

DISTRIBUTION

Quarterly Review



Q1 2023



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Market Summary and Perspective

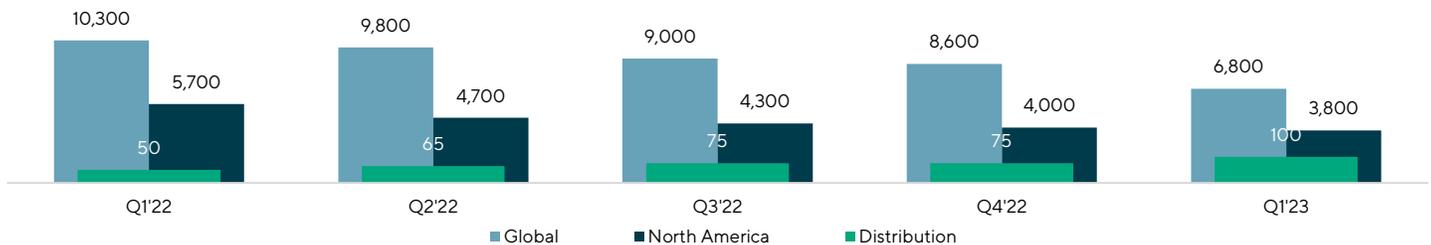
PUBLIC MARKETS

- The public markets were flat-to-up in the first quarter of 2023, with the S&P posting a 7.5% gain by the end of March while the Dow Jones Industrial Index was barely up (0.4% gain) since the beginning of January
 - After Q3’s decline and Q4’s partial bounce back, valuations found their footing as credit markets stabilized and inflation moderated – though neither interest rates nor price index increases have come down to levels that typified the prior bull market
 - This was mirrored in the broader economy, as both economic analysts and the market overall discounted the likelihood of a widespread economic recession in 2023
- Distribution equities outperformed the broader indices in the first quarter, with Lincoln’s distribution index up 8.1% in the period
 - The public company distribution index was led by strong performance in the building products, communications, electronics and electrical, and general industrial sub-sectors, which each saw double-digit percentage gains and balanced out pullback in healthcare and flatness in the automotive sector

M&A AND PRIVATE MARKETS

- Mergers and acquisitions (M&A) activity in the private market remained slow in Q1, continuing the trend that started in Q3 2022 when credit markets tightened and investor confidence was shaken by rising interest rates and an uncertain economic outlook
- Nevertheless, distribution outperformed the broader M&A market with growth in M&A volume, despite a decrease in activity across the broader market, as bright spots remained in sectors demonstrating resilient performance with long-term secular tailwinds:
 - Industrial maintenance, repair and operations (MRO)
 - Precision manufacturing
 - Residential and commercial services
 - Civic and government
- The strength and depth of strategic buyer sets was a key differentiating factor for those markets where M&A remained active
 - With private equity hampered by more selective creditors offering more conservative lending terms, opportunistic strategic buyers were able to leap to the forefront in processes and dedicate more time and resources to closing strategically important deals

M&A DEAL COUNT



Note: Global and North American deal count sourced from Pitchbook; North American Distribution deal count sourced from MDM

LINCOLN INTERNATIONAL TRANSACTION HIGHLIGHT:

Summit Park has sold Tennessee Industrial Electronics to Diploma PLC

March 2023

- Tennessee Industrial Electronics is a leading provider of aftermarket parts and repair services for manufacturing automation and related production systems in North America
- The acquisition strengthens Diploma’s position in the high-growth industrial automation sector, expanding its presence in North America while expanding its addressable market and solutions offering



has sold



to

DIPLOMA PLC

Sell-Side

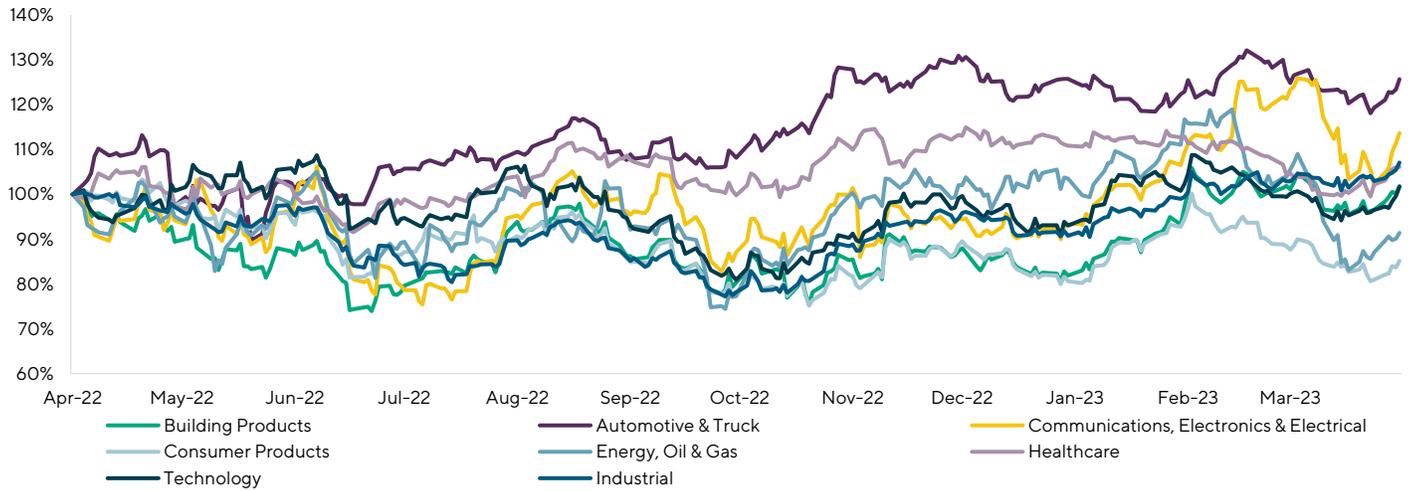


Market Summary and Perspective (continued)

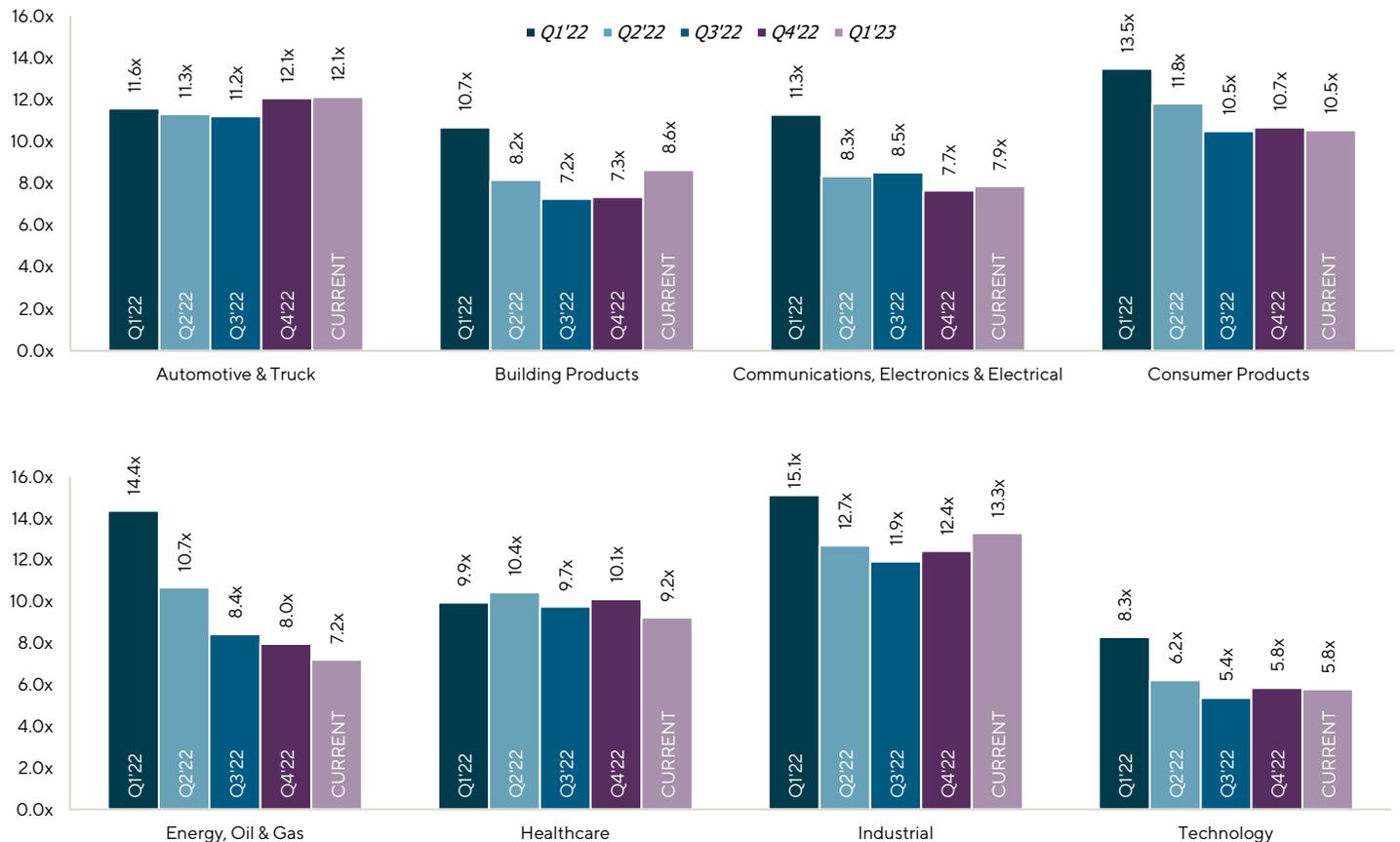
INDEX PERFORMANCE

Lincoln's distribution index trended upward 8.1% this quarter (Q1 2023 vs. Q4 2022). Building products (22.7%), communications, electronics and electrical (21.9%) and industrial (17.7%) were the strongest performing sectors of the quarter, while the automotive and truck (1.1%), healthcare (-4.1%) and energy, oil and gas (-8.4%) sectors lagged. Despite the flat performance over prior quarter, automotive and truck closed Q1 2023 25.7% higher than Q1 2022 as the industry recovered from significant supply chain snarls throughout late 2022. Conversely, the consumer sector – hampered by inflationary pressures and related consumer spending issues – posted a 14.8% decline year-over-year despite Q1's 6.2% advance over December's close.

DISTRIBUTION INDEX - LTM RELATIVE STOCK PRICE PERFORMANCE



DISTRIBUTION INDEX - HISTORICAL EV / EBITDA VALUATION PERFORMANCE



Market Summary and Perspective (continued)

COMPARABLE PUBLIC COMPANIES

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
Automotive and Truck										
AutoZone, Inc.	\$ 2,466.18	94.5%	\$ 46,280	\$ 55,345	\$ 16,568	\$ 3,691	9.4%	22.3%	3.3x	13.5x
Genuine Parts Company	173.51	92.4%	24,493	27,920	21,376	2,104	13.3%	9.8%	1.3x	11.4x
LKQ Corporation	53.41	88.4%	14,270	17,727	12,979	1,676	(0.8%)	12.9%	1.4x	8.4x
O'Reilly Automotive, Inc.	844.03	96.9%	52,816	59,244	14,057	3,309	5.5%	23.5%	4.2x	15.7x
Uni-Select Inc.	31.65	93.2%	1,388	1,726	1,707	125	5.8%	7.3%	1.0x	11.3x
Building Products										
Beacon Roofing Supply, Inc.	\$ 52.79	80.8%	\$ 3,435	\$ 6,117	\$ 8,414	\$ 886	19.9%	10.5%	0.7x	6.1x
Builders FirstSource, Inc.	64.88	75.0%	9,549	13,153	23,004	4,355	15.6%	18.9%	0.6x	2.9x
CRH plc	39.55	76.8%	29,596	34,610	32,812	5,455	5.9%	16.6%	1.1x	6.0x
Ferguson plc	125.79	76.5%	26,250	30,309	29,694	3,235	22.6%	10.9%	1.0x	8.2x
SiteOne Landscape Supply, Inc.	117.32	47.7%	5,291	5,982	3,930	461	17.5%	11.7%	1.5x	11.0x
Watsco, Inc.	249.40	78.9%	8,815	9,429	7,205	828	14.7%	11.5%	1.3x	9.8x
Communications, Electronics and Electrical										
RS Group plc	\$ 10.79	71.8%	\$ 5,096	\$ 5,093	\$ 2,803	\$ 384	15.4%	13.7%	1.5x	10.5x
Rexel S.A.	19.71	84.0%	5,979	9,214	16,715	1,255	13.8%	7.5%	0.5x	5.9x
WESCO International, Inc.	125.20	85.1%	6,366	11,844	20,714	1,537	13.7%	7.4%	0.6x	6.6x
Consumer Products										
Bunzl plc	\$ 33.24	84.9%	\$ 11,164	\$ 13,421	\$ 11,069	\$ 824	7.6%	7.4%	1.0x	11.6x
Performance Food Group Company	58.39	94.2%	9,090	13,831	51,013	954	59.7%	1.9%	0.3x	11.8x
Pool Corporation	302.33	53.1%	11,806	13,493	6,119	1,081	15.6%	17.7%	2.2x	11.4x
SpartanNash Company	30.24	80.1%	1,066	1,856	9,427	189	3.8%	2.0%	0.2x	6.9x
Sysco Corporation	76.45	83.5%	38,742	49,878	71,306	3,417	27.4%	4.8%	0.7x	13.7x
United Natural Foods, Inc.	38.71	75.7%	2,316	6,028	29,463	680	8.1%	2.3%	0.2x	8.9x
US Foods Holding Corp.	34.02	85.6%	7,651	12,975	33,181	932	18.6%	2.8%	0.4x	12.9x
Energy, Oil and Gas										
DXP Enterprises, Inc.	\$ 27.55	79.3%	\$ 517	\$ 912	\$ 1,368	\$ 110	22.8%	8.0%	0.7x	6.8x
MRC Global Inc.	11.58	86.1%	968	1,846	3,180	147	19.3%	4.6%	0.6x	9.9x
NOW Inc.	12.70	94.0%	1,403	1,161	2,021	135	23.8%	6.7%	0.6x	7.2x
Healthcare										
Cardinal Health, Inc.	\$ 76.87	94.2%	\$ 20,150	\$ 21,926	\$ 186,999	\$ 2,256	9.2%	1.2%	0.1x	9.2x
Henry Schein, Inc.	79.87	86.2%	10,826	13,288	12,607	1,097	1.7%	8.7%	1.1x	10.9x
McKesson Corporation	375.12	93.4%	53,190	58,100	272,027	3,803	5.8%	1.4%	0.2x	13.2x
Owens & Minor, Inc.	19.53	39.8%	1,489	4,262	9,872	488	0.9%	4.9%	0.4x	7.1x
Industrial										
Air Liquide S.A.	\$ 141.50	86.3%	\$ 73,891	\$ 89,094	\$ 26,696	\$ 6,266	14.4%	23.5%	3.1x	12.8x
Applied Industrial Technologies, Inc.	126.03	94.2%	4,861	5,348	3,981	442	13.6%	11.1%	1.3x	11.0x
Fastenal Company	47.32	73.6%	27,103	27,680	6,817	1,597	13.4%	23.4%	4.1x	15.9x
MSC Industrial Direct Co., Inc.	81.70	92.9%	4,565	5,394	3,801	569	14.5%	15.0%	1.5x	9.5x
W.W. Grainger, Inc.	556.25	90.9%	28,107	30,763	14,785	2,317	13.5%	15.7%	2.1x	12.9x
Technology										
Arrow Electronics, Inc.	\$ 104.57	75.8%	\$ 6,432	\$ 9,946	\$ 36,817	\$ 2,235	6.8%	6.1%	0.3x	4.3x
Avnet, Inc.	41.58	82.8%	3,839	6,348	25,476	1,203	24.9%	4.7%	0.2x	4.9x
ScanSource, Inc.	29.22	71.3%	741	1,043	3,616	156	9.4%	4.3%	0.3x	6.4x
TD SYNNEX Corporation	94.71	79.4%	9,050	12,827	61,999	1,815	47.1%	2.9%	0.2x	7.8x
Mean		81.6%							1.1x	9.6x
Median		84.0%							0.7x	9.8x

SELECTED M&A TRANSACTIONS

Date	Target Company (Previous Owner)	Brief Target Description	Acquiring Company (Owner)
Mar-23	Midori Precisions Co. (Aspirant Group)	Distributes industrial products	Nidec Copal Electronics
Mar-23	Horizon Solutions	Distributes electrical and industrial products	Rexel SA
Mar-23	Allied Oil & Supply	Distributes lubricant products	RelaDyne (American Industrial Partners)
Mar-23	Saylor Technical Products	Distributes precision-machined components	Precision Products Group (Auxo Investment Partners)
Mar-23	Bay Electric Supply	Distributes electrical supplies	Coburn Supply Company
Mar-23	Whelan Machine & Tool	Distributes machine and tooling products	Ajax Defense
Mar-23	Tennessee Industrial Electronics (Summit Park Capital Partners)	Distributes refurbished parts for computer numerical control and robotics	Diploma PLC
Mar-23	Barsco	Distributes heating, ventilation and air conditioning / refrigeration (HVAC / R) products	Reece Limited
Mar-23	Exteriors Inc.	Distributes roofing and building supplies	SRS Distribution (Berkshire Partners)
Mar-23	Inventory Sales	Distributes fasteners and building products	EFC International (Frontenac)
Mar-23	Refrigeration Sales Company (Rotunda Capital Partners)	Distributes HVAC / R products	The Master Group (Novacap)
Mar-23*	Univar Solutions	Distributes commodity and specialty chemical products	Apollo Global Management
Mar-23	HISCO	Distributes industrial products	Distribution Solutions Group
Mar-23	Minvalco	Distributes HVAC / R products	Building Controls and Solutions
Mar-23	Madison Lumber	Distributes lumber supplies	ECMD
Mar-23	Intelligent Lighting Controls	Distributes lighting control systems	Signify
Mar-23	Servicorp Industrial Supplies	Distributes cleaning, paper and packaging supplies	Imperial Dade (Advent International)
Mar-23	Cargo Control USA	Distributes cargo control products	Ascent Lifting (Shorehill Capital)
Feb-23	Republic Electric Company	Distributes electrical and HVAC/R products	Graycliff Partners
Feb-23	J.G. Tucker & Son	Distributes safety equipment	Mallory Safety and Supply
Feb-23	Capital Paper Products	Distributes foodservice packaging and cleaning supplies	Bunzl Plc
Feb-23	Arbeitsschutz-Express	Distributes workwear and personal protective equipment products	Bunzl Plc
Feb-23	Duro-Last	Distributes roofing systems and building products	Holcim
Feb-23	SPB-USA	Distributes precision bearing and power transmission products	Solve Industrial Motion Group (Audax)

*Represents deal announcement of Univar Solutions to Apollo Global Management

SELECTED M&A TRANSACTIONS (CONTINUED)

Date	Target Company (Previous Owner)	Brief Target Description	Acquiring Company (Owner)
Feb-23	New South Construction Supply	Distributes commercial and industrial construction products	Colony Hardware Corporation (Audax)
Feb-23	Mooney - General Paper Co.	Distributes industrial and janitorial products	Envoy Solutions (Fomento Economico Mexicano SAB)
Feb-23	P.F. Markey	Distributes cutting tools	AFC Industries (Bertram Capital)
Feb-23	Custom Carbide Cutter	Distributes cutting tools	ARCH Global Precision
Feb-23	MagneGas Welding Supply	Distributes industrial gases and associated welding and safety supplies	Meritus Gas Partners (AEA Investors)
Feb-23	Morgan Royce Industries	Distributes wire harness and cable supplies	Auxo Investment Partners
Feb-23	Detroit Chemical and Paper Supply	Distributes cleaning and sanitary supplies	Envoy Solutions (Fomento Economico Mexicano SAB)
Feb-23	Lowe's Canada Retail Unit	Distributes home improvement products	Sycamore Partners
Feb-23	Assets and Three Locations of Chris-More	Distributes plumbing products	Coburn Supply Company
Feb-23	IT&M Division	Distributes fire sprinkler systems	Pye-Barker Fire & Safety (Atlas Partners)
Feb-23	Preferred Packaging Products	Distributes industrial packaging products	Flexpak (Shorehill Capital)
Feb-23	Schultes Precision	Distributes machine components	Helios Technologies
Feb-23	A&B Wiper Supply	Distributes sanitation supplies	Hospeco Brands Group (Peak Rock Capital)
Feb-23	Focus Packaging and Supply Co.	Distributes packaging products	Imperial Dade (Advent International)
Feb-23	Precision Pump & Valve	Distributes control valves, pumps and process equipment	Motion & Control Enterprises (Frontenac)
Feb-23	Matco-Norca	Distributes plumbing and polyvinyl fluoride products	NIBCO
Feb-23	Pmt Premier Machine Tools	Distributes cutting tools	Sandvik
Feb-23	Womack Machine Company (Lineage Capital)	Distributes hydraulic, pneumatic and related industrial automation and material handling products	Platte River Equity
Jan-23	Mid-State Industrial Products	Distributes bolts, screws and fasteners	Derry Enterprises
Jan-23	Zesco	Distributes motion control, drives and automation products	Galco Industrial Electronics (Freeman Spogli)
Jan-23	Marsh Building Products	Distributes building products	SRS Distribution (Leonard Green & Partners)
Jan-23	SureWerx (Riverside Company)	Distributes safety products	Partners Group
Jan-23	TML Truck and Trailer Repair	Distributes truck and trailer parts	FleetPride (Ace & Company)
Jan-23	FMH Material Handling Solutions	Distributes material handling products	GNCO

SELECTED M&A TRANSACTIONS (CONTINUED)

Date	Target Company (Previous Owner)	Brief Target Description	Acquiring Company (Owner)
Jan-23	BTX Technologies	Distributes audio visual equipment	Resideo Technologies
Jan-23	FloWorks (Clearlake Capital)	Distributes flow control products	Wynnchurch Capital
Jan-23	Royal Corporation	Distributes janitorial, sanitary and foodservice products	Envoy Solutions (Fomento Economico Mexicano SAB)
Jan-23	Tribologix	Distributes engineered consumable repair products for aerospace	AIM MRO (AE Industrial Partners)
Jan-23	Farwest Line Specialties	Distributes safety equipment and tools	GME Supply (Platte River)
Jan-23	Motor City Industrial (Kian Capital Partners)	Distributes fasteners and related parts	AFC Industries (Bertram Capital)
Jan-23	YPV Distribution	Distributes packaging and janitorial products	BradyIFS (Kelso & Co.)
Jan-23	DeeTag	Distributes hydraulic and industrial hose products	ERIKS (LKCM Headwater)
Jan-23	Buckeye Industrial Supply Co.	Distributes metalworking and MRO supplies	MSC Industrial Direct
Jan-23	Industrial Service Products	Distributes hose, valves and related products	Triad Technologies (Shorehill Capital)
Jan-23	Delta Packaging & Supply	Distributes packaging products and supplies	Envoy Solutions (Fomento Economico Mexicano SAB)
Jan-23	Delwood Supply Company	Distributes plumbing supplies	Progressive Plumbing Supply
Jan-23	Buckles-Smith Electric Co.	Distributes electrical products	Rexel
Jan-23	Whitney Building Products	Distributes roofing and building products	Beacon Roofing Supply
Jan-23	DUNHAM Rubber & Belting	Distributes conveyor belting and industrial hose products	Belt Power (Platte River)
Jan-23	Illini Power Products Company	Distributes generator parts and supplies	GenServe (GenNx360)
Jan-23	Winchester Industrial Controls	Distributes control systems and material handling products	Hy-Tek Material Handling (Dunes Point)
Jan-23	Endura Products (Cyprium Investment Partners)	Distributes door components	Masonite International
Jan-23	PJ Wiseman	Distributes welding products	The M.K. Morse Company
Jan-23	Syrinx (Low Carbon Innovation Fund)	Distributes flow measurement and control products	Badger Meter
Jan-23	NEDCO Supply	Distributes electrical products	Codale Electric Supply (Sonepar)
Jan-23	ErieTec	Distributes mechanical and electrical motion control products	Purvis Industries
Jan-23	Holt Electrical Supplies	Distributes electrical products	Springfield Electric Supply (Sonepar)
Jan-23	Amerhart	Distributes building materials	Specialty Building Products (The Jordan Company)

Recent Lincoln Distribution Transactions

 **SUMMIT PARK**

has sold

 **TIE**
The Industrial Experts

to

DIPLOMA PLC

Sell-Side



 **resideo**

has sold

ADI's India distribution division

to

 **moglix**

Sell-Side



Foresight

has sold

 **TPC**

to

 **AFC Industries**
a portfolio company of

 **BERTRAM CAPITAL**

Sell-Side



 **HUTTIG**
BUILDING PRODUCTS
Constructive Solutions Since 1885

has been taken private by

 **woodgrain**

Sell-Side
Fairness Opinion



TENEX | CAPITAL MANAGEMENT

has sold

 **Quveco**
PRODUCTS

to

 **GHK**
CAPITAL PARTNERS

Sell-Side



 **Riverside**

and co-shareholders have sold

 **REPA**
THE SPARE PARTS GROUP

to

 **Partstown**
Get real parts faster

a portfolio company of

 **Berkshire Partners**

Sell-Side



 **TRANSOM**
CAPITAL GROUP

has sold

 **SemiTorr Group**
Leading The Way

to

 **FW FloWorks**

a portfolio company of

 **CLEARLAKE**

Sell-Side



DUNES POINT CAPITAL

has sold

 **PPG** Professional
PLUMBING GROUP

to

 **marcone**

a portfolio company of

 **GENSTAR**

Sell-Side



 **Western Paper Distributors**

has been sold to

 **ImperialDade**

a portfolio company of

 **BainCapital**

Sell-Side



 **GRYPHON**
INVESTORS

has acquired

 **WITTCHEN SUPPLY COMPANY**

Buy-Side



 **CAMERON**
WIRE & CABLE, INC.

has been sold to

 **Kinderhook**
INDUSTRIES

Sell-Side



 **ORR Corporation**

has sold

 **ORR Safety**

to

 **NSI** Northern Safety & Industrial

a subsidiary of

 **WÜRTH GROUP**

Sell-Side



Contributors

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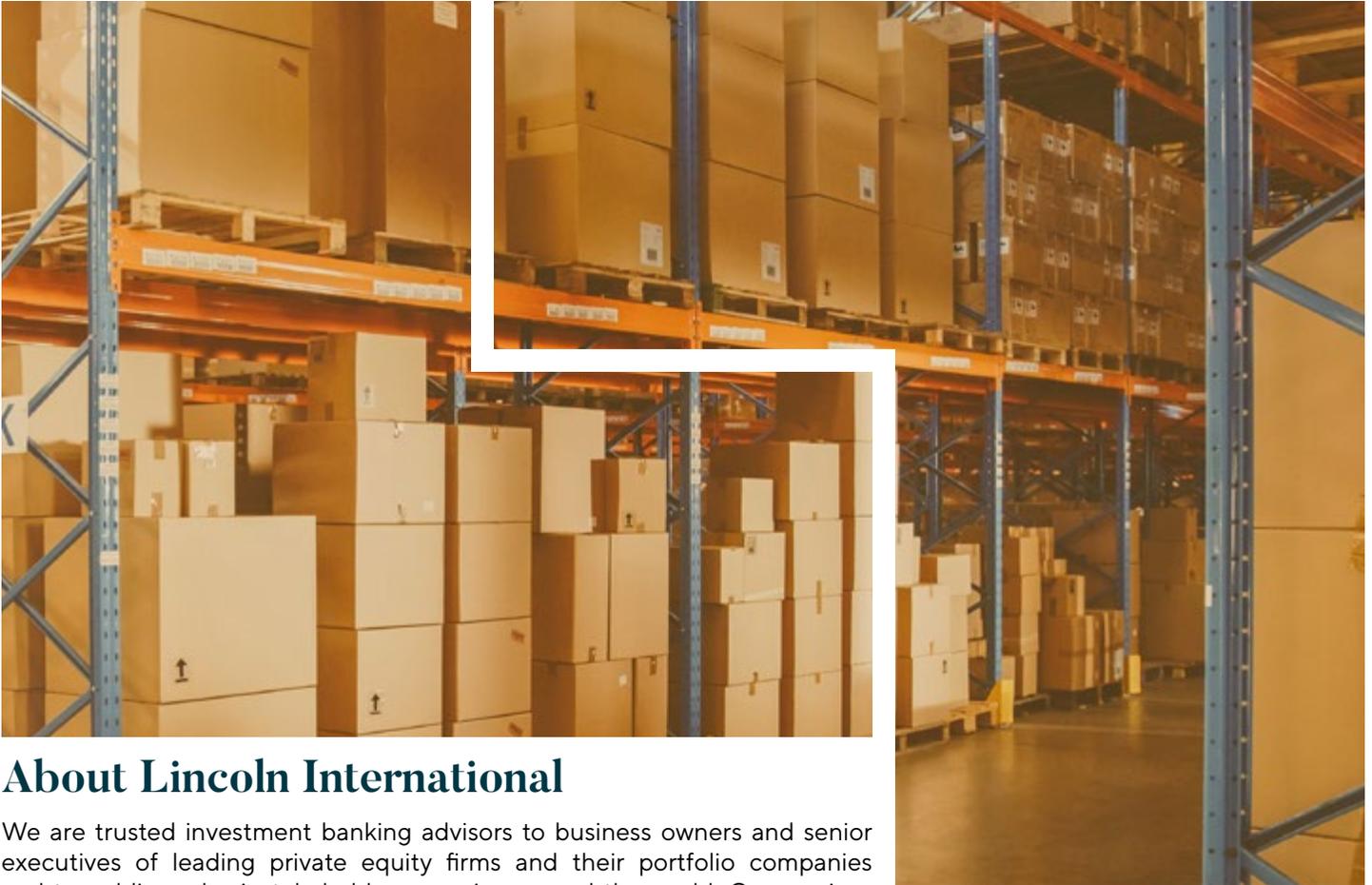
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Lincoln's Global Distribution Team

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.



About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, and valuations and fairness opinions. As one tightly integrated team of more than 850 employees in more than 20 offices in 15 countries, we offer an unobstructed perspective on the global private capital markets, 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 www.lincolninternational.com.

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Capital Advisory
Private Funds Advisory
Valuations & Opinions

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