



## Distribution | Q3 2019



### Distribution Insights

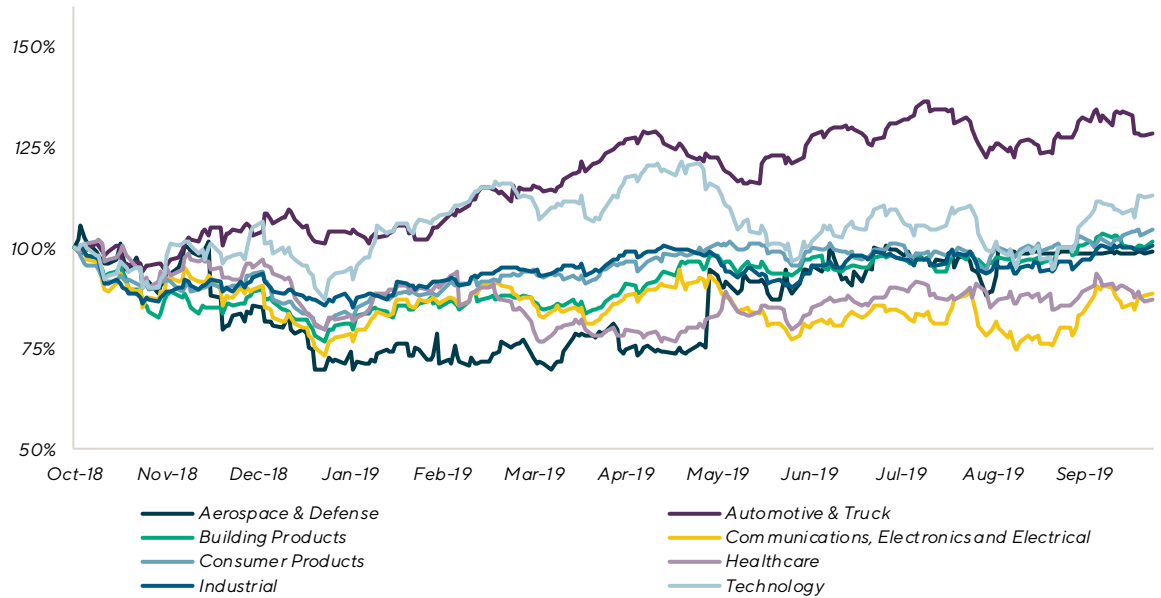
While current M&A activity remains high relative to historical levels, a confluence of factors impacting the distribution sector has led to a slight decline in transaction volume year-over-year. A continued focus on M&A growth, availability of financing and an uptick in corporate divestitures helped keep M&A activity strong in Q3 2019, while concerns regarding the impact of tariffs with the continued trade war and economic shifts had an impact on buyer sentiment during the quarter.

Despite the noise in the market, companies have continued to leverage M&A as a strategy to boost their geographic footprint and broaden their value-added service offerings, and private equity buyers have continued to pay premiums for scarce buy-and-build distribution platforms. These trends are evidenced by several landmark transactions announced or closed this quarter, including the take-private of Wesco Aircraft Holdings by Pattonair, a portfolio company of Platinum Equity, in a transaction valued at \$1.9 billion. Littlejohn & Co. also completed its acquisition of Kaman Corporation's distribution segment in August, and Genuine Parts Company agreed to sell its subsidiary EIS Inc. and the Electrical Specialties Group of Motion Industries to Audax Private Equity. Looking ahead, Lincoln anticipates strong distribution M&A volume in the remainder of 2019, and we would welcome the opportunity to discuss your company's strategic alternatives or the distribution market more generally.

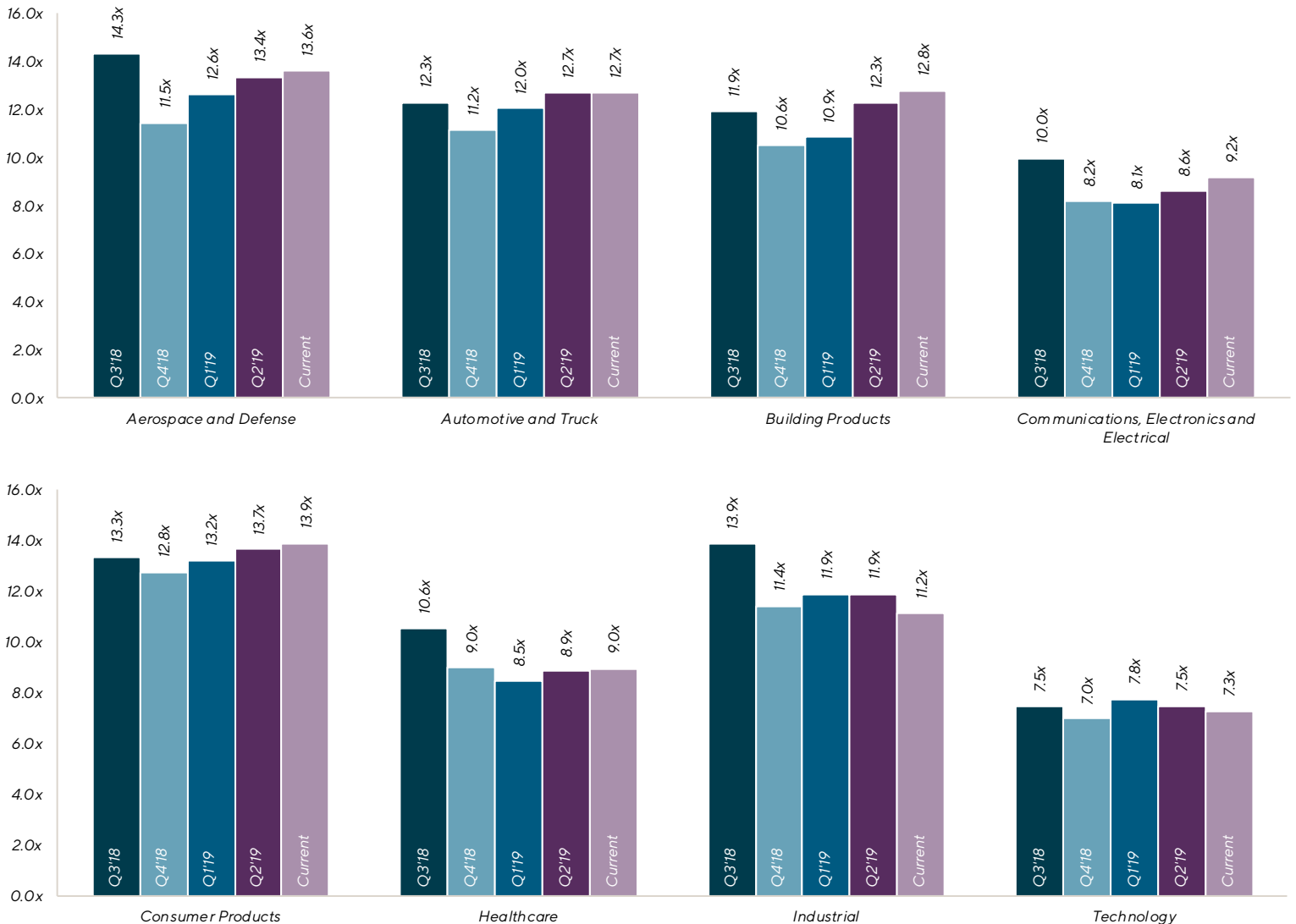
## Index Performance

Lincoln's Distribution Index recorded a gain of 1.8% in Q3 2019 vs. Q2 2019. Consumer Products (+5.1%), Technology (+4.2%), Communications, Electronics & Electrical (+4.1%), Building Products (+3.7%) outpaced the index while Automotive and Truck (+0.9%), Industrial (+0.1%), Healthcare (-0.6%) and Aerospace and Defense (-0.8%) 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
<b>Aerospace and Defense</b>										
Wesco Aircraft Holdings, Inc. <sup>(1)</sup>	\$11.01	93.4%	\$1,098	\$1,879	\$1,671	\$140	6.4%	8.4%	1.1x	13.6x
<b>Automotive and Truck</b>										
AutoZone, Inc.	\$1,084.62	91.4%	\$26,072	\$31,102	\$11,864	\$2,551	5.7%	21.5%	2.6x	12.2x
Genuine Parts Company	99.59	86.4%	14,548	18,839	18,998	1,421	3.6%	7.5%	1.0x	13.3x
LKQ Corporation	31.45	94.8%	9,693	14,814	12,474	1,279	10.0%	10.3%	1.2x	12.6x
O'Reilly Automotive, Inc.	398.51	96.1%	30,491	36,155	9,798	2,128	4.1%	21.7%	3.7x	17.0x
Uni-Select Inc.	8.34	43.5%	353	881	1,745	103	(0.2%)	5.9%	0.5x	8.6x
<b>Building Products</b>										
Beacon Roofing Supply, Inc.	\$33.53	83.8%	\$2,297	\$5,613	\$7,011	\$462	9.2%	6.6%	0.8x	12.1x
BMC Stock Holdings, Inc.	26.18	98.3%	1,746	2,061	3,622	243	(1.2%)	6.7%	0.6x	8.5x
Builders FirstSource, Inc.	20.58	99.0%	2,377	4,078	7,470	498	(2.8%)	6.7%	0.5x	8.2x
CRH plc	34.45	97.4%	27,340	39,179	28,063	3,586	7.7%	12.8%	1.3x	9.9x
Ferguson plc	73.11	90.0%	16,670	18,444	22,010	1,753	6.1%	8.0%	0.9x	11.5x
HD Supply Holdings, Inc. <sup>(2)</sup>	39.18	83.1%	6,498	9,002	6,175	827	11.4%	13.4%	1.5x	10.9x
SiteOne Landscape Supply, Inc.	74.02	90.9%	3,051	3,896	2,223	166	8.2%	7.5%	1.8x	23.5x
Watsco, Inc.	169.18	94.4%	6,408	7,042	4,590	384	1.6%	8.4%	1.5x	17.9x
<b>Communications, Electronics and Electrical</b>										
Anixter International Inc.	\$69.12	97.5%	\$2,331	\$3,817	\$8,669	\$419	4.5%	4.8%	0.4x	9.1x
Rexel S.A.	10.71	75.1%	3,234	6,674	13,609	631	2.5%	4.6%	0.4x	9.7x
WESCO International, Inc.	47.77	77.1%	2,029	3,634	8,190	410	0.3%	5.0%	0.4x	8.9x
<b>Consumer Products</b>										
Bunzl plc	\$26.14	83.2%	\$8,731	\$11,118	\$9,264	\$654	3.6%	7.1%	1.0x	13.8x
Core-Mark Holding Company, Inc.	32.12	78.4%	1,473	2,085	13,039	149	1.4%	1.1%	0.2x	14.0x
Pool Corporation	201.70	98.4%	8,052	8,859	3,073	357	3.6%	11.6%	2.9x	24.8x
SpartanNash Company	11.83	51.4%	430	1,431	8,322	167	3.6%	2.0%	0.2x	8.5x
Sysco Corporation	79.40	99.8%	40,746	48,429	60,114	3,346	1.4%	5.6%	0.8x	14.5x
United Natural Foods, Inc.	11.52	38.0%	607	3,799	21,387	437	109.1%	2.0%	0.2x	9.9x
US Foods Holding Corp.	41.10	95.4%	9,008	12,388	24,668	1,049	2.2%	4.3%	0.5x	11.8x
<b>Healthcare</b>										
Cardinal Health, Inc.	\$47.19	80.9%	\$13,799	\$19,307	\$145,534	\$2,808	4.4%	1.9%	0.1x	6.9x
Henry Schein, Inc.	63.50	69.5%	9,414	11,708	13,421	1,140	20.0%	8.5%	0.9x	10.1x
McKesson Corporation	136.66	90.6%	25,269	34,854	217,440	4,225	3.1%	1.9%	0.2x	8.4x
Owens & Minor, Inc.	5.81	34.0%	366	2,183	9,953	207	2.8%	2.1%	0.2x	10.5x
<b>Industrial</b>										
Air Liquide S.A.	\$129.46	99.6%	\$60,972	\$77,848	\$21,801	\$5,339	5.8%	24.5%	3.3x	13.4x
Applied Industrial Technologies, Inc.	56.80	72.1%	2,195	3,045	3,473	330	6.6%	9.5%	0.9x	9.2x
DXP Enterprises, Inc.	34.72	76.0%	611	896	1,264	100	7.9%	7.9%	0.7x	8.9x
Fastenal Company	32.67	90.9%	18,734	19,295	5,189	1,175	7.6%	22.6%	3.7x	16.4x
MRC Global Inc.	12.13	63.4%	1,008	2,267	4,034	202	(0.8%)	5.0%	0.6x	11.2x
MSC Industrial Direct Co., Inc.	72.53	80.4%	4,004	4,501	3,359	527	4.8%	15.7%	1.3x	8.5x
NOW Inc.	11.47	66.7%	1,248	1,305	3,147	127	3.8%	4.0%	0.4x	10.3x
W.W. Grainger, Inc.	297.15	82.3%	16,216	18,506	11,286	1,645	1.8%	14.6%	1.6x	11.3x
<b>Technology</b>										
Arrow Electronics, Inc.	\$74.58	86.1%	\$6,201	\$9,794	\$29,909	\$1,220	1.2%	4.1%	0.3x	8.0x
Avnet, Inc.	44.49	90.7%	4,534	5,709	19,519	797	0.3%	4.1%	0.3x	7.2x
ScanSource, Inc.	30.55	69.0%	771	1,112	3,873	142	(0.6%)	3.7%	0.3x	7.8x
SYNNEX Corporation	112.90	98.3%	5,713	8,780	23,006	1,177	17.8%	5.1%	0.4x	7.4x
Tech Data Corporation	104.24	93.8%	3,711	4,599	37,303	748	3.9%	2.0%	0.1x	6.1x
<b>Mean</b>		<b>82.5%</b>					<b>7.1%</b>	<b>8.1%</b>	<b>1.0x</b>	<b>11.4x</b>
<b>Median</b>		<b>86.4%</b>					<b>3.8%</b>	<b>6.7%</b>	<b>0.7x</b>	<b>10.3x</b>

Source: Bloomberg, Capital IQ and company filings, as of 9/30/2018

Note: dollars in millions, except stock price

(1) Entered into a definitive agreement to be acquired by an affiliate of Platinum Equity and will be combined with Pattonair

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

## Transaction Highlights

9/24/2019: **HD Supply Holdings (NasdaqGS:HDS)**, the Georgia-based industrial distributor, announced plans to separate its facilities maintenance (FM) and its construction and industrial (C&I) business into two separately traded entities.

8/14/2019: **Sysco (NYSE:SYI)**, the Texas-based distributor of food and related products, is watching for targets in and around its current service areas and will be opportunistic on sizeable deals.

9/4/2019: **GMS (NYSE:GMS)**, the Georgia-based specialty distributor of interior building products, will continue to seek acquisitions to grow its footprint under new CEO John Turner.

8/9/2019: **Pattonair**, a portfolio company of **Platinum Equity**, has entered a definitive merger agreement to acquire **Wesco Aircraft Holdings Inc. (NYSE:WAIR)**, the California-based aerospace supply distributor and provider of supply chain management services for \$1.9 billion.

## Selected M&A Transactions

Date	Target Company	Target Description	Acquiring Company
Pending	Chemgriit Cosmetics	Specialty chemicals for personal care and cleaning markets	Brenntag AG
Pending	Wesco Aircraft Holdings	Aerospace products and supply chain management services	Pattonair Limited (Platinum Equity)
Pending	Hydraulic Hose & Assemblies	Hydraulic and industrial hose and fittings	PRC Industrial Supply (Singer Equities)
Pending	Witekio Holding	Software solutions for embedded systems and IoT devices	Avnet, Inc.
Sep-19	Circle Lubricants	Automotive, commercial, and industrial lubricants	RelaDyne (Audax Group)
Sep-19	Cambrian Solutions	Specialty ingredients and chemicals	Maroon Group (CI Capital)
Sep-19	IDG Compressor & Pumps, Parts and Service	Compressed air system products, and pumps and process equipment	Ohio Transmission Corporation (Genstar Capital)
Sep-19	Allcomm Wireless	Communication systems	Mobile Communications America (Sentinel Capital)
Sep-19	Shipyards Supply	Fabricated metal assemblies, fittings and supplies	Singer Equities
Sep-19	Fluidmec	Pneumatics, hydraulics, automation, gaskets and lubrication	Rubix (Advent International)
Sep-19	Presto Maintenance Supply	HVAC, lighting, plumbing, hardware, electrical and pool maintenance products	HD Supply Holdings
Aug-19	Concrete Accessories & Rentals	Concrete construction project equipment and tools	Construction Supply Holdings (The Sterling Group)
Aug-19	Nationwide Plastics	Fabricated plastic parts	Curbell Plastics
Aug-19	Severe Service Specialists	Automated valve products	Sunbelt Supply Co. (Clearlake Capital)
Aug-19	Tuffy Manufacturing Industries	Automotive and heavy-duty truck service-related parts, tools and accessories	Myers Industries
Aug-19	Kaman Industrial Technologies Corporation	Industrial parts to MRO and OEM markets	Littlejohn & Co., LLC
Aug-19	Specialized Builder's Hardware	Door locks and hardware products	Banner Solutions (High Road Capital Partners)
Aug-19	Olympus Controls	Industrial automation products	Applied Industrial Technologies
Aug-19	Stockdales Electric Motor Corp.	Electric motors	Toshiba Corporation
Aug-19	EIS	Specialty wire and cable, and industrial motor repair products	Audax Group
Aug-19	Blue Point Tool and Supply	Cutting tools, abrasives, lubricants and machine shop supplies	Ficodis Group
Aug-19	Omnicare	Pharmaceuticals	Equistone

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

Date	Target Company	Target Description	Acquiring Company
Aug-19	J. Kings Food Service Professionals	Produce	Sysco
Aug-19	Good Uncle	Prepared food and related food plan services	Aramark
Aug-19	Courage Distribution & Window Film Systems	Window film, paint protection film and accessories	Madico (Lintec USA)
Aug-19	Total Trim Construction	Interior trim, moulding, and doors	Homewood Holdings (Building Industry Partners)
Aug-19	M.L. Leonard	Petroleum equipment	Jones & Frank (MidOcean Partners)
Aug-19	Apache Supply / Coastal Contractor Supply	Fasteners, tools and other construction supplies	RAM Tool Construction Supply Company
Jul-19	Neuto Chemical Corp.	Specialty and industrial chemical products	Brenntag
Jul-19	Ophthalmic Instruments & Consulting Company	Classical and diagnostic equipment	Advancing Eyecare (Atlantic Street Capital)
Jul-19	Amsyn	Specialty chemicals	Maroon Group (CI Capital)
Jul-19	W&E Sales Co.	Autobody fasteners and specialized hand tools	Auto-Vehicle Parts Co. (Tenex Capital)
Jul-19	CRH's Europe Distribution Business	Building materials	The Blackstone Group
Jul-19	Todd Group	Truck parts and accessories	Genuine Parts Company
Jul-19	Spruce Computer Systems	Business management software	ECi Software Solutions (Apax Partners)
Jul-19	Farsound Aviation Limited	Consumable aero engine parts	AGIC Capital
Jul-19	Viking Insulation Company	Commercial and residential insulation	TopBuild Corp.
Jul-19	The Boulder Company	Hardware, fasteners and industrial components	AFC Industries (Incline Equity)
Jul-19	Slover Roofing Supply Corp.	Residential and commercial roofing products	SRS Distribution (Leonard Green & Partners)
Jul-19	Inenco Group	Industrial engineering products	Genuine Parts Company
Jul-19	Audioprof Group International NV	Loudspeaker and audio electronic equipment	Biamp Systems (Highlander Partners)
Jul-19	Long Island Pipe Supply	Fire sprinkler pipes, valves, fittings, devices and accessories	Core & Main (Clayton, Dubilier & Rice)
Jul-19	FreshPack Produce	Fruits and vegetables	Creation Gardens
Jul-19	Wholesale distribution business of L.H. Voss Materials	Landscape supplies	SiteOne Landscape Supply
Jul-19	Abbakan France	Computer software for security and cyber security	Ingram Micro (HNA Technology)
Jul-19	Alloy Piping Products / MultAlloy / J+J Alloys / J & J Bar Plus	Carbon, stainless and alloy butt-weld fittings	Texas Pipe and Supply Company
Jul-19	Custom Choice Door	Wood cabinets, doors and hardware	Homewood Holdings (Building Industry Partners)
Jul-19	Get Fresh Produce	Foodservice supplies and ingredients	IF & P Foods (Rotunda Capital Partners)
Jul-19	The Paper Company	Foodservice and janitorial paper products	Imperial Dade (Bain Capital)
Jul-19	John Henry Foster Minnesota	Compressed air systems and fluid power components	High Road Capital Partners
Jul-19	United Materials	Stone surfaces	Construction Resources (Monomoy Capital Partners)
Jul-19	4-Star Hose & Supply	Industrial hoses, fittings, valves and pumps	Singer Equities





## 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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