



2025 Distribution Report

TM CAPITAL'S DISTRIBUTION TEAM

TM Capital's distribution team has completed numerous successful transactions across a variety of end markets. We stand ready to help clients and partners capitalize on new opportunities.



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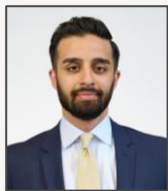
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CLIENT TESTIMONIALS – DISTRIBUTION

“Our management team knew the day would come when we would have to align with a capital partner, and we knew that finding the right group to support our vision for growth while continuing to nurture the unique IOS culture would not be an easy task. We met TM Capital leadership through a referral and from day one they worked hard to understand this need of ours. As in all processes, there were twists and turns, yet TM Capital did a great job of helping us keep our priorities aligned and our team focused on the mission at hand. In the end, our process was a very competitive one with many potential capital partners pursuing an opportunity to work with our business and our people. With TM Capital's guidance, we worked hard to make the right choice.”



Joe Lopez
 CEO



Joe Stephens
 CEO

“TM Capital was a vital partner to our process and a critical advisor in the most complex parts of the transaction, driving an exceptional outcome.”

“In selecting an advisor, our family sought a firm that would not only engineer an exceptional outcome for shareholders, but also appreciate the BellSimons culture of respect, community and compassionate care. The decision to sell our business was a very emotional undertaking, and TM understood that identifying the right partner to support our Company's future growth was our primary objective. As a multi-generational family business, we needed a banker who understood our industry, respected our concern for confidentiality and provided hands-on guidance. TM's deep specialty distribution experience within the HVAC, refrigeration and plumbing trades, and their strong relationships with leading consolidators in our industry proved to be critical differentiators.”



Floran Boland
 President



Eric Bruun & Cory Heck
 Partners, CID Capital

“TM Capital was the perfect partner to achieve the objectives of shareholders and management – identifying the best partner for ProSource's new stage of life – and we would gladly work with them in the future.”

“Great Range Capital and Fairbank chose TM Capital based on their extensive distribution experience and track record of driving great outcomes. TM Capital put together a deep and highly dedicated senior team who shepherded the transaction from start to finish, crafting excellent materials, providing thoughtful advice, and generating multiple buyer options. We deeply appreciate their guidance throughout and the excellent outcome TM Capital generated.”



Ryan Sprott
 Managing Partner,
 Great Range Capital



Johnny & Carolyn Goodman
 CEO & CFO

“To realize our vision for CPAP.com, we sought an advisor with deep insight into both the healthcare markets we serve and the DTC eCommerce engine driving our success. As a founder-owned business, we also needed our advisor to be sensitive to our goals for the CPAP.com team. TM Capital delivered on all fronts, with the ideal combination of sector expertise, valuable relationships, and senior partner focus required to engineer an outstanding outcome.”

SELECT TM CAPITAL DISTRIBUTION TRANSACTIONS

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 A PORTFOLIO COMPANY OF KIAN CAPITAL  HAS BEEN ACQUIRED BY AFC Industries A PORTFOLIO COMPANY OF BERTRAM CAPITAL The undersigned served as financial advisor to Motor City Industrial, LLC (Motor City Industrial) in connection with this transaction. 		 HAS BEEN ACQUIRED BY  A SUBSIDIARY OF marcone A PORTFOLIO COMPANY OF GENSTAR The undersigned served as financial advisor to BellSimons in connection with this transaction. 			
 A PORTFOLIO COMPANY OF Brook Park HAS BEEN ACQUIRED BY Brimar Industries A PORTFOLIO COMPANY OF BLUEPOINT Capital Partners The undersigned served as financial advisor to Crown Control Warehouse, LLC in connection with this transaction. 	 A PORTFOLIO COMPANY OF LKCM HEADWATER INVESTMENTS HAS BEEN ACQUIRED BY Renoyo CAPITAL The undersigned served as financial advisor to PMG Master Holdings, LLC in connection with this transaction. 	 HAS BEEN ACQUIRED BY Staple Street CAPITAL The undersigned served as financial advisor to Delaware Valley Food Group, Inc. in connection with this transaction. 	 A PORTFOLIO COMPANY OF FORT POINT CAPITAL HAS BEEN ACQUIRED BY  The undersigned served as exclusive financial advisor to Sullivan Brands Company in connection with this transaction. 	PROSOURCE A PORTFOLIO COMPANY OF  HAS BEEN ACQUIRED BY  The undersigned served as exclusive financial advisor to ProSource, LLC in connection with this transaction. 	 A PORTFOLIO COMPANY OF CRC GREAT RANGE CAPITAL HAS BEEN ACQUIRED BY PFINGSTEN The undersigned served as exclusive financial advisor to Fairbank Equipment Holdings, Inc. in connection with this transaction. 
cpap.com HAS RECEIVED A STRATEGIC INVESTMENT FROM  The undersigned served as exclusive financial advisor to U.S. Equippers, Inc. (USPA CPAP) in connection with this transaction. 	 A PORTFOLIO COMPANY OF L2 CAPITAL HAS BEEN ACQUIRED BY CLEARVIEW CAPITAL  The undersigned served as financial advisor to Whitelake Camping Holdings, LLC in connection with this transaction. 	 A PORTFOLIO COMPANY OF FULTON-CAPITAL  HAS BEEN ACQUIRED BY FERGUSON The undersigned served as financial advisor to Royal Pacific Limited in connection with this transaction. 	 HAS BEEN ACQUIRED BY nsi INDUSTRIES A PORTFOLIO COMPANY OF  The undersigned served as financial advisor to Duro Dyne National Corp. in connection with this transaction. 	STEAMIST A PORTFOLIO COMPANY OF RAF INDUSTRIES HAS BEEN ACQUIRED BY MASCO The undersigned served as financial advisor to Steamist, Inc. in connection with this transaction. 	 WE MAKE IT EASY A PORTFOLIO COMPANY OF Ridgemont EQUITY PARTNERS™ HAS ACQUIRED api Delta HVAC Distributors The undersigned served as financial advisor to Ridgemont Equity Partners in connection with this transaction. 

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I. DISTRIBUTION THEMES

A CRITICAL LINK IN THE SUPPLY CHAIN

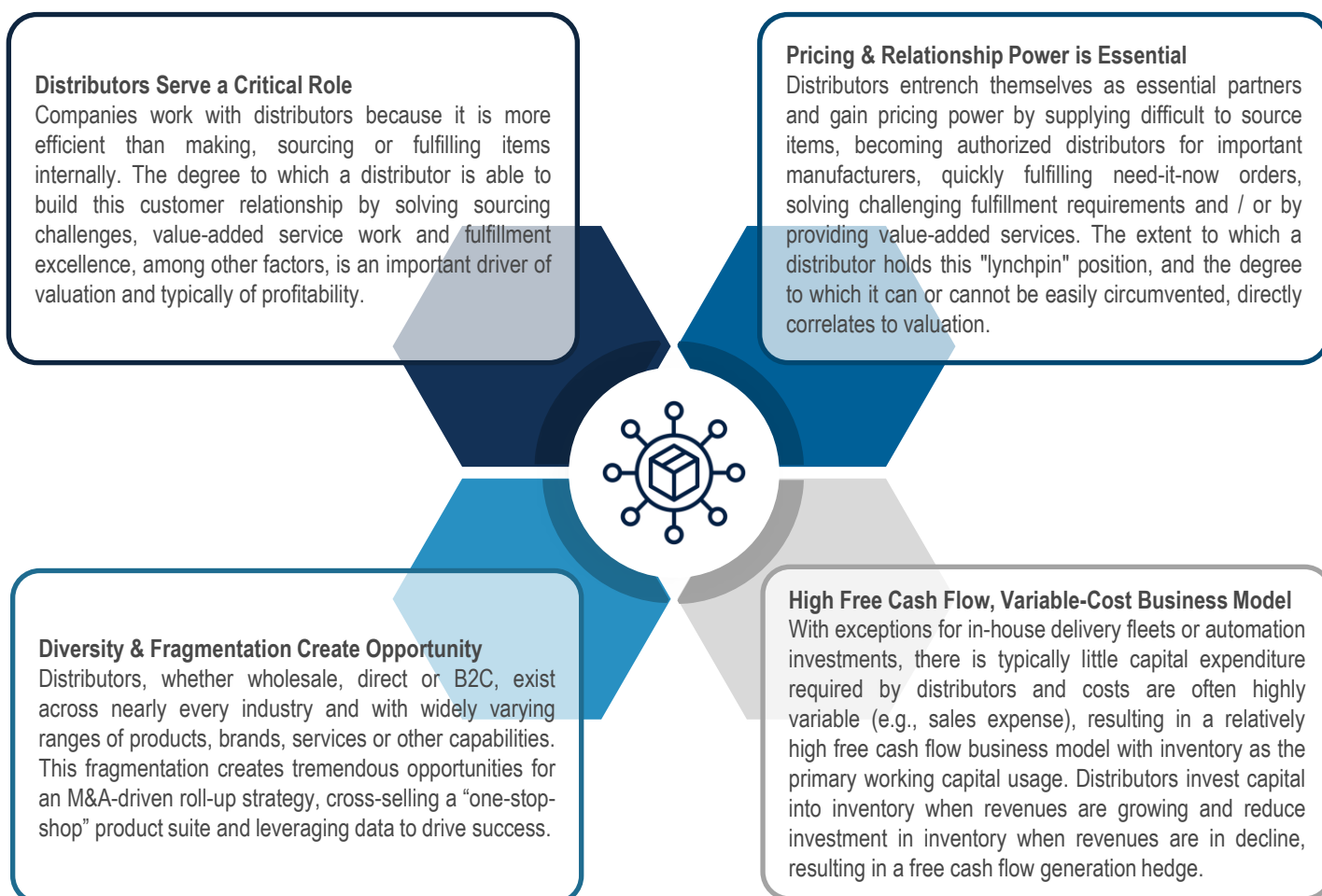
DISTRIBUTION: A LARGE AND ESSENTIAL INVESTMENT CATEGORY

Nearly every facet of the economy, at each stage of production and supply, involves some degree of distribution. From commodity to specialty, wholesale versus direct, authorized distributor or “virtual manufacturer”, there are a wide range of terms encapsulating what makes a distribution business unique. These nuances create tremendous opportunities for business owners and investors alike.

One overwhelming theme is that distributors serve a critical purpose for both suppliers and customers, typically acting as the “lynchpin” in the middle of an hourglass-like network. The degree to which distributors are able to both be and control this critical link in a value chain is often the key factor in determining relative importance and valuation.

This Distribution Report discusses some of the market structures, tenets and recent trends common to distributors, as well as dives into some of the key themes that investors and operators are focused on – with a particular emphasis on what is driving value upon an M&A event.

INHERENT DYNAMICS KEY TO UNDERSTANDING DISTRIBUTION



RECENT MARKET DISLOCATION IS EASING WITH A PATH TO ROBUST M&A ACTIVITY

NEAR-TERM HISTORY: ECONOMIC DISLOCATION & DISRUPTION



Pre-COVID & COVID Impact (Pre-2020 – 2021)

Prior to 2020, one of the main topics of discussion and concern facing distributors was the rise of tariffs – particularly Trump era China tariffs – which increased prices or, if they could not be passed on, decreased margins. These concerns were quickly replaced by COVID challenges as some supply chains were severely disrupted while others – those deemed “essential” or that supported at home / outdoor entertainment – encountered demand surges.



Freight Rate Spikes & Economic Disruption (2021 – 2022)

In 2021 and into 2022, supply chains faced new challenges – most notably, shipping and freight rate spikes. For example, the cost to ship a 40-foot container from Shanghai to Los Angeles rose from ~\$1,600 in January 2020 up to ~\$12,500 in September 2021 (Drewry World Container Index). At the same time, ongoing consumer spending surges and recovery in various industries pushed out lead times, prices rose due to various commodity cost spikes and, in general, it became extremely difficult to source and appropriately stock inventory “normally” (i.e., consistent with pre-2020 levels).



Signs of Stabilization Coupled with Economic Malaise (2022 – 2024)

Supply chain disruptions largely eased by 2022-2023 and freight rates mostly returned to normal. In many industries, pricing sustainability concerns developed as suppliers and distributors had passed on price increases over prior years. At the same time as this stabilization began to occur, the lingering effects of inflation coupled with rising interest rates created an anchor on general economic activity. By late 2023 and into 2024, many companies reported sales levels that were “bumpy” at best, with limited YoY growth being realized – particularly in more cyclical industrial or building products sectors.

RECENT TRENDS: NEW CHALLENGES MIXED WITH SIGNS OF IMPROVEMENTS



De-Stocking Caused by Supply Chain Normalization (2024)

In 2024, supply chain lead times (which had been extended in many industries since COVID) began to normalize to historical trends. While this is positive long-term, this trend created significant short-term pain for many distributors as their customers began to reduce inventory stock as well as order in smaller quantities at shorter intervals (i.e., de-stocking and a return to more of a just-in-time supply dynamic). This dynamic limited M&A activity for distributors in many industries as sellers were challenged to explain choppy or poor performance; buyers had the challenge of underwriting growth stories or of attempting to fulfill seller valuation expectations. Toward the end of 2024, lingering performance concerns and TTM track records limited M&A activity.



Tariffs: Short-Term Pain and Longer-Term Uncertainty (2025)

The implementation of broad reaching tariffs in 2025 (reaching as high as ~150% on China in June) put a chilling effect on distributors and M&A activity throughout much of the year. While deal sentiment seemed strong early in the year, the short-term pain of tariffs coupled with longer-term uncertainty significantly reduced activity. Distributors with a high degree of international sourcing (China or otherwise) were particularly vulnerable. Pricing adjustments, sourcing strategy changes, or simply holding put seems to have minimized actual financial performance impact for most businesses with ordering activity resuming at muted, but more normal, levels in Q3'2025. Resumption of tariff policy and ongoing litigation continues to drive uncertainty.



Signs of Life & Improvement: “Ok / Fine” Performance; Stronger 2026 Outlook (Q4'2025 and 2026)

Consistent feedback from business owners and private equity firms is that financial performance across their businesses is “fine” or “ok”; this seems to largely reflect tariff-driven performance challenges earlier in the year and lingering uncertainty. At the same time, many are seeing positive signs in Q3 and Q4'2025 such as increased quoting or ordering activity, and many have been able to pass on price increases. Most businesses or investors we speak with indicate optimism for Q4'2025 (barring further tariff changes) and a stronger outlook for 2026. We anticipate this will lead to significantly higher M&A activity in 2026, as there is a notable backlog of businesses not able to sell due to market turmoil over the last two years.

RECENT MARKET DISLOCATION IS EASING WITH A PATH TO ROBUST M&A ACTIVITY (CONT.)

FUTURE OUTLOOK: BRIGHT LIGHT ON THE HORIZON FOR DISTRIBUTION M&A



Distribution is Fundamentally Attractive

The fundamental underlying metrics of distributors are highly attractive – high free cash flow, minimal capital expenditures and a highly variable cost business model. These can be further enhanced through supplier and customer diversity, by serving critical, recurring or “need-it-now” demand and through the use of value-added services to further enhance a distributor’s value proposition. Further, distributors frequently serve highly fragmented industries and areas well-suited to “buy-and-build” M&A roll-up strategies. All of these factors mean that distribution platforms will continue to be highly sought after assets.



Macro & Market Trends are Likely to Spur Deal Activity

Improving economic and macro financial performance trends, stabilization of supply chains, abatement of tariff concerns, and expected continued interest rate decreases are likely to drive increased M&A activity in the distribution sector in 2026. Distributors are generally able to weather negative economic periods well and then recover quickly, albeit using cash to rebuild inventories. As a result, distributors often lead deal activity in periods of rising performance. Strong growth stories will be important to generating strong outcomes, and the use of data and metrics to outline and explain recent trends will be critical to success – i.e., matching the data with the “story” of a business.



A Backlog of PE-Owned Deals will Accelerate M&A Activity

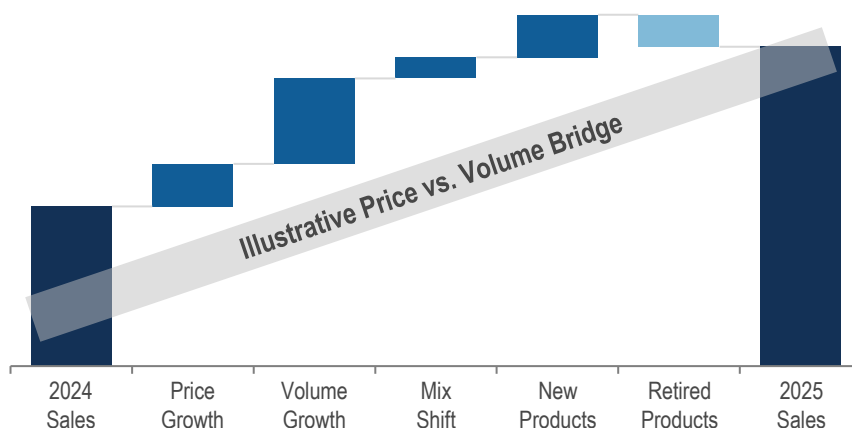
Private equity deal-making activity in 2024 and YTD 2025 was heavily focused on add-on opportunities, recurring services, and staples (food, healthcare, etc.), particularly in the middle and lower middle markets. Bumpy financial performance and market uncertainty driven by tariffs have led many PE firms to delay exits. As a result, there is a significant backlog of PE-owned businesses poised to sell in the relatively near future. Consistent feedback from PE firms is that this backlog is likely to break free in 2026, assuming positive market and economic trends continue. We expect distributors to feature prominently among this deal activity, especially for sectors such as building products and industrial where there has been comparatively little activity.

PRICE VERSUS VOLUME TRENDS AS A MAJOR FOCUS AREA

As a direct result of dislocation in pricing and sourcing costs in many industries over the last several years, coupled with customer de-stocking, one of the biggest focus areas for potential investors in distribution companies is a price versus volume analysis in as much granular detail as possible. Sustainability of any recent price increases (and / or resulting profit margin increases) is a major diligence focus area for buyers, particularly where there is an underlying commodity which has tracked in line with these increases. At the same time, showing strong volume growth has been an important positive check point for potential buyers, whereas limited volume growth becomes a major focus of diligence in underwriting a future growth story.

How to Combat Price vs. Volume Concerns?

- Clearly present the data to potential buyers via a price vs. volume bridge (**illustrated to the right**), coupled with annotated commentary and analysis
- Support volume increases by further breaking out sales and gross profit (or EBITDA) increases by product categories, product mix shifts, new customers, specific sales initiatives or other metrics
- Differentiate between pass-through of input costs vs. gaining price through other initiatives



KEY THEMES IN DISTRIBUTION & DISTRIBUTION INVESTING

THE IMPORTANCE OF VALUE-ADDED SERVICES

One of the most evident themes impacting distributors in nearly all industries is the steady outsourcing of value-added services (“VAS”) work from the customer, channel partner or supplier to the distributor. This is not a new trend but has accelerated over the last several years due to labor shortages, trade and tariff dynamics, as well as end customers seeking to focus on the core aspects of their business. Providing VAS can be highly valuable for a distributor by creating a deeper, more embedded relationship, increasing switching costs for that customer (or supplier) and reducing the importance of price to achieving a sale or maintaining a sourcing partnership. Alternatively, this can create headaches for the distributor if execution is poorly managed or if specialty technical knowledge is a driving factor.

BASIC VALUE-ADDED SERVICES



Basic VAS include kitting (assembly of multiple parts / SKUs into a kit), staging at a customer location or job site, cutting-to-length or similar activities which result in a “ready to use” solution for the customer. This also allows the supplier to specialize or for the components from multiple suppliers to be combined to create a market-ready solution. VAS can also include more extensive work such as final machining or fabricating (e.g., of a standard blank to a specific size) as well as assembly work of sub-components into a larger plug-and-play piece. This can sometimes blur the line between distributor and manufacturer, leading to questions of “how much is too much?” There is no bright line or percentage of sales that defines a distributor vs. manufacturer, as this is typically in the eye of the buyer; often, business profile changes are a better determinant. Overall, the consistent answer seems to be that VAS are a positive driver of value as long as the operational and cash flow picture of the business is not dramatically changed (i.e., if VAS requires a significant change in the nature of work or required costs in the form of capital spending). Even if VAS notably change the business profile, VAS can still be strong positives in terms of valuation if it correlates to stronger growth, higher margins or a better market position, albeit requiring additional diligence to understand the business.

FULFILLMENT – B2C



Another fulfillment service we frequently see is the use of a distributor or wholesale distributor as the Business to Consumer (B2C) fulfillment partner, particularly in relation to eCommerce. This is more common in the world of consumer items (vs. industrial, building products, etc., which tend to be Business to Business or B2B). In this situation, we observe that retailers on one side, or (often smaller / niche) brands on the other side, struggle to serve small-ticket B2C orders. Distributors are experts at sourcing, aggregating multiple suppliers and customers and providing rapid on-time fulfillment – and therefore are a natural solution. This also provides a differentiated approach from relying on a difficult to work with partner such as Amazon. We expect this trend to continue over time as retailers or small suppliers rely on experts vs. attempting their own fulfillment.



VENDOR-MANAGED INVENTORY AND SERVICE WORK

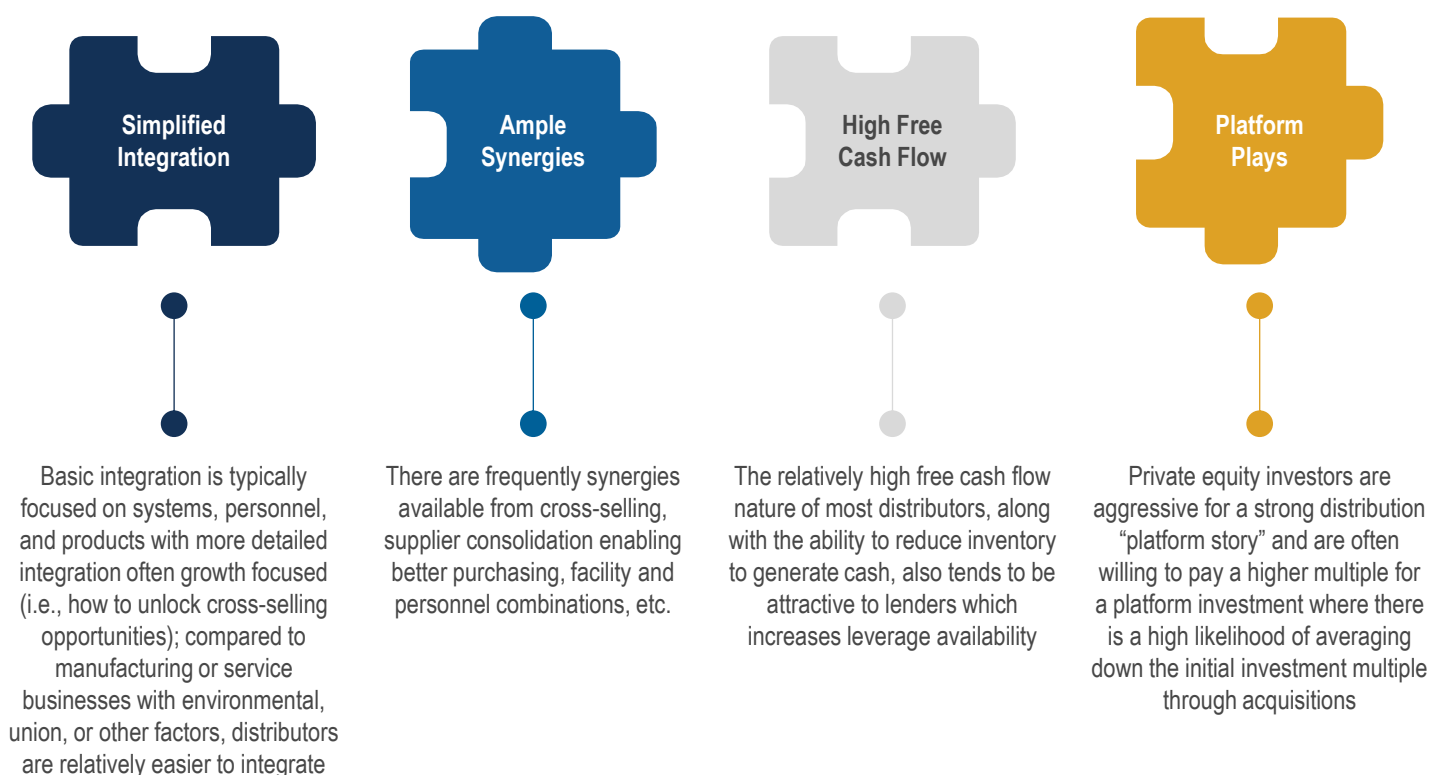
Last, we note the gradual increase of what has traditionally been deemed true service work being performed by distributors, such as installation, integration, maintenance, testing and inspection, etc. This often supplements more common traditional distributor service work such as vendor-managed inventory (especially for small components). All of these services can create strong recurring opportunities for distributors, though this blurring of business model lines requires careful management to avoid channel conflicts or missteps.

Value-added services are an important and positive value driver in an M&A process. VAS are generally viewed as differentiating, creating sticky customer relationships, enhancing predictability and recurring sales, opening cross-selling opportunities and allowing the distributor to win on more than simply price. All of this in turn drives typically higher profit margins as well as higher valuations with investors.

KEY THEMES IN DISTRIBUTION & DISTRIBUTION INVESTING (CONT.)

STRONG M&A THESIS CONTINUES TO DRIVE ROBUST PRIVATE EQUITY INTEREST

Distributors as a category are logical and attractive platforms for an M&A roll-up thesis – distribution tends to be fragmented, with numerous opportunities to add adjacent geographies, complementary product categories and value-added services through acquisitions. The ability to clearly demonstrate an actionable M&A opportunity is directly correlated to stronger valuations. [See Section II: Driving Value in Distribution, p11](#)



E-COMMERCE AS A GROWTH TOOL VS. RISK FACTOR

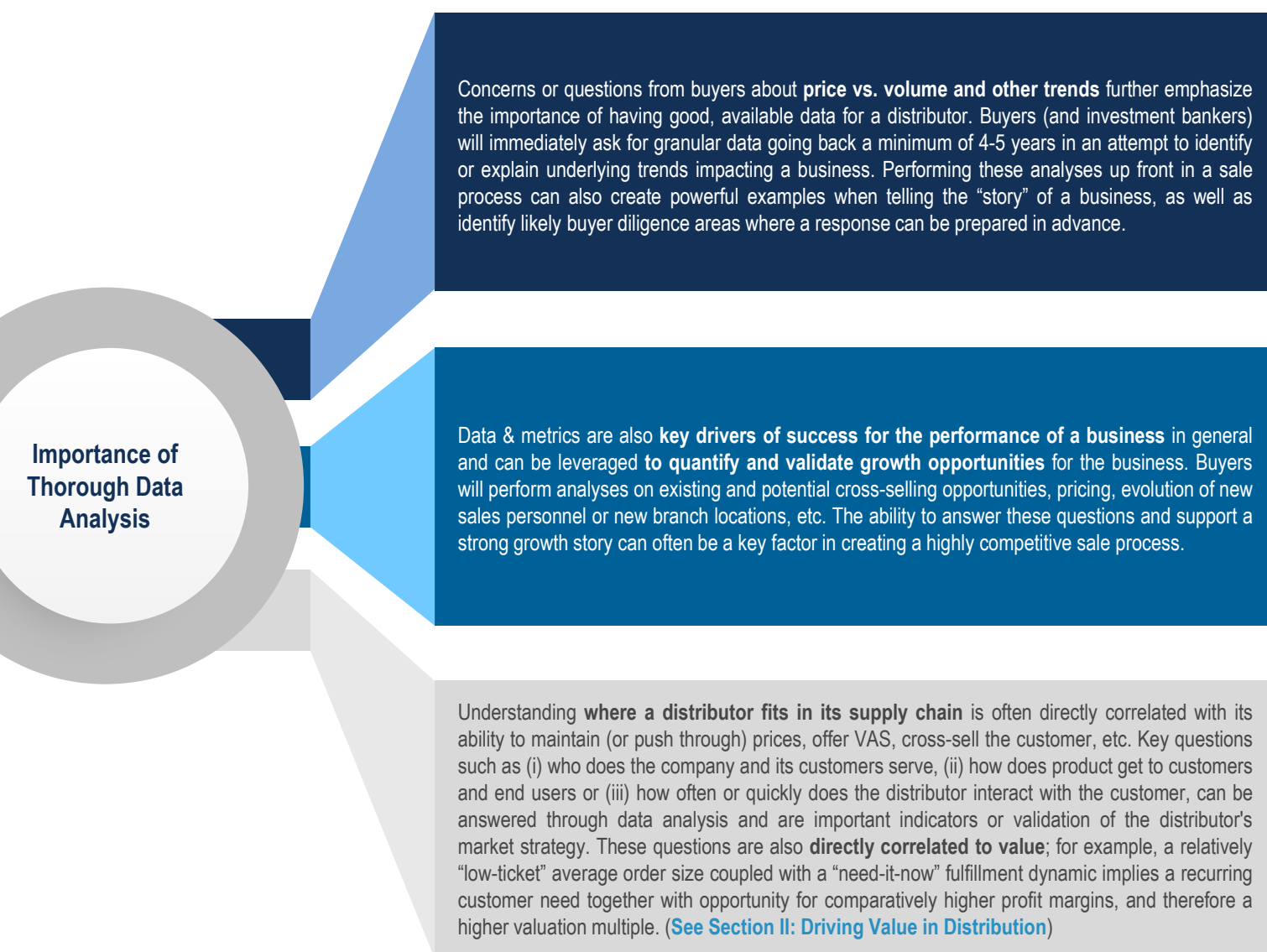
The use of eCommerce for lead generation and ordering has been embraced by many distributors as a critical tool (both offensively and defensively). A strong eCommerce program can be a value driver with potential buyers, as well as a differentiating opportunity for future investors with expertise in implementing this strategy.

- Many distributors initially feared eCommerce as a competing channel, seeking to reduce “Amazon risk” of losing customers to cheaper online alternatives
- This concern was mostly evident and justified for distributors relying on price or local availability as a differentiator for a commodity product
- For distributors where specialization, technical knowledge, value-added services or other factors are an important part of the sale (i.e., a “human touch” is required, even if automated through a customized portal), eCommerce has typically been a growth opportunity or a compelling lead generation engine

KEY THEMES IN DISTRIBUTION & DISTRIBUTION INVESTING (CONT.)

KNOWING ONESELF IS IMPORTANT TO SUCCESS IN THE DISTRIBUTION WORLD AND IN M&A

To paraphrase the Boy Scout motto – being prepared is key to success. Operating, growing and / or selling a distribution business increasingly requires access to extensive and detailed data and information which allows operators and investors to analyze trends, understand successes & failures and predict performance. Distributors in a sale process will be subjected to extensive questions and information requests which they should be prepared ahead of time to answer.



Distribution M&A increasingly relies on telling the story through supportable data with the ability to both generate and analyze this data being key drivers of a successful outcome.

II. DRIVING VALUE IN DISTRIBUTION M&A

TELLING THE STORY OF A BUSINESS IS KEY TO SUCCESS

While all distributors have unique company- or market-specific influences on value, there are commonalities across the distribution landscape which demonstrably correlate to higher or lower valuations upon the sale of a business. We maintain an extensive database of distribution deal activity, including both proprietary and information, comparing various indicators to valuation multiples. This continuously evolving database allows us to better analyze the factors that generate premium sale multiples as well as changing trends in valuation under various market conditions. The following section of this report delves deeper into these comparisons across seven key metrics.

SEVEN METRICS THAT DRIVE VALUE IN DISTRIBUTION M&A



Size (\$M EBITDA)



Margin Profile



Organic Growth Profile



Acquisition Story



**Value-Added / Technical
Sale vs. Commodity**



Sale or Order Size



eCommerce Capabilities

KEY TAKEAWAYS: PLAYBOOK FOR ACHIEVING A PREMIUM MULTIPLE

Platform Level Scale

There are clear breakpoints in value at \$5M, \$10M and, to a lesser extent, above \$20M in EBITDA – scale is a proxy for whether a business can be a “platform” for investment and growth

Critical to the Customer

Value-added service elements, a complicated or technical sale process or similar dynamics cause customers to rely on the distributor, driving recurring sales relationships and higher margins

Value-Added Fulfillment

A small-ticket, rapid fulfillment order (i.e., “need-it-now”) creates opportunity for strong margins and an embedded customer relationship – often an eCommerce sale or order element can be a good indicator

Strong Organic Growth

A strong organic growth story (i.e., growing 4-5% above GDP or better) is an indicator of a company’s opportunity, performance and / or market importance

Actionable M&A Story

One of the single most important factors in a premium value is the proven or perceived ability to achieve scale through acquisitions; this can also be the most easily improved valuation “lever” in the short-term

**Other Less Quantifiable
Factors Key to Value:**

**Strength of
Management Team**

**Market Leader or Niche
Market Position**

**Strength of Systems,
Processes, Sales Effort, etc.**

COMPANY SIZE: CLEAR BREAKPOINTS, BUT EXCEPTIONS ARE COMMON

The size of a business, measured by EBITDA as a proxy for cash flow, is a key benchmark for buyers (and lenders) in measuring the (i) resilience, or conversely risk, from business shocks, (ii) platform capabilities (i.e., depth of management, processes & systems, operations, etc.) and (iii) importance relative to overall market size.

In general, average valuations tend to increase as companies get bigger; however, bigger is not always better if there is significant customer or product concentration. Conversely, there are many strong but small platform businesses that generate premium outcomes due to other factors.

KEY TAKEAWAYS

- Clear value break-points at ~\$5M, \$10M and ~\$20M of EBITDA
- Variations above \$20M EBITDA tend to be more company-specific with some, but less significant, increases in valuation solely due to size

MEDIAN SALE MULTIPLE BY \$M EBITDA



Source: TM Capital's proprietary distribution deal database. Note, this excludes very small (<\$4M EBITDA) transactions

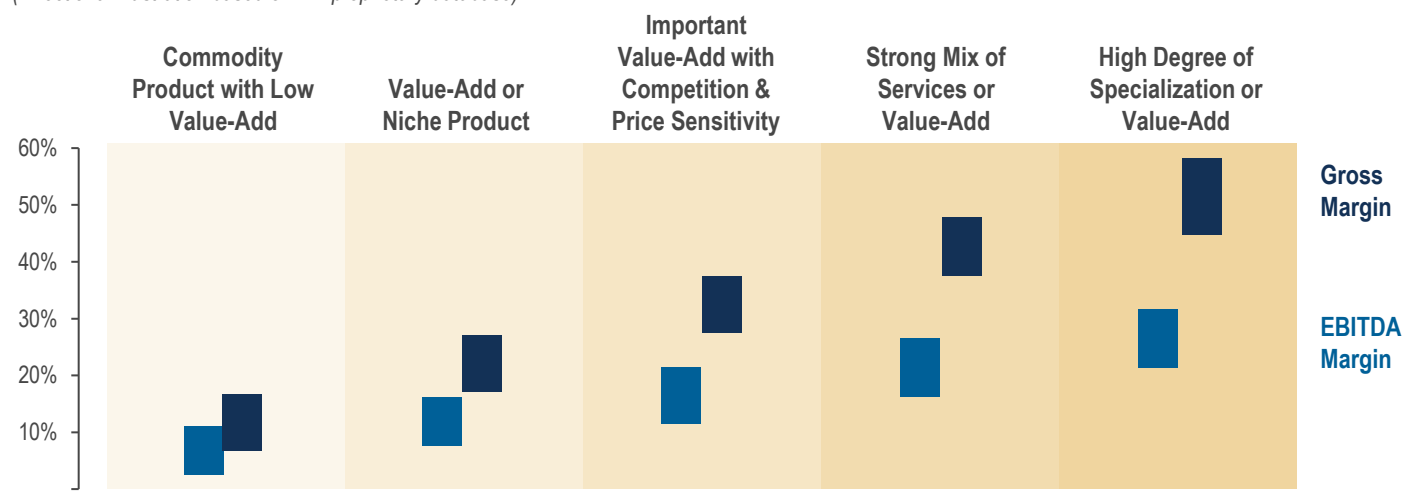
MARGIN PROFILE: A COMPANY'S "GPA" & PROXY FOR MARKET POWER

Just as a student's GPA is a proxy for how hard they worked in school, gross margin and EBITDA margin can be used as metrics to evaluate how critical a Company is to its customers or market. Comparisons to peers can also indicate how well a business is run or positioned. In general, lower gross margins tend to correlate to a more price sensitive customer and / or products that are relatively more commodity in nature – typically resulting in lower EBITDA margins and valuations.

Higher gross margins, particularly those approaching 40%+, typically imply a specialty or technical sale element, sourcing difficulty for the customer, a high degree of value-added services or some combination thereof. The resulting spread between gross and EBITDA margins speaks to the sales (and possibly fulfillment) requirements as well as to efficiency of overhead investments.

MARGIN ENHANCEMENTS DRIVE VALUATION

(Directional illustration based on TM proprietary database)



ORGANIC GROWTH: THE FAST TRACK TO HIGHER VALUATION

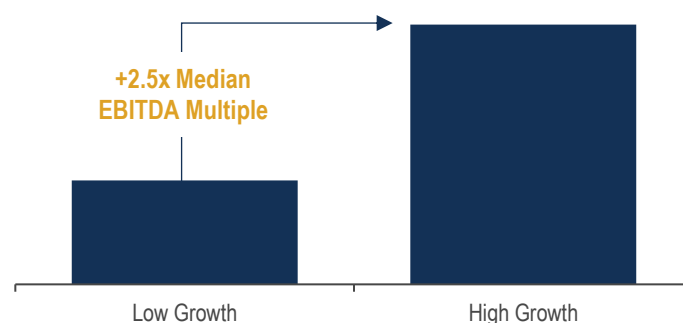
All buyers, whether a PE firm looking to exit in 3-5 years or a strategic or family office buyer seeking to hold forever, are focused on the forward growth outlook of a business. While this is not likely to surprise anyone, strong organic growth (which we define as 4-5% above GDP, or better) drives higher sale valuations.

The key differentiating factor in a sale process is often the ability of a management team to effectively tell its company's growth story (supported by detailed analyses and data). For an M&A advisor, understanding and articulating this story, anticipating likely buyer questions and working with management to communicate this story is a key value-add.

DETAILS MATTER

- A key focus for buyers in understanding growth is the contribution of price vs. volume, particularly a company's sensitivity to commodity input costs
- Product mix shift and the integration of acquisitions can muddy this picture and require experience to navigate effectively in telling a Company's "story"

ORGANIC GROWTH PROFILE VALUATION IMPACT



Source: TM Capital's proprietary distribution deal database; high organic growth defined as 4-5% above GDP, or better

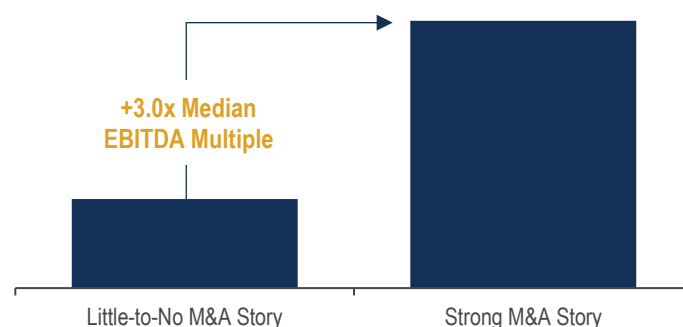
ACQUISITIONS: THE PENULTIMATE PRIVATE EQUITY PLAYBOOK FOR DISTRIBUTION

Of all the metrics which TM Capital tracks for distribution businesses, the consistent highest difference in average valuation is for companies who have an "acquisition story" vs. those who do not. We define an acquisition story as either a proven track record of successfully completed acquisitions, or alternatively a management team / platform capable of executing this strategy, together with a clearly actionable list of available target opportunities. A critical part of the sale process for any distributor is the ability to demonstrate an actionable M&A strategy.

HOW SOON IS TOO SOON?

- We frequently receive the question from potential sellers – "How long do I need to wait after an acquisition?" or "How much integration must I do?" in order to receive "credit" in a sale process
- In our experience, buyers can receive full credit for the combined business and very high credit for clearly quantifiable synergies (even if not fully realized) almost immediately after closing on the acquisition, provided there is a well-thought-out plan for integration

ACQUISITION STORY AS A DETERMINANT OF VALUE



Source: TM Capital's proprietary distribution deal database

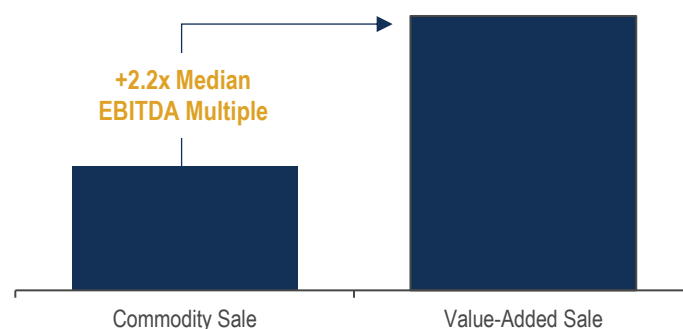
VALUE-ADDED SERVICES: BECOMING CRITICAL TO THE CUSTOMER

As discussed earlier in this report, the growth of value-added services is one of the most important trends in distribution over the last decade. This has become particularly important as labor shortages have forced companies to focus on their core competencies and outsource non-critical or less-critical functions to distributors. Value-added services can embed a distributor with the customer, increasing switching costs and significantly increasing margin opportunities – all of which correlate to higher valuations for the business. At the same time, there is a difficult-to-define grey line where the need for capital expenditures, service technicians or similar investments can muddy the waters of a traditional distributor's profile. Either way, value-added services have a clearly positive impact on M&A valuation.

REPRESENTATIVE VALUE-ADDED SERVICES

- Lower level – kitting, cutting to length, jobsite staging, technical support
- Higher level – vendor managed inventory, assemblies, finishing / final machining, install & testing, maintenance & service work

VALUE-ADDED SERVICES DRIVE A PREMIUM



Source: TM Capital's proprietary distribution deal database

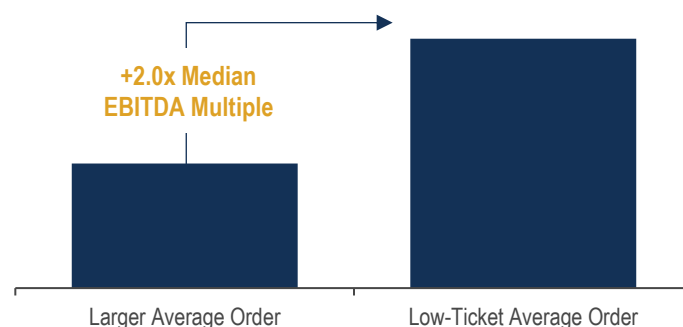
ORDER SIZE: NEED-IT-NOW VS. PROJECT-BASED SALES

Average order size is a relatively simple, yet highly informative metric, when evaluating a distribution business. Often, this metric is a quick way to tell the difference between a low-ticket, rapid fulfillment, need-it-now type order versus a more project-based or new construction / new build order. The former tends to be more recurring in nature with less price sensitivity on the customer's part, resulting in higher profit margins. As such, lower ticket and "need-it-now" average orders tend to result in higher valuations.

MEASURING SUCCESS

- A low average order can imply lower price sensitivity, a "need-it-now" rapid fulfillment dynamic and frequently a recurring or aftermarket end-use – all of which tends to result in higher margins and valuations
- A larger average order implies longer lead times, higher price sensitivity and possibly a more cyclical (i.e., project based or new build) dynamic; understanding the underlying fundamentals, particularly if there is a highly technical element involved, is key to determining valuation

LOW-TICKET RAPID FULFILLMENT IS HIGHLY VALUABLE



Source: TM Capital's proprietary distribution deal database

ECommerce: Opportunity or Threat?

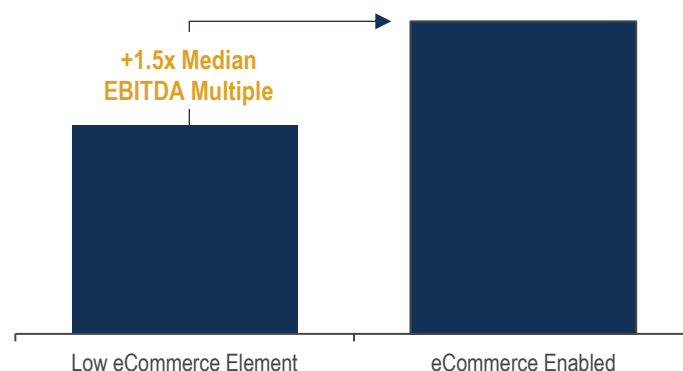
A distributor's view of eCommerce tends to be colored by the nature of their sale process and by how important price is to making a sale. A highly technical, hands-on sale process or a traditional relationship-based sale process is less likely to leverage eCommerce as a tool other than lead generation, or to see it as a threat. A differentiated or specialty product business likely leverages eCommerce as a powerful tool, whereas a more commodity product views it as a threat due to risk of being undercut on price. In this analysis, we are deemphasizing DTC distribution businesses, focusing on "regular" distributors who use eCommerce but are not defined by it.

Measuring the importance of eCommerce to a business is one of the more subjective metrics which TM Capital tracks. There is a clear correlation between higher valuations and utilizing eCommerce (whether in lead generation, order taking, or other roles); that said, the difference in average valuation is lower versus other metrics discussed on prior pages as the opportunity to utilize eCommerce is highly market specific.

ECommerce: Business Tool or Business Strategy

- For most distributors, eCommerce can be an important tool to help drive incremental sales and market reach. Businesses who see eCommerce as a threat tend to be more price-sensitive in terms of how they win a sale
- For eCommerce distributors, particularly in the Consumer world, eCommerce is often a defining strategy.

ECommerce Sales Element



Source: TM Capital's proprietary distribution deal database

OTHER (LESS QUANTIFIABLE) FACTORS IMPACTING VALUE



Management Teams: Under-Sung Heroes

One of the most important factors in cementing a premium valuation is the "strength" of a management team. Do they have a clear vision for growth, the will and desire to achieve it and the resources to be successful? As importantly, can they convince potential buyers they are the right team to achieve this vision?



Market Leadership: Cementing a Position

Leadership in a product category or niche end market is often correlated to higher valuation. This, however, can be a double-edged sword as it is important to understanding the size of a company's addressable market and to show a clear path to continued strong growth with sufficient room to achieve it



Franchises & Authorized Distributors: Artificial Limits to Growth (& Value)

Many buyers view franchise or authorized distributor relationships with skepticism, and these can be limiting in value. As with all businesses, the key is in the details – for example, in some cases this can in fact be a major barrier to entry protecting a company. Alternatively, they can be limiting to growth and value where there is a high dependency on a single supplier or brand (i.e., the franchisor)



A Sheep in Wolf's Clothing: Measuring True Free Cash Flow

For distributors with high levels of value-added work or slow inventory turns, there can be disproportionate impacts to cash flow from capital expenditures, sales costs or large working capital swings, among other factors. Buyers (and especially lenders) will want to understand these cash flow streams to ensure that EBITDA remains a strong proxy for cash flow – or not

III. MARKET LANDSCAPE OBSERVATIONS

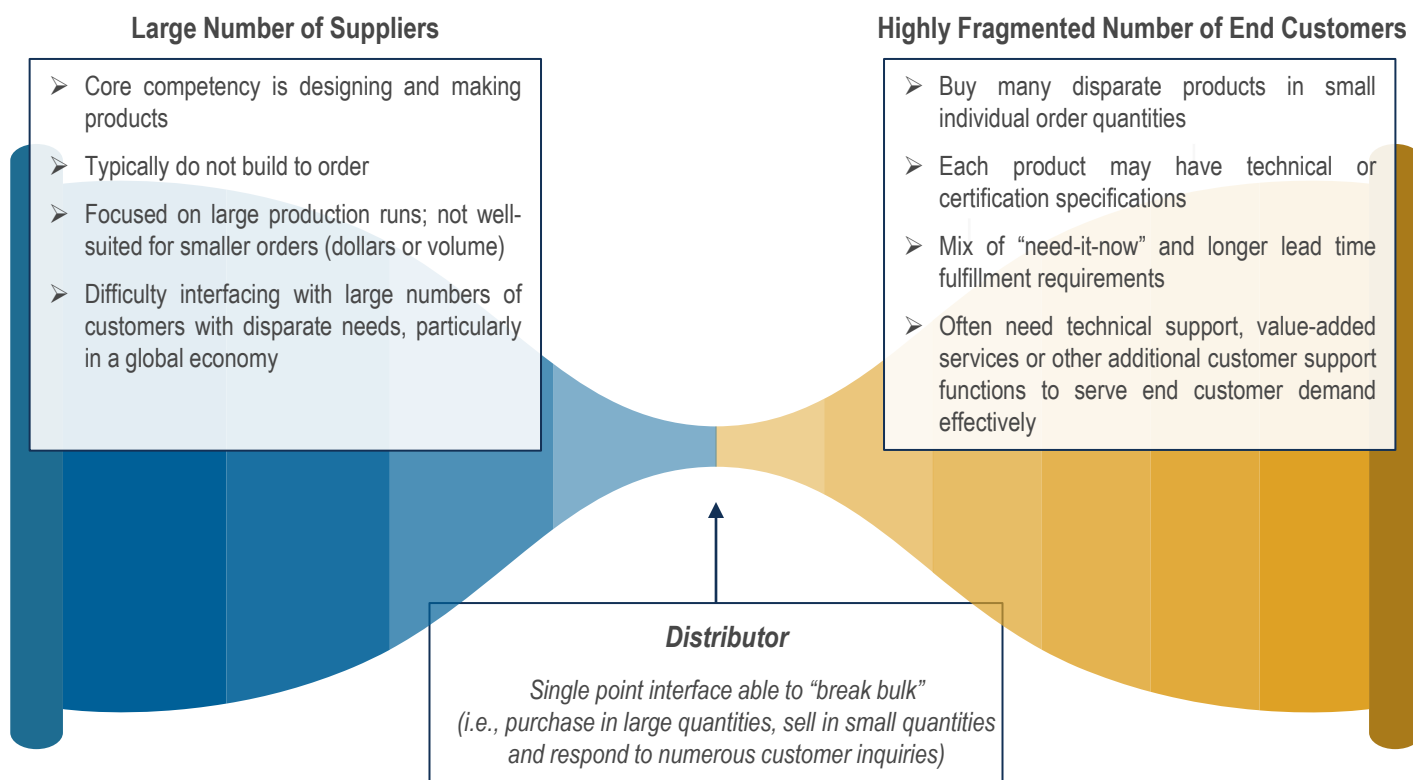
KEY NUANCES DRIVE BUSINESS SUCCESS AND VALUATION

In this section, we will explore some common themes, nomenclature and observations regarding the distribution landscape. In each case, we will explore implications for valuation in a potential sale process as well as questions likely to arise from potential investors.

WHY DISTRIBUTORS EXIST: THE HOURGLASS AS A POWER POSITION

Distributors fundamentally exist for two reasons – (1) it is more efficient for their customers to buy a product from the distributor than to source it directly, and (2) suppliers are unable or unwilling to market to, supply to or service the end customer directly. The distributor acts as the key “middle man” connecting an often very broad universe of suppliers to a very broad universe of end customers, thereby creating an “hourglass” market structure with the distributor in the center.

REPRESENTATIVE DISTRIBUTOR POSITION IN THE SUPPLY CHAIN



This unique “hourglass” structure, which is common to many industries, places the distributor in a power position whereby it is a critical partner to both its suppliers and customers. For suppliers, the distributor provides consistent, large and predictable orders and simplifies their billing and collections process. In many cases, a distributor will also functionally serve as the sales force, technical knowledge repository and / or customer service arm for suppliers. These supplemental functions are particularly important when considering today’s complex global supply chains as both small and large manufacturers may otherwise struggle to reach and service end demand – including where cultural differences or simple time zone differences may cause misunderstandings, delays or lead to missed opportunities.

WHY DISTRIBUTORS EXIST: THE HOURGLASS AS A POWER POSITION (CONT.)

For the customer, distributors serve a key function in helping to source an often large and highly fragmented number of components, ranging from commodity items to products with highly exacting technical specifications, which increases sourcing complexity. The distributor is able to provide products in smaller order sizes versus buying directly from a manufacturer, and with shorter lead times – for example 1-2 days, versus potentially many weeks. Distributors also serve a key role in bridging the gap between product knowledge and technical specifications to specific end-use application requirements (for example, local building codes in the building products sector or electrical specifications between North America, Europe vs Asia). This critical service offering can also create a pathway to providing additional value-added services for the customer. Even for longer lead time orders, where sourcing from a manufacturer may be more feasible, the distributor frequently serves a key role through some combination of knowledge, value-added service and / or fulfillment capabilities.

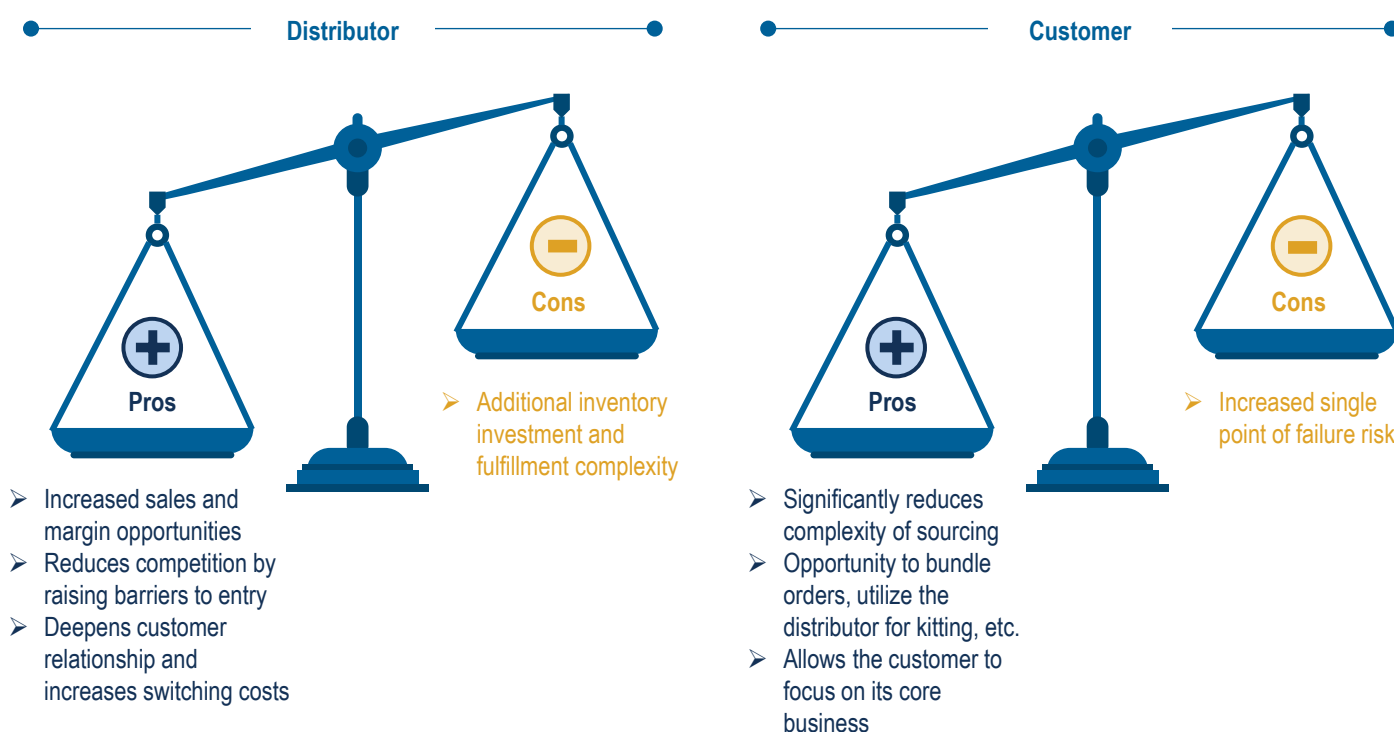
As a result of a distributor's unique position within the complex sourcing ecosystem (i.e., at the center of the hourglass), the distributor becomes a critical partner to both suppliers and customers. The strength of these relationships, or lack thereof, and the level of competition or ease of replacement, have a direct impact on the ability of the distributor to lock in customer relationships, control pricing and drive strong profit margins. The higher degree of differentiation and value-add that a distributor is able to provide, the more insulated and profitable its customer relationships tend to become.

BROADENING THE OPPORTUNITY: THE “ONE STOP SHOP”

The broad reach of a typical distributor's sourcing relationships can create opportunities to cross-sell customers across a range of products and / or services, similar to the concept of an eCommerce provider creating an “endless aisle” of possibilities. A consistent trend we witness is distributors seeking to become a single point of sourcing for their customers across comparable product categories or SKUs, thereby creating a “one-stop-shop” for the customer.

The ability to create this one-stop-shop unlocks significant advantages for the distributor while simultaneously reducing complexity for the customer. A one-stop-shop model can also create value-added service opportunities, such as kitting of multiple SKUs into a ready-to-use package. For companies, building the one-stop-shop can be a major growth opportunity; for investors, it is an important driver of value as well as an opportunity for continued above-market growth.

PROS AND CONS OF A “ONE-STOP-SHOP”



UNDERSTANDING THE SUPPLY CHAIN: WHOLESALE, DIRECT VS. DTC DISTRIBUTION

The word “distributor” can mean different things depending on the context, with varying implications for the addressable market, day to day operations, growth opportunities and valuation of the business. We define a distributor largely by who it sells to – i.e., is the business a wholesale distributor, a direct to consumer (“DTC”) distributor or simply just a distributor?

Distributor

Direct Distributor
One-Step Distributor



Sources product from suppliers in bulk quantities and then supplies these products in smaller quantities to another business

Variations exist to distributors’ “break bulk” functions. A basic direct, one-step or B2B distributor may, for example, source fasteners, electrical items, specialty sensors or other niche components that it sources from various manufacturers. Alternatively, a distributor may sell to a contractor; for example, building products where the distributor orders hundreds of doors and sells in much smaller quantities. Regardless, the distributor is operating as a “one-step” provider from the supplier to the customer, who is using the product or component in some application, assembly or installation.

Typically, one-step distributors may use an eCommerce portal to supplement business, but some form of direct (i.e., calling or meeting) sales effort is still required. This type of distributor is also well-suited to handle customized orders, VAS or similar customer requirements as part of the “break bulk” process.

Wholesale Distributor

Master Distributor
Two-Step Distributor



Sources product from suppliers and then sells to other distributors or retailers on a B2B basis

In some cases, a wholesale distributor acts as a virtual manufacturer ([see the following page](#)), effectively holding the place in a supply chain equivalent to a manufacturer. In other cases, a wholesale distributor sources product where it simply does not make economic sense for one-step distributors to source in bulk (i.e., the two-step buys thousands, the one-step buys hundreds, the end customer buys tens).

Wholesale distributors occupy an important market position in controlling the flow of key products, which can often generate strong profit margins. At the same time, they often face more limited growth from an addressable market or acquisition perspective due to potential channel conflicts – in other words, they likely cannot buy a one-step distributor who might compete with their other customers but must look to other wholesale distributors or to manufacturers instead.

DTC Distributor

Direct to Consumer
Distributor



Sells directly to an individual end consumer

DTC distributors market directly to the consumer, whether through eCommerce or traditional media. For consumer goods, this model blurs the line between a distributor and retailer, and in some sectors the DTC distributor may in fact be the manufacturer – or else controls the technical knowledge while outsourcing production overseas (i.e., virtual manufacturing).

In terms of market potential and growth, we often see the question of whether a one-step or even two-step distributor can add a DTC option. This can be quite effective and a strong boost to both addressable market and valuation; however, it must be handled carefully so as to not create channel conflict with existing customers. Most often, we see stand-alone DTC distributors, unless a one-step (or rarely two-step) distributor has formed or acquired a DTC element under a separate brand name in order to minimize channel conflict.

Investors in a business are always focused on the growth potential – both the specific initiatives as well as the broader addressable market picture. When selling a business, it is very important to clearly define how the company goes to market and where it sits in the supply chain, as this picture directly influences its opportunities for growth and thus valuation.

DISTRIBUTORS AS VIRTUAL OR OUTSOURCED MANUFACTURERS

Distributors have widely varying capabilities in terms of technical and product knowledge, end application knowledge, material sciences knowledge, etc. Some distributors, which we refer to as virtual manufacturers or outsourced manufacturers, maintain in-house control over the product design and development process as a differentiator and core competency. These distributors design the product in-house and own the intellectual property, utilize third-party contract manufacturers (often overseas) to physically make the products, then warehouse and distribute to customers through various sales channels. We refer to these businesses as virtual manufacturers or outsourced manufacturers because the businesses are effectively equivalent to manufacturers in the eyes of customers (in fact, many customers think they are a manufacturer).

STRENGTHS OF VIRTUAL OR OUTSOURCED MANUFACTURERS

- 1 Flexibility and attractive cash flow profile of a distributor matched with the technical knowledge and market protections of a manufacturer
- 2 Opportunity for relatively higher profit margins and / or free cash flow by creating a differentiated offering, by controlling the intellectual property and by outsourcing physical manufacturing on a contract basis
- 3 More control over products and better able to defend against changing trends or technologies by not being tied to existing investments in equipment or facilities
- 4 Ability to achieve deeper relationships with customers and create new sales opportunities by leveraging technical knowledge to solve customer challenges

While operating as a virtual manufacturer comes with many benefits, there are also costs. Most notably, the investments needed in product design and development, engineering, sourcing, and quality control. While many distributors include a mix of "white label" or proprietary products together with third-party branded products, operating a virtual manufacturing strategy may also limit certain acquisition opportunities such as if the target is representing a manufacturer of a competing product.

We find this business model common where (i) there is a branding opportunity available to the distributor, (ii) there is a highly fragmented supply base with no market dominating leader(s) or brand(s) and / or (iii) the product solution addresses a white space in the market, such as a higher performing premium solution – for example, in the wire & cable sector, there are a number of providers who offer products specifically designed to perform better or longer in harsh environments. The below graphic identifies representative areas where this model is common:



Building Products



Design-focused items, such as carpet, fabrics or lighting, where virtual manufacturers leverage feedback from purchasers to inform new product design



eCommerce Consumer



Highly common for eCommerce consumer brands across many categories such as outdoor products, home goods, personal care and a wide variety of other sectors



Industrial



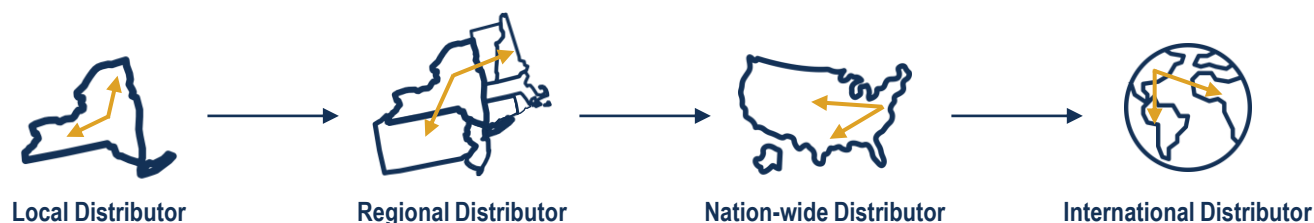
Specialty items with low average order sizes where commodity product does not perform well, for example high-temperature wire and cable

For an investor, virtual or outsourced manufacturers enable more direct control over a product or category and the brand story. It also enables more direct control over margins and pricing. We find this model also tends to open opportunities for cross-selling, value-added services and acquisitions, which present complementary growth paths. On the other hand, virtual or outsourced manufacturers' higher costs for in-house design and development teams and the need for these manufacturers to maintain differentiation in the market may present challenges for investors. Often, a blend can occur where a distributor will source and sell individual components but will also provide technical expertise around designing and building value-added assemblies targeting common applications.

TERMINOLOGY MATTERS: NATIONAL DISTRIBUTOR – DO YOU MEAN GEOGRAPHY OR FULFILLMENT MODEL?

Knowing how a distributor gets product (and / or services) to the customer is a key part of understanding its value proposition as well as opportunities for growth.

We frequently see the term national or nation-wide distributor used to describe a business, but this can mean several things. In terms of geographic reach, the term “national” or even international can be used in comparison to a regional or local distributor. This speaks to how the distributor actually serves the customer.



When discussing a distributor's fulfillment model, we also see the term “national” though in comparison to a local or “hub and spoke” model. This refers to how the business gets product to market, not how broadly it sells. The following graphic provides an illustration of these fulfillment models:

National Fulfillment Model

A national fulfillment model (sometimes called a point-to-point model) relies on a network of locations that receive product from suppliers and then distribute directly to customers

- National fulfillment models frequently rely on a smaller number of locations that can be hundreds of miles apart, typically leveraging third-party shipping services to deliver product
- Due to the efficiency of shipping services, rapid fulfillment within 24-48 hours is possible for most of the continental U.S.
- Sales forces for national fulfillment models can be field or outside sales teams distributed across various geographies, concentrated inside sales teams or often a combination of both
- Many distributors with this model also provide additional value-added services where a local touch is less important



Hub & Spoke Fulfillment Model

A hub & spoke fulfillment model relies on “hubs” that stock larger amounts of inventory (especially slower moving items) and who distributes to the immediate local market as well as a series of “spokes” (i.e., smaller locations that provide localized sales, service and / or fulfillment)

- The “hubs” may contain centralized value-added capabilities such as finishing or assembly
- The “spokes” can be minimal (such as a sales or service office), can have local inventory of quick-turn items and / or may have staging areas
- Hub & spoke models frequently rely on company-operated (owned or leased) trucking and delivery vehicles to service between hubs / spokes or to provide “last mile” local delivery; fulfillment is often a key part of their local value proposition
- For these models, a local presence is typically important to serving smaller, less sophisticated or highly diverse customers, or where incremental value-added services can provide a key differentiator (such as vendor-managed inventory)

For investors in a business, the type of fulfillment model does not by itself define a clear demarcation in value. Instead, it provides a critical frame of reference to understanding a company's operational and growth profile. For example, a national fulfillment model may have opportunities to add geographic density with new locations but is more likely to be focused on growth of the sales force, customer acquisition and expanding the “one-stop-shop” product opportunity. Growth of hub & spoke fulfillment models is typically much more focused on geographic expansion and “infill” of territories as well as opportunities to cross-sell additional products and add value-added services such as vendor-managed inventory programs. Both models offer opportunities, rewards and potential costs.

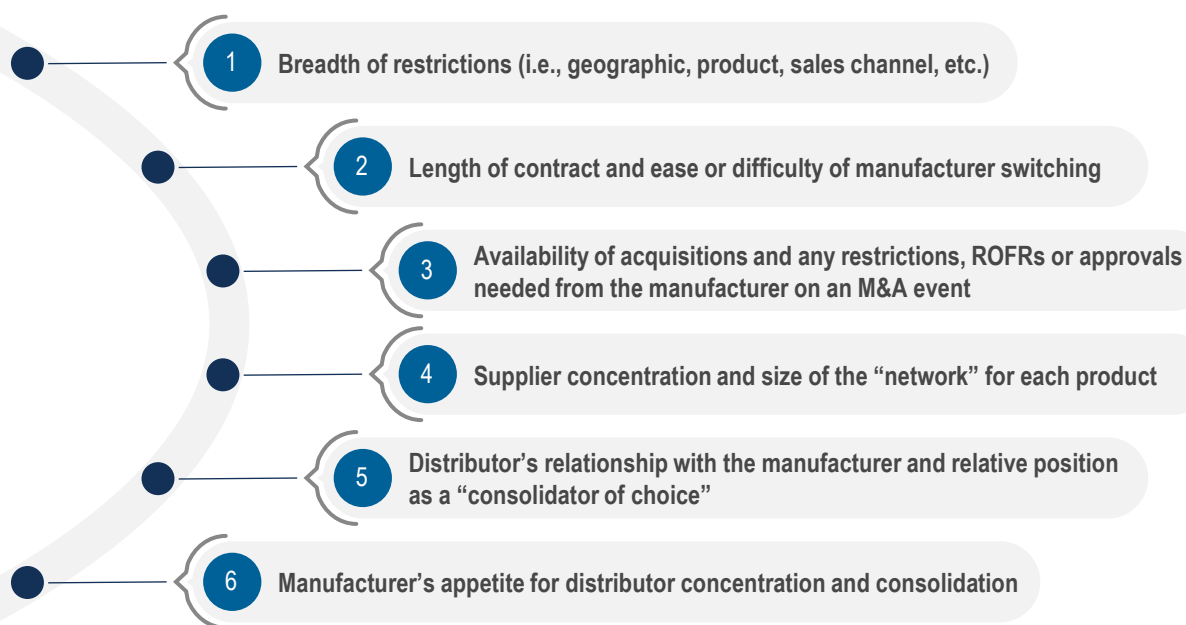
AUTHORIZED DISTRIBUTOR: RISKS, REWARDS & COMPLICATIONS

An important nuance to understanding a distributor's place within its market structure occurs with authorized distributors, franchisees or similar situations where the distributor has a discrete product set, sales channel and / or geographic territory in which it is contractually allowed to operate. By definition, this arrangement both protects the distributor within a discrete market area while also limiting growth opportunities outside of this protected area.

Authorized distributor agreements are the most common arrangement that occurs with industrial, commercial and building products distributors. In this situation, the manufacturer usually has a strong brand name and / or reputation in the market which it is seeking to protect by asserting additional control over the channels to market. In some cases, these restrictions can be very detailed with substantial relationship power remaining in the hands of the manufacturer (for example, Parker Hannifin products) and very clearly structured pathways from manufacturer to end customer. For some distributors selling equipment alongside parts and components, these relationships can start to resemble a dealer structure.

Other restrictions can be much more relaxed; for example, in the plumbing products or door hardware sectors, there are often many providers competing to sell the same brands and products in the same markets, but all providers are officially authorized distributors. Often, this type of arrangement is in place more to generate market visibility and attempt to prevent a distributor from selling competing product lines – though with scale or through acquisitions, even these restrictions tend to lose strength. Distributor franchise agreements are less common but follow similar patterns in terms of practical effects.

KEY QUESTIONS TO UNDERSTANDING AUTHORIZED DISTRIBUTOR OR FRANCHISE RELATIONSHIPS



The extent to which these relationships benefit or restrict the distributor depends on the situation; often, there are elements of both. For example, a defined geographic territory both protects a distributor against competition (at least for that manufacturer's products) but also potentially limits growth if adjacent markets have existing distributors in place. These relationships also tend to result in more regimented pricing structures with manufacturers capturing more of the relative profit margin, albeit with distributors in turn frequently having protections such as the ability to return unsold inventory.

In context of a potential sale or capital markets transaction, authorized distributor relationships can complicate the picture quickly, particularly when a business has multiple products, categories or brands with varying restrictions – for example, if a distributor can sell Product X and Y in State A but only Product X in State B. Clearly mapping these out for investors along with approval requirements or transfer restrictions is an important part of any sale process. Buyers may seek to solve the problem of potential limitations through acquisitions of distributors in adjacent territories, distributors of similar or even competing product lines or brands, etc. The actionability of this strategy can be a key determinant of value in a sale process.

IV. SELECTED CATEGORY HIGHLIGHTS

DIVERSE AND UNIQUE INDUSTRY LANDSCAPE

BUILDING PRODUCTS DISTRIBUTION



CONSUMER & COMMERCIAL DURABLES



GENERAL BUILDING PRODUCTS



MECHANICAL PRODUCTS



OPENINGS & ACCESS CONTROL

INDUSTRIALS & COMMERCIAL DISTRIBUTION



ELECTRICAL COMPONENTS



FASTENERS & C-PARTS



MOTION & FLOW CONTROL



PPE, SAFETY & CONSUMABLES



ADDITIONAL SPECIALTY



CONSUMER & COMMERCIAL DURABLES DISTRIBUTION – OVERVIEW

Consumer & commercial durables consists of products typically located inside the home or commercial space (with the notable exception of those designed specifically for “outdoor living” applications) such as soft and hard flooring, lighting, wall coverings, as well as decorative accents, side tables, or occasional furniture. These items are generally long-lasting, but unlike general building products are frequently replaced well before the end of their useful life. The overall U.S. market for these categories encompasses well in excess of \$40 billion in annual sales⁽¹⁾.

Consumer and commercial durables exist across a spectrum of price points within any given category – lower price point items tend to be more “neutral” in design, with fewer features, and are intended for higher traffic areas or lower cost budgets. Higher price point items are typically heavily design-centric with price in many cases not being a top three criteria in purchasing (behind design or look, quality of material, and availability of coordinating products). All of these categories tend to have a strong aftermarket replacement demand element, with higher end brands and items in particular being less sensitive to economic fluctuations.

There are a variety of types of distributors serving this market across different points in the supply chain, including:

- **Wholesalers / Importers** – There are many brands who act as outsourced manufacturers, either designing product in-house or relying on overseas suppliers, then importing and distributing to showrooms or other customers. Some of these have also developed an eCommerce presence
- **Showrooms & B2C Distributors** – Traditional distribution to the end purchaser is through local showrooms who work with architects & designers, homeowners, property managers, etc. They typically have limited in-stock inventory and over the last 10+ years this ecosystem has consolidated and shrunk, with remaining groups often focused on higher end customers and brands
- **Retailers** – Mass retailers such as Home Depot or Lowe’s, or larger flooring retail chains, typically serve lower end customers and larger orders
- **Installers** – Some “distributors” are able to source directly from manufacturers or wholesalers but provide direct install and turnkey services

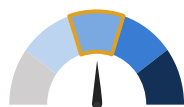


CATEGORY DEVELOPMENTS

- Significant overlap between direct manufacturers and design-driven distributors / importers who sell to the same market channels
- Outdoor living remains a key growth driver for this sector, reflecting sustained consumer demand
- Style and design are key elements for many categories, leading to wide ranging price points; designers and architects are a key focus for higher end brands

ATTRACTIVE SECTOR ATTRIBUTES

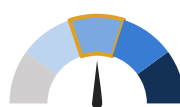
- 1 Distribution exists across multiple levels of the supply chain, including B2B wholesalers, B2B/C fulfillment, eCommerce, as well as service & install opportunities
- 2 Higher end products tend to be very style-driven, not price, and frequently replacement sales, offering insulation from market fluctuations
- 3 Distribution margins tend to be strong, particularly for higher end products, with various national build out and product cross-selling opportunities



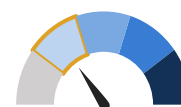
Platform Valuations



PE Activity



Market Fragmentation



Level of Value-Added Services

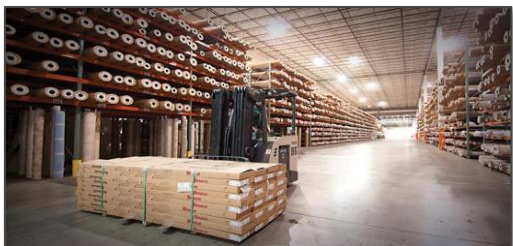
KEY VALUE DRIVERS

Discount Factors (-)		Premium Factors (+)
Price Driven (Lower End, New Construction, etc.)	Demand Drivers	Design-Driven, Aftermarket & Replacement Needs
Mass Retail, Commodity eCommerce (i.e., Amazon)	Go-to-Market Strategy	High End Showrooms, Architect & Design, eCommerce
Lower End Commercial (i.e., Office), Multi-Family	End-Market Exposure	Higher End Commercial, Single Family Residential
Rely on Overseas Designers	Product IP	In-House Design & Development
Limited to None	Value-Added Service	Quick-Turn Installation, Light Fabrication (Some Models)
Showroom & Walk-In Based or 3 rd Party Reps	Sales Model	Architect & Designer Focused, In-House Sales Teams
Value or Volume-Based Trade Brands	Branding	Higher End, Design-Focused & Consumer Brands



CONSUMER & COMMERCIAL DURABLES DISTRIBUTION – SECTOR SPOTLIGHTS

FLOORING DISTRIBUTION



The U.S. Flooring market represents ~\$22 billion in annual sales⁽¹⁾, of which ~40% is carpet & rugs, ~20% is wood flooring, and the remainder includes LVT, ceramic and porcelain tile, and other materials. Approximately 55-60% of this market is for residential applications, with the remainder commercial. The market includes a wide range of manufacturers as well as importers, who in turn sell through showrooms, architect & designer sales, and retailers. There are also a variety of “distributors” who provide install services, such as for quick-turn multi-family or office turnovers.

REPRESENTATIVE PE-OWNED PLATFORMS



Valesco



Transom Capital



Platinum Equity



Torquest Partners



Platinum Equity



L2 Capital



Francisco Partners



Keystone Capital



Dunes Point

REPRESENTATIVE PUBLIC & PRIVATE PLAYERS



UTTERMOST

WALL COVERINGS DISTRIBUTION



The global wallcovering and wallpaper market generates approximately \$2 billion in annual sales, with North America and Europe as the largest components⁽²⁾. The market is highly decorative and design-oriented, and includes a wide range of manufacturers as well as distributors who both sell online, through showrooms, and to designers. Consumer sentiment has largely shifted such that wallcoverings are used selectively (for example in a bathroom) vs. throughout large segments of the home.

REPRESENTATIVE PLAYERS



Fonds de Solidarité



Calera Capital



Dunes Point Capital



Privat



The Riverside Company



Keystone Capital



American Pacific Group



Industrial Opportunity Partners



CONSUMER & COMMERCIAL DURABLES DISTRIBUTION – SECTOR SPOTLIGHTS

DECORATIVE LIGHTING DISTRIBUTION



The market for decorative lighting includes lamps, pendants, sconces, chandeliers, and similar categories typically designed for the home or higher end commercial applications where design, style, and look are important to the purchaser. The North American market represents ~\$15 billion in annual sales growing at a 2-3% rate, with widely varying price ranges and steadily growing eCommerce use⁽¹⁾. There is somewhat of a grey area between manufacturers such as Acuity or Hubbell and distributors.

REPRESENTATIVE PE-OWNED PLATFORMS

ARTERIO RS

 Northwest Equity
Partners

circa LIGHTING™

 Leonard Green &
Partners
FLOS
B&B ITALIA
Group

The Carlyle Group

ILLUMUS.

Harbour Group

kravet

Dunes Point Capital

DIMORA
BRANDS™

Clearlake Capital

PROGRESS
LIGHTING™

Kingswood Capital

R

FREEMAN SPOGLI

REPRESENTATIVE PUBLIC & PRIVATE PLAYERS

CURREY
& COMPANYFERGUSON
Bath, Kitchen & Lighting Gallery

HINKLEY

HUDSON VALLEY
THE LIGHTING CONNECTION

MASCO

LITEX
INDUSTRIES

LUCIDITY LIGHTS

luminii

CEILING FANS, TABLES, ACCENTS, & DECORATIVE FURNITURE DISTRIBUTION



Ceiling fans, decorative end tables, mirrors, furniture, and other accents are used to accentuate design elements often found with lighting, carpet, and other categories. This segment is not to be confused with more traditional furniture manufacturing and distribution, though is often sold through those channels as well as by lighting providers. This category is often combined with home goods (i.e., decorative pillows and similar) as well.

REPRESENTATIVE PE-OWNED PLATFORMS

ARTERIO RS

 Northwest Equity
Partners
FLOS
B&B ITALIA
Group

The Carlyle Group

kravet

Dunes Point Capital

PROGRESS
LIGHTING™

Kingswood Capital

R

Freeman Spogli

Sullivans™

ICV Partners

REPRESENTATIVE PUBLIC & PRIVATE PLAYERS

CRAFTMADE

CURREY
& COMPANYFERGUSON
Bath, Kitchen & Lighting GalleryLITEX
INDUSTRIES

LUCIDITY LIGHTS

STYLE
CRAFT

UTTERMOST



GENERAL BUILDING PRODUCTS DISTRIBUTION – OVERVIEW

The U.S. market for building products encompasses tens of billions of dollars in annual spending across a wide range of categories including exterior, interior, and landscape applications. General building products can include lumber, framing, trim and siding, roofing materials, decking and railing, drywall / gypsum, molding, stone, pavers, and many other product types.

In addition, there are a wide range of specialty products or products which need to be semi-customized to the individual home or commercial space. For example: gutters and cabinets that are typically customized or custom cut to fit the measurements for each individual home; specialty materials such as terra cotta or materials for pools; or niche distributors offering hardware, cabinet knobs, or similar products to both manufacturers as well as to the aftermarket.

The market for general building products includes thousands of individual distributors at the local or regional level together with large national distributors and mass retailers with hundreds of locations. This dichotomy is enabled by the diversified nature of the customer being served, ranging from large national homebuilders or contractors, to smaller or highly specialized installers, to single truck contractors, to homeowners performing DIY projects. Ultimately each installation, is highly local and the on-site crew needs to be able to easily source the products and tools needed to complete their work.

Distributors tend to focus on the professional installer and contractor channels as they offer repeat and recurring business, with mass retailers supporting both contractors and the DIY customer. Distributors assist in staging multi-product orders for jobs on an as-needed basis, enabling the contractor to focus on the install process and minimize down time. Despite this, digital tools remain fairly limited and sales are highly relationship driven.

There are significant economies of scale and cross-selling opportunities from being able to offer a one-stop-shop to customers, which has driven ongoing consolidation across the market. There are also strong long-term tailwinds supporting demand for both new construction and repair & remodel activity, despite near-term uncertainty caused by interest rates or tariff policies.

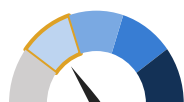


CATEGORY DEVELOPMENTS

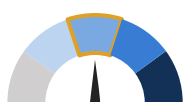
- There has been notable recent consolidation among large national distributors (Home Depot / SRS and QXO / Beacon, for example)
- Tariffs have caused swings in product availability and pricing, for example lumber varying from ~\$560 to nearly \$700 per 1,000 board feet⁽¹⁾
- Political support for increased new home construction has been vocal, though tangible results remain mixed

ATTRACTIVE SECTOR ATTRIBUTES

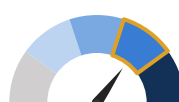
- 1 The U.S. remains substantially underbuilt in terms of new home construction, with a shortage of up to 4 million needed new homes⁽²⁾
- 2 The repair & remodel market remains consistently strong, particularly in expensive housing markets where there are limited pre-built options
- 3 Significant opportunities remain to digitize and adopt eCommerce tools, mobile ordering, etc. to differentiate and boost sales



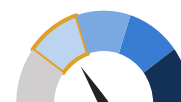
Platform Valuations



PE Activity



Market Fragmentation



Level of Value-Added Services

KEY VALUE DRIVERS

Discount Factors (-)		Premium Factors (+)
New Construction (Particularly Tract Homes)	Demand Drivers	Repair & Remodel / Aftermarket
Mass Retail or DIY	Customer Focus	Pro / Contractor Channel
Highly Local or Limited Regional Scope	Geographic Reach	Large Regional or National Scope
Highly Regulated with Lengthy Review Processes	Regulatory Environment	Permissive Environment with Streamlined Processes
Commodity	Product Type	Niche & High-End Categories
Minimal Beyond Order Staging	Value-Added Services	Finishing & Customization Services; Occasionally Install
Traditional Ordering	Go-to-Market Strategy	Digitized Ordering, Tracking & Inventory Management
Limited History or Highly Niche, Small Market	Acquisition Story	Proven Platform with Roll Up Opportunity



GENERAL BUILDING PRODUCTS DISTRIBUTION – REPRESENTATIVE LANDSCAPE

LARGE NATIONAL DISTRIBUTORS

						
						
			Clearlake	Sycamore Partners		Platinum Equity

REGIONAL DISTRIBUTORS

		
Apollo		Pacific Avenue
		
		
	Court Square	Boyne Capital
		
		
	Strength Capital	Credo Capital
		
Building Industry	TJC	

ROOFING, GUTTERS & EXTERIORS

		
	Fonds de solidarité	CID Capital
		
	Great Range	
		
Markel Ventures		

CABINETS

		
Valesco	Ninth Street	Boston Harbor

SPECIALTY HARDWARE

		
PSP Capital		

MASS RETAIL

						
			Desjardins Capital			

COMPONENTS & HARDWARE

				
Chicago Capital	NewSpring Capital	CCMP Growth	Wynnchurch	Equicapital Income
				
Trilantic Capital			Center Rock	Building Industry



MECHANICAL PRODUCTS DISTRIBUTION – OVERVIEW

Distributors of mechanical building products (HVAC, plumbing, refrigeration, electrical) serve as the critical link between manufacturers and the contractors, builders, or end-users installing the products. This market encompasses thousands of SKUs across hundreds of brand names that serve both a new construction as well as steady repair & replacement market need.

Mechanical products & components are critical to the proper functioning of both commercial and residential buildings and are a highly visible point of failure. This necessitates rapid repairs, creating a distribution need which is highly localized, often small-ticket in nature, and frequently same day or next day for aftermarket applications. New construction is more project based, but the individual mix of SKUs needed is often specific to the individual structure which limits the ability of contractors to buy in bulk though there are a number of industry buying groups which distributors must navigate. As a result, distributors serve a critical function across all aspects of the building products industry and have enjoyed a long track record of expansion by providing essential services such as:

- Broad mix of ready-to-use inventory for timely and mission-critical applications
- Reliable product expertise for constantly evolving product technology, local building code regulations, and builder specifications
- Same or next-day delivery, supporting parts & service or extended credit terms

Given the localized nature of fulfillment, this industry is highly fragmented and the majority of distributors are dedicated to discrete sub-sectors (focusing on HVAC, plumbing, refrigeration or electrical). Larger national players such as Ferguson or Wastco offer a wider range of products, and increasingly there are acquisitive regional or private equity-backed platforms seeking to cross-sell additional product categories or leverage existing contractor-focused distribution footprints.

Lastly, brand relationships matter – particularly in HVAC and plumbing, where there are both consumer and professional brands. Most mechanical products require authorized distributor relationships with OEMs and there remain some limitations on providing competing brands. This is most important for new construction as a robust non-branded aftermarket persists.



CATEGORY DEVELOPMENTS

- Distributors are increasingly diversifying into adjacent major categories (i.e., both HVAC and plumbing), but this trend is still early with opportunity for consolidators
- Long-term under construction in new housing builds creates pressure and growth tailwinds
- Aging housing stock and mixed existing home sales trends are driving ongoing R&R spending

ATTRACTIVE SECTOR ATTRIBUTES

- 1 Highly visible point of failure drives R&R demand and provides insulation against market fluctuations
- 2 “Hourglass-shaped” distribution dynamic and highly fragmented industry provides buy-and-build opportunities and subsequent exit opportunity to large strategics
- 3 Highly localized distribution is difficult to replace via eCommerce, significantly reducing “Amazon risk”



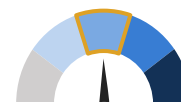
Platform Valuations



PE Activity



Market Fragmentation



Level of Value-Added Services

KEY VALUE DRIVERS

Discount Factors (-)		Premium Factors (+)
Primarily New Install	Demand Drivers	Parts & Service Focused
Large Orders / Multi-System	Revenue Mix	Single System / Small Orders
Lower End & New Build Residential	Customer Focus	Commercial and Premium Residential
Local or Small Regional	Geography	Diversified
Minimal or Builder Staging	Value-Added Service	Install & Service Work
Single Brand	Brand Relationships	Multi-Brands or Price Points
Single Category	Product Mix	Diversified One-Stop Shop



MECHANICAL PRODUCTS DISTRIBUTION – SECTOR SPOTLIGHTS

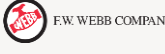
HVAC DISTRIBUTION



The U.S. HVAC market is estimated to be \$30+ billion⁽¹⁾ and has grown steadily due to population growth, rising global temperatures, and changing technologies driving replacement spending in favor of energy efficient systems. HVAC distributors are tied to well-known brands and seek to build long-term contractor relationships supporting both new and aftermarket sales. This has resulted in strong M&A and private equity activity, though the market remains fragmented from a product distribution perspective.

REPRESENTATIVE PE-OWNED PLATFORMS

REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS

 ADVANTAGE DISTRIBUTION HOLDINGS <i>Tigertail Capital</i>	 AIR CENTRAL CONCEPTS <i>Madison Dearborn</i>	 ARMECO AMERICAN REFRIGERATION & MECHANICAL COMPANY <i>Fonds de solidarité</i>	 BEIJER REF	 Chadwell SUPPLY	 DSG DAKOTA SUPPLY GROUP
 (G) GLOBAL <i>Platinum Equity</i>	 THE GRANITE GROUP Great people. Great products. <i>BBH</i>	 m marcone <i>Genstar Capital</i>	 F.W. WEBB COMPANY	 FERGUSON	 LARSON EXCEPTIONAL SERVICE. INNOVATIVE SOLUTIONS.
 Master <i>Novacap</i>	 NB-HANDY THE PREFERRED CHOICE SINCE 1891 <i>IOP</i>	 R.F. FAGER COMPANY <i>Tenex Capital</i>	 HABEGGER COMPLETE HVAC SOLUTIONS	 Hercules INDUSTRIES	 JOHNSTONE SUPPLY
 SHEARER SUPPLY <i>Investcorp</i>	 TEAMAIR DISTRIBUTING HVAC • DELIVERING EXCELLENCE <i>Kian Capital</i>	 SURPLUS CITY HVAC & SUPPLIES <i>Foxhole Group</i>	 KOCH	 R.E. MICHEL COMPANY	 Jid Harvey's
			 GRAINGER	 WATSCO COOLING THE AMERICAS	 Winsupply COMPANY

PLUMBING, KITCHEN & BATH DISTRIBUTION



The ~\$30 billion U.S. plumbing fixtures market⁽²⁾ is split approximately 60 / 40 between bathroom and kitchen applications. Strong R&R spending coupled with water conservation and energy efficiency have driven attractive growth in this market. Brand names are important for visible components such as faucets, though a strong private label aftermarket exists. The plumbing fixtures market is highly fragmented with hundreds of local distributors and growing but under-penetrated private equity investment.

REPRESENTATIVE PE-OWNED PLATFORMS

REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS

 EMCO CORPORATION <i>Blackfriars Capital</i>	 THE GRANITE GROUP Great people. Great products. <i>BBH</i>	 DESCHENES GROUP <i>Fonds de Solidarité</i>	 Chadwell SUPPLY	 Roburn's KITCHEN & BATH SHOWROOM	 CREGER COMPANY, INC.
 HOMERWORKS <i>H.I.G. Capital</i>	 HUWS & GRAY <i>Blackstone</i>	 m marcone <i>Genstar Capital</i>	 DSG DAKOTA SUPPLY GROUP	 E EASTERN	 F.W. WEBB COMPANY
 PARK SUPPLY COMPANY, INC. <i>CID Capital</i>	 PROSOURCE <i>Blue Sea Capital</i>	 R.F. FAGER COMPANY <i>Tenex Capital</i>	 FERGUSON	 FIRST SUPPLY	 HAJOCA
			 reece group	 GRAINGER	 Winsupply COMPANY



MECHANICAL PRODUCTS DISTRIBUTION – SECTOR SPOTLIGHTS

REFRIGERATION PRODUCTS DISTRIBUTION



The refrigeration market is often highly analogous to the HVAC market, with many distributors serving both. Refrigeration, however, is highly commercial focused and as such there are a number of industry specific distributors who provide value-added application and technical knowledge. Refrigeration-focused distributors tend to have a higher concentration of equipment sales, though they are highly motivated to capture lucrative aftermarket parts sales.

REPRESENTATIVE PE-OWNED PLATFORMS



Shilling Group



PNC Riverarch



Redwood Holdings



Novacap



Berkshire
Partners



Svoboda
Capital



Graycliff
Partners



REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS

ELECTRICAL PRODUCTS DISTRIBUTION



Electrical products focused on the commercial and residential markets is primarily driven by new home construction or repair & remodel trends, both of which have strong long-term tailwinds. This market is subject to a higher degree of certification and regulatory requirements, with evolving technology and a focus on energy efficiency, smart technology, and connectivity accelerating growth. This market is more consolidated than other mechanical products, though many smaller local and regional suppliers remain.

REPRESENTATIVE PE-OWNED PLATFORMS



Main Street Capital



Fonds de Solidarité



Sentinel Capital



CID Capital



Graycliff
Partners



Tenex Capital



Kian Capital



REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS



OPENINGS & ACCESS CONTROL DISTRIBUTION – OVERVIEW

Openings and access control encompasses doors, door hardware (mechanical and electronic access control), windows and other perimeter control and security products. These products have a range of variations in design vs. functionality, commodity vs. specialty, technology level (i.e., mechanical vs. electronic) and quality or price point (i.e., “builder grade” vs. premium).

For distributors, these variations create significant opportunity as virtually every end application or opening is semi-custom to some extent – whether specific sizing, mix of components or hardware, how it is being installed, or building code and regulatory driven. This is especially true in the aftermarket, which can include a single opening up to a major renovation. Even in the new construction market, distributors serve a critical role in staging product for the jobsite and in many cases doing finishing, pre-assembly, or kit-building work. Distributors serve a vital role as manufacturers are not equipped to provide this level of support or service.

At the supplier level, there has been significant consolidation within the door hardware and window manufacturing industries in particular. As a result, brand relationships matter and most distributors focus purchases with a smaller number of suppliers in order to maximize purchasing leverage. Newer and smaller brands tend to be regional or offer specialty applications which can create opportunity for a distributor who understands how to sell and support these products.

Key drivers of above market growth are (i) electronic access control (“EAC”), and (ii) specialty applications. The vast majority of doors and non-window openings still rely solely on a mechanical lock, and the potential for EAC remains substantial in the commercial market in particular. EAC requires differentiated product and application knowledge to sell and support which many distributors are seeking to build or acquire. Similarly, the steady growth of electronic devices and data security requirements is generating strong growth in specialty applications.

Lastly, there is significant value-added service work available to distributors such as cutting to size, adding frames, installing hardware, installation, & programming. Some are also beginning to expand into recurring work such as service and maintenance in the aftermarket which tends to be high margin.



CATEGORY DEVELOPMENTS

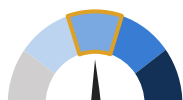
- Electronic access control is driving substantial growth across the industry that is expected to continue
- OEM consolidation increases importance of brand relationships as well as private label opportunities
- Distributors are creating differentiation between those serving larger new construction projects, smaller and aftermarket sales, and specialty applications

ATTRACTIVE SECTOR ATTRIBUTES

- 1 Highly fragmented industry with continued M&A roll-up opportunity, particularly in the aftermarket and specialty applications
- 2 Critical need requiring a high touch service element creates strong reoccurring sales
- 3 Opportunities to introduce recurring service elements in the aftermarket, such as repair and install



Platform Valuations



PE Activity



Market Fragmentation



Level of Value-Added Services

KEY VALUE DRIVERS

Discount Factors (-)		Premium Factors (+)
New Construction Focused	Demand Drivers	Aftermarket / Repair & Remodel Focused
Larger, Project-Based Orders	Revenue Profile	Recurring and Smaller-Ticket Orders
Cyclical or Seasonal Exposure	End-Market Exposure	Highly Resilient or Mission-Critical (e.g., healthcare)
Single Location or Smaller Regional	Geography	Larger Regional or National Players
Inventory Focused	Value-Added Service	Logistics and Technical or Application Knowledge
Price Based	Sales Orientation	Knowledge and Service Based
Low Product Cost; Discretionary Item	Cost of Failure	Highly Visible Point of Failure
Single Brand or Lower Quality Brands	Brand Relationships	Mix of Well-Known Brand Names



OPENINGS & ACCESS CONTROL DISTRIBUTION – SECTOR SPOTLIGHTS

COMMERCIAL & ARCHITECTURAL DOORS, HARDWARE, & ELECTRONIC ACCESS CONTROL DISTRIBUTION



The global market for doors, door hardware, and electronic access control is well in excess of \$100 billion and growing steadily with electronic access control (“EAC”) demonstrating the strongest growth rate⁽¹⁾. Residential doors are primarily wood or composite, with hardware focusing on style as much as function, and EAC to date fairly limited. The larger commercial door, door hardware, and EAC market includes a wide range of specialty applications and is the target for almost all EAC sales. This commercial market is also seeing strong growth as a result of energy-efficiency demand, an increased focus on security and evolving building code regulations. The commercial market also generates substantial aftermarket demand and service opportunities.

NATIONAL DOOR & HARDWARE DISTRIBUTOR ROLL-UPS



Platinum Equity

CD&R

DNS Capital

REPRESENTATIVE REGIONAL, MID-SIZED, AND SPECIALTY DISTRIBUTORS

REPRESENTATIVE PE-OWNED PLATFORMS



Speyside Equity



North Branch Capital



Dyson, Dyson & Dunn



Keystone Capital



Frontenac



Dominus Capital



CID Capital



Ancora Advisors



CenterOak Partners

REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS



REPRESENTATIVE HARDWARE MASTER DISTRIBUTORS



Tailwind Capital



REPRESENTATIVE ELECTRONIC ACCESS CONTROL FOCUSED DISTRIBUTORS





OPENINGS & ACCESS CONTROL DISTRIBUTION – SECTOR SPOTLIGHTS

WINDOWS DISTRIBUTION



The \$12+ billion U.S. window industry⁽¹⁾ includes a mix of wood, vinyl, and aluminum products which are custom-fit to the measurements of each specific opening. Distribution is traditionally through local lumberyards or building products distributors, though there has been a growing market share driven by direct-to-consumer marketing-focused window platforms. There is also a smaller, but attractive network of specialized window distributors.

REPRESENTATIVE LUMBERYARD & BUILDING PRODUCTS DISTRIBUTORS OFFERING WINDOWS



REPRESENTATIVE DIRECT-TO-CONSUMER WINDOW DISTRIBUTORS



GARAGE, OVERHEAD, & SPECIALTY DOORS DISTRIBUTION



Garage, overhead, and other specialty commercial doors have unique requirements and building codes versus traditional entry or interior doors. They also typically require a higher degree of service work to install and maintain. As a result, the distribution of these doors is highly correlated to the dock & door service industry which generates substantial recurring revenue and has attracted significant private equity attention.

REPRESENTATIVE PLAYERS





ELECTRICAL COMPONENTS DISTRIBUTION – OVERVIEW

Electrical component distribution is a large and fragmented market representing a diverse range of products including electrical assemblies, boxes, circuits, conduits, fittings, fuses, harnesses, racking, relays and switchgear, wire & cable, lighting, controls & automation and batteries. These components are commonly installed across commercial, industrial, residential and utility end markets.

Three key drivers supporting sustainable growth include:

- Critical need to provide power or communication driving both OEM and MRO applications across virtually every sector of the economy
- Growing popularity of interconnected devices and new electronic applications
- Infrastructure investments to upgrade and modernize the United States' aging electrical infrastructure and/or to integrate renewable energy solutions

Electrical components provide two primary functions: power and communication. Interrelated is the ability to control, monitor, adjust, and report on the use of power or of the end system to which the component is applied. As a result, electrical components tend to be highly engineered, are typically specified into applications with exacting standards, and are a critical failure point requiring rapid replacement in the event of damage or wear. Technical advancement and obsolescence, rising interconnectedness and the “internet of things”, growing electrification, and various other factors are driving consistent demand and growth for electrical components.

Distributors are a critical link in this supply chain as they represent a large and diversified supplier base serving relatively small, highly specific end-use cases. As a result, electrical distributors typically serve as a critical resource providing technical, application, and regulatory knowledge on behalf of OEMs to end customers. Larger distributors receive volume discounts that allow them to offer lower prices and serve as a one-stop shop for a wide range of components. Small and medium-sized distributors serve local and regional demand (or niche end markets) and frequently compete through a service-driven model such as by offering niche expertise, value-added work (assembly, cutting the length, kitting, etc), and technical expertise.

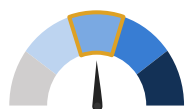


CATEGORY DEVELOPMENTS

- Rising connectivity and the “internet-of-things” is driving ever increasing demand for electrical components
- There is a divide between large, volume-driven distributors (who are often diversified with wide product sets) and smaller niche or service-focused distributors
- Energy efficiency and the desire for tangible savings is an increasing differentiator in many applications

ATTRACTIVE SECTOR ATTRIBUTES

- 1 Multiple demand drivers support long-term organic growth opportunities
- 2 Highly fragmented competitive landscape ripe for consolidation and cross-selling
- 3 Significant opportunities for value-added services to enhance customer stickiness and margin opportunities



Platform Valuations



PE Activity



Market Fragmentation



Level of Value-Added Services

KEY VALUE DRIVERS

Discount Factors (-)		Premium Factors (+)
Project-Based, One-Time, or Higher Volume Orders	Revenue Profile	Recurring, Small-Ticket, Need-it-Now Orders
Lower Margins (sub-30% Gross; sub-10%+ EBITDA)	Margins	Higher Margins (35%+ Gross; 10%+ EBITDA)
Cyclical End-Markets (e.g., construction)	End-Market Exposure	Highly Resilient (e.g., healthcare, MRO uses)
Higher Volume, Commonly Available	Product Type	Lower Volume, Highly Specified, or Customized
Off-The-Shelf Products	Value-Added Service	Assemblies, Kitting, etc.
Bulk Stock Items; i.e., Low Price, High Turns	Inventory Practices	Supports Targeted Customer Needs
Low Cost of Failure, No Testing Required	Application	High Cost of Failure, Certifications Required



ELECTRICAL COMPONENTS DISTRIBUTION – SECTOR SPOTLIGHTS

BROADLINE DIVERSIFIED DISTRIBUTORS



There are a number of large distributors serving the electrical components market, both as part of a broader diversified offering (i.e., Wesco) and specialty distributors specific to the electrical sector (i.e., Graybar, Sonepar, etc). These distributors offer broad product lines across most major categories, though typically focus on higher volume orders and customers that tend to be more commodity in nature, with limited value-added service offerings compared to smaller niche providers.

REPRESENTATIVE LARGE STRATEGIC DISTRIBUTORS



WIRE & CABLE



CONNECTORS,
ELECTROMECHANICAL &
ASSEMBLIES



LIGHTING &
COMPONENTS



AUTOMATION &
CONTROLS



BATTERIES & POWER



COMMUNICATIONS &
SECURITY



REPRESENTATIVE MID-SIZED STRATEGIC DISTRIBUTORS





ELECTRICAL COMPONENTS DISTRIBUTION – SECTOR SPOTLIGHTS

WIRE & CABLE DISTRIBUTION



Wire & cable in the U.S. alone is a ~\$30 billion market⁽¹⁾ characterized by large OEMs who focus on volume production and a highly fragmented group of distributors serving smaller OEM and MRO applications. Many distributors serve critical value-added functions such as integrating assembly, design, development, and testing. There has been consistently strong private equity interest in this sector, though it remains highly fragmented.

REPRESENTATIVE PE-OWNED PLATFORMS

REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS



MFG Partners



Crossplane Capital



Sun Capital



Audax Group



Audax Group



Kinderhook Capital



Dott Family



Tonka Bay



Dubin Clark



Berkshire Hathaway



CONNECTORS, ELECTROMECHANICAL & ASSEMBLIES DISTRIBUTION



Connectors and assemblies are critical sub-components and sub-systems within larger applications, providing critical power and communication functions. These can be standardized (i.e., the line card of large distributors such as Arrow Electronics or Avnet) or highly customized. There is often a somewhat blurred line with other electrical distribution sectors, such as wire & cable, and many distributors provide light fabrication work or services.

REPRESENTATIVE PE-OWNED PLATFORMS

REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS



Wynnchurch Capital



Benford Capital



Torque Capital



Audax Group



Monomoy Capital



Sentinel Capital



Berkshire Hathaway





ELECTRICAL COMPONENTS DISTRIBUTION – SECTOR SPOTLIGHTS

LIGHTING & COMPONENTS DISTRIBUTION



Lighting and related components are viewed as an adjacency for other electrical component categories as they are often integrated into the machine, building, vehicle, etc. This category does not include decorative lighting (i.e., table lamps or similar). Lighting is a mostly commodity product category seen as a cross-selling opportunity for distributors of other products, though several specialty players exist.

REPRESENTATIVE PLAYERS



Main Street Capital



Inverness Graham



AUTOMATION & CONTROLS DISTRIBUTION



Automation and controls is a broad category encompassing a \$40+ billion market⁽¹⁾ which has experienced significant growth over the last decade, and is expected to continue generating strong growth. The ongoing digitization of the U.S. manufacturing sector together with lingering labor challenges has driven steady investment into automation and connectivity. Distributors serve a key function, often providing technical and application expertise for end customers which OEMs struggle to provide to smaller accounts in particular.

REPRESENTATIVE PLAYERS



Benford Capital



The Stephens Group



Shorehill Capital



Berkshire Hathaway





ELECTRICAL COMPONENTS DISTRIBUTION – SECTOR SPOTLIGHTS

BATTERIES & POWER DISTRIBUTION



The ~\$17 billion U.S. battery market⁽¹⁾ serves a variety of automotive and vehicular (EV as well as combustion engine), backup power, power storage, aviation, material handling (i.e., forklifts) and other applications. The rise of electrification continues to drive strong growth in this market. Distributors serve a key function in this market as varying end use specifications require technical knowledge to achieve optimal solutions as well as to support ongoing, often small-ticket need-it-now, aftermarket replacement demand.

REPRESENTATIVE PLAYERS


Continental
 BATTERIES

HIG Capital

Cardinal Equity

High Road

Colville Group
QUICKCABLE
Tonka Bay

Kohlberg & Company

COMMUNICATIONS & SECURITY DISTRIBUTION



The advent of the “Internet-of-Things”, Industry 4.0, and similar digitization trends have and will continue to drive strong demand for connectivity, communication and reporting, as well as associated security needs across a wide variety of sectors. Distributors often blur the lines with integrators, providing support and technical knowledge to end customers.

REPRESENTATIVE PLAYERS


Lee Equity

Sentinel Capital
resideo




FASTENERS & C-PARTS DISTRIBUTION – OVERVIEW

C-parts refer to low-value, typically small items such as clips, gaskets, fasteners, nuts, screws, seals, springs and washers that are essential for a machine, piece of equipment or system to function properly. Common features of C-parts:

- High variation in size, material, weight, and tolerance as a category; yet typically engineered or specified to an application with limited ability to substitute
- Low cost and often represents less than one percent of the total machine, equipment or system cost
- Complicated to source with indirect expenses (qualifying suppliers, ordering, delivery, handling and inventory management) representing 75%+ of the cost
- Typically purchased and held in bulk due to their small size and low cost

C-part manufacturers, many of which are international, are resourced to directly serve only the largest volume buyers (e.g., automotive OEM) and rely heavily on distributors to serve all other customers. Consumers of C-parts also rely on distributors, instead focusing on larger cost components with lower sourcing complexity. Demand for c-parts is influenced by end market – tight tolerance industries such as aerospace and automotive require testing and certification prior to use which creates high switching costs. Lower tolerance industries have more switching options, but frequently do not due to the complexity of sourcing and low potential material cost savings relative to other areas.

The variety and must-have, mission critical nature of C-parts requires consumers to balance cost-effectiveness and availability as supply chain interruption can negatively impact or even halt production. As a result, this category is well-suited to distribution, often with relatively low average order sizes and quick-turn orders. Many end users also rely on distributors to provide third-party vendor-management inventory (“VMI”), vending, value-added kitting, and other services which further embeds relationships and creates margin opportunity for distributors.

The importance of web-based order placement and management solutions, supported by knowledgeable and technical staff, continues to grow as customers increasingly seek to place and update their orders online rather than by phone, fax or email.

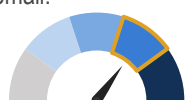


CATEGORY DEVELOPMENTS

- Steady rise of value-added services such as VMI, vending, kitting, etc.
- Competition among sponsor-backed platforms for meaningful add-on acquisitions is driving valuation multiples higher
- Tech-enablement and cross-selling opportunities continue to drive market share to consolidators

ATTRACTIVE SECTOR ATTRIBUTES

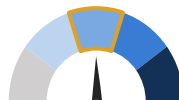
- 1 High-touch, low-cost, must-have critical nature of c-parts results in sustainable high margins
- 2 Highly fragmented competitive landscape ripe for consolidation; meaningful margin benefits to scale
- 3 Value-added services beyond bulk breaking are common and moderately difficult to navigate independently



Platform Valuations



PE Activity



Market Fragmentation



Level of Value-Added Services

KEY VALUE DRIVERS

Discount Factors (–)		Premium Factors (+)
Cyclical Industries Such As Automotive	Demand Drivers	Diversified Industrial OEM or MRO Demand
High Volume, Large Annual Dollar Orders	Revenue Profile	Recurring, Need-it-Now, Small-Ticket Orders
Limited in Scope or Addressable Market	Product Offering	Varied with High Ability to Cross-Sell
High Volume, Commonly Available	Product Type	Low Volume, Difficult to Source
Limited Services, Largely Order Takers	Value-Added Service	Kitting, Packaging, Heat / Coating Treatment
Customer Manages Inventory	Inventory Practices	Distributor Provides VMI or Similar Services
Low Product Cost; Discretionary Item (e.g., toy)	Cost of Failure	High Value & Cost of Failure (e.g., engineered industrial)
No Testing Required	Application	Certifications Required (e.g., automotive)



FASTENERS & C-PARTS DISTRIBUTION – COMPETITIVE LANDSCAPE

LARGE NATIONAL DISTRIBUTORS

 3S SUPPLY CO.	 AFC Industries Bertram Capital	 BLACK HAWK INDUSTRIAL TruArc	 DSG DISTRIBUTION SOLUTIONS GROUP Powerful Solutions. Proven Results.	 EFC INTERNATIONAL Frontenac	 MW Components American Securities
 ENDRIES	 FDH Audax Group	 LINC SYSTEMS Center Rock Capital	 MILITARY ★ FASTENERS Montage Partners	 MONROE AEA Investors	 OPTIMAS AIP
 OTC INDUSTRIAL TECHNOLOGIES	 UNITED Fasteners LNx Equity	 WINZER Shoreview Capital			

MASTER DISTRIBUTORS

 BRIGHTON-BEST INTERNATIONAL	 KANEBRIDGE CORPORATION	 LINDFAST Solutions Group Nautic Partners	 Metric & Multistandard Components Corp.	 VERTEX FASTENERS	 XL SCREW CORPORATION
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LARGE PUBLIC & PRIVATE DISTRIBUTORS

 APPLIED Industrial Technologies	 BOSSARD Proven Productivity	 BUFAB	 DIPLOMA PLC	 FASTENAL	 HILLMAN
 McMASTER-CARR	 MSC	 ParkOhio	 SENCO	 wesco	 WÜRTH

SELECTED REGIONAL & OTHER DISTRIBUTORS

 APF ALL-PRO FASTENERS INC.	 APEX STAINLESS FASTENERS	 bamal FASTENER	 Beacon FASTENERS AND COMPONENTS, INC.	 bisco industries	 BRF BLUE RIBBON FASTENER
 Century Fasteners Corp.	 DESCOURS & CABAUD	 Fastener Supply	 FIELD MORE THAN PARTS. A PARTNER.	 HOT HAYES BOLT & SUPPLY	 HCPacific a component company
 Hodell-Natco	 ISC INVENTORY SALES COMPANY Frontenac	 KD FASTENERS, INC.	 KIMBALL MIDWEST	 Lehigh-Armstrong Inc. Your Global Fastener Specialist	 LoneStar Group
 marine FASTENERS	 mid-states bolt & screw the dedicated fastener people. MPE Partners	 PROSPECT FASTENER We Distribute Value.	 S.W. ANDERSON CO. THE FASTENER SOLUTIONS YOU NEED. THE EXPERT SERVICE YOU TRUST.	 Southern Fasteners & Supply, LLC HIGHER LINE DRUGS THAT MAKE A BIG DIFFERENCE.	 TFC



MOTION & FLOW CONTROL DISTRIBUTION – OVERVIEW

Motion & flow control, metering, and related products are ubiquitous across a broad range of end markets including manufacturing and general industrial, water and wastewater infrastructure, chemical, power generation, agriculture, and food & beverage processing, among others. Motion & flow control encompasses a wide range of related products – such as actuators, compressors, cylinders, filters, fittings, hoses, meters, motors, pumps, valves, pipe & tube – with demand driven by a steady maintenance & replacement cycle as well as new facility construction, capacity expansion investments, and changing technologies (i.e., when new equipment is installed in a facility or process, the supporting motion & flow control components are typically disposed of and replaced even if they retain useful life).

Growth in this market is being accelerated by re-shoring of manufacturing, replacement of aging infrastructure, changes in energy generation and increased adoption of automation or other efficiency enhancing technologies. Steady demand for metering & monitoring equipment also drives growth and service opportunities.

Common features of flow control parts and equipment include:

- Mission-critical applications with high costs of failure and downtime
- Frequent need-it-now replacement demand associated with a willingness to pay a premium for high quality and fast delivery
- Parts and equipment are subject to unavoidable wear and tear and must be replaced either as part of scheduled maintenance or after a failure

Manufacturers of flow control components, parts and equipment typically focus on serving the needs of large-scale new build projects, OEMs, and other high-volume customers, leaving distributors to meet the needs of the large and diverse aftermarket. Distributors frequently employ a technical sales and customer service staff trained to assist customers in quickly determining which replacement component or part is needed, customizing it as needed and delivering quickly.

Many distributors offer testing, repair, remanufacture and overhaul services. Increasingly, they offer monitoring & metering, lifecycle cost analysis, and other value-added services to support these products.

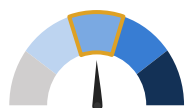


CATEGORY DEVELOPMENTS

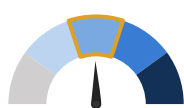
- Re-shoring, investments in manufacturing, and infrastructure spending, are driving market growth
- The industrial internet of things, automation and artificial intelligence is driving increased focus on metering, monitoring, and analysis
- Service and customization opportunities are increasing for distributors as customers seek to maximize efficiency

ATTRACTIVE SECTOR ATTRIBUTES

- 1 Highly fragmented competitive landscape ripe for consolidation; meaningful benefits to scale and opportunities to cross-sell product categories
- 2 Strong aftermarket replacement and repair & maintenance demand, which is served almost exclusively through distributors
- 3 Evolving landscape and technology trends creates opportunity to displace incumbent distributors



Platform Valuations



PE Activity



Market Fragmentation



Level of Value-Added Services

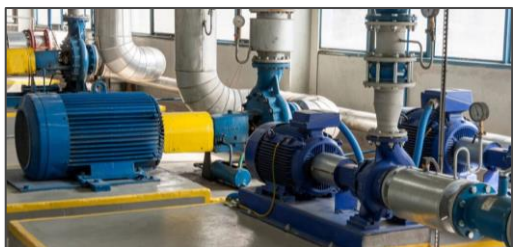
KEY VALUE DRIVERS

Discount Factors (-)		Premium Factors (+)
Larger New Construction-Oriented Projects	Revenue Profile	Lower ASP Recurring / Break-Fix Orders
Cyclical End-Markets (e.g., energy)	End-Market Exposure	Highly Resilient (e.g., food & beverage)
Commodity Products (i.e., generic piping)	Product Type	Technical & Engineered Applications
Product Only	Value-Added Services	Product and Service-Related Value-Add Opportunities
Customers Stock Excess Inventory	Inventory Practices	Customers Rely on Vendor for “Need-it-Now” Demand
Low Product Cost; Lower Cost of Failure	Cost of Failure	High Value Product; High Cost of Failure
High Touch; Minimal Size Benefits	Scale	Economies of Scale Improve Margins and Reduce NWC
No Certifications or Testing Required	Testing	Must Meet Strict Requirements; Certifications Required



MOTION & FLOW CONTROL DISTRIBUTION – SECTOR SPOTLIGHTS

FLOW HANDLING / PUMPS & COMPRESSORS DISTRIBUTION



Pumps and compressors are a ~\$60 billion global market⁽¹⁾ and are used to move liquids and gasses from one location to another through the increase / decrease of pressure, suction, or thermomechanics. These are mission critical products requiring regular maintenance spending. Distributors form highly recurring, consultative customer relationships where service, product knowledge and availability are highly valued.

REPRESENTATIVE PE-OWNED PLATFORMS

REPRESENTATIVE PRIVATE & PUBLIC DISTRIBUTORS



Trive Capital



Platte River



KKR



Audax Group



Wynnchurch Capital



Colville Capital



Frontenac



Genstar



Gryphon Investors



Fusion Capital



FLOW MANAGEMENT / VALVES & FITTINGS DISTRIBUTION



The global market for valves & fittings is ~\$80 billion⁽²⁾, encompassing products that regulate and manage the flow of liquids and gases (as well as pressure) throughout a system. Distributors serve a critical function in this market, as valves & fittings typically have a high replacement rate generating significant “need-it-now” aftermarket support at relatively small volume and dollar levels.

REPRESENTATIVE PE-OWNED PLATFORMS

REPRESENTATIVE PRIVATE & PUBLIC DISTRIBUTORS



BBH Capital



Center Rock



Trive Capital



KKR



Audax Group



Wynnchurch Capital



Colville Capital



Gemspring



Frontenac



Stephens Group



Fusion Capital



Harbour Group





MOTION & FLOW CONTROL DISTRIBUTION – SECTOR SPOTLIGHTS

FLOW METERING & CONTROLS DISTRIBUTION



Flow meters and controls are designed to measure how much of and the rate at which a liquid or gas flows through a pipe, tube, dispenser, spray tip, or other vector. These data points are used to control for precision, efficiency, certification, or other uses. This market represents approximately \$11 billion in annual global sales⁽¹⁾ and has seen strong growth in recent years as companies seek to improve efficiency through better data analysis, with distributors often serving a key technical knowledge function.

REPRESENTATIVE PE-OWNED PLATFORMS



Trive Capital



Turnspire Capital



Platte River



Colville Capital



Fusion Capital

REPRESENTATIVE PRIVATE & PUBLIC DISTRIBUTORS



MOTION CONTROL DISTRIBUTION



The ~\$18 billion global market⁽²⁾ for motion control products encompasses technologies used to provide precision control over machinery, equipment, and industrial processes with the goal of increasing efficiency as well as reducing errors. Examples include motors, actuators, hydraulics, motion controllers, and various other components. The nature of these products ensures regular technological changes driving replacement & upgrade demand as well as ongoing aftermarket parts & service opportunities.

REPRESENTATIVE PE-OWNED PLATFORMS



Benford Capital



Platte River



Freeman Spogli



Colville Capital



Frontenac



Genstar

REPRESENTATIVE PRIVATE & PUBLIC DISTRIBUTORS





MOTION & FLOW CONTROL DISTRIBUTION – SECTOR SPOTLIGHTS

PIPE & TUBE DISTRIBUTION



The global pipe & tube market is massive, with steel pipes & tubes alone representing ~\$140 billion in sales and copper another ~\$25 billion⁽¹⁾. Pipe and tube are often lower margin commodity products sold on a per foot basis for new construction or replacement applications, with lower aftermarket demand. Distributors serve a project support & staging role, though there are higher margin but usually lower inventory turn specialty applications (such as heavy wall tube for high pressure applications). Distributors typically make higher margins through add-on valve, fitting, and other product sales.

REPRESENTATIVE PE-OWNED PLATFORMS



Center Rock



Trive Capital



Rotunda



Argonaut



Gryphon Investors

Specialty Pipe & Tube

Crest Rock



Trive Capital



REPRESENTATIVE PRIVATE & PUBLIC DISTRIBUTORS

SPECIALTY COMPONENTS DISTRIBUTION – GASKETS, SEALS, HOSES, FILTERS, ETC.



Associated with motion & flow control products are a wide range of specialty components such as gaskets, seals, O-rings, hoses, filters & filtration, switches & relays, clamps, shock absorbers, and other small parts. These wear parts typically have a regular replacement cycle generating strong aftermarket sales demand. These products are often high margin, technical in nature, and distributors of larger motion & flow control components typically also supply these accessories though some specialty providers exist.

REPRESENTATIVE PE-OWNED PLATFORMS



CapStreet Group



Trive Capital



Platte River



KKR



Audax Group



Vance Street Capital



Align Capital



Colville Capital



Frontenac



Gryphon Investors



Fusion Capital



LKCM Headwater



REPRESENTATIVE PRIVATE & PUBLIC DISTRIBUTORS



PPE, SAFETY & CONSUMABLES DISTRIBUTION – OVERVIEW

Personal protective equipment (“PPE”) and workplace safety encompasses a range of product categories which are used and regularly replaced across virtually every job site or facility. This market is highly influenced by government regulation and insurance requirements, designed to prevent injury in the workplace that can result in significant costs, lost time, and/or facility and equipment damage to the employer. Product examples can include personal apparel (hand, knee, eye, hearing and other protection), high visibility vests, fall protection, worksite safety such as eye wash stations, specialty equipment such as welding or respiratory gear, etc.

This market has consistently generated strong growth due to pressure from government and regulatory agencies to reduce incidents of workplace accidents and injuries. OSHA in the U.S. and similar agencies in other countries are steadily introducing stricter standards and workplace requirements. Companies are investing in safety equipment and procedures as the cost of failure is high, including legal costs, fines, increased insurance rates, and damage to a company's reputation. Many categories are experiencing growth CAGRs in the high single to double digit level⁽¹⁾.

Common features of PPE and safety equipment include:

- Strong regulatory influence on design, materials, and capabilities
- High degree of innovation and introduction of new products
- Highly consumable and regularly replaced due to wear or regulatory-mandated usage levels
- Mix of lower cost commodity and expensive highly specialized products

The manufacturing universe for PPE and safety products is highly diversified with a wide range of brands, companies, and international as well as domestic supply chains. Distributors serve a key role in this market, offering a one-stop-shop for companies who need access to a wide range of products. Many distributors own their own brands, relying on outsourced production overseas and acting as virtual manufacturers. While the level of value-added work available to distributors is lower than other categories, PPE & Safety are well-suited to on-site vending applications which can often lead to cross-selling into other categories.



CATEGORY DEVELOPMENTS

- High organic growth driven by steady government and regulatory oversight seeking to reduce workplace incidents
- Growing adoption of “smart PPE” and sensor technology that can integrate with workplace automation and the “Internet of Things” to provide real-time monitoring
- Ongoing technical development focused on lightweight, durable, breathable equipment driving steady innovation

ATTRACTIVE SECTOR ATTRIBUTES

- 1 Highly regulatory driven, creating steady replacement demand
- 2 Diverse product categories creates significant cross-selling opportunities
- 3 Strong organic growth category as employers seek to reduce incidents and liability



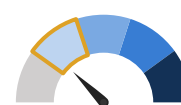
Platform Valuations



PE Activity



Market Fragmentation



Level of Value-Added Services

KEY VALUE DRIVERS

Discount Factors (-)		Premium Factors (+)
Lower Replacement Need or Usage	Revenue Profile	Highly Recurring Need with Regular Replacement
Basic Workplace and Low-Impact Sectors	End-Market Exposure	Highly Regulated Industries (Food, Chemicals, etc)
Commodity Products (i.e., High Visibility Vests)	Product Type	Highly Specialized Equipment (i.e., Welding Gear)
Minimal; Product Focused	Value-Added Services	Vending, Self-Owned Brands, Etc.
Add-On Sale with Amazon Risk	eCommerce	Specialized Products Requiring Education & Training
Low (i.e., Workplace Signage)	Cost of Failure	High (i.e., Fall Protection)
Limited or Commodity Products at Local Scale	Scale	National Scope with Broad Product Category Offering
Commodity Products with Lower Regulatory Burden	Certification & Testing	Self-Owned Brands & Testing/Certification Management



PPE, SAFETY & CONSUMABLES DISTRIBUTION – SECTOR SPOTLIGHTS

PPE – APPAREL & WORKWEAR DISTRIBUTION



The North American market for PPE represents \$25+ billion in annual sales, of which apparel and workwear represents ~70%. The largest individual apparel & workwear category is hand protection, followed by protective clothing and footwear. This category saw a spike in demand relating to COVID, before dropping in 2023 and resuming growth in 2024. Long-term growth is expected to be robust due to regulatory focus⁽¹⁾.

REPRESENTATIVE PE-OWNED PLATFORMS



American Securities



Trivest Partners



TruArc Partners



Halkin Private Capital



One Equity



Odyssey



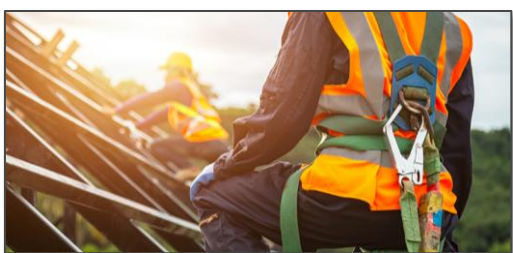
Partners Group



Nautic Partners



PPE – FALL PROTECTION DISTRIBUTION



The global fall protection market represents \$3-4 billion in annual sales, of which the U.S. represents ~30%. This market is highly regulatory and insurance driven, as well as a highly visible safety category generating significant attention in recent years, which is driving strong projected growth at a 7%+ CAGR over the next several years. Several early adopters have strong marketplace brands, with select technology advantages such as smart harnesses or self-retracting safety lines creating differentiation⁽²⁾.

REPRESENTATIVE PE-OWNED PLATFORMS



American Securities



Trivest Partners



TruArc Partners



North Branch Capital



Halkin Private Capital



Centerfield / TZP



Odyssey



Partners Group



Nautic Partners





PPE, SAFETY & CONSUMABLES DISTRIBUTION – SECTOR SPOTLIGHTS

PPE – SPECIALTY PRODUCTS DISTRIBUTION



Specialty protective equipment such as welding gear, respiratory equipment, heat protection, firefighter gear, police gear, arc flash suits, and similar are a relatively small part of the \$25+ billion North American PPE market⁽¹⁾ but are generally more expensive and higher margin categories. They require additional levels of certification and capabilities testing, with distributors serving a key role in educating purchasers on behalf of the manufacturer.

REPRESENTATIVE PE-OWNED PLATFORMS

REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS

Aramco A FAMILY OF COMPANIES	ASA SAFETY SUPPLY	BLACK HAWK INDUSTRIAL	CADRE HOLDINGS	Airgas	AWG	FASTENAL
American Securities	Trivest Partners	TruArc Partners	Palm Beach Capital	GAS AND SUPPLY	HD SUPPLY	MAGID Safety at work®
DANA SAFETY SUPPLY	GUARDIAN	LineStar Utility Supply Inc.	SureWerx	MALLORY	McMASTER-CARR	MSC
AEA Investors	Halkin Private Capital	CAI Capital	Partners Group	GRAINGER	wesco	
VALLEN	VSG vertical supply group	WALTER Surface Technologies				
Nautic Partners	Constitution Capital	ONCAP				

WORKSITE SAFETY DISTRIBUTION



The worksite safety market includes a wide range of signage and identification products, emergency eyewash and shower stations, fire blankets, floor mats, safety storage, spill control, and other products that are not utilized by the individual person on a daily basis. These products are often required by regulation or insurance to be in a facility, with required training and expiration dates that offer recurring sales for distributors.

REPRESENTATIVE PE-OWNED PLATFORMS

REPRESENTATIVE PUBLIC & PRIVATE DISTRIBUTORS

Aramco A FAMILY OF COMPANIES	ASA SAFETY SUPPLY	BLACK HAWK INDUSTRIAL	Airgas	F.W. WEBB COMPANY	FASTENAL
American Securities	Trivest Partners	TruArc Partners	HD SUPPLY	MAGID Safety at work®	McMASTER-CARR
GUARDIAN	Justrite	MEDCO	MOTION INDUSTRIES	MSC	GRAINGER
The People Fund	Audax Group	One Equity	wesco		
SureWerx	VALLEN	WALTER Surface Technologies			
Partners Group	Nautic Partners	ONCAP			



ADDITIONAL SPECIALTY CATEGORIES – SECTOR SPOTLIGHTS

AFTERMARKET & OVERSTOCK PARTS DISTRIBUTION

Aftermarket, white label, non-OEM, and overstock parts is a unique category targeting repair & replacement demand, typically offering a lower price than an OEM-branded component. Many of these businesses have heavily integrated eCommerce as a lead generation engine. Some distributors differentiate through a high degree of service and product knowledge, whereas others operate more as a marketplace.

REPRESENTATIVE DISTRIBUTORS



Spectrum / Susquehanna



Svoboda



KKR



Foxhole Group



AGRICULTURAL PARTS & SMALL EQUIPMENT DISTRIBUTION

Within the \$170 billion⁽¹⁾ agriculture equipment market, specialty distributors (who are distinct from dealers of large equipment) serve a critical role supplying replacement parts and small equipment. These parts (typically <\$300 / SKU) and equipment (<\$10k / SKU) include spray tips, valves & fittings, gauges, pumps, chippers, small trailers, spreaders, tanks, etc. that have consistent and recurring annual demand which is typically insulated from broader agricultural market trends.

REPRESENTATIVE DISTRIBUTORS



Kinderhook



Summit Equity



Pfingsten Partners



Westcap Management



EDUCATION & CLASSROOM SUPPLIES DISTRIBUTION

The education and classroom supplies market is dominated by large retailers (and their websites), who are in turn served by a network of distributors aggregating a highly diversified mix of product categories and vendors. Individual purchases tend to be either very large (i.e., school district level) or very small (i.e., individual teacher or parent), which has created differentiation from some distributors depending on which market and transaction dynamic they primarily serve.

REPRESENTATIVE DISTRIBUTORS



Gladstone



Brentwood Partners



Leonard Green





ADDITIONAL SPECIALTY CATEGORIES – SECTOR SPOTLIGHTS

PACKAGING DISTRIBUTION

Within the \$140 billion⁽¹⁾ market for packaging materials, a network of value-added distributors and converters has developed to serve medium and lower volume demand. The distributors provide either bulk packaging materials (including tapes, filler, etc.) or convert stock to customer-specific sizes, print designs, etc. This is a vital niche in a market that is otherwise highly volume-focused, driving higher margins through value-added service.

REPRESENTATIVE DISTRIBUTORS

 GenNx360	 Berlin Packaging	 Charlebank	 Central National	 Shorehill Capital	 Global Industrial
 Interfor	 Office Depot	 ProAmpac	 S.W. Packaging	 Staples	 Longuevue
 Ares Management	 Uline	 Veritiv	 Grainger		

PROPANE AND HEATING PARTS & EQUIPMENT DISTRIBUTION

Propane serves 50+ million U.S. homes, as well as countless businesses, farms, and industries providing heat and power. Outside of propane gas distribution, there is a robust and highly fragmented market for distributors of parts (valves, regulators, gauges), pumps, tanks, dispensing equipment and other niche products that are highly recurring needs keeping this market operating.

REPRESENTATIVE DISTRIBUTORS

 Pfingsten Partners	 FEI	 GEC	 TEECO
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SPECIALTY ADHESIVES & TAPES DISTRIBUTION

The specialty adhesives and tapes market includes a mix of water-based, hot melt, solvent-based, reactive, and other chemical formulas designed to serve target applications. Distributors of adhesives and tapes serve a vital role to manufacturers and packaging converters / distributors, frequently on a smaller-ticket or as-needed basis. They also provide critical technical knowledge and support.

REPRESENTATIVE DISTRIBUTORS

 Goldner Hawn	 Rotunda Capital	 Audax	 RAF Equity
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V. REPRESENTATIVE DEAL & PE PLATFORM ACTIVITY

CONSISTENTLY STRONG ACTIVITY OVER TIME

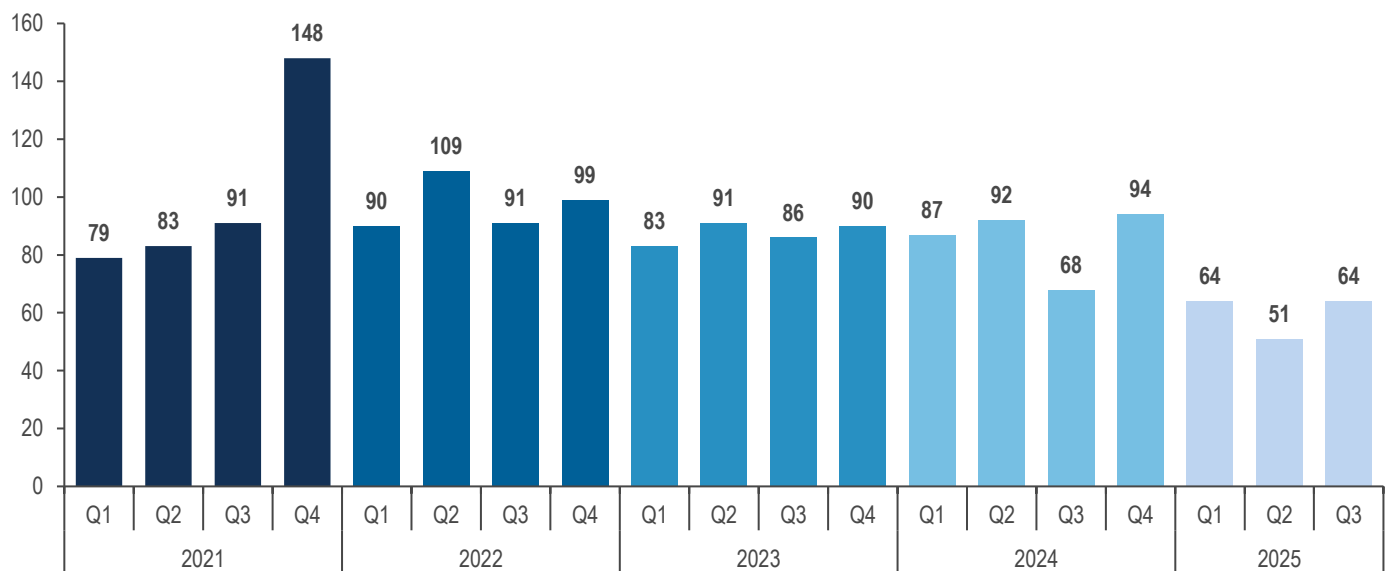
REPRESENTATIVE DEAL & PE PLATFORM ACTIVITY

As noted previously, distribution is an attractive investment category for both private equity and strategic acquirors. Distributors offer compelling platform roll-up opportunities, are comparatively high free-cash flow businesses, and tend to operate in diverse industries with opportunities for cross-selling. The rise of value-added services has created broader, more diverse, and recurring revenue streams which can further embed a distributor with their customer.

The factors – which are underlying drivers across the distribution landscape – will support steady distribution M&A activity going forward, with numerous sectors offering ready opportunity for consolidation.

DEAL ACTIVITY ANTICIPATED TO REBOUND TO HISTORICAL LEVELS IN 2026

North American Distribution Deals by Quarter



Source: CapIQ, Proprietary Research

BUILDING PRODUCTS DISTRIBUTION – SELECT RECENT TRANSACTIONS (1 of 3)

Date	Target (Owner)	Acquirer (Owner)	Target Description
Oct-25	Dave Carter & Associates	Thetford Corp (Monomoy Capital)	Distributes electrical, plumbing, and building supplies for RVs
Sep-25	Orepac	Specialty Building Products	Distributes lumber, millwork, siding, and decking
Sep-25	Service Wholesale	Decks and Docks Lumber	Distributes lumber and decking materials
Sep-25	Reinforcing Steel Supply/Stuart Building Products	White Cap Supply (Clayton, Dubilier & Rice)	Distributes rebar, concrete, and other building products
Sep-25	The Commonwealth Group	Affiliated Distributors, Inc.	Distributes plumbing, PVF, HVAC, and waterworks products
Aug-25	Exterior Home Products	American Builders & Contractors Supply	Distributes doors, windows, and siding
Aug-25	Foundation Building Materials (Clayton, Dubilier & Rice)	Lowe's	Distributes drywall, insulation, tools, and other building materials
Aug-25	Carolina Stone Distributors	Capstone Holding	Distributes stone veneer and masonry products
Aug-25	Royal Hardware	Zephyr Secure	Distributes drawer slides and hardware
Aug-25	Sprenger Midwest	Weekes Forest Products (MacArthur)	Distributes lumber, decking, and forest products
Aug-25	SRS Building Products	The Home Depot	Distributes residential roofing and accessories
Jul-25	Nashville Nursery and Landscape Supply	SiteOne Landscape Supply	Distributes landscape products
Jul-25	Contemporary Visions	Hudson Valley Lighting	Distributes lighting products
Jul-25	Water Resources	Ferguson	Distributes water meters
Jul-25	Ware-Butler	Hammond Lumber Company	Distributes lumber, cabinetry, windows, doors, millwork, etc.
Jul-25	Brookshire Holdings	Ferguson	Distributes HVAC products
Jul-25	Ladco	Cascata Capital	Distributes designer furniture and home décor
Jul-25	Blackhawk Supply	Trinity Hunt Partners	Distributes HVAC, building automation, and electrical products
Jun-25	Gypsum Management & Supply	SRS Distribution (The Home Depot)	Distributes wallboard, framing, and related materials
Jun-25	Ritchie Environmental Solutions	Ferguson	Distributes water and wastewater products
Jun-25	HPS Specialties	Ferguson	Distributes plumbing and HVAC products
Jun-25	Solar Vision	American Window Film (Solar Art Window Film)	Distributes window films
Jun-25	Lutz Company	Gypsum Management & Supply (SRS Distribution)	Distributes exterior wall cladding
May-25	United Lighting And Supply	Winsupply	Distributes electrical supplies and household appliances
May-25	Valley Lighting	Caymus Equity	Distributes commercial lighting fixtures
Apr-25	Opustone (Mosaic Companies)	Construction Resources (International Designs Group)	Distributes stone slabs, tiles, and accessories
Apr-25	KCG	Foundation Building Materials	Distributes panels, wallboard, insulation, and related products
Mar-25	Northport Electrical Supply	Wiseway (CID Capital)	Distributes electrical components
Mar-25	Roofing & Supplies	American Builders & Contractors Supply	Distributes roofing materials and gutters
Mar-25	Modern Edge Stone & Tile	Heritage Pool Supply Group (SRS Distribution)	Distributes pool, tile, and other outdoor products

BUILDING PRODUCTS DISTRIBUTION – SELECT RECENT TRANSACTIONS (2 of 3)

Date	Target (Owner)	Acquirer (Owner)	Target Description
Mar-25	Belair Road Supply	Fortiline (MORSCO)	Distributes water and sewer, masonry, and hardscape products
Mar-25	Beach Window and Door	US LBM Holdings (Platinum Equity)	Distributes windows, doors, railings, skylights, and shutters
Feb-25	Encore Holdings (Levine Leichtman)	Permira Advisers	Distributes fire prevention equipment
Feb-25	R&B Wholesale Distributors	Platinum Equity	Distributes appliances, electronics, and commercial food equipment
Jan-25	Standard Air & Lite Corporation	Koch Air (Koch Enterprises)	Distributes HVAC products
Jan-25	The Kelleher Corporation	Woodgrain	Distributes wood molding and accessories
Jan-25	Beacon Roofing Supply	QXO	Distributes roofing products
Jan-25	Darant Distributing	Richelieu Hardware	Distributes cabinetry and countertop supplies
Jan-25	Orchard Lock Distributors	JLM Wholesale (Lockmasters)	Distributes doors, door hardware, and access control systems
Dec-24	Panex-El	Richelieu Hardware	Distributes cabinetry and hardware
Dec-24	Kravet	Dunes Point	Distributes fabric, wall covering, carpet, and accessories
Dec-24	Inland Empire Dry Wall	Foundation Building Materials	Distributes drywall
Nov-24	Grove Electric & Lighting Supply (Caisha Wholesale Electric)	Raven Resources	Distributes electrical supplies and components
Oct-24	Tom Duffy Company	Galleher (Transom Capital Group)	Distributes hardwood, LVT, laminate and other flooring
Oct-24	Architectural Openings	Upstate Door	Distributes doors, door hardware, and access control systems
Oct-24	Empire Distributing	Blackford Capital	Distributes fireplace and hearth products
Oct-24	Eastcom Associates	Core & Main	Distributes onsite utility and site management tools
Oct-24	Wholesale Insulation Supply	Installed Building Products	Distributes insulation and related products
Oct-24	Mullins Building Products	Cook & Boardman (Platinum Equity)	Distributes doors, door hardware, and access control systems
Sep-24	Aluminum Products Wholesale	Eastern Metal Supply	Distributes aluminum products
Sep-24	Best Choice Supply	Team Air Distributing (Kian Capital)	Distributes HVAC products
Sep-24	L.D. Kichler (Masco)	Progress Lighting (Kingswood Capital)	Distributes indoor and outdoor lighting
Sep-24	Unified Door and Hardware (Dunes Point)	Foundation Building Materials	Distributes doors, door hardware, and access control systems
Aug-24	Nationwide Coils	The Edgewater Funds	Distributes HVAC products
Aug-24	Architectural Doors	Cook & Boardman (Platinum Equity)	Distributes doors, door hardware, and access control systems
Aug-24	Coverstar Central	Latham Group	Distributes swimming pools
Jun-24	The Carpetbaggers	SCI Floor Covering (Rainier Partners)	Distributes flooring products
Jun-24	Virginia Tile	Galleher (Transom Capital Group)	Distributes ceramic tile, marble, granite, and other tile
Jun-24	Southern Components	Liteworks Window & Door	Distributes cabinetry, windows, and doors
Jun-24	ELM Home & Building Solutions (Audax)	Great Day Improvements (Littlejohn & Co.)	Distributes metal roof and gutter systems

BUILDING PRODUCTS DISTRIBUTION – SELECT RECENT TRANSACTIONS (3 of 3)

Date	Target (Owner)	Acquirer (Owner)	Target Description
May-24	Eden Energy Equipment	Sugar Maple Capital	Distributes HVAC products
May-24	Classic Home & Garden	The HC Companies (Platinum Equity)	Distributes garden and home décor products
May-24	The A.G. Mauro Company	Unified Door and Hardware (Foundation Building Materials)	Distributes doors, door hardware, and access control systems
Apr-24	Climatic Comfort Products	Shearer Supply (Investcorp)	Distributes HVAC and appliance products
Apr-24	Atlas Hardware	Integrated Openings Solutions (Frontenac)	Distributes doors, door hardware, and access control systems
Mar-24	SRS Distribution (Leonard Green & Partners)	The Home Depot	Distributes roofing products, fasteners, gutters, and wood products
Mar-24	Harvey Industries (Dunes Point)	Cornerstone Building Brands	Distributes windows, doors, siding, roofing, and decking
Mar-24	Door Supply of N.J.	Unified Door and Hardware (Foundation Building Materials)	Distributes doors, door hardware, and access control systems
Mar-24	Conserve-A-Watt Lighting	Blue Harbour Capital	Distributes lighting products
Mar-24	American Insulated Glass (AV Capital)	Trulite Glass & Aluminum (Truelink Capital)	Distributes glass products
Mar-24	R. F. Fager Company	Tenex Capital	Distributes plumbing, HVAC, and hose products
Mar-24	United Hardware Distributing	Do it Best Corp.	Distributes hardware and tools
Feb-24	Masonite	Owens Corning	Distributes interior and exterior wood doors
Jan-24	Jim Wholesale	Lockmasters (Dominus Capital)	Distributes doors, door hardware, and access control systems
Jan-24	Dana Kepner Company (Littlejohn & Co.)	Core & Main	Distributes PVF and waterworks materials
Jan-24	SDI Supplies	Intercity Industrial Supply (Descours & Cabaud)	Distributes hand tools
Jan-24	Plimpton & Hills	Grove Mountain Partners	Distributes plumbing and HVAC products
Dec-23	McGee Heating & Air	Grove Mountain Partners	Distributes HVAC products
Dec-23	Measurement Control Systems	Pearl Street Capital Partners	Distributes residential meters and controls
Dec-23	Progress Lighting (Hubbell)	Kingswood Capital Management	Distributes lighting and fans
Dec-23	Webb Supply	Beijer Ref	Distributes HVAC products
Dec-23	Galleher (Quad-C Management)	Transom Capital	Distributes hardwood, tile, LVT, and other flooring
Oct-23	Apache Stone (Halquist Stone)	Outdoor Living Supply	Distributes stone and hardscape
Oct-23	Decks and Docks Lumber	CCMP Growth	Distributes decking, lumber, and fencing
Oct-23	Tvw Electrical Supplies	Inline Electric Supply	Distributes electrical supplies
Sep-23	Cook & Boardman (Littlejohn & Co.)	Platinum Equity	Distributes doors, door hardware, and access control systems



INDUSTRIAL PRODUCTS DISTRIBUTION – SELECT RECENT TRANSACTIONS (1 OF 4)

Date	Target (Owner)	Acquirer (Owner)	Target Description
Oct-25	Artmark Products	KLH Capital	Distributes electrical C-parts
Oct-25	Echelon Supply and Service	Patriot Capital	Distributes hydraulic hose and accessories
Oct-25	DX Electric	Summit Park	Distributes flow control components, castings, and hardware
Sep-25	ACG Systems	Northrim Horizon	Distributes digital and analog communication equipment
Sep-25	Subotnick Packing Material	Veritiv (Clayton, Dubilier & Rice)	Distributes packaging materials and equipment
Sep-25	Williamson-Dickie Manufacturing (V.F. Corporation)	Bluestar Alliance	Distributes workwear and accessories
Sep-25	Klimatrol Environmental Systems	PE Gate Partners	Distributes hydronic heating and cooling systems
Sep-25	Vital Pack	SupplyOne (Revelar Capital)	Distributes packaging and shipping products
Sep-25	Great Plains Urethane Distribution	Murphy-Hoffman Company	Distributes polyurea and spray foam solutions
Sep-25	American Riggers	Bishop Lifting Products (Altamont Capital)	Distributes sling fabrication and rigging supplies
Sep-25	Century Metals & Supplies	Friedman Industries	Distributes metal products
Aug-25	DMI Direct Metals	Trivest Partners	Distributes roofing fasteners and accessories
Aug-25	Ferro Technique (Argyle Capital Partners)	MC Machinery Systems (Mitsubishi Corporation)	Distributes measuring equipment and tooling
Aug-25	TPC Engineering (Audax)	Amphenol Corporation	Distributes wire and cable
Aug-25	MRO Supply	Haggard & Stocking Associates	Distributes supplies and equipment for MRO
Aug-25	Fleetwood Industrial Products/P-M Industrial, Inc.	OTC Industrial Technologies (Genstar Capital)	Distributes seals, gaskets, and non-metallic bearings
Aug-25	Southwest Seal & Supply	Aberdeen Dynamics	Distributes sealing, hydraulic hoses, fittings, couplings, gasketing, and fluid control products
Aug-25	Brady Industries	Imperial Dade	Distributes JanSan, foodservice, and industrial packaging
Aug-25	Mesa Fastener	Raymond Capital	Distributes threaded fasteners
Aug-25	Connectronics (Bald Cypress)	Talley (Rexel USA)	Distributes wireless and connectivity products
Jul-25	Sonneman (Dunes Point Capital)	Hudson Valley Lighting	Distributes a broad range of innovative lighting solutions
Jul-25	Farm-Fleet	Southern Marketing Affiliates	Distributes agricultural, forestry, and construction machinery
Jul-25	NSL Aerospace	Bron Tapes (Rotunda Capital)	Distributes aerospace adhesives, sealants, rotables and consumables
Jul-25	VMW Welding Supply	Sidney Lee Welding Supply	Distributes welding supplies and industrial gases
Jul-25	State Supply (HLK)	Transmission & Fluid Equipment	Distributes mechanical power transmission, unit and bulk material handling, electrical power transmission products
Jul-25	Cavanaugh Government Group	AFC Industries (Bertram Capital)	Distributes military parts, LED lighting and filtration products
Jul-25	Scotty and Andrew 1	DXP Enterprises	Distributes industrial pumping systems
Jul-25	AAA Industrial Supply	Foundation Investment Partners	Distributes industrial supplies and safety equipment
Jul-25	Johnson Bearing & Supply	Purvis Industries	Distributes bearings
Jun-25	Burns Controls Company	Valin (Graybar Electric)	Distributes electrical, hydraulic and pneumatic products



INDUSTRIAL PRODUCTS DISTRIBUTION – SELECT RECENT TRANSACTIONS (2 OF 4)

Date	Target (Owner)	Acquirer (Owner)	Target Description
Jun-25	MRC Global	DNOW	Distributes pipes, valves, and fittings
Jun-25	Warshauer Electric Supply	Rexel USA	Distributes electrical and lighting supplies and systems
Jun-25	Tenacity	Frontier Precision	Distributes spray drones
Jun-25	Biloxi Paper	Brady Industries	Distributes JanSan and foodservice supplies
Jun-25	Colonial Seal	Marco Rubber & Plastics (Align Capital Partners)	Distributes seals, O-rings, and gaskets
Jun-25	Industrial Pipe & Supply	MKS Pipe and Valve	Distributes pipe, fittings, valves, coatings & tape, gaskets, and accessories
May-25	Relevant Industrial (LKCM Headwater)	Fusion Capital Partners	Distributes valves, regulators, automation equipment, steam and thermal equipment, and filtration products
May-25	Automatic Appliance Parts	Appliance Parts Depot (Reliable Parts)	Distributes appliance parts and accessories to OEMs
May-25	Hannan Supply Company	Butler Supply	Distributes electrical parts and equipment
May-25	The BoxMaker	SupplyOne (Revelar Capital)	Distributes custom boxes and packaging solutions
May-25	Wilmington Rubber & Gasket	Singer Industrial	Distributes industrial hose, couplings, fittings, and accessories
Apr-25	APSTape	Plus Packaging	Distribute custom-printed packaging tape
Apr-25	Schwing Electrical Supply	Rexel USA	Distributes electrical products and fixtures
Mar-25	Integrated Supply Network	National Oak Distributors	Distributes automotive tools and equipment
Mar-25	Potter Associates (PA Culver)	R&T Holdings	Distributes hydraulics, gaskets, valves, and fittings
Mar-25	Independent Pipe and Supply	Ferguson	Distributes industrial pipes, valves and fittings
Mar-25	CAC Industrial Equipment	FloWorks International (Wynnchurch Capital)	Distributes industrial pumps
Mar-25	A&A Resources	Purvis Industries	Distributes electrical and wire MRO parts
Feb-25	Charleston's Rigging & Marine	Ascent Lifting (Shorehill Capital)	Distributes marine hardware & material handling equipment
Jan-25	M.B. McKee Company	Motion Industries (Genuine Parts Company)	Distributes mechanical bearings, belts, chains, motors, power transmission and conveyor systems
Jan-25	Irwin Industrial Agencies	AFC Industries (Bertram Capital)	Distributes electronic components, hardware, and fasteners
Jan-25	Schweitzer & Crosson	SurfacePrep	Distributes industrial finishing equipment and supplies
Jan-25	Sasco Fasteners	Five Point Acquisitions	Distributes industrial supplies and fasteners
Dec-24	Accutrol	TASi Measurement	Distributes controls
Dec-24	Distributor Wire & Cable	Crossplane Capital Management	Distributes wire and cable
Dec-24	Falcon Electronics	Corja	Distributes electronic components
Dec-24	Central States Industrial	Cogent	Distributes pipe, valves, and fittings
Nov-24	Northern Wholesale Supply (Wynnchurch Capital)	Sun Capital Partners	Distributes recreational vehicle, marine, ATV, and snowmobile parts
Nov-24	PinAcle Stainless Steel	Groupe Deschênes	Distributes pipes, tubes, fittings, valves, hangers, and fasteners
Nov-24	Northwest Pump & Equipment	H.I.G. Capital	Distributes equipment, industrial pumps, and compressors



INDUSTRIAL PRODUCTS DISTRIBUTION – SELECT RECENT TRANSACTIONS (3 OF 4)

Date	Target (Owner)	Acquirer (Owner)	Target Description
Nov-24	Metro Supply	TopBuild	Distributes mechanical insulation
Nov-24	Pomona Wholesale Electric/Desert Electric Supply	Walters Wholesale Electric (Consolidated Electrical Distributors)	Distributes LED lights, power distribution, and motor controls
Nov-24	NSI Industries (Odyssey Investment Partners)	Sentinel Capital	Distributes HVAC, electrical connectors, fittings, and wire management products
Nov-24	Assembly Fasteners	Endries International	Distributes fasteners, electronic hardware and access hardware
Nov-24	Economy Products & Solutions	Imperial Dade	Distributes JanSan supplies and equipment
Nov-24	CORUS Fastening	LINC Systems (Center Rock Capital)	Distributes industrial fasteners and pneumatic tools
Nov-24	MaxVac	DXP Enterprises	Distributes vacuum pumps
Nov-24	Aurora Motors	ABB	Distributes industrial and agricultural motors
Nov-24	Total Tool Supply	The NEFCO Corporation	Distributes tools, abrasives, consumables, safety products and hoisting equipment
Oct-24	D. F. Burnham & Company	Galco Industrial Electronics	Distributor of hydraulic and pneumatic components
Oct-24	Cohn & Gregory Supply	Venturi Supply	Distributes pipes, valves, and fittings
Oct-24	Dana Safety Supply	AEA Investors	Distributes law enforcement, police, and commercial truck equipment
Oct-24	Alabama Industrial Distributors	Turner Supply Company	Distributes safety, MRO and power transmission solutions
Sep-24	Fresno Pipe & Supply	Ferguson	Distributes pipes, valves, and fittings
Sep-24	Sunny Communications	Sound Growth Partners	Distributes communication equipment
Sep-24	KOA Electronics Distribution	WAVE Electronics (AVAD)	Distributes AV and security products
Sep-24	Summit Electric Supply	Sonepar Management	Distributes electrical supplies
Sep-24	Servtronics	Endries International	Distributes fasteners and electro-mechanical hardware
Aug-24	Assured Automation	FloWorks International (Wynnchurch Capital)	Distributes valves and flow components
Aug-24	Tri-State Industrial Supplies	BlackHawk Industrial Distribution (TruArc Partners)	Distributes machine tools
Aug-24	Green Equipment Company	Core & Main	Distributes utility and wastewater inspection equipment
Aug-24	J G Industries	BSC Industries (Benford Capital Partners)	Distributes bearings, motion control, fluid power, and power transmission tools and equipment
Aug-24	ORS Nasco (One Equity Partners)	Wynnchurch Capital	Distributes industrial supplies, equipment and consumables
Aug-24	Air Automation Engineering	Motion & Control Enterprises	Distributes pneumatic and motion control products
Jul-24	City Maintenance Supply	Imperial Dade	Distributes lighting, janitorial, plumbing and industrial supplies
Jul-24	Modern Fasteners	NEFCO	Distributes power tools, safety equipment, and fasteners
Jul-24	Source Atlantic (Ocean Capital)	Lawson Products	Distributes industrial MRO supplies
Jun-24	Aptex	MSC Industrial Direct	Distributes industrial tools and equipment
May-24	KGM Gas (Compass Group Management)	Tinicum	Distributes flow-control equipment
May-24	Reliable Batteries	Energy Products (UTEX Industries)	Distributes batteries for renewable energy storage



INDUSTRIAL PRODUCTS DISTRIBUTION – SELECT RECENT TRANSACTIONS (4 OF 4)

Date	Target (Owner)	Acquirer (Owner)	Target Description
May-24	Merco Tape (Merco Hackensack)	LindFast (Nautic Partners)	Distributes adhesive tapes
Mar-24	The Bostwick-Braun Company	House-Hasson Hardware	Distributes industrial consumables and equipment
Mar-24	Spartan Tool Supply	Foundation Investment Partners	Distributes power tools and equipment
Mar-24	Pro-Seal	DXP Enterprises	Distributes pumping systems, fluid sealing and seal support systems
Feb-24	AC Controls Company	Kele (The Stephens Group)	Distributes instrumentation, valves, and controls
Feb-24	SurfacePrep (CenterOak Partners)	Nautic Partners	Distributes abrasives and surface enhancement equipment
Jan-24	Rocky Mountain Industrial Supply	Mallory Safety and Supply	Distributes industrial safety products
Jan-24	Koch Industries	Hillman Solutions	Distributes wire ropes and chains
Dec-23	G. T. Michelli (Stellus Capital)	Summit Park	Distributes weighing and measurement equipment
Dec-23	Electrical Cable Specialists	Camp Lake Capital	Distributes wire and cable
Nov-23	Power Grid Components (Shorehill Capital)	Blackstone	Distributes insulators
Nov-23	Reliable Rubber	Belt Power (Platte River Equity)	Distributes lightweight belting products
Sep-23	Mid-States Bolt & Screw	MPE Partners	Distributes fasteners, tools and industrial hardware

VI. Public Market Updates

PERFORMANCE AND VALUATION METRICS ACROSS DISTRIBUTION SUB-SECTORS

REPRESENTATIVE PUBLIC COMPANIES

This section provides a snapshot of companies across seven distribution sub-sectors, highlighting valuation metrics and recent trading performance. These insights reflect historical market sentiment and help contextualize expectations for valuations within the distribution sector.

INDUSTRIAL DISTRIBUTION



BUILDING PRODUCTS DISTRIBUTION



ELECTRICAL PRODUCTS & TECHNOLOGY DISTRIBUTION



CHEMICALS DISTRIBUTION



ENERGY DISTRIBUTION



AUTOMOTIVE DISTRIBUTION



FOODSERVICE DISTRIBUTION



PUBLIC COMPARABLE COMPANIES – SUMMARY

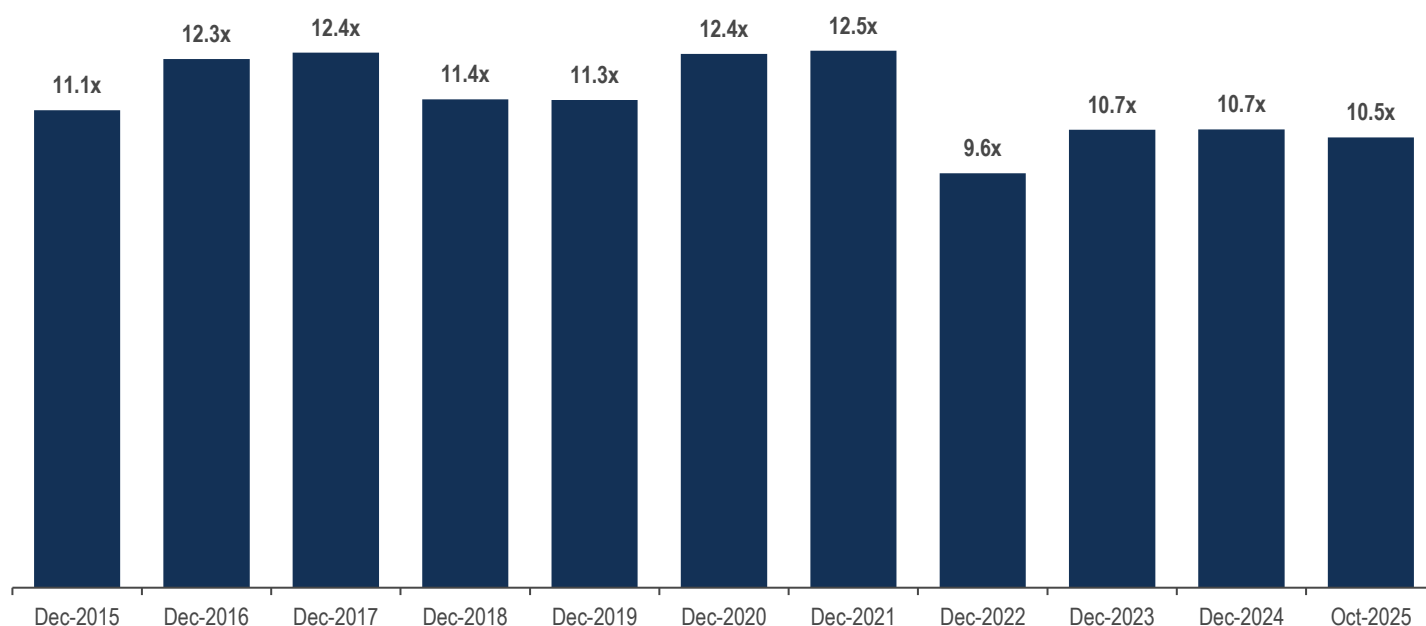
Company	HQ	Market Cap	EV	EV / EBITDA	Net Debt / EBITDA	Rev.	Rev. per FTE	3-Yr. Rev. CAGR	Gross Margin	EBITDA Margin
Automotive Distribution										
AutoZone	Memphis, TN	\$61,116m	\$73,297m	15.5x	2.6x	\$18,939m	\$182k	5.2%	52.6%	22.3%
Genuine Parts Company	Atlanta, GA	17,710m	23,696m	12.3x	2.5x	23,771m	NA	5.0%	36.9%	7.9%
LKQ Corporation	Antioch, TN	8,181m	13,422m	6.1x	2.4x	14,097m	NA	2.8%	39.1%	11.6%
O'Reilly Automotive	Springfield, MO	79,975m	88,172m	19.8x	1.8x	17,463m	NA	7.5%	51.5%	22.2%
Building Products Distribution										
Beijer Ref	Malmö, Skåne län	\$8,038m	\$8,998m	18.6x	2.0x	\$3,717m	\$547k	21.3%	31.1%	10.7%
BlueLinx	Marietta, GA	516m	795m	7.5x	2.6x	2,947m	NA	(13.6%)	15.9%	3.3%
Builders FirstSource	Irving, TX	12,846m	17,631m	9.9x	2.7x	15,653m	NA	(12.0%)	31.0%	10.2%
Ferguson	Newport News, VA	48,700m	53,992m	14.7x	1.4x	30,762m	879k	2.5%	30.7%	9.7%
Pool Corp	Covington, LA	9,948m	11,209m	14.3x	1.6x	5,295m	NA	(4.7%)	29.6%	12.0%
QXO	Greenwich, CT	11,902m	14,795m	146.6x	18.2x	1,948m	NA	NA	25.6%	3.5%
SiteOne Landscape Supply	Roswell, GA	5,780m	6,651m	13.2x	1.7x	4,672m	NA	5.9%	34.6%	7.9%
TopBuild	Daytona Beach, FL	11,820m	13,060m	11.4x	1.1x	5,216m	NA	2.9%	30.1%	19.5%
Watsco	Miami, FL	13,945m	14,352m	15.2x	NM	7,414m	NA	1.0%	27.9%	10.4%
Chemicals Distribution										
Azelis	Antwerp, Antwerpen	\$2,814m	\$4,699m	8.5x	3.4x	\$4,600m	NA	6.1%	23.6%	10.6%
Brenntag SE	Essen, Nordrhein-Westfalen	8,019m	11,414m	8.0x	2.4x	17,410m	995k	(5.8%)	25.0%	6.7%
DKSH	Zurich, Zürich	4,530m	4,920m	8.6x	0.6x	12,921m	507k	(0.2%)	8.1%	3.5%
Hawkins	Roseville, MN	2,963m	3,246m	19.1x	1.7x	1,045m	NA	5.2%	23.0%	15.8%
IMCD	Rotterdam, Zuid-Holland	6,127m	7,907m	11.9x	2.7x	5,266m	998k	5.8%	25.9%	11.3%
L'Air Liquide	Paris, Île-de-France	111,777m	125,341m	13.9x	1.4x	29,817m	448k	0.9%	63.3%	27.7%
Electrical Products & Technology Distribution										
Arrow Electronics	Centennial, CO	\$5,746m	\$8,737m	7.9x	2.6x	\$29,389m	NA	(7.2%)	11.3%	3.4%
Avnet	Phoenix, AZ	3,940m	6,964m	8.9x	3.9x	22,495m	NA	(4.1%)	10.6%	3.0%
Insight Enterprises	Chandler, AZ	3,098m	4,184m	8.0x	2.1x	8,272m	NA	(7.6%)	20.8%	6.0%
Rexel	Paris, Île-de-France	10,193m	15,267m	9.4x	3.1x	21,143m	789k	5.1%	24.9%	5.9%
RS Group	London, England	3,424m	3,903m	10.0x	1.2x	3,705m	436k	0.7%	42.8%	9.7%
ScanSource	Greenville, SC	947m	967m	7.4x	0.2x	3,041m	1,448k	(6.0%)	13.4%	4.1%
TD Synnex Corp	Fremont, CA	12,744m	16,109m	8.5x	1.8x	60,974m	NA	(0.4%)	6.9%	2.9%
Wesco	Pittsburgh, PA	12,625m	18,561m	10.7x	3.4x	22,942m	1,147k	3.5%	21.1%	6.2%

PUBLIC COMPARABLE COMPANIES – SUMMARY (CONT.)

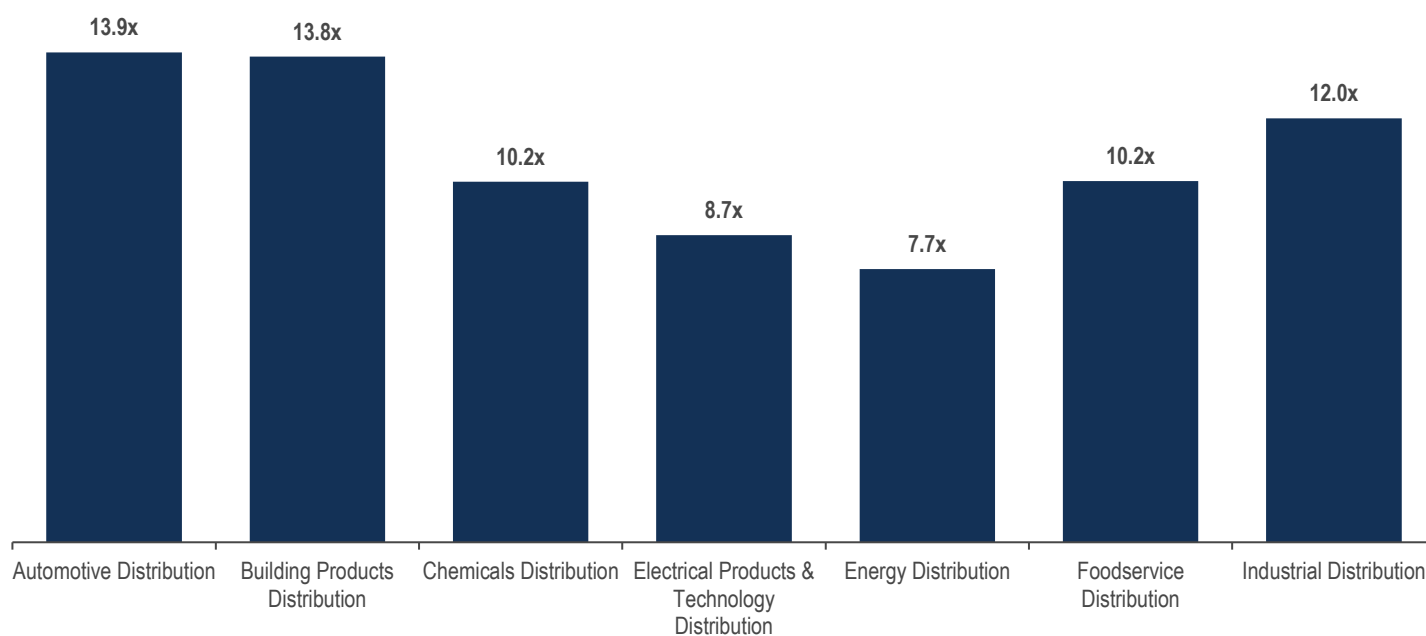
Company	HQ	Market Cap	EV	EV / EBITDA	Net Debt / EBITDA	Rev.	Rev. per FTE	3-Yr. Rev. CAGR	Gross Margin	EBITDA Margin
Energy Distribution										
Enbridge	Calgary, Alberta	\$101,761m	\$179,994m	13.0x	5.9x	\$46,230m	NA	7.0%	41.0%	26.2%
Global Partners	Waltham, MA	1,533m	3,598m	7.7x	4.3x	17,828m	NA	(0.8%)	6.3%	2.2%
NOV	Houston, TX	5,325m	6,530m	5.3x	0.9x	8,775m	NA	9.5%	21.7%	12.5%
Suburban Propane Partners	Whippany, NJ	1,194m	2,540m	8.5x	4.2x	1,430m	NA	(1.6%)	25.6%	19.1%
Vallourec	Meudon, Île-de-France	4,439m	4,759m	5.5x	0.3x	4,150m	312k	(4.6%)	29.8%	19.0%
Foodservice Distribution										
Chef's Warehouse	Ridgefield, CT	\$2,400m	\$3,290m	9.6x	2.6x	\$4,041m	NA	19.3%	24.2%	5.4%
Performance Food Group	Richmond, VA	15,170m	23,087m	13.1x	4.5x	59,899m	1,400k	6.1%	12.4%	2.6%
Sysco	Houston, TX	35,570m	49,348m	10.2x	2.8x	82,034m	NA	4.8%	18.4%	5.4%
United Natural Foods, Inc.	Providence, RI	2,284m	5,696m	6.3x	3.8x	31,794m	1,242k	3.2%	13.3%	1.6%
US Foods	Rosemont, IL	16,352m	21,303m	12.3x	2.9x	38,652m	NA	5.6%	17.4%	4.3%
Industrial Distribution										
Applied Industrial Technologies	Cleveland, OH	\$9,697m	\$9,823m	15.3x	0.2x	\$4,664m	\$686k	5.4%	30.4%	12.4%
Bunzl	London, England	9,792m	12,839m	8.5x	2.0x	15,306m	NA	2.2%	28.3%	8.1%
Core & Main	Saint Louis, MO	9,950m	12,536m	12.1x	2.4x	7,740m	NA	8.2%	26.7%	12.0%
Diploma	London, England	9,882m	10,466m	23.1x	1.3x	1,855m	562k	18.6%	46.9%	22.6%
Distribution Solutions Group	Fort Worth, TX	1,264m	2,016m	10.0x	3.7x	1,979m	NA	27.6%	33.6%	8.8%
DNOW	Houston, TX	1,544m	1,370m	7.0x	NM	2,404m	934k	6.4%	22.9%	7.2%
DXP Enterprises	Houston, TX	1,878m	2,454m	10.9x	2.6x	1,919m	NA	12.7%	31.4%	10.6%
Fastenal	Winona, MN	47,242m	47,471m	24.0x	0.1x	7,998m	371k	5.5%	45.1%	22.4%
Global Industrial Company	Port Washington, NY	1,094m	1,142m	9.9x	0.4x	1,336m	NA	4.6%	35.4%	7.5%
MSC Industrial	Melville, NY	4,737m	5,228m	12.0x	1.1x	3,770m	525k	0.7%	40.8%	10.7%
W.W. Grainger	Lake Forest, IL	46,828m	49,413m	16.0x	0.7x	17,750m	NA	6.3%	39.1%	16.8%

PUBLIC COMPARABLE COMPANIES – TRADING OVERVIEW

TRAILING EV / EBITDA MULTIPLES – OVERALL MEDIAN



CURRENT TRAILING EV / EBITDA MULTIPLES – CATEGORY MEDIAN (OCT-2025)



PUBLIC COMPARABLE COMPANIES – CATEGORY SPOTLIGHT (AUTOMOTIVE DISTRIBUTION)



AZO



GPC

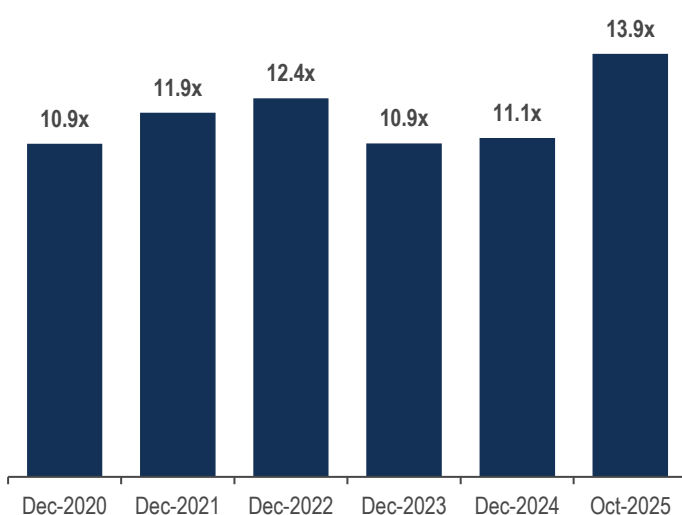


LKQ

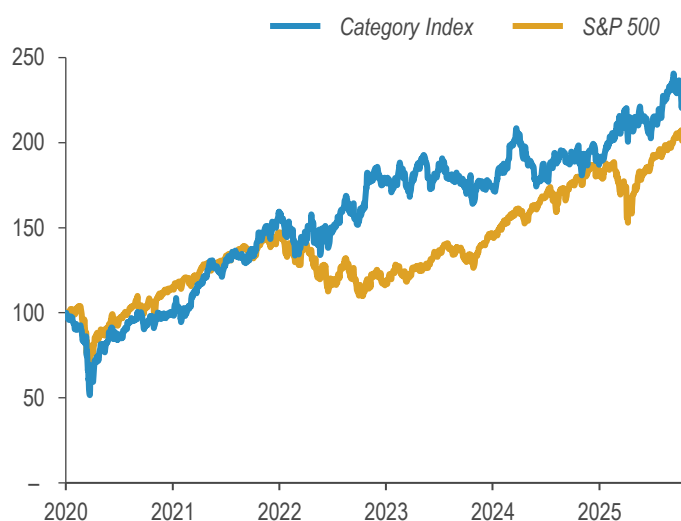


ORLY

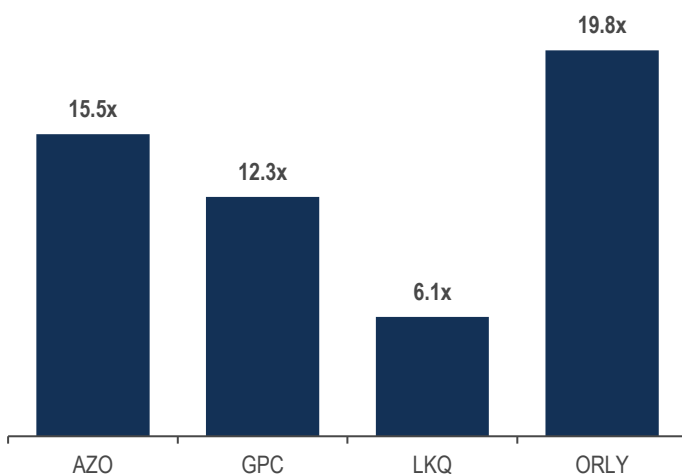
TRAILING EV / EBITDA MULTIPLES – CATEGORY MEDIAN



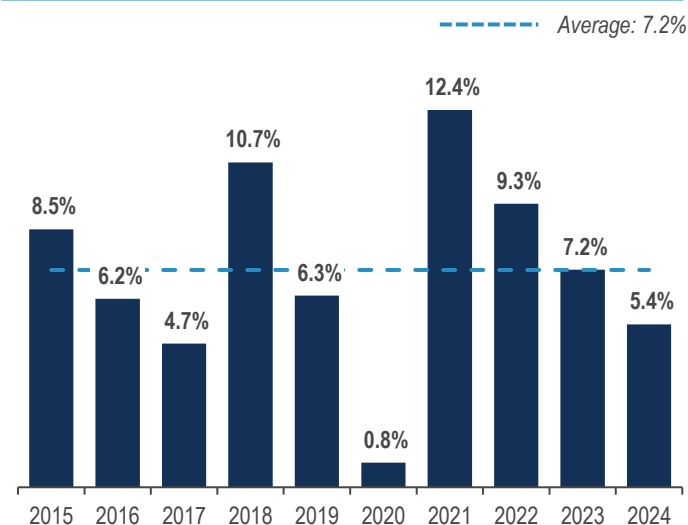
INDEXED STOCK PRICE PERFORMANCE



CURRENT TRAILING EV / EBITDA MULTIPLES (OCT-2025)



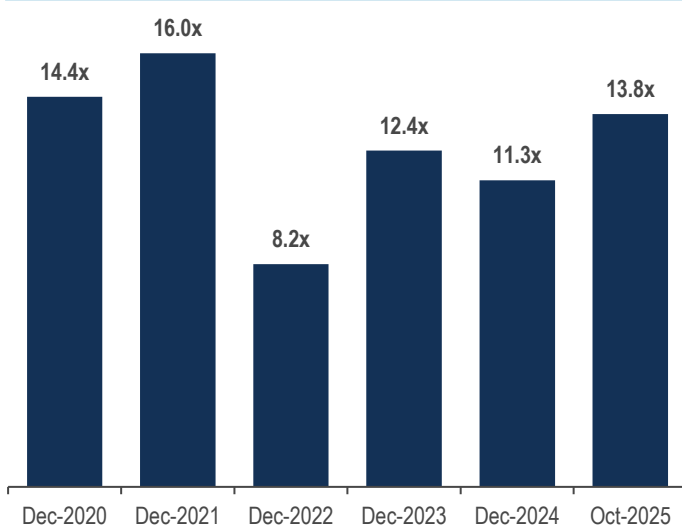
YOY REVENUE GROWTH – CATEGORY MEDIAN



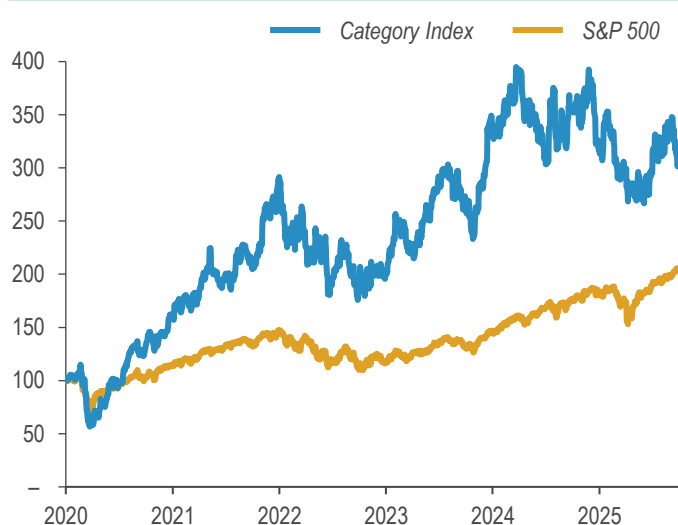
PUBLIC COMPARABLE COMPANIES – CATEGORY SPOTLIGHT (BUILDING PRODUCTS DISTRIBUTION)



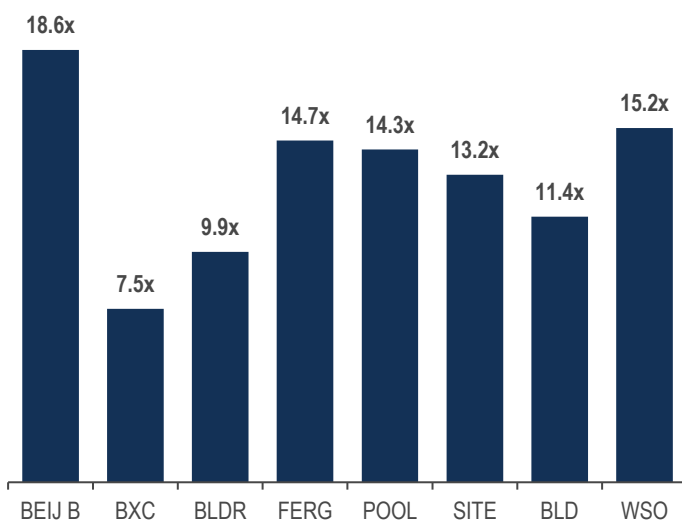
TRAILING EV / EBITDA MULTIPLES – CATEGORY MEDIAN



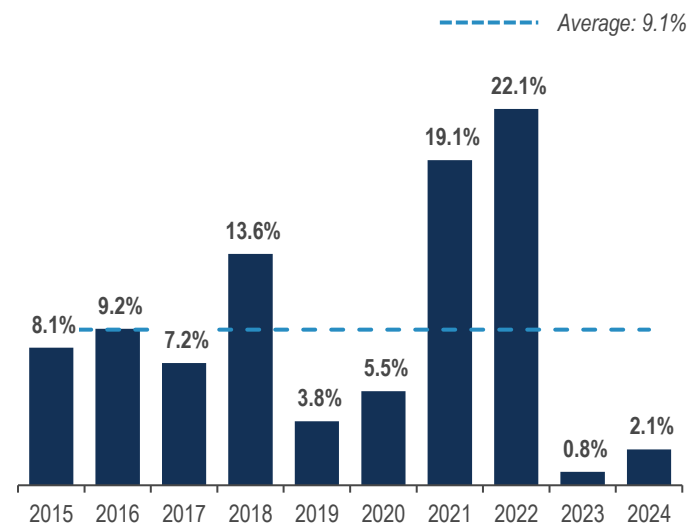
INDEXED STOCK PRICE PERFORMANCE



CURRENT TRAILING EV / EBITDA MULTIPLES (OCT-2025)



YOY REVENUE GROWTH – CATEGORY MEDIAN



PUBLIC COMPARABLE COMPANIES – CATEGORY SPOTLIGHT (CHEMICALS DISTRIBUTION)



AZE



BNR



DKSH



HWKN

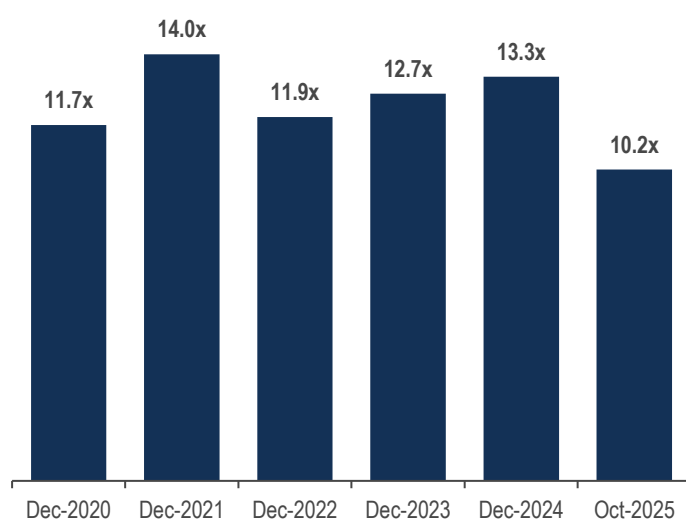


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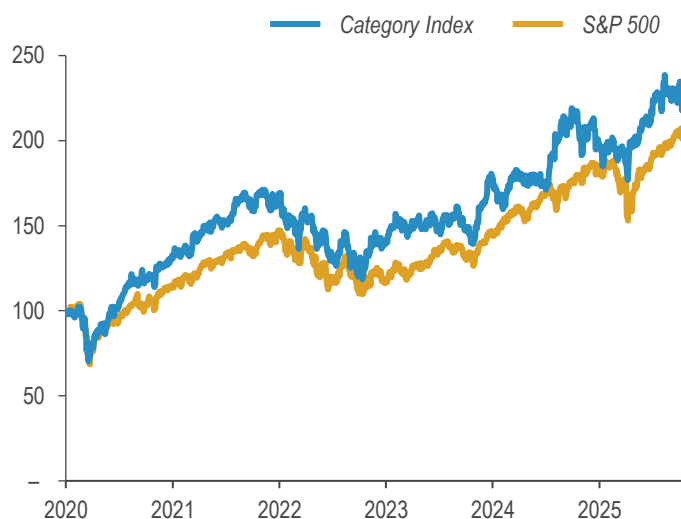


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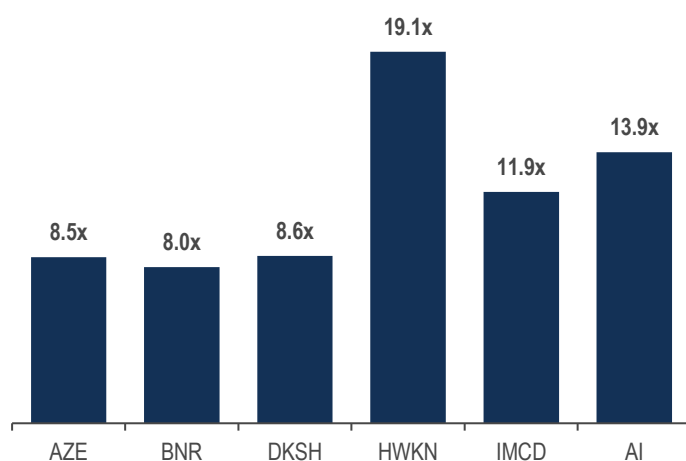
TRAILING EV / EBITDA MULTIPLES – CATEGORY MEDIAN



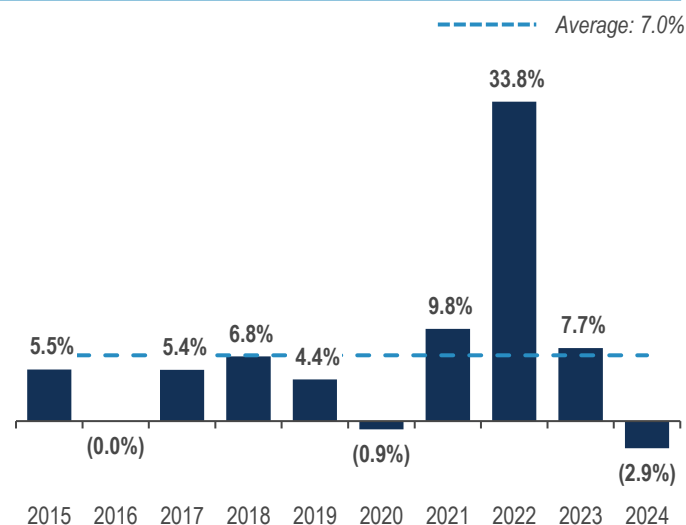
INDEXED STOCK PRICE PERFORMANCE



CURRENT TRAILING EV / EBITDA MULTIPLES (OCT-2025)



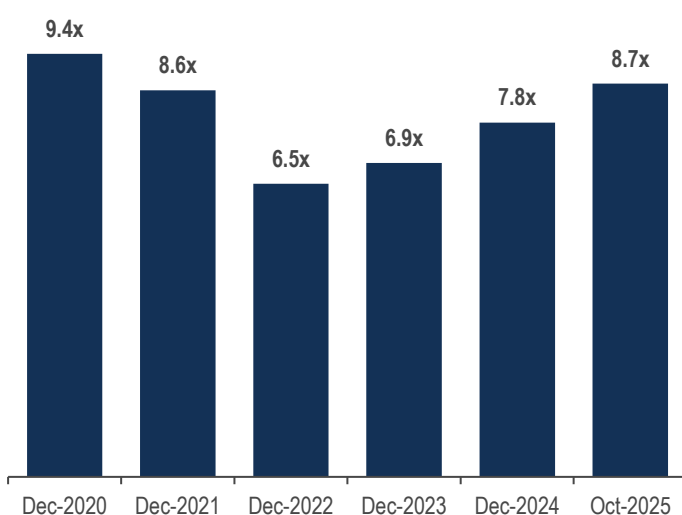
YOY REVENUE GROWTH – CATEGORY MEDIAN



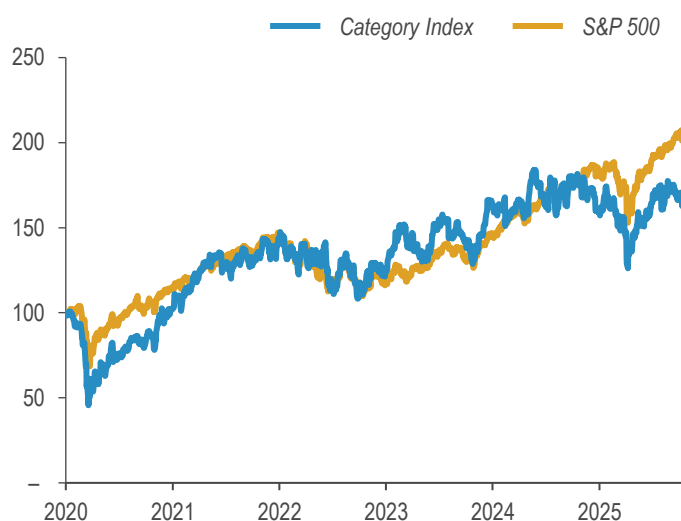
PUBLIC COMPARABLE COMPANIES – CATEGORY SPOTLIGHT (ELECTRICAL PRODUCTS & TECHNOLOGY DISTRIBUTION)



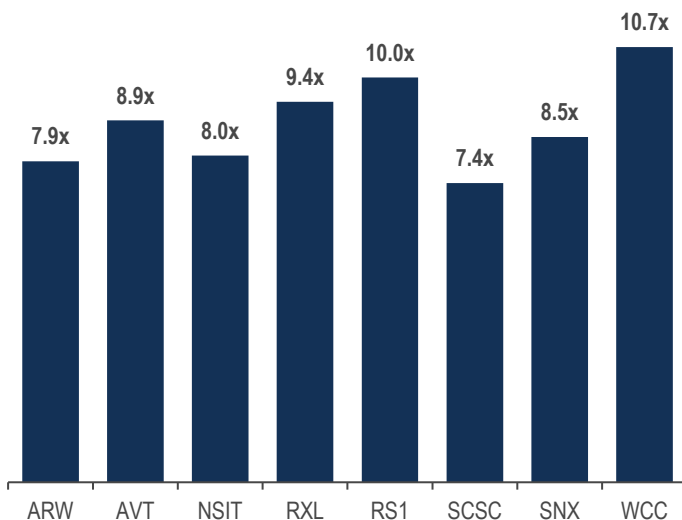
TRAILING EV / EBITDA MULTIPLES – CATEGORY MEDIAN



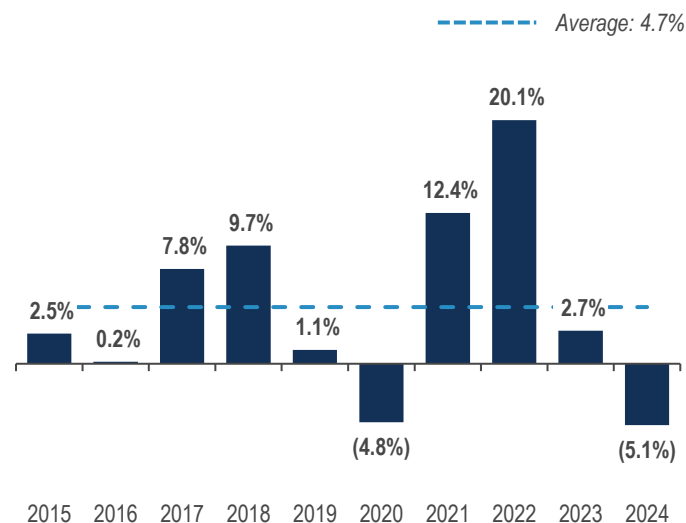
INDEXED STOCK PRICE PERFORMANCE



CURRENT TRAILING EV / EBITDA MULTIPLES (OCT-2025)



YOY REVENUE GROWTH – CATEGORY MEDIAN



PUBLIC COMPARABLE COMPANIES – CATEGORY SPOTLIGHT (ENERGY DISTRIBUTION)



ENB



GLP



NOV

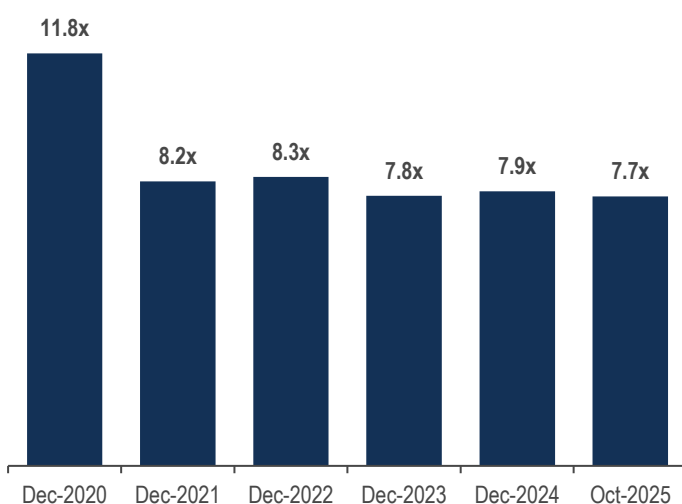


SPH

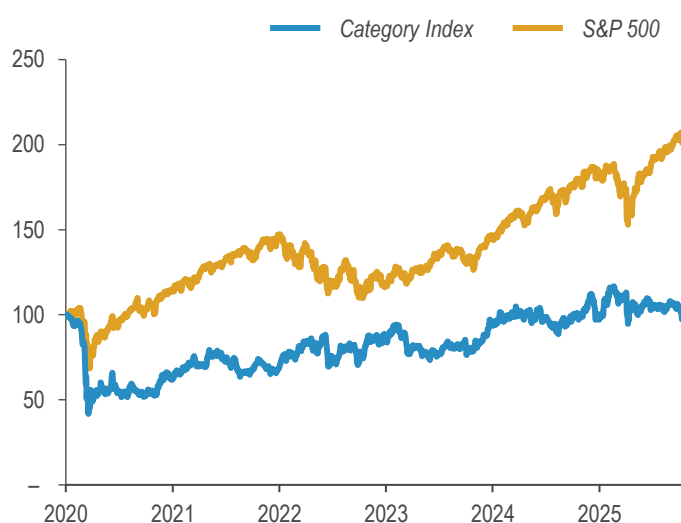


VK

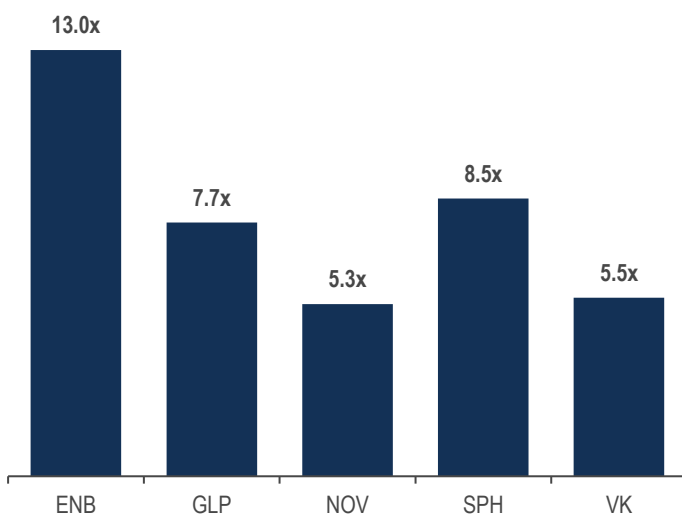
TRAILING EV / EBITDA MULTIPLES – CATEGORY MEDIAN



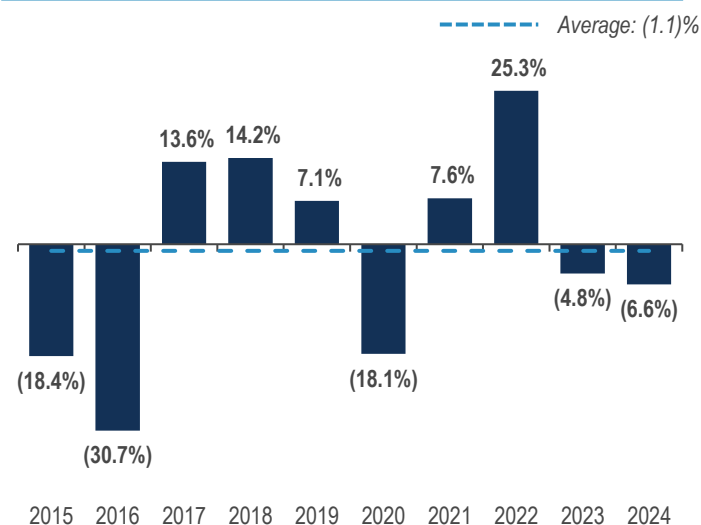
INDEXED STOCK PRICE PERFORMANCE



CURRENT TRAILING EV / EBITDA MULTIPLES (OCT-2025)



YOY REVENUE GROWTH – CATEGORY MEDIAN



PUBLIC COMPARABLE COMPANIES – CATEGORY SPOTLIGHT (FOODSERVICE DISTRIBUTION)



CHEF



PFGC



SYN

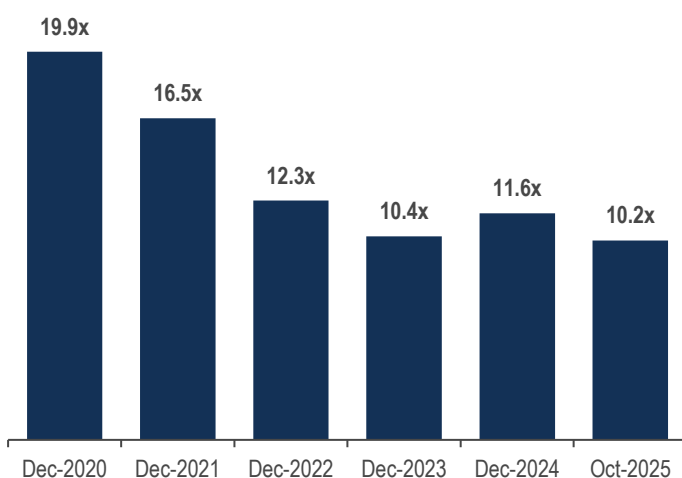


UNFI

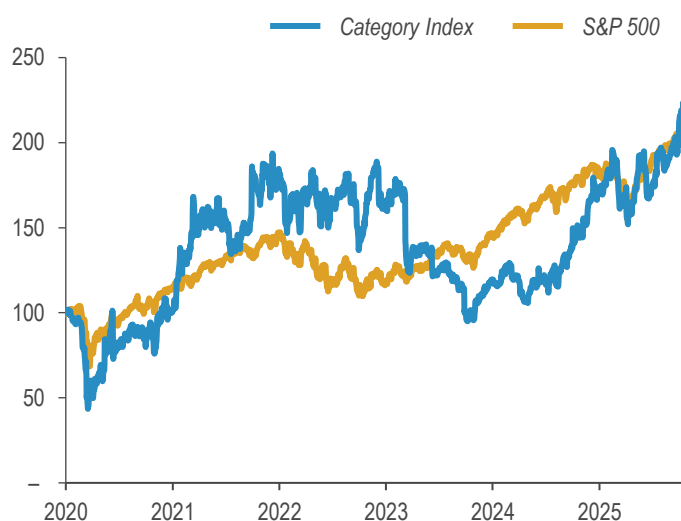


USFD

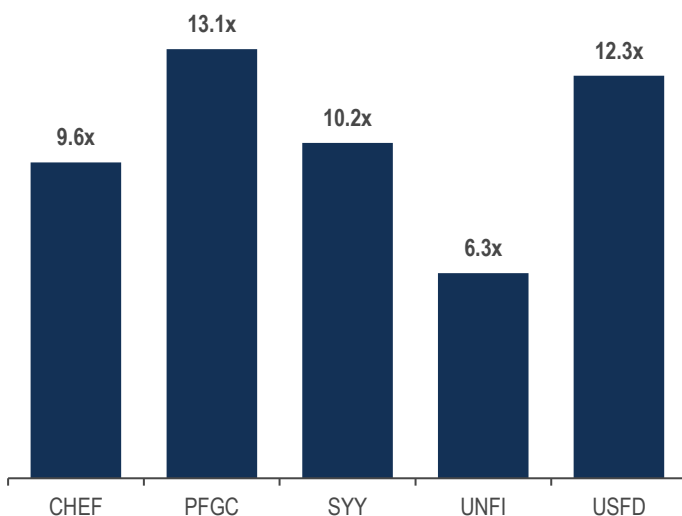
TRAILING EV / EBITDA MULTIPLES – CATEGORY MEDIAN



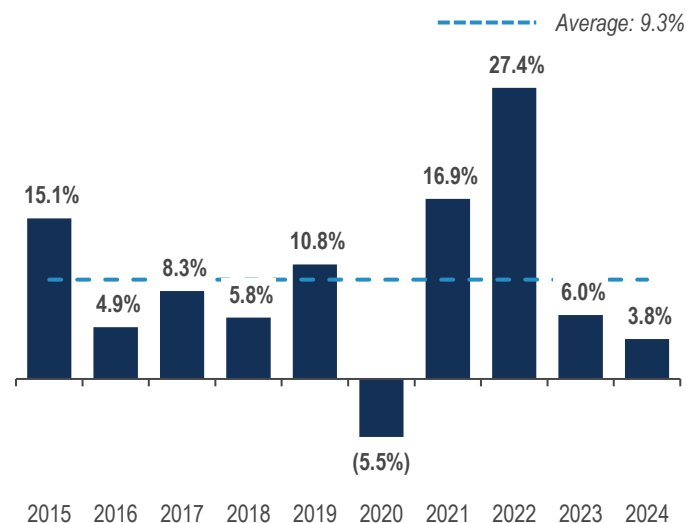
INDEXED STOCK PRICE PERFORMANCE



CURRENT TRAILING EV / EBITDA MULTIPLES (OCT-2025)



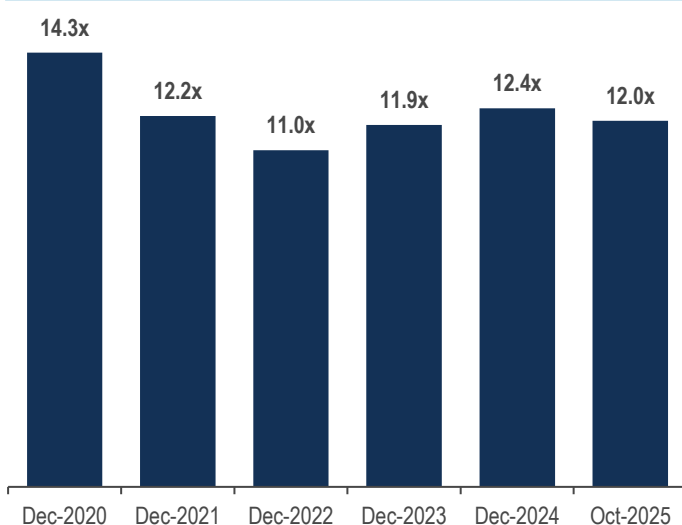
YOY REVENUE GROWTH – CATEGORY MEDIAN



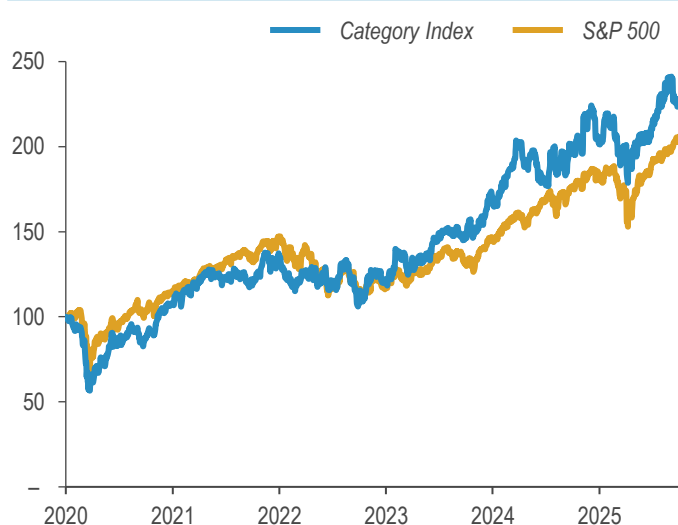
PUBLIC COMPARABLE COMPANIES – CATEGORY SPOTLIGHT (INDUSTRIAL DISTRIBUTION)



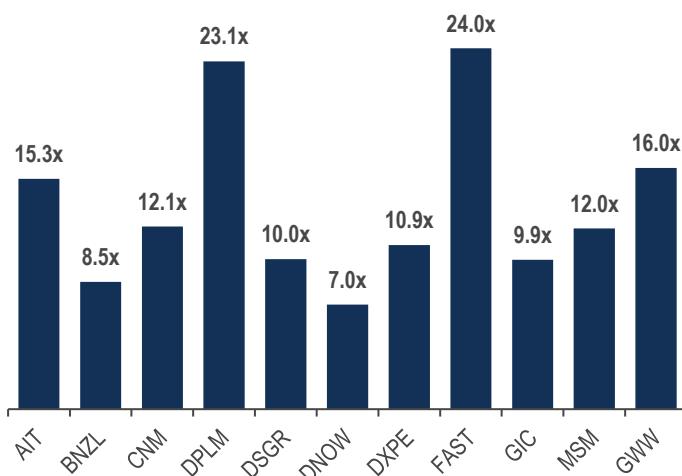
TRAILING EV / EBITDA MULTIPLES – CATEGORY MEDIAN



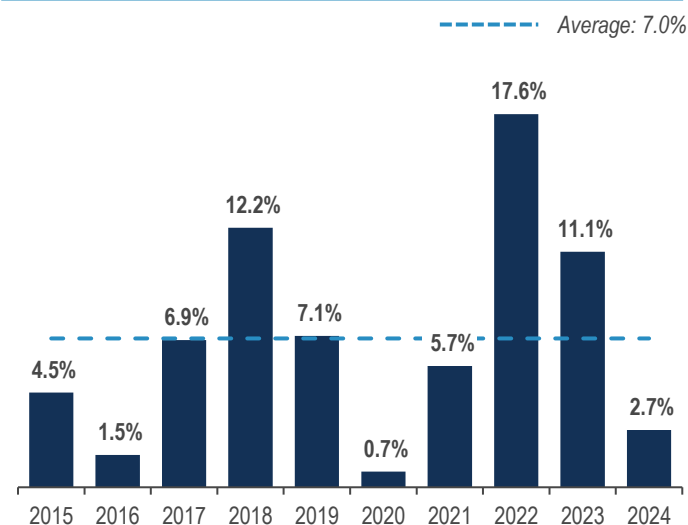
INDEXED STOCK PRICE PERFORMANCE



CURRENT TRAILING EV / EBITDA MULTIPLES (OCT-2025)



YOY REVENUE GROWTH – CATEGORY MEDIAN





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