

Market Update



Distribution Q4 2018

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M&A Transaction Recap



Market Intelligence

11/22/2018: Alliance Marine, the Marine equipment distributor and portfolio company of **Weinberg Capital Partners**, will look at further acquisitions as part of its plans to diversify its geographical reach.

12/01/2018: HELLA GmbH & Co. KGaA (HLE:ETR), the German lighting components producer and distributor, is looking to make opportunistic acquisitions in the Aftermarket and Special Applications segments to expand geographically and product diversification.

12/12/2018: ALSO Holding (SWX:ALSN) and Polish private equity firm **MCI Group (WSE:MCI)** have launched a joint tender offer for a stake in **ABC Data (WSE:ABC)**, the Polish IT equipment and consumer electronics distributor.

12/21/2018: Ferguson (LSE:FERG), the UK-based distributor of plumbing and heating products, has entered a definitive agreement to sell its subsidiary **Wasco Groothandelsgroep** to **Gilde**, the Dutch private equity firm.

Source: Mergermarket

Market Insights

2018 was an active year for M&A in the Distribution market across numerous sub-verticals. Both strategic and private equity buyers remained very active. Strategic buyer activity was driven by improved company performance, higher public market valuations, tax law changes as well as the ongoing desire for higher growth. Private equity demand continued to be strong given significant dry powder available for platform investments and tuck-in acquisitions. Importantly, tariffs played a role in distribution M&A activity in 2018. The last quarter of 2018 exhibited noise over tariffs as buyers tried to gauge how distribution businesses with significant sourcing relationships in China would be impacted. The threat of the additional List 4 tariffs which would affect all products from China led to the repricing and stalling of some deals in the market. However, Lincoln International found creative solutions for certain of its distribution engagements with exposure to tariffs through the sharing of risk between buyers and sellers, allowing deals to move forward.

Looking to 2019, M&A activity is expected to remain strong in the Distribution market. Despite macroeconomic uncertainty, the deal activity within Distribution will continue at a good pace because of the offensive and defensive characteristics associated with the business model. From an offensive standpoint, buyers continue to be highly attracted to the large, fragmented markets that these companies generally serve and the favorable cash flow dynamics associated with them, especially in the context of a consolidation strategy. From a defensive perspective, with the general sentiment that an economic pullback may be on the way, distributors are ideally suited for the times ahead and many aspects of their business models make them attractive to investors particularly when there may be a potential slowdown on the horizon (i.e., high free cashflow; economic diversity across suppliers, customers and products; higher variable costs). Because distribution sub-verticals tend to be incredibly fragmented industries, M&A activity will continue as these markets experience ongoing consolidation. Over 2019 and the near term future, Lincoln International anticipates interest and activity for distribution M&A will remain high, and we look forward to discussing your company's strategic alternatives or the Distribution market more generally.



Comparable Public Companies

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	EV / LTM	
					Revenue	EBITDA			Revenue	EBITDA
Aerospace and Defense										
Wesco Aircraft Holdings, Inc.	\$7.90	55.5%	\$787.05	\$1,590.38	1,570.45	\$138.72	8.1%	8.8%	1.0x	11.5x
Automotive and Truck										
AutoZone, Inc.	\$838.34	93.6%	\$21,130	\$25,977	\$11,274	\$2,503	2.4%	22.2%	2.3x	10.4x
Genuine Parts Company	96.02	89.1%	14,092	16,699	18,338	1,371	12.4%	7.5%	0.9x	12.2x
LKQ Corporation	23.73	54.1%	7,551	11,684	11,344	1,200	16.5%	10.6%	1.0x	9.9x
O'Reilly Automotive, Inc.	344.33	94.8%	27,582	30,717	9,412	2,044	4.8%	21.7%	3.3x	15.0x
Uni-Select, Inc.	14.22	67.7%	601	974	1,747	123	20.7%	7.0%	0.6x	8.4x
Building Products										
Beacon Roofing Supply, Inc.	\$31.72	47.7%	\$2,162	\$5,052	\$6,418	\$461	42.7%	7.2%	0.8x	11.0x
BMC Stock Holdings, Inc.	15.48	61.1%	1,043	1,348	3,664	229	8.8%	6.3%	0.4x	5.9x
Builders FirstSource, Inc.	10.91	46.9%	1,252	3,059	7,688	438	9.3%	5.7%	0.4x	7.0x
CRH plc	26.45	69.8%	21,578	31,437	25,314	3,127	0.4%	12.4%	1.1x	8.6x
Ferguson plc	63.94	76.0%	14,734	15,800	20,752	1,651	1.1%	8.0%	0.8x	9.8x
HD Supply Holdings, Inc.	37.52	81.1%	6,683	8,622	5,784	788	15.2%	13.6%	1.5x	10.9x
SiteOne Landscape Supply, Inc.	55.27	57.9%	2,257	2,822	2,053	154	10.3%	7.5%	1.4x	18.4x
Watsco, Inc.	139.14	72.1%	4,772	5,114	4,520	387	4.1%	8.6%	1.1x	12.9x
Communications, Electronics and Electrical										
Anixter International, Inc.	\$54.31	61.1%	\$1,818	\$3,012	\$8,295	\$396	4.6%	4.8%	0.4x	7.6x
Rexel S.A.	10.65	59.7%	3,216	5,798	13,280	590	(0.2%)	4.4%	0.4x	8.6x
WESCO International, Inc.	48.00	69.2%	2,241	3,385	8,162	398	6.3%	4.9%	0.4x	8.5x
Consumer Products										
Bunzl plc	\$30.19	93.1%	\$9,981	\$11,865	\$8,805	\$625	2.6%	7.1%	1.1x	14.9x
Core-Mark Holding Company, Inc.	23.25	58.0%	1,063	1,436	12,854	117	5.1%	0.9%	0.1x	12.3x
Pool Corporation	148.65	84.5%	5,985	6,527	2,965	332	6.3%	11.2%	2.2x	19.6x
SpartanNash Company	17.18	62.0%	617	1,300	8,218	196	1.1%	2.4%	0.2x	6.6x
Sysco Corporation	62.66	82.5%	32,570	40,575	59,292	3,295	4.0%	5.6%	0.7x	12.3x
United Natural Foods, Inc.	10.59	21.2%	543	4,455	10,637	333	12.5%	3.1%	0.4x	13.4x
US Foods Holding Corp.	31.64	77.3%	6,876	10,289	24,130	1,009	(0.1%)	4.2%	0.4x	10.2x
Healthcare										
Cardinal Health, Inc.	\$44.60	58.9%	\$13,288	\$20,244	\$139,381	\$2,947	5.1%	2.1%	0.1x	6.9x
Henry Schein, Inc.	78.52	86.0%	11,969	14,733	13,145	1,106	5.5%	8.4%	1.1x	13.1x
McKesson Corporation	110.47	61.8%	21,583	30,303	210,927	4,053	2.7%	1.9%	0.1x	7.8x
Owens & Minor, Inc.	6.33	27.6%	394	1,910	9,686	240	3.9%	2.5%	0.2x	7.9x
Industrial										
Air Liquide S.A.	\$124.17	94.1%	\$53,064	\$69,797	\$20,219	\$4,783	(0.6%)	23.7%	3.0x	12.7x
Applied Industrial Technologies, Inc.	53.94	65.5%	2,090	3,006	3,257	305	20.2%	9.4%	0.9x	9.9x
DXP Enterprises, Inc.	27.84	56.2%	489	714	1,171	83	16.3%	7.1%	0.6x	8.6x
Fastenal Company	52.29	85.5%	15,010	15,270	4,822	1,103	9.8%	22.9%	3.2x	13.8x
Kaman Corporation	56.09	74.7%	1,568	1,846	1,848	157	2.4%	8.5%	1.0x	11.7x
MRC Global, Inc.	12.23	53.2%	1,105	2,150	4,066	185	11.5%	4.5%	0.5x	11.6x
MSC Industrial Direct Co., Inc.	76.92	77.0%	4,257	4,746	3,204	514	7.9%	16.0%	1.5x	9.2x
NOW Inc.	11.64	62.7%	1,262	1,341	3,032	94	14.5%	3.1%	0.4x	NMF
W.W. Grainger, Inc.	282.36	75.9%	15,903	17,783	11,091	1,596	6.4%	14.4%	1.6x	11.4x
Office Supplies										
Essendant, Inc.	\$12.58	73.6%	\$474	\$962	\$4,987	\$88	(1.0%)	1.8%	0.2x	10.9x
Technology										
Arrow Electronics, Inc.	\$68.95	79.0%	\$6,011	\$9,097	\$29,556	\$1,360	10.2%	4.6%	0.3x	6.7x
Avnet, Inc.	36.10	73.1%	4,015	5,215	19,466	756	6.8%	3.9%	0.3x	6.9x
ScanSource, Inc.	34.38	77.6%	880	1,143	3,895	143	5.6%	3.7%	0.3x	8.0x
SYNNEX Corporation	80.84	57.0%	4,136	5,751	19,743	737	15.8%	3.7%	0.3x	7.8x
Tech Data Corporation	81.81	75.3%	3,053	3,818	39,985	683	29.0%	1.7%	0.1x	5.6x
Mean		68.6%					8.6%	7.9%	0.9x	10.4x
Median		69.8%					6.3%	7.0%	0.6x	10.0x

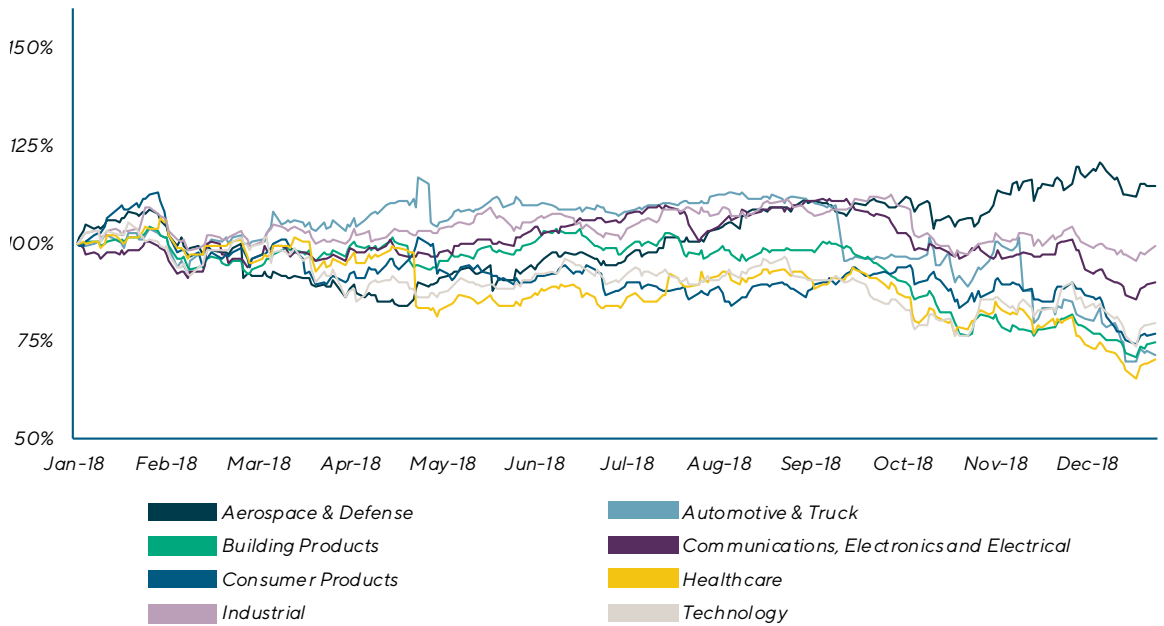
Source: Bloomberg, Capital IQ and company filings, as of 12/31/2018
 Note: dollars in millions, except stock price

Index Performance

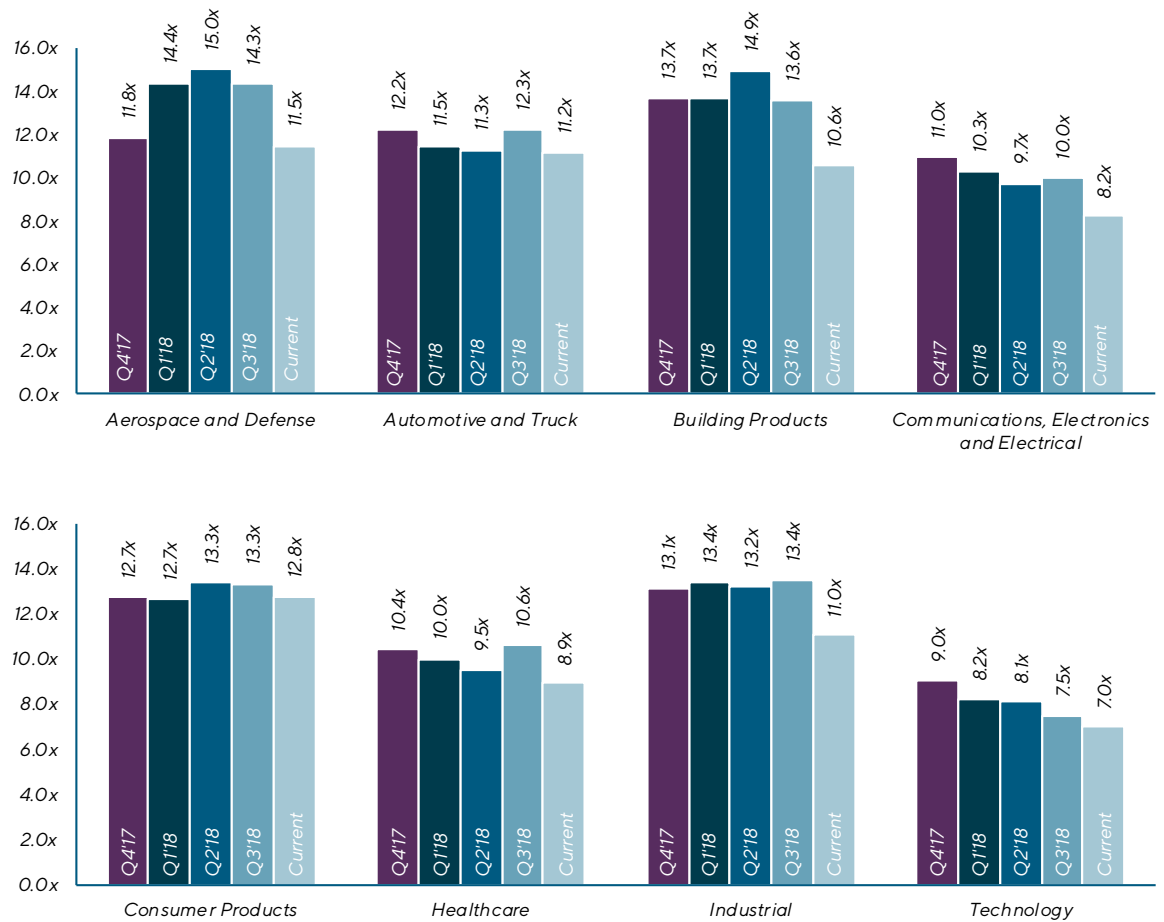
Lincoln's Distribution Index recorded a loss of 9.3% in Q4 2018 vs. Q3 2018; Automotive & Truck (+3.6%), Technology (-4.0%), Consumer Products (-9.1%) outpaced the index while Healthcare (-16.8%), Industrial (-18.5%), Building Products (-21.3%), Communications, Electronics & Electrical (-23.0%) and Aerospace and Defense (-29.8%) lagged the index



Distribution Index – LTM Relative Stock Price Performance



Distribution Index – Historical EV / EBITDA Valuation Performance



M&A Transaction Recap (Selected Transactions)

Closed	Target Company	Target Description	Acquiring Company
Pending	Hastings Auto Parts, Inc.	Automotive parts	Genuine Parts Company
Pending	Intra-Lock International, Inc.	Dental implant products	Henry Schein, Inc.
Pending	Bennett Auto Supply, Inc.	Automotive parts	O'Reilly Automotive, Inc.
Pending	Transmontaigne Partners L.P.	Terminaling, storage and transportation services	TLP Acquisition Holdings LLC
Pending	Wasco Holding B.V.	Plumbing and heating equipment	Gilde Equity Management Benelux B.V.
Dec-18	Martin's Super Markets, Inc.	Chain of super markets	SpartanNash Company
Dec-18	FleetPride, Inc.	Aftermarket heavy-duty truck and trailer parts	American Securities LLC
Dec-18	Regent Products, Inc.	Fabrication restoration and stone care equipment	GranQuartz, L.P.
Dec-18	Artisan Design Group, Inc.	Flooring products	The Sterling Group, L.P.
Dec-18	Terminal Air Brake Supply Inc.	Truck and trailer parts	TruckPro, LLC
Dec-18	I-XL Building Products Inc.	Brick, stone and other building products	Equicapita Income GP Ltd.; Equicapita Income Trust
Dec-18	Co-Op Butane, Inc.	Propane	Ferrellgas Partners, L.P.
Dec-18	Quirch Foods Co.	Frozen food products	Palladium Equity Partners
Dec-18	Endries International, Inc.	Fasteners and related production equipment	MSD Partners, L.P.
Dec-18	Fresh Direct Produce LLC	Fresh produce	Hammond, Kennedy, Whitney & Company Inc.
Dec-18	Pal-Med, Inc.	Insulin pumps and diabetic testing supplies	Solara Medical Supplies, Inc.
Dec-18	Schaff Holdings Inc.	Agricultural machinery and equipment	SiteOne Landscape Supply, Inc.
Dec-18	Buchanan Rubber Ltd	Industrial hoses and couplings	Wynchurch Capital, LLC
Dec-18	Deering Lumber, Inc.	Lumber and building materials	US LBM Holdings, Inc.
Dec-18	All-Tex Supply/MASONPRO, Inc.	Construction materials, accessories and tools	Construction Supply Holdings, LLC
Nov-18	Educators Resource, Inc.	School supplies	Gladstone Investment Corporation
Nov-18	MSI Supply, Inc.	Steel and carbon pipes, valves and custom components	Winsupply Inc.
Nov-18	Pirtek Europe Holdings Ltd	Fluid transfer solutions	PNC RiverArch Capital
Nov-18	Microcel Corporation	Consumer electronics	Atar Capital LLC
Nov-18	Worldwide Laundry, Inc.	Laundry equipment	EnviroStar, Inc. (nka:EVI Industries, Inc.)
Nov-18	AutoChoice Parts & Paints Limited	Automotive aftermarket parts and paints	Uni-Select Inc.
Nov-18	Coker Tire Company	Tires and wheels	Irving Place Capital
Nov-18	Allcord Limited	Mountaineering, backpacking and camping equipment	2pure Ltd.
Nov-18	Colony Hardware Corporation	Construction tools, equipment and supplies	Audax Group, Inc.
Nov-18	Apogee Corporation	Automotive paint protection and window film	XPEL Technologies Corp.
Nov-18	Northeast Building Products Corporation	Windows, doors and glass blocks for homes	Harvey Industries, Inc.
Nov-18	Richmond Bumper Service, Inc.	Aftermarket automotive crash-parts	KSI Trading Corp
Nov-18	Midland Metal Mfg. Company	Fittings and valves for tubes, pipes and hoses	Anderson Metals Corporation, Inc.
Nov-18	Bearing Engineers, Inc.	Semiconductor fabrication equipment	Frontenac Company
Nov-18	CPS Distributors, Inc.	Pump, irrigation and landscape supplies	Undisclosed
Nov-18	Fluid Power Sales, Inc.	Fluid components	Applied Industrial Technologies, Inc.
Nov-18	SureWex	Professional tools, equipment and safety products	The Riverside Company
Nov-18	Grand Northern Products, Ltd.	Surface enhancement technology equipment	CenterOak Partners LLC
Nov-18	Musco Fuel & Propane LLP	Propane	Superior Plus Corp.
Nov-18	Wylie LP Gas, Inc.	Petroleum fuels	Ferrellgas Partners, L.P.
Oct-18	LPW Technology Ltd.	Metal powders for additive manufacturing industry	Carpenter Technology Corporation
Oct-18	SUPERVALU INC.	Grocery wholesaler and retailer	United Natural Foods, Inc.
Oct-18	J. C. Hunt Company, Inc.	Fuels	RelaDyne, Inc.
Oct-18	Wilbur-Ellis Feed, LLC	Livestock, pet food and aquaculture feed	Ameri-Pac Inc.
Oct-18	Brenco Marketing Corporation	Petroleum fuels	Sunoco LP
Oct-18	World and Main, LLC	Home and hardware products	Nova Capital Management
Oct-18	Moulure Alexandria Moulding Inc.	Wood and wood composite moldings	U.S. LUMBER GROUP, LLC
Oct-18	Hobbs Spring & Suspension, Inc.	Heavy duty truck and trailer parts	TruckPro, LLC
Oct-18	Platinum International Group Limited	Automotive, marine and industrial batteries	Alliance Automotive Holding Limited
Oct-18	United Liquid Gas Company	Propane and butane	Superior Plus Corp.
Oct-18	AdvanTel, Inc.	IT collaboration solutions and services	ConvergeOne Holdings, Inc.
Oct-18	Hydraulic Supply Co.	Hydraulic and pneumatic components and systems	Motion Industries, Inc.
Oct-18	Screw Products, Inc.	Customized fastener and component products	Lawson Products, Inc.
Jul-18	Landscape Express, Inc.	Mulches, soils and stone	SiteOne Landscape Supply, Inc.

Advisory Services

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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, debt advisory, growth equity and restructuring 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 15 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 www.lincolninternational.com.



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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