

07/09/2018 AZEK pursuing more add-ons to expand product portfolio – execs

 [Proprietary Intelligence](#)

The AZEK Company, a private equity-backed manufacturer of exterior building products, is seeking additional buys in adjacent sectors after January rebranding, said CEO Jesse Singh and Senior Vice President Jon Skelly.

Skokie, Illinois-based AZEK, which turns recycled plastics into low-maintenance building materials to replace wood, metal and other traditional building products, is particularly keen on acquiring companies that make complementary outdoor living and building envelope products, including decking, trim, outdoor furniture and railings, according to Skelly.

Formerly known as **CPG International**, the company has made two buys under its current PE ownership, including its December 2017 acquisition of aluminum railing products manufacturer **WES** and the May purchase of **Highlander Partners**-backed trim boards and molding products maker **Versatex**. Versatex was reported in April to have over USD 20m in LTM (last 12 months) EBITDA and projected an enterprise value more than 10x its EBITDA, according a previous *Mergermarket* report.

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Its sweet spot for targets are companies with between USD 10m and USD 250m in revenues and based in North America. Transactions will be funded by cash on hand or a combination of cash, debt and equity, Skelly said.

Ares Management and **Ontario Teachers' Pension Plan** acquired AZEK in 2013 for an undisclosed price. The two firms own an equal stake in the business, with the company's management retaining a minority stake, according to a press release.

“At this stage, we don't have a specific breakdown of our goal of additive growth through acquisition, but we clearly see it as an additive strategy through an already strong organic growth path.” Singh said.

Targets will be identified primarily internally and through industry networks, Skelly said. “It's a predominantly proactive effort,” he added. “We regularly pursue acquisition targets and maintain an active dialogue with multiple potential targets.”

Skelly said the company has identified and is in talks with potential acquisition targets, but it doesn't have a set timetable for making buys.

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Fueled by corporation-friendly tax reform and robust construction activity, the building products sector will see strong consolidation throughout 2018, according to a recent industry report by BDO Capital Advisors. As strategic players are seeking to expand market share, brand portfolio and technological capabilities via acquisition, a large number of private equity firms continue to seek opportunities for new platforms and bolt-on acquisitions for existing portfolio companies, the report says.

AZEK projects roughly USD 750m in 2018 revenue, according to Singh, who noted that the company is “consistent in terms of profitability with some of the market leaders today.” He pointed to **James Hardie** [NYSE:JHX] and **Trex** [NYSE: TREX] as two comparables.

EV-to-EBITDA multiples in the US building products and materials market are expected to range from 8.6x to 11.3x this year, according to the BDO report.

Singh said AZEK is “growing above the repairing and remodeling market,” whose annual growth rate typically ranges from 4% to 5%.

Founded in 1983, AZEK sells into the residential, commercial and industrial markets under the brand names of AZEK, TimberTech, VYCOM and Scranton Products. Its products reach contractors, builders and architects in primarily North America through a network of distributors, according to Skelly.

AZEK filed for a USD 150m IPO on NASDAQ in 2011 but did not go ahead with it. At the time of the IPO filing, CPG listed assets at USD 574.61m, according to a news report.

When asked about an exit plan, Singh declined to elaborate but said the company is “focused on being a very good and growing independent company.”

“What I would say, though, is for us, as a company, we are being built to scale and we operate with a very good public company type of rhythm,” he said.

The company has more than 1,000 employees and additional manufacturing facilities in Scranton, Pennsylvania, and Wilmington, Ohio, according to its website.

Sullivan & Cromwell and **PricewaterhouseCoopers** provide AZEK with legal and accounting services, respectively.

By Liying Qian in Chicago

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