



DUFF & PHELPS

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# Industrial Distribution Insights

Spring 2021

# Executive Summary

The industrial distribution market continues to be characterized by relatively stable and predictable revenue streams, limited customer concentration, and strong free cash flow within a fragmented marketplace. Over the past 12 months, performance within the industry reflected the disruption caused by COVID-19. As manufacturers faced the challenges of plant shutdowns, supply chains had to be adjusted. Select industries flourished, including residential building products, as quarantines meant individuals spend more time at home. These unforeseen circumstances have resulted in outside performance for select sectors and shortages in raw materials, which are currently driving higher prices across various commodity markets, including lumber and steel.

Despite the challenges faced over the past 12 months, acquisition activity within the industrial distribution sector has remained strong. Larger distributors continue to merge with competitors and acquire smaller companies that provide complementary product lines to create a “one-stop shop” for customers. Capital markets continue to be favorable for financial investors looking to acquire a platform or an add-on acquisition for an existing portfolio company in the fragmented sector.

Duff & Phelps’ Industrial Distribution Indexes have recovered following the start of the pandemic, and forward valuation multiples remain strong, reflecting the positive outlook for the sector. The Duff & Phelps Industrial Distribution team remains very active in this space, having recently closed several relevant M&A assignments that benefited from strong strategic and financial buyer demand, resulting in favorable valuations.

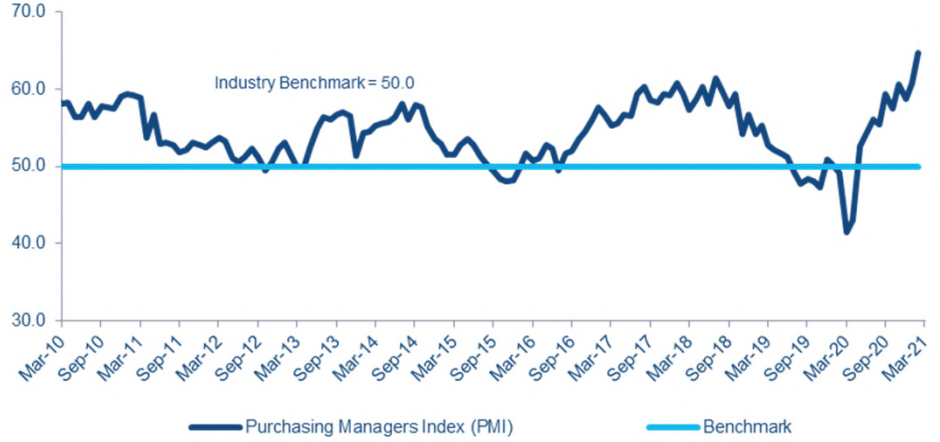
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# Macroeconomic Backdrop

Manufacturing activity, as reflected in the Purchasing Managers Index (PMI), has been recovering following a low of 41.5 in April 2020 as COVID-19 caused a sharp decline in activity. The PMI reached 64.7 in March 2021. Despite this strength, companies and suppliers continue to struggle to meet increasing demand due to COVID-19 impacts limiting availability of parts and materials.

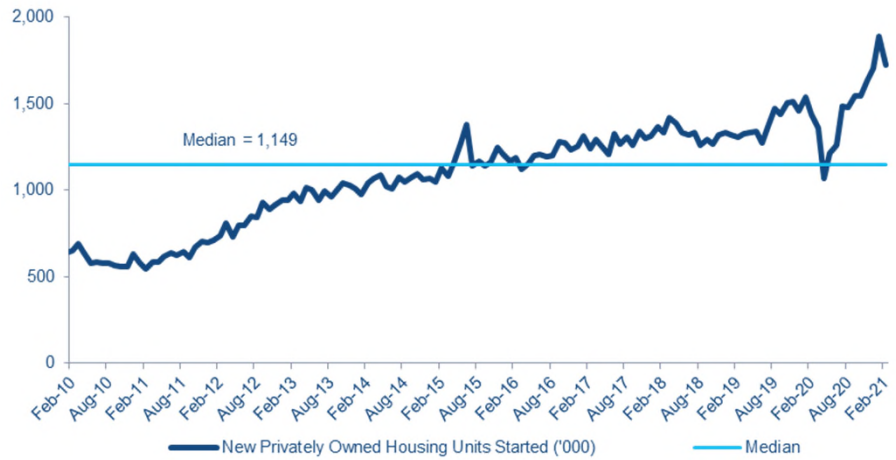
## Manufacturing Sector



Source: Institute for Supply Management

Housing demand continued to recover for most of the historical period, primarily driven by rising job growth, growing population, and low interest rates. Despite a decline in new housing starts in April 2020 as a result of COVID-19, housing starts have recovered and reached a historical high in January 2021. The Federal Reserve's monetary policy has helped push interest rates to record lows, attracting more potential home buyers and supporting historically strong demand.

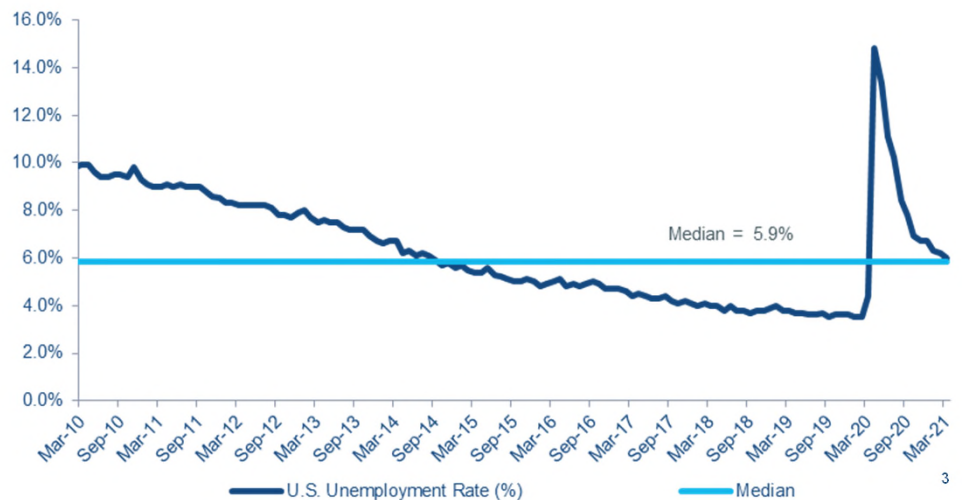
## Housing Starts



Source: U.S. Census Bureau

The rate of unemployment affects the industrial distribution sector because distributors rely on downstream demand. Following nearly 10 years of steady declines, the U.S. unemployment rate spiked in the first half of 2020 as a result of COVID-19, reaching a high of 13.8% in April 2020. The rate of unemployment has declined since, hovering just above the 10-year median at 6.0% as of March 2021.

## Rate of Unemployment



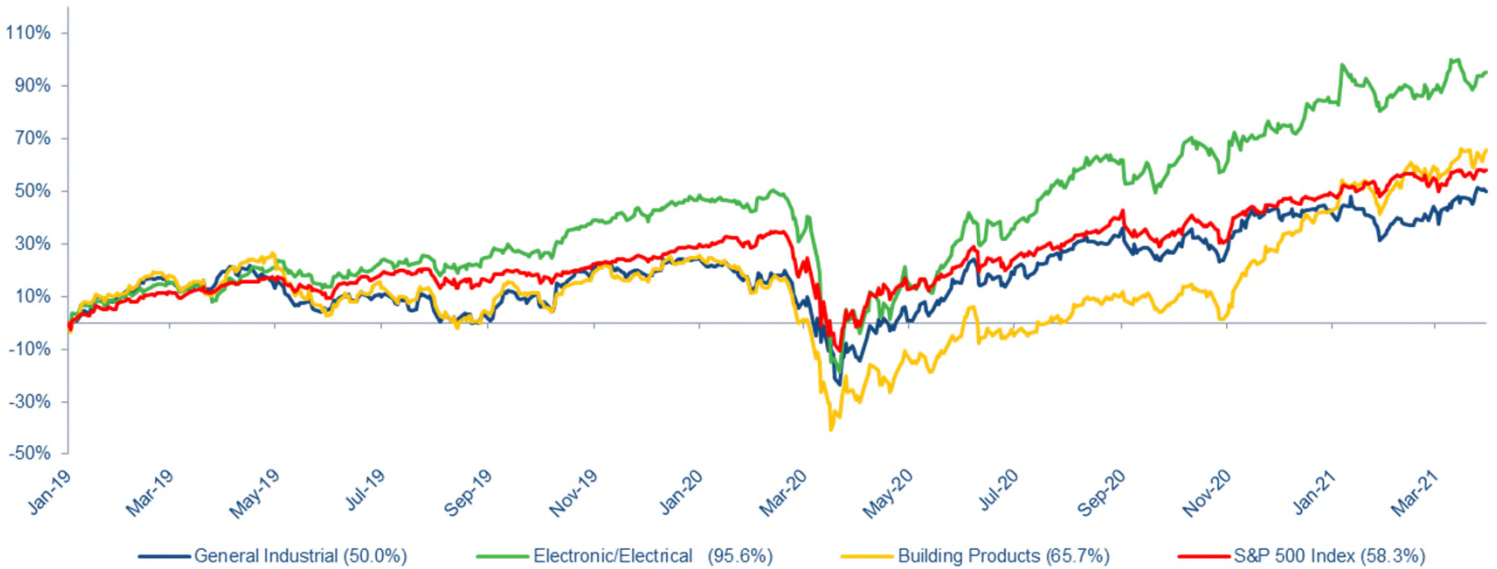
Source: U.S. Bureau of Labor Statistics

# Public Companies Valuation Trends

## Equity Market Performance

- Since January 2019, the Electronic/Electrical Distribution Index has significantly outperformed the S&P 500 Index. The General Industrial and Building Products Distribution Indexes were impacted to a greater degree by COVID-19 and its related economic impact.
- The Electronic/Electrical Distribution Index grew 95.6% during this period compared to Building Products Distribution Index growth of 65.7%, General Industrial Distribution Index growth of 50.0%, and S&P 500 Index growth of 58.3%.

### Stock Performance Since January 2019

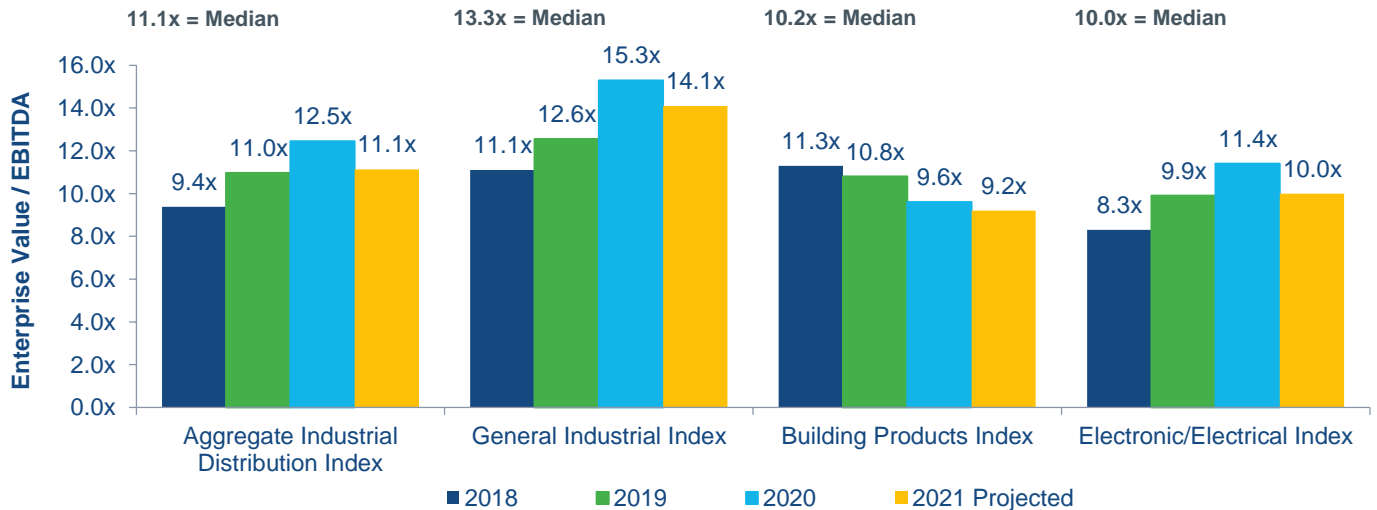


Source: Capital IQ

## Valuation Trends

- Valuation multiples for the industry ended strong in 2020, with an estimated enterprise value to EBITDA multiple of 12.5x as of December 31, 2020.
- Company performance is expected to improve in 2021, leading to higher levels of EBITDA. These higher levels will likely bring valuation multiples back toward historical levels, as reflected in the forward EV/EBITDA multiples.

### Historical Median EV/EBITDA Multiple Trends by Sub-Sector



Source: Capital IQ

# Public Companies Trading Analysis

(\$ in millions, except per share amounts)

Company Name	MARKET DATA				LTM OPERATING PERFORMANCE						ENTERPRISE VALUE AS MULTIPLE OF			
	Price at 03/31/21	% of 52-Week High	Equity Value	Enterprise Value	Revenue	EBITDA	Revenue Growth	EBITDA Growth	EBITDA Margin	Net Debt/EBITDA	LTM EBITDA	2021P EBITDA	LTM Revenue	2021P Revenue
<b>General Industrial</b>														
Fastenal Company	\$50.06	96.5%	\$28,878	\$29,282	\$5,647	\$1,303	5.9%	8.1%	23.1%	0.3x	22.5x	21.4x	5.19x	4.96x
MSC Industrial Direct Co., Inc.	\$89.98	95.8%	\$5,034	\$5,534	\$3,129	\$429	(5.7%)	(9.2%)	13.7%	1.7x	12.9x	12.7x	1.77x	1.72x
W.W. Grainger, Inc.	\$401.62	93.9%	\$20,985	\$23,281	\$11,797	\$1,526	2.7%	(6.7%)	12.9%	1.3x	15.3x	14.1x	1.97x	1.88x
Applied Industrial Technologies, Inc.	\$94.94	99.1%	\$3,534	\$4,092	\$3,055	\$275	(11.7%)	(15.0%)	9.0%	2.0x	14.9x	14.4x	1.34x	1.31x
Genuine Parts Company	\$116.89	98.4%	\$16,692	\$19,452	\$16,537	\$1,275	(5.6%)	(3.8%)	7.7%	2.2x	15.3x	13.4x	1.18x	1.12x
DXP Enterprises, Inc.	\$30.50	84.8%	\$582	\$840	\$1,005	\$37	(20.7%)	(59.3%)	3.7%	NM	22.6x	13.1x	0.84x	0.79x
MRC Global Inc.	\$9.23	92.3%	\$747	\$1,590	\$2,560	\$56	(30.1%)	(68.0%)	2.2%	NM	28.4x	14.7x	0.62x	0.64x
<b>Mean</b>		<b>94.4%</b>	<b>\$10,922</b>	<b>\$12,010</b>	<b>\$6,247</b>	<b>\$700</b>	<b>(9.3%)</b>	<b>(22.0%)</b>	<b>10.3%</b>	<b>1.5x</b>	<b>18.8x</b>	<b>14.8x</b>	<b>1.8x</b>	<b>1.77x</b>
<b>Median</b>		<b>95.3%</b>	<b>\$5,034</b>	<b>\$5,534</b>	<b>\$3,129</b>	<b>\$429</b>	<b>(5.7%)</b>	<b>(9.2%)</b>	<b>9.0%</b>	<b>1.7x</b>	<b>15.3x</b>	<b>14.1x</b>	<b>1.3x</b>	<b>1.31x</b>
<b>Building Products</b>														
Beacon Roofing Supply, Inc.	\$55.32	99.4%	\$3,631	\$6,610	\$7,105	\$509	4.5%	24.1%	7.2%	NM	13.0x	12.8x	0.93x	1.03x
Builders FirstSource, Inc.	\$48.60	99.1%	\$9,572	\$11,054	\$8,559	\$660	17.6%	34.1%	7.7%	2.2x	16.7x	8.3x	1.29x	0.77x
Pool Corporation	\$369.49	92.1%	\$13,863	\$14,465	\$3,937	\$500	23.0%	35.1%	12.7%	1.2x	28.9x	25.9x	3.67x	3.36x
Watsco, Inc.	\$276.10	99.6%	\$9,168	\$9,532	\$5,055	\$416	6.0%	9.0%	8.2%	0.2x	22.9x	21.2x	1.89x	1.81x
Ferguson plc	\$127.76	97.8%	\$19,405	\$21,063	\$22,235	\$1,910	3.3%	6.6%	8.6%	1.2x	11.0x	9.2x	0.95x	0.98x
GMS Inc.	\$42.30	94.5%	\$1,789	\$2,782	\$3,137	\$274	(3.5%)	(7.3%)	8.7%	3.6x	10.2x	9.1x	0.89x	0.86x
CRH plc	\$48.54	99.7%	\$31,421	\$37,009	\$27,587	\$3,921	(1.9%)	(5.7%)	14.2%	1.6x	9.4x	7.0x	1.34x	1.11x
BlueLinx Holdings Inc.	\$45.66	97.7%	\$371	\$1,018	\$3,097	\$157	17.4%	223.9%	5.1%	4.1x	6.5x	8.1x	0.33x	0.31x
<b>Mean</b>		<b>97.5%</b>	<b>\$11,153</b>	<b>\$12,941</b>	<b>\$10,089</b>	<b>\$1,043</b>	<b>8.3%</b>	<b>40.0%</b>	<b>9.0%</b>	<b>2.0x</b>	<b>14.8x</b>	<b>12.7x</b>	<b>1.4x</b>	<b>1.28x</b>
<b>Median</b>		<b>97.8%</b>	<b>\$9,370</b>	<b>\$10,293</b>	<b>\$6,080</b>	<b>\$505</b>	<b>5.2%</b>	<b>16.5%</b>	<b>8.4%</b>	<b>1.6x</b>	<b>12.0x</b>	<b>9.2x</b>	<b>1.1x</b>	<b>1.00x</b>
<b>Electronic/Electrical</b>														
Arrow Electronics, Inc.	\$115.69	100.0%	\$8,268	\$10,541	\$28,673	\$1,101	(0.8%)	5.2%	3.8%	2.0x	9.6x	7.9x	0.37x	0.32x
Avnet, Inc.	\$43.26	99.0%	\$4,128	\$5,277	\$17,861	\$355	(3.7%)	(33.1%)	2.0%	3.2x	14.9x	12.3x	0.30x	0.28x
Rexel S.A.	\$20.53	97.6%	\$6,020	\$8,777	\$15,404	\$682	(8.4%)	(22.4%)	4.4%	4.2x	13.4x	8.0x	0.59x	0.57x
WESCO International, Inc.	\$87.41	91.8%	\$4,341	\$9,326	\$12,326	\$639	47.5%	58.7%	5.2%	NM	14.6x	10.0x	0.76x	0.55x
Electrocomponents plc	\$13.93	98.4%	\$6,427	\$6,587	\$2,436	\$247	(3.4%)	(9.8%)	10.1%	0.6x	25.0x	20.6x	2.54x	2.44x
<b>Mean</b>		<b>97.4%</b>	<b>\$5,837</b>	<b>\$8,102</b>	<b>\$15,340</b>	<b>\$605</b>	<b>6.2%</b>	<b>(0.3%)</b>	<b>5.1%</b>	<b>2.5x</b>	<b>15.5x</b>	<b>11.8x</b>	<b>0.9x</b>	<b>0.83x</b>
<b>Median</b>		<b>95.1%</b>	<b>\$6,020</b>	<b>\$8,777</b>	<b>\$15,404</b>	<b>\$639</b>	<b>(3.4%)</b>	<b>(9.8%)</b>	<b>4.4%</b>	<b>2.6x</b>	<b>14.6x</b>	<b>10.0x</b>	<b>0.6x</b>	<b>0.55x</b>
<b>Aggregate Mean</b>		<b>96.4%</b>	<b>\$9,743</b>	<b>\$11,406</b>	<b>\$10,057</b>	<b>\$814</b>	<b>1.6%</b>	<b>8.2%</b>	<b>8.5%</b>	<b>2.0x</b>	<b>16.4x</b>	<b>13.2x</b>	<b>1.4x</b>	<b>1.34x</b>
<b>Aggregate Median</b>		<b>97.8%</b>	<b>\$6,224</b>	<b>\$9,051</b>	<b>\$6,376</b>	<b>\$505</b>	<b>(1.4%)</b>	<b>(4.8%)</b>	<b>8.0%</b>	<b>1.8x</b>	<b>14.9x</b>	<b>12.7x</b>	<b>1.1x</b>	<b>1.00x</b>

LTM = Latest Twelve Months

Enterprise Value = (Market Capitalization) + (Debt + Preferred Stock + Non-Controlling Interest) - (Cash & Equivalents)

EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization

Source: Bloomberg, Capital IQ, SEC filings

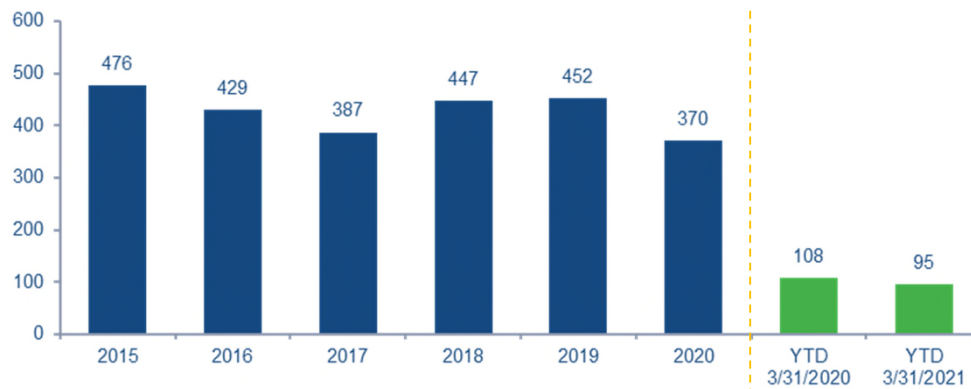
# Notable Commentary from the Industry, Q1 2021

Suppliers	Public Distribution Comments	Large Customers
<p>“2021 is off to a strong start with solid financial performance in our fiscal first quarter, demonstrating our continued commitment to disciplined execution, in what remains a challenging market environment.</p> <p>Although many of our end markets remain under pressure due to the ongoing impacts of the pandemic, we further advanced our strategic growth initiatives, with continued reinvestment in our businesses to ensure we are best positioned for the recovery.”</p> <p>- George Oliver, Chairman and CEO of Johnson Controls</p>	<p>“In both the full-year and fourth quarter 2020, despite the challenges of the pandemic, we delivered solid top-line growth by gaining significant share in the U.S. and delivering impressive growth in our endless assortment of businesses.</p> <p>In 2020, we demonstrated our ability to deliver in tough economic times and expect business performance will improve sequentially as the virus subsides throughout the year. We remain confident in our strategy and excited about 2021 and beyond.”</p> <p>- G. Macpherson, Chairman and CEO of W. W. Grainger</p>	<p>“Some firms have been able to continue growing backlog, even during the pandemic. But for the industry as a whole, economists covering the construction sector see declining backlog numbers as a red flag for tough times ahead for contractors.</p> <p>We see the environment that the construction management business is in as being challenging. There are decisions on projects being delayed, and even work being delayed on some of our existing projects. So I view that as we’re going to be burning off some backlog during the course of this year.”</p> <p>- Troy Rudd, CEO of AECOM</p>
<p>“Our year-over-year backlog is up 21% as a result of general recovery trends across the portfolio, a meaningful increase in the [Dover Food Retail] segment backlog, and some recognition from our customers that raw material costs and supply chain constraints are becoming more challenging into 2021, driving preorders in some markets.</p> <p>Raw material prices are moving up, and there [are] a lot of constraints in logistics right now. ... [It] looks to be getting tighter going into the first quarter as economic activity moves up.”</p> <p>- Richard J. Tobin, President and CEO of Dover Corporation</p>	<p>“A strong housing market continues to boost both repair and replacement and new construction, benefiting core residential roofing demand and the residential exposed areas within complementary products.</p> <p>We continue to take a balanced view on external market conditions, featuring a strong residential end market and continued uncertainty within our nonresidential-facing products.”</p> <p>- Julian G. Francis, CEO and Director of Beacon Roofing Supply, Inc.</p>	<p>“We have rolled forward our five-year capital growth plan to capture the years 2021 through 2025. We now project \$32 billion of growth capital investment on behalf of our customers, over 80% of which reduces or enables emissions reductions. We plan to invest \$17 billion in zero-carbon generation and energy storage, including regulated offshore wind, solar, and nuclear relicensing.</p> <p>Our initiatives extend well beyond our five-year plan. We have identified over \$70 billion of green investment opportunity between 2020 and 2035.”</p> <p>- Tom Farrell, Executive Chairman of Dominion Energy, Inc.</p>
<p>“Healthy flat-rolled customer demand across most end markets and the flow-through of higher steel prices are resulting in substantially higher results.</p> <p>Solid market fundamentals, low steel supply chain inventories, continued consumer-driven demand, and pent-up infrastructure demand has us increasingly bullish.”</p> <p>- David B. Burritt, President and CEO of U.S. Steel</p>	<p>“Despite the uncertain environment, Arrow drove exceptional financial performance and built on our reputation as a trusted partner for customers and suppliers, with innovative products and solutions.</p> <p>Orders and backlog are up in all regions. In line with this, our America’s customer sentiment survey showed an increase in the percentage of customers that have an inventory shortage and a decrease in customers with an excess of inventory.”</p> <p>- Michael J. Long, Chairman, President, and CEO of Arrow Electronics Inc.</p>	<p>“In spite of a recent uptick in interest rates, the housing market remains very strong across the country. A combination of still low interest rates, strong personal savings rates during the pandemic, strong stimulus from the government, and solid household formation continue to drive demand, while the housing shortage driven by 10 years of production shortfall defines a constrained supply. This combination indicates a sustained strong housing market with pricing power keeping pace with cost increases.”</p> <p>- Stuart A. Miller, CEO of Lennar Corp.</p>

# Industrial Distribution M&A Activity

- Overall, 2020 U.S. industrial distribution M&A activity declined compared with 2019 activity. The reduced M&A activity was predominately driven by uncertainty around COVID-19.
- Q1 2021 M&A activity was down slightly compared with Q1 2020, with 95 transactions versus 108 for the prior period.

## Industrial Distribution M&A Trends



Note: Above data represents deals involving a U.S. distribution target.  
Source: Capital IQ and Mergermarket

## Select M&A Activity – Q1 2021

Announced Date	Target Name	Target Business Description	Acquirer Name
03/31/21	KushCo Holdings, Inc.	Markets and sells packaging products, vaporizers, solvents, and accessories for the regulated medical and adult recreational cannabis industries	Greenlane Holdings, Inc. (NasdaqGM:GNLN)
03/31/21	H&H Door Company, Inc.	Distributes hardware solutions, including doors, hardware, overhead doors, access control systems, intrusion detection systems, fire systems, and specialty products	The Cook & Boardman Group, LLC
03/29/21	National Trench Safety, LLC	Engages in the rental and sale of trench and traffic safety products	Trench Plate Rental Co.
03/29/21	Assets of Starr's Building Supply, Inc.	Distributes roofing products	L&W Supply Corporation
03/25/21	Houston Wire & Cable Company	Distributes industrial fasteners	Omni Cable Corporation
03/24/21	Hy-Tek Material Handling Inc./World Source Integration, Inc	Distributes and rents material handling solutions and provides design, engineering, and installation services	Dunes Point Capital, L.P.
03/23/21	Nordco, Inc.	Designs, manufactures, and supplies new and rebuilt roadway work equipment	Westinghouse Air Brake Technologies Corporation (NYSE:WAB)
03/23/21	Commercial assets of Prassas Metal Products	Distributes steel trading and stocking	Mill Steel Company, Inc.
03/19/21	Quality Container, LLC	Supplies industrial containers, including drums, pails, cans, bottles, and totes, in various sizes and configurations	The Cary Company
03/16/21	Temperature Equipment Corporation	Distributes heating, ventilation, air conditioning, and refrigeration products to residential and commercial customers	Watsco, Inc. (NYSE:WSO); Carrier Global Corporation (NYSE:CARR)
03/16/21	Orr Safety Corporation	Distributes industrial safety and hygiene, occupational health, and fire-related equipment and supplies	Northern Safety Co., Inc.
03/09/21	Packard, Inc.	Distributes components and parts for heating, ventilation, air conditioning, and refrigeration equipment	DiversiTech Corporation
03/05/21	B.C. MacDonald & Co.	Sells and supports measuring and gaging equipment, specialized cutting tools, and cutting fluids and coolants	Concept Machine Tool Sales, Inc.
03/04/21	Rocky Mountain Construction Wholesale, LLC	Distributes wholesale insulation and building materials	Specialty Products & Insulation Co.
03/04/21	The Cary Company (select operations)	Distributes chemicals	Maroon Group LLC
03/01/21	Danbury Plumbing and HVAC Supply Co.	Distributes plumbing, heating and heating, ventilation, and air conditioning products	F.W. Webb Company, Inc.
02/26/21	Conrad & Bischoff, Inc.	Distributes fuel oils to residential and commercial customers	Parkland USA
02/26/21	Louis T. Ollesheimer & Son, Inc.	Distributes roofing materials and equipment	SRS Distribution Inc.
02/26/21	Quad Cities operations of Flex-Pac, Inc.	Distributes janitorial-related products	LINC Systems, LLC
02/25/21	Box PureAir, LLC	Distributes air purification technologies	SinglePoint, Inc. (OTCPK:SING.D)
02/24/21	JHP Fasteners/Wisconsin Fastener Supply	Supplies and distributes fasteners and related components	Monroe Engineering, LLC
02/24/21	Distribution Assets of PWS, Inc.	Distributes laundry equipment and replacement parts	Alliance Laundry Systems LLC
02/23/21	Carotek, Inc.	Provides products and services related to mechanical, electrical, instrumentation, and integrated technology solutions that are used in industrial and business applications	STS Operating, Inc.
02/23/21	Lundtek, Inc.	Supplies life agricultural cutting systems and technology for cutting, wear, and corrosion-related problems	Agrisolutions Corp.

# Industrial Distribution M&A Activity

## Select M&A Activity – Q1 2021, Continued

Announced Date	Target Name	Target Business Description	Acquirer Name
02/17/21	Fluid Flow Products, Inc.	Distributes measurement, control, and filtration products to processing and manufacturing industries	KKR & Co. Inc. (NYSE:KKR)
02/17/21	Hallmark Building Supplies, Inc.	Markets, sells, and distributes branded building materials to the residential and commercial markets	Hallmark Building Supplies, Inc. Employee Stock Ownership Plan
02/17/21	CleanAll Supply Inc.	Distributes janitorial supplies and equipment	Aramco, Inc.
02/15/21	Watson Supply Inc.	Distributes hardscapes, lighting, irrigation, and other landscape products	Heritage Landscape Supply Group, Inc.
02/05/21	Rubin Industrial Co., Inc.	Distributes industrial packaging, safety, and maintenance supplies	B2B Industrial Packaging LLC
02/05/21	JB Wholesale Roofing and Building Supply, Inc.	Wholesales and supplies a range of roofing products and solutions	SRS Distribution Inc.
02/05/21	Atlanta Landscape Materials	Distributes materials, including mulch, soils, compost, and creek rock, for landscape needs to homeowners and professional contractors	Heritage Landscape Supply Group, Inc.
02/04/21	Swanson Flo, Co.	Distributes process instruments, flow control valves, actuators, and industrial equipment	Motion & Control Enterprises, LLC
02/04/21	Pacific Pride Carwash Company, Inc.	Distributes car wash products and equipment	Istobal USA Corporation
02/03/21	C&L Supply, Inc.	Distributes heating and air conditioning equipment and plumbing products	Munch's Supply LLC
02/02/21	CheMarCo, Inc.	Distributes specialty chemicals	JNS-SmithChem, LLC
01/25/21	Mine Equipment & Design, LLC	Distributes industrial machinery	Mid-State Machine & Fabricating Corporation
01/21/21	Continental Batteries Company	Distributes batteries for a variety of uses, including motorcycles, snowmobiles, ATV vehicles, trucks, boats, recreational vehicles, golf carts, forklifts, and multipurpose warehouse equipment	H.I.G. Capital, LLC
01/21/21	Recognition Products and Equipment, Inc.	Distributes laser marking and cutting products	H2I Group, Inc.
01/21/21	Dubberly Tractor & Equipment Co.	Distributes tractors and farming equipment	Hooper, Inc.
01/21/21	Alamo Iron Works, Inc.	Distributes industrial mill supplies and steel and rebar products	Triple-S Steel Holdings, Inc.
01/20/21	Signal Hill Auto Enterprises Inc.	Distributes janitorial supplies, packaging supplies, and office products	Consolidated Paper Group, Inc.
01/19/21	Redneck Inc./Redline Products, LLC	Supplies trailer axles, trailer parts, and trailer accessories to trailer builders and dealers	Dexter Axle Company, Inc.
01/19/21	Palmetto Compressors, Inc./Fountain Inn Mechanical, Inc.	Distributes and installs air compressors	Lane Supply Company
01/14/21	G/A Safety & Industrial Supply LLC	Distributes eye, head, face, and hearing protection devices and related facility safety and industry products	Continental Western Corporation
01/14/21	Reliable Forklift Sales, LLC	Provides sale, rental, service, and maintenance of materials handling equipment	Leavitt Machinery and Rentals Inc.
01/13/21	Southwest Wire Rope Business of Houston Wire & Cable Company	Provides lifting slings, wire rope, and rigging products	Omni Cable Corporation
01/12/21	AIS Commercial Parts & Service, Inc.	Distributes foodservice commercial parts and provides foodservice equipment repair services	Tech-24
01/12/21	ABCO Refrigeration Supply Corp.	Distributes wholesale HVAC and refrigeration equipment	Daikin North America LLC
01/12/21	Shanor Electric Supply Inc.	Distributes electrical supplies	NOCO Energy Corp.
01/08/21	Lesman Instrument Company	Distributes wholesale industrial equipment and specializes in control instruments	Kele, Inc.
01/08/21	Wolf Creek Company Inc.	Distributes green industry systems and portable piping products	Heritage Landscape Supply Group, Inc.
01/07/21	Material Distributors, Inc.	Distributes and supplies building materials to lumber dealers and retail building centers	Amerhart, Limited
01/07/21	BioMedical Solutions, Inc.	Supplies laboratory refrigerators, freezers, and accessories. Manufacturer's representative of laboratory equipment.	Labreco Holding Corporation
01/06/21	Omicron Supplies, LLC	Imports and sells natural stone products	Caesarstone USA, Inc.
01/06/21	Able Aerospace Adhesives	Distributes specialty aerospace chemicals and related products	GracoRoberts
01/05/21	Gibson Engineering Company, Inc.	Distributes automated products and engineered solutions	Applied Industrial Technologies, Inc. (NYSE:AIT)
01/05/21	RB, LLC	Distributes marine insulation and fabricators	Distribution International, Inc.
01/04/21	C & L Aqua Professionals Inc.	Distributes water and wastewater treatment chemicals	Hawkins, Inc. (NasdaqGS:HWKN)
01/04/21	Gicon Pumps & Equipment, Ltd.	Wholesale supplier of pumps and other water-handling and water-processing equipment	Headwater Companies, LLC
01/04/21	Pumping Solutions, Inc.	Distributes industrial and commercial pumps	DXP Enterprises, Inc. (NasdaqGS:DXPE)
01/04/21	Wrisco Industries Inc.	Distributes aluminum sheets, blanks, and coils	Wieland Metal Services, LLC
01/04/21	Sullair of Houston Inc.	Distributes independent commercial air compressors	HOLT CAT
01/04/21	Merrimack Building Supply, Inc.	Distributes commercial and residential building products	L&W Supply Corporation
01/04/21	Dirt and Rock LLC	Supplies natural and cultured stone, gravel, sand, dirt, rock, and landscape materials	SiteOne Landscape Supply, Inc. (NYSE:SITE)



# Spotlight on M&A



In January 2021, Builders First Source closed on the acquisition of BMC in order to expand the market share of Builders FirstSource and provide increased depth and diversity of products and services. The company will operate a leading network of approximately 550 distribution and manufacturing locations, with a presence in 40 states.

*“We are extremely excited to move forward as one company that is even better positioned to offer enhanced value for shareholders, customers, and team members. Uniting our complementary assets and leveraging our combined geographic presence provides us with an expanded base to deliver our best-in-class solutions as the residential recovery continues,”* said Chad Crow, CEO of Builders FirstSource.

## Combined Revenue \$11.7 Billion

Enterprise Value	\$3.1 Billion
EV/EBITDA	9.4x
Synergies	\$140 Million



## Combined Revenue \$17.0 Billion

Enterprise Value	\$5.0 Billion
EV/EBITDA	9.3x
Synergies	\$200 Million

In June 2020, WESCO International, Inc. completed its merger with Anixter International Inc., creating an industry-leading global B2B distribution and supply chain solutions company.

A bidding war for Anixter began in December 2019 between WESCO and private equity firm Clayton, Dubilier & Rice (CDR). The final purchase price represents a 23% premium to a deal that Anixter originally agreed to from CDR.

John Engel, Chairman, President, and CEO of WESCO, said, *“Today marks a significant milestone for WESCO and Anixter. In combining two industry leaders with successful track records, we are creating the premier electrical, communications, and utility distribution and supply chain solutions company in the world.”*



The Home Depot completed the acquisition of former business unit HD Supply in December 2020. The acquisition of HD Supply will position The Home Depot as a premier provider in a highly fragmented maintenance, repair, and operations (MRO) marketplace, which the company estimates to be approximately \$55 billion. The home improvement retailer had spun off HD Supply in 2007.

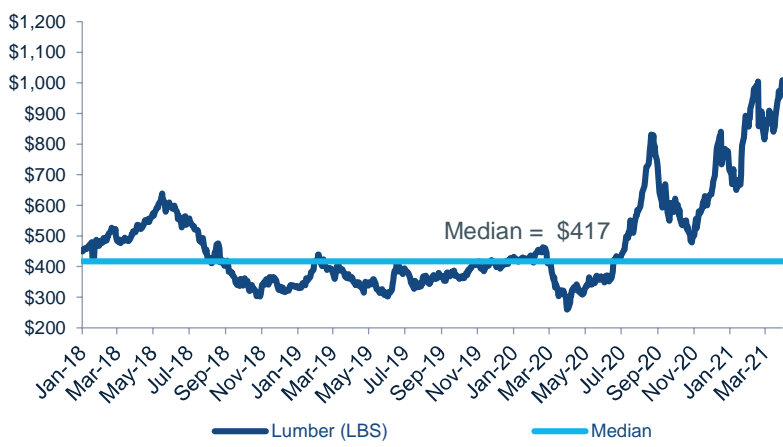
*“The combination of the two businesses will enable us to better serve both existing and new MRO customers, and I look forward to the value this acquisition will bring to our associates, customers, and shareholders,”* The Home Depot CEO Craig Menear said.

## Combined Revenue \$116.0 Billion

Enterprise Value	\$8.0 Billion
EV/EBITDA	8.8x

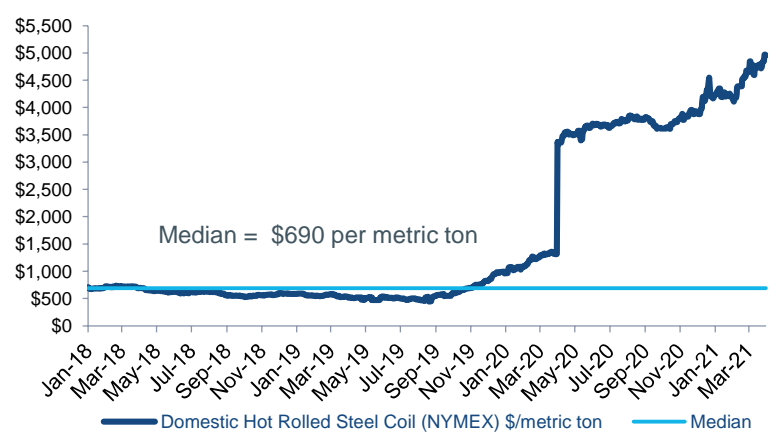
# Key Pricing Indicators

## Lumber



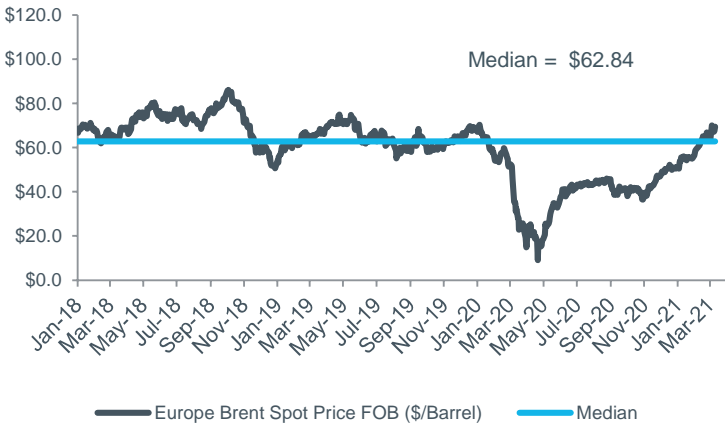
Source: Nasdaq.com

## Steel



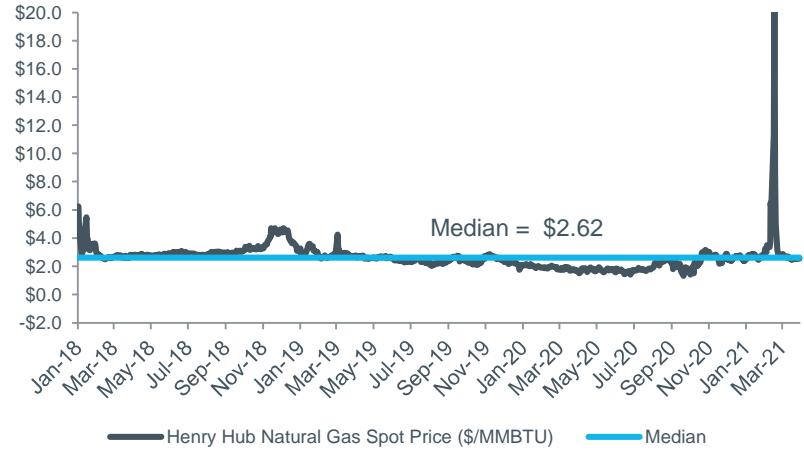
Source: Capital IQ

## Crude Oil



Source: U.S. Energy Information Administration (EIA)

## Natural Gas



Source: U.S. Energy Information Administration (EIA)

# Recent Duff & Phelps Distribution Experience

## Sell Side Advisor



has been acquired by



- Coral Chemical Company was founded in Waukegan, Illinois, in 1953 by the Schueneman family. Coral provides specialty pretreatment chemicals, lubricants, and environmental solutions to beverage can and industrial customers across North America. The company has been an integral partner for start-to-finish industrial chemical solutions for over 65 years.
- Coral was acquired by Quaker Chemical Company, a publicly traded company listed on the New York Stock Exchange.
- Duff & Phelps served as exclusive financial advisor to Coral Chemical Company in connection with the sale transaction.

## Sell Side Advisor



has been acquired by



a portfolio company of



Financial advisor to Oliver Equipment Company, Inc.

- Oliver Equipment Company, Inc. (OEC) is a rotating equipment sales and aftermarket service provider targeting petrochemical, power generation, midstream oil and gas, and other industrial end markets. The company offers superior value and is dedicated to providing its customers and suppliers with world-class engineering sales and aftermarket support.
- OEC was acquired by FloWorks International, LLC dba Sunbelt Supply. FloWorks is backed by Clearlake Capital Group, L.P.
- Duff & Phelps served as exclusive financial advisor to OEC in connection with the sale transaction.

## Sell Side Advisor



has been acquired by



Financial advisor to Flow-Zone, LLC

- Flow-Zone, LLC is the premier distributor of pipe, valves, fittings, instrumentation, controls, and measurement equipment for the upstream, midstream, and downstream markets in Texas and New Mexico. Serving the oil and gas industry for over 20 years, Flow-Zone provides comprehensive service and support. Flow-Zone maintains an extensive inventory of pipe, valves, fittings, and actuators for automation and fluid transfer products.
- The Reynolds Company, a wholly owned subsidiary of McNaughton-McKay Electric Company, acquired Flow-Zone. The Reynolds Company was founded in 1984 by Don Reynolds Sr. in Fort Worth, Texas. This multigenerational company serves the industrial end user, industrial OEM, and commercial construction markets with 18 locations across Texas and Louisiana.
- Duff & Phelps served as exclusive financial advisor to Flow-Zone in connection with the sale transaction.

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### About Duff & Phelps, A Kroll Business

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