



**HW** Harris Williams



# Specialty Distribution

INDUSTRY UPDATE | October 2021



# What We're Reading

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## SPECIALTY DISTRIBUTION INDUSTRY NEWS & TRENDS

*In this Industry Update, we have included a collection of articles focused on the importance of business transformation for the distribution industry, along with upcoming trends as we approach 2022. Labor shortage and supply chain issues are still rippling through the industry and distributors worldwide are dealing with distortions in demand and transportation bottlenecks across every end market. Despite some of the economic uncertainty ahead, Harris Williams believes that specialty distribution companies that provide a unique value proposition to their customers will continue to thrive and capture market share, especially if they can implement new technologies and services that create more efficiencies both internally and externally.*

### BUSINESS TRANSFORMATION & INDUSTRY OUTLOOK

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#### ***Learning to Fly: Business Transformation in the Wholesale Distribution Industry – Forbes***

“Wholesale distribution companies today are facing a lot of challenges, sparking conversations about ways to be more efficient. Let’s look at some strategic processes for distributors and how you might bring them to the next level, with the goal of doing business in a more efficient and profitable way.”

Read the full article [here](#).

#### ***2022 – Distribution Trends Outlook: Optimism with a Twist of Apprehension – MDM***

“Distributors have taken the pandemic disruption in stride and used it to accelerate improvements across key areas of business: Sales & Marketing, Technology, Operations, and Strategy & Leadership.”

Read the full article [here](#).

#### ***Why End-to-End Visibility is Key for Inventory Optimization in Wholesale Distribution – Industrial Distribution***

“The wholesale distribution industry is waking up to the need for a digital transformation of their businesses. Although many wholesale distributors have a desire to digitalize and streamline their operations, some have not started or indeed, even know where to begin. Many wholesale distributors are burdened with disparate or disconnected legacy systems and may still rely on spreadsheets and paper to manage processes along the supply chain.”

Read the full article [here](#).

### LABOR SHORTAGE & SUPPLY CHAIN

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#### ***Uncracking the Bullwhip: How to Counteract Supply Chain Volatility – Industrial Distribution***

“Over the past 18 months, we’ve seen unprecedented supply chain volatility compressed into a relatively short period of time, creating a new kind of bullwhip effect: large distortions in demand driven by a variety of factors across the entire supply chain.”

Read the full article [here](#).

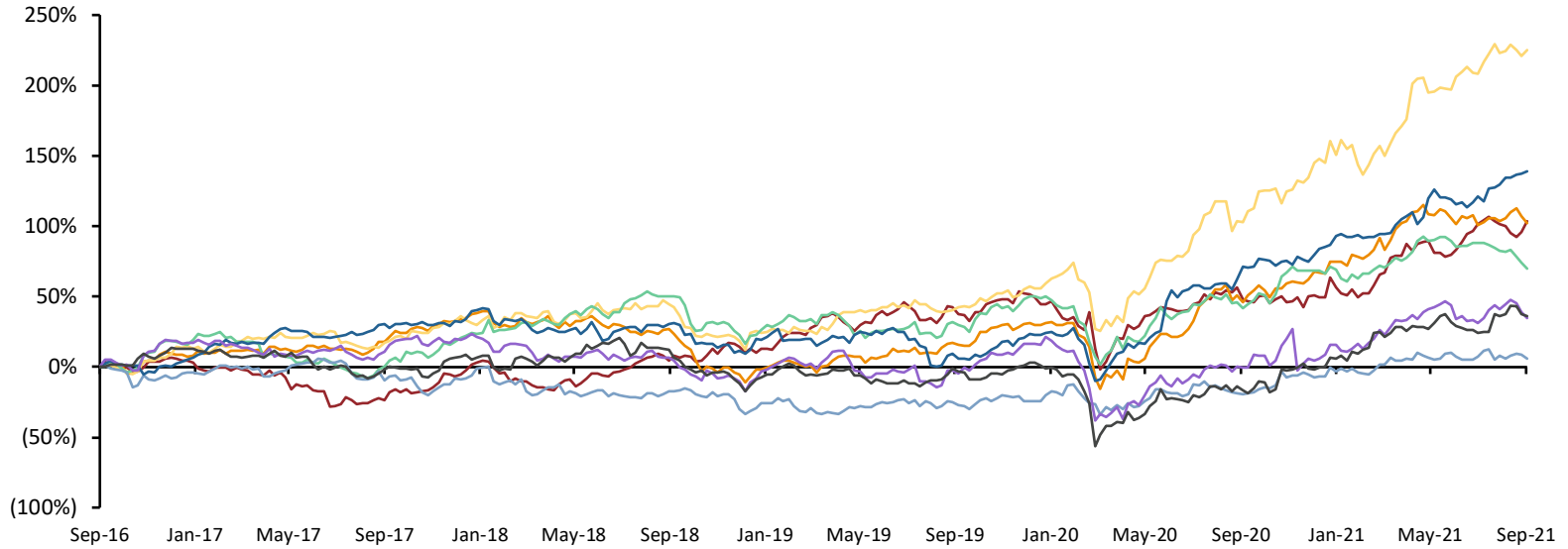
#### ***The Labor Shortage is Why Supply Chains Are Disrupted – Forbes***

“Pervasive supply chain disruptions result mostly from labor shortages, with transportation bottlenecks a much lesser factor. Here in the United States, imports totaled \$2.3 trillion last year, compared to GDP of \$20.9 trillion, ships continue to be delayed in their arrivals and unloading at U.S. ports, but that’s not nearly as great a problem as the labor shortage.”

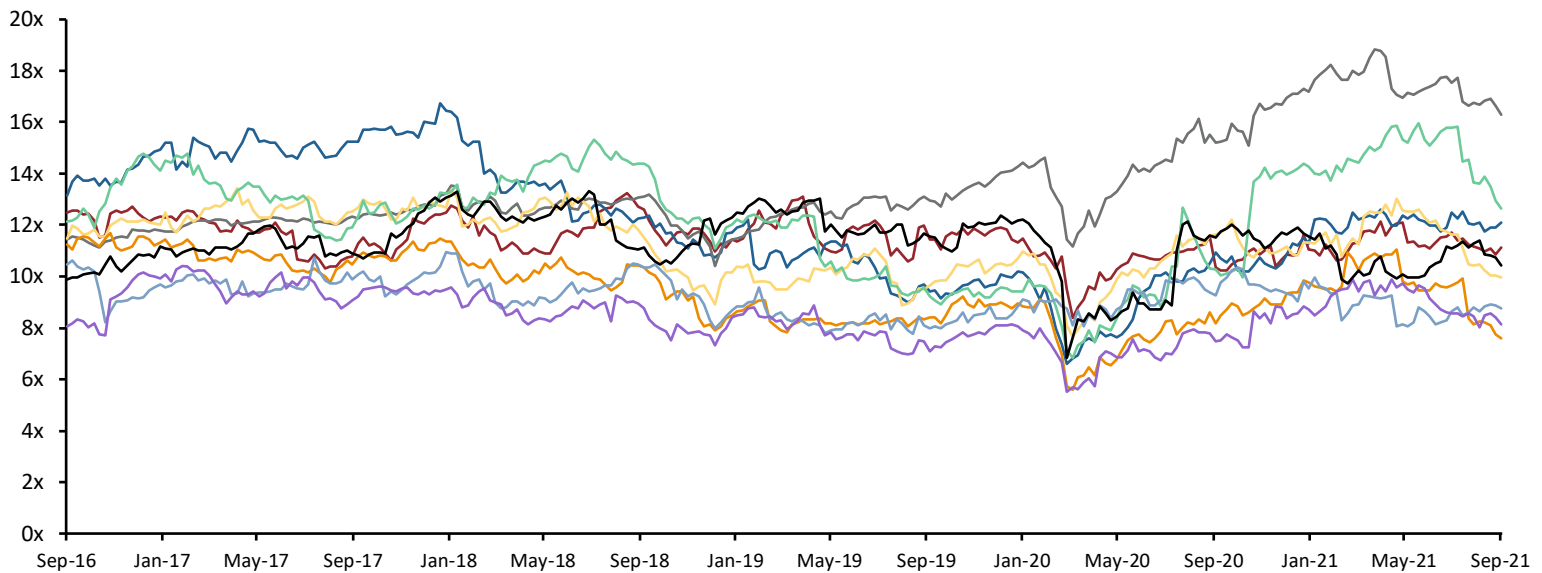
Read the full article [here](#).

# Public Markets<sup>1</sup>

## HISTORICAL STOCK PRICES – LAST 5 YEARS



## HISTORICAL MEDIAN TEV/LTM EBITDA MULTIPLES – LAST 5 YEARS

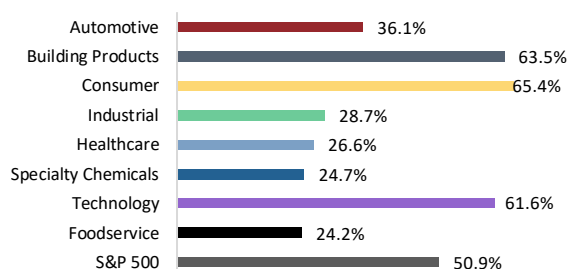


- Automotive
  - Building Products
  - Consumer
  - Foodservice
  - Healthcare
- Industrial
  - Specialty Chemicals
  - Technology
  - S&P 500 Index

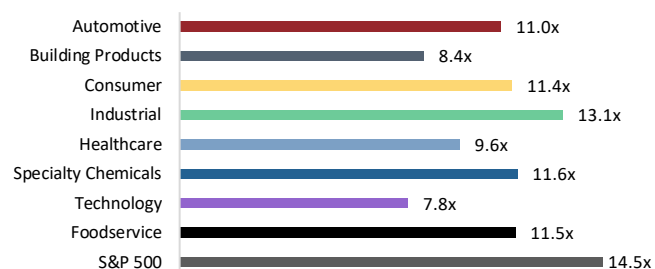
Notes: Data as of September 21, 2021. Comparable company sets listed on page 8. Sub-sector indices weighted by stock price.

# Public Markets<sup>1</sup>

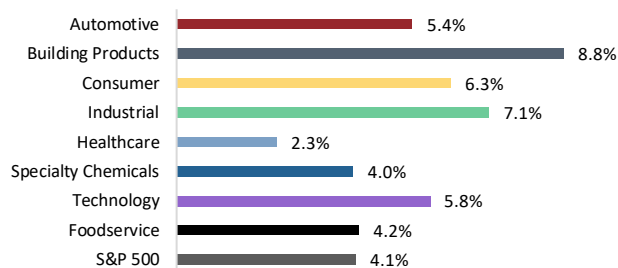
## 12-MONTH % CHANGE IN STOCK PRICE



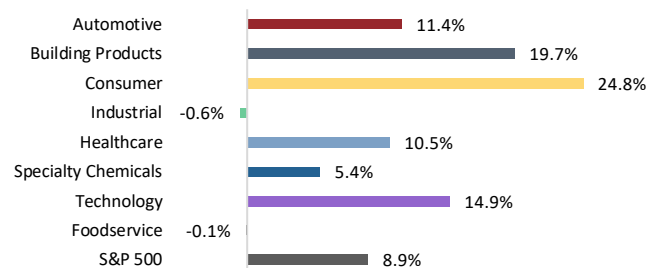
## MEDIAN TEV / 2021E EBITDA MULTIPLE



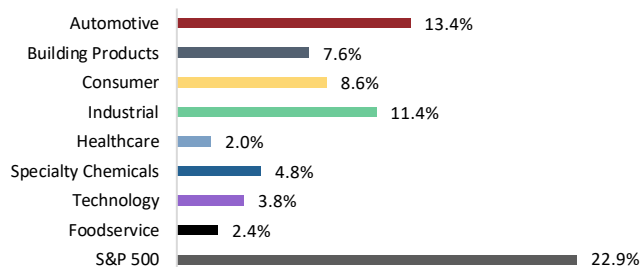
## MEDIAN 3-YEAR REVENUE CAGR (2018-2021)



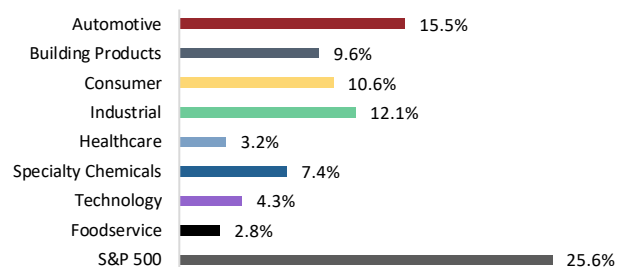
## MEDIAN LTM REVENUE GROWTH



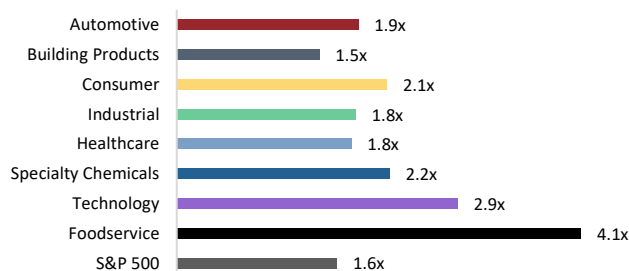
## MEDIAN EBITDA MARGIN (2018-2021)



## MEDIAN LTM EBITDA MARGIN

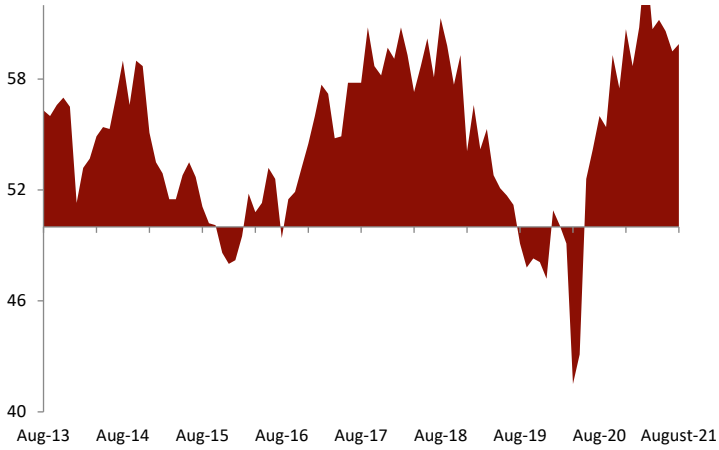


## NET DEBT / LTM EBITDA

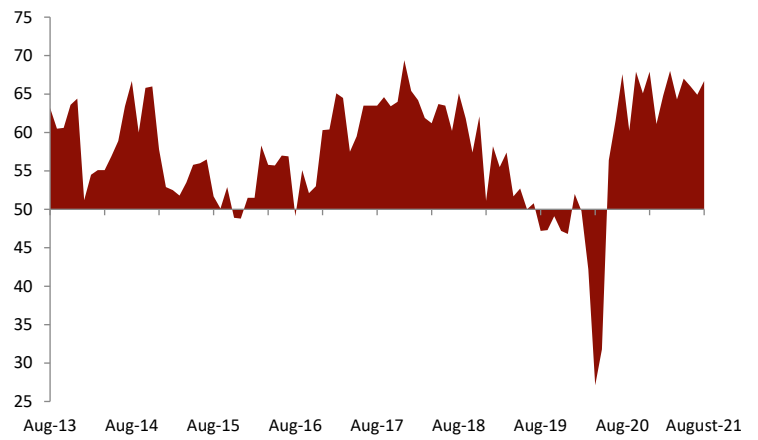


# Economic Trends

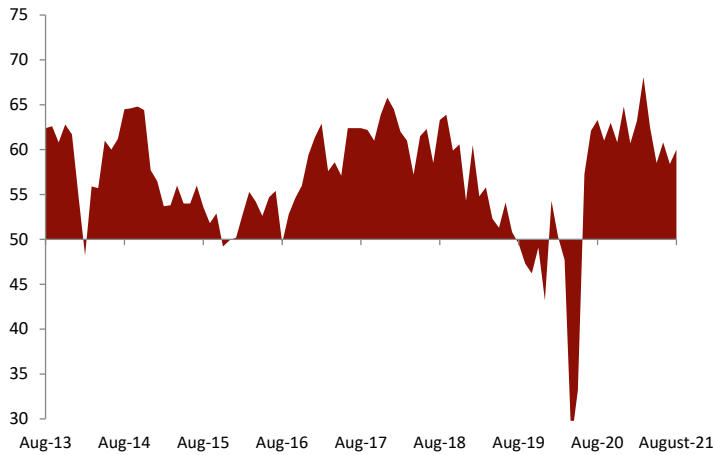
PMI INDEX<sup>5</sup>



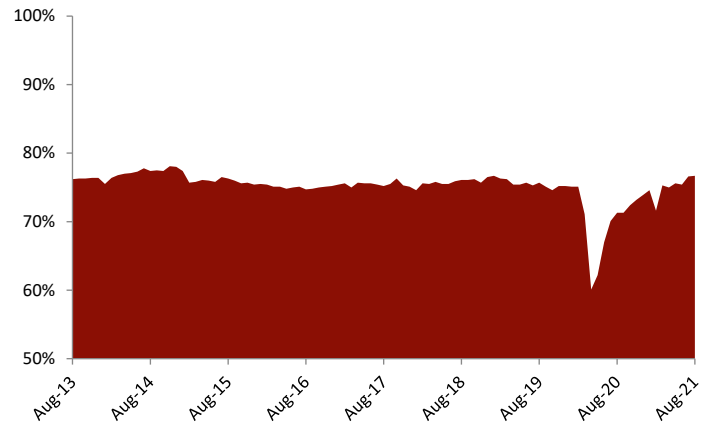
ISM NEW ORDERS INDEX<sup>5</sup>



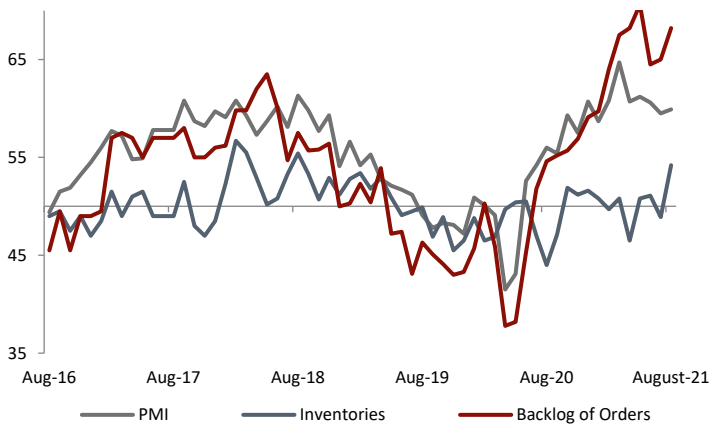
PRODUCTION INDEX<sup>5</sup>



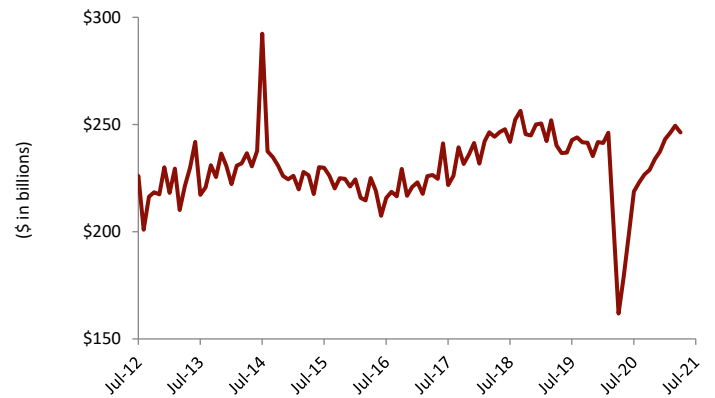
U.S. MANUFACTURING CAPACITY UTILIZATION<sup>5</sup>



MANUFACTURING INVENTORIES & BACKLOG<sup>5</sup>



DURABLE GOODS NEW ORDERS<sup>6</sup>



# M&A Market Trends<sup>1,2,3</sup>

## REPRESENTATIVE SPECIALTY DISTRIBUTION TRANSACTIONS

Sep-21	McCue Corp.	Distributor of safety products for use in warehouses and high footfall environments	Bunzl
Sep-21	Gearcor	Supplier of FR uniforms, workwear, and safety footwear	GME Supply
Sep-21	Genesis Systems	Distributor of control valve, regulator, and valve automation products and systems	FloWorks
Sep-21	Capitol Wholesale Fence Company	Full-service fencing supplier for commercial, industrial, and residential customers	Fencing Supply Group (Sterling Capital)
Sep-21	Components Solutions Group	Distributor of fasteners and other C-class components	Bufab
Sep-21	Distribution International, Inc.	Specialty distributor of mechanical insulation accessories	TopBuild Corp
Sep-21	Hoonigan	Designer, manufacturer, and distributor of proprietary branded aftermarket vehicle enhancements	Wheel Pros (Clearlake Capital)
Sep-21	Falcon Fastening Solutions	Distributor of industrial fastenings	Trifast
Aug-21	Arrowhead Engineered Products	Provider of non-discretionary, proprietary branded, aftermarket replacement parts for motor vehicles and equipment	Genstar Capital, LLC
Aug-21	Arprosa	PPE distributor to end-users in Spain	Bunzl
Aug-21	Proin Pinilla	Safety distributor to end users, focused on PPE and specializing in workwear	Bunzl
Aug-21	RR Floody Company	Provider of automation products, services, and engineered solutions	Applied Industrial Technologies, Inc.
Aug-21	Painters Supply & Equipment	Specialty distributor of paint, coatings, and related consumables	Odyssey Investment Partners
Aug-21	Weaver Parts	Distributor of recycled OEM auto parts	Incline Equity Partners
Aug-21	Select Interior Concepts	Diversified building products and services company focused on interior products	Sun Capital Partners
Aug-21	Juvasa Group	Supplier of glass, plastic, and metal packaging	Berlin Packaging (Oak Hill Capital Partners)
Aug-21	DBK Concepts	Provider of end-to-end AIDC software solutions and repair services	Peak Technologies (Sole Source Capital)
Aug-21	Sharon Fence Distributors	Fencing supplier and manufacturer	Fencing Supply Group (Sterling Capital)
Aug-21	Wittichen Supply Company	Distributor of heating, ventilation, air conditioning, and refrigeration equipment, parts, and supplies	Gryphon Investors
Jul-21	US Medical Supply (US MED)	Distributor of Continuous Glucose Monitors and medical supplies	Advanced Diabetes Supply (Court Square Capital Partners)
Jul-21	Global Parts Group, Inc	Fully integrated aftermarket distribution and MRO services provider	VSE Corporation
Jul-21	Thermaxx	Designer, manufacturer, and installer of removable insulation covers for commercial end markets	Specialty Products and Insulation (Dunes Point Capital)
Jul-21	Haskell's Hardware; Allied Insulation & Supply	Provider of residential and commercial insulation installation services	SEI Group (Quad-C Management)
Jul-21	Paramount Global Surfaces	Developer, importer, and distributor of premium, proprietary porcelain tile, and other hard-surface floor coverings	Platinum Equity LLC
Jul-21	5 Alarm Fire & Safety Equipment	Distributor of personal safety and firefighting equipment	MacQueen Equipment (Rotunda Capital)
Jun-21	Fence Supply Inc.	Distributor of fencing and building material	Fencing Supply Group (Sterling Capital)
Jun-21	Cannasupplies	Canadian supplier of packaging products for the cannabis industry	Berlin Packaging (Oak Hill Capital Partners)
Jun-21	Refrigeration Sales Corp	Distributor of HVAC and refrigeration equipment	Rotunda Capital Partners
Jun-21	Elias Valavanis	Supplier of glass packaging for the food and beverage industry	Berlin Packaging (Oak Hill Capital Partners)
Jun-21	ITS Logistics	Logistics provider offering services in supply chain management, freight logistics, distribution and fulfillment, and transportation management	GHK Capital Partners
Jun-21	Mark's Supply	Wholesale distributor of HVAC and plumbing equipment	Munch's Supply (Ridgemont Equity Partners)
Jun-21	Allegiant Emergency Services	Distributor of safety and firefighting equipment	MacQueen Equipment (Rotunda Capital)

# Specialty Distribution Practice Overview

## HW Harris Williams / GLOBAL M&A ADVISOR

### 10 INDUSTRY GROUPS

With Robust Experience  
across the Globe

### 3 DECADES

Providing Award-Winning  
M&A Advisory Services

### 1 UNIFIED TEAM

Bringing Firmwide Dedication  
to Every Engagement

### SPECIALTY DISTRIBUTION FOCUS SECTORS

- › Automotive
- › Building Products
- › Consumer
- › Food service
- › Healthcare
- › Industrial
- › Specialty Chemicals
- › Technology

### SELECT RECENT 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  has been acquired by 	 a portfolio company of  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  has been acquired by 

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# Our Firm

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/industries](http://www.harriswilliams.com/industries).

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[Business Services](#)

[Energy, Power & Infrastructure](#)

[Specialty Distribution](#)

[Transportation & Logistics](#)

[Building Products & Materials](#)

[Consumer](#)

[Healthcare & Life Sciences](#)

[Industrials](#)

[Technology](#)

## CONSISTENT RECOGNITION FOR QUALITY



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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, DXP Enterprises

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

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

Technology: Arrow Electronics, Rexel, SYNEX 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

Note: Data through September 21, 2021.

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