

Industrial Distribution Group Considers Strategic Alternatives

Industrial Distribution Group, Inc., Atlanta, GA, has formed a committee of independent directors to review strategic alternatives for the \$550 million distributor. The independent committee will be led by the company's non-executive chairman of the board, Richard M. Seigel.

"IDG needs to consistently grow revenues at a higher level while also seeking a strategic way to reduce its cost profile, both of which have been a source of concern," Seigel said. "It is imperative that we take this time to review all aspects of IDG's business, including our revenue and cost models, IDG's competitive position and to consider all alternatives for realizing the value we believe is inherent in the company."

IDG was formed in 1997 through a rollup of nine industrial general-line distributors. It has seen its share of integration challenges. The company, which eventually grew to include 26 operating companies, runs out of four divisions. Since taking the helm in November 2005, CEO

Charles Lingenfelter has been working to take the distributor from four divisions to one company via the One Company strategy.

Lingenfelter told MDM in a recent interview (MDM, July 10, 2007) that one of the hardest parts of a rollup is integrating culture: "You have to think, act and operate as one, and rollups never took that into account. If you don't do that you don't get the economies of scale necessary to make a rollup financially successful."

IDG's recent second-quarter sales results were down 3.5 percent from the same period a year ago, falling to \$132.6 million. Profit was \$0.1 million. For the first six months, sales were also down about 3.5 percent to \$267.7 million. Profit was \$1.5 million, about half of a year ago.

In a release, Lingenfelter said that internal process challenges with the recent IT system conversion as well as declines in specific industries, have continued to negatively impact IDG's customer service and sales.

First-Half 2007 U.S. Construction Spending

	Year-to-Date June 2007	Year-to-Date June 2006	% Change
Total Construction	549,963	570,117	-3.5
Total Private Construction 1	422,187	455,045	-7.2
Residential	259,161	317,098	-18.3
Nonresidential	163,026	137,946	18.2
Lodging	12,604	7,867	60.2
Office	26,569	21,185	25.4
Commercial	39,041	33,716	15.8
Health care	18,042	15,670	15.1
Educational	7,629	6,546	16.5
Religious	3,680	3,693	-0.4
Amusement and recreation	4,342	4,251	2.1
Transportation	3,928	3,912	0.4
Communication	11,866	10,047	18.1
Power	17,248	14,394	19.8
Manufacturing	17,238	15,895	8.4
Total Public Construction 2	127,776	115,072	11.0
Residential	3,312	2,983	11.0
Nonresidential	124,465	112,089	11.0
Office	4,539	3,956	14.7
Commercial	1,727	1,487	16.1
Health care	3,891	3,054	27.4
Educational	36,400	33,014	10.3
Public safety	4,167	3,437	21.2
Amusement and recreation	5,089	4,205	21.0
Transportation	9,510	8,428	12.8
Power	5,352	4,334	23.5
Highway and street	32,141	30,205	6.4
Sewage and waste disposal	11,140	10,450	6.6
Water supply	7,429	6,915	7.4
Conservation and development	2,474	2,411	2.6

For monthly updated numbers:

www.mdm.com/databank

Source: Department of Commerce