



Specialty Distribution Sector Brief

Harris Williams | Q3 2023

2023 Harris Williams Activity

Harris Williams Transaction Spotlight



August 29, 2023

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



August 6, 2023

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>

Harris Williams Transaction Spotlight



September 1, 2023

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>

Key Industry Trends & Dynamics

Distributors continue to maintain conviction in strong performance throughout 2023.

Second Quarter Performance

"Volumes were positive in all geographies in the quarter, driven by megatrends. Volumes were up plus 4.4% in North America, boosted by reshoring of industrial production, and plus 2.4% in Europe from electrification, and more specifically solar, EV and HVAC."



"The extraordinary supply chain disruptions and customer purchase patterns driven by the pandemic over the last few years are now correcting with the rapid reduction in supplier lead times. Against these supply chain conditions, our gross margins remain healthy and stable."



"Although we have seen deflation in our line pipe business this year, along with inflation stabilization across most other product lines, we have been successful increasing margins due to a higher margin product mix, improved contract terms and growth in our international segment."



"We're pleased to see end market demand remain resilient in the second quarter, which allowed us to achieve solid organic daily sales growth and record operating cash flow despite the continued normalization of our gross margin and EBITDA margin."



"Consolidated revenues increased 11% to \$74.5 billion, which was led by growth in the U.S. Pharmaceutical segment, resulting from increased prescription volumes, including higher volumes from retail national account customers, specialty products and weight loss or GLP-1 drugs."



"Our irrigation and product category, a strength for us, performed well, particularly boosted by commercial projects, but growth was offset by some pricing pressures on commodities, which have seen higher levels of inflation over the last couple of years."



Strategic Approach to Pricing Optimization, Cost Management and M&A Execution

"In the second half of fiscal '23, we made major progress on our expense ratios in greatly accelerated productivity improvement within our supply chain. Retention of colleagues has improved, productivity of our colleagues has improved...growing our GP margins in a deflationary environment."



"Over the last 3 years, we have spent GBP 425 million per year on average on acquisition spend, and we have already reached a total committed spend of more than GBP 350 million, ahead of the average annual spend of only a few years ago."



"We continue to focus on operating expense control primarily in labor as personnel expense per case for delivery and warehouse workers were down YOY, driven by improvements in lower contract labor costs and stable overtime expense."



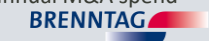
"We purchased 5 businesses since the start of the fiscal year, bringing in approximately \$330 million of incremental annualized revenue. Our deal pipeline remains healthy, and we will continue to execute our consolidation strategy."



"Following a record number of acquisitions in 2022, our expanded development team remains very active and engaged with a robust pipeline of targets, and we expect to have another good acquisition year in 2023."



"M&A remains a key strategic pillar for us and an enabler of future growth. Given our full pipeline of potential acquisition targets, we will continue our M&A track record and are confident to reach our planned annual M&A spend of around EUR 400 million to EUR 500 million in 2023."



Confidence in 2023 Outlook

"We expect to have better cost comparisons and to more tightly control those costs that we can affect in the second half of 2023. We believe we are positioned to strongly outgrow the market, particularly as the industrial cycle stabilizes and improves."



"The underlying fundamentals in the U.S. dental market remain strong and demand for dental services and customer confidence continues to improve as, of course, evidenced by the ongoing investments our customers are making in their practices."



"We are focused on profitable growth and share gains in our target customer types, by leveraging our differentiated service model, digital capabilities and unique products. We are on track to exceed our 1.5x goal for restaurant volume growth for the full year led by strong independent case growth."



"As our manufacturing customers face an aging and shrinking skilled labor workforce, our value proposition is more important than ever. Looking ahead, our competitive strengths position us well to take share and further penetrate high-growth end markets."



"Overall demand strength across our end markets, strong backlog, and overall solid order trends leads us to raise our FY 2023 guidance for adjusted EPS to a range of \$4.15 to \$4.30."



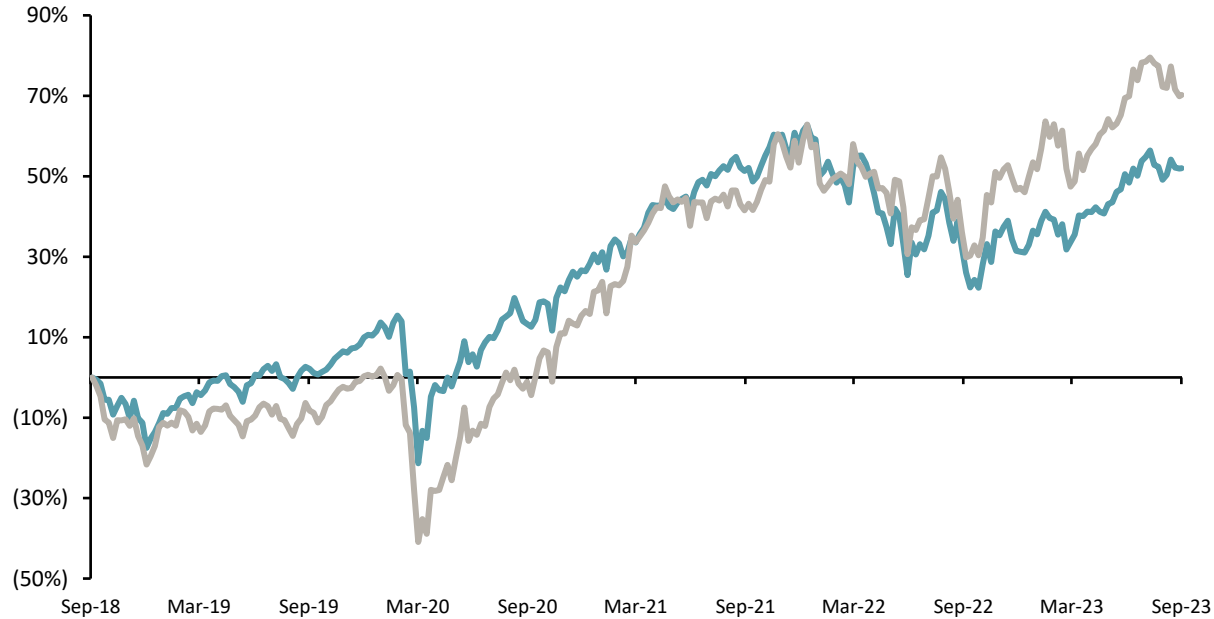
"Given our strong share gain to date and the continued supportive demand environment, we are raising the midpoint of our full year 2023 outlook by increasing the lower end of our revenue and earnings ranges. Our revised outlook includes daily sales growth of 8.5% to 11%."



Specialty Distribution Public Company Performance and Trends

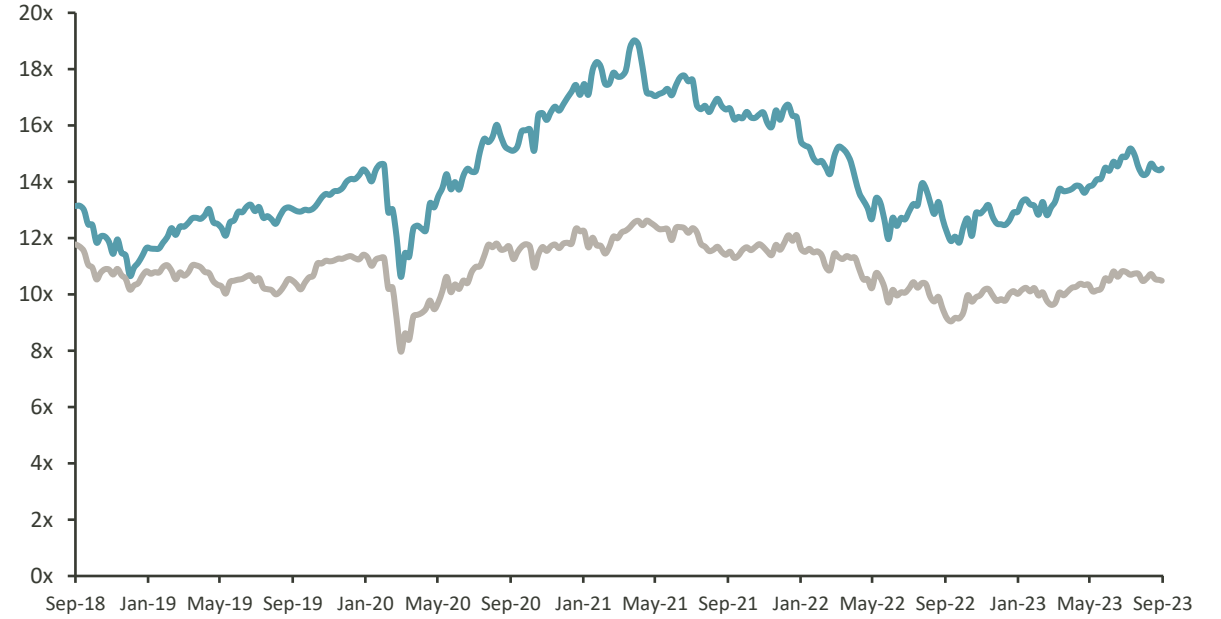
Historical Stock Prices – Last 5 Years^{1,2}

Indexed stock price performance for the period September 2018-September 2023



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

Median TEV/LTM EBITDA multiples for the period September 2018-September 2023



S&P 500 Index

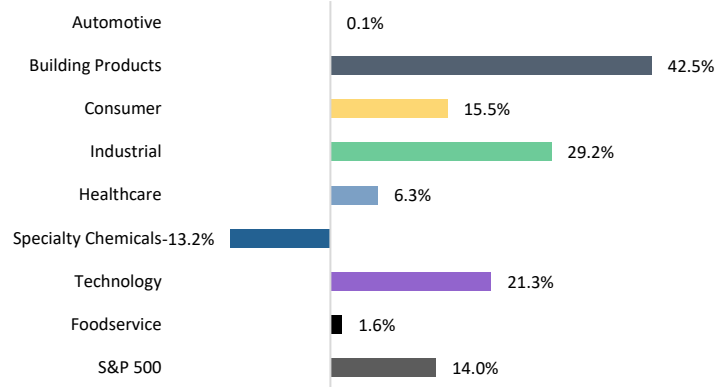
Specialty Distribution Index

Representative Key Public Comparables²

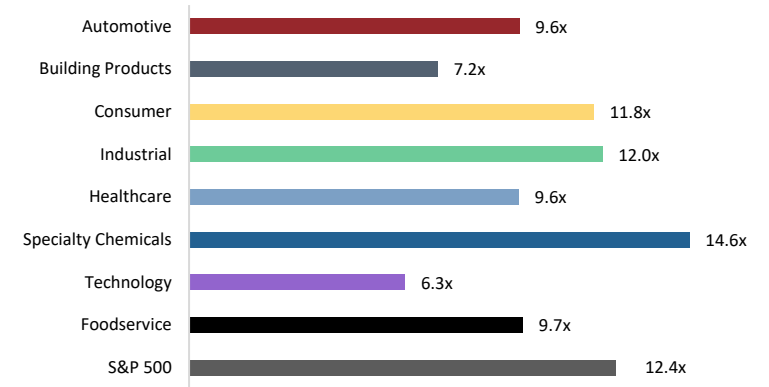


Specialty Distribution Public Company Performance and Trends (Cont.)

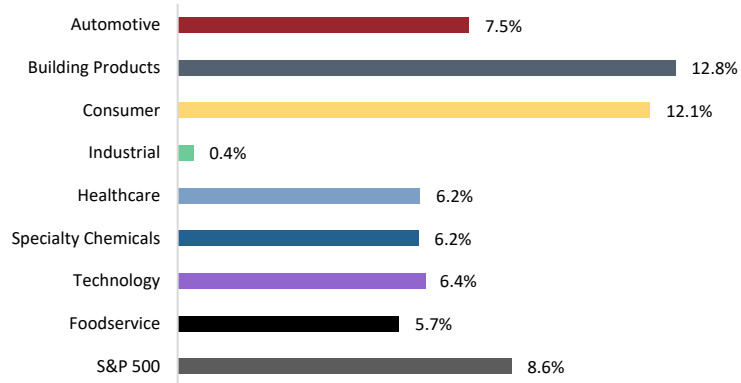
12-Month Change in Stock Price^{1,2}



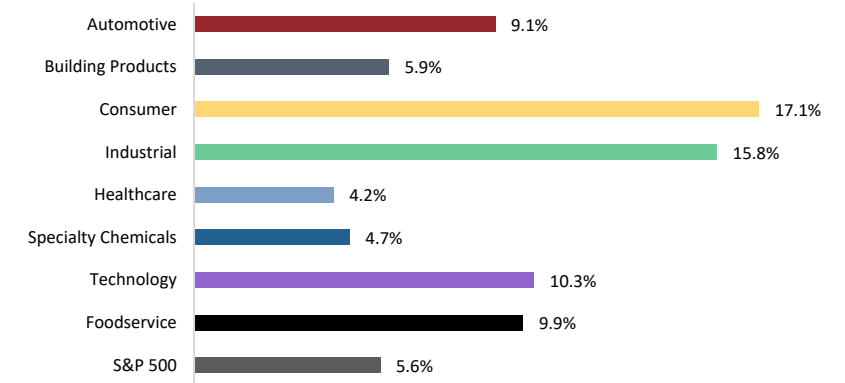
Median TEV / 2023E EBITDA Multiple^{1,2}



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

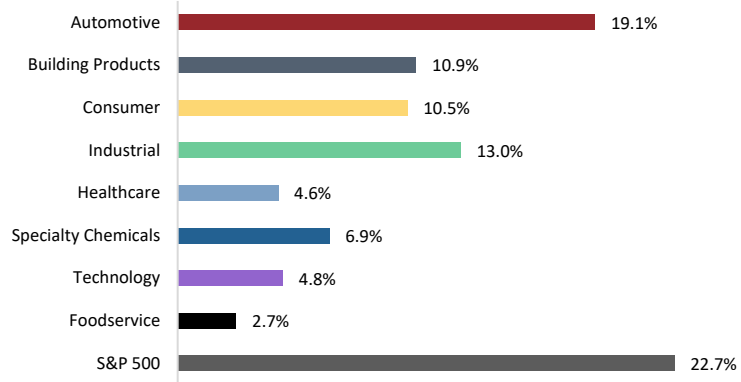


Median LTM Revenue Growth^{1,2}

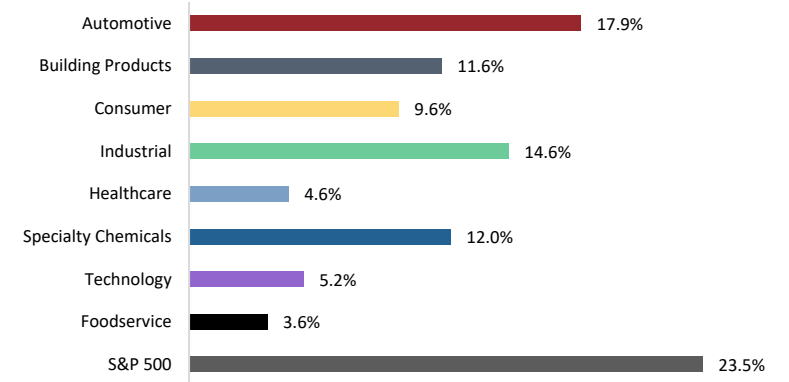


Specialty Distribution Public Company Performance and Trends (Cont.)

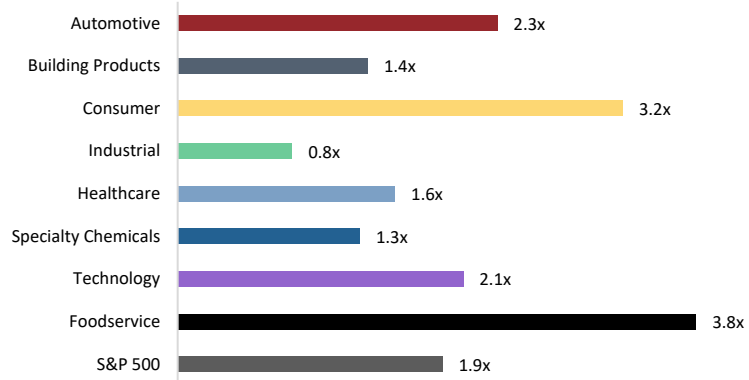
Median EBITDA Margin (2020 — 2023)^{1,2}



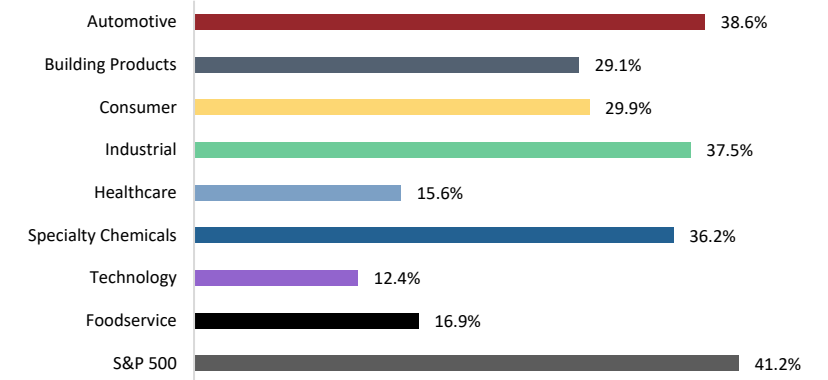
Median LTM EBITDA Margin^{1,2}



Net Debt / LTM EBITDA^{1,2}

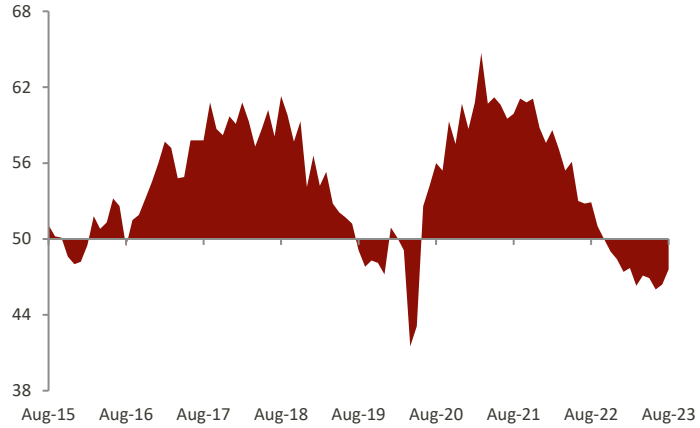


Median LTM Gross Margin^{1,2}

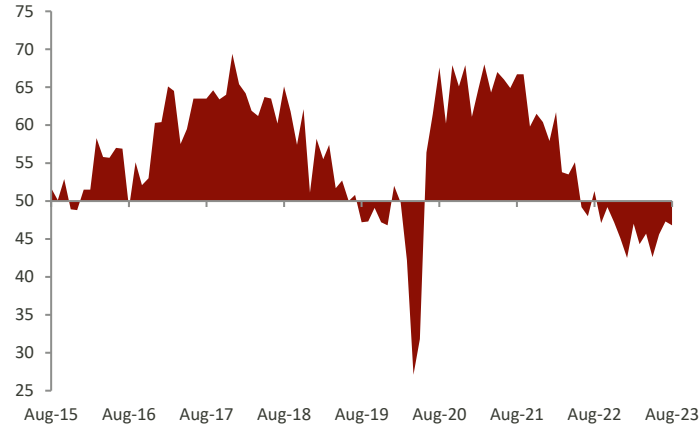


Economic Trends

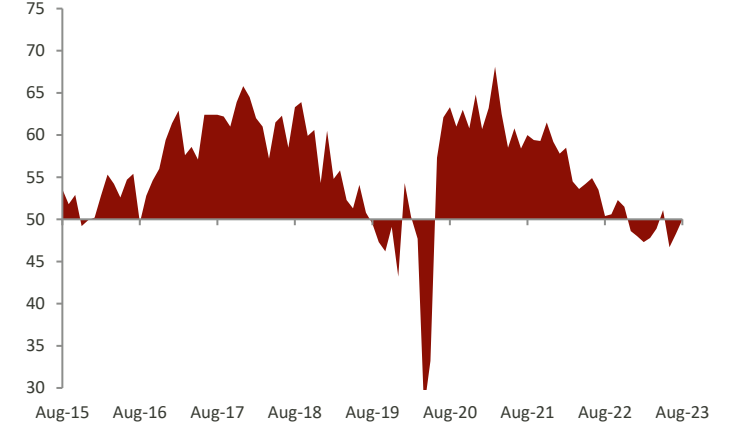
PMI Index¹



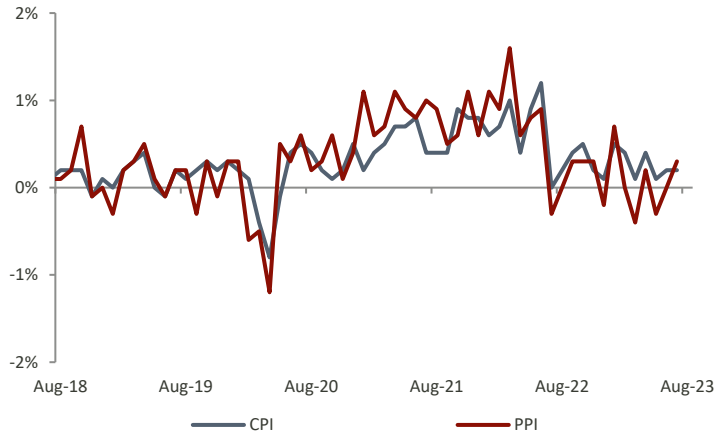
ISM New Orders Index¹



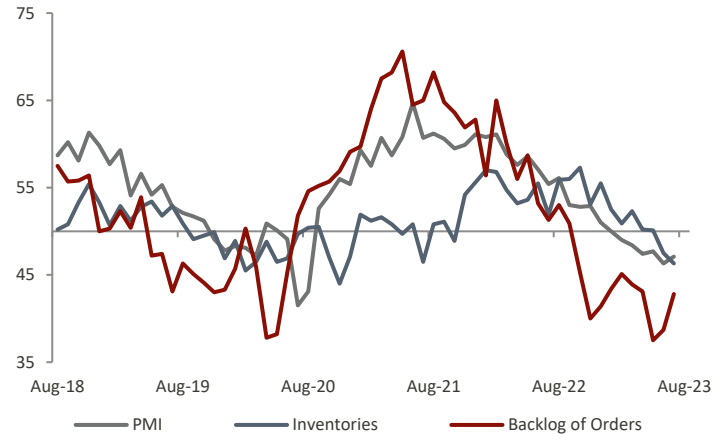
Production Index¹



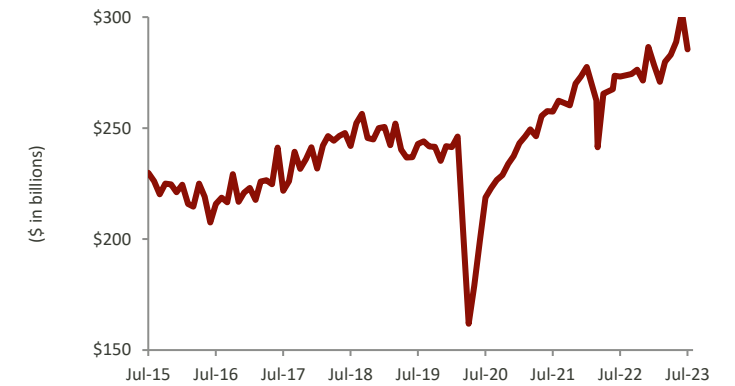
CPI & PPI Index (% Change)²



Manufacturing Inventories & Backlog¹



Durable Goods New Orders³



Recent Specialty Distribution Transactions Detail

Date	Target	Business Description	Acquirer(s)
Pending	Veritiv (NYSE: VRTV)	Distributor of packaging, publishing, and hygiene products	Clayton, Dubilier & Rice
Pending	Envoy Solutions	Distributor of foodservice disposables, janitorial sanitation, and industrial packaging products	BradyIFS (Kelso & Warburg Pincus)
8/30/2023	Regal Chemical Company	Wholesale distributor of professional agronomics products serving the golf, commercial and residential land care, sports field, and nursery markets	SiteOne Landscape Supply (NYSE:SITE)
8/29/2023	Pioneer Landscape Centers	Wholesale distributor of hardscapes and landscape supply products, including bulk materials, decorative rock, pavers, artificial turf, and supporting products	SiteOne Landscape Supply (NYSE:SITE)
8/28/2023	Timothy's Center for Gardening	Wholesale distributor of hardscapes, nursery products, and bulk materials	SiteOne Landscape Supply (NYSE:SITE)
8/28/2023	New England Silica	Wholesale distributor of hardscapes products such as stone, paver, and retaining wall	SiteOne Landscape Supply (NYSE:SITE)
8/22/2023	Trajus Surfaces	Distributor of engineered quartz and natural stone products	International Designs Group LLC (Mill Point Capital LLC)
8/21/2023	The Ohio & Michigan Paper Company	Distributor of industrial and janitorial products	Imperial Dade (Bain Capital and Advent International)
8/21/2023	Ultimation Industries LLC	Direct-to-user distributor of conveyor solutions serving the automotive, food processing, vertical farming, warehousing, fulfillment, and delivery industries	Motion & Control Enterprises (Frontenac)
8/08/2023	CanSource	Distributor of can packaging and related services to the craft beer, wine, spirits, and non-alcoholic beverage markets	TricorBraun (Ares & Ontario Teachers' Pension Plan)
8/02/2023	The Kennedy Companies	Distributor of piping and related water, storm, sewer, and erosion control products	Ferguson
8/02/2023	Bruce Supply Corp	Plumbing distributor that serves commercial, mechanical, residential, HVAC, and fire and fabrication contractors	Ferguson
8/02/2023	S.G. Torrice	Distributor of HVAC equipment, parts, and supplies	Ferguson
8/01/2023	Quintana Supply	Cleanroom, packaging, and industrial products provider	Thomas Scientific (Broad Sky Partners)
8/01/2023	All American Vinyl Siding Supply	Distributor of vinyl and aluminum building products	Beacon Roofing Supply, Inc. (NASDAQ: BECN)
8/01/2023	Apache Group	Distributor of foodservice packaging products	Imperial Dade (Bain Capital and Advent International)
7/31/2023	General Machinery	Distributor of hardware and fastener products including lawn tools, hilts, dap products, hand tools, blades and saws, safety gear, batteries, chains, and hooks	Fastener Supply Company
7/24/2023	Continental Auto Parts	Warehouse distributor of aftermarket collision automotive parts primarily to collision centers	Kinderhook Industries
7/18/2023	GME Supply	Distributor of critical worker safety and productivity supplies to field-deployed technicians in multiple infrastructure end markets	Incline Equity Partners
7/25/2023	Safety Max Corporation	Distributor of safety supplies, workplace safety, first aid, and fire extinguisher products	ASA Safety Supply (Trivest Partners)
7/27/2023	Specialty Products & Insulation (SPI)	Installer and distributor of insulation and building material products	TopBuild Corp. (NYSE:BLD)
7/11/2023	Crossroads Roofing Supply	Distributor of residential and commercial roofing products	Beacon Roofing Supply, Inc. (NASDAQ: BECN)
7/07/2023	Atlantis Packaging	Distributor of industrial products	Imperial Dade (Bain Capital and Advent International)
7/05/2023	Applied Gas, Inc.	Specializes in multi-component hydrocarbon gas mixtures used to calibrate analytical instrumentation at petrochemical plants producing olefins	Meritus Gas Partners (AEA Small Business Fund)

Harris Williams Specialty Distribution Experience

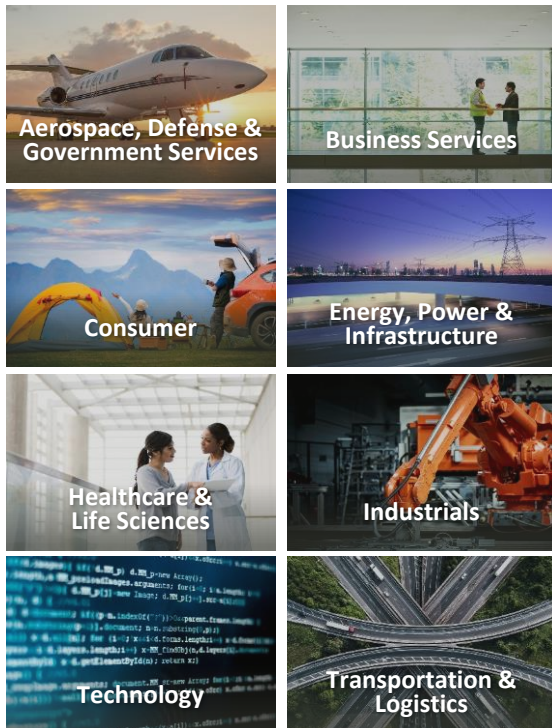
Select Specialty Distribution Experience

<p>Pending</p> <p>BradyIFS a portfolio company of KELSO is merging with ENVOY a subsidiary of FEMSA with an equity investment from WARBURG PINCUS</p>	<p>MIDLAND INDUSTRIES a portfolio company of WC WYNNBERGH CAPITAL has been acquired by GEMSPRING</p>	<p>GME Supply Co a portfolio company of PLATEAU RIVER ENERGY 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>sarnova a portfolio company of PATRICIA INDUSTRIES a part of Investor AB has acquired ALLIED 100 LLC a portfolio company of Ridgemont EQUITY PARTNERS</p>	<p>chs a portfolio company of CORTEC Group has been acquired by FLEXPOINT FORD</p>	<p>JM SWANK a portfolio company of Platinum Equity 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 ASSOCIATION</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 IFS INDIVIDUAL FOODSERVICE SERVICE a portfolio company of KELSO INVESTMENT SERVICES</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 PARTNERS</p>	<p>HIGHLINE Aftermarket a portfolio company of THE STERLING GROUP has been acquired by PRITZKER PRIVATE CAPITAL</p>	<p>parts Authority Auto Parts Super Stores a portfolio company of THE JORDAN COMPANY has been acquired by KOHLBERG & COMPANY</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 PARTNERS</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>SRS Distribution a portfolio company of Berkshire Partners has been acquired by LGP</p>	<p>Ryan Herco Flow Solutions a portfolio company of GREENBRIAR EQUITY GROUP LLC has been acquired by SUNSOURCE a portfolio company of CLAYTON DUFFIELD & CO.</p>	<p>Keg Logistics a portfolio company of BregalSagemount has been acquired by SEAPORT CAPITAL</p>	<p>WOMACK ELECTRIC SUPPLY has been acquired by CRESCENT ELECTRIC SUPPLY COMPANY</p>	<p>DadePaper has been acquired by Imperial Bag & Paper a portfolio company of Andax Group</p>	<p>TRICORBRAUN a portfolio company of chs capital has been acquired by AEA</p>

HW Harris Williams / GLOBAL INVESTMENT BANK

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Deep Industry Experience



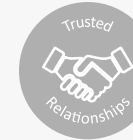
Proven Expertise

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

<p>Pending</p> <p>Brady IFS a portfolio company of KELSO is merging with ENVOY a subsidiary of FEMSA with an equity investment from WARBURG PINCUS</p>	<p>MIDLAND INDUSTRIES a portfolio company of WC WYNNBURCH CAPITAL has been acquired by GEMSPRING</p>	<p>GME Supply Co a portfolio company of PLATTE 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>
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Sources & Disclaimers

Sources

Public Comparable Companies: (Pages 3-5)

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, ADENTRA (FKA Hardwoods Distribution)

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, MSC Industrial, Applied Industrial Tech, MRC Global, SPX Corp., NOW, DXP Enterprises

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

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

Technology: Arrow Electronics, Rexel, TD SYNEX Corp., Avnet, WESCO International, ScanSource

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

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