

## Better Times Ahead for Garage Door Industry

By Michael E. Collins

Editor's Note: Michael Collins, a frequent speaker at DASMA meetings, is an investment banker who has conducted extensive global and domestic market research for the garage door industry and the overall window and door industries. We welcome his expert analysis and forecast for our industry.

The long-awaited recovery is gaining strength, bringing the prospect of better times for door and access system dealers and manufacturers. The improved employment picture is one of the most significant contributors to the recovery, since employment changes indicate whether companies are generally expanding or shrinking.

Long-term unemployment lasting longer than six months is still a problem. Today, 4.2 million people are in that position, down from 6.8 million in mid-2010. With overall unemployment at 7.4 percent, the employment picture is not yet ideal. However, monthly job-creation numbers have recently flirted with the 200,000 "jobs-created mark" that indicates a self-sustaining recovery in our economy.



Collins

### Rapid Growth in Improving Markets

Probably the best overall indicator of the health of the residential market is the Improving Markets Index. Each point of this index represents a metropolitan market where new and existing home sales, personal bankruptcies, and mortgage delinquencies indicate that the market is improving. In September 2011, only 12 cities in the entire country were considered to be improving.

The index reached 100 cities in April 2012 and 200 cities in December 2012. In July 2013, there were 255 improving cities in the nation.

### Remodeling Growth

Strong remodeling growth is predicted through 2015. Home flipping, which virtually vanished during the downturn, has reappeared. Garage doors represent a significant portion of the front elevation of a home, and sales should benefit from that trend.

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## Commercial Improvement, Too

Conditions in the commercial segment are improving as well. The office segment is predicted by Reed Construction Data to grow by 12 percent annually through 2017. Government buildings and hospitals and clinics will not be far behind, with 8.4 and 6.4 percent Compound Annual Growth Rates predicted, respectively.

## Consumers Are Spending

Retail sales have been rising strongly and are well above their 2006 to 2007 peak. Consumers have less debt and are ready to spend. All of this growth means more loading docks, parking structures, distribution facilities, and retail locations—and the sectional doors, rolling doors, and rolling grilles associated with them.

## Get Tech Now

In technology trends, an increasing percentage of consumers are adopting web-enabled devices, smart phones, and tablets. Any dealer or manufacturer that has not become familiar with these types of products should do so as soon as possible. Similarly, sales forces should be armed with tablet-based sales presentations and product configurators, as buyers show strong interest in these new ways of accessing product information.

## More Acquisitions Coming?

Companies remain interested in making acquisitions in the current market. Most have right-sized and closed down inefficient facilities and dealer locations. Many companies are approaching pre-recession earnings levels.

These factors, combined with a greatly improved building products industry and the economy as a whole, have increased what buyers are willing to pay for each dollar of a target company's cash flow. This means that sellers of businesses are receiving more for their companies. This can be viewed as a drawback for buyers, since it means that they must pay more for the businesses they acquire.

Strategic buyers, those already engaged in the garage door industry, see their acquisition appetites aided by their own improved cash flow and an increased willingness of lenders to support acquisitions.

Private equity funds benefit from the same availability of capital. They also find themselves driven by an overhang of roughly \$200 billion that they must invest or return to their limited partners. This creates an environment in which a garage door company seeking to sell is more likely to find a successful buyer.

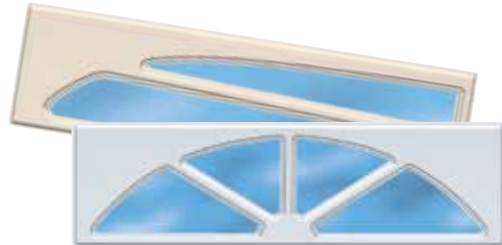
The primary challenge facing both strategic and private equity buyers right now is the lack of profitable companies to acquire. The rate of acquisitions in the garage door industry, in particular, has been much lower than we would have anticipated. That may change as company earnings continue to improve.

## Overall, Good News

Overall, the recovery is undeniably taking hold. Although we will not likely hit the artificially high levels of the boom period, the next few years appear to hold the promise of prosperity for door and access system dealers and manufacturers. ■

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