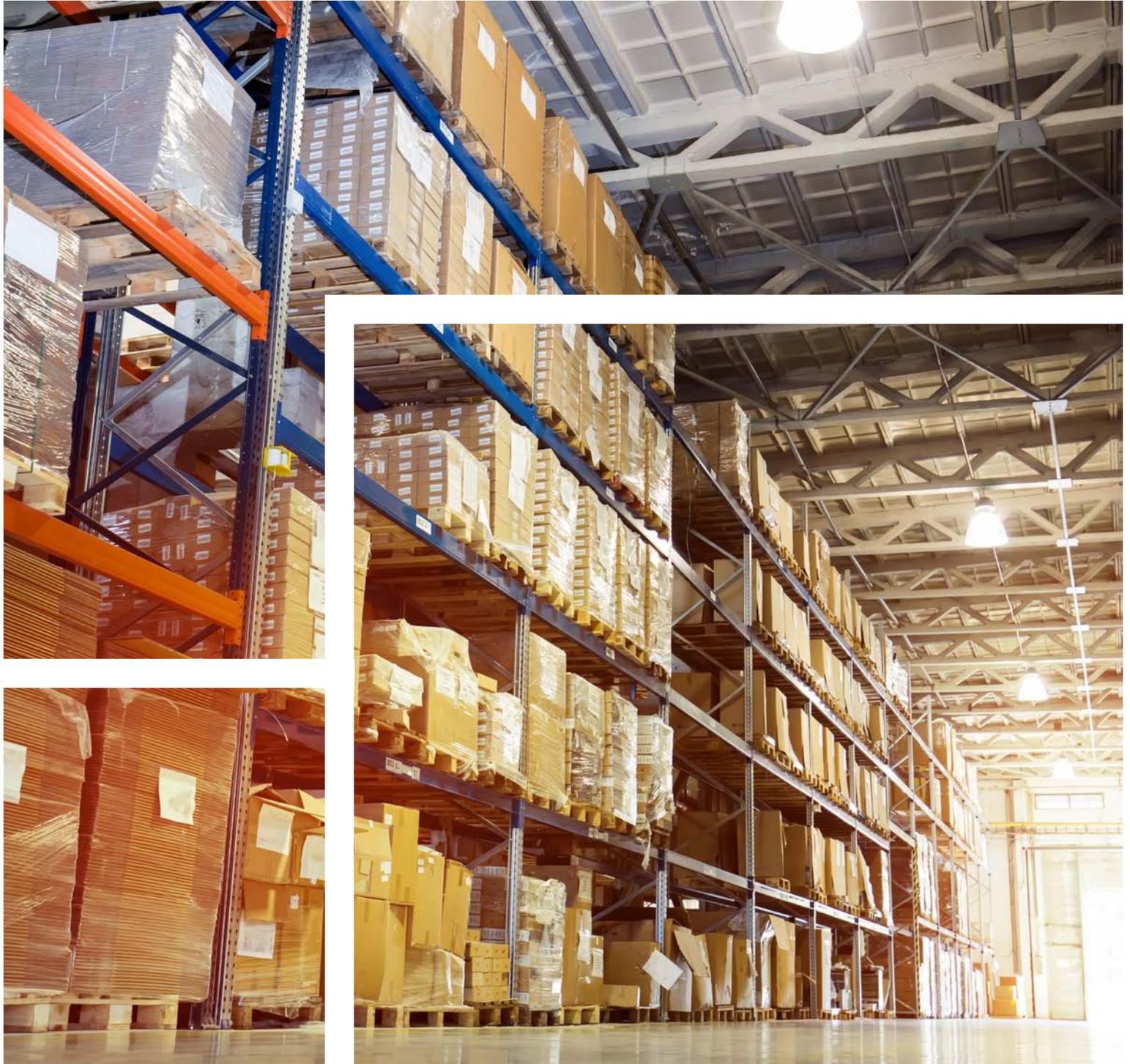


# Distribution Q4 2021



# Market Commentary and Insights

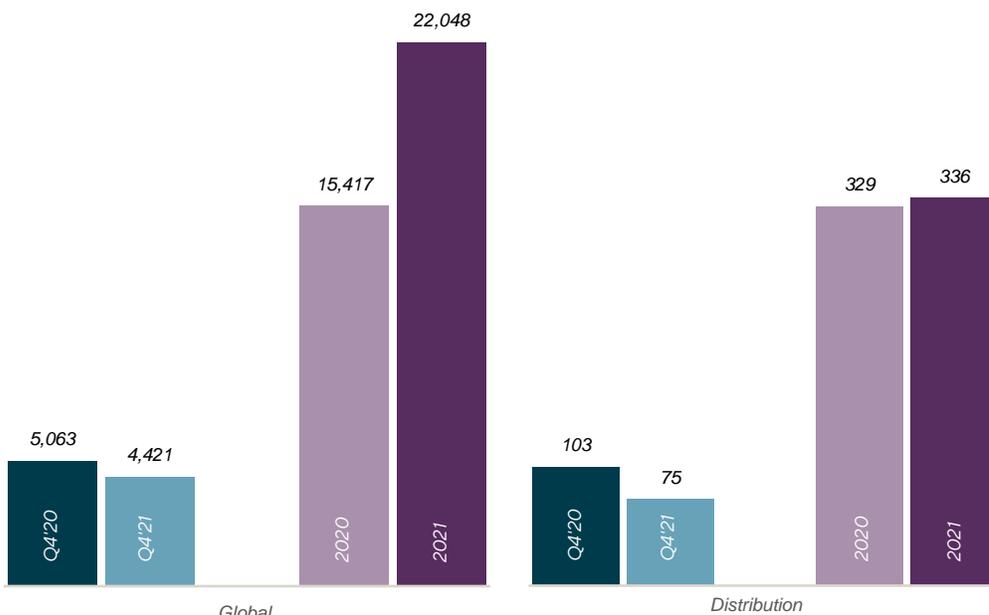
## Public Markets

- Public markets remained robust in Q4, with most broad indices setting all-time highs during December and finishing the quarter at or near those highs
- The continued reopening of the economy and macro growth forecasts, coupled with low interest rates, overcame near-term concerns about supply chain disruptions and the COVID-19 Omicron variant to bolster investor optimism across all sectors
- The distribution sector mirrored the larger economy and financial markets in Q4; publicly listed companies remained at lofty valuations and mergers and acquisitions (M&A) activity remained steady as both sellers and buyers sought to complete their deals prior to year-end

## M&A and Private Markets

- In parallel with the public stock markets, the M&A market finished 2021 on a high note. Global M&A deal volume increased year over year to 22,048 announced deals in 2021 from 15,417 announced deals in 2020. In the distribution sector, M&A deal volume held steady year over year with 336 announced deals in 2021 and 329 announced deals in 2020
- Supply chains, particularly overseas manufacturing capacity and shipping lanes and port availability, have been a keen focus for investors in the distribution sector
  - Distributors with a proven ability to mitigate supply chain challenges will continue to see the most interest from prospective investors
- With input costs rising from product to freight to labor, investors will continue to focus on distributors that have demonstrated pricing power and the ability to pass product costs through to their customers without losing volume
- In mid-market M&A, distribution platforms that provide entry into an attractive end market or brought proprietary brands and product lines garner the most interest and command the highest valuations
- Channel access and leadership also remain key attributes in distribution M&A; we expect investors, particularly strategic buyers, to pay premium valuations to acquire market-leading platforms that expand and diversify their revenue bases

## Announced M&A Deal Volume



Source: Mergermarket

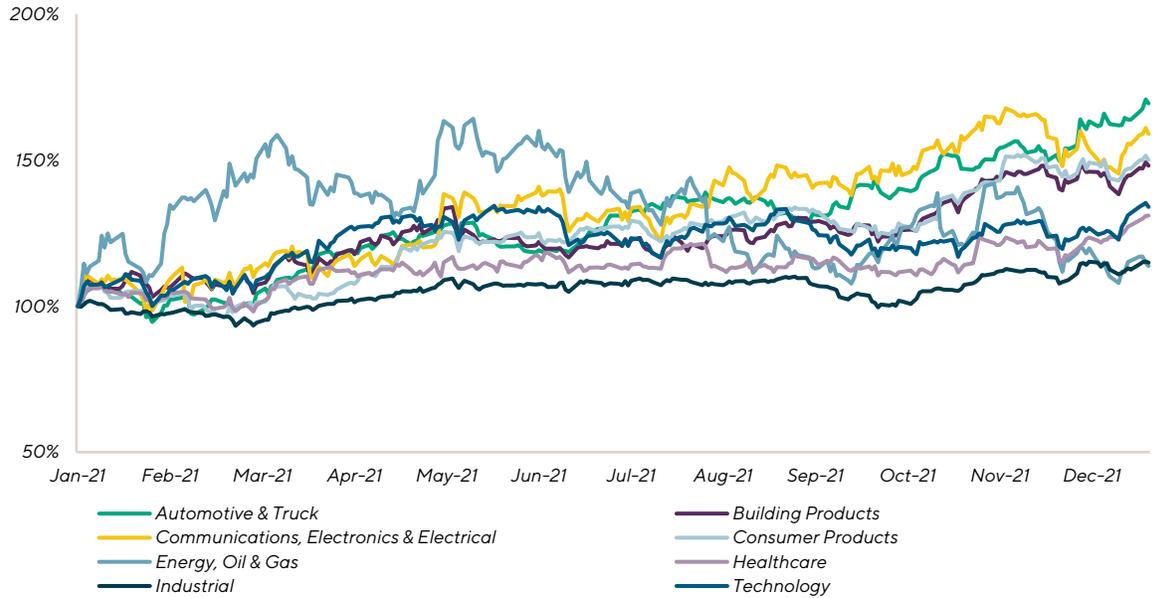
# Recent Lincoln Distribution Transactions

<p>Riverside and co-shareholders have sold REPA to PartsTOWN a portfolio company of Berkshire Partners</p> <p>Sell-Side</p>	<p>TRANSOM CAPITAL GROUP has sold SemiTorr Group to FW FloWorks a portfolio company of ONE FARMER</p> <p>Sell-Side</p>
<p>DUNES POINT CAPITAL has sold PPC Professional to marcone a portfolio company of GENSTAR</p> <p>Sell-Side</p>	<p>SUMMIT PARK has sold FastGrowingTrees.com to Berkshire Partners</p> <p>Sell-Side</p>
<p>Western Paper Distributors has been sold to ImperialDade a portfolio company of BainCapital</p> <p>Sell-Side</p>	<p>GRYPHON INVESTORS has acquired WITENDE SUPPLY COMPANY</p> <p>Buy-Side</p>
<p>CAMERON WIRE &amp; CABLE, INC. has been sold to Kinderhook INDUSTRIES</p> <p>Sell-Side</p>	<p>QRR Corporation has sold QRR Safety to NSI a subsidiary of WÜRTH GROUP</p> <p>Sell-Side</p>
<p>Electrocomponents plc has acquired synovos</p> <p>Buy-Side</p>	<p>SSC has sold IFS INDIVIDUAL FOODSERVICE to KELSO</p> <p>Sell-Side</p>

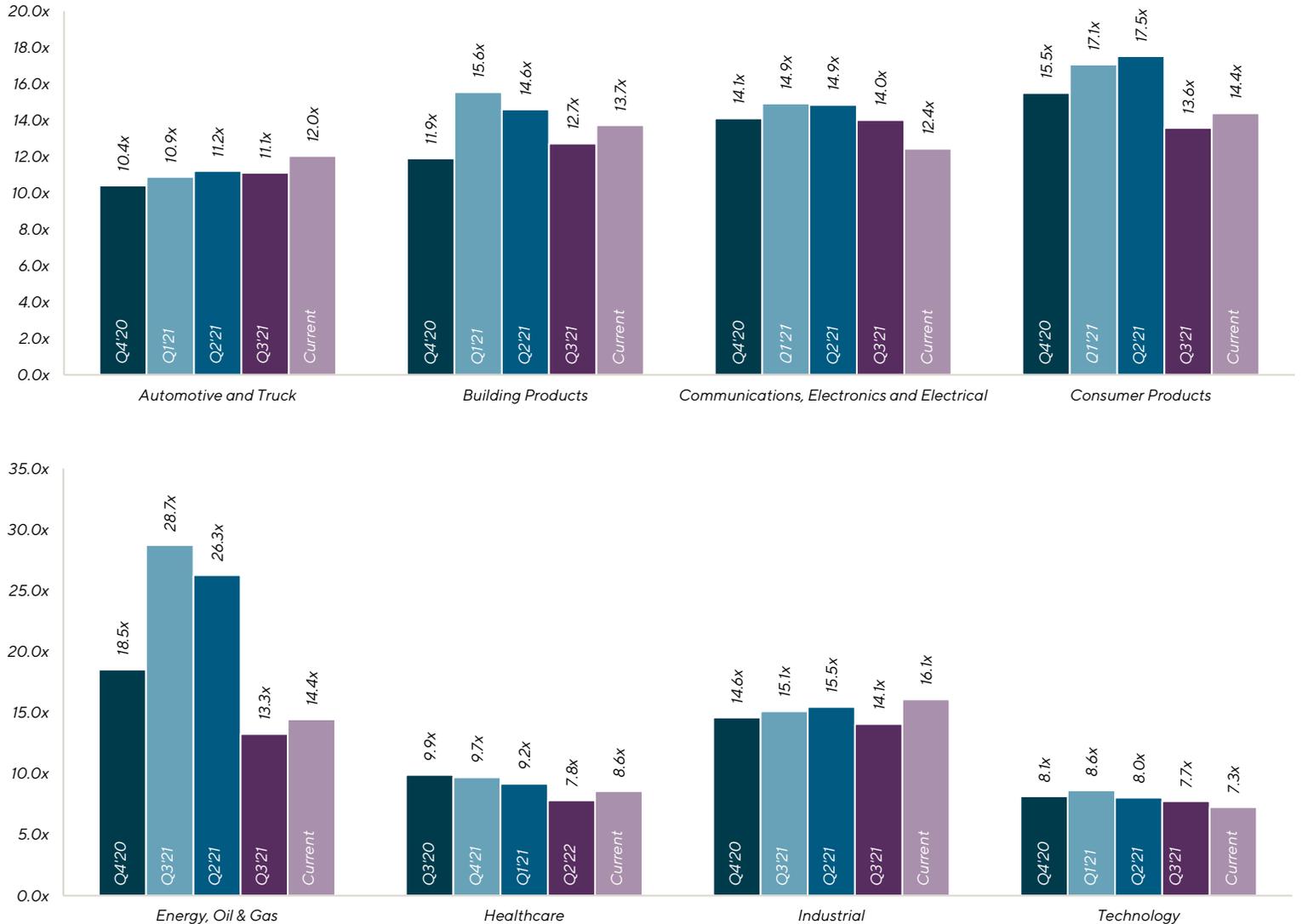
## Index Performance

Lincoln's distribution index recorded a gain of 14.3% in Q4 2021 vs. Q3 2021. This quarter, automotive and truck (22.7%), consumer products (20.5%) and communications, building products (21.3%) and healthcare (16.9%) outpaced the index while electronics and electrical (9.3%), industrial (6.3%), technology (10.6%) and energy, oil and gas (-3.5%) 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 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
<b>Automotive &amp; Truck</b>										
AutoZone, Inc.	\$2,096.39	99.4%	\$43,258	\$50,340	\$15,144	\$3,545	16.6%	23.4%	3.3x	12.8x
Genuine Parts Company	140.20	99.2%	19,968	22,276	18,319	1,472	10.8%	8.0%	1.2x	11.1x
LKQ Corporation	60.03	99.7%	17,498	20,913	12,856	1,811	10.6%	14.1%	1.6x	9.4x
O'Reilly Automotive, Inc.	706.23	99.3%	47,585	52,977	12,865	3,100	10.9%	24.1%	4.1x	15.0x
Uni-Select Inc.	20.34	96.8%	891	1,284	1,579	81	7.3%	5.1%	0.8x	12.0x
<b>Building Products</b>										
Beacon Roofing Supply, Inc.	\$57.35	94.1%	\$4,021	\$6,220	\$6,642	\$646	(6.5%)	9.7%	0.9x	8.2x
Builders FirstSource, Inc.	85.71	99.4%	16,414	19,067	17,790	2,435	107.9%	13.7%	1.1x	7.4x
CRH plc	52.91	98.7%	40,764	47,359	29,416	4,327	6.6%	14.7%	1.7x	11.0x
Ferguson plc	177.45	98.1%	39,011	39,902	24,223	2,588	18.9%	10.7%	1.7x	14.3x
SiteOne Landscape Supply, Inc.	242.28	93.2%	10,830	11,313	3,346	377	30.5%	11.3%	3.4x	25.0x
Watsco, Inc.	312.88	98.1%	11,053	11,567	5,923	585	17.2%	9.9%	2.0x	16.6x
<b>Communications, Electronics &amp; Electrical</b>										
Electrocomponents plc	\$16.33	94.5%	\$7,688	\$7,802	\$2,303	\$276	18.5%	12.0%	2.5x	19.6x
Rexel S.A.	20.28	95.7%	6,182	9,092	13,605	754	8.0%	5.5%	0.6x	8.5x
WESCO International, Inc.	131.59	93.4%	6,633	11,382	17,494	1,028	41.9%	5.9%	0.7x	9.2x
<b>Consumer Products</b>										
Bunzl plc	\$39.06	96.2%	\$13,065	\$15,361	\$10,131	\$832	0.2%	8.2%	1.1x	11.7x
Performance Food Group Company	45.89	76.6%	7,081	11,809	33,458	614	26.9%	1.8%	0.4x	15.7x
Pool Corporation	566.00	97.2%	22,690	23,194	5,099	807	29.5%	15.8%	4.5x	26.0x
SpartanNash Company	25.76	97.7%	926	1,624	9,085	195	(0.2%)	2.2%	0.2x	6.9x
Sysco Corporation	78.55	90.6%	40,269	50,160	55,977	2,562	21.9%	4.6%	0.9x	18.5x
United Natural Foods, Inc.	49.08	84.8%	2,851	6,518	27,263	808	1.2%	3.0%	0.2x	6.1x
US Foods Holding Corp.	34.83	82.7%	7,760	13,100	27,986	794	18.2%	2.8%	0.5x	16.5x
<b>Energy, Oil &amp; Gas</b>										
DXP Enterprises, Inc.	\$25.67	70.8%	\$481	\$791	\$1,053	\$45	4.8%	4.3%	0.8x	11.7x
MRC Global Inc.	6.88	56.3%	569	1,408	2,559	45	(0.0%)	1.8%	0.6x	17.2x
NOW Inc.	8.54	71.3%	944	672	1,519	44	(6.2%)	2.9%	0.4x	n/a
<b>Healthcare</b>										
Cardinal Health, Inc.	\$51.49	81.8%	\$14,509	\$17,703	\$167,370	\$2,726	7.0%	1.6%	0.1x	6.2x
Henry Schein, Inc.	77.53	92.9%	10,751	13,015	12,236	1,017	20.9%	8.3%	1.1x	11.5x
McKesson Corporation	248.57	99.0%	37,952	44,333	257,006	3,517	8.2%	1.4%	0.2x	9.4x
Owens & Minor, Inc.	43.50	88.5%	3,282	4,358	9,680	525	14.1%	5.4%	0.5x	7.3x
<b>Industrial</b>										
Air Liquide S.A.	\$174.37	97.4%	\$82,416	\$98,027	\$21,058	\$5,490	2.8%	26.1%	4.1x	15.1x
Applied Industrial Technologies, Inc.	102.70	93.5%	3,950	4,504	3,505	362	14.7%	10.3%	1.3x	11.9x
Fastenal Company	64.06	98.9%	36,845	37,213	6,011	1,388	6.4%	23.1%	6.4x	24.9x
MSC Industrial Direct Co., Inc.	84.06	87.4%	4,690	5,454	3,320	451	5.7%	13.6%	1.6x	11.5x
W.W. Grainger, Inc.	518.24	98.3%	26,700	29,034	12,604	1,624	6.8%	12.9%	2.3x	17.1x
<b>Technology</b>										
Arrow Electronics, Inc.	\$134.27	98.0%	\$9,349	\$11,586	\$33,915	\$1,568	18.3%	4.6%	0.3x	7.0x
Avnet, Inc.	41.23	90.8%	4,096	5,474	20,396	625	15.1%	3.1%	0.3x	7.6x
Concentrix Corporation	178.62	93.3%	9,329	10,557	5,587	844	18.4%	15.1%	1.9x	9.0x
ScanSource, Inc.	35.08	85.9%	900	1,067	3,251	124	10.2%	3.8%	0.3x	8.2x
<b>Mean</b>		<b>91.6%</b>					<b>14.7%</b>	<b>9.3%</b>	<b>1.5x</b>	<b>12.7x</b>
<b>Median</b>		<b>94.5%</b>					<b>10.8%</b>	<b>8.2%</b>	<b>1.1x</b>	<b>11.6x</b>

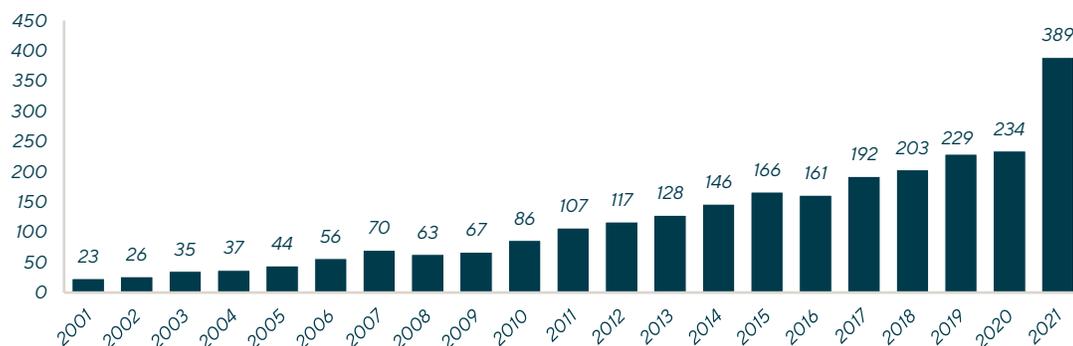
Source: Bloomberg, Capital IQ and company filings, as of 12/31/21

Note: dollars in millions, except stock price

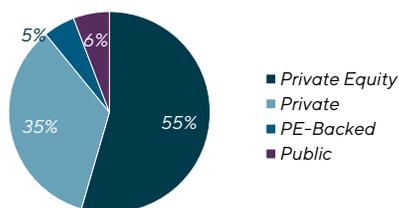
# Lincoln International's 2021 Highlights



## Global Transaction Growth<sup>(1)</sup>

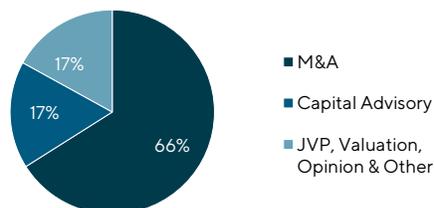


## 2021 M&A Client Type



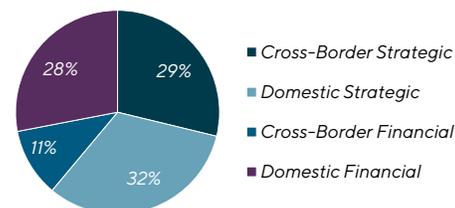
**385+**  
 transactions  
 worldwide

## 2021 Transaction Type



**>\$6 billion**  
 in financing  
 transactions closed

## 2021 M&A Transaction Type



**~10,000+**  
 portfolio  
 company valuations

## Selected M&A Transactions

Date	Target Company	Target Description	Acquiring Company
Dec-21	SPX FLOW (SPX Corporation)	Flow components, process equipment and turn-key systems	Lone Star Funds
Dec-21	Siding Sales	Sidings, windows, doors and building materials	ABC Supply (ABC Supply Holding Corp.)
Dec-21	SemiTorr Group (Transom Capital Group)	Flow control components	FlowWorks (Clearlake Capital Group)
Dec-21	RelaDyne (Audax Management Company)	Lubricants and fuel	American Industrial Partners
Dec-21	Specialty Coatings	Paints and coatings	Painters Supply & Equipment (Odyssey Investment Partners, LLC)
Dec-21	Shepley Wood Products	Lumber products and building materials	Kodiak Building Partners (Court Square Capital Management)
Dec-21	Professional Plumbing Group (Dunes Point Capital)	Plumbing products	Marcone (Genstar Capital)
Dec-21	Diversified Pump	Fluid processing systems	Ohio Transmission (Genstar Capital)
Dec-21	Advanced Diamond Technologies (IllinoisVENTURE)	Stone fabrication tools and supplies	Pearlman Group (The Stephens Group)
Dec-21	Bearings Limited	Bearings and power transmission components	Solve Industrial Motion Group (Audax Management Company)
Dec-21	Kaman Distribution Group (Littlejohn & Co.)	Industrial parts and automation equipment	Genuine Parts Company

<sup>(1)</sup> Note: Includes M&A advisory transactions, capital raise transactions, restructuring transactions and joint ventures and partnering transactions, valuations and opinions as well as transactions related other advisories

## Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
Dec-21	Curation Foods	Fresh-cut vegetables and packaged salads	Taylor Fresh Foods
Dec-21	Aqua Central (Tenex Capital Management)	Swimming pool equipment and supplies	Heritage Pool Supply Group (SRS Distribution)
Dec-21	H2O Supply	Plumbing products	Winsupply
Dec-21	Richards Electric Supply Company	Electrical products	Sonepar USA
Dec-21	Ingram Micro Inc.	IT logistics solutions	Platinum Equity
Dec-21	Zilliant (J.P. Morgan Partners)	Business-to-business sales and pricing software for distribution	Madison Dearborn Partners
Dec-21	The Coastal Companies (Continental Grain Company)	Fresh fruits, vegetables and dairy products	Sysco Corporation
Dec-21	American Paper & Twine	Packaging, janitorial and office stationery products	Imperial Dade (Bain Capital Private Equity)
Dec-21	TML Supply	Heating, ventilation and air conditioning (HVAC) equipment	Munch's Supply (Ridgemont Equity Partners)
Dec-21	Ram Tool Construction Supply	Job site supplies and construction equipment	White Cap Supply Holdings (Clayton, Dubilier & Rice)
Nov-21	Domino Equipment Company	Petroleum, car wash and compressed natural gas (CNG) / electric vehicle charging (EVC) equipment	Crossplane Capital Management
Nov-21	EACOM Timber Corporation (Fairfax Financial Holdings)	Lumber products	Interfor Corporation (Mackenzie Financial Corporation)
Nov-21	Arrowhead Systems	Container and material handling systems	Regal Rexnord (The Vanguard Group, Inc.)
Nov-21	Barrons	Lumbar products	US LBM (Bain Capital Private Equity)
Nov-21	Race Winning Brands(Kinderhook Industries)	Automotive and powersports aftermarket	MiddleGround Capital
Nov-21	Tools for Industry	Cutting tools	BlackHawk Industrial (TruArc Partners)
Nov-21	Duro Dyne	HVAC sheet metal accessories and equipment	NSI Industries (Odyssey Investment Partners)
Nov-21	Hydropac	Ice packs, gel pack and temperature-controlled shipping containers	Bunzl (GIC Pte.)
Nov-21	Jim's Truck & Trailer Equipment	Heavy-duty trucks and trailers parts	FleetPride (American Securities)
Nov-21	Seaway Supply Company	Packaging, foodservice and janitorial and cleaning equipment	BradyIFS (Kelso & Company)
Nov-21	Soligent Distribution	Solar energy equipment	City Electric Supply (Electrical Engineering and Equipment Company)
Nov-21	Catalone Pipe & Supply	Waterworks products and services	Core & Main (Clayton, Dubilier & Rice)
Nov-21	Pinch A Penny	Swimming pool equipment and supplies	Pool Corporation
Nov-21	BFG Supply Co(Incline Management)	Farming, lawn maintenance and gardening supplies	Pamplona Capital Management
Nov-21	Westmorland Fisheries	Lobster products	Premium Brands (Canada Pension Plan Investment Board)
Nov-21	TSC Apparel (CenterGate Capital)	Printable apparel products and accessories	S&S Activewear (Clayton, Dubilier & Rice)

## Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
Nov-21	Millwork Sales	Doors and building materials	Specialty Building Products (The Jordan Company)
Nov-21	Parts Town (Reedy Industries)	Foodservice equipment	Leonard Green & Partners (Blackstone Alternative Asset Management)
Nov-21	Tosuta International Sales	Confectionary products	Regal Confections (Clearspring Capital Partners)
Nov-21	Millennium Packaging & Distribution	Foodservice and janitorial and sanitation equipment	BradyIFS (Kelso & Company)
Nov-21	Nichols	Packaging, paper products and sanitary supplies	Imperial Dade (Bain Capital Private Equity)
Nov-21	Arrowhead Stairs & Trim	Millwork, hardware and exterior cedar products	US LBM (Bain Capital Private Equity)
Nov-21	Steven Engineering	Electric and industrial automation components	Graybar Electric Company
Oct-21	Air Dimensions	Vacuum diaphragm pumps	Ingersoll Rand (AlpInvest Partners)
Oct-21	Flyers Energy	Fuel and lubricant	World Fuel Services Corporation
Oct-21	Federal Resources (Alaris Equity Partners, KLH Capital)	Service provider for supply chain management	Noble Supply & Logistics Corporation
Oct-21	Rolston Hogstrom	Construction, industrial and truck equipment	The Lawless Group
Oct-21	Genesee Scientific Corporation	Scientific products and equipment	LLR Partners
Oct-21	Stealth Aerospace (Hardware Club)	Aviation electronic components	Fastener Distribution Holdings (Audax Management Company)
Oct-21	Pleatco (Boathouse Capital)	Filtration products	Pentair (Triam Fund Management)
Oct-21	Oregon Tool (American Securities)	Aftermarket cutting tools	Platinum Equity
Oct-21	Wimsatt Building Materials	Commercial roofing, exterior cladding and building materials	SRS Distribution (Berkshire Partners)
Oct-21	Integro Technologies Corporation	Machine logistics solutions	Kaman Distribution Group
Oct-21	Whitehall Specialties (Mason Wells)	Processed cheese products	Ornua Co-operative Limited (Ornua Co-operative)
Oct-21	Martin Preferred Foods	Meat products and specialty foods	The Chefs' Warehouse (Legion Partners Asset Management)
Oct-21	BMG Metals (Descours & Cabaud Group)	Metal products	Triple-S Steel Holdings
Oct-21	Shearer Supply	HVAC equipment	PNC RiverArch
Oct-21	CES Industrial Piping	Polyethylene pipes, fittings and fusion machines	Core & Main (Clayton, Dubilier & Rice)
Oct-21	Mayer Electric Supply Company	Electrical equipment	Rexel SA (Cevian Capital)
Oct-21	Municipal Emergency Services (HB Equity Partners)	First-responder equipment	Platte River Equity
Oct-21	Mailender	Packaging, paper products and sanitary supplies	Imperial Dade (Bain Capital Private Equity)
Oct-21	Armstrong Paper Group	Foodservice and janitorial and sanitation equipment	BradyIFS (Kelso & Company)
Oct-21	Shaw Stainless & Alloy	Pipes, tubes, fittings and accessories	Olympic Steel (Piper Jaffray Companies)



## 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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## Advisory Services

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Joint Ventures & Partnering

## 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, valuations and fairness opinions and joint ventures advisory. As one tightly integrated team of more than 725 professionals across 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](http://www.lincolninternational.com).

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