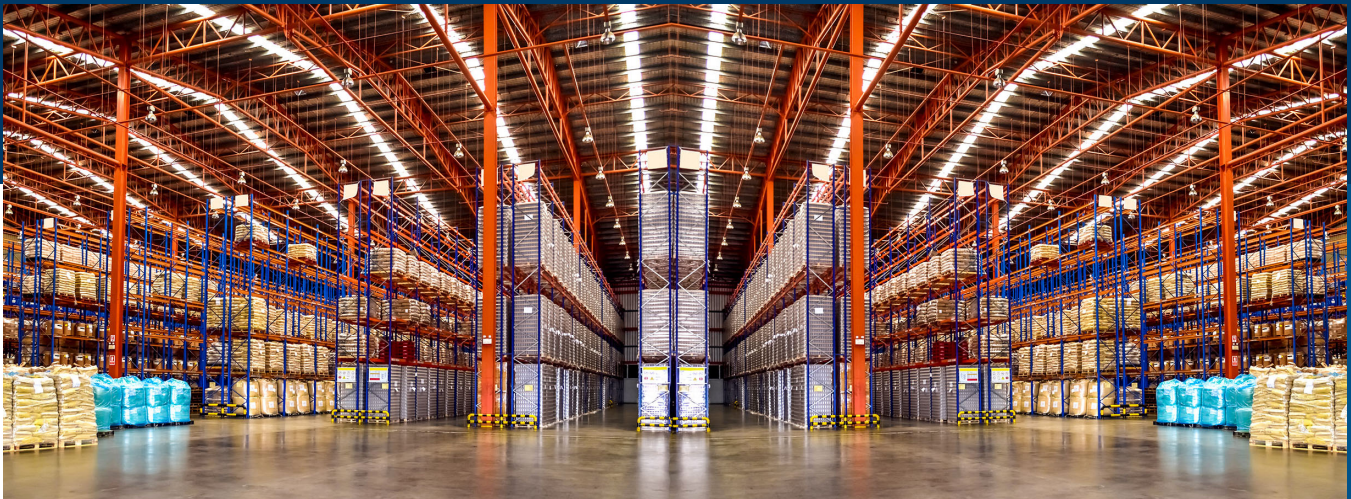


DISTRIBUTION M&A PULSE

SECOND QUARTER 2024



OUR INSIGHTS

In this publication, we examine the evolving middle-market Distribution M&A landscape, and the increased deal activity in the U.S. led by strategic acquirers.

Separately, we discuss how businesses should plan for a sale amidst an election year and how to appropriately define key cultural objectives prior to a sale process.

IN THIS ISSUE

- 03 What We're Discussing with Clients
- 04 Q2 2024 Market Summary & Outlook
- 05 Macro Distribution Indicators and Signals
- 06 Equity Market Valuations
- 08 Distribution M&A Activity
- 10 What is a Strategic Assessment

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ABOUT PMCF

PMCF is an investment bank focused exclusively on middle market transactions with professionals in Chicago, Detroit, Denver, and across the globe through Corporate Finance International™ affiliates. Offering a depth of advisory services, PMCF helps clients worldwide meet their sale, acquisition, financing, and strategic growth objectives. Additional information on PMCF can be found by visiting our website, pmcf.com.

INVESTMENT BANKING SERVICES:

- Mergers & Acquisitions
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SELECT PMCF DISTRIBUTION TRANSACTIONS





KEY INSIGHTS

1

Planning Amid Election-Year Uncertainties

While some sellers may consider delaying a sale process because of election-year uncertainties, it's essential for them to stay the course. Preparing and positioning a business for sale can take months, and a focus on consistent and strong performance should help alleviate concerns about political changes or potential economic impacts. By staying focused on the planning process and executing their business plan, sellers can better adapt to market conditions and avoid risks associated with last-minute decisions or missed opportunities.

2

Defining Cultural Objectives Prior to a Sale Process

In middle-market M&A, buyers are placing a greater emphasis on aligning corporate cultures. A strong cultural fit, leadership continuity, and a positive workplace environment are now seen as essential for smooth integration and long-term success. Clearly defining cultural objectives before a sale process can lead to better outcomes for both buyers and sellers, preserving the culture post-transaction and maximizing the Company's strategic value.

3

Strategic Portfolio Reviews

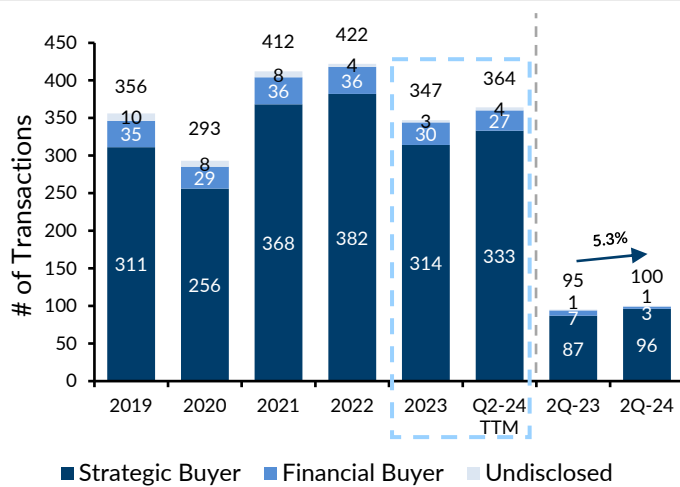
Many companies actively evaluate their portfolios or business units to identify and address potential opportunities and shortfalls. For many of these companies, M&A can offer an effective strategic option for market or product expansion. These portfolio analyses are also useful for identifying non-core or underperforming assets that can be divested. PMCF represents a beneficial partner in this process by providing strategic assessments to help evaluate a company and provide guidance on sale and acquisition planning.

Q2 2024 Market Summary & Outlook

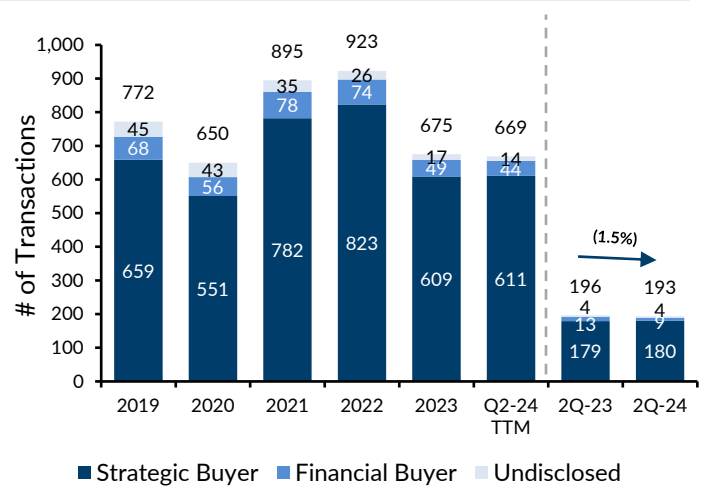
Q2 2024 – Quarterly Market Recap

- Global Distribution M&A finished Q2 2024 with 193 closed transactions, a 14.2% increase from Q1 2024. Q2 2024 activity stayed steady relative to the same quarter in 2023, closing just three less transactions in the comparable period.
- Distribution M&A volumes in the U.S. increased YoY with 100 closed transactions in Q2 2024, a 5.3% increase from the prior period. This increase was driven by strategic buyers, who acquired 6.1% more companies when comparing the trailing twelve-month period to 2023. GF Data's Q2 2024 M&A report, which tracks middle market M&A activity, attributes this to an increase in strategic add-on acquisitions in the first half of 2024, "as private equity firms focus on building platform investments rather than launching new ones." It went on to add that middle market strategic "add-on transactions reached 44% of the deals tracked by GF Data over the last two quarters compared to 35% of transactions recorded in 2023."

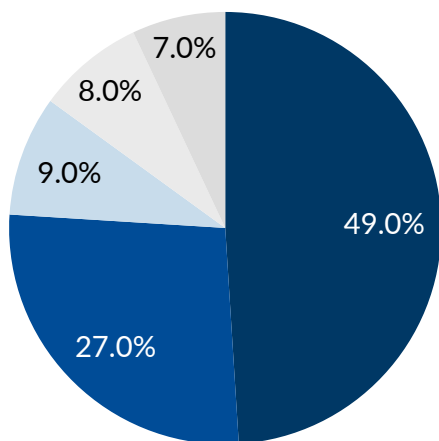
US DISTRIBUTION M&A ACTIVITY⁽¹⁾



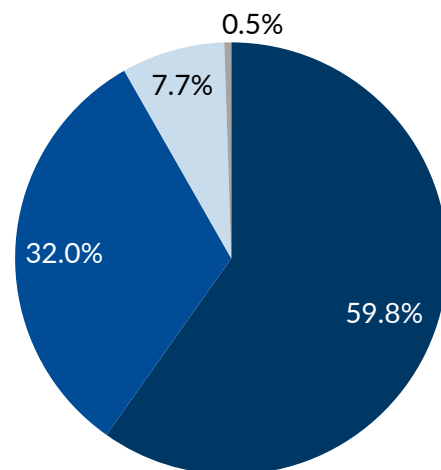
GLOBAL DISTRIBUTION M&A ACTIVITY⁽¹⁾



Q2 2024 DISTRIBUTION M&A ACTIVITY BY SEGMENT⁽¹⁾



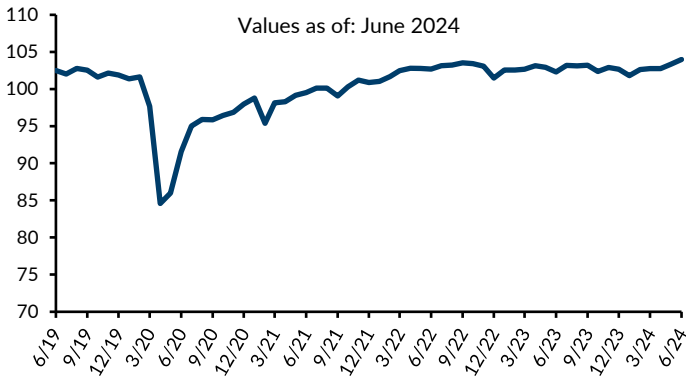
Q2 2024 DISTRIBUTION M&A ACTIVITY BY REGION – GLOBAL⁽¹⁾



Sources: (1) Capital IQ, PMCF proprietary data

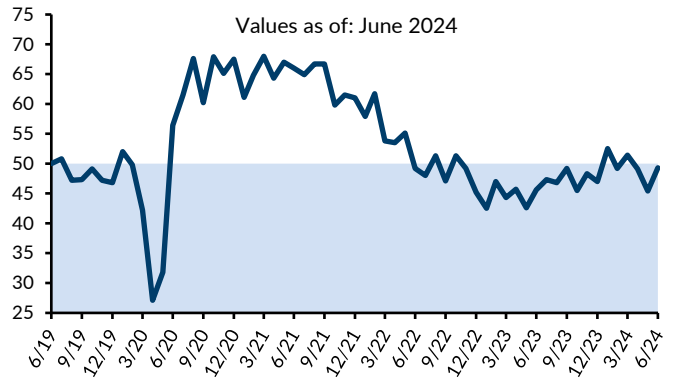
Macro Distribution Indicators and Signals

INDUSTRIAL PRODUCTION INDEX



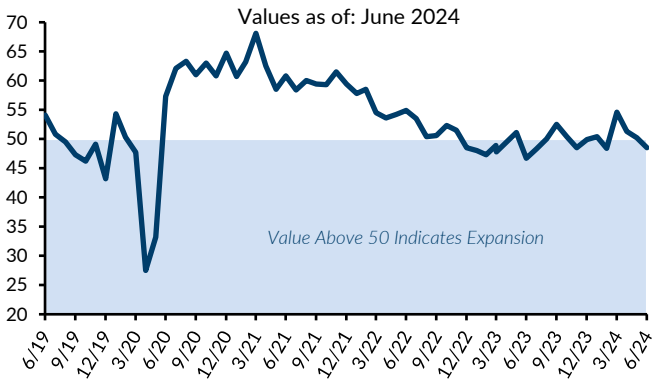
Source: Federal Reserve Bank of Chicago

ISM NEW ORDERS INDEX



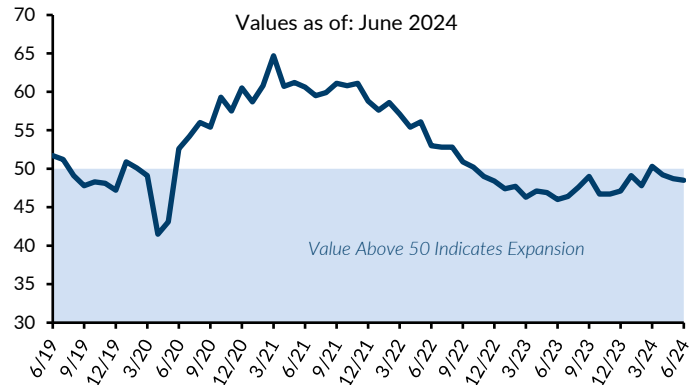
Source: Institute for Supply Management

ISM PRODUCTION INDEX



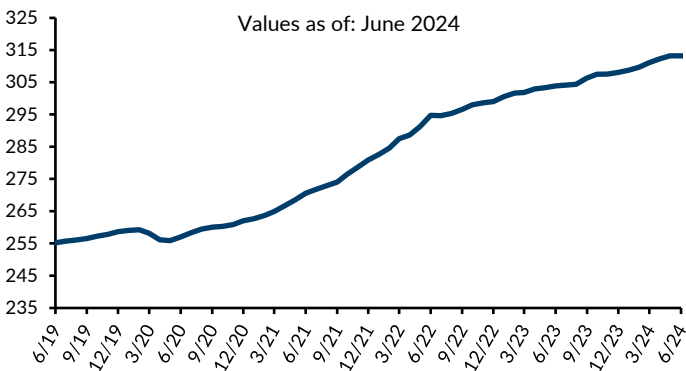
Source: Institute for Supply Management

PURCHASING MANAGERS' INDEX



Source: Institute for Supply Management

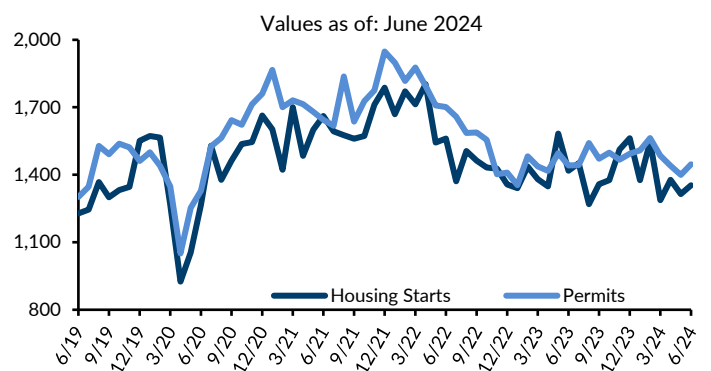
CONSUMER PRICE INDEX



Source: Federal Reserve Bank of St. Louis

HOUSING STARTS & PERMITS

(Units in 000's)



Source: Federal Reserve Bank of St. Louis

PMCF Distribution Index

Company Name	Headquarters Location	Enterprise Value ⁽¹⁾	Market Cap. ⁽¹⁾	TTM Revenue	TTM Gross Margin	TTM EBITDA Margin	Net Debt/ EBITDA	EV/ Revenue	EV/EBITDA ⁽²⁾	
									Q2 '24	Q2 '23
<i>\$ in Millions</i> ⁽³⁾										
Industrial / MRO / Safety										
W.W. Grainger, Inc.	United States	\$ 46,506	\$ 44,272	\$ 16,752	39.3%	16.8%	0.7x	2.8x	16.5x	15.5x
Fastenal Company	United States	36,225	35,979	7,416	45.5%	22.8%	0.2x	4.9x	21.4x	20.3x
Core & Main, Inc.	United States	12,115	9,441	6,869	26.9%	13.0%	2.9x	1.8x	13.5x	8.1x
Applied Industrial Technologies, Inc.	United States	7,607	7,489	4,479	29.8%	12.2%	0.2x	1.7x	13.9x	11.5x
MSC Industrial Direct Co., Inc.	United States	5,071	4,465	3,904	41.0%	13.1%	1.1x	1.3x	9.9x	10.0x
Bossard Holding AG	Switzerland	2,089	1,813	1,114	32.4%	12.0%	2.0x	1.9x	15.7x	12.2x
MRC Global Inc.	United States	1,813	1,098	3,294	20.4%	6.5%	1.5x	0.6x	8.5x	8.0x
DNOW Inc.	United States	1,346	1,466	2,339	22.7%	7.1%	NM	0.6x	8.1x	5.4x
DXP Enterprises, Inc.	United States	1,185	744	1,684	30.3%	9.8%	3.2x	0.7x	7.2x	6.9x
Median					30.3%	12.2%	1.3x	1.7x	13.5x	10.0x
Electrical Products										
WESCO International, Inc.	United States	\$ 12,907	\$ 8,057	\$ 21,948	21.5%	6.8%	3.4x	0.6x	8.6x	8.8x
Rexel S.A.	France	11,209	7,704	20,379	25.1%	6.4%	3.3x	0.6x	8.7x	6.8x
Arrow Electronics, Inc.	United States	9,833	6,428	29,673	12.4%	4.8%	2.6x	0.3x	6.9x	5.5x
Avnet, Inc.	United States	7,629	4,654	23,757	11.6%	4.2%	2.8x	0.3x	7.6x	6.0x
RS Group plc	United Kingdom	4,726	4,196	3,716	43.0%	11.2%	1.3x	1.3x	11.4x	9.2x
Median					21.5%	6.4%	2.8x	0.6x	8.6x	6.8x
Building Products										
CRH plc	Ireland	\$ 62,905	\$ 51,293	\$ 35,000	34.8%	18.1%	1.8x	1.8x	9.9x	8.2x
Ferguson Enterprises Inc.	United States	43,570	39,056	29,527	30.5%	10.0%	1.5x	1.5x	14.8x	11.7x
Builders FirstSource, Inc.	United States	20,443	16,894	17,033	34.1%	15.0%	1.7x	1.2x	8.0x	6.7x
Watsco, Inc.	United States	17,632	17,300	7,434	26.8%	10.3%	NM	2.4x	22.9x	17.8x
Pool Corporation	United States	13,001	11,780	5,368	29.6%	13.0%	1.9x	2.4x	18.7x	18.4x
Beacon Roofing Supply, Inc.	United States	8,891	5,756	9,471	25.6%	9.2%	4.1x	0.9x	10.2x	9.6x
UFP Industries, Inc.	United States	6,318	6,877	6,893	19.6%	10.5%	NM	0.9x	8.7x	6.2x
Median					29.6%	10.5%	1.8x	1.5x	10.2x	9.6x
Chemicals & Gases										
Air Liquide S.A.	France	\$111,668	\$ 99,641	\$ 28,936	61.5%	27.3%	1.6x	3.9x	14.1x	14.0x
Brenntag SE	Germany	12,166	9,740	17,369	24.6%	7.2%	2.4x	0.7x	9.7x	9.4x
IMCD N.V.	Netherlands	9,265	7,886	4,885	25.6%	11.3%	3.1x	1.9x	16.8x	15.5x
Median					25.6%	11.3%	2.4x	1.9x	14.1x	14.0x
Transportation / Logistics										
Old Dominion Freight Line, Inc.	United States	\$ 37,872	\$ 38,373	\$ 5,970	40.6%	33.7%	NM	6.3x	18.8x	20.2x
J.B. Hunt Transport Services, Inc.	United States	18,204	16,511	12,340	18.7%	12.9%	1.1x	1.5x	11.4x	10.8x
Expeditors International of Washington, Inc.	United States	16,824	17,627	9,113	13.5%	10.1%	NM	1.8x	18.3x	11.8x
XPO, Inc.	United States	16,251	12,348	8,017	17.0%	14.5%	3.4x	2.0x	14.0x	10.4x
Ryder System, Inc.	United States	13,971	5,430	12,226	19.7%	21.5%	3.3x	1.1x	5.3x	4.1x
C.H. Robinson Worldwide, Inc.	United States	12,282	10,318	17,459	6.7%	3.5%	3.1x	0.7x	20.2x	14.9x
Knight-Swift Transportation Holdings Inc.	United States	11,077	8,068	7,621	24.6%	12.5%	3.1x	1.5x	11.6x	8.2x
Median					18.7%	12.9%	3.1x	1.5x	14.0x	10.8x
Median					25.6%	11.3%	2.2x	1.5x	11.4x	9.6x
Mean					27.6%	12.5%	2.2x	1.7x	12.6x	10.7x

Source: Capital IQ

(1) Market capitalizations and total enterprise values as of June 30, 2024; income statement and balance sheet data as of last period reported

(2) Multiple of EBITDA based on EBITDA inclusive of equity income from affiliates

(3) Currency conversions assume historical rate

Key Distribution Public Company Statistics

Valuation Trends:

- While the PMCF Distribution Index's median EV/EBITDA trading multiple of 11.4x in Q2 2024 saw a slight dip from the previous quarter, it continues to show strong growth YoY, with a 16.3% increase compared to Q2 2023.
- With the exception of the Chemical & Gas subsector, all other sectors experienced year-over-year improvement in their median EV/EBITDA multiples. The Transportation & Logistics subsector led this growth, with its multiple rising from 10.8x in Q2 2023 to 15.2x in Q2 2024.

PMCF DISTRIBUTION INDEX PUBLIC VALUATIONS ⁽¹⁾ ⁽²⁾

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Revenue Multiple									
Median	1.0x	0.9x	1.0x	1.1x	1.3x	1.4x	1.5x	1.7x	1.5x
Mean	1.3x	1.3x	1.3x	1.4x	1.5x	1.6x	1.6x	1.9x	1.7x
EBITDA Multiple⁽¹⁾									
Median	9.6x	8.9x	9.4x	9.6x	9.8x	10.3x	12.1x	12.6x	11.4x
Mean	9.7x	9.0x	9.1x	10.7x	10.7x	11.0x	12.6x	13.6x	12.5x

Source: Capital IQ

(1) Multiple of EBITDA based on EBITDA inclusive of equity income from affiliates

(2) Quarterly figures based on the last trading day of each quarter shown

Equity Performance:

- The PMCF Distribution Public Equity Performance Index increased by 4.7% in Q2 2024 compared to Q2 2023, though it has declined by 3.8% year-to-date.
- Most subsectors experienced year-over-year growth, with the Industrial/MRO/Safety and Building Products subsectors leading the way, up 15.4% and 4.8%, respectively. Electrical Products was the only subsector to show a decline.

PMCF DISTRIBUTION INDEX PUBLIC EQUITY PERFORMANCE ⁽¹⁾ ⁽²⁾



Source: Capital IQ

(1) Market capitalization indices with mixed currencies are converted into USD using historical spot rates

(2) Local currency quotes converted into USD using historical spot rates

Industrial / MRO / Safety

Heritage Distribution Holdings, the U.S. platform for global HVACR wholesaler Beijer Ref, acquires Young Supply Company

April 2024 – Heritage Distribution Holdings acquired Young Supply Company (“Young Supply”), a wholesale commercial refrigeration and HVAC distributor serving contractors in the Midwestern United States, including Michigan and Northern Ohio – territories adjacent to its current holdings. Young Supply has annual sales of approximately USD 130 million with 18 branches. Young Supply is a family-owned company that was founded in 1935. Alex Averitt, CEO of Heritage Distribution, comments, *“We are excited to welcome Young Supply to the Heritage Distribution family. This strategic acquisition marks an inflection point in Heritage Distribution’s journey, solidifying our commitment to growth and innovation in the HVACR industry. This latest addition underscores our unwavering commitment to deliver enhanced services and solutions to a wider demographic, ultimately empowering more individuals to lead healthier and more comfortable lives.”*

Electrical Products

Motion & Control Enterprises acquires General Machinery Company, Inc.

May 2024 – Motion & Control Enterprises acquired General Machinery Company, Inc. (“GMC”). Founded in 1908 and based in Birmingham, AL, with locations in Mobile and Madison, AL, GMC is a distributor of automation & electrical products, process pumps, compressed air products, and related repair services to end-user and OEM customers in Alabama, northwest Florida and eastern Mississippi. The Company will continue to operate under the General Machinery Company name under the continued leadership of Frank and Paul Crockard. Charles Hale, MCE’s Chairman & CEO, comments, *“The Company [GMC] expands our territory coverage into new, growing geographies and deepens our automation and rotating equipment solution offering from leading OEMs in the industry.”* Hale further noted that *“GMC has a long, rich history and shares our focus on providing value-added solutions and expertise to our customers.”*

Building Products

Cook & Boardman acquires OKEE Industries

June 2024 - Cook & Boardman (C&B), a specialty distributor of commercial entry solutions and systems integration services, acquired OKEE Industries, Builders Hardware, Construction Hardware and Hardware Specialties located in West Hartford, CT, East Haven, CT, Norristown, PA, and Westfield, MA, respectively. Cook & Boardman has more than 70 locations across 23 states. The acquisition expands its footprint in Connecticut, Pennsylvania and Massachusetts. *“OKEE is a highly respected company in our industry, and we are very excited they have decided to join the Cook & Boardman family of companies,”* David Eisner, CEO of C&B, said. *“They will expand C&B’s coverage in the northeast, and their team brings a wealth of experience to our continuing efforts to provide superior customer service.”*

Distribution M&A Activity

SELECT DISTRIBUTION TRANSACTIONS

Date	Target	Buyer	Industry Segment	Enterprise Value ⁽¹⁾
Apr-24	Thermair Systems, LLC	Hobbs & Associates, LLC	Industrial / MRO / Safety	\$ -
Apr-24	Kataman Metals LLC	Pedalpoint Holdings, LLC	Chemical & Gases	254.6
Apr-24	Smalley & Company Inc.	Beacon Roofing Supply, Inc.	Chemical & Gases	-
Apr-24	Atlass Hardware Corporation	Integrated Openings Solutions, LLC	Building Products	-
Apr-24	Hose Of South Texas, Inc.	R&T Holdings CORP.	Industrial / MRO / Safety	-
Apr-24	Climatic Comfort Products LLC	Shearer Supply, Inc.	Industrial / MRO / Safety	-
Apr-24	Substantially all of the assets of Geothermal Supply Company Inc.	Core & Main, Inc.	Industrial / MRO / Safety	-
Apr-24	Automated Door Ways, LLC	Cobalt Service Partners, LLC	Building Products	-
Apr-24	Lewistown Rental, L.L.C.	H&E Equipment Services, Inc.	Industrial / MRO / Safety	33.8
Apr-24	Monumental Supply CO., LLC	Venturi Supply LLC	Industrial / MRO / Safety	-
Apr-24	General Roofing & Siding Supply Co.	Beacon Roofing Supply, Inc.	Building Products	-
Apr-24	Federal Rent A Fence, Inc	Argosy Capital Group, Inc.	Building Products	-
Apr-24	G. A. Fleet Associates, Inc.	Vessco Midco Holdings, LLC	Industrial / MRO / Safety	-
Apr-24	Young Supply Company	Heritage Distribution Holdings	Industrial / MRO / Safety	-
Apr-24	Premier Supply Group, Inc. (nka:TREE BUD, INC.)	The Granite Group Wholesalers, LLC	Industrial / MRO / Safety	-
Apr-24	Eggemeyer Land Clearing, LLC.	SiteOne Landscape Supply, Inc.	Building Products	-
Apr-24	Cooney Brothers LLC	Vergani & Associates, LLC	Industrial / MRO / Safety	-
May-24	The A.G. Mauro Company	Unified Door and Hardware Group, LLC	Building Products	-
May-24	Howard & Sons Building Materials Inc.	GMS Inc.	Building Products	-
May-24	Bayrent, LLC	Herc Rentals Inc.	Industrial / MRO / Safety	-
May-24	Roofing Wholesale Co., Inc.	Henry Products, Incorporated	Building Products	-
May-24	General Machinery Company, Inc.	Motion & Control Enterprises, LLC	Electrical Products	-
May-24	Nda Distributors, Llc	Elbi Of America, Inc.	Industrial / MRO / Safety	-
May-24	TTL Enterprises, Inc.	Sunbelt Rentals, Inc.	Industrial / MRO / Safety	-
May-24	Thomason Tractor Co. Of California	Belkorp Ag, LLC	Industrial / MRO / Safety	-
May-24	KGM Gas	Tinicum Incorporated; Tinicum L.P.	Industrial / MRO / Safety	-
Jun-24	Custom Builder Supply Company, Inc.	The Lester Group, Inc.	Building Products	-
Jun-24	Regional Distributors, Inc.	Imperial Dade Intermediate Holdings, LLC	Other	-
Jun-24	Assets of Intercoastal Trading Inc.	Hawkins, Inc.	Chemical & Gases	-
Jun-24	Ed Brown Distributors	EVI Industries, Inc.	Other	-
Jun-24	Ives Equipment Corporation	Motion & Control Enterprises, LLC	Industrial / MRO / Safety	-
Jun-24	A C Mccartney Equipment Inc.	Parallel Ag	Industrial / MRO / Safety	-
Jun-24	AC Florida Pavers, LLC	SiteOne Landscape Supply, Inc.	Industrial / MRO / Safety	-
Jun-24	Larpen Supply Co., Inc.	Unimetal USA Inc.	Other	-
Jun-24	Fields Electrical Sales, Inc.	Forward Solutions	Electrical Products	-
Jun-24	Rental Max LLC	Sunbelt Rentals, Inc.	Other	-
Jun-24	Virginia Tile Company, LLC	Galleher Corporation	Building Products	-
Jun-24	Aptex, Inc	MSC Industrial Direct Co., Inc.	Industrial / MRO / Safety	5.5
Jun-24	V-G Supply Company, Inc.	BFG Supply Co., LLC	Building Products	-
Jun-24	Okee Industries, Inc.	The Cook & Boardman Group, LLC	Building Products	\$ -

Sources: Capital IQ, company websites and PMCF proprietary research

What is a Strategic Assessment and Why is it Important?

A Strategic Assessment is a comprehensive report that examines a business holistically with specific consideration given to the financial results, operations, and organizational structure. We advise our clients consider before a planned liquidity event to ensure your company is ready for a transaction. This process includes:

Determining your company's current value

Identifying factors that enhance or erode value and related risk considerations

Developing strategies to bridge gaps in value and market position

7 Reasons Why a Strategic Assessment is Essential for Maximizing Business Value In Preparation of a Liquidity Event

- 1 Prepares your company for the scrutiny of capital investors
- 2 Helps ownership and management identify the value attributes and constraints of the business
- 3 Provides ownership with an understanding of perceived value considerations in the eyes of investors
- 4 Affords your company an opportunity to address shortfalls and enhance the value in advance of a capital transaction
- 5 Helps align corporate strategy with organizational, tax, and wealth transfer planning
- 6 Helps shareholders/management understand how various business strategies can impact future value
- 7 Resolves potential deal obstacles to ensure a smooth diligence process and higher likelihood of deal success

As an investment in your company, PMCF will complete a complimentary Strategic Assessment.

For additional information, please visit pmcf.com

SIGNIFICANT INDUSTRY EXPERTISE AND RESOURCES

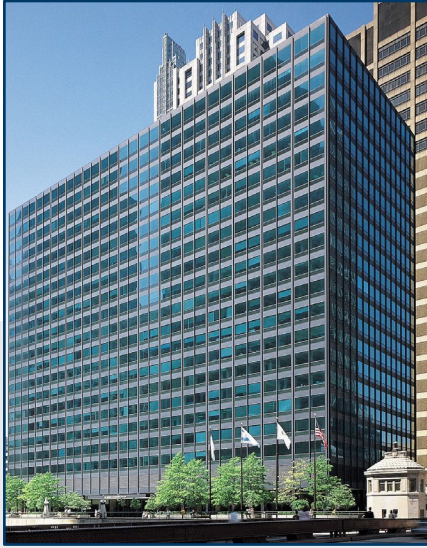
Founded in 1995, PMCF has spent 25+ years successfully advising clients in the middle market. From M&A advisory or capital raising to strategic assessment and transaction planning, we execute transactions to achieve life-changing outcomes for our clients. We leverage our significant deal experience, industry relationships, and a deep understanding of sectors we serve to support our clients' organic and inorganic growth initiatives.

PMCF takes a strategic approach to transaction planning, ensuring the positioning and messaging conveys the unique differentiators of your company. Our affiliation with Plante Moran provides us access to transaction tax experts to provide insight into structure planning considerations.

- Developing strategies to effectively deploy capital and resources to maximize ROI on your high-priority growth initiatives
- Aligning your process capabilities with key macro trends driving industry growth
- Evaluating KPI trends and results and understanding how they are used in daily management
- Reviewing the organizational chart and the internal plan for turnover and/or succession of key management team members
- Pursuing customer diversification at attractive, appropriate margins
- Understanding margin trends and concentrations of margin within product groups or customers
- Assessing your company's differentiation and position in the marketplace
- Leveraging our extensive global relationships to help penetrate new customers and/or markets

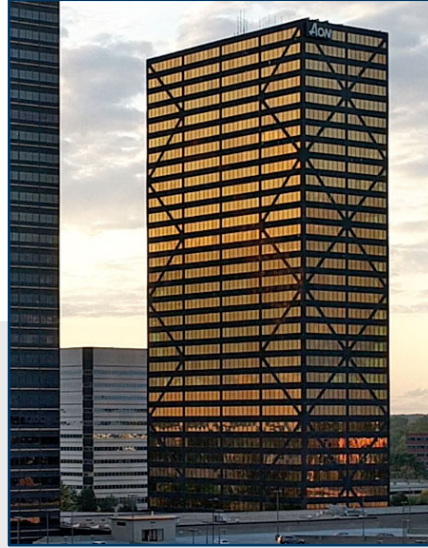
About PMCF

OUR LOCATIONS



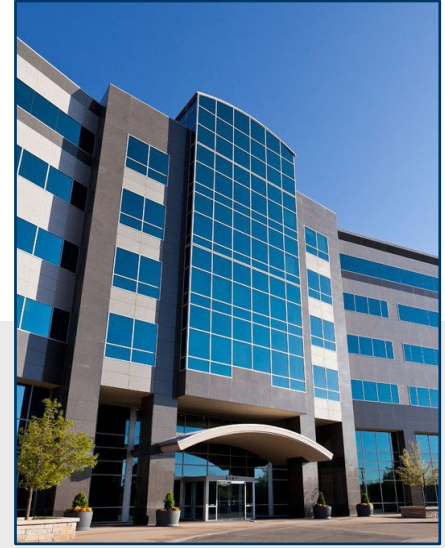
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OUR FIRM

PMCF's M&A advisory and investment banking services are designed to provide company shareholders with a trusted advisor to oversee all transaction related aspects of a company sale or strategic acquisition. Our service levels, industry expertise in human capital management (HCM) & staffing, and approach to managing transactions goes well beyond a typical investment banker.

- Differentiated approach via senior banker leadership and direct involvement through every step of the transaction providing a consistent and highly experienced point of contact
- One of the largest, most active investment banking boutiques with a focus on specialty niche businesses
- Proven positioning and marketing processes to obtain premium valuations in company sales
- Tailored sale process provides for extensive upfront preparation, detailed company review and identification of any potential issues in advance, and buyer evaluation/diligence ensuring the right fit
- Unique sale planning approach that helps shareholders best prepare for a future sale whether its six months or several years
- Long-term and client first approach allows PMCF to provide unbiased feedback

PMCF | INVESTMENT BANKING



Two-time winner, Boutique Investment Banking Firm of the Year by M&A Advisor

Awarded, Cross Border Corporate and Strategic Acquisition of the Year by M&A Advisor

Awarded, Cross Border M&A Deal of the Year by M&A Advisor

Awarded, Deal of the Year by ACG Detroit

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