Exclusive: Lawson Products Execs Talk Acquisition Strategy

by Mike Hockett

Many MRO products distributors — especially large ones like those on Industrial Distribution's Big 50 List — experienced a tough 2015-2016 period as weakened demand dragged on sales and profits.

Chicago-based Lawson Products wasn't immune, as the company's 2016 sales were largely flat and it took a modest loss. But starting in Q4 of that year, things turned around for Lawson and the industrial products economy as a whole. Lawson's average daily sales grew by 7.0, 8.2 and 9.5 percent year-over-year through the first three quarters of 2017, with healthy organic growth in each period.

But even during that rough patch, Lawson stayed aggressive in taking market share. The company made three acquisitions during 2016 — Mississauga, Ontario-based F.B. Feeney Hardware; Clinton, MI-based Perfect Products and Vancouver, British Columbia-based Mattic Industries. Lawson followed those moves last fall with a return to Canada and the company's largest acquisition ever: A CAD $43 million purchase of Calgary-based The Bolt Supply House.

Lawson Products president and CEO Michael DeCata, along with senior vice president of supply chain and business development Shane McCarthy, discussed Bolt Supply's development and the company's overall acquisition strategy in a recent exclusive interview with ID.

"We think each acquisition has given us some insight into niche markets — increasing connection points with customers," said McCarthy. "We've remained committed to an acquisition strategy. Even though four of our acquisitions were in Canada, our focus is broad-based and not Canada-only."

Michael DeCata
President and CEO
of Lawson Products

Shane McCarthy
Senior VP of Supply Chain and
Business Development
at Lawson Products

Continues on back

Founded in 1948, The Bolt Supply House is a Canadian distributor of fasteners, power tools and industrial MRO supplies, with annual sales of approximately $34.4 million. Its 13 branch locations and 27 sales territory managers serve companies and professional tradespeople in Alberta, Saskatchewan and Manitoba. Bolt Supply packages and ships products from a 43,000-square-foot distribution center in Calgary.

The Bolt Supply addition was Lawson's fifth bolt-on acquisition in a 24-month span, and more than doubles its sales in Canada.

"For some time, we've wanted a larger Western Canada footprint and distribution center," DeCata said. "By really good fortune, when we started speaking to Bolt Supply, we came to appreciate that they had a warehouse in Calgary that was relatively new for them and half-occupied. They were a very attractive fit for us. We'll be taking advantage of the other half of that warehouse and making investments in Bolt Supply that will accommodate both companies."

Before Bolt, Lawson's customers in Alberta and Saskatchewan — roughly one-third of the company's total market in Canada — were served primarily out of a DC in Mississauga, from which the business cycle time is typically three-to-five days. Bolt's Calgary warehouse will cut that cycle down to two days.

Lawson started having talks with Bolt Supply in the spring of 2017, eventually closing on the acquisition last October. More acquisitions can be expected in the near future.

"We continue to fill the pipeline with more opportunities as we believe growth through acquisition makes sense for us," DeCata said.

The company celebrated its 65th anniversary throughout 2017, which included bringing its executives to New York City in late May to ring the Nasdaq Closing Bell.

Lawson's investments during that 2016 downturn are paying off right now, as the company is primed for continued gains throughout 2018 as the industrial products market continues to improve.

"We believed in our unique value proposition and our ability to deliver operational excellence to our customers," DeCata said. "We believed customers would continue to reward us for our service and ultimately believed they would depend on us more now than in the past. Even though there was a downturn in the market during 2015 and 2016, we continued to invest in software, tools and technology and acquisitions. Our value proposition gave us the confidence to invest even though it would've been tempting to pull back on costs. We've been very well rewarded."

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