

Distribution Q1 2021



Market Insights

Financial markets remained strong in the first quarter of 2021, building upon record highs reached at the end of 2020. In the public markets, the Dow Jones Industrial Average rose 8% above its close on December 31, 2020, while the S&P 500 index increased more than 5% for the quarter. Strength in public equities was underpinned by a widespread rebound in the economy, with GDP rising a seasonally adjusted 6.4%. The approval and rollout of multiple COVID-19 vaccines, coupled with dropping infection and mortality rates, have boosted consumer optimism. Simultaneously, the easing of lockdown restrictions has begun to release pent-up demand, which is driving growth across numerous sectors of the economy. These macroeconomic conditions, along with low interest rates and high levels of investment capital seeking deployment, have also driven strength in the private markets, leading to high mergers and acquisitions (M&A) transaction volume across the board.

M&A announced deal volume in North America increased quarter-over-quarter in both Q3 and Q4 last year, and Q1 2021 sustained that trend: 1,928 deals announced in the first three months of this year, 9% greater than the count of 1,771 for Q4 2020 and 5% greater than the count of 1,843 for Q1 2020. The adjusted average EBITDA multiple in Q1 remained high at 16.2x (across various business models, industries and end markets). Businesses that performed well during the early months of the COVID-19 pandemic – mainly late Q1 and Q2 2020 – have continued to garner the most intense buyer interest and highest valuations in 2021, although the overall deal mix in terms of business quality has returned to pre-COVID-19 norms. Unlike the M&A market in late 2020, which was characterized by deals involving “pandemic-proof” businesses, the 2021 deal slate will be larger and include businesses that required additional time to demonstrate recovery and/or implemented long-lasting business model changes to compete in the post-COVID-19 world. Nevertheless, seller-friendly M&A market conditions and looming changes to the tax code, and specifically taxation on capital gains, will continue to drive high levels of M&A throughout 2021.

In the distribution sector, M&A volume remained steady in Q1 2021 with 67 North American M&A transactions announced, comparing favorably to the 54 distribution deals announced in Q1 2020 and maintaining the high activity levels seen in Q4 2020 (74 distribution deals). The sustained high levels of M&A in distribution have been particularly remarkable considering the sector’s complex mix of both headwinds (stay-at-home orders and attendant changes in consumer behavior, manufacturing slowdowns due to COVID-19, global supply chain disruptions impacting various product categories and end markets, etc.) and tailwinds (increased focus on commercial hygiene and safety, ramp-up in demand for numerous consumer and industrial product categories, gradual reopening of the economy) over the last several quarters, creating a tumultuous operating environment that distribution businesses must continue to navigate. Distribution M&A in Q1 2021 extended the trends seen in 2020 as consolidators in the building materials, residential goods, industrial supplies, jan/san and safety products sectors capitalized on surging home improvement spending during stay-at-home orders as well as broad-based increased focus on safety and cleanliness. Major industry acquirers, such as Würth Group (ORR Safety and Atlantic Fasteners), SRS Distribution (Louis T. Ollesheimer & Son and J.B. Wholesale), Applied Industrial Technologies (Gibson Engineering), PPG (Wörwag and VersaFlex) and Bunzl (Deliver Net, Disposable Discounter and Pinnacle), led the way in this regard alongside major private equity groups, such as Kinderhook Industries (Cameron Wire & Cable), KKR (Flow Control Group) and American Securities (Foundation Building Materials).

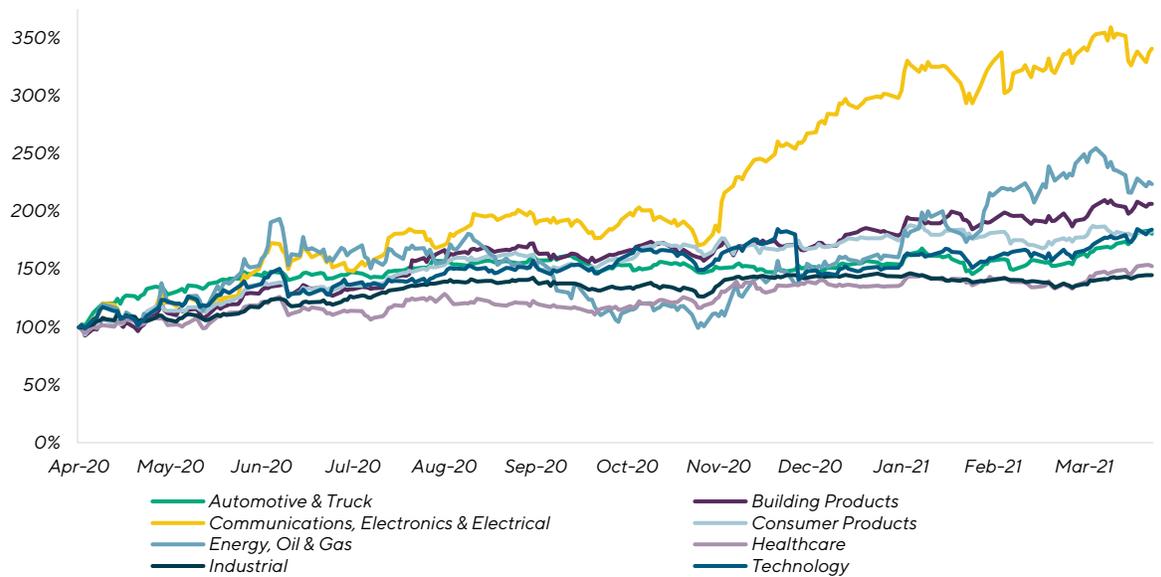
The remainder of 2021 promises to extend the momentum of late 2020 and deliver another strong year for distribution businesses, which will sort out the temporary disruptions seen in 2020, fulfill pent-up demand and put the volatility caused by COVID-19 further in the rearview mirror. Meanwhile, strategic buyers continue to seek growth via acquisition, private equity sponsors are competing for attractive platforms and lenders are seeking to deploy capital. With these supportive macroeconomic factors and significant backlog remaining after Q1 2021, transaction volume is expected to grow through the remainder of the year and sellers of distribution businesses will find a receptive and highly active market.

Lincoln welcomes the opportunity to discuss your company’s strategic alternatives and how to think about the right timing for a process given business momentum and the market dynamics or the distribution market more generally.

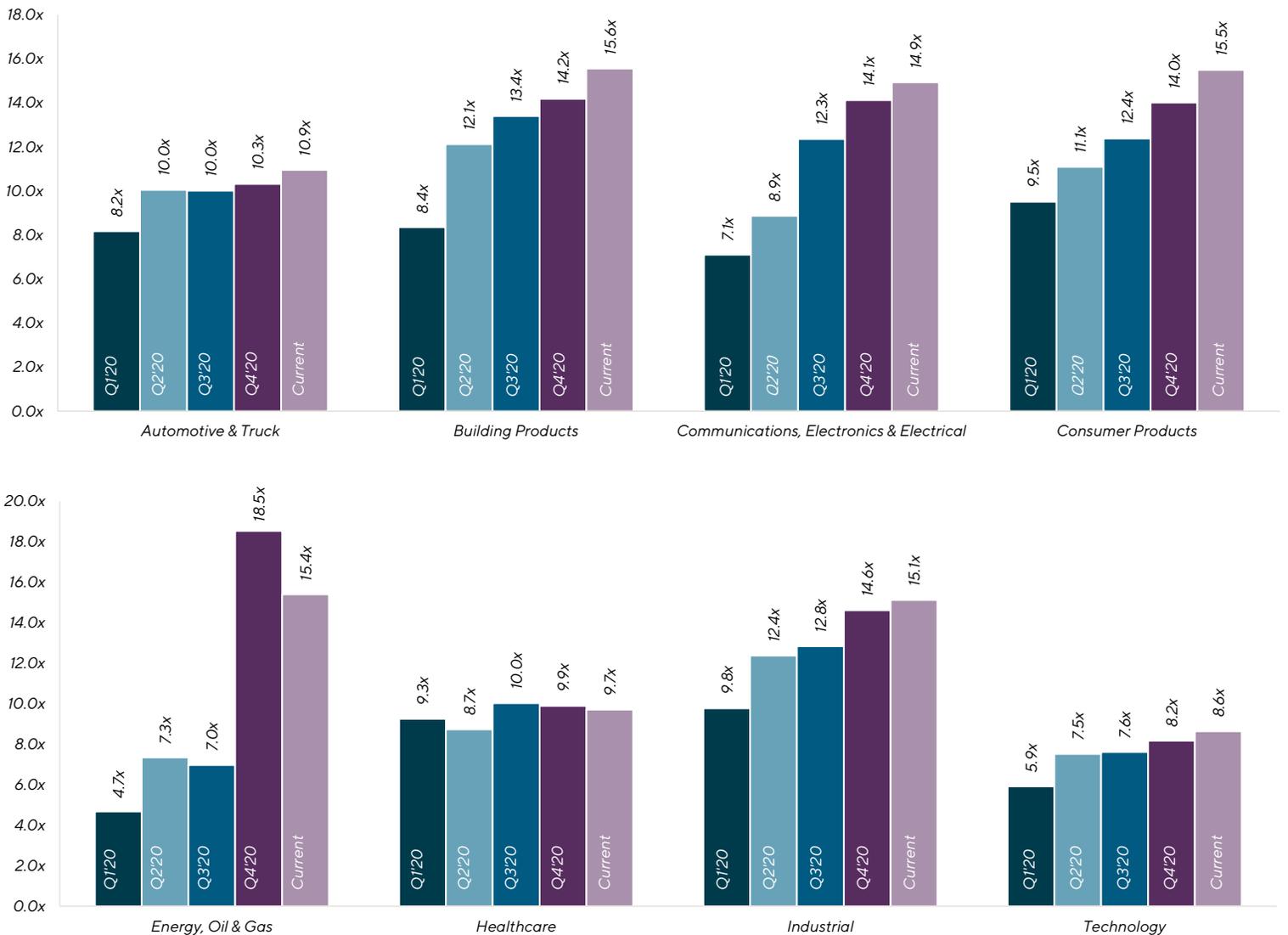
Index Performance

Lincoln's distribution index recorded a gain of 11.4% in Q1 2021 vs. Q4 2020. Energy, oil & gas (36.8%), technology (23.7%), automotive & truck (16.7%), communications, electronics & electrical (13.1%) and healthcare (12.8%) outpaced the index, while building products (10.7%), consumer products (10.7%), consumer products (1.6%) and industrial (1.6%) lagged the index.

Distribution Index - LTM Relative Stock Price Performance



Distribution Index - Historical EV / EBITDA Valuation Performance



Comparable Public Companies

Company Name	Stock Price	% of 52		Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
		Week High	Market Cap		Revenue	EBITDA			Revenue	EBITDA
Automotive & Truck										
AutoZone, Inc.	\$1,404.30	97.1%	\$30,946	\$38,347	\$13,390	\$3,137	10.9%	23.4%	2.9x	11.0x
Genuine Parts Company	115.59	97.3%	16,692	19,452	16,537	1,275	(14.7%)	7.7%	1.2x	12.3x
LKQ Corporation	42.33	94.3%	12,801	16,877	11,629	1,348	(7.0%)	11.6%	1.5x	9.6x
O'Reilly Automotive, Inc.	507.25	99.0%	35,461	41,119	11,604	2,737	14.3%	23.6%	3.5x	13.3x
Uni-Select Inc.	7.21	83.4%	306	754	1,472	59	(15.4%)	4.0%	0.5x	8.7x
Building Products										
Beacon Roofing Supply, Inc.	\$52.32	94.0%	\$3,631	\$6,610	\$7,105	\$509	0.7%	7.2%	0.9x	10.3x
Builders FirstSource, Inc.	46.37	97.1%	9,572	11,054	8,559	660	17.6%	7.7%	1.3x	14.5x
CRH plc	46.91	97.5%	36,879	43,438	27,587	3,921	(2.2%)	14.2%	1.6x	11.1x
Ferguson plc	119.41	91.1%	26,733	29,017	22,235	1,910	0.5%	8.6%	1.3x	13.3x
SiteOne Landscape Supply, Inc.	170.74	93.8%	7,573	8,094	2,705	245	14.7%	9.0%	3.0x	25.8x
Watsco, Inc.	260.75	98.0%	9,168	9,532	5,055	416	6.0%	8.2%	1.9x	18.4x
Communications, Electronics & Electrical										
Electrocomponents plc	\$13.68	96.3%	\$6,427	\$6,587	\$2,436	\$247	1.5%	10.1%	2.5x	23.0x
Rexel S.A.	19.84	99.0%	6,020	8,777	15,404	682	(0.1%)	4.4%	0.6x	10.2x
WESCO International, Inc.	86.53	90.9%	4,341	9,326	12,326	639	47.5%	5.2%	0.8x	11.6x
Consumer Products										
Bunzl plc	\$32.00	85.7%	\$10,677	\$13,088	\$13,805	\$1,099	11.8%	8.0%	0.9x	10.1x
Core-Mark Holding Company, Inc.	38.69	96.1%	1,747	2,328	13,617	161	2.2%	1.2%	0.2x	10.7x
Pool Corporation	345.24	86.0%	13,863	14,465	3,937	500	23.0%	12.7%	3.7x	24.9x
SpartanNash Company	19.63	82.0%	709	1,501	9,348	218	9.5%	2.3%	0.2x	6.9x
Sysco Corporation	78.74	93.8%	40,190	48,834	45,902	1,538	(24.1%)	3.4%	1.1x	29.1x
United Natural Foods, Inc.	32.94	79.6%	1,854	5,491	27,347	742	11.5%	2.7%	0.2x	4.7x
US Foods Holding Corp.	38.12	92.5%	8,428	14,310	22,885	544	(11.8%)	2.4%	0.6x	23.5x
Energy, Oil & Gas										
DXP Enterprises, Inc.	\$30.17	83.9%	\$582	\$840	\$1,005	\$37	(20.7%)	3.7%	0.8x	13.9x
MRC Global Inc.	9.03	90.3%	747	1,590	2,560	56	(30.1%)	2.2%	0.6x	16.9x
NOW Inc.	10.09	84.2%	1,109	775	1,619	(20)	(45.1%)	(1.2%)	0.5x	n/a
Healthcare										
Cardinal Health, Inc.	\$60.75	96.5%	\$17,840	\$20,840	\$156,452	\$2,747	4.5%	1.8%	0.1x	7.6x
Henry Schein, Inc.	69.24	92.5%	9,851	11,396	10,119	732	1.3%	7.2%	1.1x	13.7x
McKesson Corporation	195.04	98.3%	31,044	38,673	237,621	4,056	5.6%	1.7%	0.2x	7.7x
Owens & Minor, Inc.	37.59	95.3%	2,763	3,877	8,480	324	(7.9%)	3.8%	0.5x	9.8x
Industrial										
Air Liquide S.A.	\$163.50	96.4%	\$77,145	\$91,560	\$25,058	\$6,615	1.9%	26.4%	3.8x	13.8x
Applied Industrial Technologies, Inc.	91.17	95.2%	3,534	4,092	3,055	275	(11.7%)	9.0%	1.3x	14.9x
Fastenal Company	50.28	96.9%	28,878	29,282	5,647	1,303	5.9%	23.1%	5.2x	20.2x
MSC Industrial Direct Co., Inc.	90.19	97.7%	5,034	5,534	3,141	429	(6.4%)	13.6%	1.8x	12.2x
W.W. Grainger, Inc.	400.93	93.7%	20,985	23,281	11,797	1,526	2.7%	12.9%	2.0x	14.5x
Technology										
Arrow Electronics, Inc.	\$110.82	98.5%	\$8,268	\$10,541	\$28,673	\$1,101	(0.8%)	3.8%	0.4x	8.9x
Avnet, Inc.	41.51	97.7%	4,128	5,277	17,861	355	(3.7%)	2.0%	0.3x	11.7x
ScanSource, Inc.	29.95	87.8%	762	879	2,949	84	(23.4%)	2.9%	0.3x	9.6x
SYNNEX Corporation	114.84	69.7%	5,875	6,064	25,534	1,376	7.4%	5.4%	0.2x	4.4x
Mean		92.4%					(0.7%)	8.0%	1.3x	14.5x
Median		94.3%					1.3%	7.2%	0.9x	12.2x

Source: Bloomberg, Capital IQ and company filings, as of 03/31/21
 Note: dollars in millions, except stock price

Lincoln Distribution Highlights


 has sold

 to

 a subsidiary of

 Sell-Side


Sale of a personal protective equipment distributor and related services provider to the industrials market


 has been sold to

 Sell-Side


Sale of a master distributor of specialty wire and cable, related products and services

Selected M&A Transactions

Date	Target Company	Target Description	Acquiring Company
Mar-21	National Concrete Accessories (Nova Capital)	Specialty fasteners, safety supplies and tools	White Cap Supply (Clayton, Dubilier & Rice)
Mar-21	PacsOn	Packaging and business consumables	OptiGroup
Mar-21	Houston Wire & Cable Company	Wire and cables	Omni Cable (Dot Family Holdings)
Mar-21	Discount Drainage Supplies	Construction and industrial supplies and material	Winsupply Inc
Mar-21	Elkins Wholesale	Janitorial supplies	IFS Brady Industries (Kelso & Company)
Mar-21	Cosgrove Enterprises	Food service packaging and janitorial supplies	Imperial Dade (Bain Capital)
Mar-21	WAVE Electronics	Connected home, audio/video and residential security products	Altamont Capital Partners
Mar-21	Nemo Tile Co., LLC	Tile, stone and setting materials	Saw Mill Capital LLC
Mar-21	Applied Adhesives	Adhesive products and thermal product solutions	Arsenal Capital Partners
Mar-21	ORR Safety	Safety products	Würth Industry North America
Mar-21	Temperature Equipment Corporation	Residential, light-commercial and applied HVAC equipment	Watsco Inc.
Mar-21	NDC	Consumable healthcare supplies	Platinum Equity
Mar-21	Distology	IT security technology products	NorthEdge Capital
Mar-21	Flex Flow	Multi-stage centrifugal pumps	NOW Inc.
Mar-21	Danbury Plumbing and HVAC Supply Co.	HVAC equipment and supplies	F.W. Webb Co.
Mar-21	Water Works Supply Co.	Waterworks products	Core & Main LP
Feb-21	Louis T. Ollesheimer & Son Inc.	Commercial and residential roofing	SRS Distribution Inc.
Feb-21	Lucky Landscape Supply LLC	Landscaping supplies	SiteOne Landscape Supply Inc.

Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
Feb-21	Pinnacle	Cleaning and hygiene supplies	Bunzl
Feb-21	Disposable Discounter	Foodservice disposable products	Bunzl
Feb-21	Northern Composites	Composite materials	Krayden Inc.
Feb-21	Flow Control Group (Bertram Capital)	Flow control and industrial automation products	KKR
Feb-21	Rexnord (Process & Motion Control Segment)	Motion control and industrial automation products	Regal Beloit Corp.
Feb-21	Watson Supply	Hardscapes, lighting, irrigation and other landscape products	SRS Distribution Inc. (Leonard Green)
Feb-21	Atlantic Fasteners Inc.	Structural bolts and fasteners	Würth Industry North America
Feb-21	J.B. Wholesale Roofing and Building Supplies Inc.	Residential and commercial roofing and other related products	SRS Distribution Inc. (Leonard Green)
Feb-21	Atlanta Landscape Materials	Landscaping supplies	SRS Distribution Inc. (Leonard Green)
Feb-21	Swanson Flo Control	Process instrumentation, flow control valves, actuators and related equipment	Motion & Control Enterprises (Frontenac)
Feb-21	Movement Group	Fast moving consumer goods	Conaxess Trade Group
Feb-21	C&L Supply, Inc	HVAC and plumbing supplies	Munch's Supply (Ridgemont Equity Partners)
Feb-21	D.L. Building Materials, Inc.	Interior building products	GMS
Jan-21	Foundation Building Materials Inc.	Specialty building products	American Securities LLC
Jan-21	Builder's Resource Group	Building products	American Construction Source (Clearlake Capital)
Jan-21	Wustefeld Candy	Convenience products and groceries	National Convenience Distributors
Jan-21	Came Chemical Mineral and Engineering	Chemicals for friction and sintering applications	Azelis
Jan-21	Fresno Produce	Produce to school meal programs	GS Foods (Highview Capital)
Jan-21	Tut's International Export & Import Co.	Middle Eastern and Eastern European foods	Lipari Foods (H.I.G. Capital)
Jan-21	Flip Electronics	Electronic components	O2 Investment Partners
Jan-21	Jon-Don, LLC (Trivest Partners)	Consumable supplies and equipment for safety, janitorial, carpet cleaning and restorations	Incline Equity Partners
Jan-21	ABCO HVACR Supply + Solutions	HVAC and refrigeration systems and supplies	Daikin North America
Jan-21	Motion Tech Automation	Automation products	John Henry Foster Minnesota (High Road Capital Partners)
Jan-21	Hayes Distributing	Food to schools and vending companies	GS Foods (Highview Capital)
Jan-21	Wolf Creek Co.	Irrigation, outdoor lighting and other landscape products	SRS Distribution Inc. (Leonard Green)
Jan-21	Tilley Chemical Company	Specialty chemicals and lubricants	SK Capital Partners
Jan-21	TricorBraun (AEA Investors)	Packaging products	Ares Management Corporation
Jan-21	Custom Chemical Services	Specialty chemicals and ingredients	LBB Specialties
Jan-21	Premiere Precision Components	Custom manufactured molded rubber, plastic and metal components	Marco Rubber & Plastics (Align Capital Partners)
Jan-21	Diversified Air Systems	Air compressors and related products	Motion & Control Enterprises (Frontenac)
Jan-21	Dirt and Rock LLC	Hardscapes, natural stone and landscape supplies	SiteOne Landscape Supply Inc.
Jan-21	Total Equipment Company	Fluid and air handling products	DXP Enterprises, Inc
Jan-21	Wolseley UK	Heating and plumbing supplies	Clayton, Dubilier & Rice
Jan-21	C&L Aqua Professionals	Chemicals and other specialty ingredients	Hawkins



Lincoln's Global Distribution Team

Our dedicated distribution team possesses deep knowledge of the key attributes top-performing distributors utilize to drive value for their customers and shareholders. With significant expertise across several verticals, the team brings valuable knowledge, contacts and global resources to each distribution transaction. We partner with professionals from the firm's other industry groups to offer clients the knowledge and perspective of the underlying distribution business model, as well as deep end market and product expertise.



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We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and public and privately held companies around the world. Our advisory services include mergers and acquisitions and capital markets advisory for the mid-market. We also provide valuations and fairness opinions and joint ventures advisory services. As one tightly integrated team of more than 600 professionals across 16 countries, we offer an unobstructed perspective, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at:

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