



Specialty Distribution Sector Brief

Harris Williams | Q1 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 atop an evolving trend in subleasing and retrofitting existing storage space across the industry. With continued investment in supply chain technology, distributors continue to find ways to navigate the remaining effects of COVID-19 and market instability.

Amazon Could be Responsible for Third-Party Goods

WSJ

"The U.S. Consumer Product Safety Commission is preparing an order that could classify Amazon's online retail business as a distributor of goods, meaning the company would be responsible for everything it sells, and ships, including outside vendors known as third-party sellers."

Read the full article [here](#).

Adoption of a Digital Operations Platform is the Secret to Distributors Remaining Competitive

Industrial Distribution

"A digital operations platform ... provides data visibility across a distributor organization through best-of-breed, next-generation systems integration. Consequently, it can address nagging labor shortages and supply chain issues, create operational efficiencies and drive revenue and profit."

Read the full article [here](#).

The Path to Operational Excellence: Transforming Warehouses for the Future

Modern Distribution Management

"Automation, including conveyor systems, shuttle systems, automated storage and retrieval systems (AS/RS), and autonomous mobile robots, are notable innovative technologies today and are becoming increasingly important to address labor shortages and enhance throughput. It's crucial to have open integration with warehouse management systems to unlock the full potential of these technologies."

Read the full article [here](#).

2024 Distribution Technology Trends

Enavate

"The business case for automation in distribution is clear. Intelligent automation can support sales reps with targeted, data-driven insights. It can increase the average order value through smart recommendations. Its capacity for search makes it easier to find specific items in a distributor's vast catalog."

Read the full article [here](#).

Tech-enabled transformations: Three supply chain success stories

McKinsey & Company

"Enterprise-wide platform transformations (EPTs) aren't easy, but a holistic approach is unlocking manufacturing and supply chain efficiencies while driving sustainable growth and customer satisfaction."

Read the full article [here](#).

Recent Harris Williams Industry Content

- **Opportunities in the Circular Economy: Recycled Automotive Parts**



[Link to Read](#)

"The importance of technology-enabled operations in this space cannot be overstated ... Scaled operators are filling procurement requests across an ecosystem consisting of millions of unique parts, and sophisticated, real-time inventory insight is critical to meeting customer expectations for fulfillment time and order accuracy."

- **Business Services Outlook 2024**



[Link to Read](#)

"Due to their powerful combination of predictable, recurring revenue, non-deferrable demand, and large and diverse end markets, a range of subsectors within business services will continue to attract investor interest throughout 2024."

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 sourcing, managing, and distributing 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 Partner's acquisition will allow GME to continue to grow and thrive in its next chapter.

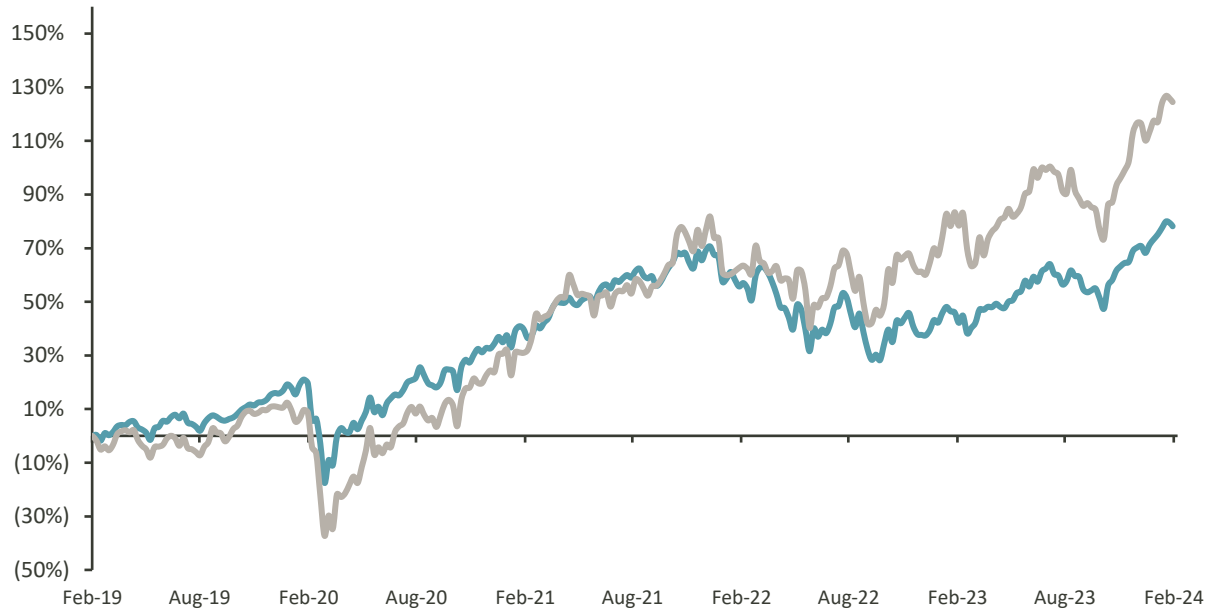
Harris Williams served as financial advisor to GME, a portfolio company of Platte River Equity, in this transaction. Please see link below for more details.

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

Specialty Distribution Public Company Performance and Trends

Historical Stock Prices – Last 5 Years^{1,2}

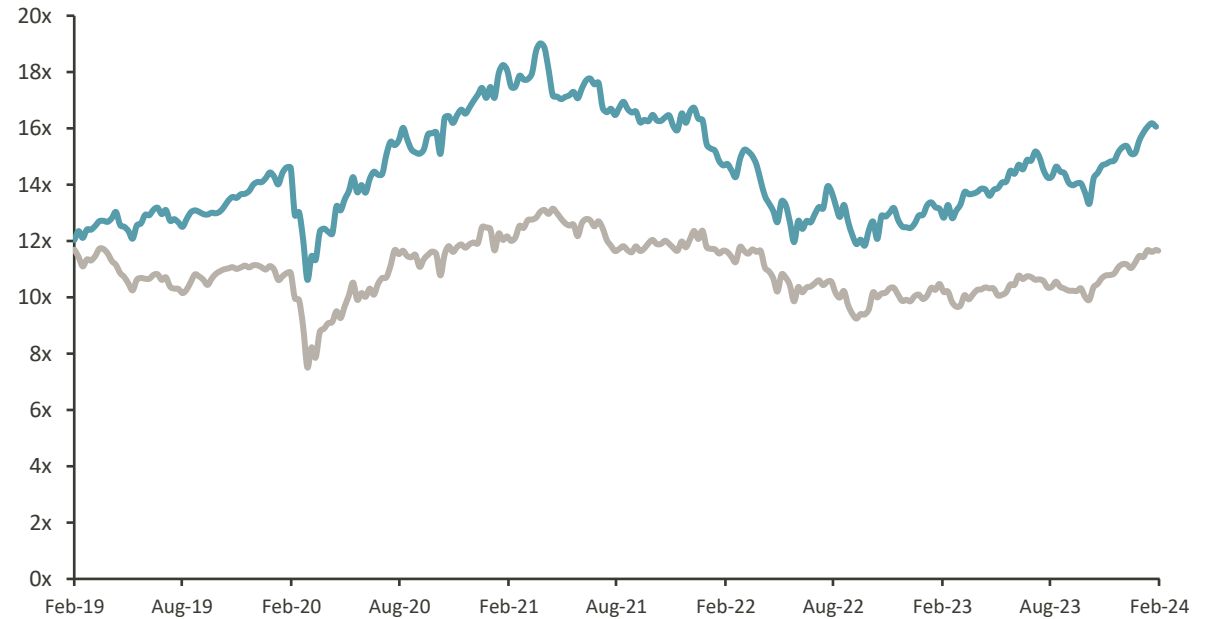
Indexed Stock Price Performance for the Period February 2019-February 2024



S&P 500 Index

Historical Median TEV / LTM EBITDA Multiples – Last 5 Years^{1,2}

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



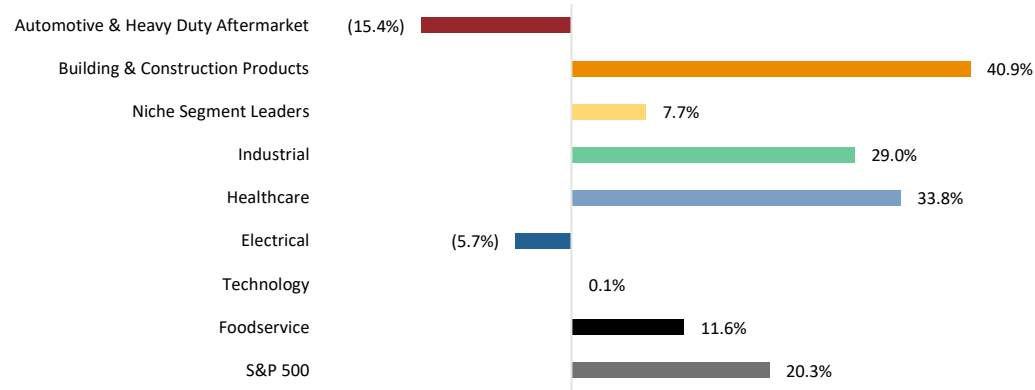
Specialty Distribution Index

Representative Key Public Comparables²

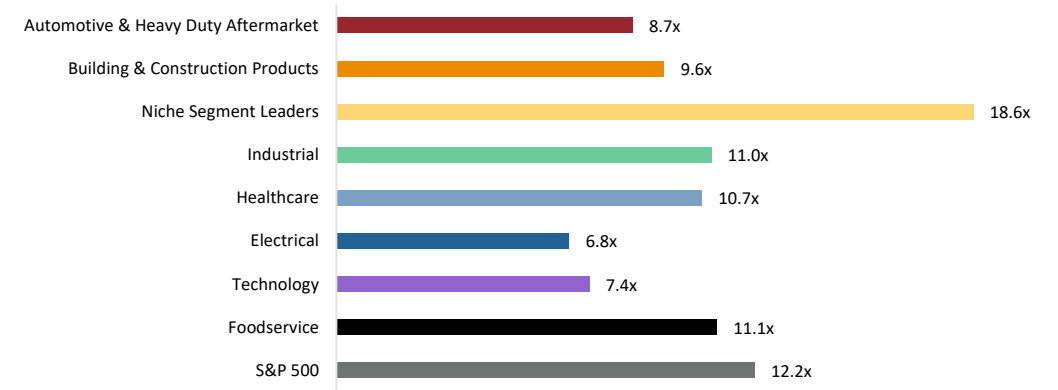


Specialty Distribution Public Company Performance and Trends (Cont.)

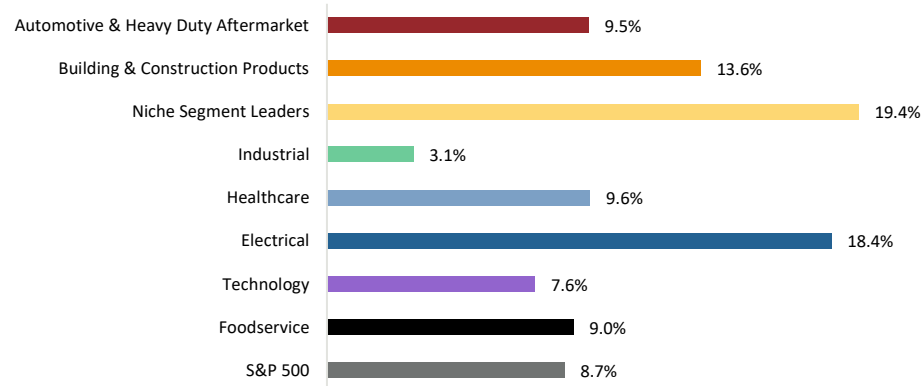
12-Month Change in Stock Price^{1,2}



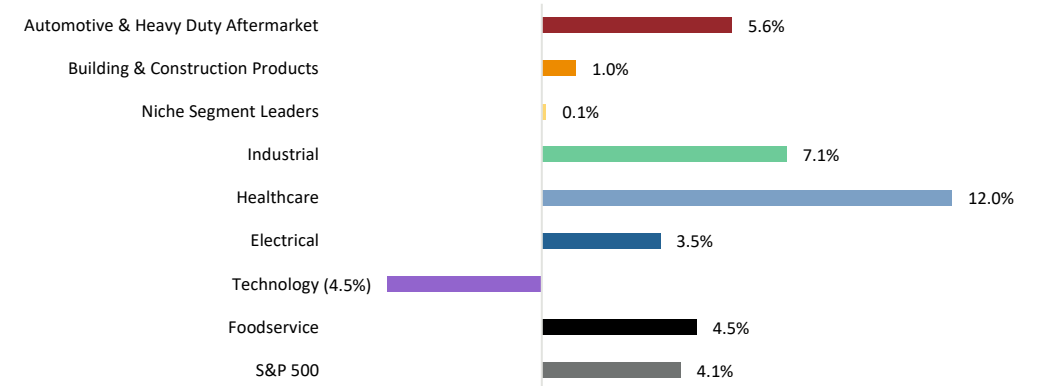
Median TEV / 2024E EBITDA Multiple^{1,2}



Median 3-Year Revenue CAGR (2020 — 2023)^{1,2}

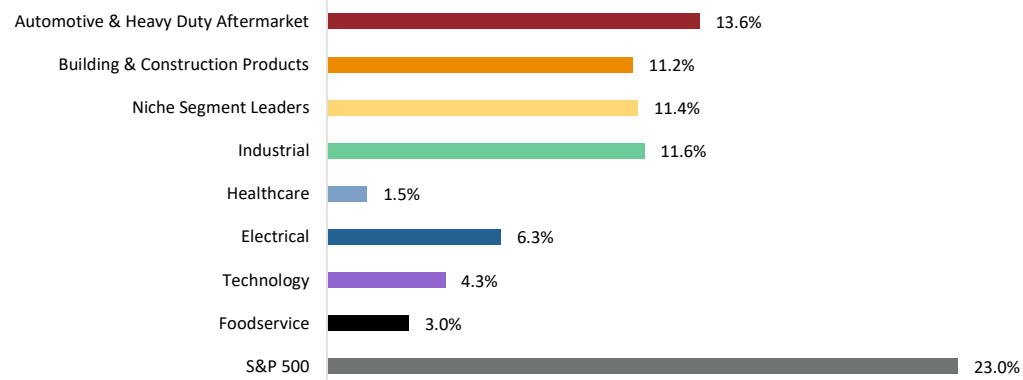


Median LTM Revenue Growth^{1,2}

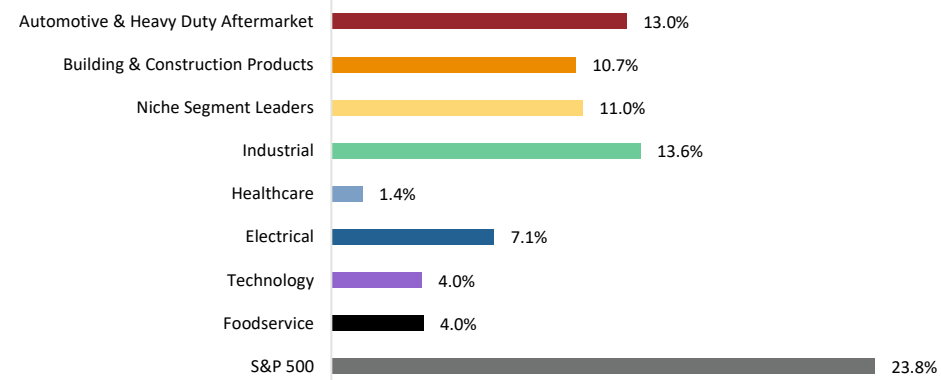


Specialty Distribution Public Company Performance and Trends (Cont.)

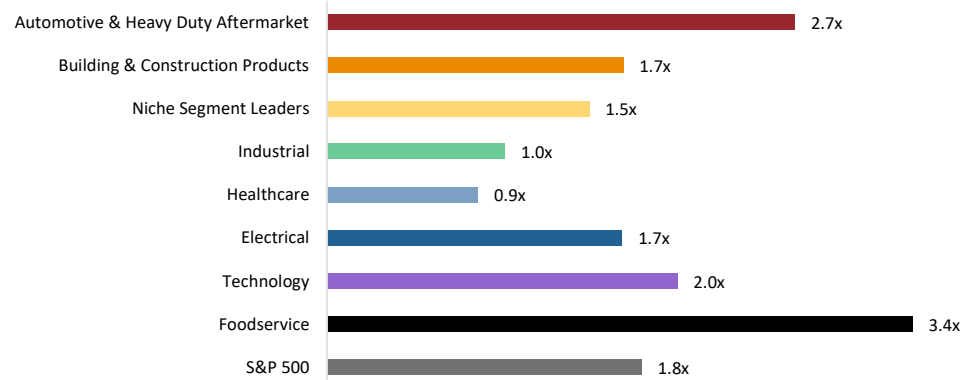
Median EBITDA Margin (2020 — 2023)^{1,2}



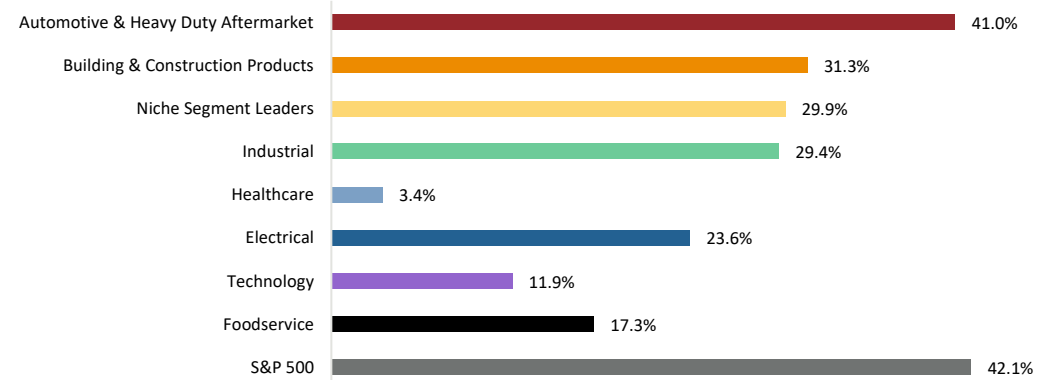
Median LTM EBITDA Margin^{1,2}



Net Debt / LTM EBITDA^{1,2}

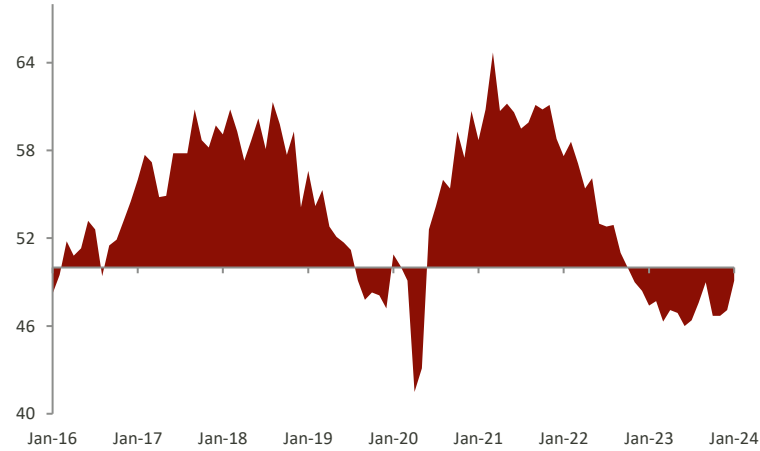


Median LTM Gross Margin^{1,2}

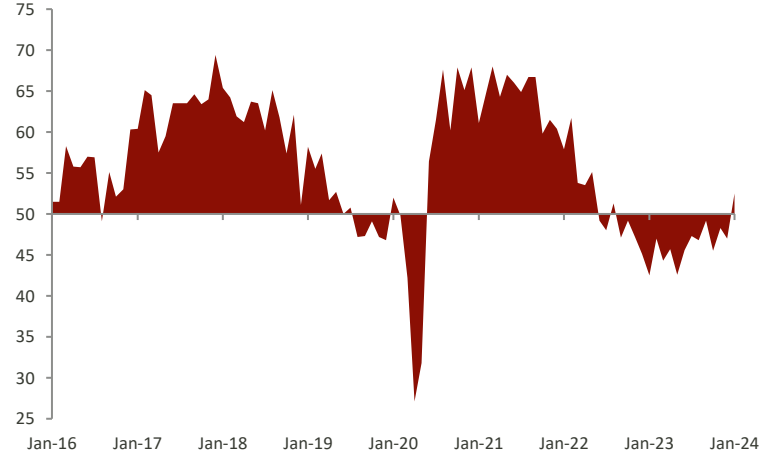


Economic Trends

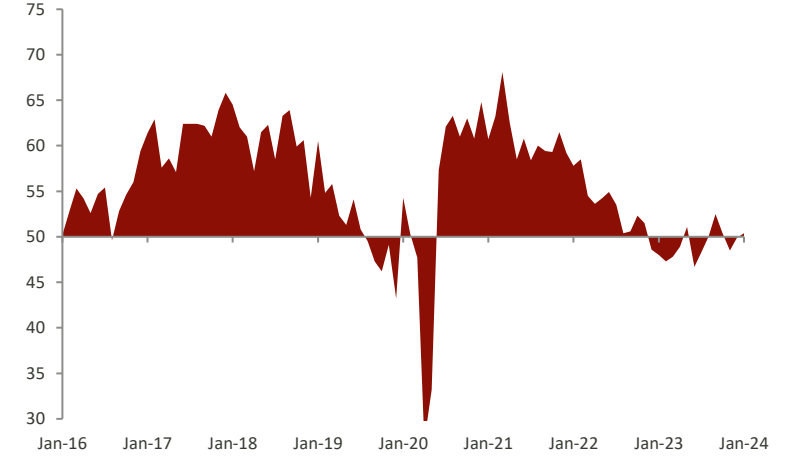
PMI Index¹



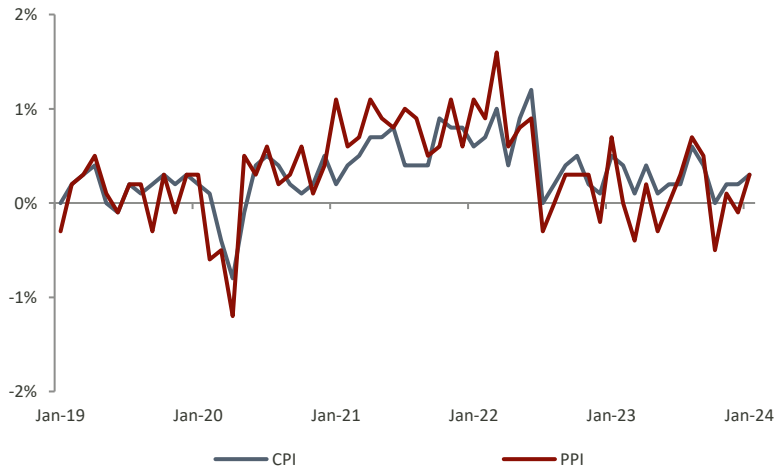
ISM New Orders Index¹



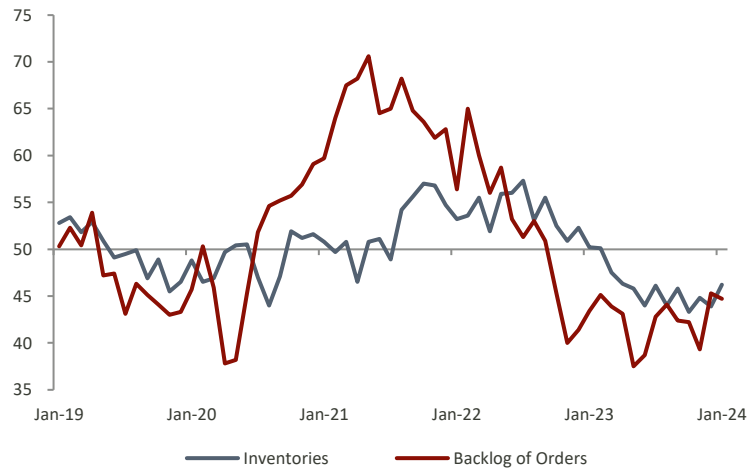
Production Index¹



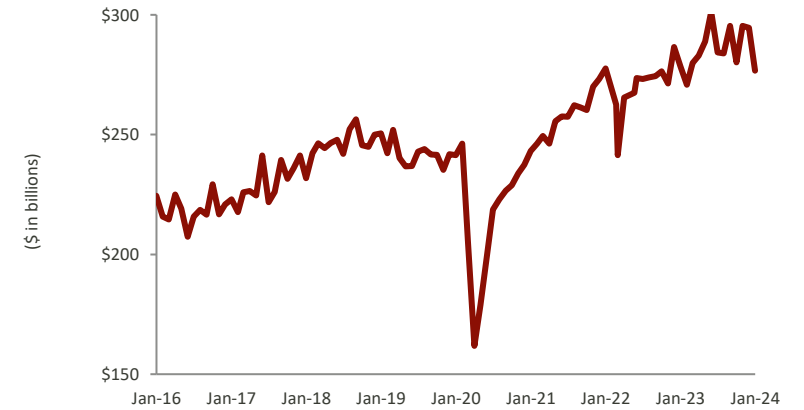
CPI & PPI Index (% Change)²



Manufacturing Inventories & Backlog¹



Durable Goods New Orders³



Recent Specialty Distribution Transactions Detail

Date	Target	Business Description	Acquirer(s)
02/12/24	Metro Sealant & Waterproofing Supply	Distributor of sealant and waterproofing solutions for commercial construction	Beacon (NASDAQ: BECN)
02/08/24	Allied Metrics O-Rings & Seals	Distributor of specialty O-rings, seals, and gaskets	Marco Rubber (Align)
02/05/24	The Rock Place	Distributor of hardscape, stone, and landscape products	Outdoor Living Supply (Trilantic North America)
02/01/24	Superior SANY Solutions	Supplier in the Canadian janitorial sanitation distribution industry	Imperial Dade (Bain Capital and Advent International)
02/01/24	Les Produits Sanitaires	Distributor of janitorial supplies and other paper and packaging products	Imperial Dade (Bain Capital and Advent International)
02/01/24	Roofers Supply of Greenville	Commercial roofing supplier for contractors throughout the Southeast	Beacon (NASDAQ: BECN)
02/01/24	Discovery Door	Architectural hardware and security/systems integrator	Cook & Boardman
01/31/24	Foundation Building Materials (American Securities)	Distributor of gypsum wallboard, suspended ceiling systems, metal framing, and other construction materials	Clayton, Dubilier & Rice Holdings LP
01/30/24	Dana Kepner (Littlejohn)	Supplier of waterworks materials and services to municipalities and contractors	Core & Main Inc. (NYSE: CNM)
01/26/24	Hi-Q Fasteners	Distributor of various screws and hardware	Linfast Solutions Group (Nautic)
01/23/24	Proheat	Distributor of heaters, sensors, and controls	Thermal Technology Distribution Solutions (Gryphon)
01/23/24	EnviroTech Services	Distributor of road surface products and provider of road maintenance services	Monomoy Capital Partners
01/22/24	Emergent Safety Supply	National distributor of safety products	Distribution Solutions (NASDAQ: DSGR)
01/18/24	Piedmont Electric Motor Repair	Distributor of industrial products and services, including electric motors, cranes, material handling, fabrication/welding, and machinery services	Motion & Control Enterprises
01/15/24	Plas-Pak WA	Plastic packaging distributor and manufacturer	TricorBraun (Ares & Ontario Teachers' Pension Plan)
01/09/24	Thermosource Tooling and Manufacturing	Supplier of disposable foodservice supplies	AmerCareRoyal (HCI Equity Partners)
01/09/24	Alpack	Supplier of a wide range of food packaging products, including glass bottles and jars, twist-off caps, cardboard boxes, and eco-friendly containers	Berlin Packaging (Oak Hill Capital Partners & Canada Pension Plan Investment Board)
01/09/24	Harway Appliances	Distributor of high-end kitchen appliances	Ferguson (NYSE: FERG)
01/09/24	Grove Supply	Distributor of plumbing and HVAC products	Ferguson (NYSE: FERG)
01/09/24	Yorkwest Plumbing Supply	Distributor of plumbing, municipal, hydronics, institutional, HVAC, and industrial products	Ferguson (NYSE: FERG)
01/09/24	Glassland	Provider of high-end glass bottle and closure designs	TricorBraun (Ares & Ontario Teachers' Pension Plan)
01/02/24	Insight Distributing	Purveyor of supplies and equipment to the foodservice industry	Imperial Dade (Bain Capital and Advent International)

Harris Williams Specialty Distribution Experience

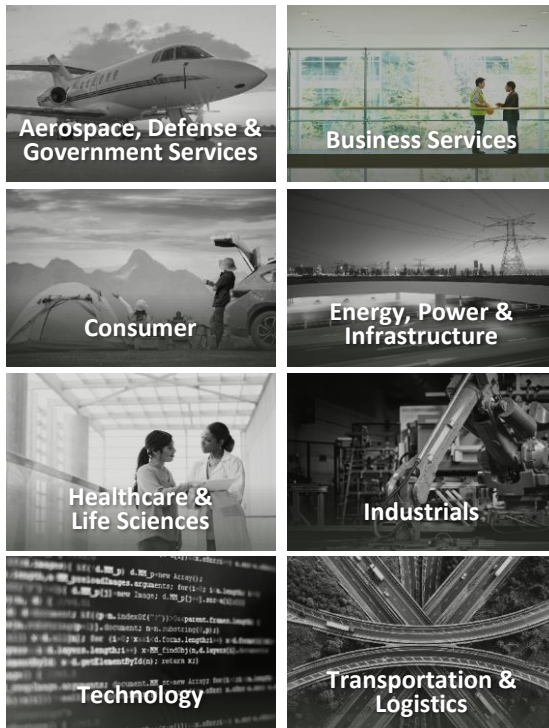
Select Specialty Distribution Experience

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

HW Harris Williams / GLOBAL INVESTMENT BANK

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Deep Industry Experience



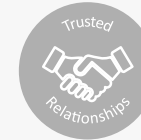
Proven Expertise

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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