



Distribution | Q4 2019



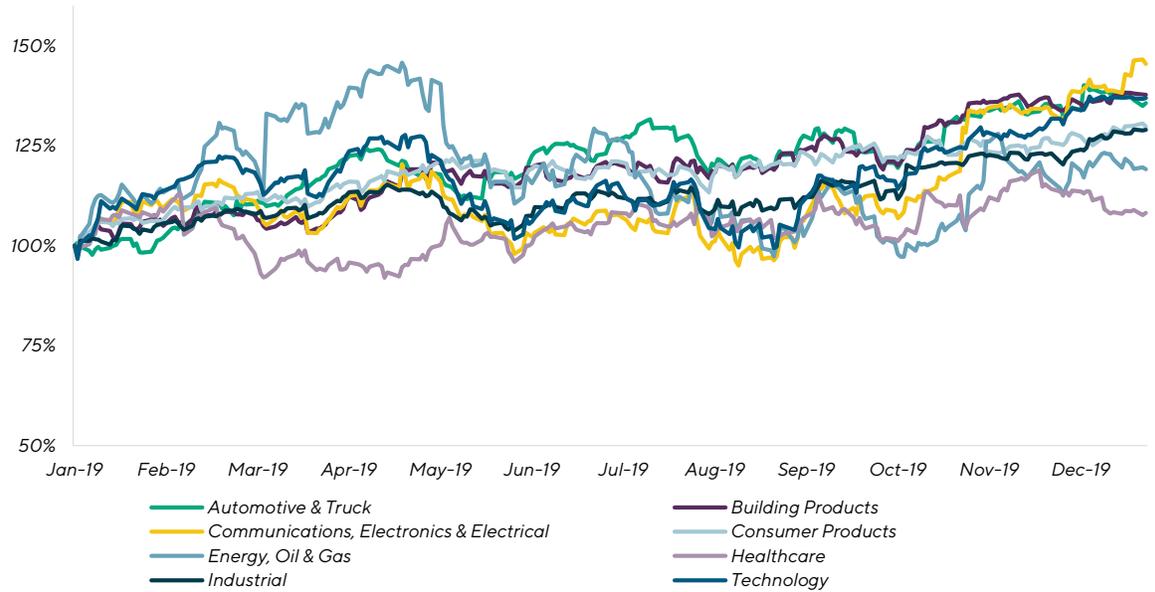
Distribution Insights

2019 was an active year for distribution M&A, outpacing 2018 deal activity despite concerns regarding the impact of tariffs and shifts in buyer sentiment during the year. Both strategic and private equity buyers remained very active in pursuing distribution assets for both offensive and defensive reasons. During the year, private equity buyers sought to make platform investments in recession resilient businesses, bolstering the investments with consolidation of the fragmented distribution landscape. We have also seen corporates utilizing unique transaction structures to expand their reach, broaden end market exposure or focus in on core business segments. Most notably this quarter, the proposed take-private of Tech Data by Apollo Global Management (a transaction valued just under \$6 billion), and the ongoing battle between WESCO and Clayton, Dubilier & Rice for the takeover of Anixter International (WESCO was recently announced as the winning bidder at a deal value of \$4.5 billion). Additionally, AD, the largest contractor and industrial products wholesale buying group, and SafetyNetwork also announced their intent to pursue a potential merger in early 2020. Looking ahead, Lincoln anticipates strong distribution M&A volume in the beginning of 2020, and we would welcome the opportunity to discuss your company's strategic alternatives or the distribution market more generally.

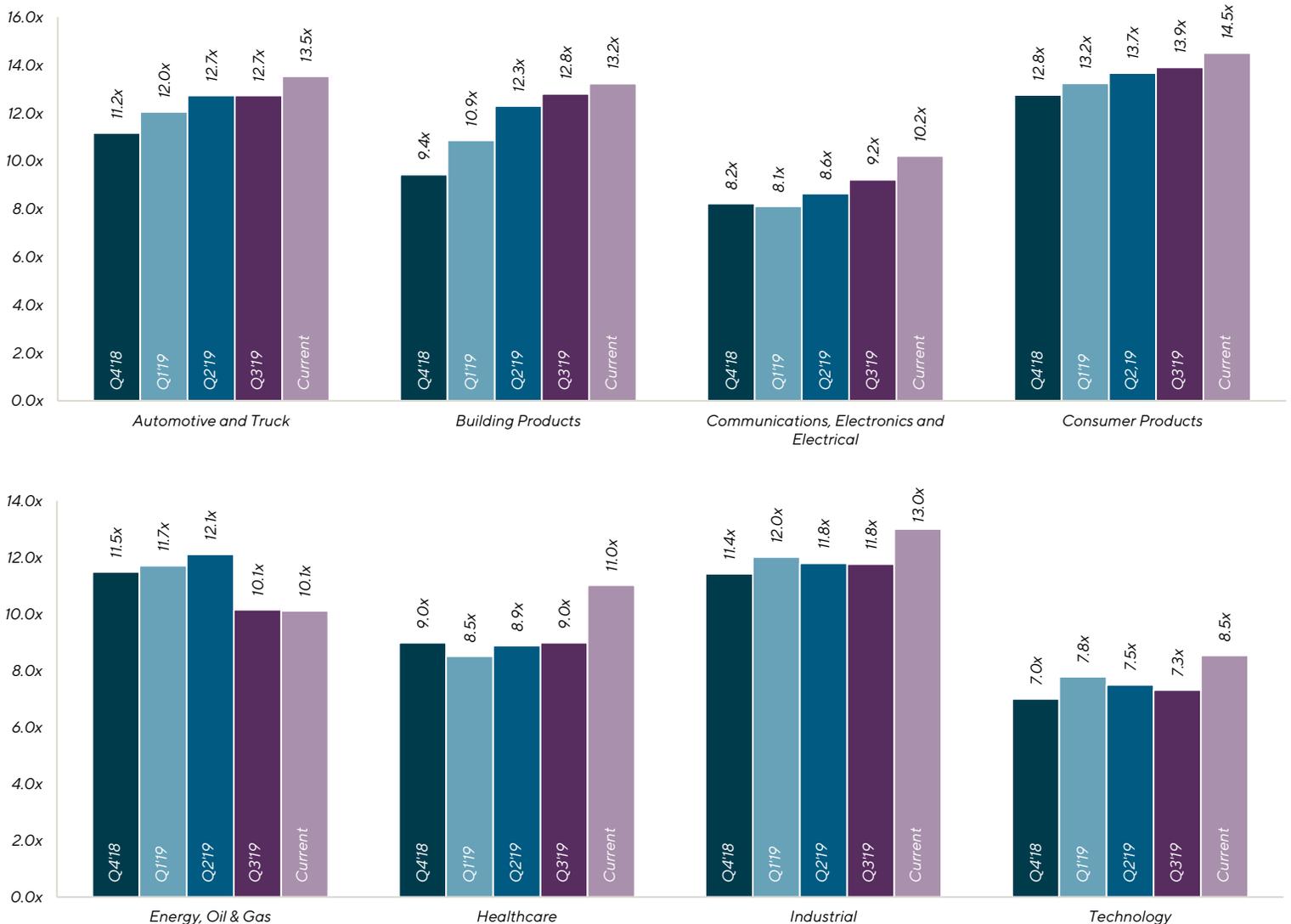
Index Performance

Lincoln's Distribution Index recorded a gain of 9.2% in Q4 2019 vs. Q3 2019. Communications, Electronics & Electrical (+29.1%), Technology (+19.0%), Building Products (+12.3%), Energy, Oil & Gas (+10.9%) and Automotive and Truck (+9.7%) outpaced the index while Consumer Products (+3.4%), Healthcare (+3.0%) and Industrial (+2.4%) 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	
					Price	EBITDA			Revenue	EBITDA
Automotive and Truck										
AutoZone, Inc.	\$1,191.31	93.5%	\$28,106	\$36,118	\$12,015	\$2,606	6.6%	21.7%	3.0x	13.9x
Genuine Parts Company	106.23	92.2%	15,434	19,525	19,290	1,395	3.0%	7.2%	1.0x	14.0x
LKQ Corporation	35.70	97.5%	10,941	15,797	12,499	1,288	5.2%	10.3%	1.3x	13.1x
O'Reilly Automotive, Inc.	438.26	96.5%	33,158	38,770	9,982	2,185	4.7%	21.9%	3.9x	17.7x
Uni-Select Inc.	8.78	55.9%	372	914	1,746	100	(0.3%)	5.7%	0.5x	9.0x
Building Products										
Beacon Roofing Supply, Inc.	\$31.98	80.0%	\$2,193	\$5,119	\$7,105	\$453	1.2%	6.4%	0.7x	11.3x
BMC Stock Holdings, Inc.	28.69	95.1%	1,915	2,236	3,596	244	(2.4%)	6.8%	0.6x	9.2x
Builders FirstSource, Inc.	25.41	97.5%	2,942	4,556	7,333	505	(5.1%)	6.9%	0.6x	9.0x
CRH plc	40.03	97.9%	31,596	43,780	28,063	3,586	4.8%	12.8%	1.4x	10.7x
Ferguson plc	90.72	96.7%	20,362	21,671	22,010	1,758	4.0%	8.0%	0.9x	11.4x
HD Supply Holdings, Inc. ⁽¹⁾	40.22	85.3%	6,522	9,120	6,207	825	7.3%	13.3%	1.5x	11.1x
SiteOne Landscape Supply, Inc.	90.65	97.9%	3,751	4,553	2,297	177	8.7%	7.7%	2.0x	25.7x
Watsco, Inc.	180.15	98.4%	6,320	6,966	4,689	388	3.1%	8.3%	1.5x	17.6x
Communications, Electronics and Electrical										
Anixter International Inc. ⁽²⁾	\$92.10	98.0%	\$3,116	\$4,363	\$8,712	\$429	3.7%	4.9%	0.5x	10.2x
Rexel S.A.	13.29	95.0%	4,016	7,557	13,609	631	1.8%	4.6%	0.5x	10.7x
WESCO International, Inc.	59.39	97.3%	2,482	3,972	8,271	406	1.2%	4.9%	0.5x	9.8x
Consumer Products										
Bunzl plc	\$27.35	80.8%	\$9,137	\$11,708	\$9,264	\$654	2.0%	7.1%	1.0x	13.5x
Core-Mark Holding Company, Inc.	27.19	66.4%	1,239	2,019	13,225	149	2.5%	1.1%	0.2x	13.6x
Pool Corporation	212.38	93.1%	8,503	9,192	3,160	369	5.4%	11.7%	2.9x	24.9x
SpartanNash Company	14.24	63.3%	518	1,503	8,435	148	4.6%	1.8%	0.2x	10.1x
Sysco Corporation	85.54	99.5%	43,645	52,560	60,202	3,400	0.9%	5.6%	0.9x	15.5x
United Natural Foods, Inc.	8.76	56.0%	469	4,739	24,538	455	130.7%	1.9%	0.2x	10.4x
US Foods Holding Corp.	41.89	97.2%	9,192	14,418	25,046	1,065	3.6%	4.3%	0.6x	13.5x
Energy, Oil & Gas										
DXP Enterprises, Inc.	\$39.81	87.2%	\$701	\$979	\$1,283	\$105	5.5%	8.2%	0.8x	9.3x
MRC Global Inc.	13.64	72.1%	1,121	2,280	3,905	211	(6.4%)	5.4%	0.6x	10.8x
NOW Inc.	11.24	70.6%	1,223	1,184	3,076	116	(1.6%)	3.8%	0.4x	10.2x
Healthcare										
Cardinal Health, Inc.	\$50.58	88.9%	\$14,794	\$21,991	\$147,662	\$2,860	4.0%	1.9%	0.1x	7.7x
Henry Schein, Inc.	66.72	81.7%	9,791	11,967	13,574	1,167	2.8%	8.6%	0.9x	10.1x
McKesson Corporation	138.32	89.4%	24,924	35,497	221,981	3,896	4.0%	1.8%	0.2x	14.7x
Owens & Minor, Inc.	5.17	61.3%	325	2,097	9,888	181	0.5%	1.8%	0.2x	11.6x
Industrial										
Air Liquide S.A.	\$141.62	98.6%	\$66,716	\$84,085	\$21,801	\$5,339	3.8%	24.5%	3.4x	14.0x
Applied Industrial Technologies, Inc.	66.69	97.8%	2,578	3,525	3,458	322	0.8%	9.3%	1.0x	10.8x
Fastenal Company	36.95	97.4%	21,192	21,686	5,334	1,205	7.4%	22.6%	4.1x	18.1x
MSC Industrial Direct Co., Inc.	78.47	90.3%	4,346	4,761	3,356	488	2.7%	14.5%	1.4x	9.6x
W.W. Grainger, Inc.	338.52	99.4%	18,235	20,551	11,402	1,646	1.6%	14.4%	1.8x	12.5x
Technology										
Arrow Electronics, Inc.	\$84.74	97.8%	\$6,902	\$10,352	\$29,497	\$1,157	(0.6%)	3.9%	0.4x	9.0x
Avnet, Inc.	42.44	86.6%	4,285	5,752	18,545	626	(7.2%)	3.4%	0.3x	8.1x
ScanSource, Inc.	36.95	91.1%	934	1,319	3,907	137	(0.0%)	3.5%	0.3x	9.6x
SYNNEX Corporation	128.80	98.4%	6,578	9,645	23,757	1,260	18.5%	5.3%	0.4x	8.2x
Tech Data Corporation	143.60	98.9%	5,087	5,767	37,082	732	0.7%	2.0%	0.2x	7.9x
Mean		88.5%					5.8%	8.0%	1.1x	12.2x
Median		94.2%					2.9%	6.6%	0.7x	10.8x

Source: Bloomberg, Capital IQ and company filings, as of 12/31/2019

Note: dollars in millions, except stock price

(1) Announced plans to separate into two separately traded entities

(2) Announced plans to be acquired by WESCO



11/22/2019 - Lincoln acted as the exclusive sell-side advisor to Sole Source Capital in the sale of its holding, Individual FoodService, the Bell, California-based distributor of paper, plastic, packaging, food, janitorial, sanitation and smallware products, to Kelso.

Transaction Highlights

12/16/2019: HD Supply Holdings (NASDAQ:HDS), the Atlanta, Georgia-based industrial distributor, has a strong pipeline of opportunities for its Construction & Industrial (C&I) and Facilities Maintenance (FM) businesses ahead of their planned separation.

12/10/2019: Tech Data (NASDAQ:TECD), the Clearwater, Florida-based distributor of IT hardware and software products and provider of logistics services, announced the expiration of the "go-shop" period provided for under the terms of the previously announced definitive agreement in which an affiliate of funds managed by **Apollo Global Management (NYSE:APO)** would acquire 100% of the company. Tech Data has set a shareholder vote date of February 12th for the deal.

11/18/2019: DistributionNOW (NYSE:DNOW), the Houston, Texas-based energy equipment distribution company, is interested in acquisitions that take the company further down the path of differentiation, with \$600 million in liquidity and no debt.

11/13/2019: DCC (LON:DCC), the Irish diversified distribution and business services group, is looking at the nutritional and health sector in the USA for acquisitions.

Selected M&A Transactions

Date	Target Company	Target Description	Acquiring Company
Pending	DCS Pharma	Pharmaceutical products	IMCD N.V.
Pending	Distrelec and Nedis Group (subsidiaries of Dätwyler)	Electronic components	AURELIUS Equity Opportunities
Pending	Garland C. Norris Company	Food service disposables, janitorial and cleaning supplies	Southeastern Paper Group
Pending	Tech Data Corporation	IT distribution and solutions	Apollo Global Management
Pending	The Safety Marketing Group	Safety equipment and services	AD
Dec-19	McKesson Patient Care Solutions	Wound care supplies, ostomy supplies, urological supplies and other adjacent products	AdaptHealth
Dec-19	Image Systems For Business	Image copiers and printers	Marco Technologies (Norwest Equity Partners)
Dec-19	Beatty Marketing & Sales	Orthopedic devices comprising suture retrievers and shoulder bands	Aspen Surgical Products (Audax Group)
Dec-19	Propane Assets of Boulden Brothers Propane	Propane	Sharp Energy
Dec-19	APP Wholesale Limited	Plumbing and heating products	Lords Group Trading Limited
Dec-19	Keller Electrical Industries	Industrial electrical services, equipment, components and supplies	Ohio Transmission Corporation (Genstar Capital)
Dec-19	Industrial Equipment & Parts	Industrial pumps	Winsupply
Dec-19	Shrieve Chemical Company	Organic and inorganic industrial commodity chemicals	Gemspring Capital
Dec-19	N & S Supply of Fishkill	Plumbing, heating, HVAC and specialty products	Watsco
Dec-19	Polynt Composites Canada	Thermoset resins, gel coats and other raw materials	Composites One
Dec-19	DLT Solutions	IT solutions	Tech Data Corporation
Nov-19	Individual FoodService	Food, paper, plastic, packaging, janitorial and smallwares products	Kelso & Company

Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
Nov-19	Nachurs Alpine Solutions	Specialty liquids	Wilbur-Ellis Holdings
Nov-19	Area Distributing	Paper, janitorial and food service packaging	Imperial Dade (Bain Capital)
Nov-19	Keren	Professional audiovisual material	DCC
Nov-19	Armstrong Produce / Kula Produce	Fruits and vegetables	Sysco
Nov-19	S.W. Anderson Sales	Residential and commercial heating and cooling equipment	Ferguson
Nov-19	Liquids Division of Camco Manufacturing	Windshield wash, RV antifreeze and diesel exhaust fluid	Highline Aftermarket (The Sterling Group)
Nov-19	Triad Technologies	Fluid power and automation products	Shorehill Capital
Nov-19	Pacific Coast Air Tool & Supply	Industrial, construction and safety equipment	Total Safety (Littlejohn & Co.)
Nov-19	Any Old Stone	Stone made slabs	Construction Resources (Monomoy Capital)
Nov-19	Richard Oil and Fuel	Service oil, lubricant, gasoline and diesel fuel	RelaDyne (Audax Group)
Nov-19	Cartwright Distributing	Flooring products	Crown Products (WILsquare Capital)
Nov-19	Wholesale Petroleum Distribution Business of IPC (USA)	Refined petroleum products	TACenergy
Nov-19	Rigney Building Supplies	Building products	GMS
Oct-19	Banner Solutions	Electronic access control door hardware and security products and services	Tailwind Capital
Oct-19	Worldwide Produce	Food produce	Sole Source Capital
Oct-19	Roofers Supply	Roofing materials	SRS Distribution (Leonard Green & Partners)
Oct-19	Heritage Food Service Group	OEM replacement and repair parts for commercial kitchen equipment	Parts Town (Berkshire Partners)
Oct-19	TruckPro	Heavy-duty truck and trailer parts	Platinum Equity
Oct-19	Dixie Carpet Installations	Carpets, vinyl tiles and sheets, vinyl planks, laminates and hardwoods	Artisan Design Group (The Sterling Group)
Oct-19	Day Fluid Power	Fluid connector and pneumatic products	Triad Technologies (Svoboda Capital Partners)
Oct-19	Cicoil	Electronic parts and equipment	TPC Wire & Cable (Audax Group)
Oct-19	Pittsburgh Wire And Cable	Wholesales electrical apparatus and equipment	TPC Wire & Cable (Audax Group)
Oct-19	D & S Color Supply	Automotive, marine and industrial finishes	Painters Supply (PNC Riverarch)
Oct-19	Construction Materials	Specialty building products for concrete contractors	Construction Supply Holdings (The Sterling Group)
Oct-19	Gold Star Foods	Food products for schools	Good Source Solutions (Highview Capital)
Oct-19	Forge Lumber	Building materials and construction subcontracting services	US LBM Holdings (Kelso & Company)
Oct-19	Avesta	Global positioning system devices	CMS Distribution
Oct-19	Eastern Metal Supply	Custom and standard aluminum extrusions	Wynchurch Capital
Oct-19	The Fluid Power House	Hydraulic components, engineered systems and solutions	Motion Canada (Genuine Parts Company)
Oct-19	Wallboard Supply / The Supply Guy	Jewelry stamping products	Foundation Building Materials
Oct-19	EIS (subsidiary of Genuine Parts Company)	Production supplies, specialty wire and cable and industrial motor repair products	Audax Group



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 both the underlying distribution business model, as well as deep end market and product expertise.



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About Lincoln International

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 500 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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