



HD Supply to Break into Two Companies

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Atlanta-based HD Supply Holdings, Inc. (NASDAQ: HDS) says it intends to separate its Facilities Maintenance and Construction & Industrial businesses into two independent publicly traded companies.

The separation will be achieved through a distribution, which is expected to be tax-free to HD Supply shareholders for U.S. tax purposes, the company said in an announcement Sept. 24. The separation is expected to be completed by the middle of fiscal 2020.

“After years of growth, Facilities Maintenance and Construction & Industrial have achieved sufficient scale to operate as independent companies,” said Joe DeAngelo, chairman and CEO, HD Supply. “Each business is now positioned as a leader in its respective market and has the ability to enhance its competitive advantage by further differentiating its best-in-class customer service through additional focus.”

Both HD Supply Facilities Maintenance and Construction & Industrial are expected to remain headquartered in Atlanta.

Upon completion of the separation, each company is expected to be publicly listed and traded on a nationally recognized stock exchange. HD Supply Facilities Maintenance is to retain the HD Supply stock ticker.

The transaction is subject to final approval by HD Supply’s Board of Directors and the effectiveness of a Form 10 registration statement to be filed with the U.S. Securities and Exchange Commission, as well as other customary conditions. The separation is not subject to shareholder approval.

Facilities Maintenance operates a distribution center-based model and sells its products primarily through a professional sales force, e-commerce and print catalogs. HD Supply Facilities Maintenance generated approximately \$3 billion in net sales in fiscal 2018, ended Feb. 3, 2019.

DeAngelo is expected to serve as chairman and CEO, HD Supply Facilities Maintenance; Evan Levitt, currently chief financial officer and chief administrative officer of HD Supply, and Brad Paulsen, currently president of Facilities Maintenance, are both expected to serve in the same capacities after the separation.

Construction & Industrial-White Cap business will continue to provide concrete accessories and chemicals, tools and equipment, building materials and fasteners, erosion and waterproofing and safety products to professional contractors. Construction & Industrial generated approximately \$3 billion in net sales in fiscal 2018.

John Stegeman, currently president of Construction & Industrial, is expected to serve as CEO of Construction & Industrial. Alan Sollenberger, currently chief operating officer of Construction & Industrial, is expected to serve in the same capacity after the separation.

Upon completion of the separation, each company will have its own management team and an independent board of directors that will include members of the current HD Supply Board of Directors. Additions to the management teams and members of the boards of directors for both companies will be named in the months leading up to the formal separation, the company said.

Goldman Sachs & Co. LLC is serving as financial advisor and Jones Day is serving as legal advisor to HD Supply.

One of the largest industrial distributors in North America, HD Supply provides a broad range of products and value-add services, focusing particularly on the maintenance, repair and operations and specialty construction sectors, to approximately 500,000 customers. It operates approximately 270 branches and 44 distribution centers in the U.S. and Canada, and employs about 11,500 associates.

HD Supply Holdings Inc., headquartered at 3100 Cumberland Blvd., ranked No. 18 on Atlanta Business Chronicle's 2019 Georgia's Top 25 Public Companies list published July 5. It reported \$6.047 billion in revenue, up 18%, and net income of \$394 million, down 59.38% over the two most recent years.