

INSIDER



INDUSTRIALS
INDUSTRIAL DISTRIBUTION

AUGUST 2022

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RIÓN MERGERS AND
ACQUISITIONS



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Distributors are navigating a choppy environment. Supply chains and sourcing remain impacted yet have improved, and inflation and pricing are top concerns. Labor constraints, which have spurred automation and efficiency, are easing. M&A continues as firms seek growth, scale, purchasing power, and diversification.

M&A

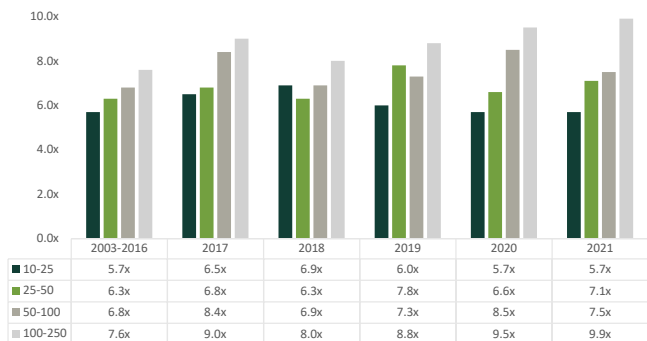
M&A activity in the industrial distribution market remains brisk with deal flow indicative of broad investor interest across distribution subsectors and active participation from strategic and financial buyers. Strategic buyers cite active pipelines and are leveraging balance sheet strength to diversify portfolios and expand product, customer, and geographic markets. Motion Industries (Kaman Distribution Group) and Rexel (Mayer Electric) and are among the strategic buyers to recently announce large transactions. Nautic Partners' acquisition of Vallen Distribution was a headliner in private equity transaction activity, illustrative of continuing interest in deploying dry powder into well-run distribution businesses as growth platforms.

VALUATION

Distribution purchase price multiples (PPM) registered 7.1x in Q1 2022 according to GF Data. GF Data provides valuation data on private M&A transactions with enterprise values of \$10 to \$500 million. PPMs reached a "high water mark" in 2021, with the EBITDA multiple increasing to 9.9x on larger transactions (enterprise values of \$100 to \$250 million), which compares to

5.7x on smaller deals (enterprise values of \$10 to \$25 million). Larger transaction size and EBITDA size (i.e., equates to larger scale), in addition to above-average EBITDA margins and revenue growth, factor into higher valuations paid.

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 TOTAL ENTERPRISE VALUE/EBITDA - DISTRIBUTION


Source: GF Data

Serial acquirers are continuing their buying sprees. Recent examples include:

- Core & Main (NYSE:CNM) which announced four acquisitions through July 2022: Inland Water Works Supply in July, Earthsavers Erosion Control in June,

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Lock City Supply in May, and Dodson Engineered Products in March. Q4 2021 was also active with the additions of Catalone Pipe & Supply (November) and CES Industrial Piping Supply (October).

- Winsupply's 2022 acquisitions of Firstsource Electrical in August, Romar Supply in July, and Williams Wholesale Supply in April follow on 7 buys in 2021 including H2O Supply in December.
- Ferguson (LSE:FERG) announced 2022 buys of Adirondack Piping Solutions in April and Plumbers Supply Company of St. Louis in January. Ferguson completed nine acquisitions in 2021.
- SRS Distribution added on with Florence Corporation this April, following eight acquisitions in 2021, including buys of Wimsatt Building Materials and Marvic Supply in the fourth quarter. Leonard Green & Partners acquired SRS in 2018. SRS has a history of private equity ownership, having completed 77 acquisitions since its first partnership with AEA Investors in 2008.

■ INDUSTRIALS

In January 2022, Motion Industries (subsidiary of Genuine Parts (NYSE:GPC)) acquired Kaman Distribution Group (KDG) from Littlejohn & Co. for \$1.3 billion in cash (~1.2x Revenue of \$1.1 billion), combining the No. 1 and No. 3 competitors in the fluid power sector, according to Modern Distribution Management's (MDM) Top Distributors list. In addition to increasing Motion's core industrial products and services, the acquisition boosts its exposure in technical and automation areas, including precision engineering, Motion said. KDG provides electro-mechanical products, bearings, power transmission, motion control, and electrical and fluid power components to more than 50,000 MRO and OEM customers. "It's a very exciting time; this transformative move will be highly beneficial to everyone involved, especially for customers of our combined entities," said Motion President Randy Breaux.

In June 2022, MSC Industrial Direct Co. (NYSE:MSM) acquired Engman-Taylor, a move to enhance its position in metalworking. Engman-Taylor serves customers from two locations in Wisconsin, two in Illinois, and one in North Carolina. The transaction follows the June 2021 acquisition of Wm. F. Hurst Co., a Kansas-based distributor of metalworking tools serving the aerospace industry. MSC's last acquisition was in 2018 when it purchased fastener distributor All Integrated Solutions.

"The M&A funnel, sort of the rate and pace of discussions probably has heated up over the last several quarters," commented CEO Erik Gershwind, in the company's FQ2 2022 earnings call. "But if we do anything on the M&A front, we'll be sticking to our knitting. And that means metalworking, it means Class C or OEM fasteners, something that bolts on to an existing platform."

DXP Enterprises (NasdaqGS:DXPE) is diversifying its oil and gas exposure with expansion in water/wastewater management, having acquired eight new distributors since December 2020, including in March 2022, Drydon Equipment and Burlingame Engineers. Drydon Equipment is a distributor and manufacturer's representative of pumps, valves, controls, and process equipment serving the Midwest regions of northwest Indiana, central and northern Illinois, Wisconsin, and the upper peninsula of Michigan. Burlingame Engineers specializes in providing quality engineered process equipment to Western Nevada and Northern California chemical companies.

"We are excited to have Burlingame and Drydon join the DXP family," CEO of DXP, David Little, said. "Their expertise in the water and wastewater treatment markets will complement DXP's breadth of technical products and services. In addition, each company provides DXP with exceptional sales expertise that will enhance our efforts and ability to serve our customers and grow our DXP Water platform," Little added.

"Burlingame and Drydon complement our recent focus on water and wastewater acquisitions and provide us

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with platforms in their respective markets to effectively serve customer needs,” CFO of DXP, Kent Yee, commented. “The acquisitions will expand our market share in the water and wastewater sector, the California, Illinois, and Wisconsin markets, and our leading rotating equipment product division. We look forward to scaling these businesses and further diversifying DXP.” Other DXP water/wastewater acquisitions include Premier Water in September 2021; Carter & Verplanck in May 2021; and Total Equipment Company, APO Pumps & Compressors, Corporate Equipment Company, and Pumping Solutions in December 2020.

■ ELECTRICAL

In December 2021, Sonepar USA acquired Cincinnati, Ohio-based Richards Electric Supply Company (RESC), adding four branch locations. “This acquisition allows Sonepar to grow its business into Ohio and Kentucky markets and serves as another example of the Group’s continuing investment in North America,” the company said. RESC was projecting record performance in 2021 with sales exceeding \$125 million. Rob Taylor, President of Sonepar North America, said, “Richards Electric’s footprint makes it a great strategic fit for Sonepar. It is a well-respected company with an outstanding track record of solutions-oriented customer service that aligns very well with ours. I look forward to our companies coming together and leveraging strengths to expand Richards Electric’s business opportunities.”

The transaction follows the August 2021 purchase of Springfield Electric Supply Company in Springfield, Illinois and further builds Sonepar’s presence in the Midwest. The company operates 19 branch locations across Illinois, Indiana, Missouri, and Iowa. The move is expected to establish a platform for growth and expansion in a part of the U.S. where Sonepar does not have a presence, according to a transaction press release. “It’s a very exciting day for Sonepar and the Springfield Electric team, and further signifies our commitment to continue growing with the strongest and best regarded electrical distribution companies,” said Rob Taylor, President, Sonepar North America.

Graybar was acquisitive in 2021, announcing the purchase of Metro Electric Supply and Metro Lighting in November, which added 8 electrical supply locations and 6 lighting showrooms across the St. Louis region. Metro primarily serves homebuilders and contractors that specialize in residential, commercial, and industrial projects. In April 2021, Graybar acquired Richmond Electrical Supply, adding one location in Richmond, Kentucky.

Graybar is building its position in industrial automation and control, announcing the purchase of Steven Engineering in November 2021. Steven specializes in automation, motion control, and pneumatic solutions with a Western footprint that spans three locations in California and Oregon. The transaction complements the December 2020 acquisition of Shingle & Gibb Automation, a California-based provider of advanced automation and control solutions which operates five locations in the Eastern U.S. Shingle & Gibb serves industrial users and original equipment manufacturers (OEMs).

Graybar Canada entered Quebec with the acquisition of Electro-mag in October 2021. Electro-mag is a provider of pneumatic, safety, sensing, and automation product distribution with five locations across Canada.

In November 2021, Rexel (ENXTPA:RXL) completed the acquisition of Mayer Electric, a move it calls a “game changer” for Rexel in the U.S. The transaction reinforces Rexel’s presence in the Eastern U.S. (Southeast and Mid-Atlantic regions), with specific focus on high growth areas, according to the transaction press release. The Birmingham, Alabama-based distributor operates 68 branches in 12 states, with a strong presence in Alabama, Florida, Georgia, and Pennsylvania. Mayer Electric reported revenues of \$1.2 billion for the twelve months ended August 2021. Rexel paid \$456 million for the business. “This move is an important step in expanding Rexel’s footprint in the U.S., the world’s leading market for electrical supplies, and will strengthen our market share in the Eastern part of the country,” said Jeff Baker, CEO of Rexel USA.

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Rexel announced two buys during the first half of 2022, including Valley Electric Supply (VES) in May and Winkle Electric Company (WEC) in January. VES services Western Colorado, expanding Rexel USA's Mountain Plains Region where it operates a 12-branch integrated network in the state. With the acquisition of WEC, Rexel USA expands its presence as a leading authorized Rockwell Automation distributor and strengthens its distribution network in Eastern Ohio, Western Pennsylvania, and Western New York. Rexel followed with the July acquisition of Horizon Solutions, a move to expand its presence as a Rockwell Automation distributor in the Northeast U.S.

■ MRO

In May 2022, Nautic Partners announced it acquired Vallen Distribution from the Sonepar Group. The provider of industrial MRO and integrated supply services serves customers in the aerospace, automotive, heavy equipment, marine, petrochemical, and transportation industries. Vallen's product offering includes abrasives, chemicals and adhesives, cutting tools, machine tool accessories, paints and tapes, safety, and workholding items. Nautic is acquiring Vallen's business in North America (U.S., Canada, and Mexico) which reported sales of approximately €1.6 billion in 2021.

Commenting on the acquisition, Andrew Brewster, Senior Vice President of Nautic, said, "Vallen is a scaled player with a strong brand name in the industrial distribution market. The company's value proposition is rooted in technical product knowledge, deep experience with integrated supply services, and excellent customer service. We are excited to support management in carving out the business and executing on their growth plan."

■ BUILDING MATERIALS

Builders FirstSource (NYSE:BLDR) announced two acquisitions during H1 2022 including Panel Truss Texas and Valley Truss Company, both in April. Panel Truss Texas

manufactures structural wooden roof and floor systems with locations in Texas, Georgia, and South Carolina. Valley Truss Company is a manufacturer of metal plate connected wood trusses for builders and contractors serving Idaho and Northern Nevada.

The company completed seven acquisitions in 2021 including acquisitions of National Lumber Company and Truss Technologies in December. National Lumber is the largest independent building materials supplier in New England according to LBM Journal with 19 locations in Massachusetts, Connecticut, and Rhode Island and sales of approximately \$440 million in 2021. "The company's diverse building materials and service offerings, which include prefabricated components to millwork and their strong R&R mix, will add even more depth to the value-added solutions Builders FirstSource customers rely on," commented Dave Flitman, CEO of Builders FirstSource. Michigan-based Truss Technologies designs and manufactures customized roof and floor trusses.

"Last year, we completed 7 acquisitions for \$1.2 billion. This year, we expect to invest approximately \$500 million in accretive M&A, and we're off to a great start," Flitman said in the company's FQ1 2022 earnings call.

■ JAN SAN

In May 2022, Advent International announced it was acquiring a significant equity stake in Imperial Dade from Bain Capital Private Equity. Bain Capital Private Equity invested in Imperial Dade in 2019. Since 2019, Imperial Dade's revenue has increased from \$2 billion to \$5 billion through a combination of organic and acquisitive growth, adding regional distributors to expand its North American footprint. Audax Private Equity, which invested in Imperial Dade in 2016, also continues to be a significant investor in Imperial Dade. Imperial Dade completed six acquisitions during the first half of 2022, including purchasing Veritiv's Canadian business in May, entering the market with 12 locations.

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■ ECONOMIC UPDATE

According to the Second Quarter 2022 Survey of Professional Forecasters, the U.S. economy is projected to grow 2.5 percent in 2022, 2.3 percent in 2023, and 2.0 percent in 2024. These estimates were lowered from three months ago.¹

Some economists predict Fed rate hikes to tame inflation could trigger a recession as early as the fourth quarter of 2022. Economists at Nomura Holdings lowered the real GDP forecast for 2022 to 1.8%, compared to 2.5% earlier, while the projection for next year is seen declining 1%, from 1.3% growth earlier.² In a July economic update, MDM highlighted Moody's economic outlook, which forecasts baseline year-over-year real GDP growth of 2.4% in Q3 2022. Growth then contracts through Q1 2023, at which time it begins to accelerate. Moody's predicts a recession that last two quarters even in its pessimistic scenario.³

Challenges of port congestion in the U.S., shortages of truck drivers, and elevated global freight rates and shipping container costs have challenged distributors.

Supply chain pressures are starting to ease, said Ferguson (LSE:FERG) CEO Kevin Murphy, in the company's FQ3 2022 earnings call. "We're not seeing it across the board, but it is continuing to improve in spotty areas, product by product, category by category." He continued, "...it's really incumbent upon us. And what we're working on today is making sure that we're communicating extremely well with our customers and with our customers' customer...and making sure that

we understand what is product availability so that we minimize that pull forward of ordering activity to get back to a much more consistent ordering pattern to serve projects. That's happening today."

AS DISTRIBUTORS ADAPT TO TRANSFORMATIONAL CHANGES IN OUR ECONOMY OVER THE NEXT DECADE, DEMAND FULFILLMENT AND CUSTOMER CONNECTIVITY WILL BECOME INCREASINGLY IMPORTANT. THAT STARTS WITH A STRONGER AND MODERNIZED SUPPLY CHAIN INFRASTRUCTURE."

- TOM GALE
CEO, MODERN DISTRIBUTION MANAGEMENT

added, enabling the company to position inventory close to the customer. Murphy spoke of market conditions in Asia where COVID-related factory closures, energy shortages, and port-capacity limits have eased. Sentiment was positive among Ferguson's suppliers, which predicted a strong year in 2022.

"There is some pent-up demand not getting filled right now," said Erik Gershwind, CEO of MSC Industrial Direct (NYSE:MSM), in the company's FQ2 2022 earnings call. Gershwind indicated that supply chain easing is "not happening quickly" which is constraining growth. "We're not being overly skimpy with how we're thinking about inventory right now, said Kristen Actis-Grande, CFO of MSC Industrial Direct. "We are kind of flexing the balance sheet there strategically, making sure we're building a buffer where we can to service our customers."

"The strength of our global supply chain and strong balance sheet means we can reliably serve our customers in a period of supply chain pressure," Murphy told MDM in a January 2022 interview. Ferguson leans on its sourcing, inventory, distribution and branch network, fleet, and global logistic capabilities to "get our customers what they need, when they need it." "Our distribution and branch network are a big advantage," Murphy

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WESCO (NYSE:WCC) CEO John Engel attributes success in managing the supply chain to “selective investment in inventory” and a “... stronger, broader set of relationships with our supplier partners,” a direct result of its combination with Anixter. “We’re maintaining very high fill rates and high availability, consistent with ... normal business operation,” said Engel, in the company’s FQ2 2022 earnings call.

IF YOU LOOK OUT TWO TO THREE YEARS, I THINK WE’RE GOING TO SEE INCREASING ACCELERATION OF THE TREND TOWARD BACK-OFFICE AUTOMATION, CUSTOMER SERVICE AUTOMATION, AND AI SOLUTIONS. AI WILL DRIVE MORE EFFICIENT ORDER TO INVOICE TO CASH PROCESSES FOR DISTRIBUTORS AND ALLOW THEM TO OPERATE THEIR BUSINESSES WITH FEWER EMPLOYEES.”

- ANDREW DUN
PRESIDENT, AMERISAFE GROUP

MDM partnered with Esker in a recent webcast to explore how automation can help to build more agile and resilient supply chains. By automating processes for order management, order-to-cash, and accounts receivable, distributors can improve order-fill rates, reduce personnel overhead, and improve customer and employee satisfaction, offered Esker Business Development Manager Nick Carpenter. “Using automation and AI also will likely help some distributors more easily recover from supply chain problems brought on by the COVID-19 pandemic,” Carpenter added.⁴

AI and machine learning tools can automate back-office functions and improve customer service operations which could help alleviate ongoing labor shortage issues. Fastenal (NasdaqGS:FAST) CFO Holden Lewis told MDM, “At this time, the marketplace for personnel is very tight, and we have had difficulty adding the personnel needed to keep up with growth. We have mitigated this through operational and technological productivity improvements, an increased focus on training, as well as higher wages, but we are still operating at a headcount that is below where we would like it to be given the strength of the market and our growth.”⁵

COVID triggered changes in customer behaviors which has spurred technology investment in areas of inventory and supply chain visibility, back-office automation, eCommerce, customer engagement, workflows, and productivity, a trend which has been accelerating since 2020, according to MDM, which shared the views of industry executives:

- “Productivity, visibility, and flawless customer service across all sales channels have grown as priorities for expanding technology investments well down the food chain from the early adopters. The goal is to connect all systems and processes across the entire business—with one view of customers, products, suppliers, and inventory,” Kevin Murphy, CEO of Ferguson, told MDM. “Today our customers want flexibility and a seamless interaction from order to fast delivery and returns,” Murphy says. “There is no longer a clear separation of digital and in-store experiences, personal, and business expectations. The lines are blurred, and we must evolve our approach.”⁶
- Avnet (NasdaqGS:AVT) is expanding eCommerce capabilities and self-service design tools, building out customer and supplier digital channels, and automating supply chain operations. “We are also continuing to leverage data, pricing analytics, and

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driving progress with RPAs (robotic process automation)," said Avnet CEO Phil Gallagher. "We'll be continuing to add more capabilities that give Avnet customers control and choice in how and when they want to be served."⁶

- Fastenal's Lewis told MDM there is high demand "... for technologies that illuminate supply chains and use data to improve efficiency and cost." "More customers are looking for an integrator supply model," Lewis said. "Competition is increasingly centering around data—the ability to utilize it to improve the efficiency and cost of supply chains. Those two items will likely influence competition and influence winners and losers in the future."⁶

■ INFLATION & PRICING

To combat inflationary pressures, the Federal Reserve raised its benchmark interest rate in July (75 basis points), following successive rate increases in June (75 basis points), May (50 basis points), and March (25 basis points) to a range of 2.25% to 2.5%. Bloomberg cited a June 2022 Federal Reserve release which shows the key policy rate climbing into 2023, reaching 3.75%.

Despite rising input costs, industry participants speak to strong end market demand with many able to pass through supplier price increases.

- WESCO (NYSE:WCC) CEO John Engel reported exceptional results for the second quarter, with the company setting new company records for sales, backlog, margin, and profitability. Overall organic sales increased 21%. Each of the company's three strategic business units delivered double-digit sales and profit growth in the quarter. WESCO cited a strong demand environment entering the third quarter, raising its full year sales outlook to a range of 16% to 18%—up from the previous range of 12% to 15% in its 1Q earnings report.
- Rexel (ENXTPA:RXL) delivered record performance during the first half of fiscal 2022 supported by

"record high backlog." CEO Guillaume Jean Philippe Texier cited robust activity in the second quarter with double-digit growth both in Europe and in North America.

- CEO Erik Gershwind at MSC Industrial Direct (NYSE:MSM) spoke of strong order levels, backlogs, and overall activity in the company's FQ3 2022 earnings call. "Most segments of the industrial economy are still seeing robust demand patterns as evidenced by the Industrial Production index." The company is projecting double-digit organic average daily sales growth to continue in FQ4 2022.
- In Ferguson's FQ3 2022 earnings call, CFO William Brundage, said, "We saw strength across both the residential and nonresidential end markets with all customer groups performing well."

In its FQ2 2022 earnings call, W.W. Grainger (NYSE:GWW) reported outsized sales growth of 19.6% during the second quarter, raising its 2022 full year outlook. The company reported no slowdown in demand and continues to hear positive sentiment from its customers, further supporting its revised outlook.

■ INDUSTRY UPDATE

+ WHOLESALE DISTRIBUTION: EXPECTATIONS BY SECTOR

	Actual Revenues	2022	2023	2024
	2021	Forecast	Forecast	Forecast
Total	22.6%	17.0%	2.6%	2.9%
Electrical & Electronics	20.2%	14.3%	2.6%	5.9%
Oil & Gas Products	73.5%	43.3%	-6.5%	-12.3%
Industrial	16.3%	14.8%	1.1%	2.2%
Motor Vehicles & Motor Vehicle Parts	13.9%	13.0%	11.5%	10.9%
Computer Equipment & Software	9.7%	9.1%	-3.4%	6.6%
Miscellaneous Durable Goods	32.7%	7.5%	-5.6%	-0.7%
Commercial Equipment & Supplies	16.7%	10.5%	3.4%	6.5%
Agricultural Products	33.9%	24.0%	12.4%	7.1%
Hardware, Plumbing, & Heating Equipment	12.3%	13.8%	-1.3%	5.0%
Building Material & Construction	30.5%	21.3%	-9.3%	5.9%
Metal Service Centers	59.5%	31.7%	10.1%	2.3%
Chemicals & Plastics	24.0%	25.1%	2.8%	9.0%
Office Product Wholesalers & Paper Merchants	14.1%	15.4%	7.1%	5.8%

Source: MDM

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In MDM's 2022 Mid-Year Economic Update, economist and panel participant Brian Lewandowski shared projections for the broader Wholesale Distribution market, speaking to a bullish outlook on the industry, with 14.7% overall growth in 2022. Lewandowski shared revised forecasts in July which show 17% overall growth in the base case scenario for 2022 (up from 14.7%) and growth slowing to 2.6% (down from 3.4%) in 2023.

Participants in the quarterly MDM-Baird Distribution Survey reported 10.4% revenue growth in Q2 2022 and pricing growth of 8.9%. Growth is predicted to decelerate to 8.2% in Q3 2022 and 9.5% for the year.

+ MDM-BAIRD DISTRIBUTION SURVEY: QUARTERLY REVENUE

	2Q22	2Q22	3Q22	2022
	Revenue Growth	Pricing	Forecast	Forecast
Overall	10.4%	8.9%	8.2%	9.5%
Electrical	13.5%	11.9%	10.6%	12.3%
Datacomm	13.5%	11.2%	11.2%	12.2%
Roofing	11.4%	9.4%	9.5%	13.7%
Facilities Maintenance/Jan-San (MRO)	10.3%	10.2%	9.7%	10.2%
HVAC	10.3%	8.9%	8.5%	9.0%
Welding Hardgoods	9.6%	8.2%	7.5%	7.3%
OEM Fasteners	9.5%	5.2%	4.3%	7.6%
Waterworks Products	9.3%	7.3%	7.2%	8.3%
Lumber & Building Materials	9.2%	9.4%	5.3%	7.0%
Landscape Supplies	9.2%	8.3%	6.4%	5.3%
Hoses & Accessories	9.0%	6.3%	6.5%	8.3%
Gases & Cylinder Rental	9.0%	7.3%	6.7%	8.5%
Wallboard/Gypsum	8.9%	7.1%	4.0%	8.5%
Industrial/Energy PVF	8.9%	7.6%	6.9%	7.9%
Plumbing	8.7%	9.2%	5.8%	7.1%
Mechanical/Power Transmission	8.6%	6.1%	7.4%	10.1%
General Industrial (MRO)	7.2%	6.5%	5.9%	5.8%
Safety	5.4%	5.5%	4.2%	3.7%
Metalworking/Cutting Tools	3.1%	1.4%	1.1%	1.8%
Pool & Spa	2.6%	5.3%	3.0%	3.4%

Source: MDM

Decelerating macroeconomic indicators and Fed rate hikes have some economists predicting a slowdown as early as Q4 2022 and for much of 2023. "Distributors are in a good position to weather a slowdown with the

ability to manage net working capital and low capital expenditures," said Kevin Sargent, Head of BGL's Industrial Distribution Group. "Having the necessary tools such as a strong balance sheet, favorable working capital, and a diversified portfolio and end markets should sustain performance."

RESHORING TO NORTH AMERICA AND INFRASTRUCTURE FUELING LONG-TERM GROWTH

■ RESHORING

Companies in more than 80% of global sectors suffered supply chain disruptions during the pandemic, of which 75% are broadening the scope of their re-shoring plans, according to a Bank of America Global Research survey released in February 2020. Tariffs, automation, and national security were cited among the reasons for the shift. "[Re-shoring is] a tectonic shift because we anticipate that it will happen slowly but persistently over the next five or 10 years," said Ethan Harris, Head of Global Economics at BofA Global Research. "It won't happen overnight, but the forces seem unstoppable." BofA Global Research covers more than 3,000 companies globally.⁷

According to Thomas' State of North American Manufacturing 2021 Annual Report, 83% of North American manufacturers are likely or extremely likely to reshore—up from 54% in March 2020. COVID-19 accelerated the prioritization of reshoring, which can translate into significant economic benefits. According to the survey, if these manufacturers with plans to reshore bring on just one single-contract domestic supplier, the shift would drive as much as \$443 billion in U.S. economic value.⁸

"We are witnessing the wholesale reexamination of supply chain relationships, which will realign global manufacturing for decades to come. With North American businesses accelerating reshoring and replacing some of their overseas suppliers with domestic alternatives, U.S. manufacturers are being presented with an unprecedented opportunity," said Tony Uphoff, Thomas CEO. "The insights from this year's State of North American Annual

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Report further underscore the need for increased investment in skilled labor and manufacturing technologies to ultimately improve the trade deficit and future-proof supply chains to protect against potential disruptions.”⁸

“We’re inundated with companies coming to us realizing that they need to reshore,” said Harry Moser, Founder and President of the Reshoring Initiative. According to the 2021 Reshoring Initiative Data Report, the number of companies reporting new reshoring and FDI (FDI by foreign companies that have shifted production sourcing from offshore to the U.S.) set a new record of over 1,800 companies.⁹

Reshoring is not without its challenges, among them potential added cost and operational complexity. Better visibility and transparency across the supply chain, as well as increased access to real-time data, are gaining in importance. “Only through modern digital solutions can we consolidate supply chain metrics and empower more people to make better decisions,” said Bryan Palma, Director of Product Marketing at Kinaxis.¹⁰

INFRASTRUCTURE

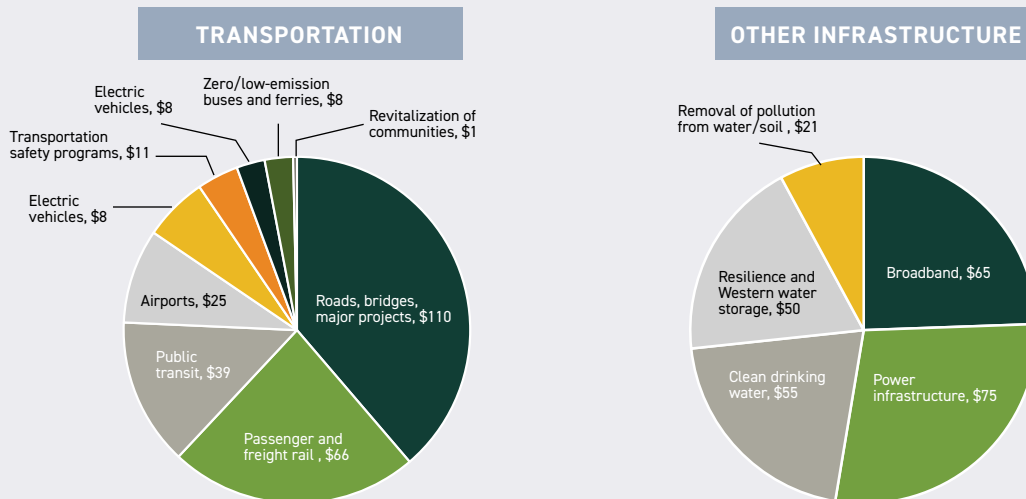
The \$1.2 trillion Infrastructure Investment and Jobs Act signed into law last November aims to invest in the nation’s infrastructure, including funding for roads and bridges, rail, transit, ports, airports, the electric grid, water systems, and expanded broadband. The wholesale distribution industry is expected to see tailwinds from the new legislation, with the industrial products sector a primary beneficiary through its enhancements in telecommunications, transportation, and logistics.¹¹

“Distributors of construction and building materials, steel, machinery and equipment, electrical and plumbing, and wireless and telecom materials should all benefit,” said Paul Pretko, a wholesale distribution industry executive advisor at SAP.¹¹

“Distributors serving public transportation infrastructure projects, power grid, electrification, broadband, and waterworks markets will see the most direct impacts over the five years of the bill’s spending cycle,” commented Tom Gale, CEO at MDM. “While



WHERE INFRASTRUCTURE DOLLARS ARE GOING \$ IN BILLIONS



Source: MDM

“Waterworks distributors stand to benefit as nearly 25% of the bill’s \$550 billion in new spending is to improve water quality and capacity infrastructure. There are funding components for energy efficiency and smart manufacturing that will impact HVACR, automation, sensors/electronics, and other industrial, building material, and construction supply sectors.” Tom Gale, CEO, Modern Distribution Management

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some concerns center on the bill fueling inflation, initial take-aways from distribution executives indicate a longer-term tailwind supporting transformational shifts and trends emerging across all sectors of the economy.” According to Gale, there will be a six- to 12-month cycle before project funding starts flowing into the economy, so stronger impacts will be seen in 2023 and beyond.¹²

Electrical and waterworks are among the “sweet spots” of the legislation. “The infrastructure bill drives increased investment in a number of areas across these secular trends; we’re seeing the capex cycle kicking off – clearly data centers, automation, IoT applications,” said John Engel, chairman, president and CEO of WESCO International at the Baird 2021 Global Industrial Conference. “Supply chains are trying to get rebuilt, but this just speaks to a stronger demand environment. This is very much a positive for our businesses.”¹²

The legislation also includes Buy America sourcing requirements to incentivize domestic re-shoring of supply chains and investment in the country’s industrial automation, reported Industrial Distribution. Under this requirement, the cost of the components used to manufacture products that are mined, produced, or assembled in the United States must be greater than 55 percent of the total cost of all components.¹³

“THIS LEGISLATION WILL HELP THE WHOLESALE DISTRIBUTION INDUSTRY MORE EFFICIENTLY MOVE GOODS AND MATERIALS ACROSS THE COUNTRY, BENEFITTING BOTH AMERICAN BUSINESSES AND CONSUMERS.”

- ERIC HOPLI
CEO, NATIONAL ASSOCIATION OF
WHOLESALE-DISTRIBUTORS

¹ Second Quarter 2022 Survey of Professional Forecasters, May 13, 2022, <https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/spf-q2-2022>

² US Recession This Year Is Now More Likely Than Not: Nomura, June 19, 2022, <https://www.bloomberg.com/news/articles/2022-06-20/us-recession-this-year-is-now-more-likely-than-not-nomura-says>

³ Data: Distributors’ 2023 Revenue Expectations Worsen, July 18, 2022, <https://www.mdm.com/premium/featured/featured-premium/data-distributors-2023-revenue-expectations-worsen/>

⁴ Embracing Automation Can Help Distributors Weather Supply Chain Issues, October 12, 2021, <https://www.mdm.com/blog/tech-operations/technology/embracing-automation-can-help-distributors-weather-supply-chain-issues/>

⁵ Need Good Help! Talent Stress Emerges as Top 2022 Challenge for Distributors, January 24, 2022, <https://www.mdm.com/premium/tech-operations/operations/need-good-help-talent-stress-emerges-as-top-2022-challenge-for-distributors/>

⁶ Tech Investments at the Core of Distributors’ 2022 Growth Strategies, September 9, 2021, <https://www.mdm.com/premium/tech-operations/technology/tech-investments-at-the-core-of-distributors-2022-growth-strategies/>

⁷ Ride the wave of re-shoring, <https://business.bofa.com/en-us/content/reshoring-manufacturing-long-term-benefits.html>

⁸ “Reshoring Could Drive \$443 Billion in U.S. Economic Value Over Next 12 Months,” June 2, 2021, <https://www.businesswire.com/news/home/20210602005529/en/NEW-REPORT-Reshoring-Could-Drive-443-Billion-in-U.S.-Economic-Value-Over-Next-12-Months>

⁹ Reshoring Initiative 2021 Data Report, <https://reshorenw.org/blog/reshoring-initiative-2021-data-report/>

¹⁰ “The Benefits & Pitfalls of Reshoring,” February 28, 2022, <https://www.mhlnews.com/global-supply-chain/article/21234768/the-benefits-pitfalls-of-reshoring>

¹¹ “Infrastructure Bill Fuels the Wholesale Distribution Industry,” November 19, 2021, <https://www.inndist.com/economy/blog/21903784/infrastructure-bill-fuels-the-wholesale-distribution-industry>


¹² “What the Infrastructure Bill Means for Distributors, December 1, 2021,” <https://www.mdm.com/premium/tech-operations/operations/what-the-infrastructure-bill-means-for-distributors/>

¹³ “Infrastructure Upgrades to Cybersecurity, Sustainability Look to Drive Supply Chain Modernization,” December 8, 2021, <https://www.inndist.com/supply-chain/blog/21940338/infrastructure-upgrades-to-cybersecurity-sustainability-look-to-drive-supply-chain-modernization>

1 MARKET UPDATE

■ MANUFACTURING UPDATE

While still in positive territory, the Institute for Supply Management (ISM) Manufacturing index fell in June to a 12-month low. The June PMI reading of 53 percent declined 3.1 percentage points from 56.1 percent in May. The June reading marks the lowest Manufacturing PMI reading since June 2020. Contributing to the decline was a drop in New Orders, with the index falling 5.9 percentage points to 49.2 percent, indicating contraction. “The U.S. manufacturing sector continues to be powered—though less so in June—by demand while held back by supply chain constraints,” ISM manufacturing survey chair Timothy Fiore said. “Sentiment remained optimistic regarding demand.” Supply chain and pricing issues were highlighted as the biggest concerns.

In its Q2 2022 survey, the National Association of Manufacturing (NAM) revised its Manufacturing Outlook Index down 4.2 points to 55.0, with 59.3% of respondents saying continued inflation would make a recession more likely in the coming 12 months. NAM highlighted major concerns for manufacturers, among them inflation pressures and supply chain issues, both complicated by the war in Ukraine and ongoing COVID-19 restrictions in China. While overall sentiment was positive, with 82.6% of all NAM respondents reporting they were positive about their own company’s outlook, the June figure was down from 88.8% in March. Responses were mixed by company size, with smaller companies less optimistic (72.5%, down from 80.3% in March) than medium-sized (85.5%, down from 91.2%) or large manufacturers (84.8%, down from 87.8%). 



2 M&A TRANSACTIONS

SELECT RECENT M&A ACTIVITY IN INDUSTRIAL DISTRIBUTION















DATE	TARGET	BUYER	RATIONALE	DEAL METRICS ¹
Pending		 	Acquisition expands geographic footprint in the Southwest U.S. adding 28 locations across Arizona, Colorado, New Mexico and Texas under the Foxworth-Galbraith banner and two locations in Oklahoma under the Forest Lumber brand.	
Pending			Rexel USA expands its presence as a leading authorized Rockwell Automation distributor and strengthens its presence in the Northeast U.S. Horizon operates 10 branch locations in New York and New England.	
Aug-22			Acquisition expands footprint in Southern California.	
Jul-22		 	Acquisition broadens presence in Florida. The transaction marks Blackhawk's second in the Jacksonville area and its third in the state in just over a year.	
Jul-22			Acquisition expands Northeast presence adding locations in New York and Vermont.	
Jun-22	 		Acquisition of significant equity stake. Imperial Dade is a leading distributor in North America of foodservice packaging and janitorial supplies	
Jun-22			Acquisition is intended to expedite Envoy Solutions' growth in the packaging sector.	
Jun-22	Specialty Valve Group	 	SVG is the exclusive distributor of Xanik products in the U.S. Xanik is a leading manufacturer of specialty valves used in severe service applications.	
Jun-22		 	Acquisition adds scale in Northeast. Partnership will further expand the product line and offerings to the Connecticut market.	
Jun-22			Wisconsin based distributor of metalworking tools and supplies. Acquisition adds locations in Wisconsin, Illinois, and North Carolina.	
Jun-22			Acquisition strengthens market presence and customer service in Chicago metropolitan market.	
May-22	 		Acquisition establishes growth platform in industrial distribution. ValLEN provides maintenance, repair, and operating products to customers in the aerospace, automotive, heavy equipment, marine, petrochemical, and transportation industries.	
May-22	American Paper Towel		Janitorial and maintenance distributor servicing the tri-state area of New York, New Jersey, and Connecticut.	
May-22			AID provides electric motor automation and control solutions for oil and gas and industrial applications.	
May-22			Acquisition establishes growth platform in building products distribution. N.B. Handy specializes in HVAC products, architectural metal roofing and machinery. The company serves the commercial and residential markets in the Southeast and Mid-Atlantic regions through its 21 locations in 6 states.	
May-22		 	Acquisition adds scale in Midwest with sales covering all of northern Indiana, Michigan, and Chicago.	
May-22			Acquisition expands value-added capabilities.	Enterprise Value (EV): \$150M EV/Revenue: 1.09x

Sources: S&P Capital IQ, PitchBook, Equity Research, public data.
Notes: ¹ EV defined as Enterprise Value.

2

M&A TRANSACTIONS

SELECT RECENT M&A ACTIVITY IN INDUSTRIAL DISTRIBUTION

DATE	TARGET	BUYER	RATIONALE	DEAL METRICS ¹
May-22	 Axxis Powerful Brands. Experienced Partners.	 PRIMESOURCE Global Reach. Immediate Service. Platinum Equity	Acquisition expands portfolio of specialty residential building products. Axxis is a provider of fastening tools and collated fasteners.	
May-22	 Cisco Air Systems Compressed Air Solutions Since 1972	 DXP	Acquisition complements DXP's previous air compressor acquisitions and accelerates end market diversification. Cisco is a leading distributor of air compressors and related products and services focused on serving the food and beverage, transportation, and general industrial markets in the Northern California and Nevada territories	Enterprise Value (EV): \$45M EV/Revenue: 1.0x EV/EBITDA: 6.4x
May-22	 ALLIED EAGLE	 ImperialDade BainCapital	Acquisition adds density in Midwest. Allied Eagle is a full-service provider of JanSan and hygiene products, services, and solutions, with sales covering all of Michigan and Northern Ohio.	
May-22	Lock City Supply	 CORE & MAIN	Lock City is a full-service distributor of water and wastewater products based in New York.	
May-22	 HUTTIG BUILDING PRODUCTS Constructive Solutions Since 1885	 woodgrain	Acquisition significantly increases Woodgrain's distribution network, product offering, and value-added services.	Enterprise Value (EV): \$400M EV/Revenue: .43x EV/EBITDA: 5.8x
May-22	Veritiv Canada  Veritiv	 ImperialDade BainCapital	Acquisition establishes entry into the Canadian market.	Enterprise Value (EV): \$186.2M
Apr-22	Adirondack Piping Solutions	 FERGUSON	Industrial distributors of PVF products in upstate New York.	
Apr-22	 JJ Industries of Connecticut, Inc. YOUR CUTTING TOOL SPECIALISTS	 BLACK HAWK INDUSTRIAL SNOW PHIPPS	Acquisition deepens BlackHawk's distribution presence in the Northeast as well as expands its manufacturing capacity and capabilities in a large manufacturing market.	
Apr-22	 BellStone LANDSCAPE SUPPLY	 SiteOne LANDSCAPE SUPPLY Stronger Together	Acquisition expands hardscapes products and services offered to combined customer the Fort Worth market.	
Apr-22	 SASCO/CASCO VEHICLES AND PARTS	 MUNCH'S SUPPLY EST. 1962 WE MAKE IT EASY	Acquisition expands footprint into Western Massachusetts and Connecticut.	
Apr-22	 SIGMA SUPPLY OF NORTH AMERICA	 ENVOY SOLUTIONS	Acquisition expands presence in the packaging solutions space.	
Apr-22	Valley Truss Company	 Builders FirstSource	Acquisition expands value-added opportunities. Boise, Idaho-based manufacturer of metal plate connected wood trusses for builders and contractors in the residential and commercial construction industries.	Enterprise Value (EV): \$31.2M EV/Revenue: 1.2x
Apr-22	 WILLIAMS WHOLESALE SUPPLY	 Winsupply THE WINSUPPLY FAMILY OF COMPANIES	Acquisition extend growth trajectory in the western region of Tennessee adding three locations.	
Apr-22	 encompass SUPPLY CHAIN SOLUTIONS	 COMVEST PARTNERS Partstown Get what parts better	Acquisition broadens Parts Town's offerings of OEM parts for products and appliances throughout the home.	
Apr-22	 T.A. Gentry COMMERCIAL PLUMBING	 MUNCH'S SUPPLY EST. 1962 WE MAKE IT EASY	Acquisition advances strategy to expand into the plumbing segment in the Michigan market.	
Apr-22	 FLORENCE CORPORATION	 SRS LGP LEONARD GREEN & PARTNERS Distribution	Acquisition expands into geographic footprint into New York. Florence distributes a broad line of building products, including lumber, roofing, siding, windows and doors, and other related products with five locations throughout the Long Island area.	
Mar-22	American Industrial Corporation	 OTC INDUSTRIAL TECHNOLOGIES	Acquisition expands technical sales and service capabilities. AIC provides liquid and powder finishing equipment, dispense application products, and filtration products throughout the Midwest.	

Sources: S&P Capital IQ, PitchBook, Equity Research, public data.
Notes: 1 EV defined as Enterprise Value.

2

M&A TRANSACTIONS

SELECT RECENT M&A ACTIVITY IN INDUSTRIAL DISTRIBUTION

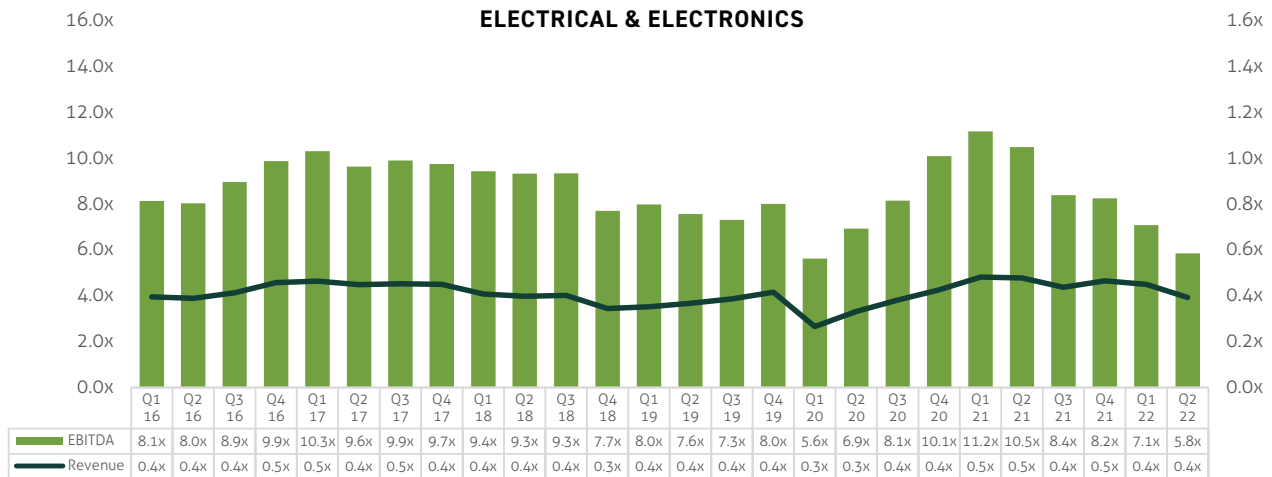
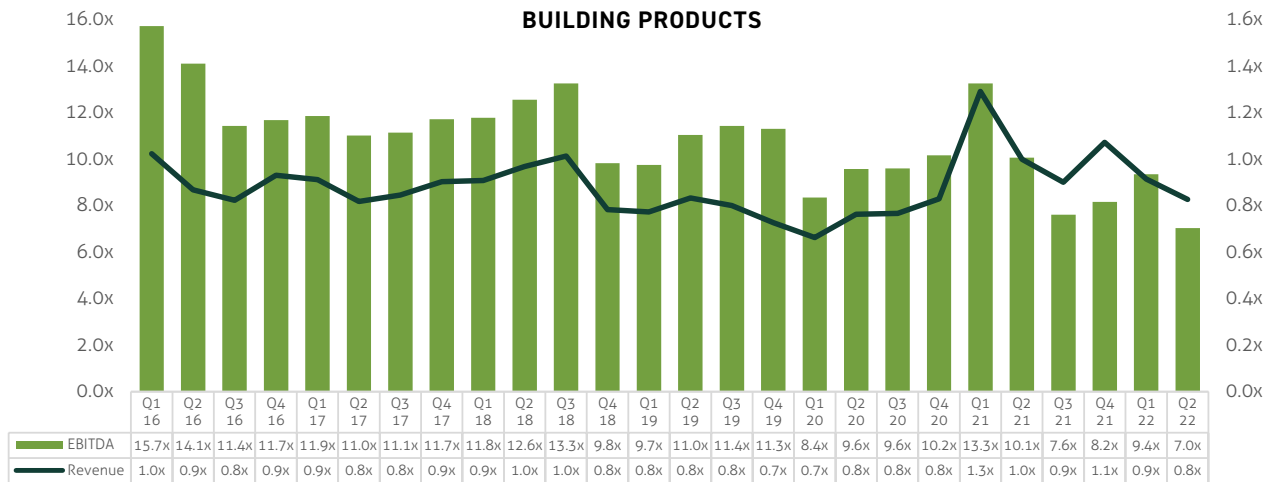
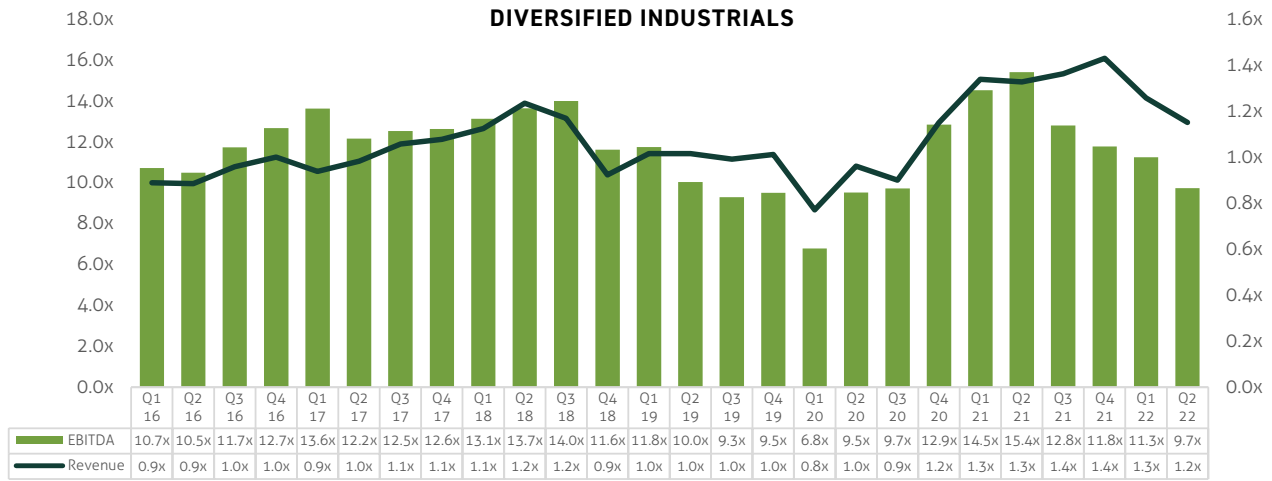
DATE	TARGET	BUYER	RATIONALE	DEAL METRICS ¹
Mar-22	A.P. Supply Co.	FERGUSON	Acquisition grows sales and market share in the Gulf Coast Region. Transaction adds three servicing locations in Arkansas and Louisiana.	
Mar-22	 Dodson Engineered Products, Inc.	 CORE & MAIN	Acquisition expand reach in central and western Colorado. Dodson is a full-service distributor of water, wastewater, storm drainage, agricultural, and irrigation products, based in Colorado.	
Mar-22	 JKE ENTERPRISE LANDSCAPE SUPPLY	 SiteOne LANDSCAPE SUPPLY Stronger Together	Acquisition extends reach in the Northern Virginia and Maryland markets.	
Mar-22	 DRYDON  BE Burlingame Engineers Inc.	DXP	Acquisition expands reach into the water and wastewater products market.	
Feb-22	Timesaver Industrial	 STELLAR INDUSTRIAL SUPPLY	Acquisition establishes strong market presence in Arizona and broadens product and service offering	
Feb-22	 Benost Supply Company Wholesale Heating & Air Conditioning	 GRYPHON INVESTORS	Acquisition creates leading multi-region HVAC/R parts and equipment distribution platform.	
Feb-22	 MID-STAR	HDI HARDWOOD DISTRIBUTION INC.	Acquisition extends capabilities in the Pro Dealer and home center customer channel and expands geographic reach in the Midwest.	Enterprise Value (EV): \$270M
Feb-22	 USA CLEAN 1-800-USA-CLEAN	 Jon-Don LET'S TACKLE YOUR TOUGHEST JOBS  INCLINE EQUITY PARTNERS	Acquisition expands floor care equipment parts and service offerings.	
Feb-22	A-Tech	 Kele  THE STEARNS GROUP	Acquisition expands Kele's breadth of products and services in the industrial automation market. A-tech Inc., distributes products used to measure, analyze, control, and automate a wide range of factory and industrial processes. The company serves customers in Oklahoma, Arkansas, Kansas, Colorado, Texas, Louisiana, and Wyoming.	
Feb-22	 BATTERY SYSTEMS	 Continental BATTERIES  HFC CAPITAL	Supplier to the auto, commercial, deepcycle, and marine markets. The company has distribution in all 50 states with over 100 locations.	
Jan-22	 POWER SUPPLY	FERGUSON	Acquisition expands presence in the Midwest.	
Jan-22	ASKEW	 BERTRAM AFCA PARTNERS	Acquisition accelerates expansion strategy in the western United States. Askew is a provider of logistics and distribution of industrial, MIL-SPEC and engineered fasteners, components, and MRO products.	
Jan-22	 WEISS BROS. FOCUSED ON YOU	 GENERAL CHEMICAL & SUPPLY, INC.	Based in Hagerstown, MD, Weiss distributes janitorial & safety products, foodservice disposables, industrial packaging, paper supplies, and maintenance equipment. General Chemical is a Northeast distributor of janitorial supplies, foodservice disposables, and paper supplies servicing customers in New Jersey, Pennsylvania, and Delaware.	
Jan-22	 PINNACLE TOOL & SUPPLY WEEDS SALES • INDUSTRIAL METALWORKING SUPPLY	 BLACK HAWK INDUSTRIAL  SNOW PHIPPS	Acquisition significantly increases BlackHawk's operational footprint in the Ohio region. Pinnacle is a value-added distributor in the cutting tool and abrasive space.	
Jan-22	 National Millwork	 THE COOK BOARDMAN GROUP  LITTLEJOHN & CO.	Acquisition expands capabilities in commercial and multi-family construction projects.	
Jan-22	 Winkle	 REXEL INDUSTRIAL DIVISION	With the acquisition, Rexel USA expands its presence as a leading authorized Rockwell Automation distributor and strengthens its distribution network in Eastern Ohio, Western Pennsylvania, and Western New York.	
Jan-22	KAMAN Distribution	 iMOTION	Transaction combines the No. 1 and No. 3 power transmission/motion controls distributors in North America.	Enterprise Value (EV): \$1.3B EV/Revenue: 1.18x (2022E) EV/EBITDA: 13.8x (2022E) *~9.0x including synergies

Sources: S&P Capital IQ, PitchBook, Equity Research, public data.
Notes: 1 EV defined as Enterprise Value.

3

INDUSTRY METRICS

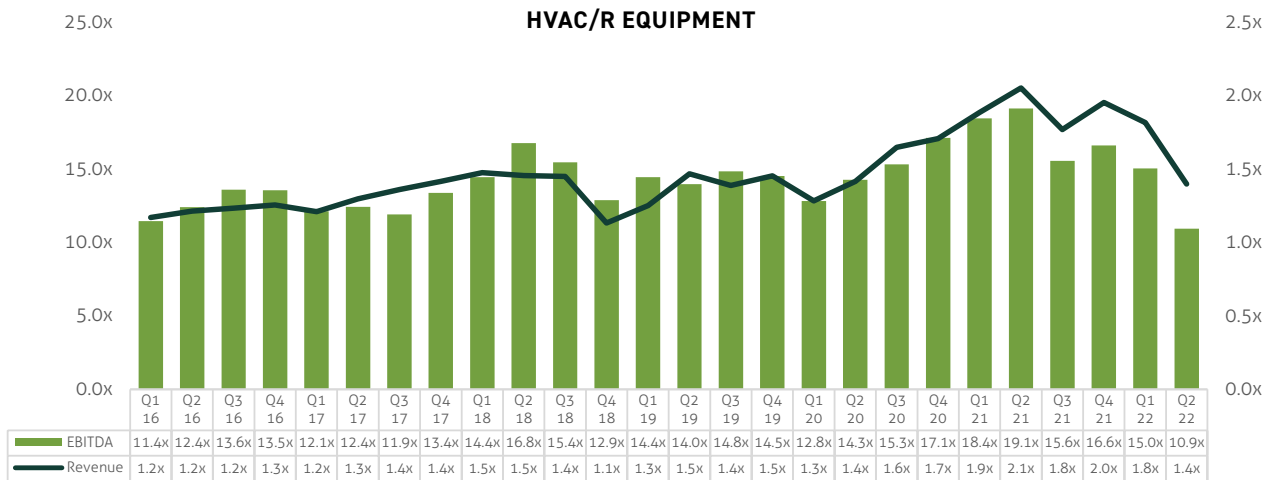
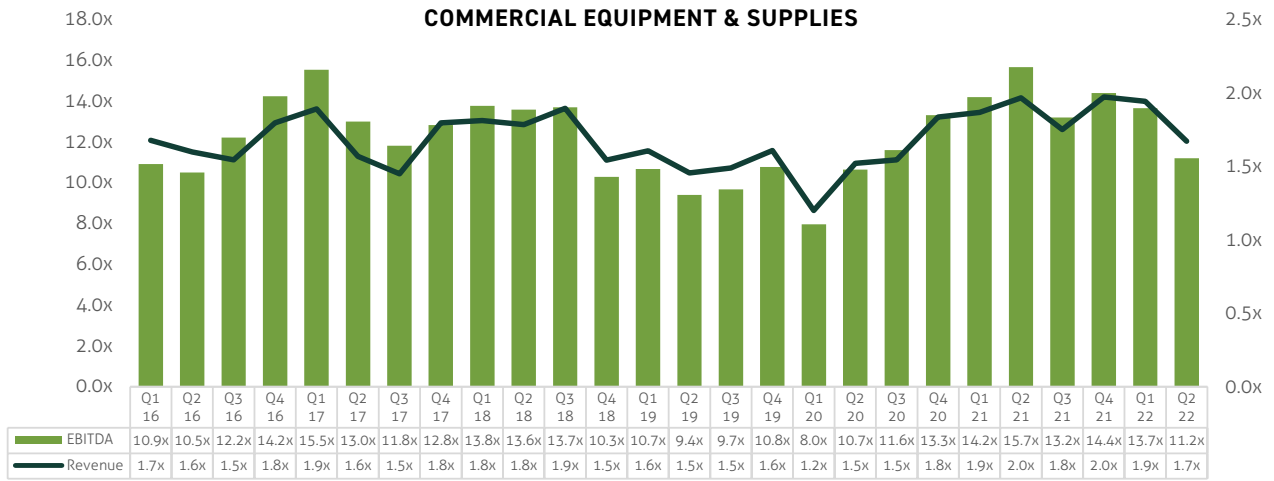
PUBLIC INDUSTRIAL DISTRIBUTION COMPANY OPERATING METRICS



3

INDUSTRY METRICS

PUBLIC INDUSTRIAL DISTRIBUTION COMPANY OPERATING METRICS



3

INDUSTRY METRICS

PUBLIC INDUSTRIAL DISTRIBUTION COMPANY OPERATING METRICS

(\$ in millions, except per share data)

COMPANY NAME	COUNTRY	TICKER	CURRENT STOCK PRICE ⁽¹⁾	% OF 52 W HIGH	MARKET CAPITALIZATION ⁽²⁾	ENTERPRISE VALUE ⁽³⁾	ENTERPRISE VALUE / TTM		TOTAL DEBT/ EBITDA	TTM REVENUE	TTM MARGINS	
							REVENUE	EBITDA			GROSS	EBITDA
GENERAL INDUSTRIAL												
Applied Industrial Technologies, Inc.	United States	AIT	\$113.43	93.6%	\$4,361	\$4,866	1.3x	11.8x	1.7x	\$3,811	29.0%	10.8%
Core & Main, Inc.	United States	CNM	24.61	75.6%	4,133	6,384	1.2x	8.5x	2.2x	5,547	26.0%	12.5%
DXP Enterprises, Inc.	United States	DXPE	28.45	78.5%	536	921	0.7x	7.8x	3.4x	1,270	29.2%	7.4%
Fastenal Company	United States	FAST	55.78	86.2%	32,055	32,572	5.0x	19.4x	0.5x	6,569	46.5%	23.4%
Genuine Parts Company	United States	GPC	158.10	100.0%	22,360	25,973	1.3x	11.7x	1.9x	20,519	35.1%	9.1%
Kaman Corporation	United States	KAMN	34.87	75.0%	977	1,103	1.6x	10.5x	2.0x	674	33.3%	14.8%
MRC Global Inc.	United States	MRC	10.07	74.9%	842	1,747	0.6x	12.9x	4.2x	2,961	16.5%	3.2%
MSC Industrial Direct Co., Inc.	United States	MSM	85.64	97.3%	4,795	5,628	1.6x	10.7x	1.6x	3,501	42.2%	14.4%
NOW Inc.	United States	DNOW	11.35	90.4%	1,258	1,052	0.6x	8.2x	0.2x	1,883	22.9%	5.4%
W.W. Grainger, Inc.	United States	GWV	579.88	99.9%	29,499	32,200	2.3x	14.5x	1.2x	14,215	37.5%	15.1%
Median			\$45.33	88.3%	\$4,247	\$5,247	1.3x	11.2x	1.8x	\$3,656	31.3%	11.6%
Mean			\$110.22	87.1%	\$10,082	\$11,245	1.6x	11.6x	1.9x	\$6,095	31.8%	11.6%
BUILDING PRODUCTS												
Beacon Roofing Supply, Inc.	United States	BECN	\$60.23	92.2%	\$3,915	\$6,815	0.9x	7.2x	2.7x	\$7,875	26.5%	10.5%
BlueLinx Holdings Inc.	United States	BXC	77.87	77.9%	723	1,229	0.3x	2.4x	1.2x	4,485	18.7%	11.0%
Builders FirstSource, Inc.	United States	BLDR	70.75	81.8%	11,042	14,930	0.7x	3.4x	0.9x	22,751	32.7%	18.4%
GMS Inc.	United States	GMS	54.74	88.6%	2,334	3,568	0.8x	5.9x	2.2x	4,635	32.2%	11.7%
Median			\$65.49	85.2%	\$3,125	\$5,192	0.7x	4.7x	1.7x	\$6,255	29.3%	11.4%
Mean			\$65.90	85.1%	\$4,504	\$6,636	0.6x	4.7x	1.8x	\$9,936	27.5%	12.9%

(1) As of 8/12/2022.

(2) Market Capitalization is the aggregate value of a rm's outstanding common stock.

(3) Enterprise Value is the total value of a rm (including all debt and equity). Source: S&P Capital IQ.

3

INDUSTRY METRICS

PUBLIC INDUSTRIAL DISTRIBUTION COMPANY OPERATING METRICS

(\$ in millions, except per share data)

COMPANY NAME	COUNTRY	TICKER	CURRENT STOCK PRICE ⁽¹⁾	% OF 52 W HIGH	MARKET CAPITALIZATION ⁽²⁾	ENTERPRISE VALUE ⁽³⁾	ENTERPRISE VALUE / TTM		TOTAL DEBT/ EBITDA	TTM REVENUE	TTM MARGINS	
							REVENUE	EBITDA			GROSS	EBITDA
ELECTRICAL & ELECTRONICS												
Arrow Electronics, Inc.	United States	ARW	\$114.39	82.9%	\$7,341	\$10,655	0.3x	4.7x	1.5x	\$36,063	13.1%	6.0%
Avnet, Inc.	United States	AVT	44.52	88.7%	4,349	6,061	0.2x	5.2x	1.6x	24,311	12.2%	4.4%
Rexel S.A.	France	ENXTPA:RXL	18.10	80.4%	5,538	8,642	0.5x	5.8x	2.4x	17,474	26.4%	7.5%
WESCO International, Inc.	United States	WCC	140.24	97.1%	7,125	12,442	0.6x	7.9x	3.5x	19,996	21.3%	6.6%
Median			\$79.46	85.8%	\$6,331	\$9,649	0.4x	5.5x	2.0x	\$22,153	17.2%	6.3%
Mean			\$79.31	87.3%	\$6,088	\$9,450	0.4x	5.9x	2.3x	\$24,461	18.2%	6.1%
COMMERCIAL EQUIPMENT & SUPPLIES												
DXP Enterprises, Inc.	United States	DXPE	\$28.45	78.5%	\$536	\$921	0.7x	7.8x	3.4x	\$1,270	29.2%	7.4%
Fastenal Company	United States	FAST	55.78	86.2%	32,055	32,572	5.0x	19.4x	0.5x	6,569	46.5%	23.4%
MSC Industrial Direct Co., Inc.	United States	MSM	85.64	97.3%	4,795	5,628	1.6x	10.7x	1.6x	3,501	42.2%	14.4%
W.W. Grainger, Inc.	United States	GWW	579.88	99.9%	29,499	32,200	2.3x	14.5x	1.2x	14,215	37.5%	15.1%
Median			\$70.71	91.7%	\$17,147	\$18,914	1.9x	12.6x	1.4x	\$5,035	39.9%	10.9%
Mean			\$187.44	90.5%	\$16,721	\$17,830	2.4x	13.1x	1.7x	\$6,389	38.9%	12.1%
HVAC/R EQUIPMENT												
Ferguson plc	United Kingdom	LSE:FERG	\$124.62	75.4%	\$26,199	\$29,610	1.1x	10.0x	1.5x	\$27,162	30.9%	11.1%
Reece Limited	Australia	ASX:REH	11.01	54.4%	7,112	8,309	1.7x	16.5x	2.5x	4,942	28.0%	8.8%
Watsco, Inc.	United States	WSO	302.90	95.0%	10,421	11,193	1.6x	12.1x	0.6x	6,952	27.9%	11.5%
Median			\$124.62	75.4%	\$10,421	\$11,193	1.6x	12.1x	1.5x	\$6,952	28.0%	11.1%
Mean			\$146.18	74.9%	\$14,577	\$16,371	1.5x	12.8x	1.5x	\$13,019	28.9%	10.5%

(1) As of 8/12/2022.

(2) Market Capitalization is the aggregate value of a rm's outstanding common stock.

(3) Enterprise Value is the total value of a rm (including all debt and equity).Source: S&P Capital IQ.

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BGL INDUSTRIALS GROUP

DEDICATED LEADERSHIP

RIÓN MERGERS AND
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RIÓN MERGERS AND
ACQUISITIONS