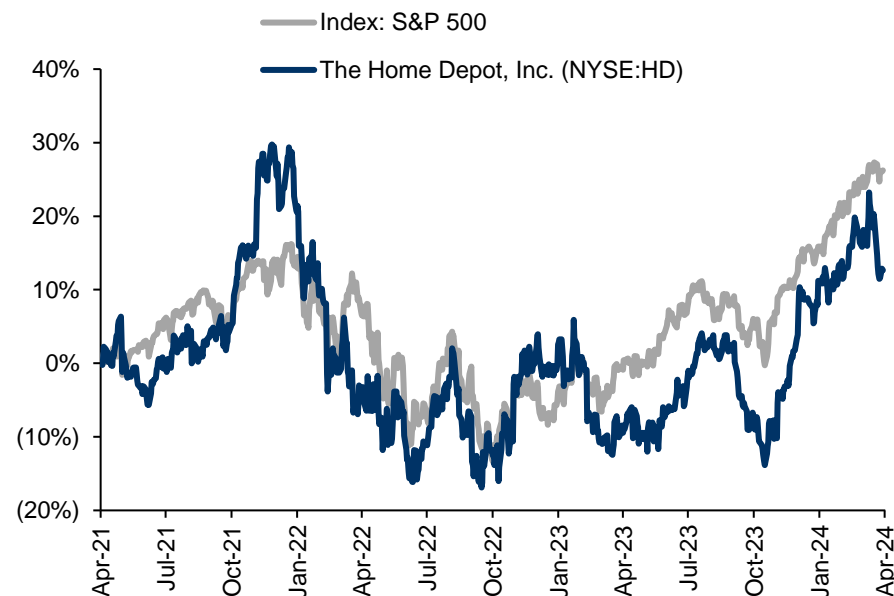
- Home Depot was founded in 1978 and is headquartered in Atlanta, GA
- Home Depot, a home improvement retailer, offers products for DIY customers and professional contractors, including building materials, garden products, appliances, and tools
- The Company operates through three segments: retail sales through brick-and-mortar stores, online sales channels, and a professional contractor service division
 - The retail segment provides a variety of home improvement products and services from its 2,335 retail stores with more than 465,000 associates
 - The online sales channels provide options for home delivery and in-store pickup through an e-commerce platform that is integrated with the physical store
 - The professional contractor service segment provides dedicated sales staff, bulk pricing options, job-site delivery, and expedited delivery options for contractors and builders
- Home Depot serves a variety of markets, including residential & commercial construction, property management, landscaping & outdoor living, and interior design & decoration



Select Transaction History

- November 2023 – **International Design Group Inc.** – provides high-quality materials for kitchen and bath appliances, specializing in the construction and remodeling industries
- August 2023 – **Redi Carpet Inc.** – provides and installs flooring materials for the multi-family housing industry
- December 2020 – **HD Supply Holdings Inc.** – operates as an industrial distributor for the facilities maintenance & construction and industrial segments
- February 2019 – **Roadie Inc.** – provides a technology platform that connects merchants and consumers with contract drivers to enable efficient same-day delivery services
- December 2018 – **Askuity Inc.** – provides a retail analytics software and a sales enablement platform that offers data insights for business growth and development

HD 3-Year Stock Performance



HD Public Market Overview (\$ in millions, except per share data)

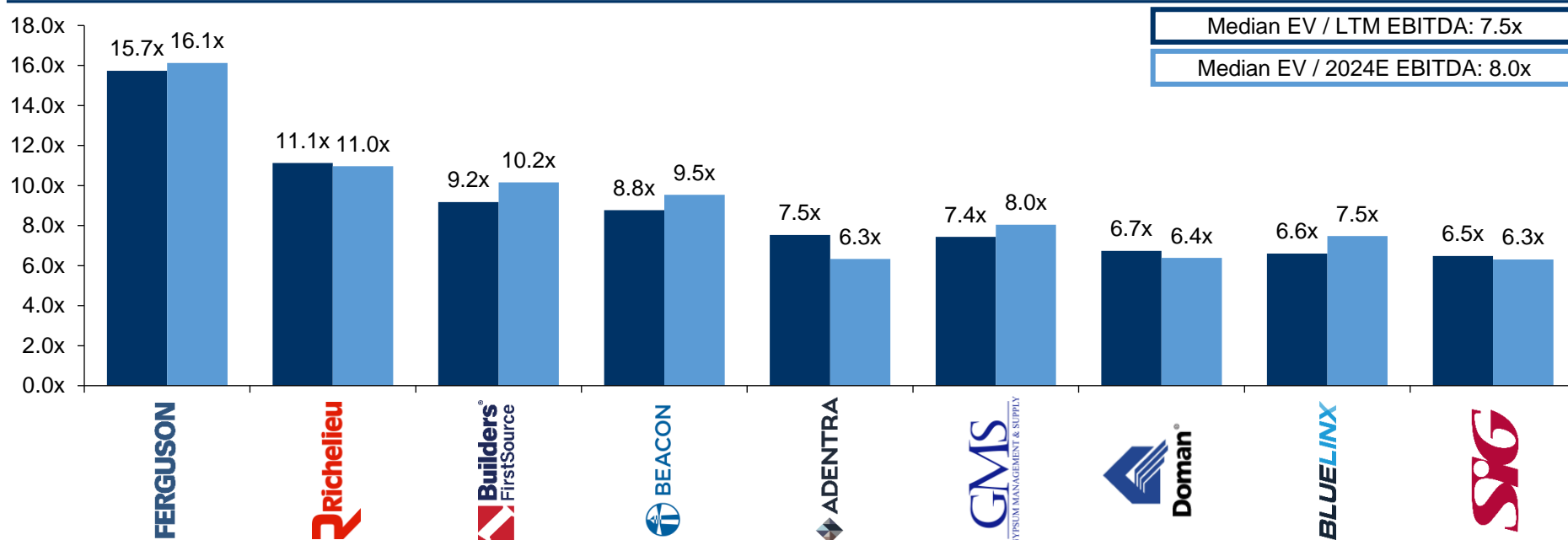
Stock Price (as of 4/11/24)	\$347.37
52 Week High / Stock Price % of High	\$396.87 87.5%
52 Week Low / Stock Price % of Low	\$274.26 126.7%
Market Value	\$344,254.3
Enterprise Value	\$393,595.3
EV / 2024E EBITDA	15.8x

	2021	2022	2023	2024E
Revenue	\$151,157.0	\$157,403.0	\$152,669.0	\$154,233.3
% Growth	14.4%	4.1%	(3.0%)	1.0%
Gross Profit	50,832.0	52,778.0	50,960.0	52,285.1
Gross Margin	33.6%	33.5%	33.4%	33.9%
EBITDA	\$25,902.0	\$27,014.0	\$24,936.0	\$24,996.5
EBITDA Margin	17.1%	17.2%	16.3%	16.2%

Source: S&P Capital IQ

PUBLIC COMPARABLES: BUILDING PRODUCTS DISTRIBUTION

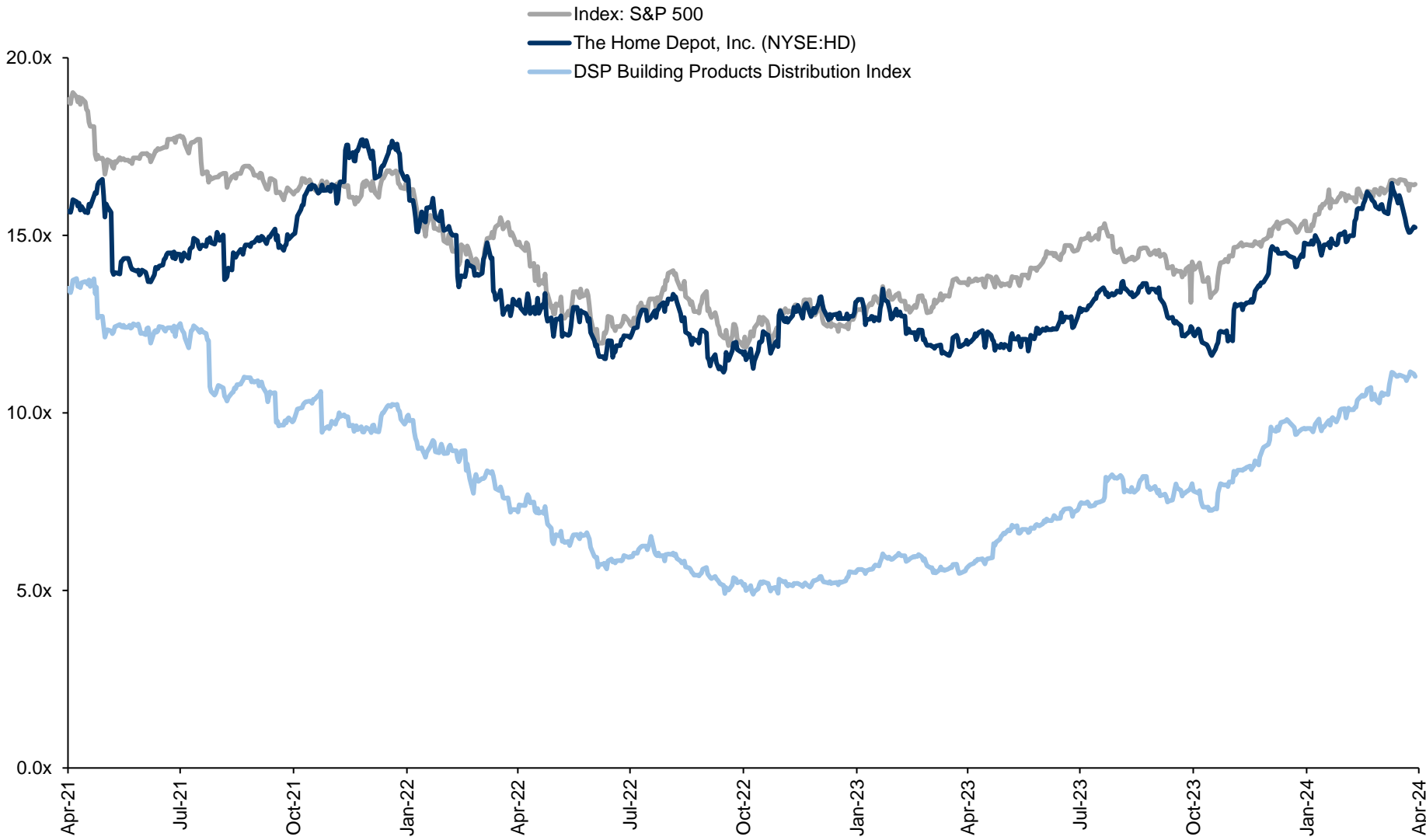
Public Company Valuation Multiples – EV / EBITDA



Median EV / LTM EBITDA: 7.5x
Median EV / 2024E EBITDA: 8.0x

COMPANY	STOCK PERFORMANCE AND COMPANY DATA					MARGINS		VALUATION DATA			
	Price 4/11/2024	2023 % Change	YTD % Change	Market Value (\$mm)	Enterprise Value (\$mm)	LTM Gross % Margin	LTM EBITDA % Margin	EV / Rev LTM	EV / EBITDA LTM	EV / EBITDA 2024E	P / E 2024E
ADENTRA Inc.	\$30.85	15.6%	27.4%	\$691.9	\$1,215.3	20.8%	7.2%	0.5x	7.5x	6.3x	12.9x
Beacon Roofing Supply, Inc.	97.86	64.8%	12.5%	6,221.5	9,051.9	25.7%	11.3%	1.0x	8.8x	9.5x	12.7x
BlueLinx Holdings Inc.	120.24	59.3%	6.1%	1,041.5	1,137.7	16.8%	5.5%	0.4x	6.6x	7.5x	14.3x
Builders FirstSource, Inc.	189.33	157.3%	13.4%	23,086.9	26,734.1	35.2%	17.0%	1.6x	9.2x	10.2x	14.1x
Doman Building Materials Group Ltd.	5.92	47.8%	(5.7%)	515.6	980.0	16.2%	7.9%	0.5x	6.7x	6.4x	9.9x
Ferguson plc	218.26	52.1%	13.0%	44,190.4	48,840.4	30.4%	10.4%	1.6x	15.7x	16.1x	22.5x
GMS Inc.	96.57	65.5%	17.2%	3,846.7	4,981.0	32.4%	12.4%	0.9x	7.4x	8.0x	11.6x
Richelieu Hardware Ltd.	29.49	35.8%	(18.8%)	1,655.7	1,820.0	12.4%	12.3%	1.4x	11.1x	11.0x	21.0x
SIG plc	0.36	19.3%	(15.6%)	415.3	990.3	25.3%	4.4%	0.3x	6.5x	6.3x	NM
Overall Group Mean		57.5%	5.5%	\$9,073.95	\$10,638.97	23.9%	9.8%	0.9x	8.8x	9.0x	14.9x
Overall Group Median		52.1%	12.5%	1,655.7	1,820.0	25.3%	10.4%	0.9x	7.5x	8.0x	13.5x
Overall Group Max		157.3%	27.4%	44,190.4	48,840.4	35.2%	17.0%	1.6x	15.7x	16.1x	22.5x
Overall Group Min		15.6%	(18.8%)	415.3	980.0	12.4%	4.4%	0.3x	6.5x	6.3x	9.9x

Three Year Home Depot vs. DSP Building Products Distribution Index and S&P 500 Index (EV / EBITDA) ⁽¹⁾ ⁽²⁾



(1) Source: S&P Capital IQ

(2) DSP Building Products Distribution Index includes: ADENTRA, Beacon Roofing Supply, BlueLinX Holdings, Builders FirstSource, Doman Building Materials Group, Ferguson plc, GMS, Richelieu Hardware, SIG plc

REPRESENTATIVE DSP TRANSACTION EXPERIENCE

 <p>Business Services & Technology</p>	 <p>has been acquired by</p>  <p>Advisor to Seller</p>	 <p>a division of Compliance a portfolio company of LEEDS Equity Partners has been acquired by CAHMA Advisor to Seller</p>	 <p>a portfolio company of PROSERV has been acquired by ProService a portfolio company of SILVER LAKE Advisor to Seller</p>	 <p>has been acquired by ENGAGE a portfolio company of LIGHTYEAR CAPITAL Advisor to Seller</p>	 <p>has been acquired by KORN FERRY Advisor to Seller</p>	 <p>has completed growth equity financing with VSS Advisor to GLOBO</p>	 <p>has been acquired by CROSS COUNTRY HEALTHCARE Advisor to Seller</p>	 <p>a portfolio company of IRISH ANGELS has completed a majority growth recapitalization with CLAYTON CAPITAL Advisor to RIVS</p>
 <p>Healthcare</p>	 <p>has received an investment from DFW CAPITAL PARTNERS Advisor to Herspiegel</p>	 <p>has acquired pharmatech associates Advisor to Buyer</p>	 <p>has been acquired by ELEVATE a portfolio company of FRAZIER and the edgewater funds Advisor to Seller</p>	 <p>has received an investment from the edgewater funds Advisor to Deerfield</p>	 <p>has been acquired by W2O a portfolio company of NMC Advisor to Seller</p>	 <p>has merged with rednucleus a portfolio company of RENOVUS CAPITAL Advisor to Pyxa</p>	 <p>has completed a majority recapitalization with BEHRMAN CAPITAL Advisor to Emmes</p>	 <p>has been acquired by PAREXEL Advisor to Seller</p>
 <p>Industrial & Industrial Technology</p>	 <p>has been acquired by Odyssey Advisor to Seller</p>	 <p>has combined with Electron Microscopy Sciences a portfolio company of INVERNESS GRAHAM Advisor to Azer</p>	 <p>has been acquired by INDUSTRIES INC. a portfolio company of PROSPECT CAPITAL Advisor to Seller</p>	 <p>has merged with Deacon Advisor to Deacon</p>	 <p>has acquired TESTCO Advisor to Buyer</p>	 <p>a portfolio company of ARGOSY has been acquired by STE Advisor to Seller</p>	 <p>a portfolio company of ARENA has acquired HAV Advisor to Buyer</p>	 <p>a portfolio company of and GROTECH VENTURES has been acquired by MITLER TOLDO Advisor to Seller</p>
 <p>Infrastructure</p>	 <p>certain assets of Snyder's Gateway, Inc. have been acquired by TA Advisor to Seller</p>	 <p>has been acquired by TriStrux a portfolio company of HURON CAPITAL Advisor to Seller</p>	 <p>has been acquired by MAGNOLIA a portfolio company of WARREN Advisor to Seller</p>	 <p>a portfolio company of hCAPITAL has been acquired by an entity formed by ANCOR Advisor to Seller</p>	 <p>a portfolio company of NextLevel and has been acquired by PROVIDENCE STRATEGIC GROWTH Advisor to Seller</p>	 <p>has been acquired by Sprague Advisor to Seller</p>	 <p>a portfolio company of h2CAPITAL has been acquired by BRANFORD CASTLE PARTNERS Advisor to Seller</p>	 <p>has been acquired by KIELY Advisor to Seller</p>

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