

Distribution Q4 2022



Quarterly Review

Market Commentary and Insights

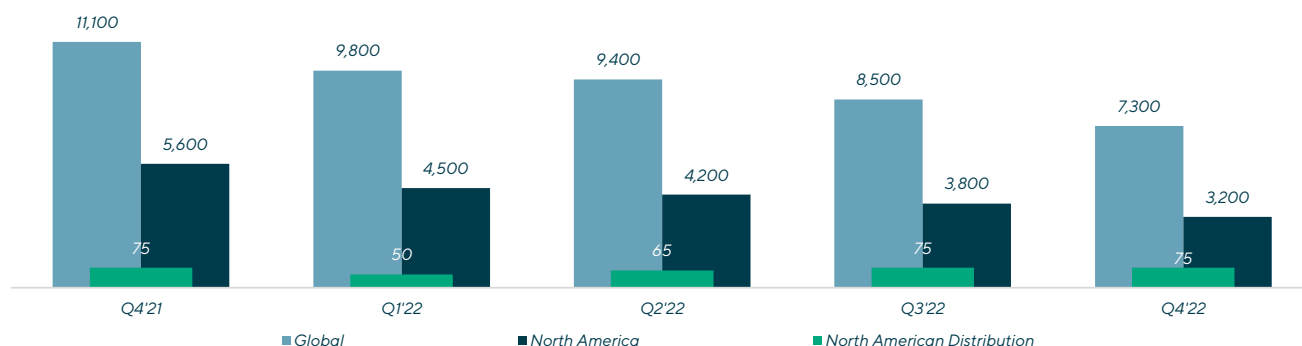
Public Markets

- Public equities bounced back in Q4 2022, reversing the negative trends of prior quarters
 - The Dow Jones Index rose 15% for the quarter, while the broader-based S&P 500 increased 7%
 - Comparatively, the distribution index rose 13% this quarter, on pace with market indexes
- Market gains reflected improved sentiment amongst investors, which has largely continued into early 2023
 - While inflation remained an issue, the pace of price increases decelerated notably – from 8-10% monthly surges in pricing indices over the summer to 4-5% in the final months of the year
 - The labor market remains tight, with unemployment near all-time lows, signaling that the U.S. economy may avoid the harsh recession that many analysts had been forecasting in mid-2022
- Nevertheless, the Federal Reserve continued to raise interest rates in its continued effort to break inflation and achieve price stability
 - Higher interest rates hit technology stocks the hardest, while consumer goods-oriented business have also been slammed by the double-impact of price inflation in their supply chains and more cautious consumer spending on the demand side
- Businesses serving other markets, notably the energy, oil and gas, automotive and truck, and technology sectors continue to see strong demand, which has been reflected in their stock performances

M&A and Private Markets

- Despite the bounce-back in public markets, global and North American mergers and acquisitions (M&A) activity continued its decline in Q4
- Credit market conditions deteriorated further in the final months of 2022, creating a significant impediment to deal execution for both buyers and sellers
 - Fed interest rate hikes increased the cost of borrowing significantly, while reduced lender confidence in the overall economic outlook led to higher selectivity, reduced hold sizes and less attractive borrowing terms
 - The credit markets have begun to improve in the early months of 2023, as lenders seek to deploy capital and concerns about a deep and broad recession abate
- M&A deals did close in Q4, albeit at a slower clip and at somewhat reduced valuations
 - With credit market challenges hampering leveraged buyouts while public equity valuations stabilized, corporates seized the opportunity to target and execute strategic add-on acquisitions – bolstering revenue and earnings growth
 - Private equity investors with developed theses in certain sectors, as well as those focused on specific investment themes and mandates, remained active
- Distribution M&A activity proved more resilient than the overall market, remaining stable through 2022 despite the downturn in overall deal closings both globally and in North America
- Distribution M&A activity was also focused in sectors of the economy that continue to show strength and are supported by long-term tailwinds such as new technologies, macroeconomic secular trends, and government programs
 - Precision manufacturing
 - Civic infrastructure
 - Education
- In addition, businesses that demonstrate steady growth underpinned by reoccurring demand drivers have also thrived – both in financial performance in investor interest
 - Industrial maintenance and repair operations (MRO)
 - Tools, parts and related non-discretionary services for commercial and consumer markets

M&A Deal Count

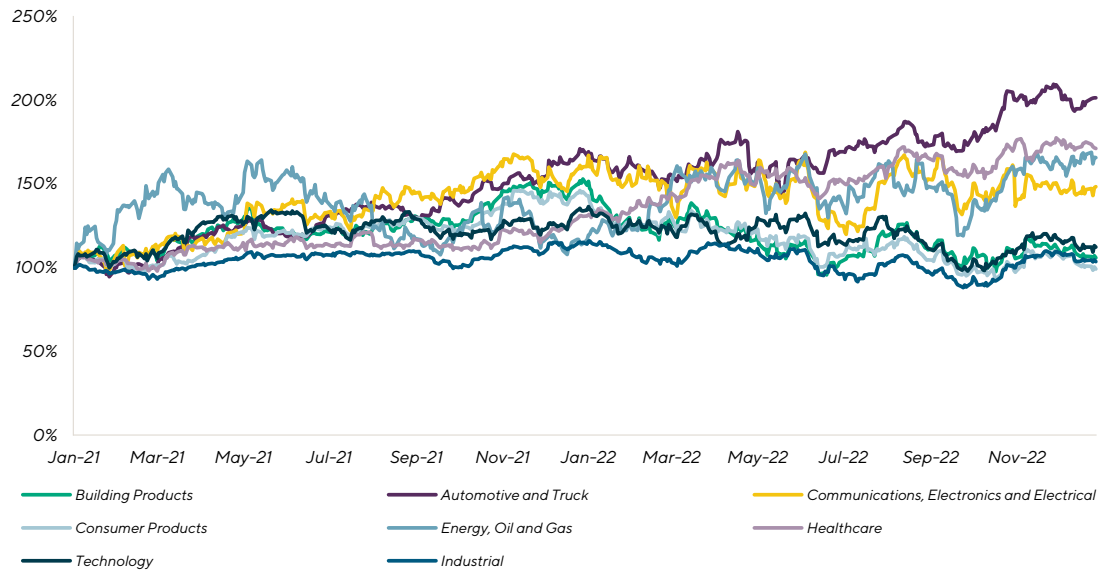


Note: Global and North American deal count sourced from Pitchbook; North American Distribution deal count sourced from MDM

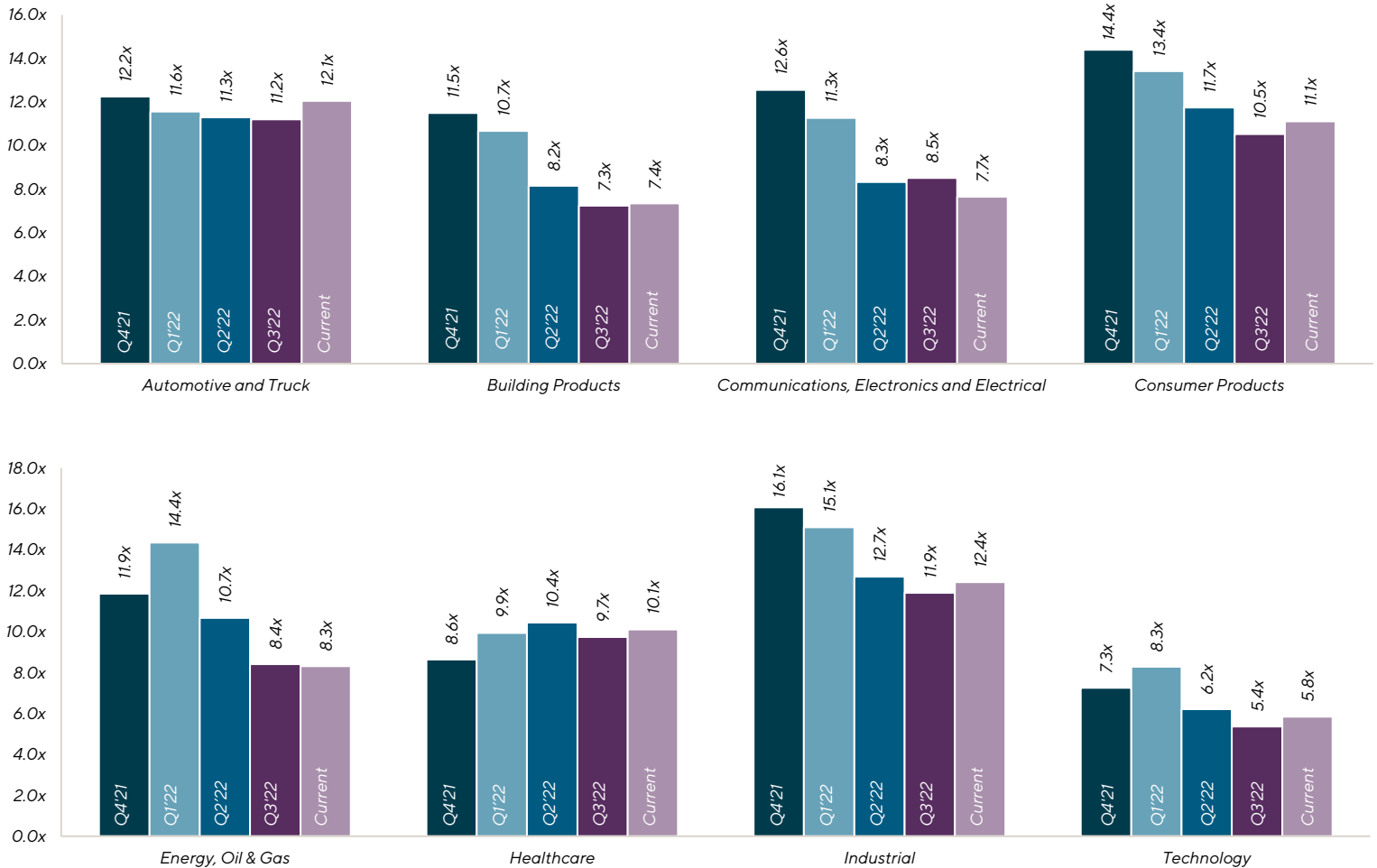
Index Performance

Lincoln's distribution index trended upward in Q4 2022 vs. Q3 2022. This quarter, energy, oil and gas (26.7%), automotive and truck (16.3%), industrial (15.3%) and technology (14.5%) had the most upward momentum in the sector, following with healthcare (11.1%), communications, electronics and electrical (7.1%), building products (6.1%) and consumer products (3.8%) sectors still showing growth. Year-over-year, energy, oil and gas and healthcare sectors continue to perform strongly with 44.7% and 30.9% growth, respectively, while consumer products and building products sectors are down 31.7% and 30.6%, respectively.

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
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	-	-			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	Target Description	Acquiring Company
22-Dec	Led Supply	Distributes LED lighting to multiple industries	Applied UV, Inc.
22-Dec	Puro Lighting	Distributes disinfection lighting	Applied UV, Inc.
22-Dec	Meister International	Distributes products used to build, maintain and upgrade electric power grid	Power Grid Components, Inc. (Shorehill Capital)
22-Dec	West-Lite Supply Company	Distributes lighting products	Facility Solutions Group
22-Dec	Telluride Natural Stone and Reclaimed Wood	Distributes stone, reclaimed wood, brick and hardscape products	SiteOne Landscape Supply, Inc.
22-Dec	CX Connexion	Distributes building and maintenance supplies	Graybar Electric Company, Inc.
22-Dec	Air Hydro Power (Supply Chain Equity Partners)	Distributes motion control and fluid power solutions including automation, robotics and hydraulics	Houchens Industries
22-Dec	Canine Companies Inc	Distributes pet fencing products	Radio Systems Corporation (Clayton, Dubilier & Rice)
22-Dec	YESCO Electrical Supply	Distributes electrical products	Schaeffler Yesco
22-Dec	Power Associates International	Distributes pipeline construction equipment and mobile trailers	Griffin Dewatering Corporation (Crossplane Capital)
22-Dec	Integrated Component Sales, Inc.	Distributes electrical and machining products	JD Martin Company
22-Dec	Instrumex	Distributes test and measurement equipment	Distribution Solutions Group
22-Dec	PENN Engineered Fasteners Corporation	Distributes fastening solutions in industrial segments such as automotive, energy and agriculture	Bossard Group
22-Dec	Thomas Industrial Supply, Inc.	Distributes packaging products	BlackHawk Industrial (TruArc Partners)
22-Dec	Pennsylvania Paper & Supply Company	Distributes facilities supplies, janitorial-sanitation equipment and supplies and industrial packaging solutions	Envoy Solutions, LLC
22-Dec	Airefco	Distributes heating, ventilation and air conditioning (HVAC) equipment, parts and supplies	Ferguson plc (Wolseley)
22-Dec	Classic Solutions	Distributes janitorial sanitation and equipment products	Imperial Dade (Advent International)
22-Dec	Country Clean Paper Supplies	Distributes foodservice packaging and janitorial supplies	Imperial Dade (Advent International)
22-Nov	Norkan	Distributes equipment and supplies for commercial and industrial safety	Jon-Don (Incline Equity Partners)
22-Nov	MTC Distributing	Distributes fresh foods and beverages	Harbor Wholesale Foods
22-Nov	Amperage Electrical Supply	Distributes electrical products	Consolidated Electrical Distributors
22-Nov	Concentrated Active Ingredients & Flavors Inc	Distributes active ingredients and flavors	Caldic B.V. (Advent International)

(1) Note: Includes M&A advisory transactions, capital raise transactions, restructuring transactions and JV&P transactions, valuations and opinions as well as transactions related other advisories

(2) Note: Includes announced M&A transactions and some may yet to close

Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
22-Nov	Surtec (Freudenberg Chemical Specialities)	Distributes specialty maintenance chemicals for commercial and industrial cleaning	Envoy Solutions
22-Nov	The Bell Pump Service Company	Distributes heating, air conditioning, plumbing and refrigeration equipment and related parts	Munch's Supply LLC (Mar-Cone Appliance Parts Center)
22-Nov	Lanier Municipal Supply Co. Inc.	Distributes water, wastewater, storm drainage, agricultural and irrigation products	Core & Main
22-Nov	Mill Supplies	Distributes power tools, abrasives, MRO and safety products	Bostwick-Braun Company
22-Nov	GetWireless, LLC	Distributes internet of things-related cellular solutions	Alliance Corporation (Lee Equity Partners)
22-Nov	Ameripipe Supply Inc	Distributes pipe, valves, fittings and fabrication products	BPS Supply Group (Trive Capital)
22-Nov	Nightwine Valves & Actuation, Inc.	Distributes flow control products including valves, actuators, soft return regulators and related products	Motion & Control Enterprises (Frontenac)
22-Nov	Aztec Electrical Supply Inc	Distributes electrical, industrial and lighting products	Sonepar SAS
22-Nov	Central Hydraulics	Distributes hoses and related products	SBP Holdings (AEA Investors)
22-Nov	Automation Inc.	Distributes motion, machine vision, pneumatic, electrical, process control and machine components.	Applied Industrial Technologies
22-Nov	Auberst Inc (Inmark)	Distributes plastic and metal packaging solutions	Novvia Group (Kelso Private Equity)
22-Nov	Coastal Construction Products, LLC	Distributes caulking and sealants, waterproofing and concrete restoration materials	Beacon Roofing Supply, Inc.
22-Nov	Lowe Electric Supply Co.	Distributes diversified electrical wholesale products	Crescent Electric Supply Company
22-Oct	One Way Industrial Supply	Distributes metal cutting tools and assembly tools	Stellar Industrial Supply
22-Oct	NAPAC	Distributes valves, flanges, fittings and other mechanical parts	Power Utility Products Co (WJ Partners)
22-Oct	Rockingham Electrical Supply Co	Distributes lighting and power systems	Sonepar USA
22-Oct	Metro Roofing & Metal Supply	Distributes roofing products	SRS Distribution (Leonard Green & Partners)
22-Oct	Quality Mill Supply	Distributes industrial supplies and services	Martin Supply
22-Oct	Best Deal Spring & Truck Parts	Distributes truck parts and supplies	Fleet Pride (American Securities)
22-Oct	SiteLight	Distributes landscape lighting and design	Ewing Irrigation
22-Oct	Jensen Instrument Co	Distributes instrumentation and control products	Valin Corp
22-Oct	Connell USA	Distributes specialty chemicals and ingredients	Caldic B.V. (Advent International)

Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
22-Oct	Survivor Fire & Safety Equipment and Total Fire & Safety Equipment	Distributes fire and safety systems	Pye-Barker Fire & Safety (Altas Partners, Partners Group)
22-Oct	Triad Tooling	Distributes machinery parts and tools	Stellar Industrial Supply
22-Oct	nexAir	Distributes atmospheric gases and welding supplies	Praxair Distribution (Linde plc)
22-Oct	Dayco North America	Distributes hose and coupling products	Kurt Hydraulics
22-Oct	Rochester Industrial Supply Company (Adhesives Business)	Distributes adhesive products	Applied Products (Arsenal Capital Partners)
22-Oct	Gläser & Flaschen	Distributes glass packaging products	TricorBraun (Ares Private Equity Group, SSG Capital Management)
22-Oct	Metro Fire & Safety	Distributes fire protection and life safety systems	Altas Partners
22-Oct	Trumbull Waterworks (Municipal Waterworks Division)	Distributes valves, manhole lids, gears and indicators	Core & Main
22-Oct	Westech Rigging Supply	Distributes rigging products	Bishop Lifting Products (Altamont Capital Partners)
22-Oct	KSS Enterprises; Sideline Sports; BBC Distributing; Energyst Solutions; Rapid Supply & Sales; EMack Manufacturing; Star Flooring Inc	Distributes janitorial supplies, packaging supplies, foodservice supplies and cleaning equipment	Envoy Solutions, LLC
22-Oct	Professional Electric Products Company	Distributes lighting and industrial products	Sonepar SAS
22-Oct	Advantage Sales & Supply Co and Susquehanna Wire & Rope Rigging	Distributes lifting and rigging products	Ascent Lifting (Shorehill Capital)
22-Oct	FreshEdge	Distributes fresh food products	Wind Point Partners, L.P.
22-Oct	Rios Containers	Distributes plastic and metal bottles, cans, drums, lids and other rigid packaging products	Novvia Group (Kelso Private Equity)
22-Oct	Hydrologic Distribution Company	Distributes lighting and plumbing solutions	Winsupply
22-Oct	Valley Supply Company	Distributes construction materials	White Cap (Clayton, Dubilier & Rice)
22-Oct	Dees Paper Company	Distributes janitorial sanitation and foodservice products	Imperial Dade (Advent International)
22-Oct	Boudreault Packaging	Distributes paper, packaging, food packaging products	Imperial Dade (Advent International)
22-Oct	Vandermeer Forest Products Inc	Distributes building material and specialty products	BlueLinx Holdings Inc
22-Oct	OCL Industrial Materials Ltd	Distributes refractory products and container solutions	SurfacePrep (CenterOak Partners)
22-Oct	Dana Wallboard Supply, Inc.	Distributes wallboard and building materials	L&W Supply Corporation (USG)

Recent Lincoln Distribution Transactions

 has sold

ADI's India distribution division

to



Sell-Side



Foresight

has sold



to





a portfolio company of




Sell-Side





 has been taken private by




Sell-Side
Fairness Opinion




 has sold




to




Sell-Side




 and co-shareholders have sold




to




a portfolio company of




Sell-Side



 has sold




to





a portfolio company of




Sell-Side




 has sold




to





a portfolio company of




Sell-Side




 has been sold to





a portfolio company of




Sell-Side



 has acquired



Buy-Side





 has been sold to




Sell-Side




 has sold




to



a subsidiary of



Sell-Side



 has acquired



Buy-Side





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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