

Buyouts

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Red Diamond Raises The Roof

Red Diamond Capital began building a new platform in home building supplies distribution with its acquisition of Baltimore-based **Morris Ginsberg & Co.** for under \$10 million.

“All of our due diligence work in this space points to the fact that there is a lot of opportunity in this industry for growth and consolidation,” said **Peter Pfister**, a managing director with Red Diamond.

The firm teamed up with **Paul Haefcke**, the former chief executive of Shelter Distribution, to form a platform called Hammerhead Distribution in October. Ginsberg was the inaugural acquisition for the group, which plans to consolidate a number of entities in the roofing, siding and window supplies distribution space. More deals are in the pipeline, said Pfister, including another potential acquisition that has received a letter of intent to buy.

Details about the terms of the

Ginsberg deal are under wraps. While two industry executives from Hammerhead, **James Murray** and **Paul Whelan**, have assumed day-to-day management responsibilities at the company, Hammerhead plans to keep the 75 year-old company’s leadership and workforce intact.

“We’re going to provide the entrepreneurs at the company with the leverage they need to grow and compete with the largest players in the business,” said Pfister.

Operating under its present name with the continued participation of the former owner of the business, **Stanley Holzman**, Ginsberg will be positioned to serve commercial and residential contractors in Maryland, Washington, D.C. and the Northern Virginia markets. The business will be expanded immediately, said Pfister, by opening a satellite operation in Northern Virginia. It will compete with

national distributors of building supplies, including Allied Building Products Corp. and ABC Supply Co..

The equity invested in the deal came from the \$150 million Red Diamond Capital Partners Fund, that is primarily funded by Mitsubishi Corp. Hammerhead is the first of five to 10 platforms that will be pursued by the firm.

Pfister worked with Haefcke as the financial sponsor of Shelter Distribution, a venture that grew into one of the largest distributors of residential and commercial roofing products, siding, and related accessories in the Midwest before it was sold to Brazos Private Equity Partners in 2002.

“We foresee continued strength in the building cycle, notwithstanding recent upticks in interest rates” he said. “Even if the construction of new homes slows, people still need to fix their roofs.” —N.W