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True Value files Chapter 11; Plan to sell to Do It Best

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News is out that True Value Hardware has filed for Chapter 11 bankruptcy and is aiming to be sold by the end of the year to rival hardware retailer Do It Best.

This is where it gets confusing: The 4,500 True Value retail stores are independently owned and operated and are not part of the bankruptcy. They're fine; it's the wholesale supplier side of the business, which says it will continue to supply those retailers.

True Value—which sells hardware, tools, lumber, plumbing, heating supplies and other home improvement goods—has between \$500 million and \$1 billion in total liabilities, according to its Chapter 11 petition in Delaware bankruptcy court.

Chris Kempa, True Value's CEO, said, "After a thorough evaluation of strategic alternatives, we determined that the sale of our business was the path forward to maximize value and best serve our retail partners and other stakeholders into the future ... We believe that entering the process with an agreed offer from Do it Best, who has a similar decades-long history in the home improvement space and also operates with a focus on supporting members and helping them grow, is the most beneficial next step for True Value and our associates, customers and vendor partners."

Do It Best agreed to pay \$153 million in cash, take on about \$45 million in contracts and other obligations, and hire some True Value employees. Based in Fort Wayne, Indiana, the hardware, lumber and building materials cooperative serves more than 4,300 independent stores in all 50 U.S. states and more than 50 countries.

Kate Terrell, owner of Wallace's Garden Center in Bettendorf, Iowa, was a long-time True Value member until last January. "What it means in our industry right now is that many garden centers that placed orders at the fall show now have to rebook that product somewhere else or hope and pray that Do It Best can secure the product for them," she wrote in an email responding to the news. "Unfortunately for a lot of industry vendors, there will be significant money lost. I have heard from several vendors about six-figure losses. Unfortunately, when our vendors suffer, so do we when it comes to price, availability and shifting around personnel.

"Another downside is for smaller retailers who would purchase a majority of product through True Value and have it all billed through that one place. Now they have to apply for credit/terms with dozens of vendors and hope that the price levels/discounts/freight that was negotiated by True Value will still apply. Several of my vendors have complained about a lack of information and frustration about not being able to service customers while the details

are sorted out." **GP**