



COVID-19's Effect on the Distribution Sector

The COVID-19 pandemic has reshaped the landscape of the American economy, and the distribution space, like many other sectors, has been significantly impacted. However, the pandemic's effect has varied widely by subsector, with specific end market distributors facing unique challenges. Suppliers to businesses deemed essential – grocery, medical supplies, paper products (e.g. paper towels, toiler paper), and safety products, among others – have had to contend with surging downstream demand and sometimes constrained supplies. In contrast, distributors to hard-hit end markets, namely restaurant and industrial goods suppliers, have suffered substantial revenue declines due to local lockdowns, customer closures, and purchasing delays. For example, several distributors serving the restaurant space have seen year-over-year revenue declines of 40-50%. Many prominent industry veterans believe a prolonged recovery won't begin until 2021.

In response to new state and local guidelines nationwide, distributors have taken steps to re-optimize operations while prioritizing employee health and safety. Some key initiatives include working-from-home and social distancing mandates for eligible employees when possible, splitting shifts in warehouses, segregating office and warehouse personnel, and eliminating third-party vendor access to facilities. In a recent industry survey, nearly half of respondents cited they are reducing future inventory orders and one-third are furloughing employees.

Select Recent Private Equity Distribution Transactions

While it seems so long ago, 2019 experienced strong demand, a dearth of premium assets, and elevated M&A activity from a range of capital providers – private equity firms and strategic buyers alike – creating scarcity value for well-positioned distributors of scale, which continued into the beginning of 2020. However, the challenges and uncertainty created by the COVID-19 pandemic led to restricted credit markets and a focus on preserving short-term liquidity, severely restricting M&A activity. Further, buyer and seller apprehension regarding travel for management meetings and on-site diligence sessions has hindered deal activity across all sectors.

The pandemic has stalled many processes and delayed many new deals from going to market. However, later stage deals haven't been significantly negatively impacted. As the economy recovers and credit markets loosen, financial buyers will be eager to deploy dry powder towards premium assets with validated recession resistance and rapid synergy and growth potential.

Announced	Target (<i>Metronome clients bolded</i>)	Acquirer	Target Business Description
Apr-20	Street Smart Rental	Carlson Private Capital Partners	Distributes and repairs traffic control and safety products
Mar-20	Allen Brothers	Palm Beach Capital	Distributes products to the convenience and grocery store industry
Mar-20	Dasco HME	Silver Oak Services Partners	Distributes oxygen systems, wheelchairs, and other noninvasive medical equipment
Mar-20	Lansing Building Products	Markel Ventures	Distributes building products
Feb-20	Marco Rubber & Plastics	Align Capital Partners	Distributes specialty rubber and plastic components
Feb-20	Harrington Industrial Plastics	Nautic Partners	Distributes industrial plastic piping
Feb-20	ASP Global	Incline Equity Partners	Distributes medical supplies
Feb-20	Fortune Fish Company	Investcorp Holdings (BAX: INVCORP)	Processes and distributes seafood
Feb-20	Virginia Abrasives Corporation	Brookstone Partners	Distributes construction abrasives
Jan-20	BFG Supply Co. (Parallel49 Equity)	Incline Equity Partners	Supplies branded professional grower and lawn & garden products
Jan-20	Galco Industrial Electronics (AEA Investors)	Freeman Spogli	Distributes industrial and commercial electronic control & automation products
Jan-20	Empire Equipment Holdings LLC (Kian Capital)	PNC Riverarch Capital	Distributes commercial foodservice equipment and parts
Dec-19	Encompass Supply Chain Solutions (Bain Capital Credit)	Comvest Partners	Distributes product repair parts and accessories
Oct-19	Individual Foodservice (Sole Source Capital)	Kelso & Company	Supplies foodservice disposables, janitorial, and sanitation products
Oct-19	TruckPro LLC (Harvest Partners)	Platinum Equity	Distributes heavy-duty truck and trailer parts
Aug-19	EIS, Inc. (Genuine Parts Company)	Audax	Distributes process materials, production supplies, and specialty cable/wire
Jul-19	Safco Dental Supply	PNC Riverarch Capital	Supplies clinical dental products to independent dental practitioners
Jun-19	Kaman Industrial Technologies Corporation	Littlejohn & Co.	Distributes industrial parts to MRO and OEM markets
Jun-19	John Henry Foster Minnesota	High Road Capital Partners	Distributes compressed air systems and fluid power components
May-19	Long Island Pipe Supply	Core & Main (Clayton, Dubilier & Rice)	Supplies fire sprinkler pipes, valves, fittings, devices, and accessories
May-19	700 Valve Supply	BBH Capital Partners	Distributes industrial valves for energy-related applications
May-19	BCPE Empire Holdings (<i>dba Imperial Dade</i>)	Bain Capital Private Equity	Distributes foodservice disposables and janitorial supplies
Apr-19	Munch's Supply (Rotunda Capital)	Ridgemont Equity	Distributes HVAC products
Apr-19	Ohio Transmission Corporation (Irving Place Capital)	Genstar Capital	Distributes industrial equipment
Apr-19	The Merit Distribution Group (Center Lane Partners)	Center Rock Capital Partners	Distributes paint, sundry, hardware, and drywall products
Jan-19	Fluid Flow Products (AEA Investors)	Bertram Capital Management	Supplies measurement, control, and filtration products
Jan-19	Lipari Foods (Sterling Investment Partners)	H.I.G. Capital	Distributes food products
Jan-19	Marcone Appliance Parts	Sterling Investment Partners	Distributes OEM repair parts for residential appliances

Note: Metronome Partners served as exclusive sell-side financial advisor on highlighted transactions

Sources: CapIQ, IBISWorld, Modern Distribution Management, Oaklins



Mergers & Acquisitions

Capital Raising

Strategic Advisory

Metronome Partners is a Premier M&A Advisor to Leading Distribution Companies

Our Experience

Metronome Partners has extensive experience representing leading distributors across a wide array of product groups and industries including, but not limited to, genuine aftermarket parts, foodservice equipment and equipment parts, lawn & gardening products, building materials, safety products, and outdoor leisure products. Our team actively tracks a variety of key market segments, trends, and transactions, as well as maintains strong relationships with both the private equity community and critical strategic players in several industries. Metronome has intimate knowledge and positioning experience surrounding many of the unique attributes that accompany the sale of a distribution platform including complex customer and vendor relationships, consolidation opportunities, "The Amazon Effect," and managing complex upstream and downstream supply chain dynamics. Our strength in distribution M&A is evidenced by three recent transactions completed in the past six months:

Recent Metronome Mandates



January 2020 – Metronome served as exclusive financial advisor to **BFG Supply Co.** ("BFG"), a regional provider of third-party and proprietary branded products to professional growers, lawn & garden centers, and other green industry participants, in its sale to **Incline Equity Partners**. BFG distributes a full line of professional horticulture and lawn & garden products, connecting 500+ vendors to over 8,000 customers across multiple channels. Metronome successfully leveraged BFG's particular focus on its technology capabilities enabling it to efficiently serve vendors and customers with industry-leading product selection and service levels – producing unmatched NPS scores and strong customer relationships.



January 2020 – Metronome served as exclusive financial advisor to **Empire Equipment Holdings, LLC** ("Empire"), a national wholesale distributor of commercial foodservice equipment and genuine OEM parts to the foodservice industry, in its sale to **PNC Riverarch**. Empire, founded in 1985, partners with blue-chip foodservice equipment OEMs to serve 5,500+ customer accounts through its seven distribution centers strategically located throughout the Southeast, Mid-Atlantic, West Coast, and Southwest. Metronome worked closely with Empire management to articulate Empire's compelling growth strategy, accentuating both the organic opportunities and proven acquisition strategy – having already acquired iconic brands **TruTemp**, **Norm's**, and **PMA**.



December 2019 – Metronome served as exclusive financial advisor to **Encompass Supply Chain Solutions, Inc.** ("Encompass"), the country's broadest multi-vertical supplier of repair parts and accessories for products found throughout the home, in its sale to **Comvest Partners**. Encompass, headquartered in Atlanta, GA, offers complete parts supply chain management, 3PL, depot repair, and reverse logistics services; in addition to traditional genuine repair parts distribution. Encompass has partnered with over 100 leading brands including **Whirlpool**, **LG**, **Sony**, and **Samsung**, and its sophisticated distribution operation supplies over 100,000 unique parts every year. Metronome positioned Encompass' value-added capabilities and significant growth opportunities to achieve a great outcome.

Select Metronome Distribution Transactions*

 PROJECT CHILL Residential & Commercial HVACR Distributor	 PROJECT SATURN Specialty healthcare products distributor	 a portfolio company of has been recapitalized by 	 has sold a majority equity interest to 	 has completed a recapitalization with 	 has been acquired by 	 a portfolio company of has been acquired by 	 a portfolio company of has been acquired by 	 has been acquired by
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* includes transactions completed by Metronome's principals while at predecessor firms

Please contact one of the professionals below if you would like to discuss opportunities for your company.

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