



EDGEPOINT

INDUSTRIALS: INDUSTRIAL DISTRIBUTION

- M&A activity is building momentum as the economy rebounds from the height of the COVID-19 pandemic. In particular, deal volume in the Industrial Distribution sector has picked up significantly since the United States Presidential Election in November. In addition to the numerous private equity firms seeking new platforms, strategic buyers and PE-backed companies in fragmented industries are increasingly using M&A as a tool to capture growth and additional market share.
- Publicly traded companies in EdgePoint's Industrial Distribution Index largely outperformed the S&P 500 from March 2020 until the onset of market volatility in mid-February of this year.
- The Institute for Supply Management's Purchasing Managers Index and the Federal Reserve's Industrial Production Index continue to show a strong, V-shaped recovery for the industrial and manufacturing sectors. The industry's momentum is expected to continue, providing favorable market conditions for Industrial Distribution businesses in the short-term.
- EdgePoint believes M&A activity within the Industrial Distribution sector will be strong as stalled 2020 deals are brought to market. In addition, tax code uncertainty is causing sellers to contemplate a transaction in 2021.

RECENT SELECT TRANSACTIONS

Target	Date	Buyers / Investors	Region	Strategic / Financial
Industrial Rack and Shelving, Inc.	Feb 25	Bruynzeel Storage Systems Limited	US	Financial Backed Strategic
ASL Distribution Services Limited	Feb 16	Consolidated Fastfrate Inc.	US	Strategic
Pacific Pride Carwash Company, Inc.	Feb 4	Winsupply	US	Strategic
ABCO Refrigeration Supply Corp.	Jan 12	Daikin North America LLC	US	Strategic
Shibaura Fire Pump Corporation	Jan 5	Fenwal Controls of Japan, Ltd.	APAC	Strategic
Delta Distributors, LLC	Jan 4	AD	US	Strategic
Des Moines Flying Service Inc	Jan 1	Muncie Aviation Company	US	Strategic
Gicon Pumps & Equipment, Ltd.	Dec 31	Headwater Companies, LLC	US	Strategic
PrimeSource Building Products, Inc.	Dec 31	Clearlake Capital Group, L.P.	US	Financial
Dealer Services Business of BlackHawk Industrial	Dec 24	Kele, Inc.	US	Financial Backed Strategic
HD Supply Holdings, Inc.	Dec 23	The Home Depot, Inc.	US	Strategic
Assets of T W C Distributors, Inc.	Dec 18	Horizon Distributors, Inc.	US	Strategic
Southeastern Paper Group, Inc.	Dec 16	Fomento Económico Mexicano, S.A.B. de C	Mexico	Strategic
Electronic goods wholesale business of Mebius Corporation	Dec 15	Axel Tech Co., Ltd.	APAC	Strategic
Champion Brass, LLC	Dec 7	Midland Metal Mfg. Company	US	Financial Backed Strategic
Old Dominion Supply, Inc./Atlantic Construction Fabrics, Inc.	Nov 17	Ferguson plc	Europe	Strategic
Stevens Equipment Supply LLC	Nov 2	Daikin North America LLC	US	Strategic

For more information and insight please contact members of the EdgePoint Industrials team:

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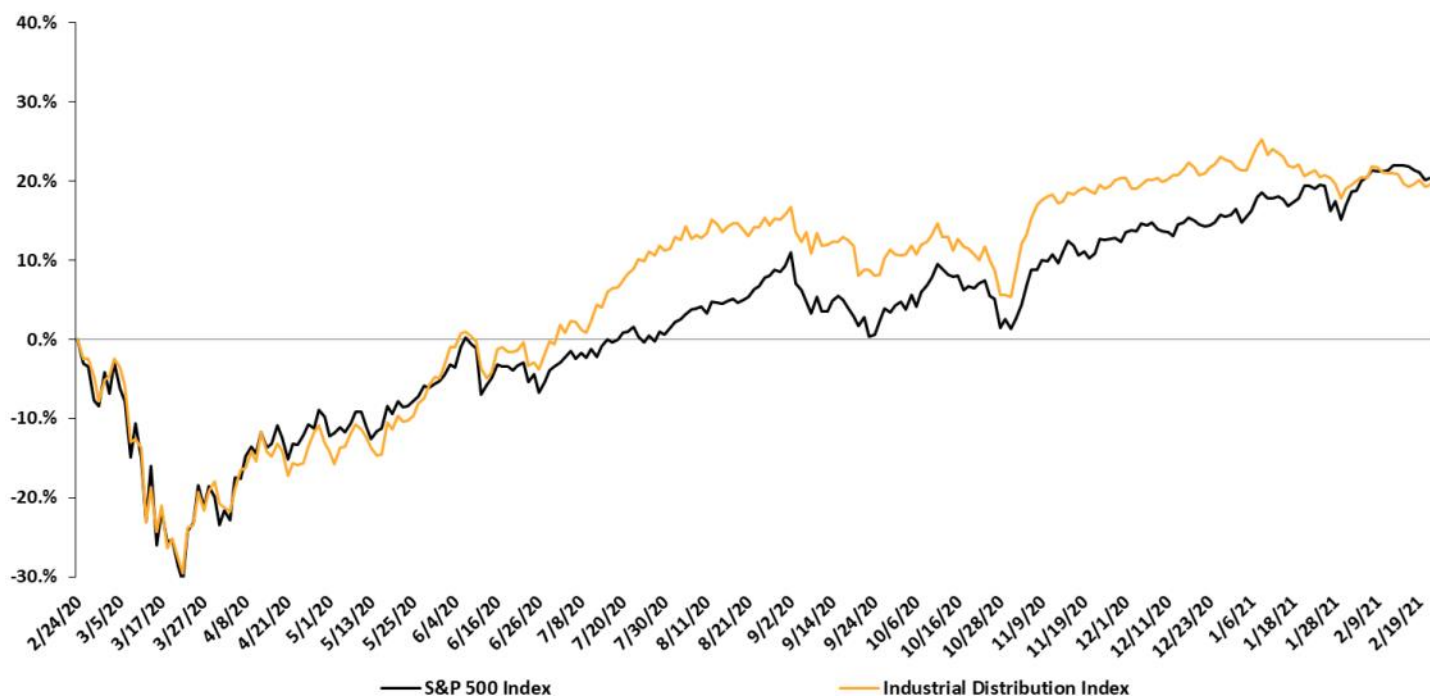
EdgePoint Public Comparable Index Constituents

Industrial Distribution Index

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2020E	LTM	2020E		LTM	3-Yr. CAGR		
Applied Industrial Technologies, Inc.	\$3,506	29.1%	9.3%	\$323	\$331	9.5x	10.6x	\$3,458	0.8%	11.4%	\$67.09	95.0%
DXP Enterprises, Inc.	855	27.4%	7.2%	91	108	6.6x	8.2x	1,267	4.2%	9.6%	32.74	71.7%
Fastenal Company	22,730	47.2%	22.6%	1,205	1,264	16.7x	18.0x	5,334	7.4%	10.4%	38.86	98.9%
Ferguson plc	18,172	29.4%	8.2%	1,804	1,956	12.5x	12.7x	22,129	2.6%	10.0%	75.66	98.3%
L'Air Liquide S.A.	79,817	62.8%	24.7%	5,417	6,157	13.9x	13.0x	21,920	4.3%	6.5%	139.25	99.0%
Lawson Products, Inc.	420	53.2%	4.4%	16	36	15.2x	12.7x	371	6.0%	10.3%	46.03	79.0%
MRC Global Inc.	1,868	17.8%	4.8%	175	166	8.5x	11.2x	3,662	-12.2%	6.4%	9.74	51.5%
MSC Industrial Direct Co., Inc.	4,390	42.4%	14.5%	488	437	8.6x	10.0x	3,356	2.7%	5.7%	71.26	82.7%
NOW Inc.	930	19.9%	2.9%	86	55	7.3x	16.9x	2,951	-5.6%	11.9%	9.53	60.6%
SPX Corporation	2,589	28.9%	8.9%	136	224	17.3x	11.6x	1,525	-0.9%	1.2%	50.30	93.6%
W.W. Grainger, Inc.	18,564	38.3%	14.2%	1,636	1,680	10.8x	11.0x	11,486	2.4%	4.3%	303.32	87.5%
Watsco, Inc.	6,487	24.3%	8.0%	382	418	13.8x	15.6x	4,770	4.9%	4.2%	168.47	92.1%
WESCO International, Inc.	3,393	18.9%	4.8%	402	418	6.7x	8.1x	8,359	2.2%	4.4%	48.30	78.8%
Mean		33.8%	10.4%	935	1,019	11.3x	12.3x	6,968	1.5%	7.4%	81.6	83.7%

Source: S&P CapIQ (As of February 26, 2021)

Trailing Twelve Months Stock Performance



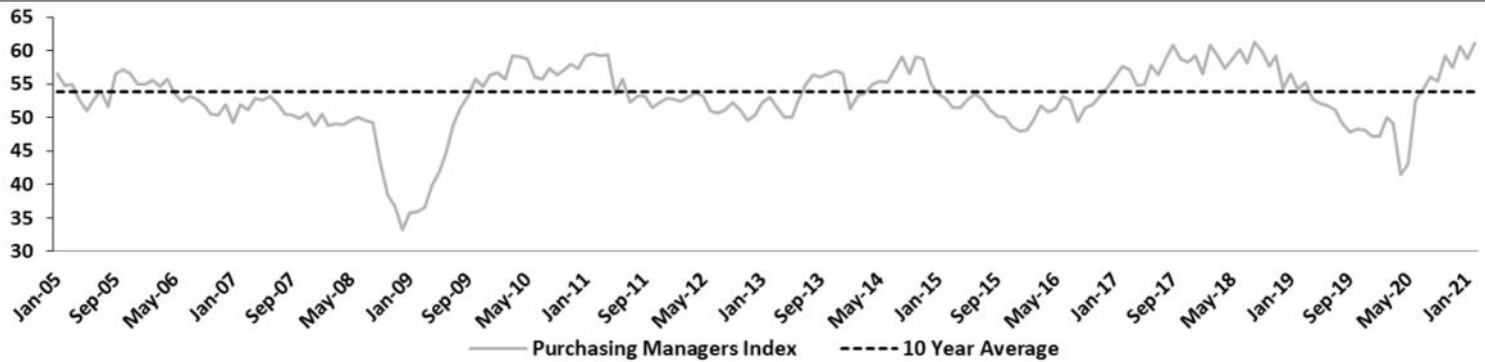
Source: S&P CapIQ (As of February 26, 2021)

Consumer Confidence Index (2005 - 2021)



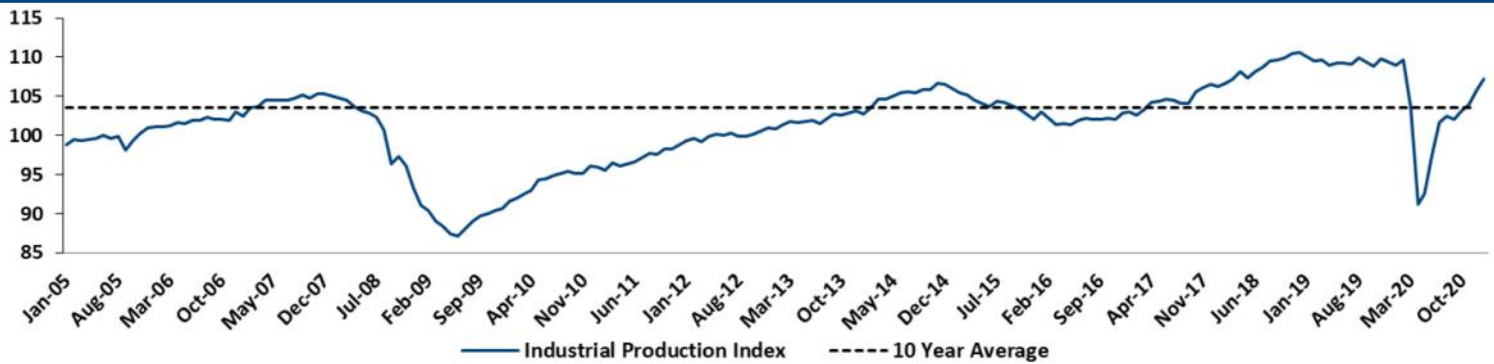
Source: University of Michigan

Purchasing Managers Index (2005 - 2021)



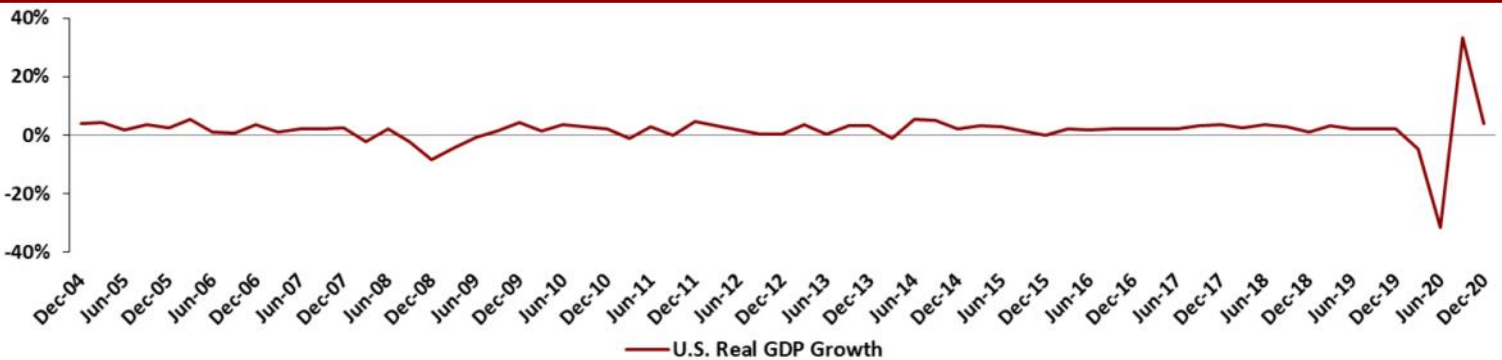
Source: Institute for Supply Management

Industrial Production Index (2005 - 2021)



Source: Federal Reserve

U.S. Real GDP Growth (2004 - 2021)



Source: Bureau of Economic Analysis