

Metronome Partners is pleased to present a market update for the Distribution sector. With dozens of transactions completed for Distribution businesses across multiple end markets, Metronome is uniquely positioned to leverage our insights and experience to help clients navigate the evolving Distribution landscape.

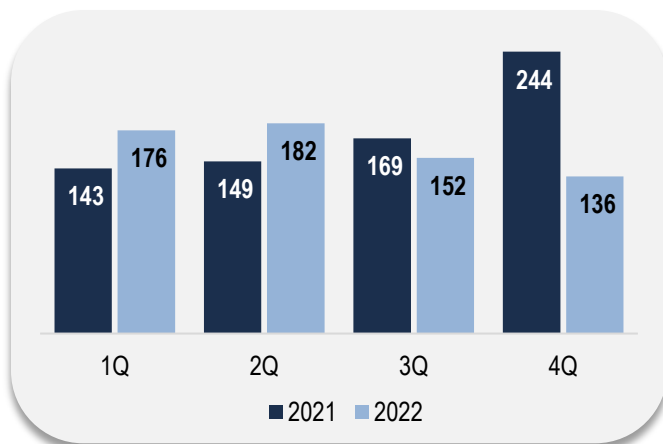
M&A Market Update: North American Distribution

Few anticipated such a turbulent economy in 2022. The year began with consumers continuing their post-COVID buying sprees, which flooded corporate balance sheets with cash. Strong demand paired with supply constraints and quickly rising energy and commodity prices produced red-hot levels of inflation not seen in the U.S. since the 1980s. Market sentiment quickly turned negative as the Federal Reserve and many foreign central banks began steadily raising interest rates to curb inflation. Industry sectors which boomed in 2020 and 2021 – such as information technology and consumer discretionary – faced investor blowback as the economic cycle shifted from bull to bear.

While the overall M&A market is currently quite choppy, many Distribution businesses are doing well despite macroeconomic headwinds. The following industry characteristics are valued by both financial and strategic investors, especially over the past six months when contrasted with more cyclical sectors:

- Distribution businesses are relatively stable and generate steady cash flows, providing reliable returns for investors.
- The Distribution ecosystem is fragmented and often consists of many local or regional players, presenting an opportunity for buyers to consolidate businesses to achieve greater profitability through scale and increased multiples upon exit.
- Investments in technologies – such as ERP systems and warehouse automation – can transform and accelerate Distribution businesses.

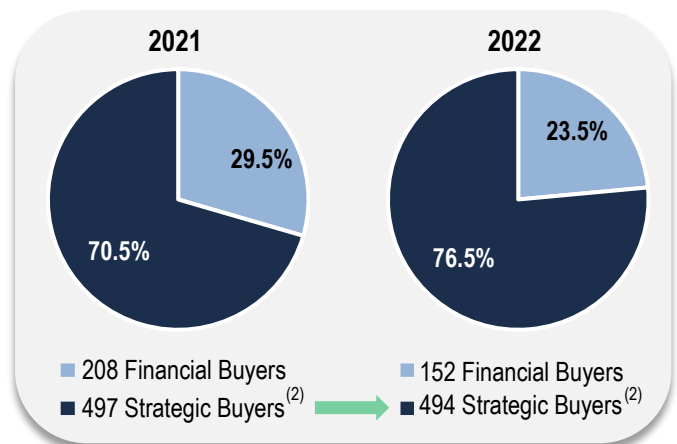
Distribution Transactions Per Quarter ⁽¹⁾



Takeaways

- The Distribution industry displayed a record number of transactions during 4Q21.
- While the number of transactions have fallen since this all-time high quarter, acquisition volume remains significant.
- Whereas the entire 2022 M&A market declined in volume by approximately 21.4%, 2022 distribution-related M&A declined by just 8.4%.

Distribution Transactions by Buyer Type ⁽¹⁾



Takeaways

- Industry consolidation during 2022 was again led by strategic buyers, representing three quarters of all transactions.
- Strategic acquisition volume was approximately flat year over year (-0.6%), while sponsor backed transaction volume declined much more (-26.9%).

⁽¹⁾ Data sourced from Capital IQ as of 12/31/22. ⁽²⁾ Statistic is inclusive of private equity-backed buyers.



Mergers & Acquisitions

Capital Raising

Strategic Advisory

Select 2022 Distribution Transactions with Disclosed Purchase Prices ⁽¹⁾

Target Company	Date	Price ⁽²⁾	Multiple ⁽³⁾	Buyer	Distributed Products
Kaman Distribution Group	1/22	\$1,300.0	-	Motion Industries, Inc.	Distributes automation equipment
KPrime Technologies Inc.	1/22	\$6.1	-	Nanalysis Scientific Corp	Distributes laboratory instruments
Eagle Alcohol Company LLC	1/22	\$29.3	-	Alto Ingredients, Inc.	Distributes specialty alcohols
Staub Electronics Ltd.	1/22	\$26.9	-	Snap One Holdings Corp.	Distributes consumer electronics
Roughrider International Ltd	1/22	\$16.8	-	McKay Métis Group Ltd.	Distributes energy systems and equipment
Horticultural Rep Group, Inc.	1/22	\$12.5	-	GrowGeneration Corp.	Distributes horticultural products
LJR Electronics, LLC	1/22	\$27.4	-	Diploma PLC	Distributes industrial electrical connectors
Letco Medical LLC	2/22	\$34.0	-	Fagron NV	Distributes pharmaceutical ingredients
The Coastal Companies	2/22	\$525.0	-	Sysco Corporation	Distributes fresh produce
Arrow Wire & Cable, Inc.	2/22	\$15.0	-	Resideo Technologies, Inc.	Distributes security & communication cables
Drydon Equipment Incorporated	3/22	\$7.9	-	DXP Enterprises, Inc.	Distributes wastewater treatment equipment
King Canada Inc.	3/22	\$20.2	-	Einhell Germany AG	Distributes wood & metalworking machinery
Lawson Products, Inc.	4/22	\$580.7	-	Distribution Solutions Group	Distributes industrial maintenance supplies
Carriere Industrial Supply Limited	4/22	\$22.9	-	The Weir Group PLC	Distributes underground mining equipment
Enovation Brands, Inc	4/22	\$22.0	-	Italian Wine Brands S.p.A.	Distributes imported wine and spirits
PGW Auto Glass, LLC	4/22	\$361.0	-	OEP Capital Advisors, L.P.	Distributes auto glass and shop accessories
Surplus Diabetic, Inc.	4/22	\$19.5	6.1x	ADDVise Group AB	Distributes diabetes products
CCOM Group, Inc.	5/22	\$34.5	5.2x	Goodman Distribution, Inc.	Distributes HVAC equipment
Cisco Air Systems, Inc.	5/22	\$47.9	6.8x	DXP Enterprises, Inc.	Distributes industrial air compressors
Huttig Building Products, Inc.	5/22	\$400.0	5.8x	Woodgrain Inc.	Distributes millwork and building materials
Veritiv Canada, Inc.	5/22	\$187.3	-	Imperial Dade Canada Inc.	Distributes janitorial and foodservice products
AmerisourceBergen Corporation	5/22	\$900.0	9.7x	Walgreens Boots Alliance Inc.	Distributes specialty prescription drugs
PetroChoice Holdings, Inc.	5/22	\$479.0	-	Moove Lubricants Limited	Distributes lubricants and filtration products
Crane Canada Co.	5/22	\$317.6	-	Groupe Deschênes Inc.	Distributes pipes and valves
Clean Designs/Clean Route LLC	6/22	\$5.4	-	EVI Industries, Inc.	Distributes commercial laundry equipment
Vopak Terminals of Canada Inc.	6/22	\$124.5	-	Parkland Corporation	Distributes bulk liquid products and gases
Union Supply Company, Inc.	6/22	\$242.8	-	Aramark Correctional Services	Distributes commissary goods
Scendia Biologics, LLC	7/22	\$17.5	-	Sanara MedTech Inc.	Distributes surgical specialty products
Heartland Solutions, LLC	8/22	\$15.7	-	Titan Machinery Inc.	Distributes agricultural equipment
Southern Fasteners & Supply, LLC	8/22	\$18.7	-	Park-Ohio Holdings Corp.	Distributes industrial fasteners
Wooler Brands, Inc.	8/22	\$15.0	-	Davide Campari-Milano N.V.	Distributes alcoholic & other beverages
Bevo Agtech Inc.	8/22	\$43.9	11.3x	Aurora Cannabis Inc.	Distributes vegetables and plants
Cal Care Grp, Inc.	9/22	\$5.0	-	Boon Industries, Inc.	Distributes California cannabis
Gavilon Agriculture Investment, Inc.	10/22	\$1,125.0	-	Viterra Ltd.	Distributes grains and fertilizers
Vandermeer Forest Products, Inc.	10/22	\$67.0	3.5x	BlueLinx Holdings Inc.	Distributes building products
Covetrus, Inc.	10/22	\$3,466.2	20.8x	Clayton, Dubilier & Rice, LLC	Distributes veterinary supplies
International Wholesale Tile, LLC	10/22	\$28.5	4.1x	Victoria PLC	Distributes floor and wall coverings
Nora Pharma Inc.	10/22	\$22.9	-	Sunshine Biopharma, Inc.	Distributes generic drugs
Thoesen Tractor & Equipment Inc.	12/22	\$12.5	-	Okada America Inc.	Distributes tractor equipment
Great Elm DME, Inc.	12/22	\$18.4	-	J.P. Morgan Broker-Dealer	Distributes respiratory care equipment
Median			6.1x		
Mean			8.1x		

⁽¹⁾ Data sourced from Capital IQ as of 12/31/22. ⁽²⁾ \$ in millions. ⁽³⁾ Multiple represents implied Enterprise Value / EBITDA.



Mergers & Acquisitions

Capital Raising

Strategic Advisory

Most Active Acquirers of U.S. Distributors During 2022



Distribution Company	Date	HQ
JK Enterprise Landscape	3/22	VA
BellStone Masonry Supply	4/22	TX
Preferred Seed Company	4/22	NY
Prescott Dirt	6/22	AZ
Across The Pond	6/22	AL
Yard Works	6/22	VA
River Valley Horticultural	7/22	AR
A&A Stepping Stone	7/22	CA
Cape Cod Stone & Masonry	8/22	MA
Kaknes Landscape Supply	8/22	IL
Jim Stone Co. of Louisiana	8/22	LA
Stone Plus	9/22	FL
Madison Block & Stone	10/22	WI
Whittlesey Landscape	12/22	TX
Telluride Natural Stone	12/22	AZ



Distribution Company	Date	HQ
Parker Hardscape Supply	1/22	NV
Bulks Landscape Supply	1/22	GA
Edgefield Plant & Stone	1/22	NC
Parker Hardscapes	1/22	NV
Woodward Landscape	2/22	PA
Backyard Living	4/22	MA
The Rock Garden	6/22	CA
Forrest Realty Associates	7/22	PA
Stone Garden	8/22	NC
Geobunga	10/22	HI
Bedrock Landscape Supply	10/22	NV
Tahoe Sand & Gravel	11/22	CA
LandCare Associates	11/22	NH



Distribution Company	Date	HQ
Weiss Bros. Of Hagerstown	1/22	MD
General Chemical & Supply	1/22	NJ
Bio-Shine	2/22	NJ
ATRA Janitorial Supply	3/22	NJ
American Paper & Supply	5/22	NJ
Sigma Supply	5/22	AR
Hughes Enterprises	6/22	PA
Sunbelt Packaging	7/22	SC
Knight Marketing Corp	9/22	NY
H.T. Berry Company	9/22	MA
Janitor's Closet	9/22	FL
Enterprises Group	10/22	MI
United Packaging Supply	11/22	PA
Surtec	11/22	CA
Penn Paper	12/22	PA



Distribution Company	Date	HQ
Hylon-Koburn Chemicals	1/22	UT
Allied Eagle Supply Co.	5/22	MI
Tepe Sanitary Supply	5/22	IN
North Alabama Chemical	5/22	AL
Russell Hall Company	6/22	CT
Palm Paper Supply	8/22	FL
Dees Paper Company	10/22	AL
Mobile Janitorial & Paper	10/22	AL
Classic Solutions	12/22	OH
Country Clean Paper	12/22	NJ



Distribution Company	Date	HQ
Terra Exports	1/22	NV
Salix Fruits	4/22	PA
Regatta Tropicals	4/22	NJ
Quality Fruit & Vegetable	7/22	TX
Rainfield Marketing Group	10/11	CA
JC Produce	11/22	CA



Distribution Company	Date	HQ
T.A. Gentry Plumbing	4/22	MI
System Aire; Control-Aire	4/22	MA
Wholesale Sheet Metal	7/22	KS
Pile Protection Tops	7/22	KS
Total Air Supply	9/22	NH
Spiral Air Manufacturing	9/22	NH



Mergers & Acquisitions

Capital Raising

Strategic Advisory

Our Experience

Metronome Partners has represented a broad range of Distribution companies and maintains strong relationships with both strategic and financial industry participants focused on a variety of industry sectors. Representative Metronome Distribution clients over the last 12 months include the following:

Project Bluebird

In Process

Bluebird: Specialty B2B Ecommerce distributor



has been acquired by



a portfolio company of



November 2022

All Tile CCS: Flooring and installation products distributor



a portfolio company of



has been acquired by



October 2022

Midway: Full-service dental products distributor



encompass

a portfolio company of



has been acquired by



a portfolio company of



April 2022

Encompass: Home appliance parts distributor



CCOM GROUP, INC.

has been acquired by



a subsidiary of



March 2022

CCOM: HVAC, plumbing, and electrical distributor



has acquired



and has completed a debt recapitalization with



December 2021

Kimble's: Correctional foodservice distributor

We pride ourselves on the long-term, consistent advice we provide our clients and are proud of the relationships our team has established, built, and sustained. Our reputation is our livelihood and a testament to the rigorous processes we run and the excellent results we achieve.

Please contact one of the senior bankers below if you would like to discuss how the transactions and trends described in this report will affect the outlook for M&A and other capital markets opportunities for Distributors.

Jeff Rosenkranz
Managing Partner
[Contact Information](#)

Randy Karchmer
Managing Partner
[Contact Information](#)

Joe Lavelly
Managing Director
[Contact Information](#)

David Edelson
Managing Director
[Contact Information](#)

Adam Kistler
Managing Director
[Contact Information](#)