

## Cedar Creek CEO targets \$1B growth strategies

by Kirby Lee Davis

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Thomas Compton straps down the load he just picked up at Cedar Creek for a trip to his job site Monday. (Rip Stell)

TULSA – Drawing on its new parent's cash chest, Broken Arrow-based building supply distributor Cedar Creek intends to extend both its product spread and geographic reach to more than double its size.

"We'd like to see ourselves at least a billion-dollar company," said William Adams, who stepped in as president and chief executive last week after Charlesbank Capital Partners of Boston bought a majority stake in the 400-employee company.

Cedar Creek charted \$500 million in revenue last year serving a 13-state region from eight branches across seven states.

Adams, who sees himself as an intercessor between Charlesbank and Cedar Creek management, expects to help the distributor expand its range from Arizona to Florida and the District of Columbia.

Its primary growth method would involve the acquisition of similar suppliers to lumberyard and building supply retailers. Adams said the firm has considered operators from the Carolinas and northern Florida to Georgia and eastern Alabama.

This growth period could start as early as this week with a small acquisition in Texas, one Adams valued at about \$50 million.

"What we would do is take the Cedar Creek business model and make an acquisition of a company the size of Cedar Creek, or perhaps smaller, and adding product lines like Cedar Creek," said Adams in a telephone interview. "We want to take the success Cedar Creek has had and multiply it through these other businesses."

Cedar Creek also intends to grow branch location revenues by expanding its inventory.

"We've already talked to our major suppliers about extending those product lines and they've virtually all agreed," said Adams.

That move would build on two of the chain's recognized strengths.

Adams, who for more than a decade oversaw firms that supply Cedar Creek, said specialty products comprise about 40 percent of Cedar Creek's inventory, compared to 20 percent with most competitors. That makes Cedar Creek less vulnerable to lumber price shifts and other inventory commodities.

The chain also provides branch managers great autonomy in what products to carry, allowing the customer service-oriented firm to tailor its inventory to each region's or client's specific needs or demands.

By expanding into new product areas, such as roofing, Cedar Creek hopes to gain market share from competitors in niche areas. Adding still more types of lumber could open new relationships with cabinet shops and other industrial users.

"The first rule is that all distribution is local," he said. "We leave those situations to the local

managers because they know best about what's being sold in particular markets."

With company values down and interest rates still low, many analysts have noted the prime acquisition opportunities this recession presents for buyers with access to cash. Charlesbank fills that bill for Cedar Creek with more than \$2 billion of capital.

"I think we're pulling out of the recession," said Steve Agee, visiting professor of economics at the Oklahoma City University Meinders School of Business. "What we're seeing is firms starting to gear up. They see the light at the end of the tunnel and they want to take advantage of a market that's going to grow."

But with several potential storms still hanging over commercial and residential real estate, some analysts questioned whether the construction industry, which Cedar Creek relies upon, will trail national recovery efforts.

While it shared in the industry hits, Adams said the recession also strengthens Cedar Creek by raising its value to lumberyards and building supply stores.

"To preserve their working capital, they use Cedar Creek inventory more than their own inventory," he said. "When things are tight, when cash is tight, the distributor takes on more value with everybody."

Building on the leadership and skill of Cedar Creek's three minority owners – Clark Wiens, David Bond and D. Wayne Trousdale – Adams foresees few organizational changes.

"I've known the business for over 20 years because I was a supplier to the business," said Adams, who Charlesbank hired 18 years ago to reorganize ABTCO, manufacturer of hardboard-based, vinyl and fiber cement siding, gable vents, and other specialty building products. Adams also served Louisiana Pacific, another supplier to Cedar Creek.

"They're probably the best distributor in the United States, as far as I'm concerned, from a manufacturer perspective," he said of the Broken Arrow company. "The three owners of the company are terrific entrepreneurial managers. We probably wouldn't have made this deal if they didn't want to be involved."

Maintaining their customer-oriented culture marks his primary concern as Cedar Creek expands. To aid that, Adams said they will target acquisitions roughly half to three-quarters of Cedar Creek's size, integrating their philosophies as the Broken Arrow firm assimilates their operations.

Since the existing Cedar Creek was assembled partly through acquisition, Adams trusts company leadership to maintain their success.

"The same people will play the roles they have in the past," he said. "These guys – Clark and D. Wayne and David – are very powerful personalities. They know what they're doing. The environments that they create are very friendly to a manager who wants to succeed locally.

"My role is to coordinate the efforts of everybody," said Adams. "To make sure we're strategically on the right path using my contacts in the industry to leverage Cedar Creek as we get there, trying to get a better situation with vendors in return for a higher volume."

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