

Tuff Shed goes shopping, buys rival Wood Master

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The founder's vision was in Tuff Shed's early homemade TV commercials: One day, it would be the only shed manufacturer still standing.

Years of dynamiting and riding motorcycles over the thin-walled competition later, Tuff Shed's signature TV commercials on nationally syndicated shows have left their mark.

Though competition still exists,

Tuff Shed is the undisputed industry leader among storage-shed manufacturers.

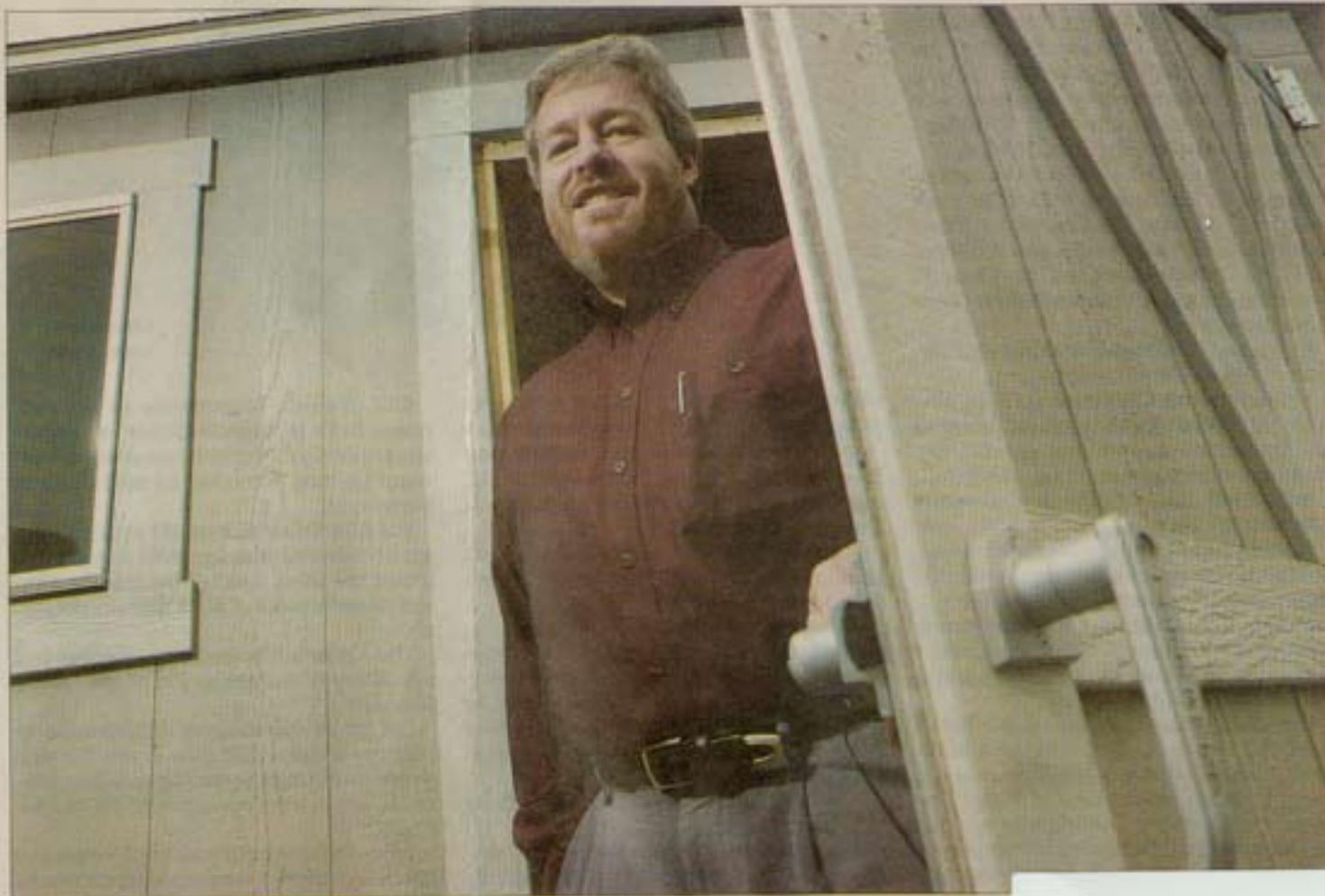
Tuff Shed exploded any remaining doubt in 2004 by sealing the deal to acquire Dallas-based Wood Master Inc., its leading rival. The acquisition was selected as the deal of the year in the category of Basic Industries by the Denver Business Journal.

Tuff Shed was being more than growth-minded when it went shopping for acquisitions. The Wood Master deal was more than just a bargain — it was a shrewd move that eliminated a major retailer's negotiating tactic of playing one shed supplier against the other.

"They were always telling us how good Wood Master is," CEO Tom Saurey said.

Apparently, Saurey agreed, and went to work on negotiating the purchase that closed in February 2004.

Saurey has overseen huge growth for his company that moved its headquarters to Denver in 1986. Not until 1991 did business start accelerating, growing from \$5



Tom Saurey, president of Tuff Shed Inc., which acquired Dallas-based Wood Master Inc. in 2004



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'In Salt Lake, where I had moved the company [before arriving in 1986 to stay in Denver], I told my landlord that I'd make a quarter-million dollars the next year. He looked at me like I was clean crazy.'

Tom Saurey
president

million in sales to many multiples of that figure last year.

Tuff Shed has been growing at a compounded 26 percent a year over the last decade. Last year, the manufacturing and retail business grew at a brisk pace thanks to robust sales in hot markets like the bustling Sacramento-Stockton, Calif., region.

Most of the success was driven internally: Tuff Shed's salespeople improved sales for the 2004 fiscal year by \$30 million, hitting a goal of \$131 million. Wood Master's contribution to the sales total was \$20 million.

Wood Master took the lead in dealing with Home Depot. It has been doing business with the home improvement retailer since 1996 and was in 227 Home Depot stores when acquired. Tuff Shed started selling its lower-end Sundance series of sheds and carports exclusively at Home Depot locations in select markets in 2003. Through the acquisition, the combined company became Home Depot's largest

maker and installer of panelized garages, selling Tuff Shed products in 800 Home Depots in 27 states. Tuff Shed also works with 10 independent dealers.

"We're seeing tremendous growth," said Phil Worth, vice president of communications for Tuff Shed. "We're building everything from restaurants and coffee shops to commercial storage facilities." The company also has constructed a workout facility at the Pepsi Center for the Denver Nuggets.

In 2004, Tuff Shed also opened new factories in Pittsburgh; Helena, Mont.; Spokane, Wash.; El Paso, Texas; and Chicago.

The beginning was humble. With a pickup and the use of a friend's garage, Saurey began building his empire in 1981 in Rexburg, Idaho. There was no encouragement from his mother, who pointed out that storage sheds could be purchased from stores.

Encouragement wasn't needed. Saurey had been inspired by the success he saw in a local startup, the Diet Center. To his credit, Saurey's Tuff Shed story now rivals that hugely successful franchise seller. The two companies, however, bear little resemblance, except for their origin in Rexburg.

With "big dreams," Saurey envisioned his operation spreading across the country, just like Diet Center. But he had no franchises in mind. Diet Center used other people's money to grow. A Diet Center franchise was offered at \$35,000 in 2004, according to the Southern Illinois University at Carbondale. Saurey says he could have used more financial backing for his ambitions, but he didn't command the respect among lenders that he does today.

Tuff Shed's early days were shaky.

"In Salt Lake, where I had moved the company [before arriving in 1986 to stay in Denver], I told my landlord that I'd make a quarter-million dollars the next year. He looked at me like I was clean crazy," Saurey recalled. Looking at his

tenant appraisingly, the landlord "wondered how I was going to make it. That [amount] wouldn't pay the rent today," he added.

But a lot has changed since the early days of working with the help of a few friends out of a garage. Profits from a good year in 1990 were reinvested, and Saurey has been busily expanding ever since. The year 1991 was pivotal for the company that parlayed its earnings into more success with improvements to its products, new accounting software and the addition of a new product line — garages.

It hasn't hurt that the company received national attention with its commercials that show Saurey and others destroying poorly crafted tin sheds made by competitors.

Ernst and Young took notice and named him Young Rocky Mountain Entrepreneur of the Year for 2004.

Tuff Shed reaped plenty of press from a Nederland man's widely publicized effort to keep his dead grandfather's remains in cryogenic safekeeping. The man's tin shed was prone to toppling in wind gusts. Tuff Shed was called, and grandpa and shed were made immortal.

Now they are the stuff of documentaries and an annual festival.

Tuff Shed has worked hard for its solid reputation.

According to company documents, Tuff Shed thoroughly tests its line of products. The company claims to have developed a superior standard of manufacturing and installation.

Design features that include galvanized steel flooring and special fasteners as well as materials used for residential construction give the Tuff Shed products an advantage over other types of out-buildings. That's why the competition crumples in the long-running commercials.

"Bottom line is that we take customer satisfaction very seriously," Worth said.

"We have a seven-year materials and

TOP BASIC INDUSTRIES FINALISTS

No. 2 — Applied Films Corp. and Helix Technology

Applied Films provides technologically advanced thin film deposition equipment and service. Primarily, the company serves high-tech markets such as the flat panel display and the solar glass industries.

In June 2004, the Applied Films paid \$14.5 million for the In-line Systems division of Helix Technology Inc. based in Tainan, Taiwan.

Acquisition of the division secures a manufacturing facility and strengthens company marketing in Asia.

Helix, a provider of thin film coating equipment in Taiwan, parted with the equipment division to focus on growth of its core business. Thin films enhance characteristics of materials such as glass, plastic, paper or foil. The films provide, among other properties, conductive and electronic properties.

No. 3 — Allied Motion Technologies and Precision Motor Technology

Allied Motion Technologies employs 343 people in the business of designing, manufacturing and selling motor and servo motion products to a variety of markets including defense and aerospace.

Revenues rose 59 percent to \$62.7 million for 12 months ended in December 2004. Results include revenues from acquisition of the Precision Motor Technology, or Premotec, subsidiary located in Dordrecht, the Netherlands. Allied Motion paid \$4.6 million in cash and stock in August 2004.

Premotec makes small precision electric motors. Enhanced domestic and offshore sales and support operations are expected to result from the acquisition.

workmanship warranty on our premier series of buildings and a five-year warranty on our Sundance series." The components are backed by manufacturers' warranties.

In typical company style, even the product backing is tough to beat.

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