



THE PREMIER INVESTMENT BANK FOR THE BUILDING INDUSTRY

At Coverings 2025 in Orlando, Florida at the end of April, we met with more than 25 tile and slab manufacturers, distributors, fabricators, and installers. Attendance seemed lighter than prior years. One distributor remarked that installer and fabricator attendance seemed lighter, and traffic was, not surprisingly, sparse in areas occupied by Chinese companies. Tariffs and interest rates dominated conversations, but we also had in-depth discussions with business owners contemplating exits and wanting to talk through how best to position their companies.

**U.S. Tariffs.** Although tariffs were front of mind, for now, impact on the tile and stone industry appears to be muted. Tile and stone importers successfully relocated their supply chains when antidumping and countervailing duties were imposed on Chinese ceramic tile and quartz slab approximately five years ago. With respect to the 10% “baseline” tariff, most distributors indicated agreements to “split the difference” with manufacturers and were awaiting end of the 90-day pause before taking price actions, if any. Some distributors indicated they have announced price increases with the understanding that any difference would be refunded to customers. More than near-term pricing, companies were concerned with the blanket of uncertainty tariffs have brought to a market that was starting to stabilize and show signs of recovery. Specifically, companies speculated about potential port congestion created by companies stockpiling in anticipation of tariffs and workers being furloughed; conflicting information on how tariffs will be applied; negative impact on earnings of companies heavily reliant on Chinese imports; and impact on the jobs market and consumer sentiment.

**Interest Rates.** More than tariffs, current interest rate environment continues to weigh on construction markets. Attendees expressed the immediate need for sizable cuts to spur consumer demand, unlock home equity, and kickstart sustained recovery. News released

on April 30<sup>th</sup> of an economic contraction in 1Q25 further contributed to attendees' annoyance. Attendees questioned the Federal Reserve's 2% inflation target rate and its arbitrariness. Despite interest rates remaining at a higher level than what everyone would like, some attendees shared increased business activity after a slow start to the year. In general, attendees were more optimistic than at the February 2025 Kitchen & Bath Industry Show in Las Vegas, with some sharing market narrative that second half of the year and 2026 will be much stronger.

**Mergers & Acquisitions.** Against this backdrop, Anchor Peabody received many inbound requests to meet with business owners. Majority of meetings involved ageing business owners that wanted to discuss how best to position their companies for a sale. Topics included whether a fabricator should acquire a distributor to more quickly scale his business and whether it would make sense to divest a fast-growing segment now or exit as a combined business down the road. We also met with younger business owners that, perhaps because of all the ups and downs over the last handful of years, were thinking about how to “take some chips off the table” to de-risk themselves. Many of the discussions were around growth and margin profiles that help businesses stand out, recent transactions and how they translate into valuation for their businesses, and how an investment banker can add value before and during a sale transaction.

As a trusted advisor to owners and executives in the Tile & Stone space, we leverage our unmatched industry knowledge and M&A expertise to achieve best-in-class outcomes for founders and owners. We welcome a confidential conversation to discuss your options and strategy in this rapidly evolving market. If you are interested in discussing further, please reach out to me at [chieblinger@anchorpeabody.com](mailto:chieblinger@anchorpeabody.com) or call at 551.795.5725.