

# DISTRIBUTION M&A PULSE

THIRD QUARTER 2024



## OUR INSIGHTS

In Q3 2024, public company multiples in the Distribution sector reached their highest point over the past two years, with the mean EV/EBITDA multiple rising to 14.1x.

In this publication, we examine the importance which M&A will play for companies within the sector going forward as customers demand more capabilities from their trusted suppliers. With the election behind us and a lower outlook for interest rates, a market ripe for M&A awaits companies in the Distribution space.

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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](http://pmcf.com).

## INVESTMENT BANKING SERVICES:

- Mergers & Acquisitions
- Carve-outs & Divestitures
- Strategic Assessments
- Capital Raising

## SELECT PMCF DISTRIBUTION TRANSACTIONS





## KEY INSIGHTS

1

### Optimistic Outlook for Credit Markets

The recent series of rate cuts by the Federal Reserve, including 50 basis points in September, 25 basis points in November, and a potential additional cut in December, are creating a favorable environment for acquirers in the M&A market. Lower borrowing costs, coupled with the expectation of further rate reductions, will ease financing for transactions and boost deal-making activity.

2

### Valuation and Market Multiples

In Q3-24, M&A valuations and market multiples saw a notable increase driven by lower interest rates that reduced the cost of debt, providing buyers using leverage with additional purchasing power. In addition to the cheaper financing, increased competition among acquisitive strategic buyers is fueling healthy valuations, particularly for premium assets with strong performance. This combination of favorable financing conditions and heightened demand is expected to continue supporting robust M&A activity and valuations moving forward.

3

### Post Election Clarity

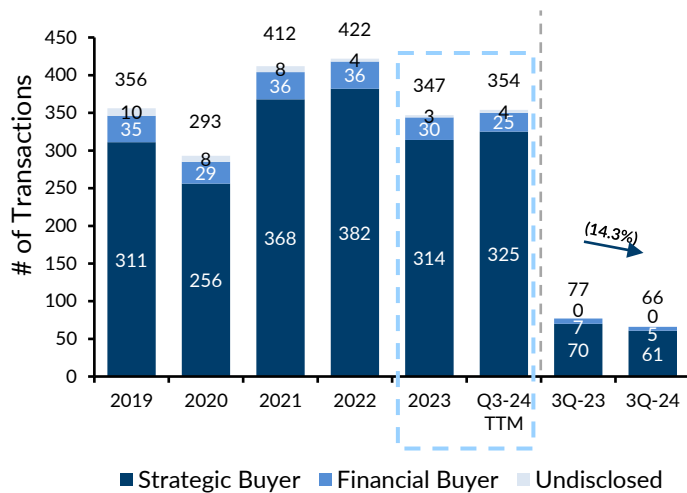
With the 2024 U.S. election season in the rearview mirror, both buyers and sellers stand to benefit from increased clarity as it relates to tax and regulatory conditions going forward. From a Distribution M&A perspective, key themes to monitor into 2025 include reduced FTC scrutiny of strategic acquisitions, potential tariff increases on international products, and changes in foreign policy with China.

# Market Summary & Outlook

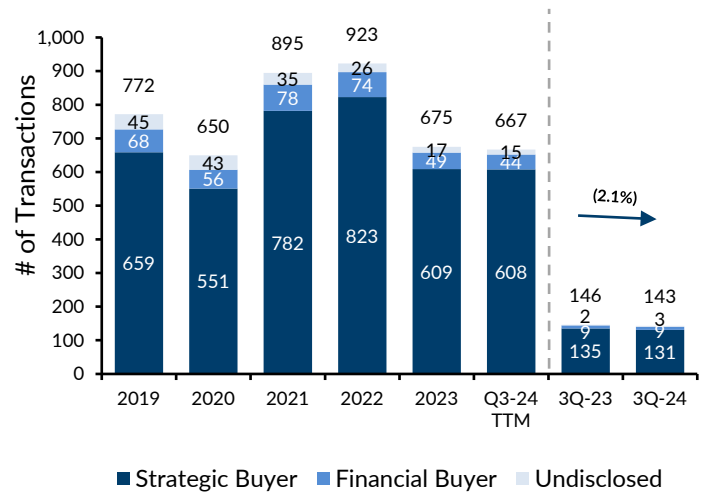
## Q3 2024 – Quarterly Market Recap

- In Q3 2024, the global Distribution sector recorded 143 deals, while the U.S. sector closed 66, representing a slight decline compared to the same quarter in 2023. Despite this slowdown, investor interest in distribution companies remains robust, supported by falling interest rates that alleviate the financial burden of leverage. Industry leaders continue to pursue growth through acquisitions, focusing on value-added services, digital transformation, and product line expansion to stay competitive and increase wallet share.
- Strategic acquisitions remain the driving force in the Distribution sector, accounting for over 90% of deal volume. This trend is fueled by larger distributors seeking to expand their capabilities and product offerings. According to McKinsey & Company, pandemic-era supply chain disruptions have prompted nearly half of U.S. businesses to switch vendors or brands in pursuit of greater reliability. In response, distribution companies are diversifying their product portfolios by leveraging strategic acquisitions to ensure they can meet evolving customer needs.

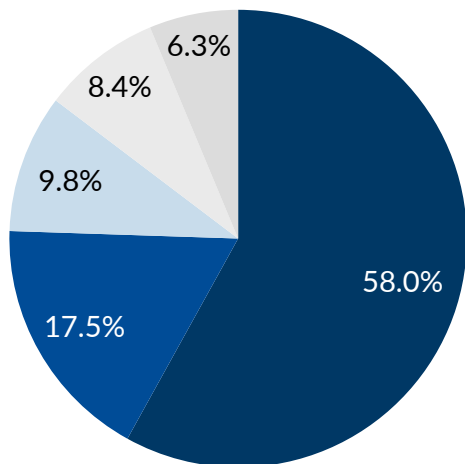
US DISTRIBUTION M&A ACTIVITY<sup>(1)</sup>



GLOBAL DISTRIBUTION M&A ACTIVITY<sup>(1)</sup>

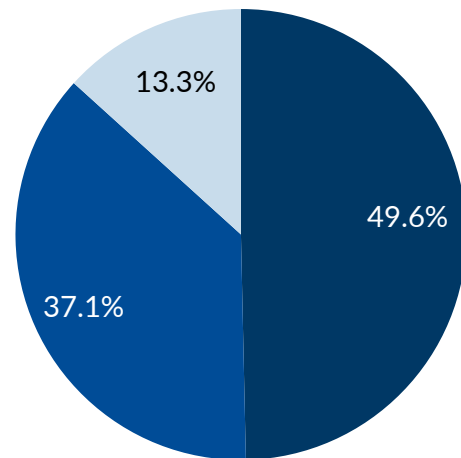


Q3 2024 DISTRIBUTION M&A ACTIVITY BY SEGMENT<sup>(1)</sup>



- Industrial / MRO / Safety
- Building Products
- Chemical & Gases
- Electrical Products
- Other

Q3 2024 DISTRIBUTION M&A ACTIVITY BY REGION – GLOBAL<sup>(1)</sup>

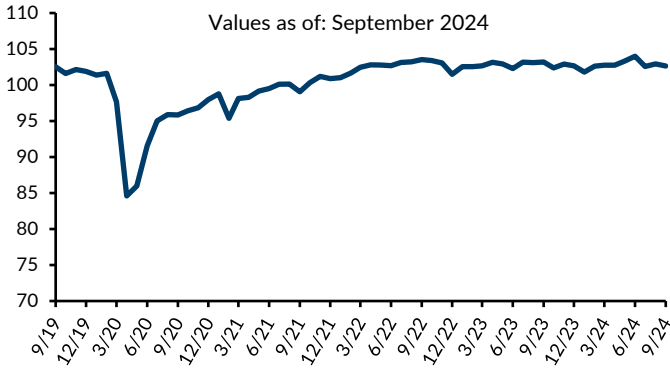


- United States and Canada
- Europe
- Asia / Pacific

Sources: (1) Capital IQ, PMCF proprietary data

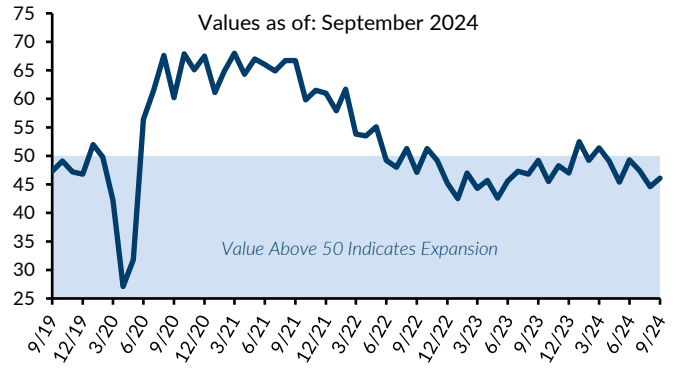
# Macro Distribution Indicators and Signals

## INDUSTRIAL PRODUCTION INDEX



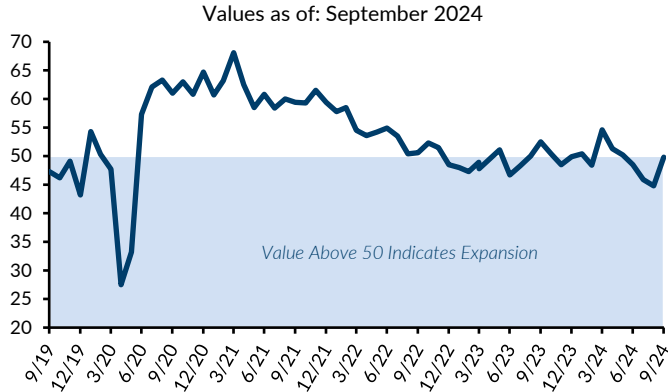
Source: Federal Reserve Bank of Chicago

## ISM NEW ORDERS INDEX



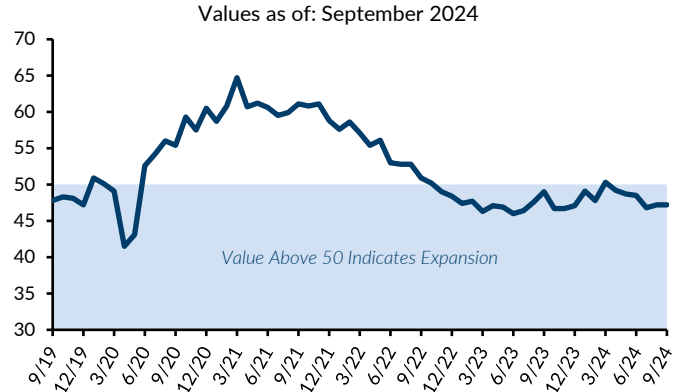
Source: Institute for Supply Management

## ISM PRODUCTION INDEX



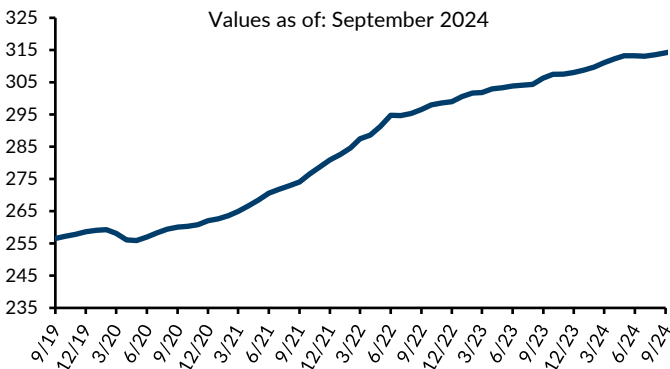
Source: Institute for Supply Management

## PURCHASING MANAGERS' INDEX



Source: Institute for Supply Management

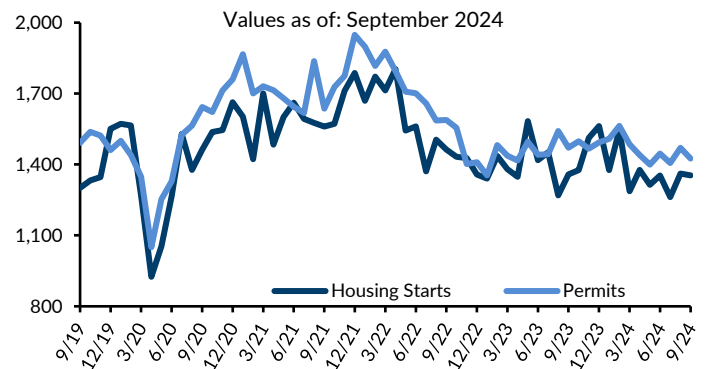
## CONSUMER PRICE INDEX



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 <sup>(1)</sup>	Market Cap. <sup>(1)</sup>	TTM Revenue	TTM Gross Margin	TTM EBITDA Margin	Net Debt/ EBITDA	EV/ Revenue	EV/EBITDA <sup>(2)</sup>	
									Q3 '24	Q3 '23
<i>\$ in Millions<sup>(3)</sup></i>										
<b>Industrial / MRO / Safety</b>										
W.W. Grainger, Inc.	United States	\$ 52,985	\$ 50,721	\$ 16,932	39.2%	16.8%	0.6x	3.1x	18.7x	13.5x
Fastenal Company	United States	41,159	40,898	7,480	45.2%	22.6%	0.1x	5.5x	24.3x	18.7x
Core & Main, Inc.	United States	11,258	8,554	6,972	26.7%	12.7%	3.0x	1.6x	12.7x	7.8x
Applied Industrial Technologies, Inc.	United States	8,829	8,577	4,483	29.8%	12.1%	0.1x	2.0x	16.3x	11.8x
MSC Industrial Direct Co., Inc.	United States	5,385	4,830	3,821	41.2%	12.7%	1.1x	1.4x	11.1x	10.5x
Bossard Holding AG	Switzerland	2,464	2,170	1,114	32.4%	12.0%	2.0x	2.2x	18.5x	12.1x
MRC Global Inc.	United States	1,753	1,086	3,203	20.3%	6.0%	1.2x	0.5x	9.2x	7.6x
DXP Enterprises, Inc.	United States	1,370	842	1,738	30.5%	9.8%	3.2x	0.8x	8.1x	6.4x
DNOW Inc.	United States	1,248	1,377	2,357	22.9%	7.3%	NM	0.5x	7.3x	6.0x
<b>Median</b>					<b>30.5%</b>	<b>12.1%</b>	<b>1.2x</b>	<b>1.6x</b>	<b>12.7x</b>	<b>10.5x</b>
<b>Electrical Products</b>										
WESCO International, Inc.	United States	\$ 13,392	\$ 8,258	\$ 21,793	21.7%	6.7%	3.4x	0.6x	9.2x	7.6x
Rexel S.A.	France	13,096	8,638	20,379	25.1%	6.4%	3.3x	0.6x	10.1x	6.6x
Arrow Electronics, Inc.	United States	10,726	7,033	28,490	12.2%	4.3%	2.5x	0.4x	8.8x	5.7x
Avnet, Inc.	United States	7,602	4,785	23,026	11.4%	3.9%	3.2x	0.3x	8.4x	6.0x
RS Group plc	United Kingdom	5,704	5,143	3,936	42.5%	11.0%	1.4x	1.4x	13.2x	9.2x
<b>Median</b>					<b>21.7%</b>	<b>6.4%</b>	<b>3.2x</b>	<b>0.6x</b>	<b>9.2x</b>	<b>6.6x</b>
<b>Building Products</b>										
CRH plc	Ireland	\$ 75,386	\$ 63,088	\$ 35,387	35.3%	18.4%	1.9x	2.1x	11.5x	7.8x
Ferguson Enterprises Inc.	United States	44,807	39,861	29,635	30.5%	10.0%	1.7x	1.5x	15.0x	12.3x
Builders FirstSource, Inc.	United States	26,853	22,576	16,731	33.6%	14.0%	1.7x	1.6x	11.4x	7.1x
Watsco, Inc.	United States	18,933	18,513	7,468	26.7%	10.2%	NM	2.5x	24.9x	17.6x
Pool Corporation	United States	15,752	14,416	5,327	29.6%	12.8%	1.7x	3.0x	23.2x	18.8x
Beacon Roofing Supply, Inc.	United States	8,959	5,348	9,659	25.7%	9.2%	4.1x	0.9x	10.1x	8.7x
UFP Industries, Inc.	United States	7,362	7,993	6,715	19.1%	10.2%	NM	1.1x	10.8x	7.4x
<b>Median</b>					<b>29.6%</b>	<b>10.2%</b>	<b>1.7x</b>	<b>1.6x</b>	<b>11.5x</b>	<b>8.7x</b>
<b>Chemicals &amp; Gases</b>										
Air Liquide S.A.	France	\$124,984	\$111,374	\$ 28,936	61.5%	27.3%	1.6x	4.3x	15.8x	13.3x
Brenntag SE	Germany	14,029	10,786	18,058	24.8%	7.1%	2.3x	0.8x	11.0x	10.4x
IMCD N.V.	Netherlands	11,677	9,902	4,885	25.6%	11.3%	3.1x	2.4x	21.2x	14.3x
<b>Median</b>					<b>25.6%</b>	<b>11.3%</b>	<b>2.3x</b>	<b>2.4x</b>	<b>15.8x</b>	<b>13.3x</b>
<b>Transportation / Logistics</b>										
Old Dominion Freight Line, Inc.	United States	\$ 42,523	\$ 42,568	\$ 5,925	40.2%	33.3%	NM	7.2x	21.6x	22.8x
J.B. Hunt Transport Services, Inc.	United States	19,393	17,575	12,245	18.8%	12.9%	1.1x	1.6x	12.3x	11.7x
Expeditors International of Washington, Inc.	United States	17,827	18,544	9,924	13.1%	10.1%	NM	1.8x	17.7x	14.0x
XPO, Inc.	United States	16,413	12,513	8,090	17.4%	14.9%	3.2x	2.0x	13.6x	11.3x
Ryder System, Inc.	United States	14,881	6,311	12,470	19.2%	20.0%	3.4x	1.2x	6.0x	4.6x
C.H. Robinson Worldwide, Inc.	United States	14,814	12,945	17,762	7.1%	3.8%	2.6x	0.8x	22.0x	17.3x
Knight-Swift Transportation Holdings Inc.	United States	11,678	8,733	7,478	24.2%	12.7%	3.4x	1.6x	12.3x	8.8x
<b>Median</b>					<b>18.8%</b>	<b>12.9%</b>	<b>3.2x</b>	<b>1.6x</b>	<b>13.6x</b>	<b>11.7x</b>
<b>Median</b>					<b>25.7%</b>	<b>11.3%</b>	<b>2.2x</b>	<b>1.6x</b>	<b>12.3x</b>	<b>10.4x</b>
<b>Mean</b>					<b>27.5%</b>	<b>12.3%</b>	<b>2.2x</b>	<b>1.9x</b>	<b>14.1x</b>	<b>10.9x</b>

Source: Capital IQ

(1) Market capitalizations and total enterprise values as of September 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:

- The PMCF Distribution Index, which monitors key public companies in the Distribution sector, experienced a significant uptick in valuation multiples in Q3 2024. The mean EV/EBITDA trading multiple rose to 14.1x notching its highest level over the past two years.
- Each subsector's trading multiple increased year over year with the building products sector evidencing a notable jump from 8.7x to 10.1x. Pool Corp., a leading wholesale distributor of swimming pools and supplies, recently garnered investment from renowned investor Warren Buffett – a compelling vote of confidence in the sector.

PMCF DISTRIBUTION INDEX PUBLIC VALUATIONS <sup>(1) (2)</sup>

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
<b>Revenue Multiple</b>									
Median	0.9x	1.0x	1.1x	1.3x	1.4x	1.5x	1.7x	1.5x	1.6x
Mean	1.3x	1.3x	1.4x	1.5x	1.6x	1.6x	1.9x	1.7x	1.9x
<b>EBITDA Multiple<sup>(4)</sup></b>									
Median	8.9x	9.4x	10.4x	9.8x	10.4x	12.1x	12.6x	11.4x	12.3x
Mean	9.0x	9.1x	10.9x	10.7x	10.9x	12.6x	13.7x	12.5x	14.1x

Source: Capital IQ

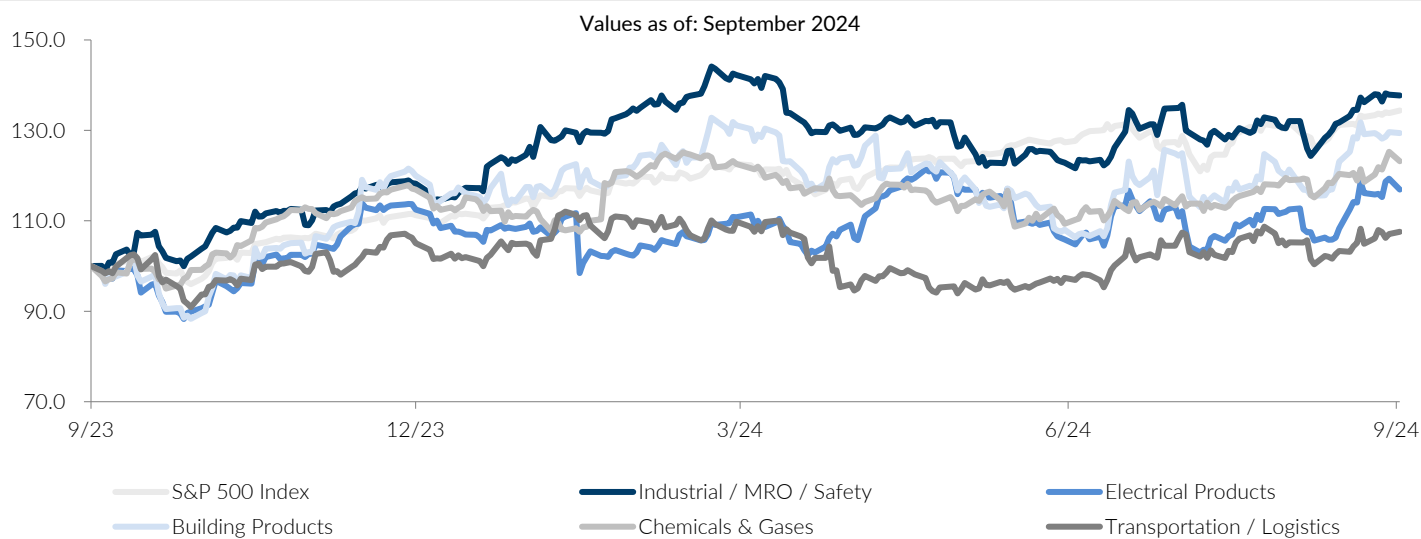
(1) Multiple of EBITDA based on EBITDA inclusive of equity income from affiliates

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

## Equity Performance:

- The PMCF Distribution Public Equity Performance Index showed strong performance in Q3 2024, increasing 13.9% quarter-over-quarter and 23.0% year-over-year.
- The Electrical Products subsector helped drive the Index's growth with a 16.9% increase year-over-year. Gains have been driven by the continued electrification trend and substantial work being awarded to build infrastructure for renewable energy and electric vehicle companies. A study by the International Energy Agency has forecasted global electricity demand to grow by 4% in 2024 and 2025, representing the highest rate in two decades.

PMCF DISTRIBUTION INDEX PUBLIC EQUITY PERFORMANCE<sup>(3) (4)</sup>



Source: Capital IQ

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

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

# Market Commentary

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Messaging among companies in their Q3 2024 earnings calls highlighted a consistent theme to grow through M&A. Customers are looking to consolidate the number of vendors they work with and are asking their trusted partners to expand capabilities. Thus, companies are turning to M&A to quickly expand their portfolios opposed to developing on their own.

**October 2024:** “We're very focused on partnering with the right entrepreneurs. And that's different from consolidating an industry... that cultural element of M&A is very, very important. We want the right entrepreneurs who will embrace our technology, embrace our growth spirit and our equity culture to help transform their business. So it's very much a cultural discussion, oftentimes more so than a financial discussion. And then the second thing that I would point to that I hope leads to incremental opportunity going forward is, today, our technology platform and our M&A discussions are essentially one and the same.”

**Rick Gomez**, VP of Corporate Development, CFO, Watsco, Inc.

**October 2024:** “Our initiatives are focused on further enhancing returns over the cycle... Our contractual businesses continue to perform well, demonstrating the enhanced quality of our portfolio and increased resilience. The current phase of our balanced growth strategy is focused on creating compelling value through operational excellence, investing in customer-centric innovation, further improving full cycle returns and generating profitable growth. We remain confident that continuing to execute our strategy while positioning ourselves for the cycle upturn will result in further enhanced full cycle returns.”

**Robert Sanchez**, Chairman & CEO, Ryder System, Inc.

**November 2024:** “DXP is positioning itself to continue to execute on our acquisition strategy. In terms of acquisitions, we have closed 7 acquisitions year-to-date, including 2 subsequent to the quarter end, and we will look to close at minimum another 2 before the end of the first quarter. DXP's acquisition pipeline continues to remain active and the market continues to present compelling opportunities.”

**Kent Yee**, Senior VP / CFO, DXP Enterprises, Inc.

**November 2024:** “As further long-term levers, we continue to optimize our business portfolio specialties in multiple dimensions at the same time. These dimensions include: firstly, our portfolio of businesses residing in specialties; secondly, our geographical presence; thirdly, leveraging our industry segment approach; and last but not least, strategically developing our supplier base and thus our product portfolio.”

**Christian Kohlpaintner**, Chairman of the Management Board & CEO, Brenntag SE



# Distribution M&A Activity

## SELECT DISTRIBUTION TRANSACTIONS

Date	Target	Buyer	Industry Segment	Enterprise Value <sup>(1)</sup>
Jul-24	Romanoff Industries, Inc.	Motion & Control Enterprises, LLC	Industrial / MRO / Safety	\$ -
Jul-24	Goecker Building Supplies Inc	Gillman, Inc.	Building Products	-
Jul-24	Assets and Operations of Industrial Chemicals Corporation in Denver, Colorado	Brenntag SE	Chemical & Gases	-
Jul-24	Mobile Energy Rentals LLC	Solaris Oilfield Infrastructure, Inc. (nka:Solaris Energy Infrastructure, Inc.)	Industrial / MRO / Safety	248.4
Jul-24	Bunting Door & Hardware Co., Inc.	The Cook & Boardman Group, LLC	Building Products	-
Jul-24	Northrich Delaware, LLC	Hobbs & Associates, LLC	Other	-
Jul-24	Consolidated Supply Co.	General Plumbing Supply, Inc.	Industrial / MRO / Safety	-
Jul-24	AgroShield LLC	Sincerity Applied Materials Holdings Corp.	Chemical & Gases	0.1
Jul-24	Fremont Paving and Redi-Mix, Inc.	CRH plc	Building Products	-
Jul-24	Assets of Otay Mesa Sales	Herc Holdings Inc.	Industrial / MRO / Safety	264.0
Jul-24	Communications Direct, Inc.	OwnersEdge Inc.	Electrical Products	-
Jul-24	Excell Direct, LLC	Imperial Dade Intermediate Holdings, LLC	Other	-
Jul-24	Custom Ag Formulators, Inc.	ICL Group Ltd	Other	60.0
Jul-24	Substantially all the assets of Woolf Distributing Company, Inc.	ADENTRA Inc.	Building Products	135.0
Aug-24	B.R. Johnson, Inc.	The Cook & Boardman Group, LLC	Building Products	-
Aug-24	Air Automation Engineering, Inc.	Motion & Control Enterprises, LLC	Industrial / MRO / Safety	-
Aug-24	Production Metals, LLC	Ryerson Holding Corporation	Industrial / MRO / Safety	-
Aug-24	GenServe Inc.	Aurora Capital Partners	Industrial / MRO / Safety	-
Aug-24	California Business Machines, Inc.	WiZiX Technology Group, Inc.	Other	-
Aug-24	Opifex LLC	Synergy Equipment	Building Products	-
Aug-24	ORS Nasco, Inc.	Wynnchurch Capital, L.P	Chemical & Gases	-
Aug-24	MOD-A-CAN, Inc.	Fors Holdings Inc	Industrial / MRO / Safety	-
Aug-24	J G Industries, Inc.	Benford Capital Partners, LLC; BSC Industries, Inc.	Industrial / MRO / Safety	-
Aug-24	Gerster Equipment Company	Ferguson Enterprises Inc.	Industrial / MRO / Safety	-
Aug-24	United Water Works, Inc.	Ferguson Enterprises Inc.	Industrial / MRO / Safety	-
Aug-24	Substantially All Of The Assets of Green Equipment Company	Core & Main, Inc.	Industrial / MRO / Safety	-
Aug-24	Architectural Doors, Inc.	The Cook & Boardman Group, LLC	Building Products	-
Aug-24	R. S. Elliott Specialty Supply, Inc.	GMS Inc.	Building Products	-
Aug-24	Inland Supply Co., Inc.	Imperial Dade Intermediate Holdings, LLC	Industrial / MRO / Safety	-
Aug-24	Besco Steel Supply Of Georgia, Inc.	Pennsylvania Steel Company, Inc.	Industrial / MRO / Safety	-
Aug-24	Hammer & Steel Global, LLC	Argonaut Private Equity	Chemical & Gases	-
Sep-24	Cascade Nut & Bolt, Inc.	Derry Enterprises, Inc.	Industrial / MRO / Safety	-
Sep-24	Unified Door and Hardware Group, LLC	Foundation Building Materials, LLC	Building Products	-
Sep-24	Servtronics, Inc.	Endries International, Inc.	Electrical Products	-
Sep-24	H.H. Barnum Co. (nka:NMK, INC.)	Houchens Industries, Inc.	Electrical Products	-
Sep-24	Falls City Lumber Company	ECMD, Inc.	Building Products	-
Sep-24	Valley Supply & Equipment Company, Inc.	Stephenson Equipment, Inc.	Industrial / MRO / Safety	-
Sep-24	Hawaii Stage & Lighting Rentals, Inc.	Council for Native Hawaiian Advancement	Industrial / MRO / Safety	-
Sep-24	A.M.E. Inc.	Nordomatic AB	Industrial / MRO / Safety	-
Sep-24	The Filter Shop, LLC	Rensa Filtration, Inc.	Industrial / MRO / Safety	\$ -

Sources: Capital IQ, company websites and PMCF proprietary research  
(1) Enterprise value in millions of dollars

# 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](http://pmcf.com)*

## SIGNIFICANT INDUSTRY EXPERTISE AND RESOURCES

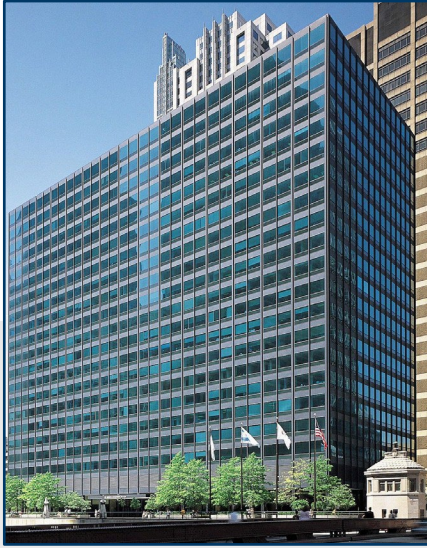
Founded in 1995, PMCF has spent 25+ years successfully advising clients in the middle market. From M&A advisory or capital raising to strategic assessment and transaction planning, we execute transactions to achieve life-changing outcomes for our clients. We leverage our significant deal experience, 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



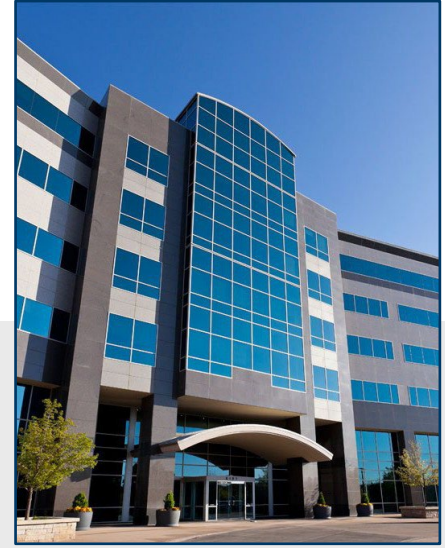
### CHICAGO

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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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