



HW Harris Williams



Specialty Distribution

INDUSTRY UPDATE | March 2021



Specialty Distribution Practice Overview

Introduction

In our March Specialty Distribution Industry Update, we highlight COVID-19's impact on distributor price management, automations' impact on the industry, and the importance of creating value as a distributor. This report also provides commentary and analysis on current capital market trends and merger and acquisition dynamics within the global specialty distribution industry.

Please contact us directly if you would like to discuss our perspective on current industry trends, M&A opportunities, or our experience in the space.

Our Practice

Harris Williams' Specialty Distribution Group has experience advising companies that provide a range of specialty distribution services.

This particular report focuses on trends and metrics in the following areas:

Automotive	Healthcare
Building Products	Industrial
Consumer	Specialty Chemicals
Foodservice	Technology

Representative Specialty Distribution Transactions

 a portfolio company of has been acquired by 	 a portfolio company of has been acquired by 	 a portfolio company of has been acquired by a portfolio company of 	 a portfolio company of has been acquired by 	 a portfolio company of has been acquired by 	 a portfolio company of THE JORDAN COMPANY has been acquired by
 has acquired a division of	 a portfolio company of has been acquired by 	 a portfolio company of has been acquired by 	 a portfolio company of has been acquired by 	 a portfolio company of Berkshire Partners has been acquired by 	 a portfolio company of GREENBRIAR has been acquired by

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What We're Doing

Transaction Spotlight: Tricorbraun (March 2021)



Harris Williams advised TricorBraun, a portfolio company of AEA Investors LP (AEA), on its sale to funds managed by Ares Management Corporation's Private Equity Group (Ares Management) and Ontario Teachers' Pension Plan Board (Ontario Teachers').

The transaction closed on March 3, 2021 and adds to HW's track record of representing marquee specialty distribution assets in the packaging sector.

Read more [here](#).

What We're Reading

Four Ways COVID-19 Will Have a Long-Term Impact on Distributor Price Management

Modern Distribution Management

Needless to say, the COVID-19 pandemic disrupted B2B distribution markets. These disruptive developments impacted distributor price management in important ways as well. Some of the impact may permanently alter key aspects of distribution price management.

Here are four pricing-related, long-term takeaways for distributors from the (seemingly/hopefully) winding down COVID-19 pandemic: understand e-commerce as a pricing driver, know the reason behind demand changes, analyze secondary price structure, keep ethics in mind.

Read the full article [here](#).

Automation and its Impact on Distribution

Forbes

How automation will propel business forward in 2021 and beyond. Using automation to go digital has accelerated and become even more crucial to business operations. As more teams are distributed and employees work from home, the need for operational change is increasingly urgent and top of mind. The world has changed materially, and businesses taking steps to propel themselves forward should adjust their automation strategy based on changing customer preferences and altered organizational realities. In this article, we'll discuss the current environment and where automation plans can be adjusted to fit.

Read the full article [here](#).

Supply Chain Brain

Where is material-handling automation heading in 2021? In this conversation with SupplyChainBrain Editor-in-Chief Bob Bowman, Jeff Christensen, vice president of product with Seegrid Corp., explains how the technology is evolving, and what impact it will have on the role of human workers in distribution centers in the coming year and beyond.

Read the full article [here](#).

Creating Value for Industrial Distributors

BCG

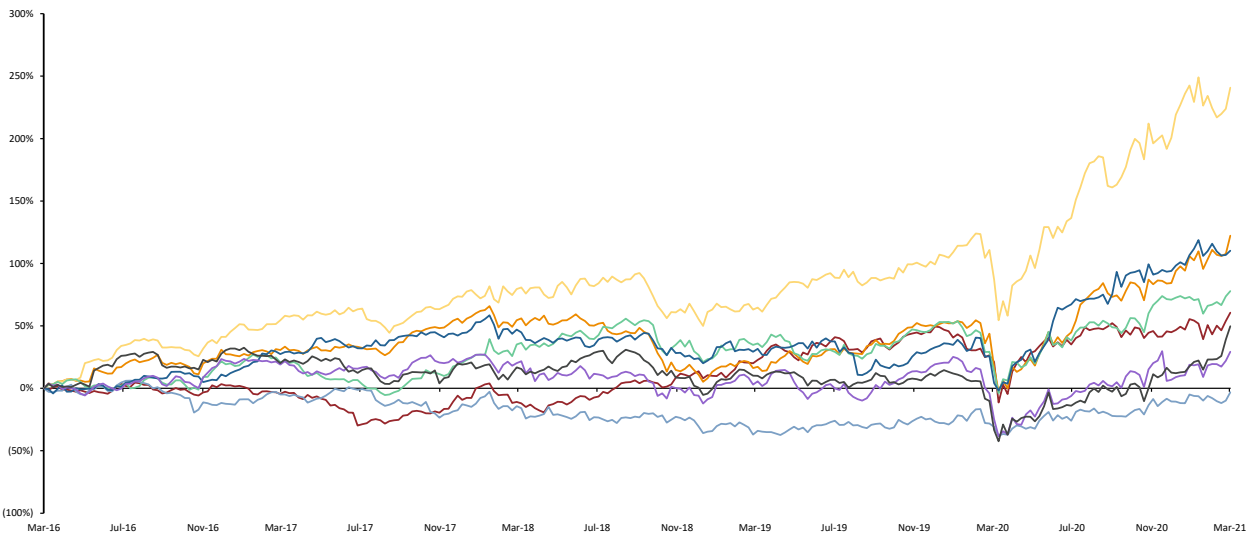
From technology and pharmaceuticals to food and beverage, the B2B distribution sector could hardly be more diverse. Despite that heterogeneity, the one thing leaders have in common is a knack for value creation.

Data shows that, from the start of 2015 to the end of 2019, the TSR for B2B industrial distributors hovered at a median 4% per year, far below that of most other industries. But top-quartile distributors delivered returns that were nearly five times higher, at 18% annually over the same period.

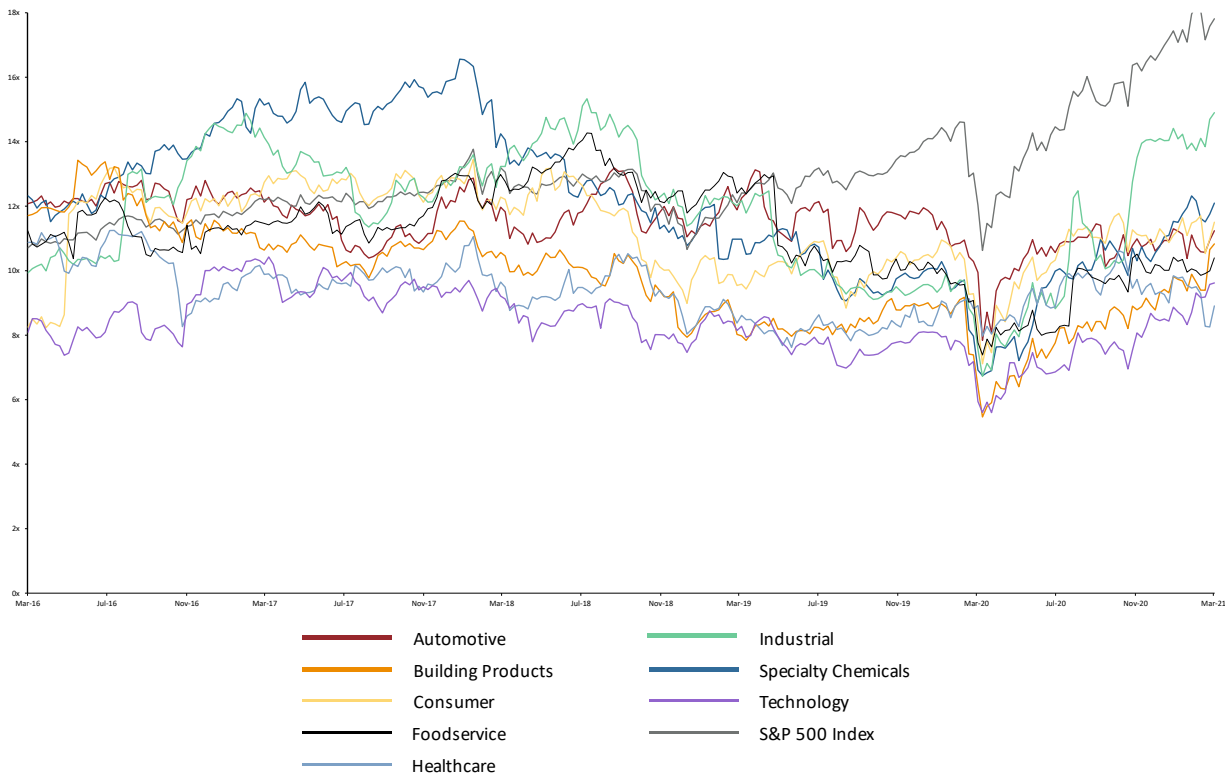
Read the full article [here](#).

Public Markets¹

Historical Stock Prices – Last 5 years



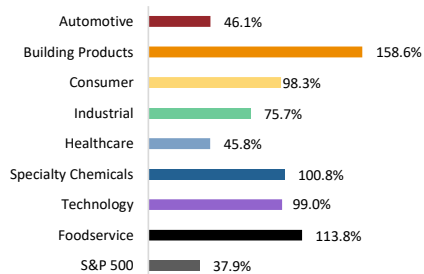
Historical Median TEV/LTM EBITDA Multiples – Last 5 years



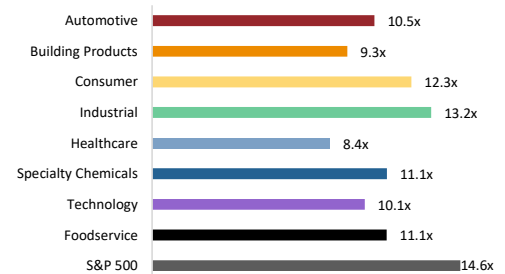
Notes: Sub-sector indices weighted by stock price. Comparable company sets listed in sources.

Public Markets¹

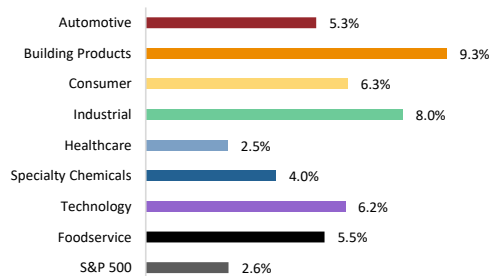
12-Month % Change in stock price



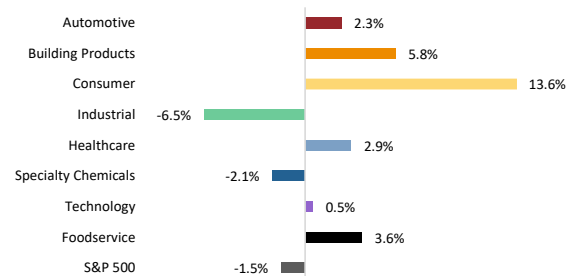
Median TEV/2020E EBITDA Multiple



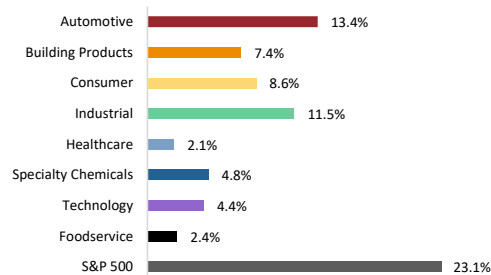
Median 3-Year Revenue CAGR (2017 – 2020)



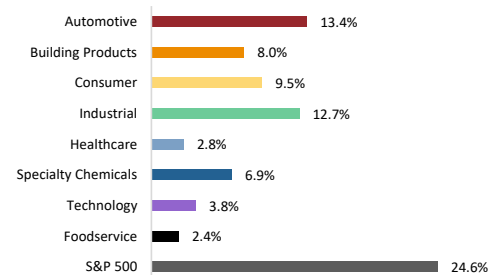
Median LTM Revenue Growth



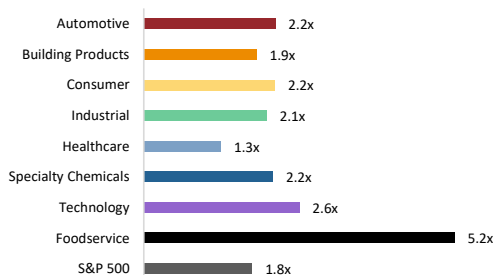
Median 3-Year EBITDA Margin (2017 – 2020)



Median LTM EBITDA Margin



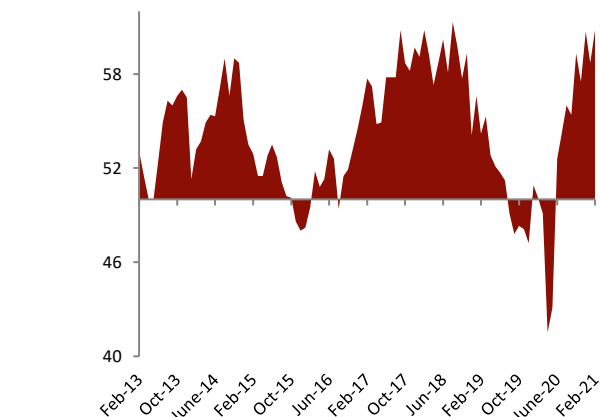
Net Debt / LTM EBITDA



Note: Data presented as 3/12/21

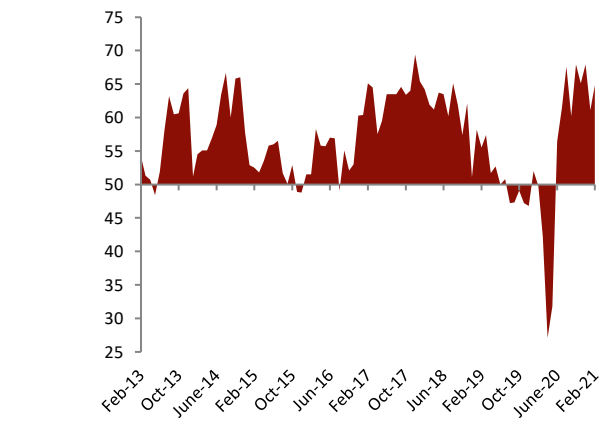
Economic trends

PMI Index⁵



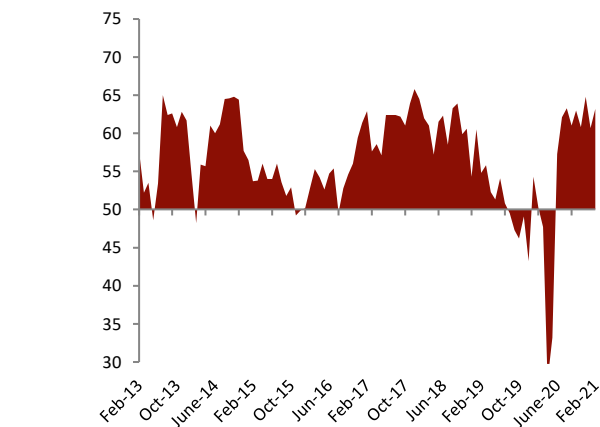
Note: A PMI Index figure greater than 50 indicates expansion.

ISM New Orders Index⁵



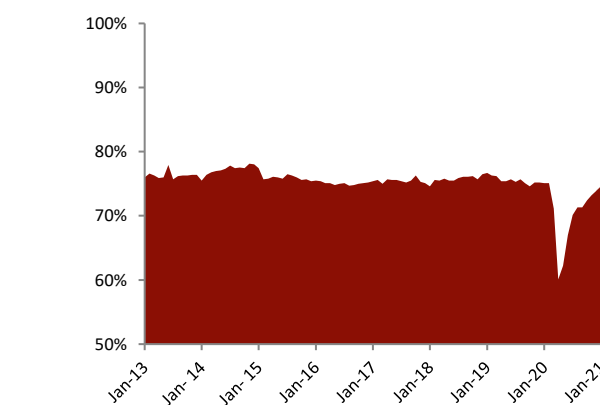
Note: An ISM Index figure greater than 50 indicates expansion.

Production Index⁵

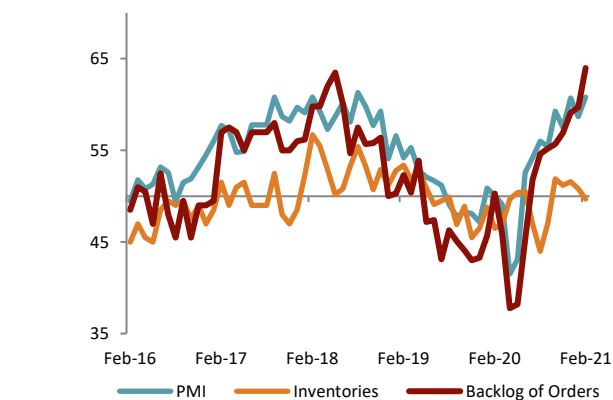


Note: A Production Index figure greater than 50 indicates expansion.

U.S. Manufacturing Capacity Utilization⁴

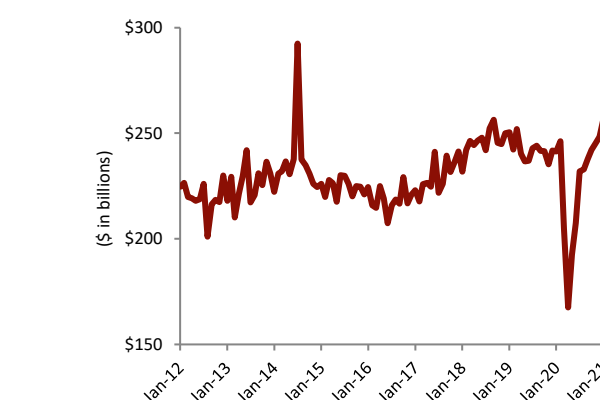


Manufacturing Inventories & Backlog⁵



Note: A Manufacturing Inventory Index figure greater than 50 indicates expansion;
A Backlog Index figure greater than 50 indicates expansion.

Durable Goods New Orders⁴



M&A Market Trends^{1,2,3}

Representative Specialty Distribution M&A Transactions

Announced	Target	Description	Acquirer
Mar-21	Cosgrove Enterprises	Distributor of janitorial supplies and equipment	Imperial Dade (Bain Capital)
Mar-21	RODA Packaging	Supplier of rigid plastic packaging components	TricorBraun (Ares Management)
Mar-21	Binford Supply	Distributor and wholesaler of fencing products	Fencing Supply Group (Sterling Capital)
Mar-21	TricorBraun, Inc.	Packaging provider of consumer goods	Ares Management LP/Ontario Teachers' Pension Plan Board
Mar-21	Northern Wholesale Supply, LLC	Provider of RV and marine parts and accessories	Wynnchurch Capital
Mar-21	sysob	Value add distributor of security, networking, and server-based computing products	CMS Distribution
Feb-21	JHP Fasteners/Wisconsin Fastener Supply	Distributors of fasteners, hardware, coating, and components used in automotive applications	Monroe Engineering Group (ShoreView)
Feb-21	Sodis Uhart/Audoubert	Two French companies offering glass and metal packaging	Berlin Packaging LLC (Oak Hill Capital)
Feb-21	Integrated Cable Systems	Supplier of custom cables, harnesses, electromechanical assemblies and industrial panels	TPC Wire & Cable (Audax)
Feb-21	Flow Control Group	Distributor of mission-critical flow control and industrial automation products	KKR
Feb-21	Crestwood Technology Group	Supplier of critical parts to airlines and aircraft manufacturers	Cerberus Capital Management
Feb-21	C&L Supply	HVAC and plumbing business with seven branches in the Midwest	Munch's Supply (Ridgemont Equity)
Feb-21	Ace Sanitary	Provider of flexible hose products for sanitary and high purity applications	Flow Control Holdings (Edgewater Growth)
Jan-21	Complete Air Supply	Manufacturer and distributor of ducting and associated fittings within air conditioning	Beijer Ref AB
Jan-21	Hillman Group	Distributor of hardware and home improvement products	Landcadia Holdings
Jan-21	Mount International United Services	Distributor/provider of medical imaging equipment, parts, repair, and service	Probo Medical (Varsity Healthcare Partners)
Jan-21	Distrupol	Distributor of thermoplastics to the polymer processing industry	GPD Companies (One Rock Capital Partners)
Jan-21	Transtar Industries, Inc.	Distributor of automotive aftermarket driveline replacement parts and components	Blue Point Capital Partners
Jan-21	Continental Batteries	Distributor of aftermarket automotive batteries	H.I.G. Capital
Jan-21	Lesman Instrument Company	Distributor of products used to analyze, control, and automate industrial processes	Kele (The Stephens Group)
Jan-21	Premiere Precision Components	Supplier of custom manufactured molded rubber, plastic, and metal components	Macro Rubber & Plastics (Align Capital Partners)
Jan-21	RB, LLC	Distributor and fabricator of marine specialty insulation	Distribution International (Advent International)
Jan-21	National Carwash Solutions, Inc.	Manufacturer and supplier of car wash equipment	Berkshire Private Equity
Jan-21	Wolseley UK	Distributor of plumbing, heating, climate control, pipe and infrastructure and utility products	Clayton, Dubilier & Rice Holdings LP
Dec-20	Brady Industries	Distributor of janitorial sanitation and foodservice products	Individual Foodservice (Kelso & Company)
Dec-20	Industrial Soap Company, Inc.	Distributor of janitorial supplies	Imperial Dade (Bain Capital)
Dec-20	Jackson Newell Paper Company	Distributor of janitorial and paper supplies	Imperial Dade (Bain Capital)
Dec-20	Paper Chemical Supply Company	Distributor of janitorial supplies	Imperial Dade (Bain Capital)
Dec-20	Gard'N-Wise Distributors, Inc.	Distribution of lawn and garden care products	BFG Supply (Incline Equity Partners)
Dec-20	Snelling Paper & Sanitation	Distributor of janitorial and sanitation supplies, industrial and foodservice packaging	Bunzl Canada
Dec-20	Southeastern Paper Group Inc.	Supplier of non-foods disposable and janitorial maintenance supplies	Fomento Economico Mexicano S.A.B.
Dec-20	The Southwest Paper Company, Inc.	Supplier of janitors' supplies, plus industrial and personal service paper and printing paper	Fomento Economico Mexicano S.A.B.
Dec-20	New West Oil Company	Distributor of prominent lubricant and commercial fuels	Reladyne
Dec-20	Manor Hardware Inc.	Full-service construction supply and tool repair operation	SouthernCarlson Inc.

Our Firm

Harris Williams & Co. has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at www.harriswilliams.com/industries.

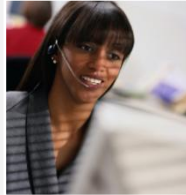
Aerospace, Defense & Government Services



Building Products & Materials



Business Services



Consumer



Energy, Power & Infrastructure



Healthcare & Life Sciences



Industrials



Specialty Distribution



Technology



Transportation & Logistics



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Sources

1. S&P Global Capital IQ
2. Modern Distribution Management
3. Pitchbook
4. St. Louis Fed
5. Institute for Supply Management

Public Comparable Companies:

Automotive & Heavy Duty Aftermarket: AutoZone, O'Reilly Automotive, LKQ Corp., Genuine Parts Company, Dorman Products, Uni-Select

Building & Construction Products: CRH, Watsco, Beacon Roofing Supply, Builders FirstSource, Boise Cascade, GMS, BMC, Ferguson, Hardwoods

Consumer: Fortune Brands Home & Security, Pool Corp., SiteOne Landscape Supply, Central Garden & Pet Co., Colabor Group, AMCON Distributing

Industrial, MRO & Safety: L'Air Liquide, Fastenal, WW Grainger, HD Supply, MSC Industrial, Applied Industrial Tech, MRC Global, SPX Corp., NOW, DXPE Enterprises

Healthcare: McKesson, Cardinal Health, AmerisourceBergen, Henry Schein, Patterson Companies, Owens & Minor

Specialty Chemicals: Brenntag, Univar, DKSH Holding, IMCD NV

Technology: Arrow Electronics, Rexel, SYNnex Corp., Awnet, WESCO International, Anixter International, Tech Data Corp., ScanSource

Foodservice: Sysco, Performance Food Group, Bunzl, US Foods, United Natural Foods, Core-Mark Holdings, SpartanNash, Veritiv

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