

About White Cap

Clayton, Dubilier & Rice to Combine HD Supply's White Cap Business with Construction Supply Group

Creates \$4 Billion Leading North American Distributor of Concrete Accessories and Specialty Construction and Safety Products

The Sterling Group, Lead CSG Shareholder, to Reinvest in Combined Business

NEW YORK, Aug. 11, 2020 [PRNewswire/](#) -- Clayton, Dubilier & Rice today announced an agreement with HD Supply Holdings, Inc. (NASDAQ:[HDS](#)) under which CD&R funds will lead an investment to acquire HD Supply's Construction & Industrial business (also known as "White Cap"), a leading distributor of specialty concrete and construction products, and combine it with the Construction Supply Group ("CSG"), a leading distributor of specialty concrete and masonry accessories. Upon the closing of both transactions, CD&R funds will hold a 65% ownership interest in the combined company, and the current shareholders of CSG, led by The Sterling Group, will hold a 35% interest. The combined transaction, valued at approximately \$4 billion, is subject to customary regulatory approvals.

The combination is intended to create a leading North American distributor of a diverse mix of concrete accessories and specialty construction and safety products with more than \$4 billion in annual revenue. White Cap operates 270 branches with approximately 5,500 employees and offers more than 400,000 SKUs to 200,000 customers. With 130 branches and approximately 2,000 employees, CSG has a highly complementary footprint to White Cap in terms of product offering and geography, offering more than 60,000 SKUs to 65,000 customers.

"We developed strong confidence in the White Cap management team during our prior ownership of HD Supply, as they successfully managed through the global financial crisis," said Nate Sleeper, CD&R's Chief Executive Officer. "Over the past several years, the CSG team has built a strong new leader in the industry. We are excited to work alongside both teams to capitalize on the many promising value creation opportunities we believe this strategic combination offers."

John Stegeman, White Cap's current CEO, and Alan Sollenberger, White Cap's current President, are expected to lead the new combined business, which will include the White Cap, Home Improvement Solutions and Brafasco businesses, as well as CSG. CD&R Operating Partner Phil Knisely, former executive vice president and corporate officer of Danaher Corporation, will serve as Chairman of the combined company.

"This transformational combination simultaneously increases our product and service offering, capabilities, and diversification and establishes our business as a focused, independent company," said John Stegeman. "We are enthusiastic about the opportunity to join forces with the many talented associates and leaders at CSG to enhance our collective ability to serve our customers. Following this transaction, we will be very well positioned to pursue both organic and inorganic growth opportunities aligned with our strategic priorities."

"We are excited about the opportunities this will bring to our employees, customers, and suppliers," said Mitch Williams, Chief Executive Officer of CSG. "We look forward to our new partnership with CD&R and the continued support of The Sterling Group as we continue to seek growth opportunities to better serve our customers."

"We are proud of the business the CSG team has built over the last four years and see this combination as the next step in our vision to build the leading construction supply distributor in North America," said Brian Henry, Partner at The Sterling Group.

The acquisition of White Cap is expected to close in October 2020 and is not conditioned on the closing of the acquisition of CSG.

Goldman Sachs & Co, LLC served as financial advisor and Jones Day served as legal counsel to HD Supply on the transaction. Deutsche Bank Securities Inc.; RBC Capital Markets, LLC; BNP Paribas Securities Corp.; and Credit Suisse served as financial advisors and Debevoise & Plimpton served as legal counsel to CD&R on the transaction. Jefferies LLC served as financial advisor and McDermott Will & Emery served as legal counsel to The Sterling Group and CSG. CD&R has obtained committed financing from Deutsche Bank Securities Inc.; RBC Capital Markets, LLC; Jefferies LLC; BNP Paribas Securities Corp.; and Credit Suisse.

About White Cap

White Cap serves as a one-stop shop providing concrete accessories and chemicals, tools and equipment, building materials and fasteners, erosion and waterproofing and safety products to professional contractors by meeting their distinct and customized supply needs in non-residential, residential and industrial applications. White Cap operates 270 branches with approximately 5,500 employees and offers more than 400,000 SKUs to 200,000 customers. For more information, visit www.whitecap.com.

About Construction Supply Group

CSG is a leader in the distribution of specialty construction materials, accessories and tools, primarily for professional concrete and masonry contractors in the United States and Canada. With over 130 branches and approximately 2,000 employees, CSG offers over 60,000 SKUs to over 65,000 customers. For more information, visit www.constructionsupplygroup.com.

About Clayton, Dubilier & Rice

Founded in 1978, Clayton, Dubilier & Rice is a private investment firm. Since inception, CD&R has managed the investment of more than \$30 billion in 93 companies with an aggregate transaction value of more than \$140 billion. The Firm has offices in New York and London. For more information, visit www.cdr-inc.com.

About The Sterling Group

Founded in 1982, The Sterling Group is a private equity investment firm that targets controlling interests in basic manufacturing, distribution, and industrial services companies. Typical enterprise values of these companies range from \$100 million to \$750 million. Sterling has sponsored the buyout of 57 platform companies and numerous add-on acquisitions for a total transaction value of over \$14.0 billion. Currently, Sterling has over \$4.0 billion of assets under management. For further information, please visit www.sterling-group.com.

About HD Supply

HD Supply is one of the largest industrial distributors in North America. The company provides a broad range of products and value-add services to approximately 500,000 customers with leadership positions in the maintenance, repair and operations and specialty construction sectors. Through approximately 270 branches and 44 distribution centers in the U.S. and Canada, the company's approximately 11,500 associates provide localized, customer-tailored products, services and expertise. For more information, visit www.hdsupply.com

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