



# Specialty Distribution Sector Brief

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Harris Williams | Q2 2024

# What We're Reading

In this industry update, we have included a collection of articles focused on a variety of trends that the Harris Williams team is seeing from market participants. There is an increasing push toward automation within distribution given rising supply chain costs in a choppy macroeconomic environment.

## Geopolitics Is Raising the Costs of Supply Chains

The Wall Street Journal

“Growing geopolitical hurdles are complicating supply chains, from expanding Western tariffs and import restrictions on raw materials and products from China and other countries to the Houthi attacks on commercial shipping that have effectively closed off the Suez Canal.”

Read the full article [here](#).

## 5 Smart Moves to Optimize Your Supply Chains and Drive Growth

PwC

“They expect digitizing their supply chain to require some upskilling of their employees. At the same time they have to manage training employees on new tools, companies are still contending with basic workforce priorities. Hiring is down, while retraining and upskilling are on the rise as business leaders strive to control costs but maintain a future-ready workforce.”

Read the full article [here](#).

## Inventory Opportunities in Slower-Demand Markets

Modern Distribution Management

“Distributors’ current inventory glut was built by orders that were based on outdated demand levels and double-ordering spurred by product shortages coming out of the COVID-19 pandemic. The resulting high stock levels created a need for optimization...distributors and manufacturers can work together to segment their inventory based on how fast different products move through demand.”

Read the full article [here](#).

## Destocking Freeing Up U.S. Warehousing Space, but Costs Remain Elevated

S&P Global

“Overall demand and pricing for industrial space is increasing, and not just in the transportation and distribution sectors. That will keep warehousing capacity tight through 2024 and beyond.”

Read the full article [here](#).

## Shift No. 1: The AI Effect on Distribution Business Model Innovation

Modern Distribution Management

“I see a parallel between where the market is today and what the Amazon Effect induced a decade ago: an existential wake-up call on the threat-opportunity scale for every player across supply chain and distribution channels. In both cases, the unknowns and potential threats are high, driving attention, education and investment.”

Read the full article [here](#).

## Recent Harris Williams Industry Content

- Impact of Presidential Elections on M&A Activity



[Link to Read](#)

“While distractions are a certainty, our analysis shows limited sustained impacts to U.S. M&A from the presidential election cycle.”

“The public markets are performing well, interest rates appear to have stabilized, and private equity groups are eager to put money to work in high-quality businesses while returning capital to their investors by existing mature investments”

# Harris Williams Specialty Distribution Experience

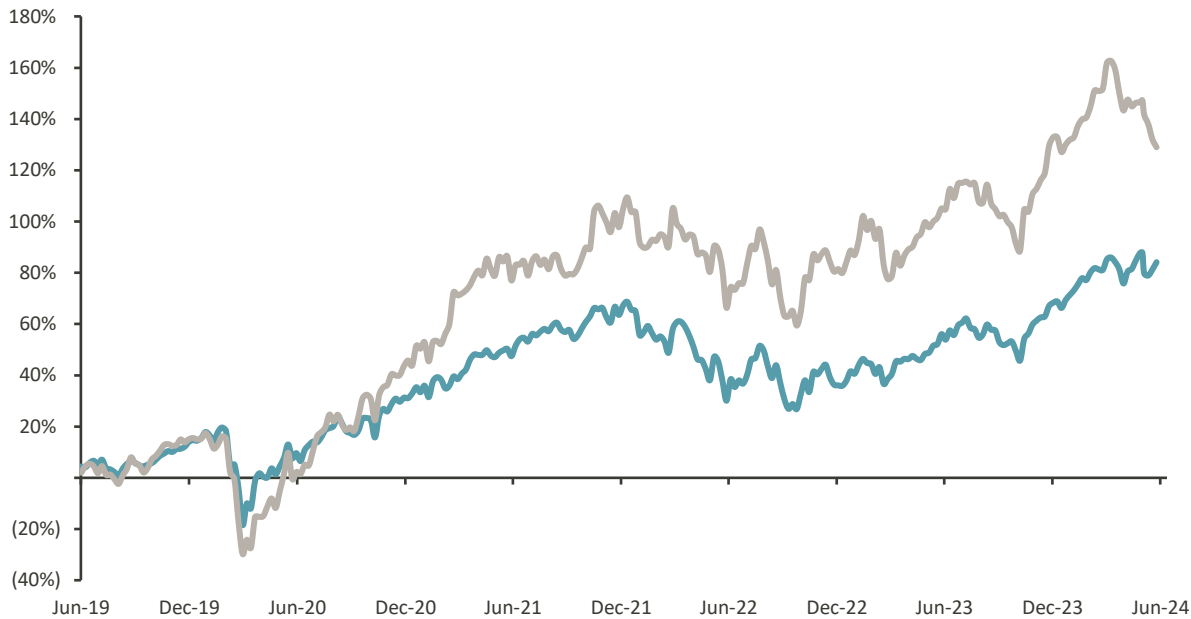
## Select Specialty Distribution Experience

|   |  |  |  |  |   |  |  |  |  |
|---|--|--|--|--|---|--|--|--|--|
| <p><b>BradyIFS</b><br/>a portfolio company of <b>KELSO</b><br/>has merged with <b>ENVOY</b><br/>a subsidiary of <b>FEMSA</b><br/>with an equity investment from <b>WARBURG PINCUS</b></p> | <p><b>MIDLAND</b><br/>a portfolio company of <b>WC</b><br/>has been acquired by <b>GEMSPRING</b></p>             | <p><b>GME Supply Co</b><br/>a portfolio company of <b>PLATT RIVER EQUITY</b><br/>has been acquired by <b>INCLINE</b></p>         | <p><b>United FUELING SOLUTIONS</b><br/>a portfolio company of <b>KLH CAPITAL</b><br/>has been acquired by <b>WIND POINT PARTNERS</b></p> | <p><b>ImperialDade</b><br/>a portfolio company of <b>BainCapital</b><br/>has received an investment from <b>Advent International</b></p> | <p><b>STAXS</b><br/>CONTAMINATION CONTROL EXPERTS<br/>a portfolio company of <b>Silverfleet</b><br/>has been acquired by <b>HANIEL</b></p>              | <p><b>AMERICAN PAPER &amp; Twine</b><br/>It's twine time!<br/>has been acquired by <b>ImperialDade</b><br/>a portfolio company of <b>BainCapital</b></p> | <p><b>BFG SUPPLY CO.</b><br/>a portfolio company of <b>INCLINE</b><br/>has been acquired by <b>PAMPLONA</b></p>                            | <p><b>sarnova</b><br/>a portfolio company of <b>PATRICIA INDUSTRIES</b><br/>has acquired <b>ALLIED 100</b><br/>a portfolio company of <b>Ridgemont</b></p> | <p><b>BAKEMARK</b><br/>a portfolio company of <b>PAMPLONA</b><br/>has been acquired by <b>BAKEMARK</b></p>   |
| <p><b>chs</b><br/>a portfolio company of <b>CORTEC Group</b><br/>has been acquired by <b>FLEXPOINT FORD</b></p>   | <p><b>JM SWANK</b><br/>a portfolio company of <b>Platinum Equity</b><br/>has been acquired by <b>BRENTAG</b></p> | <p><b>nws</b><br/>has been acquired by <b>GRAIN</b></p>  | <p><b>TRICORBRAUN</b><br/>a portfolio company of <b>AEA</b><br/>has been acquired by <b>ARES</b></p>                                     | <p><b>Continental BATTERIES</b><br/>a portfolio company of <b>INCLINE</b><br/>has been acquired by <b>H.I.G. CAPITAL</b></p>             | <p><b>Brady</b><br/>a portfolio company of <b>ASM CAPITAL PARTNERS</b><br/>has been acquired by <b>IIFS</b><br/>a portfolio company of <b>KELSO</b></p> | <p><b>Inmark</b><br/>a portfolio company of <b>QUAD-C</b><br/>has received an investment from <b>KELSO</b></p>   | <p><b>PIP</b><br/>PROTECTIVE INDUSTRIAL PRODUCTS<br/>a portfolio company of <b>Andax Group</b><br/>has been acquired by <b>ODYSSEY</b></p> | <p><b>HIGHLINE</b><br/>Aftermarket<br/>a portfolio company of <b>THE STERLING GROUP</b><br/>has been acquired by <b>PRITZKER</b></p>                       | <p><b>Parts Authority</b><br/>a portfolio company of <b>THE JORDAN COMPANY</b><br/>has been acquired by <b>KOHLBERG &amp; COMPANY</b></p>                                |
| <p>Liquid Tech Solutions, LLC<br/>has been recapitalized by <b>LIG</b></p>  | <p><b>H.I.G. ADVANTAGE</b><br/>has acquired <b>Supply Source</b><br/>a division of <b>GPC</b></p>                | <p><b>LANSING</b><br/>in partnership with <b>Market Ventures</b><br/>has acquired the distribution business of <b>HARVEY</b></p> | <p><b>nsi</b><br/>a portfolio company of <b>BLUE SEA CAPITAL</b><br/>has been acquired by <b>ODYSSEY</b></p>                             | <p><b>ImperialDade</b><br/>a portfolio company of <b>Andax Group</b><br/>has been acquired by <b>BainCapital</b></p>                     | <p><b>TechAir</b><br/>a portfolio company of <b>CI CAPITAL PARTNERS</b><br/>has been acquired by <b>Airgas</b></p>                                      | <p><b>QUIRCH</b><br/>has been acquired by <b>PALLADIUM</b></p>   | <p><b>berlin</b><br/>has been acquired by <b>OAK HILL CAPITAL</b></p>  | <p><b>SRS</b><br/>Distribution<br/>a portfolio company of <b>Berkshire Partners</b><br/>has been acquired by <b>LGP</b></p>                                | <p><b>Ryan Henco Flow Solutions</b><br/>a portfolio company of <b>GREENBRIAR</b><br/>has been acquired by <b>SUNSOURCE</b><br/>a portfolio company of <b>CLAYTON</b></p> |

# Specialty Distribution Public Company Performance and Trends

## Historical Stock Prices – Last 5 Years<sup>1,2</sup>

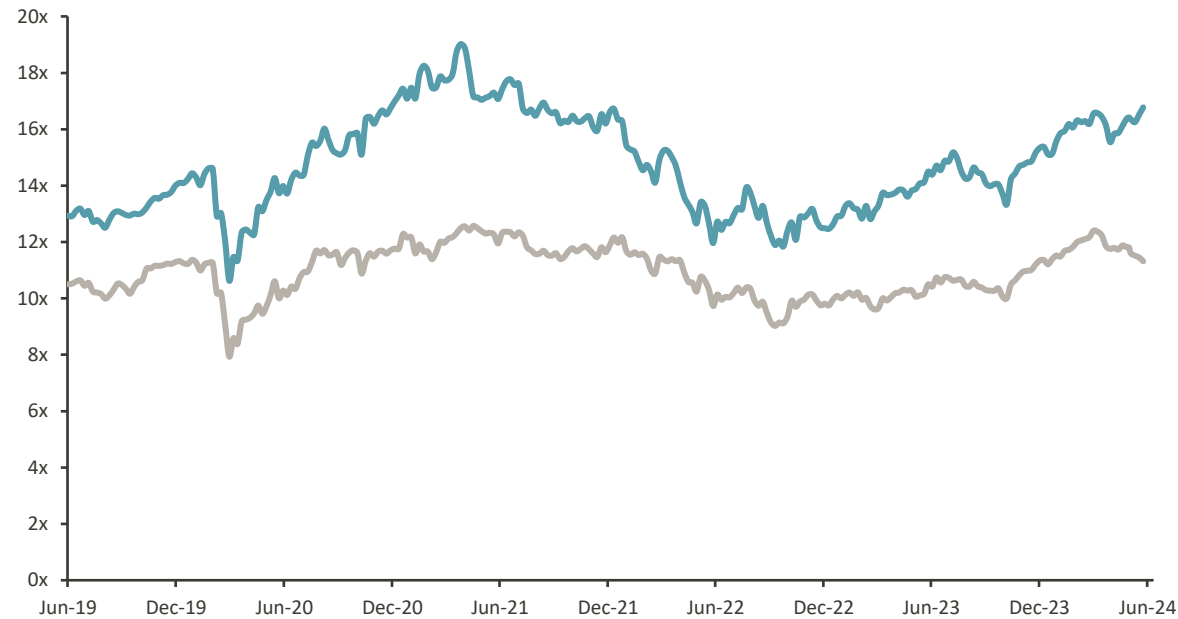
Indexed Stock Price Performance for the Period June 2019-June 2024



— S&P 500 Index

## Historical Median TEV / LTM EBITDA Multiples – Last 5 Years<sup>1,2</sup>

Median TEV/LTM EBITDA Multiples for the Period June 2019-June 2024



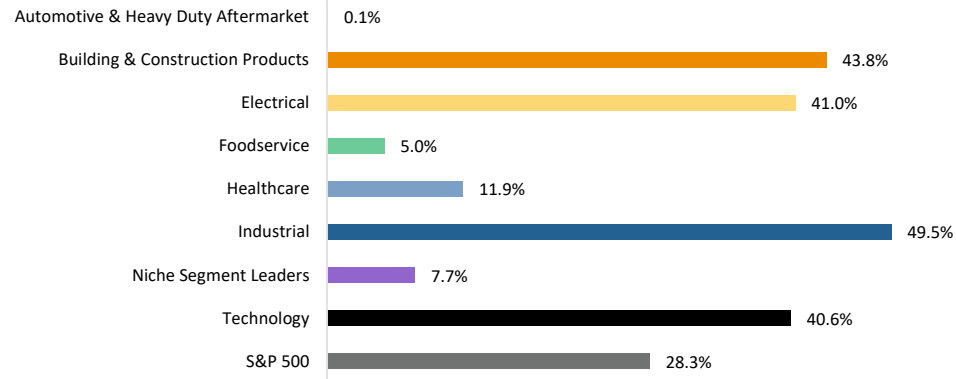
— Specialty Distribution Index

## Representative Key Public Comparables<sup>2</sup>

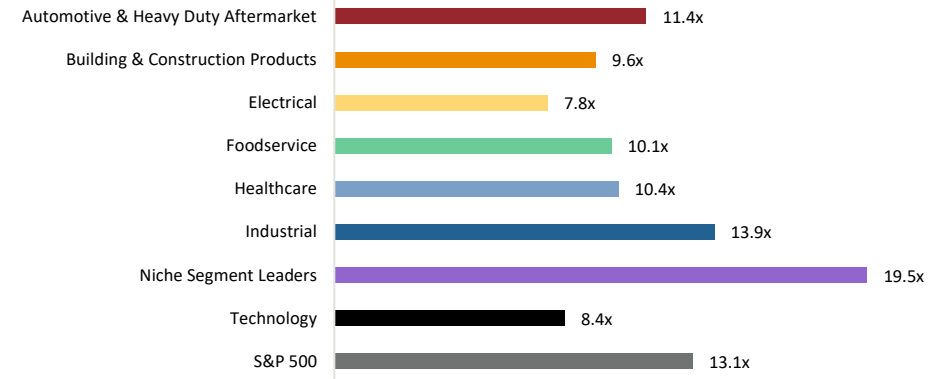


# Specialty Distribution Public Company Performance and Trends (Cont.)

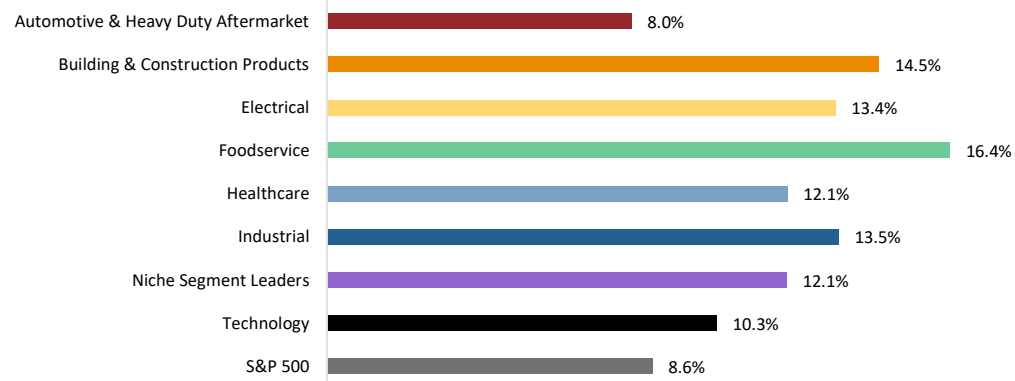
## 12-Month Change in Stock Price<sup>1,2</sup>



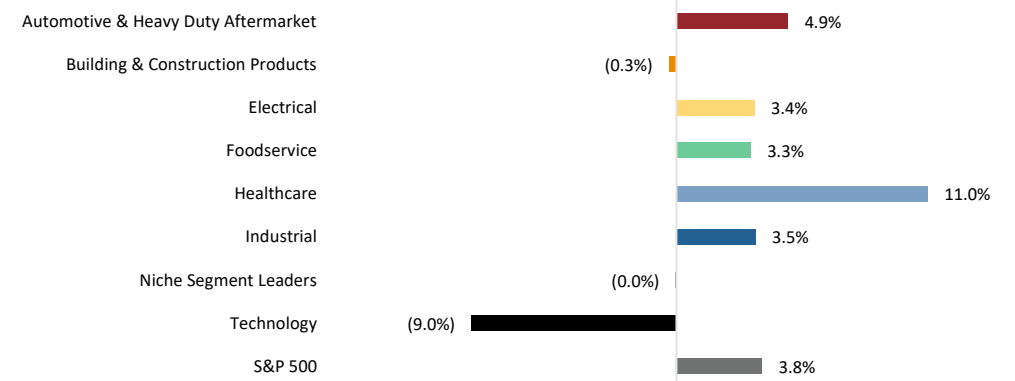
## Median TEV / 2024E EBITDA Multiple<sup>1,2</sup>



## Median 3-Year Revenue CAGR (2021 — 2024 YTD)<sup>1,2</sup>

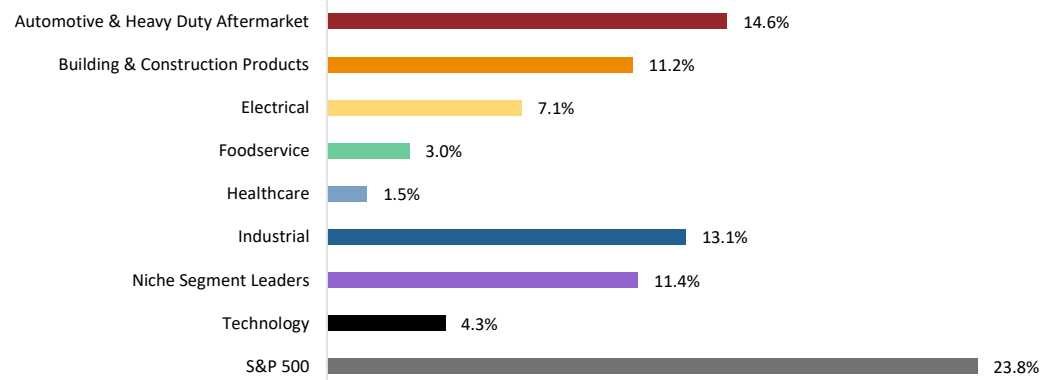


## Median LTM Revenue Growth<sup>1,2</sup>

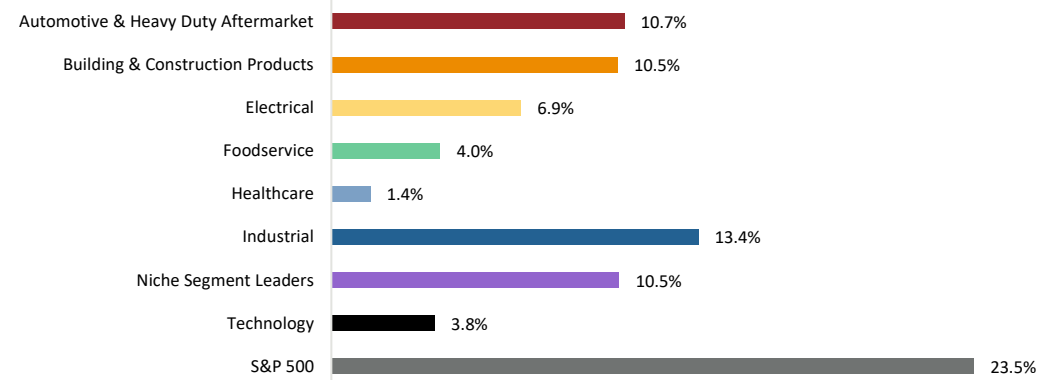


# Specialty Distribution Public Company Performance and Trends (Cont.)

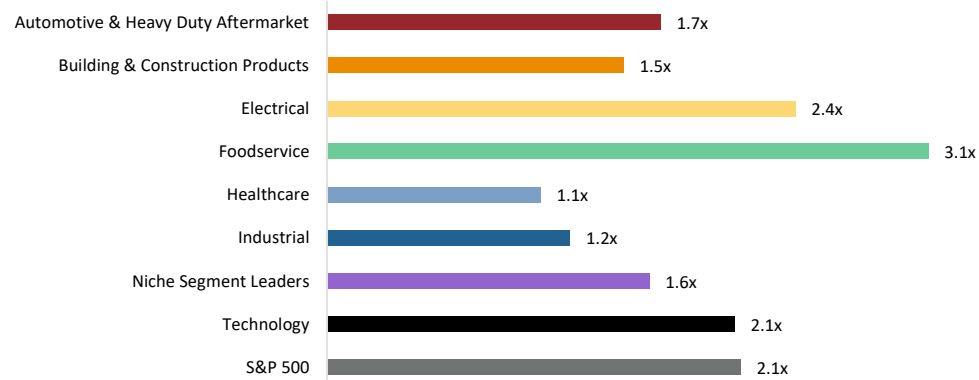
## Median EBITDA Margin (2021 — 2024 YTD)<sup>1,2</sup>



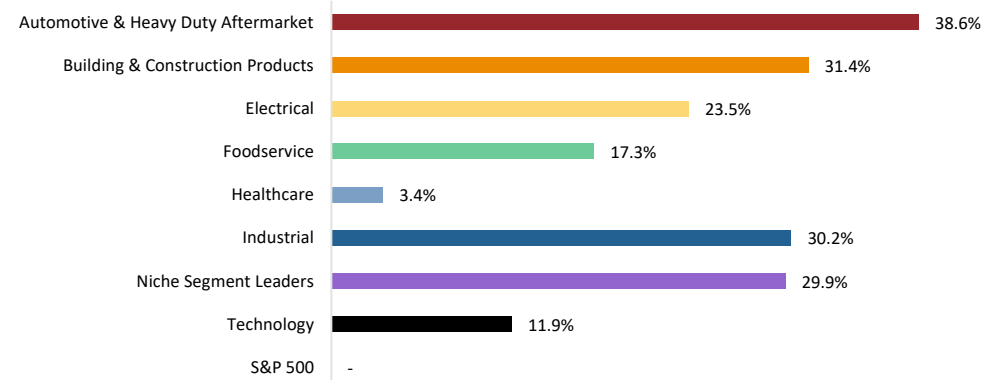
## Median LTM EBITDA Margin<sup>1,2</sup>



## Net Debt / LTM EBITDA<sup>1,2</sup>

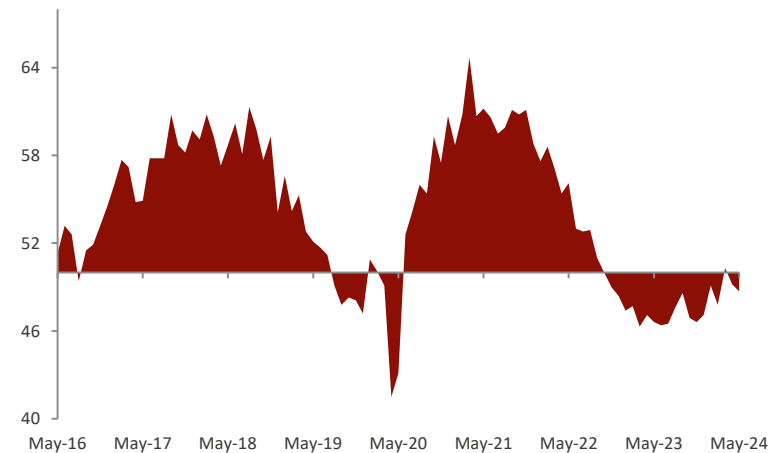


## Median LTM Gross Margin<sup>1,2</sup>

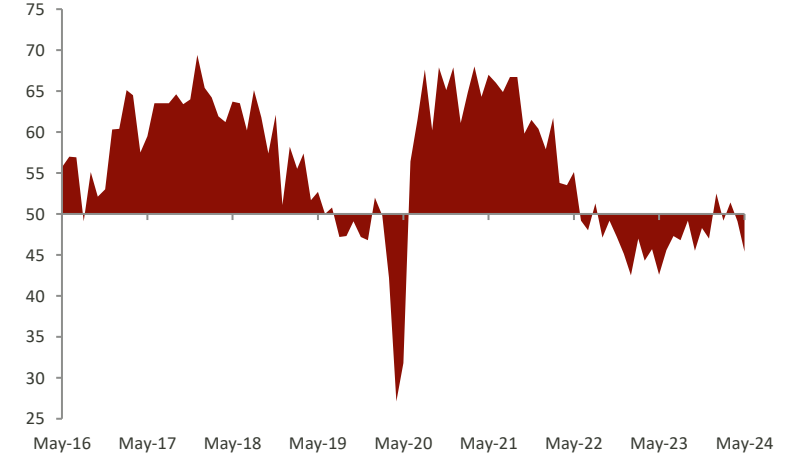


# Economic Trends

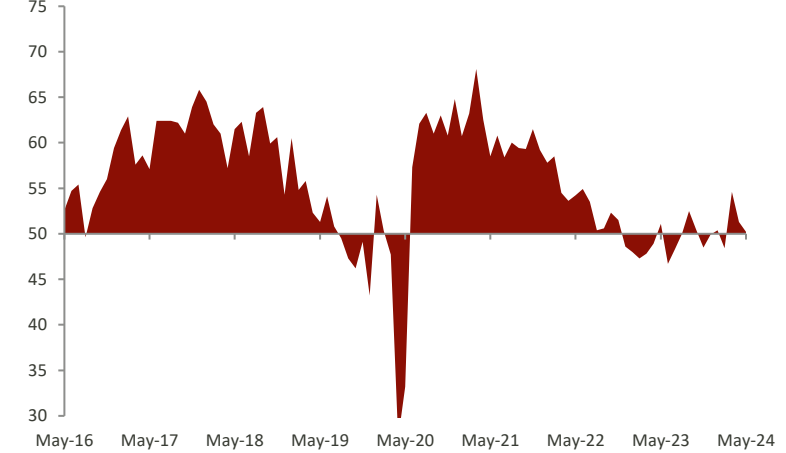
**PMI Index<sup>1</sup>**



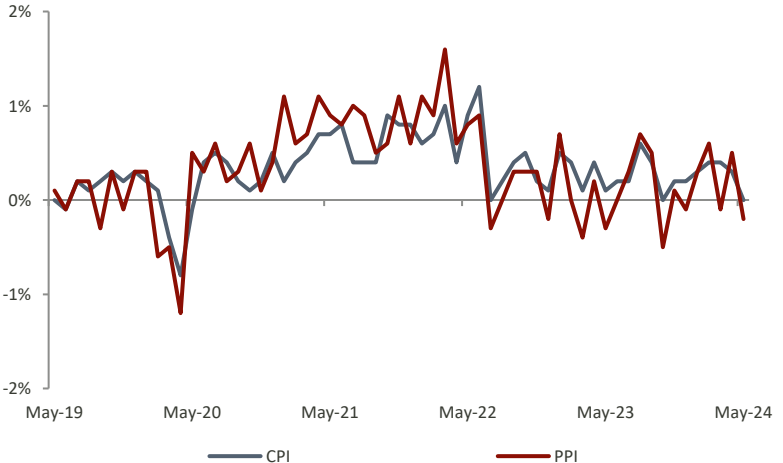
**ISM New Orders Index<sup>1</sup>**



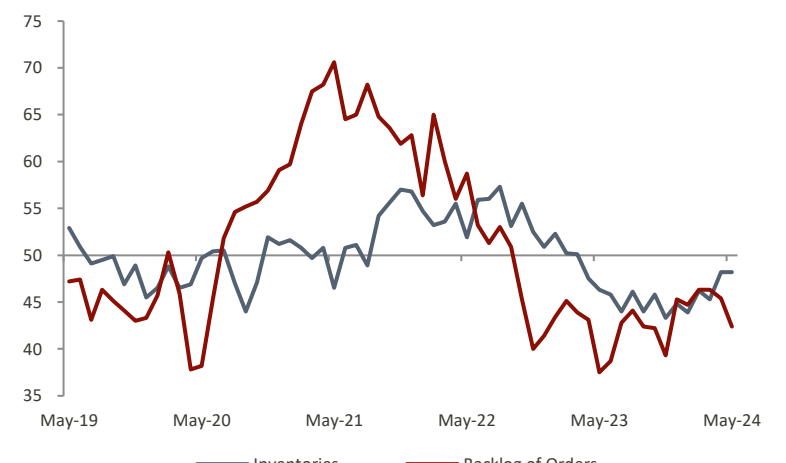
**Production Index<sup>1</sup>**



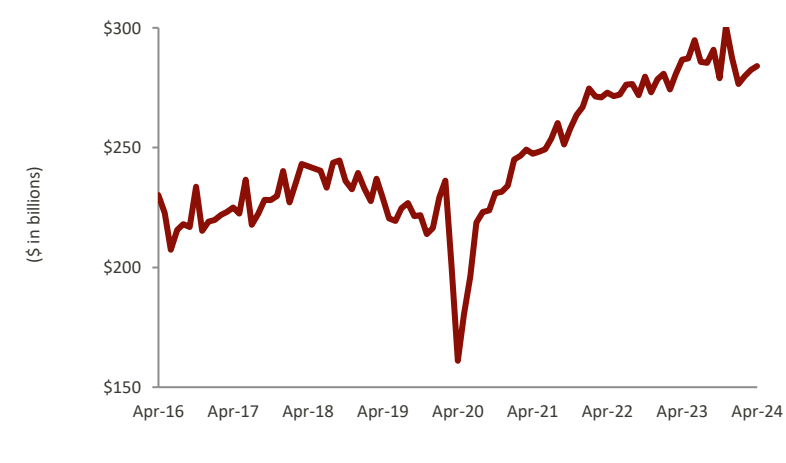
**CPI & PPI Index (% Change)<sup>2</sup>**



**Manufacturing Inventories & Backlog<sup>1</sup>**



**Durable Goods New Orders<sup>3</sup>**



1. Institute for Supply Management – Manufacturing PMI  
 2. Bureau of Labor Statistics  
 3. Federal Reserve Economic Data – St. Louis Fed

# Recent Specialty Distribution Transactions Detail

| Date     | Target                         | Business Description  | Acquirer(s)   |
|----------|--------------------------------|---|---|
| 06/03/24 | Ives Equipment                 | Distributor of process valves and instrumentation solutions   | Motion & Control Enterprises                          |
| 05/30/24 | Tri-State Coating & Machine    | Provider of specialized thermal coating services and related parts to the industrial market   | Tencarva Machinery (Bessemer Investors)               |
| 05/24/24 | KGM                            | Distributor of meters, instruments, regulators, valves, and other gas measurement and flow control equipment  | Tinicum   |
| 05/22/24 | AVCO Supply                    | Distributor of boilers and hot water heaters  | Ferguson (NYSE: FERG)                                 |
| 05/22/24 | Southwest Geo-Solutions        | Full-service distributor of erosion control, containment, geotextile, and geogrid products  | Ferguson (NYSE: FERG)                                 |
| 05/22/24 | WWJ Rebar                      | Provider of reinforced steel solutions  | White Cap (Clayton, Dubilier & Rice)                  |
| 05/21/24 | Eagle Metal Distributors       | Distributor of aluminum materials   | Eastern Metal Supply (Wynnchurch Capital)             |
| 05/15/24 | 3G Packaging                   | Full-line distributor of packaging supplies and equipment   | Imperial Dade (Bain Capital and Advent International) |
| 05/10/24 | Valley Lumber & Rental         | Distributor of hardware and building supplies   | Kodiak Building Partners                              |
| 05/07/24 | Avtech Industrial Products     | Distributor of conveyor belts, motors, drives, hoses and fittings, gearboxes, and other industrial products   | Belt Power (Platte River Equity)                      |
| 05/06/24 | R.D. McMillen                  | Provider of janitorial solutions  | Imperial Dade (Bain Capital and Advent International) |
| 05/02/24 | UniquePak and Alplas Products  | Spirits packaging distributor and industrial packaging distributor  | TricorBraun (Ares & Ontario Teachers' Pension Plan)   |
| 05/01/24 | Wolfpack Packaging             | Distributor of industrial products and janitorial supplies  | Imperial Dade (Bain Capital and Advent International) |
| 04/29/24 | Eggemeyer                      | Wholesale distributor of bulk landscape supplies  | SiteOne Landscape Supply (NYSE:SITE)                  |
| 04/29/24 | Monumental Supply Company      | Distributor of pipes, valves, fittings, and other specialty products  | Venturi Supply (Trive Capital)                        |
| 04/26/24 | Premier Supply Group           | Wholesale distributor of plumbing, heating, and cooling products  | The Granite Group                                     |
| 04/22/24 | Young Supply                   | Wholesale commercial refrigeration and HVAC distributor   | Heritage Distribution (Gryphon Investors)             |
| 04/16/24 | Handgards                      | Distributor of foodservice products, including disposable gloves, reclosable bags, tabletop items, expendables, and other carryout products               | Wynnchurch Capital                                    |
| 04/15/24 | Snap One                       | Manufacturer and distributor of A/V, networking, surveillance, power and structured wiring products for connected homes and businesses                    | Resideo Technologies                                  |
| 04/15/24 | Bend Construction Supply       | Distributor of products for concrete, mechanical, and electrical contractors  | White Cap (Clayton, Dubilier & Rice)                  |
| 04/11/24 | Harbour Food Service Equipment | Equipment and supply dealer for various institutions including independent restaurants, local chains, corporate, educational, and government institutions | Imperial Dade (Bain Capital and Advent International) |
| 04/08/24 | Supaseal                       | Distributor of O-rings, rotary shaft seals, bonded seals, circlips, and associated products   | TFC (AFC Industries)                                  |
| 04/07/24 | Unicoa                         | Distributor of construction, pipeline, and industrial supplies  | NEFCO (Bertram Capital)                               |
| 04/04/24 | Allied Sales & Service         | Industrial equipment distributor and service provider   | OTC Industrial Technologies                           |

# Harris Williams Activity

## Harris Williams Transaction Spotlight



### Company Background

BradyIFS is a leading distributor of foodservice disposables and janitorial and sanitation (JanSan) products in North America. The company sources, manages, and distributes a broad range of products in segments including education, healthcare, hospitality, restaurants, building services, and more.

### Successful Outcome

The transaction delivered a successful outcome for BradyIFS and Kelso & Company. The combination of BradyIFS and Envoy will result in one of the most balanced providers of foodservice disposables and JanSan products in the country and expand BradyIFS' reach into industrial packaging.

Harris Williams served as financial advisor to BradyIFS, a portfolio company of Kelso & Company, in this transaction. Please see link below for more details.

<https://www.harriswilliams.com/transactions/m-and-a-deals-bradyifs-merging-with-envoy-solutions>

## Harris Williams Transaction Spotlight



### Company Background

Midland Industries is a leading specialty distributor of fittings, valves, hoses and accessories, and related products. The company serves distributors, original equipment manufacturers, and retailer customers within the \$10B+ and growing North American pipes, valves, and fittings market.

### Successful Outcome

The transaction delivered a successful outcome for Midland and Wynnchurch Capital. Gemspring's acquisition will allow the Midland management team to draw on Gemspring's strong base of knowledge and relevant expertise in the industrial distribution space.

Harris Williams served as financial advisor to Midland, a portfolio company of Wynnchurch Capital, in this transaction. Please see link below for more details.

<https://www.harriswilliams.com/transactions/midland-industries-acquired-by-gemspring-capital>

## Harris Williams Transaction Spotlight



### Company Background

GME is a leading tech-enabled distributor of mission-critical safety and productivity supplies to field-deployed technicians, serving the telecommunications, renewable energy, utilities, and at-height construction end markets.

### Successful Outcome

The transaction delivered a successful outcome for GME and Platte River Equity. Incline Equity Partners' acquisition will allow GME to continue to grow and thrive in its next chapter.

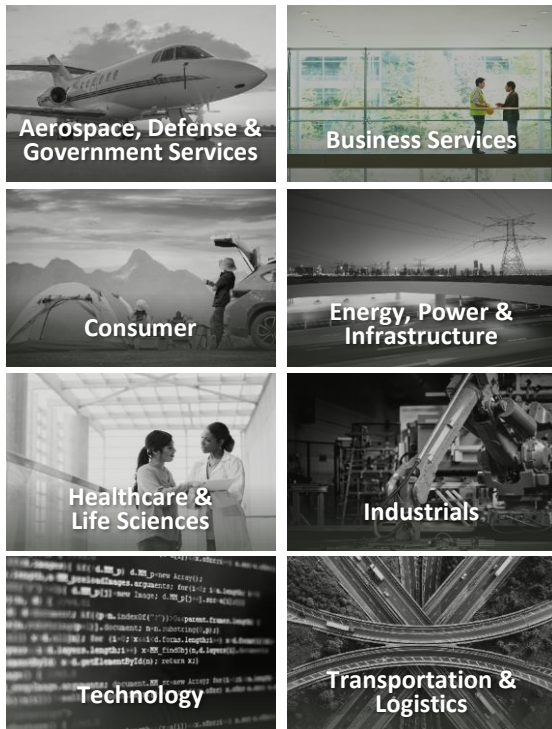
Harris Williams served as financial advisor to GME, a portfolio company of Platte River Equity, in this transaction. Please see link below for more details.

<https://www.harriswilliams.com/transactions/gme-supply-company-acquired-by-incline-equity-partners>

# HW Harris Williams / GLOBAL INVESTMENT BANK

Harris Williams is a global investment bank specializing in M&A and private capital advisory services. Clients worldwide rely on us to help unlock value in their business and turn ambitious goals into reality. We approach every engagement with boundless collaboration, pooling expertise and relationships across industries, service offerings, and geographies.

## Deep Industry Experience



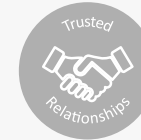
## Proven Expertise

MERGERS & ACQUISITIONS

PRIVATE CAPITAL SOLUTIONS

PRIMARY FUND PLACEMENT

## Core Values That Drive Success



75% Revenue from repeat clients

87% Managing Directors promoted from within

30+ Year history

### Business Services Coverage Areas

- › Commercial & Industrial Services
- › IT Services
- › Professional & Tech-Enabled Services
- › Specialty Distribution Services

### Specialty Distribution Coverage Areas

- › Automotive
- › Building Products
- › Consumer
- › Foodservice
- › Healthcare
- › Industrials
- › Specialty Chemicals
- › Technology

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# Sources & Disclaimers

## Sources

**Public Comparable Companies:** (Pages 3-5)

**Automotive & Heavy-Duty Aftermarket:** Advanced AutoParts, AutoZone, Dorman Products, Genuine Parts Company, LQK, O'Reilly Automotive

**Building & Construction Products:** Beacon Roofing Supply, Builder's FirstSource, Ferguson, GMS

**Electrical:** Rexel, Wesco

**Foodservice:** Bunzl, Performance Food Group, Sysco, United Natural Foods, US Foods

**Healthcare:** Cardinal Health, Cencora, Henry Schein

**Industrial:** Applied Industrial Technologies, Core & Main, DXP Enterprises, Fastenal, W.W. Grainger, MRC Global, MSC Industrial Direct, NOW, SPX Technologies

**Niche Segments:** Pool Corporation, SiteOne Landscape Supply, Watsco

**Technology:** Avnet, Scansource, TD Synnex

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