



EDGEPOINT

## INDUSTRIALS: INDUSTRIAL DISTRIBUTION

- The global COVID-19 pandemic and related economic downturn has significantly impacted Industrial Distribution businesses (candidate for understatement of the year!). While certain sectors (eg, Automotive) have been more severely impacted than others (eg, healthcare equipment), seemingly all Industrial Distribution Businesses are dealing with broken or stalled supply chains, unclear market demand, layoffs or furloughs and the reality of managing business through state-by-state lockdowns. Incredibly challenging times.
- Public valuations of Industrial Distribution businesses, as expected, have retreated as the overall market has pulled back. The outlook for 2020 GDP is not likely to spur valuations back to early 2020 values as earnings will likely fall below original forecasts.
- On the M&A front, most processes within the Industrial Sector are paused or moving forward cautiously. There remains an incredible amount of capital in the market searching for opportunities, however, without firm ground underneath the economy, it is difficult for a buyer or a seller to close a deal. That situation is only exacerbated if senior debt financing is required.
- For sellers who are interested in partnering with a private equity firm in a recapitalization, now is the time to begin that process. PEGs remain very active and see the current economic turmoil as an opportunity to secure new targets as strategic buyers focused on internal issues and performance (and justifiably so).

## RECENT SELECT TRANSACTIONS

Target	Date	Buyers / Investors	Region	Strategic / Financial
Lander Holdings Limited	Mar 13	GIL Investments	Europe	Financial
Pumping Systems, Inc.	Mar 6	DXP Enterprises, Inc.	US	Strategic
ASAP Industrial Supply, Inc.	Mar 4	Winsupply	US	Strategic
Abrasive Products & Equipment, LLC	Mar 3	Marco Group International, Inc.	US	Financial Backed Strategic
Kele, Inc.	Feb 25	The Stephens Group, LLC	US	Financial
Columbia Pipe & Supply Co.	Feb 19	Ferguson plc	US	Strategic
Agile Sourcing Partners, Inc.	Feb 12	Post Capital Partners LLC	US	Financial
Harrington Industrial Plastics LLC	Feb 12	Nautic Partners, LLC	US	Financial
Cargostore Worldwide Trading Limited	Feb 6	Connection Capital LLP	Europe	Financial
Dealer Services Business of BlackHawk Industrial	Feb 6	LINC Systems, Inc.	US	Financial Backed Strategic
MT Supply, Inc.	Jan 31	BlackHawk Industrial Distribution, Inc.	US	Financial Backed Strategic
Oxford Hardware Limited	Jan 21	Kason Industries, Inc.	Europe	Strategic
Technical Equipment Company, Inc.	Jan 18	JCI Industries, Inc.	US	Strategic
Torp Fasteners AS	Jan 15	Bossard Holding AG	Europe	Strategic
Joshen Paper & Packaging Co. Inc.	Jan 6	Bunzl plc	US	Strategic
ECM Industries, LLC	Dec 23	Sentinel Capital Partners, L.L.C.	US	Financial Backed Strategic

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

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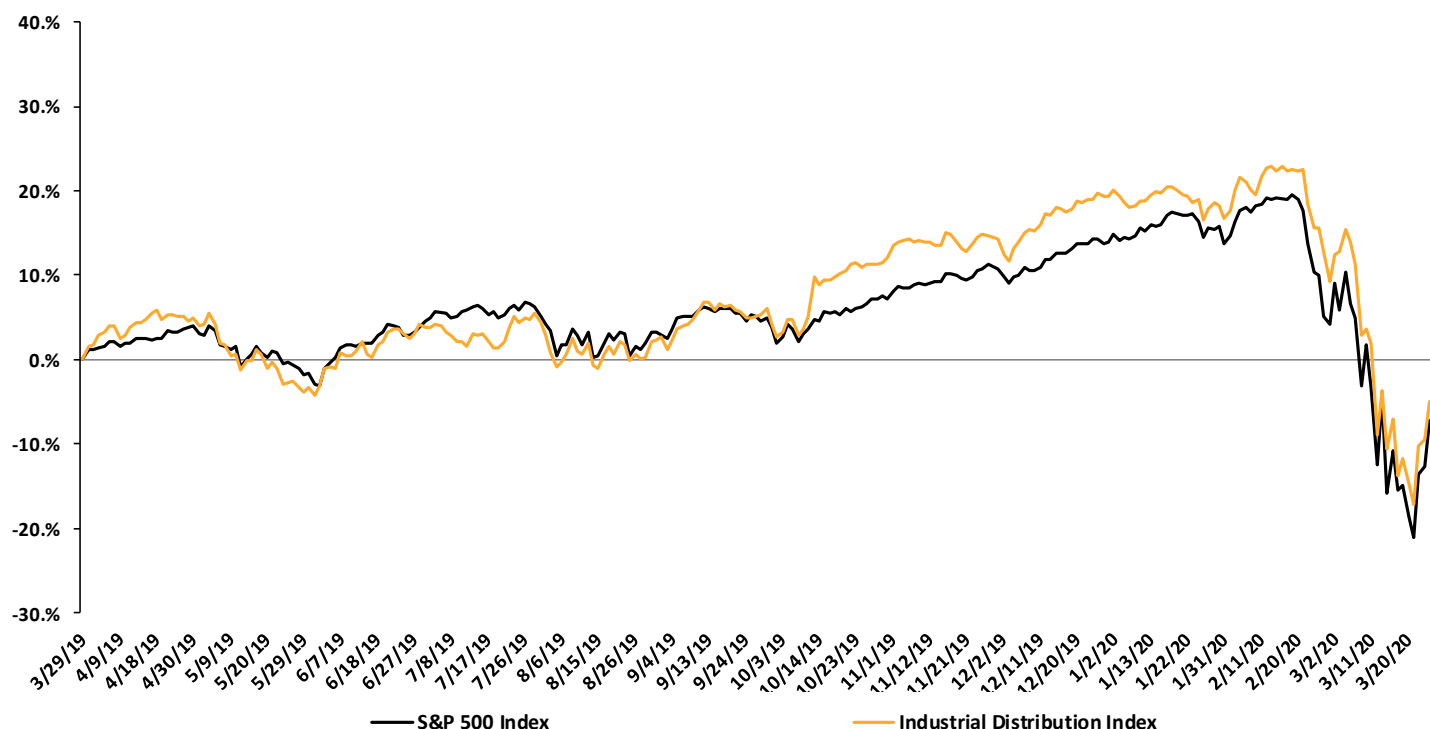
## EdgePoint Public Comparable Index Constituents

## 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		
Anixter International Inc.	\$4,243	20.1%	4.9%	\$436	\$443	7.9x	9.6x	\$8,846	5.3%	5.1%	\$87.66	88.2%
Applied Industrial Technologies, Inc.	2,619	29.1%	9.3%	323	280	7.6x	9.4x	3,458	0.8%	11.4%	44.17	62.5%
DXP Enterprises, Inc.	477	27.4%	7.2%	91	72	4.1x	6.6x	1,267	4.2%	9.6%	12.82	28.1%
Fastenal Company	18,245	47.2%	22.6%	1,205	1,218	13.4x	15.0x	5,334	7.4%	10.4%	31.04	79.0%
Ferguson plc	14,750	29.4%	8.2%	1,804	1,721	9.5x	10.0x	22,129	2.6%	10.0%	50.80	66.0%
HD Supply Holdings, Inc.	6,966	39.1%	13.4%	825	820	7.2x	8.5x	6,146	1.6%	8.4%	27.23	57.8%
L'Air Liquide S.A.	64,579	62.8%	24.7%	5,417	6,094	11.4x	10.6x	21,920	4.3%	6.5%	106.90	76.0%
Lawson Products, Inc.	253	53.2%	4.4%	16	38	12.1x	6.7x	371	6.0%	10.3%	27.05	46.4%
MRC Global Inc.	1,434	17.8%	4.9%	178	130	6.5x	11.0x	3,662	-12.2%	6.4%	4.38	23.2%
MSC Industrial Direct Co., Inc.	3,320	42.4%	14.5%	488	395	6.8x	8.4x	3,356	2.7%	5.7%	51.93	60.3%
NOW Inc.	493	19.9%	2.9%	86	18	3.9x	26.9x	2,951	-5.6%	11.9%	5.53	35.2%
SPX Corporation	1,684	28.9%	8.9%	136	209	11.3x	8.0x	1,525	-0.9%	1.2%	29.83	55.5%
W.W. Grainger, Inc.	15,554	38.3%	14.2%	1,636	1,601	9.1x	9.7x	11,486	2.4%	4.3%	247.15	71.3%
Watsco, Inc.	5,787	24.3%	8.0%	382	415	12.1x	13.9x	4,770	4.9%	4.2%	148.20	79.3%
WESCO International, Inc.	2,347	18.9%	4.8%	402	384	4.7x	6.1x	8,359	2.2%	4.4%	22.96	37.4%
<b>Mean</b>		<b>33.2%</b>	<b>10.2%</b>	<b>895</b>	<b>923</b>	<b>8.5x</b>	<b>10.7x</b>	<b>7,039</b>	<b>1.7%</b>	<b>7.3%</b>	<b>59.8</b>	<b>57.7%</b>

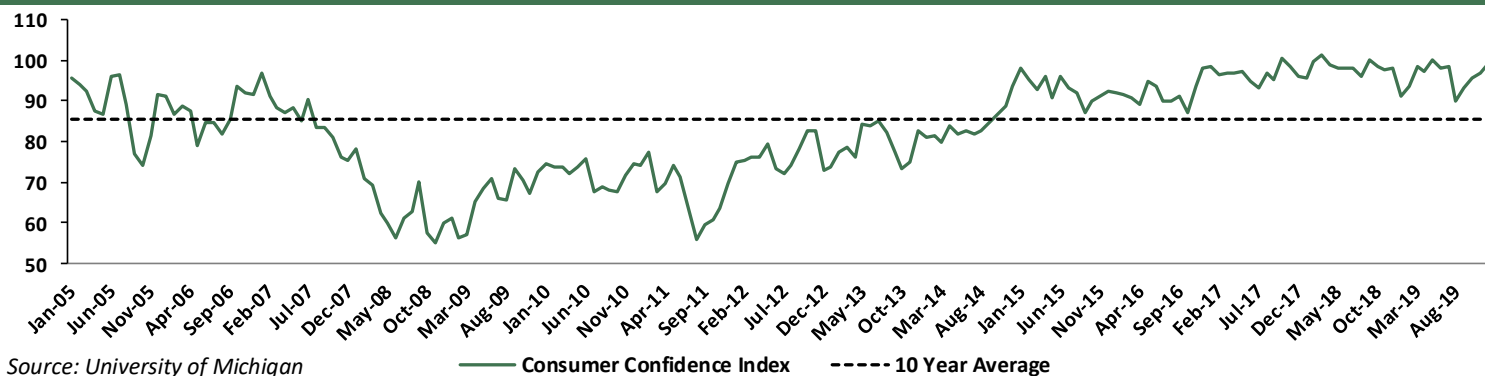
Source: S&amp;P CapIQ (As of March 27, 2020)

## Trailing Twelve Months Stock Performance

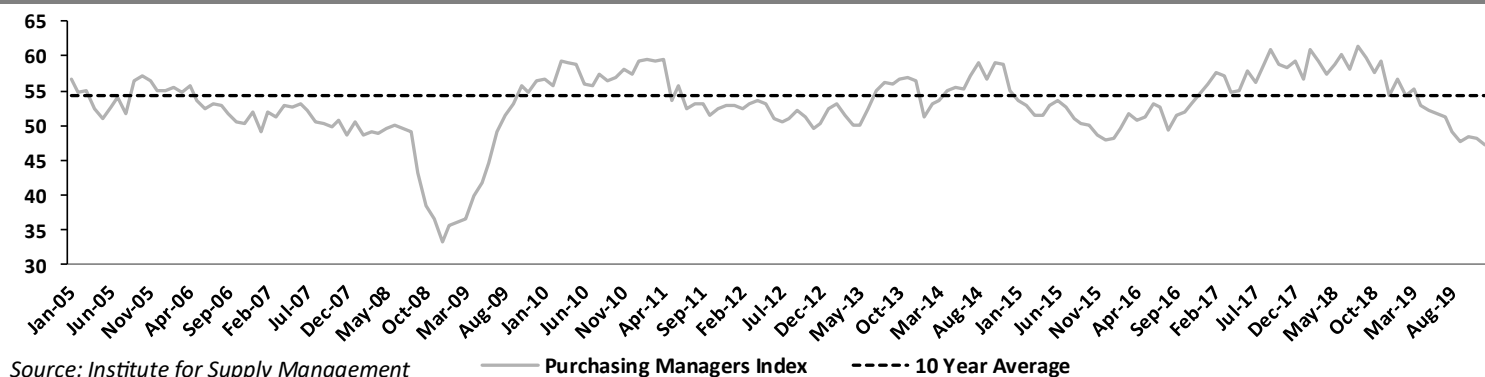


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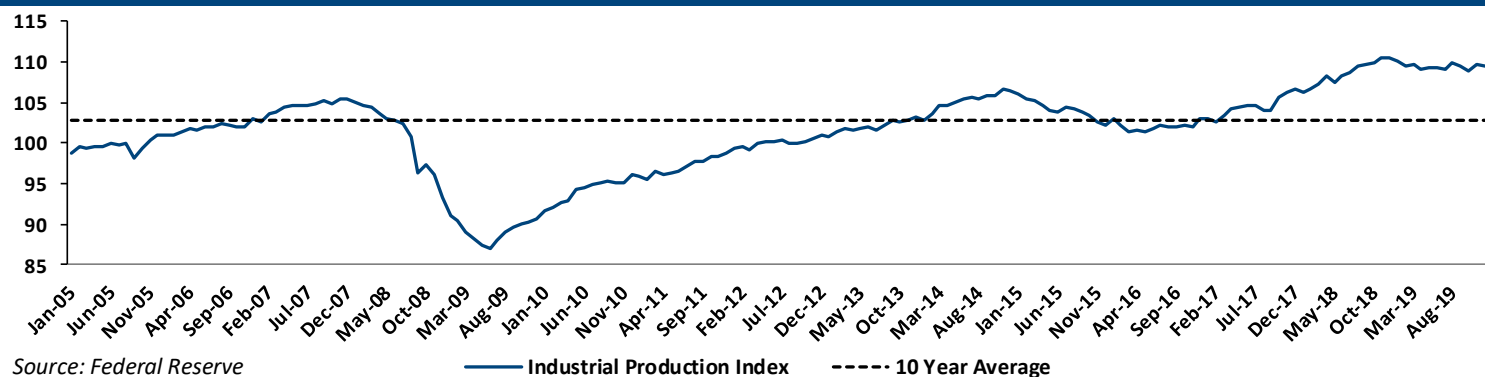
## Consumer Confidence Index (2005 - 2019)



## Purchasing Managers Index (2005 - 2019)



## Industrial Production Index (2005 - 2019)



## U.S. Real GDB Growth (2004 - 2019)

