

Specialty Distribution

INDUSTRY UPDATE | June 2021



What We're Doing

DEAL SNAPSHOT – NETWORK WIRELESS SOLUTIONS (NWS)



has been acquired by



COMPANY OVERVIEW

NWS is a full-service materials, logistics, warehousing and kitting company serving the wireless industry since 2012. It has the ability and the experience to deliver equipment and support to carriers, project managers and general contractors when they need it—even the very next day. The company is a leading supplier for T-Mobile nationally and AT&T regionally, providing complete cabling kit solutions and other components and equipment. Crucially, it delivers these products through a highly dependable and responsive logistics operation that warehouses, kits, and delivers the products direct to the cell tower site. Fast, accurate, and dependable delivery of products is crucial to avoid costly delays to the massive and ongoing installation and upgrade of customer networks as NWS rolls out 5G infrastructure. Harris Williams recently advised NWS on its sale to Grain Management.

What made NWS especially attractive?

Bob Baltimore: “We continue to see investor interest in specialty distribution platforms, especially for top-quality companies like NWS. It was a pleasure working with the NWS team on this transaction, and we look forward to seeing the company continue to capitalize on its success during this next chapter of growth.”

Graham Gillam: “NWS is recognized throughout the telecommunications sector for its exceptional customer service, unmatched quality, and ability to quickly distribute custom cabling and materials to telecommunication customers—capabilities critical to the ongoing 5G build-out across the industry, that have underpinned the company’s growth and are hallmarks of world-class distribution businesses.”

Harris Williams Advises Network Wireless Solutions



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DEAL SNAPSHOT – CANADIAN HOSPITAL SPECIALTIES (CHS)



a portfolio company of



has been acquired by



COMPANY OVERVIEW

Canadian Hospital Specialties Ltd. (CHS) engages in the distribution of medical and surgical supplies. Its products include anesthesia, nursing, gastrointestinal, surgical and operating room, interventional radiology, diagnostic imaging, neonatal intensive care unit, critical care, IV and vascular access supplies. Harris Williams recently advised CHS, a portfolio company of Cortec Group, on its sale to Flexpoint Ford, LLC.

What makes CHS a particularly attractive asset?

Graham Gillam: “CHS had a unique competitive position relative to larger and smaller distributors: national scale and a full suite of products combined with truly hands-on customer and vendor relationships. In addition, it was able to get ahead of—and drive—the shift in Canadian healthcare toward the use of more disposable products. CHS helped convert the market and then capitalized on the recurring demand that comes from this shift. In recent years, around 90% of CHS’s revenue has come from single-use products.”

Chairs Porter: “The team also focused on being true partners with their customers and vendors and on delivering customized service. Its clinical sales force included 70 people who were able to help healthcare providers and hospitals find the solutions they need. This support went beyond delivering products. Not only could the team source hard-to-find items, but they also created proprietary kits that addressed customers’ specific clinical needs.”

Deal Snapshot: Canadian Hospital Specialties

INVESTING IN THE HEALTHCARE SUBSECTOR
OF SPECIALTY DISTRIBUTION



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What We're Reading

SPECIALTY DISTRIBUTION INDUSTRY NEWS & TRENDS

In this Industry Update, we have included a collection of articles focused on economic factors and trends that are impacting the specialty distribution industry: inflation, labor shortage, and supply chain challenges. As the economy recovers in a post-pandemic environment, businesses are faced with growing concerns around inflation and how that may impact the economic recovery, labor shortages, and challenges the supply chain faces. 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 attract talent and address supply chain pain points.

LABOR SHORTAGE & INFLATIONARY CONCERNS

Will They, or Won't They Return? Addressing the Postpandemic Labor Force Deficit – Deloitte

5/27/21

“Deloitte’s forecast suggests that some people may be reluctant to return to the labor market. Employers may need to change their approach to address workers’ postpandemic concerns to navigate the labor market successfully.”

Read the full article [here](#).

Here's Why Spiking Inflation and Labor Shortages Won't Tank the Economic Recovery, According to Experts – Forbes

5/25/21

“Spiking inflation, disappointing jobs gains and shortages of labor and commodities have investors wringing their hands over the state of the economy and the seemingly growing risk of overheating, but according to Moody’s chief economist, Mark Zandi, there’s no cause for alarm.”

Read the full article [here](#).

ISM's Spring Report Says Economic Growth Will Continue Through 2021 – Modern Distribution Management

5/18/21

“The Institute for Supply Management’s (ISM) spring survey said expectations for the remainder of 2021 have strengthened somewhat compared to December as there is hope that the corner has been turned on the COVID-19 pandemic. As a result, both manufacturing and services sectors are primed for expansion the rest of the year.”

Read the full article [here](#).

SUPPLY CHAIN

Biden Administration Outlines Measures to Address Supply-Chain Issues – The Wall Street Journal

6/8/21

“The Biden administration outlined new measures Tuesday to address widespread supply-chain issues, with a goal of bringing manufacturing back to the U.S. and diversifying access to foreign-made materials such as rare-earth minerals used for batteries.”

Read the full article [here](#).

Supply Chain Strategy Interview – Industrial Distribution

6/8/21

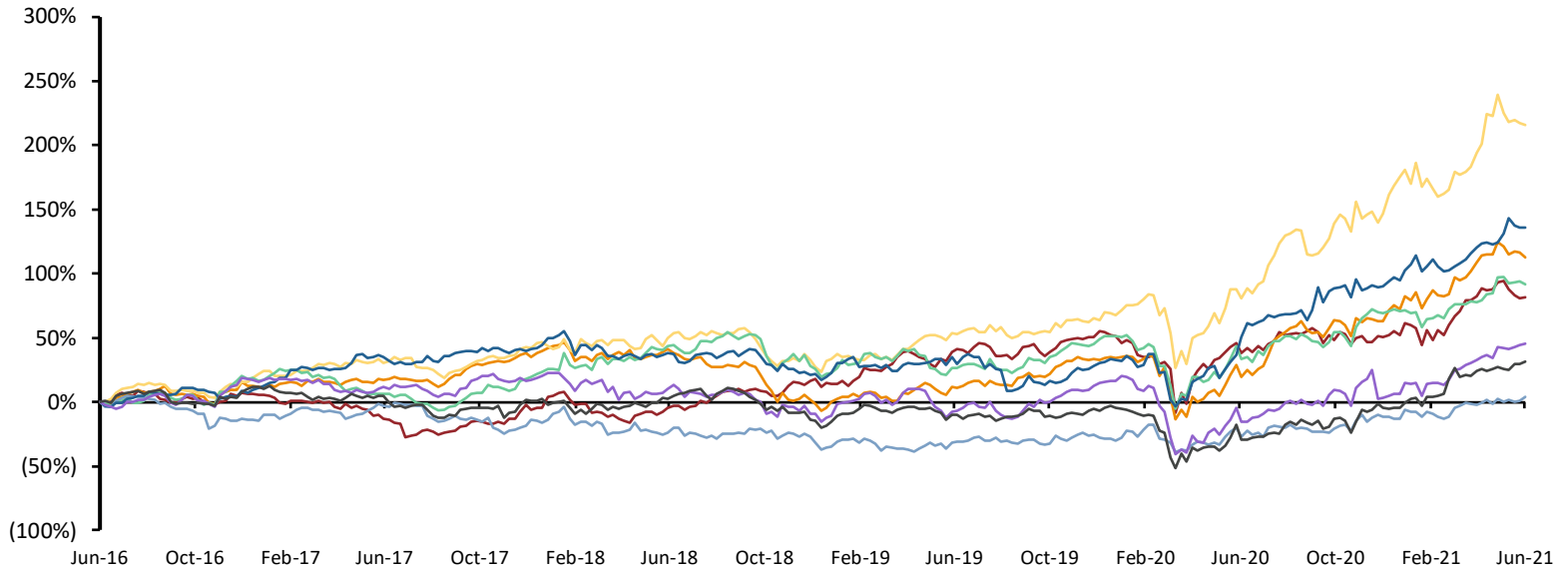
“Companies need to move from just-in-time manufacturing to a more dynamic, demand-driven supply chain that focuses on ... pre-empting pain points.

Although climbing vaccination rates and lower COVID infection numbers translate to a great deal of economic promise, the industrial sector still faces significant supply chain challenges. Whether it’s raw materials for construction projects or electronic components for consumer goods and vehicle production, manufacturers are confronted with ‘new normals’ on an almost daily basis.”

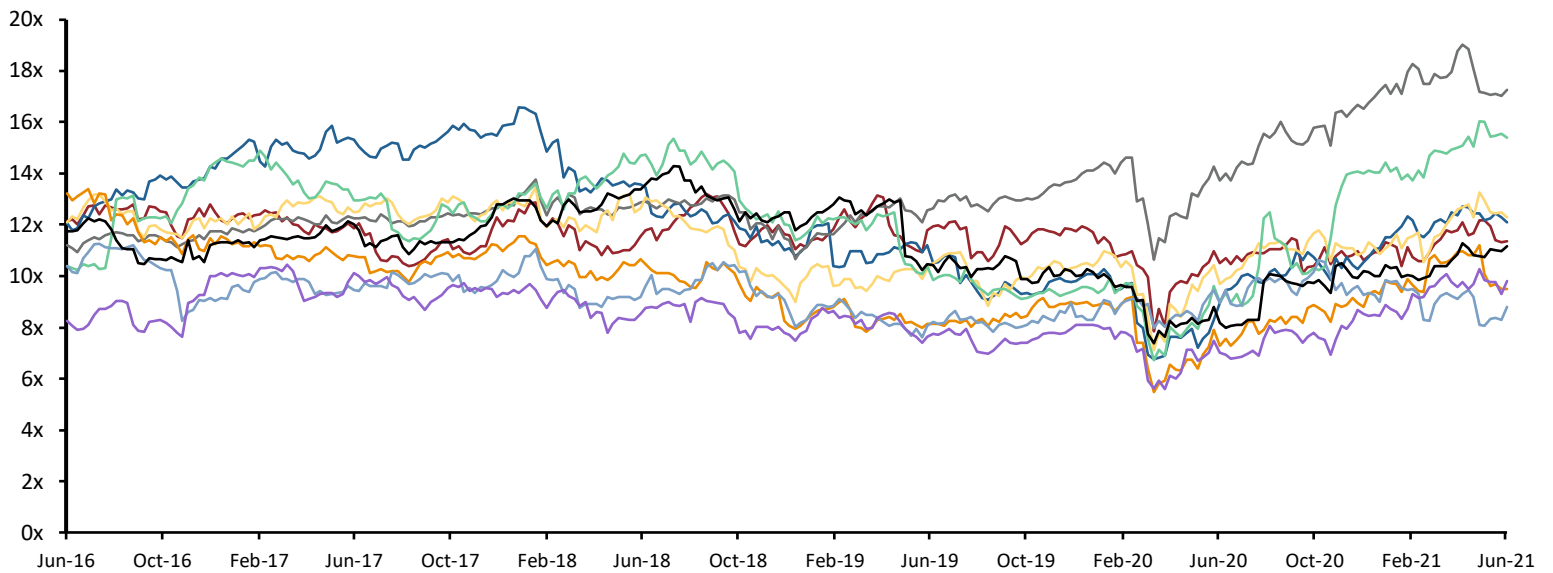
Read the full article [here](#).

Public Markets¹

HISTORICAL STOCK PRICES – LAST 5 YEARS



HISTORICAL MEDIAN TEV/LTM EBITDA MULTIPLES – LAST 5 YEARS

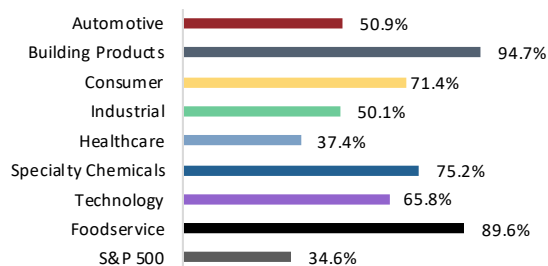


- Automotive
- Building Products
- Consumer
- Foodservice
- Healthcare
- Industrial
- Specialty Chemicals
- Technology
- S&P 500 Index

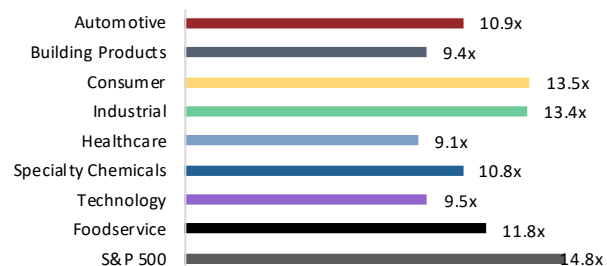
Notes: Data as of June 11, 2021. Comparable company sets listed on page 9. Sub-sector indices weighted by stock price.

Public Markets¹

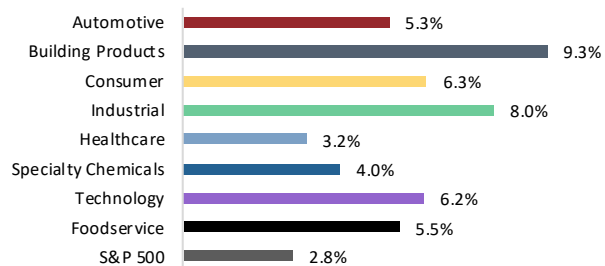
12-MONTH % CHANGE IN STOCK PRICE



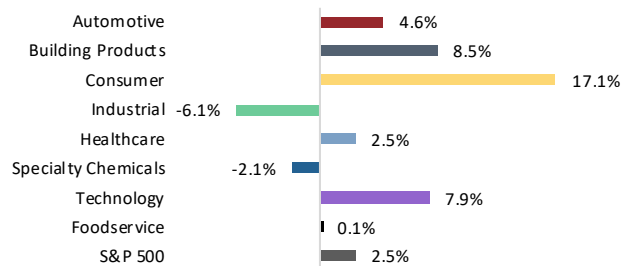
MEDIAN TEV / 2021E EBITDA MULTIPLE



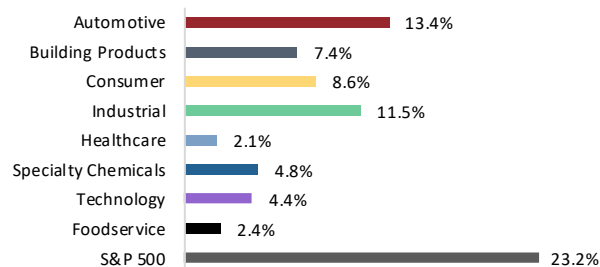
MEDIAN 3-YEAR REVENUE CAGR (2018-2021)



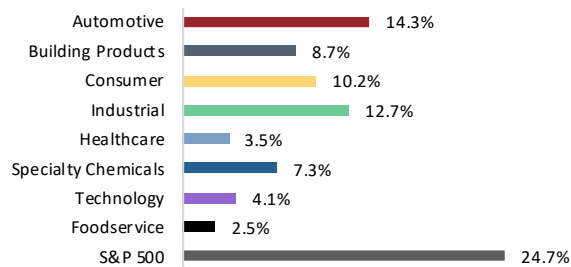
MEDIAN LTM REVENUE GROWTH



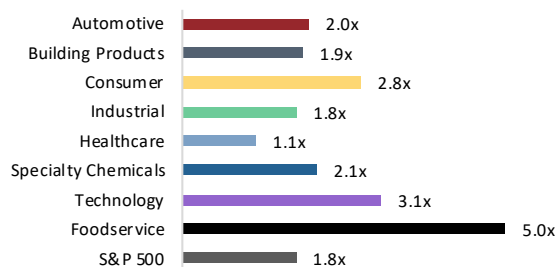
MEDIAN EBITDA MARGIN (2018-2021)



MEDIAN LTM EBITDA MARGIN

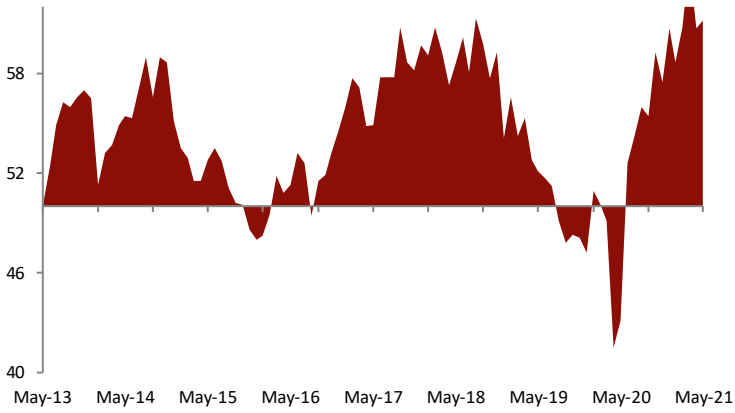


NET DEBT / LTM EBITDA

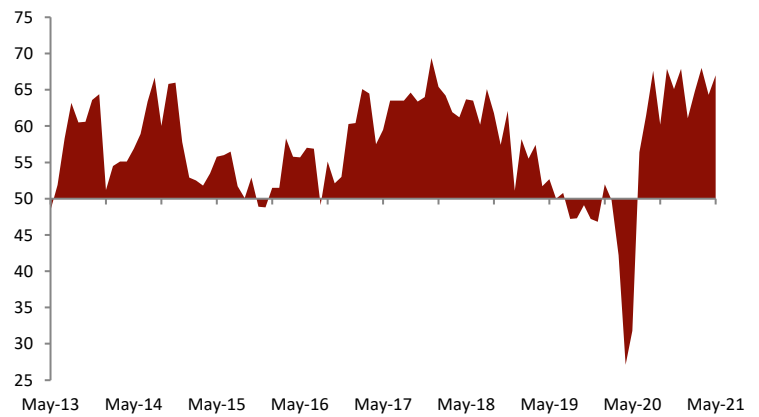


Economic Trends

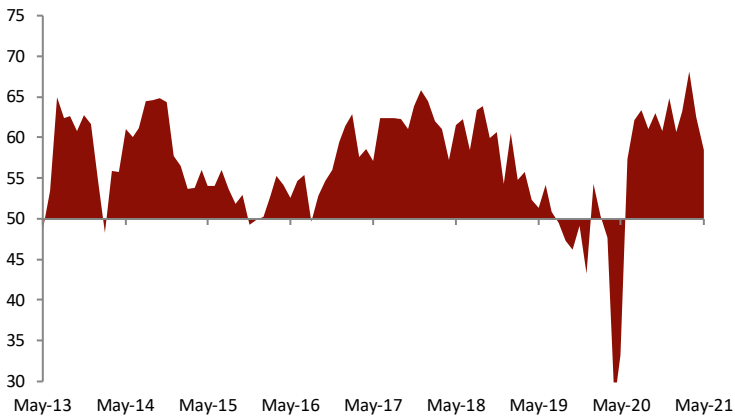
PMI INDEX⁵



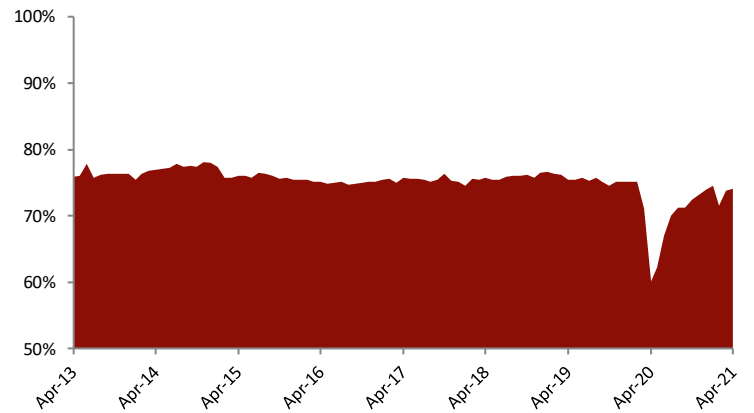
ISM NEW ORDERS INDEX⁵



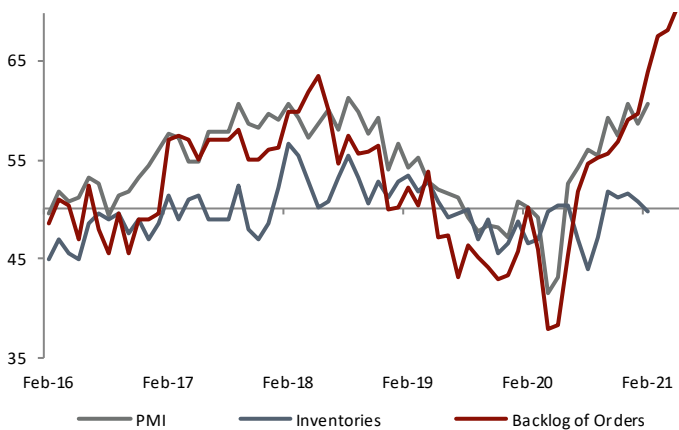
PRODUCTION INDEX⁵



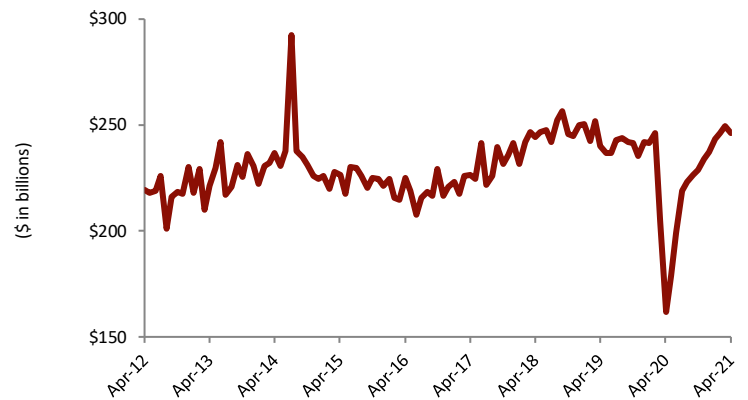
U.S. MANUFACTURING CAPACITY UTILIZATION⁵



MANUFACTURING INVENTORIES & BACKLOG⁵



DURABLE GOODS NEW ORDERS⁶



M&A Market Trends^{1,2,3}

REPRESENTATIVE SPECIALTY DISTRIBUTION TRANSACTIONS

Announced	Target	Description	Acquirer
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)
Jun-21	Network Wireless Solutions	Distributor of mission-critical materials and logistics solutions	Grain Management
Jun-21	Wm. F. Hurst Co. LLC	Distributor of metalworking tools and supplies	MSC Industrial Supply Co.
Jun-21	Moresco Distributing Company	Distributor of food service packaging	Imperial Dade (Bain Capital)
Jun-21	East Continental Supplies, LLC	Distributor of janitorial supplies and cleaning products	Imperial Dade (Bain Capital)
May-21	Tailored Foam of Florida, Inc.	Distributor of foam insulation	SEI Group (Quad-C Management)
May-21	Core-Mark	Distributor of convenience retail products	Performance Food Group
May-21	Obex Medical	Supplier of a wide range of healthcare equipment and devices	Bunzl
May-21	DecoPac	Distributor of cake decorations and related products to professional cake decorators and bakeries	Kohlberg & Company
May-21	McKenna Engineering & Equipment	Distributor, manufacturers' sales representative, fabricator, and installer of process equipment used for handling air, gas, liquids, and dry bulk solids	SemiTorr (Transom Capital)
May-21	The Mad Rose Group	Importer and distributor of fine wines and specialty foods	Incline Equity Partners
May-21	Geo. Schofield	Hardscapes distributor with a focus on natural stone	Outdoor Living Supply (Trilantic North America)
May-21	Alpha Systems	Manufacturer and distributor of component products and accessories mainly for recreational vehicles	Patrick Industries
May-21	NWI Enterprises	Provider of branded specialty hardware for outdoor residential applications, including fence and gate hardware, railing systems, and perimeter security	PrimeSource Building Products (Clearlake Capital)
Apr-21	Wholesale Supplies Plus	Distributor of raw materials, supplies, and packaging used in the production of personal care products	Two Sigma Impact / Avance Investment Management
Apr-21	Dayton Appliance Parts Company	Distributor of original equipment manufacturer (OEM) repair and maintenance residential appliance parts	Parts Town (Berkshire Partners)
Apr-21	Canadian Hospital Specialties	Distributor and manufacturer of medical and surgical products	Flexpoint Ford
Apr-21	AFC Industries	Distributor of fasteners and other C-parts and supply chain management services to OEMs	Bertram Capital Management
Apr-21	Glass Line	Supplier of glass and metal packaging specializing in the food and beverage end markets	Berlin Packaging
Apr-21	Calpine Containers	Distributor of agriculture packaging solutions	Rainier Partners
Apr-21	API of NH and Delta T	Distributor of heating, ventilation, and air-conditioning (HVAC) products with a hydronic and geothermal distribution center and two sheet metal manufacturing warehouses	Munch's Supply (Ridgemont Equity Partners)
Apr-21	Temperature Equipment Corporation	Distributor of HVAC equipment	Watsco, Inc.
Apr-21	Allegheny Pipe & Supply	Distributor of industrial pipe, valves, and fittings	Winsupply, Inc.
Apr-21	Jacks Small Engines	Retailer of replacement parts for all major brands of engines, tools, and power equipment	Northern Tool + Equipment Company
Apr-21	Foley Lumber / Milaca Building Center	Builder and building materials supplier	American Construction Source (Angeles Equity / Clearlake Capital)
Apr-21	Dalco Enterprises	Distributor of janitorial supplies	Imperial Dade (Bain Capital)
Apr-21	Rich & Rhine Wholesale	Wholesale convenience store distributor	Harbor Wholesale
Apr-21	Carters Packaging Limited	Distributor of protective packaging products	Macfarlane Group
Apr-21	Bell Equipment	Provider of environmental and waste management equipment for sale and rental	MacQueen Equipment (Rotunda Capital)
Mar-21	Houston Wire & Cable Company	Distributor of specialty wire and cable and related services in the electrical distribution market	Omni Cable (Dot Family Holdings)
Mar-21	Discount Drainage Supplies	Distributor of drainage and construction products, including culvert pipes, PVC piping, and septic supplies	Winsupply, Inc.

Specialty Distribution Practice Overview

HW Harris Williams / GLOBAL M&A ADVISER

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 AREAS

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

SELECT RECENT SPECIALTY DISTRIBUTION TRANSACTIONS

 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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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 June 11, 2021.

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