



Specialty Distribution Industry Update

Harris Williams | Q2 2022

What We're Reading

2022: Promising Expectations Amidst Potential Struggles

Industrial Distribution

"We expect disruptions in the supply chain to improve but not fully return to normal in 2022. Lead times will come down for many products, especially those with fewer component parts and those manufacturers in onshore or nearshore locations. However, we expect labor shortages to persist in 2022, causing strains on manufacturing, as well as the trucking and logistics sector."

Read the full article [here](#).

No End in Sight for Supply Chain Headaches

Industrial Distribution

"Many members are reporting higher inventory dollar amounts, including holding more inventory to meet the needs of customers and the rising costs of products. Supply-chain uncertainty leads some distributors to increase stock to serve as a buffer against price increases, long lead times, and lack of availability."

Read the full article [here](#).

Protect Value During M&A Integrations with Better Tech and Real-Time Data

Industrial Distribution

"Buyers are putting more emphasis than ever on the available technology stack when evaluating acquisitions. They're looking for advanced technology, digital capabilities, and analytics to gain a clearer view of their potential ROI, such as a sales technology that unifies sales, product and customer data and leverages artificial intelligence (AI). Buyers also want technology that can readily scale."

Read the full article [here](#).

The Power of Analytics for Distributors

Modern Distribution Management

"ProfitOptics CEO Tony Pericle shares his passion for how distributors can use analytics and technology to make better decisions. He discusses prescriptive analytics, AI, workflow automation, profit optimization, and more."

Read the full article [here](#).

What Labor Shortage? Technology-Enabled Sales Teams Don't Miss a Beat

Modern Distribution Management

"Technology is giving distributors the ability to drive sales productivity like never before – and overcome headwinds such as the loss of knowledge that comes with retiring pros, the steep learning curves of entry-level hires, slim pickings in the labor market, and high customer expectations."

Read the full article [here](#).

Recent HW Content: 2022 Outlook

- 2022 Outlook | Specialty Distribution Trends



[Link to Read](#)

- 2022 Outlook | Business Services Trends

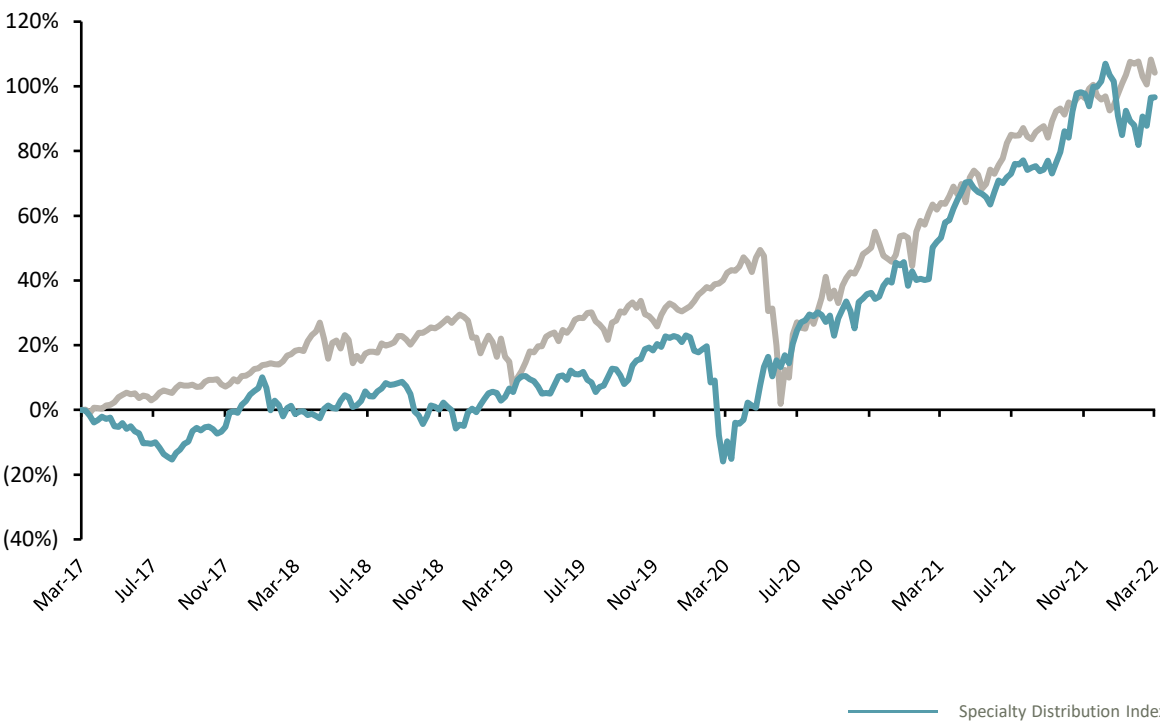


[Link to Read](#)

Specialty Distribution Public Company Performance and Trends

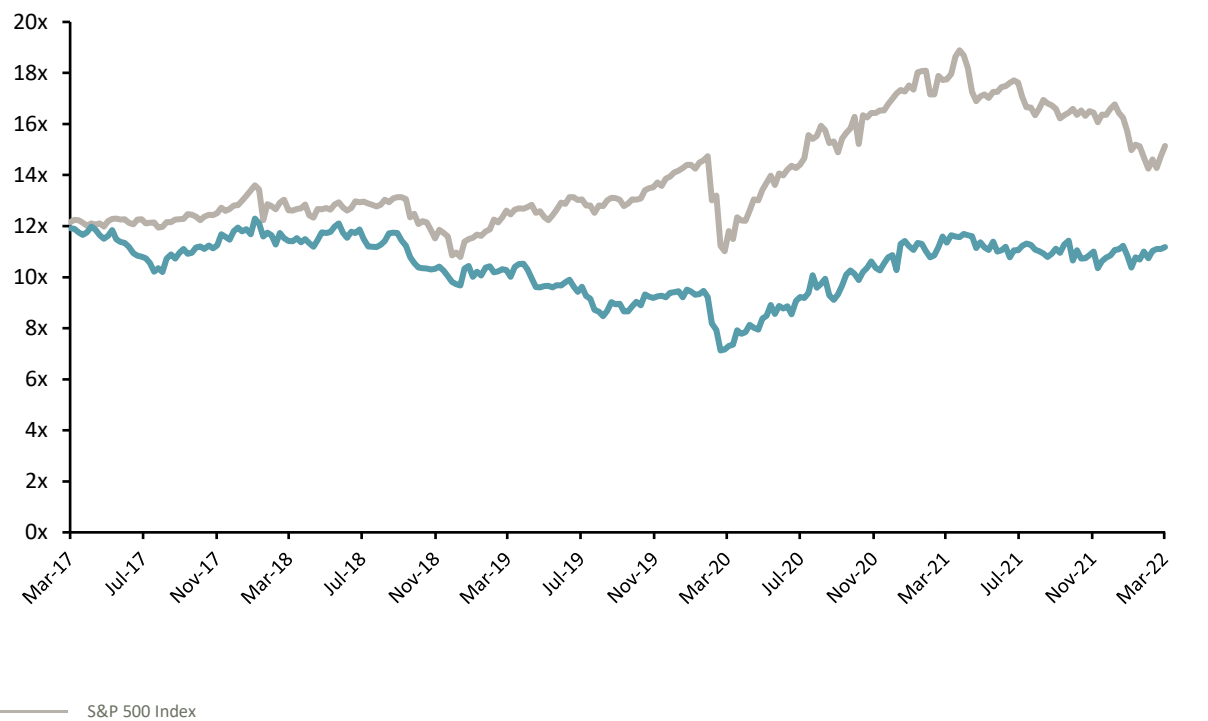
Historical Stock Prices – Last 5 Years^{1,2}

Indexed Stock Price Performance for the period March 2017 – March 2022



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

Indexed Stock Price Performance for the period March 2017 – March 2022



Representative Key Public Comparables²

AMCON

APPLIED

ANW

AutoZone

Builders FirstSource

BUNZL

Core-Mark

CRH

FASTENAL

FERGUSON

HENRY SCHEIN

IMCD

LKQ

McKesson

MRC Global

MSC Industrial Supply Co.

O'Reilly

POOLCORP

scansource

SiteOne

SPX

TD SYNEX

Sysco

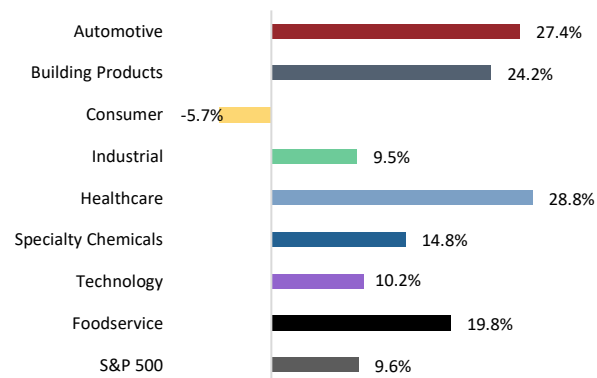
US FOODS

Veritiv

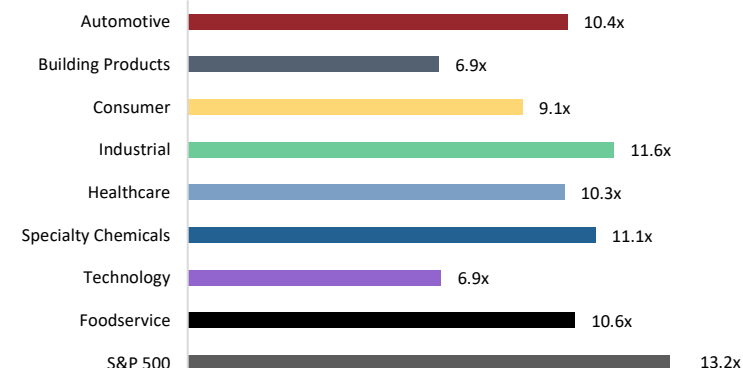
WATSCO

Specialty Distribution Public Performance and Trends (Cont.)

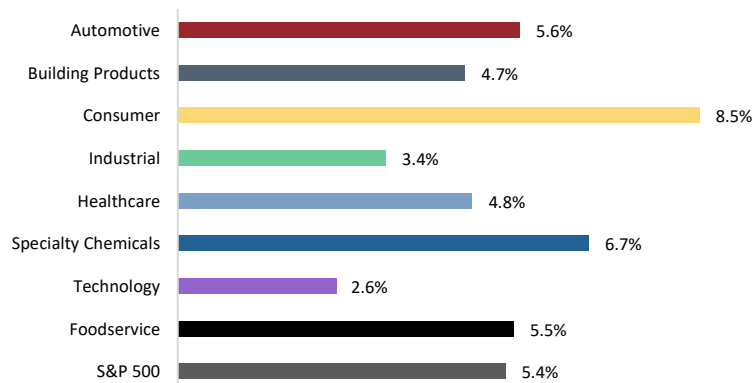
12-Month & Change In Stock Price^{1,2}



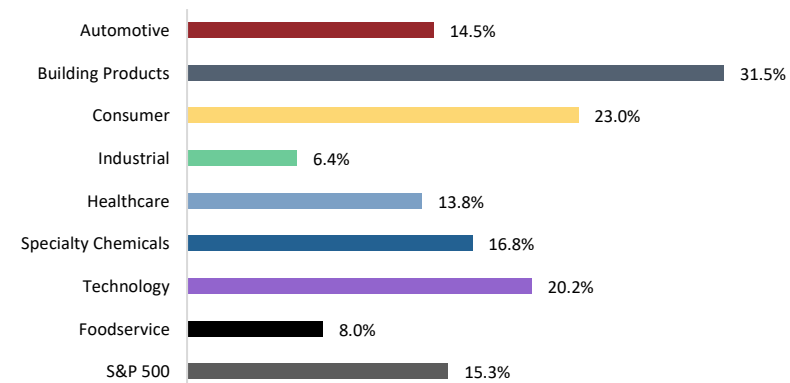
Median TEV/2021E EBITDA Multiple^{1,2}



Median 3-Year Revenue CAGR (2019-2022)^{1,2}

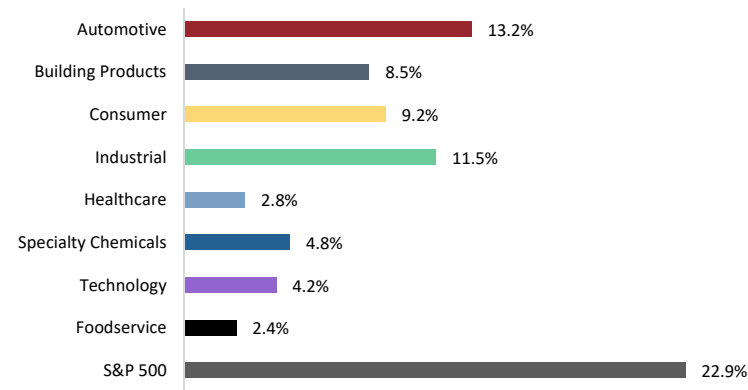


Median LTM Revenue Growth^{1,2}

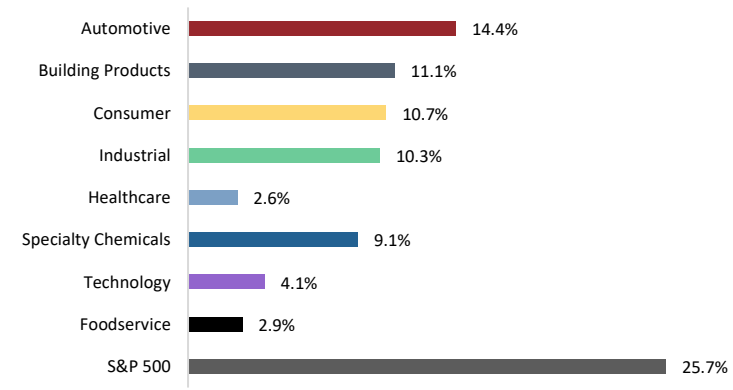


Specialty Distribution Public Performance and Trends (Cont.)

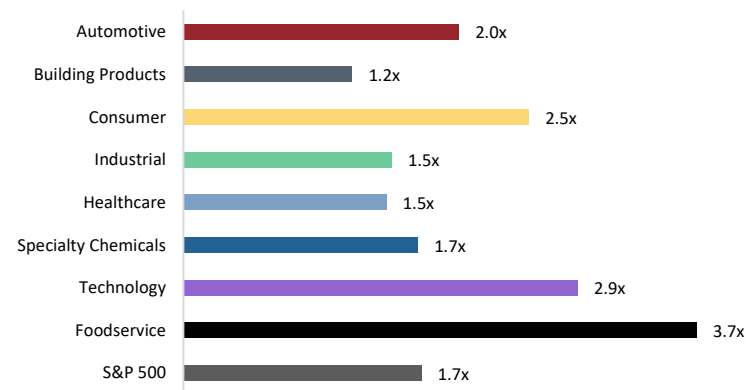
Median EBITDA Margin (2019 – 2021)^{1,2}



Median LTM EBITDA Margin^{1,2}

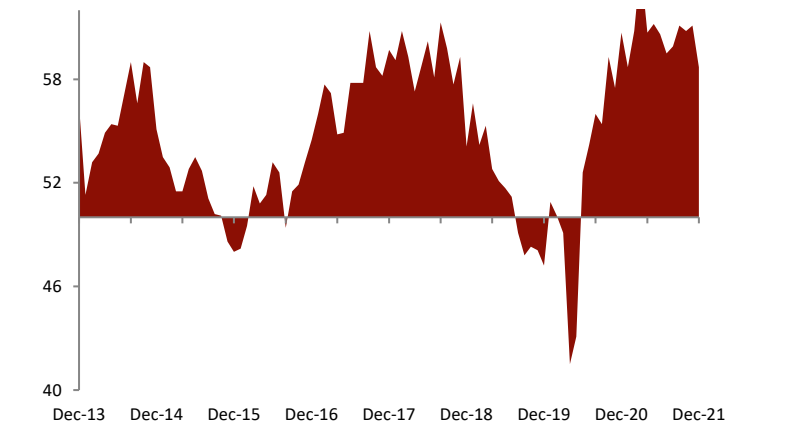


Net Debt / LTM EBITDA^{1,2}

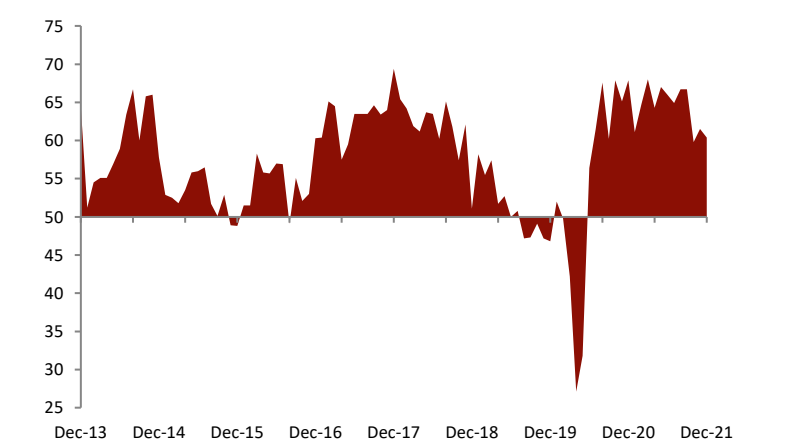


Economic Trends

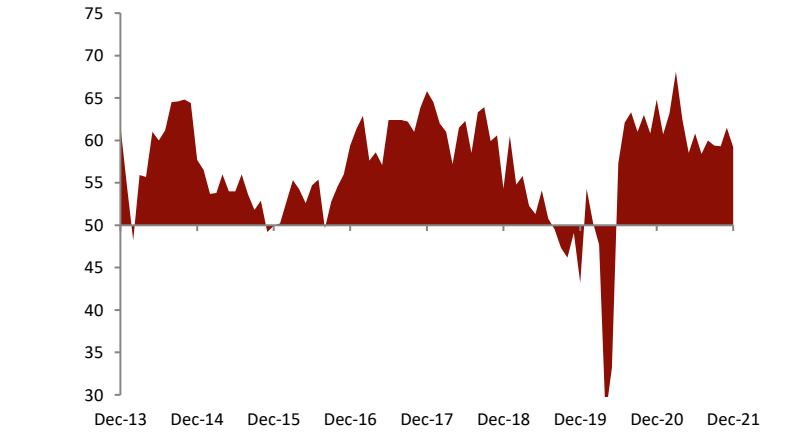
PMI Index¹



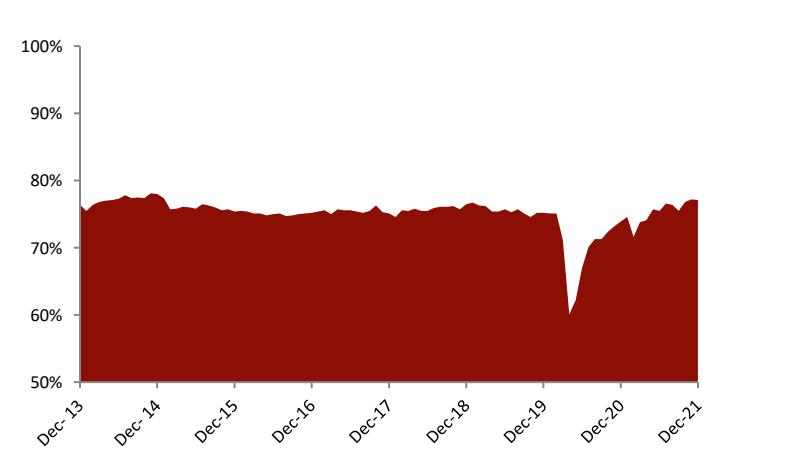
ISM New Orders Index¹



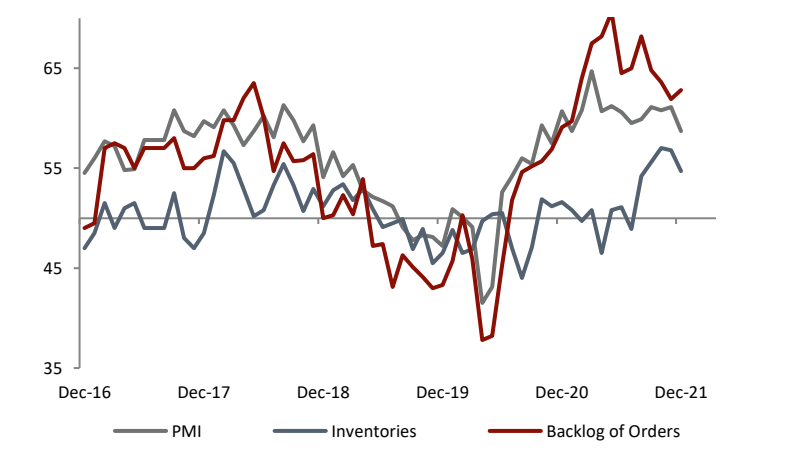
Production Index¹



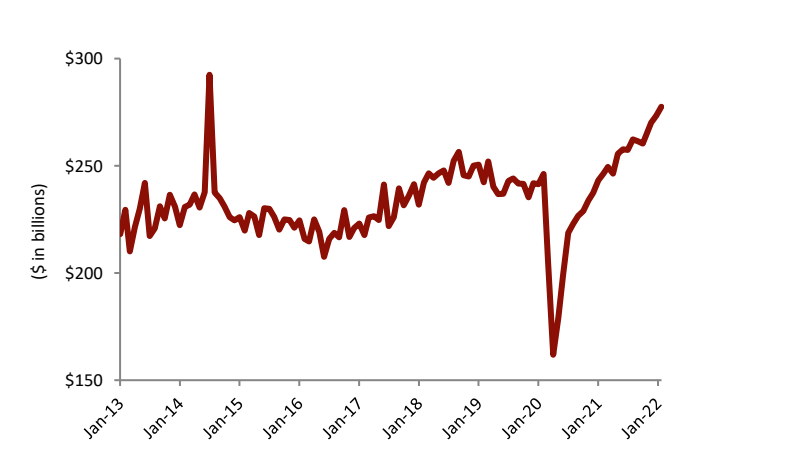
U.S. Manufacturing Capacity Utilization²



Manufacturing Inventories & Backlog¹



Durable Goods New Orders³



1) Institute for Supply Management – Manufacturing PMI
2) The Federal Reserve – Industrial Production and Capacity Utilization
3) Federal Reserve Economic Data – St. Louis Fed

Recent Specialty Distribution Transactions Detail

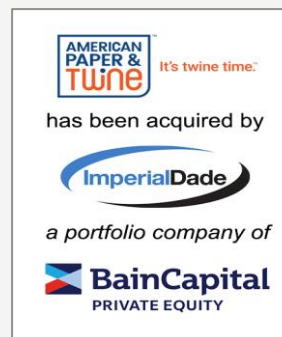
Date	Target	Business Description	Acquirer(s)
3/14/22	Timesaver	Distributor of MRO products and tools	Stellar Industrial
3/8/22	S&S Truck Parts	Independent distributor of private label and branded aftermarket truck parts	Investcorp
3/8/22	Pet Food Experts	Distributor of pet food and supplies	Dot Family Holdings
3/7/22	United Bottles & Packaging	Distributor of high-quality glass bottles and closures for the food and beverage end markets	Berlin Packaging
3/3/22	System 3 Off-Road	Designer, developer and manufacturer of high-quality radial tires and cast aluminum wheels	Nivel Parts & Manufacturing Co. LLC
3/2/22	Clearwater Irrigation Supply	Provider of aggricultural irrigation services	Orchard & Vineyard Supply
2/24/22	Rockford Corp	Designer and distributor of audio systems and components	Patrick Industries
2/24/22	Vallen Distribution	Provider of supply chain solutions and services	Nautic Partners
2/23/22	Kristler Crane & Hoist	Provider of overhead crane systems and MRO field services	American Equipment Holdings
2/23/22	Rawson/ICD	Product-solutions company	Relevant
2/22/22	Macgregors Meat & Seafood Ltd	Supplier to foodservice, retail, and private label customers	Gordon Food Service
2/14/22	Coastal Companies	Distributor of fresh produce	Sysco Corp.
2/8/22	The Farley Company	Supplier of lubricants and chemicals to industrials businesses	Reladyne (American Industrial Partners)
2/7/22	Gap Wireless	Provider of products and services for the mobile broadband and wireless markets	Network Wireless Solutions
2/2/22	Bishop Lifting Products	Distributors of lifting products and specialty rental equipment	Altamont Capital Partners
2/2/22	Cool Insulation Company	Provider of residential and commercial insulation installation services	SEI Group (Quad-C Management)
2/2/22	Coastal Insulation & Fireplaces	Insulation and building products installer	SEI Group (Quad-C Management)
2/2/22	Woodward Landscape Supply	Distributor of hardscaping materials, natural stone, and outdoor living products and accessories	Outdoor Living Supply (Trilantic North America)
2/1/22	SupplyItAll	Supplier of foodservice disposables, ice cream and food supplies, janitorial equipment and supplies, and restaurant equipment and supplies	Brady IFS
2/1/22	USA-Clean	Supplier of commercial supplies, equipment, and consumables	Jon-Don

Harris Williams Specialty Distribution Experience

Selected Specialty Distribution Transaction Experience

 has been acquired by  a portfolio company of 	 a portfolio company of  has been acquired by 	 a portfolio company of  a part of Investor AB has acquired  a portfolio company 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 	 has been acquired by 	 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 received an investment from 	 a portfolio company of  has been acquired by 	 a portfolio company of  has been acquired by 	 a portfolio company of  has been acquired by 	 has acquired  a division of 
 in partnership with  has acquired the distribution business 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  has acquired  a portfolio company of 

Harris Williams Transaction Spotlight



December 2, 2021

Company Background

American Paper & Twine was founded in 1926 and is a leading distributor across business sectors that include janitorial, industrial packaging, disposable food service, safety and office products.

Successful Outcome

The addition of American Paper & Twine will significantly strengthen Imperial Dade's existing presence in the Southeast, help better reach customers coast-to-coast, and solidify its position as the national leader in specialty distribution. By leveraging Imperial Dade's market leading platform, American Paper & Twine customers can expect the same exceptional customized service coupled with an even greater offering of products and solutions.

Harris Williams served as exclusive financial advisor to American Paper & Twine in this transaction.

Harris Williams Transaction Spotlight



November 9, 2021

Company Background

BFG Supply was founded in 1972 and has been serving the green industry for five decades. BFG distributes a full line of products across complementary green industry segments including professional horticulture, lawn and garden, hydroponic, and controlled environment agriculture (CEA).

Successful Outcome

The transaction delivered a successful outcome for BFG Supply and Incline Equity Partners. The acquisition will allow BFG Supply to continue to grow and thrive in its next chapter under the guidance of Pamplona and a top-notch management team.

Harris Williams served as financial advisor to BFG Supply, a portfolio company of Incline Equity Partners, in this transaction.

Harris Williams: At a Glance



- **30 years** and thousands of deals closed
- **100%** of revenue is from M&A advisory
- **10** Industry Groups with deep sector expertise
- **200+** closed transactions in the last 24 months
- **70%** of revenue from repeat clients
- **8** offices across the U.S. and Europe

The Harris Williams Business Services & Specialty Distribution Coverage Areas

- Specialty Distribution
- Commercial & Industrial Services
- Professional Services
- IT Services

Specialty Distribution Subsectors

- Automotive
- Building Products
- Consumer
- Food Service
- Healthcare
- Industrial
- Specialty Chemicals
- Technology

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Harris Williams Capabilities and Locations



Harris Williams 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.

	Aerospace, Defense & Government Services		Business Services		Building Products & Materials		Consumer		Energy, Power & Infrastructure
	Healthcare & Life Sciences		Industrials		Specialty Distribution		Technology		Transportation & Logistics

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Sources & Disclaimers

Sources

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, Ferguson, Hardwoods Distribution, BlueLinkx Holdings, Inc.

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

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

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

Specialty Chemicals: Burning Rock Biotech Limited, Univar Solutions, DKSH Holding, IMCD NV

Technology: Arrow Electronics, Rexel, TD SYNnex Corp., Avnet, WESCO International, Archer Materials, ScanSource

Foodservice: Sysco Corporation, Performance Food Group, Bunzl, US Foods, United Natural Foods, SpartanNash, Veritiv, The Chef's Warehouse

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