



Quarterly Update

- Growth and acquisition activity within the industrial distribution sector have cooled since peaking several quarters ago, driven primarily by destocking trends that lasted into 2023.
- However, distributors, particularly those of scale, serving sectors with recession resilient cycles have continued to experience growth and garner investor interest.
- Distributors that provide MRO services for end-markets with “need it now” demand dynamics and distributors of hardware that serve non-discretionary consumer needs and commercial applications – such as the HVAC, plumbing, and automotive aftermarket industries – have remained resilient during an otherwise slow 2023.
- Industrial activity remains steady, supply chain disruptions have eased, and customers are slowly building up inventory, which all point to an M&A rebound.
- EdgePoint expects growth for industrial distributors in 2024 as customers continue to build up the stock they shed in 2022 and 2023. The recurring customer demand coupled with the positive cash flow dynamics of the distribution model will attract buyers to the space and lead to an increase in M&A activity.

Recent Industrial Distribution Transactions



For more information and insights, please contact us:



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Recent Selected Industrial Distribution Transactions

Air Hydro Power Acquires Lebanon Power



- December 2023 – Air Hydro Power, a distributor of pneumatic, electrical automation, hydraulics, and hose and fittings and part of the Houchens family of ESOP companies, has acquired Lebanon Power & Appartus.
- Lebanon Power & Apparatus' complete repair facilities have capabilities for the repair and maintenance of AC motors up to 5,000HP/7,200V and DC motors up to 2500HP/750VDC. The company is based in Lebanon, Kentucky.

NEFCO Acquires FASCO Supply



- December 2023 – NEFCO, a specialty supply partner to the professional construction trades has acquired FASCO, a Houston-based specialty construction supply distributor.
- This strategic move marks NEFCO's 10th acquisition since 2017 and expands its branch network to 37 locations, including two locations in Texas – Dallas and Houston.

BradyIFS + Envoy Solutions Acquires PFS Sales



- December 2023 – BradyIFS + Envoy Solutions, a leading distributor of janitorial-sanitation, foodservice disposables and industrial packaging products, has acquired PFS Sales Company.
- PFS Sales distributes foodservice disposables and cleaning supplies to the catering, restaurant, education and hospitality industries in the Southeast.

Harrington Process Acquires Pumpman



- December 2023 - Harrington Process Solutions, a leading distributor of industrial products for corrosive and high-purity applications, has acquired PumpMan.
- Pumpman is a leading provider of on-site maintenance, repair and replacement for all components in water and wastewater pumping systems.

Peak Rock Acquires Rochester Midland Corp.



- December 2023 - Franklin Water Treatment, a wholly owned subsidiary of Franklin Electric, has acquired the assets of Action Manufacturing & Supply Inc.
- Action is a manufacturer and wholesale distributor of residential water conditioning, filtration and indoor/outdoor aeration systems since 1980 with operations in Florida and North Carolina.

Blackstone Acquires Power Grid Components



- November 2023 – Blackstone Energy Transition Partners, a private equity fund affiliated with Blackstone, has acquired Power Grid Components.
- Power Grid serves electric utilities, OEMs and other customers with mission-critical products used on the U.S. electric utility grid. The company provides a suite of products across three major product segments: air-break switches, insulators, and instrument transformers.

Industrial Distribution | December 2023

EdgePoint Public Comparable Index Constituents

Industrial / MRO / Safety

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue		Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2023E	LTM	2023E	LTM	LTM	3-Yr. CAGR			
Applied Industrial Technologies, Inc.	\$ 6,664	29.4%	12.1%	\$ 539	\$ 539	11.4x	12.3x	\$ 4,446	11.7%	12.3%	\$ 165.18	98.0%	
DXP Enterprises, Inc.	966	29.4%	9.7%	162	165	5.1x	5.8x	1,678	22.7%	16.3%	32.20	80.7%	
Fastenal Company	35,846	45.6%	23.2%	1,687	1,689	19.5x	21.2x	7,284	6.8%	9.4%	62.29	99.5%	
Kaman Corporation	1,198	35.5%	16.9%	130	109	8.8x	11.0x	770	15.6%	-2.7%	22.69	85.6%	
MRC Global Inc.	1,706	19.8%	6.7%	236	247	6.2x	6.9x	3,513	10.5%	8.5%	10.41	74.9%	
MSC Industrial Direct Co., Inc.	6,119	41.0%	14.1%	567	575	10.3x	10.6x	4,009	8.6%	7.9%	98.43	93.1%	
NOW Inc.	1,002	23.2%	7.9%	183	174	4.9x	5.7x	2,313	14.4%	6.1%	10.85	73.0%	
W.W. Grainger, Inc.	42,350	39.5%	17.1%	2,781	2,802	14.7x	15.1x	16,283	10.1%	11.6%	804.05	98.6%	
Median		32.5%	13.1%	387	393	9.5x	10.8x	3,761	11.1%	9.0%	47.25	89.3%	
Mean		32.9%	13.5%	786	788	10.1x	11.1x	5,037	12.6%	8.7%	150.76	87.9%	

Electrical Products

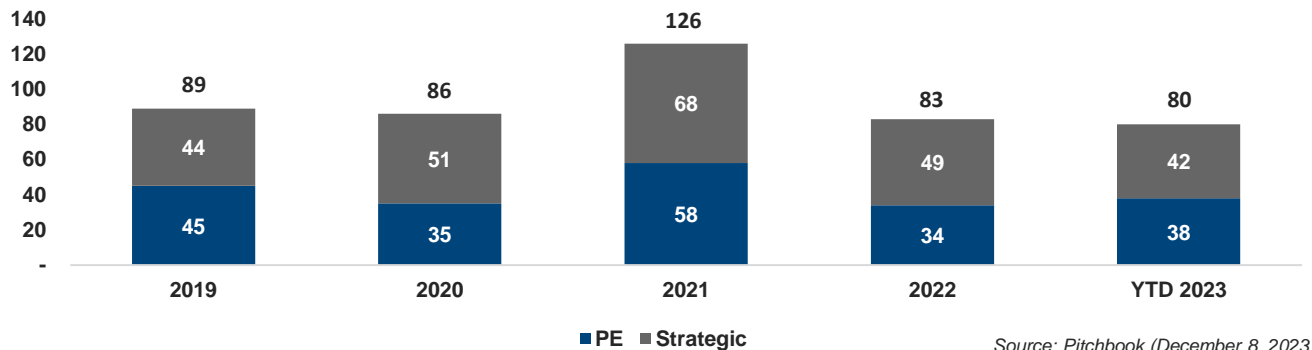
Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue		Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2023E	LTM	2023E	LTM	LTM	3-Yr. CAGR			
Arrow Electronics, Inc.	\$ 10,426	12.6%	5.2%	\$ 1,806	\$ 1,749	5.5x	6.0x	\$ 34,581	-6.1%	7.9%	\$ 119.78	81.3%	
Avnet, Inc.	7,430	12.1%	4.8%	1,242	1,218	5.6x	6.1x	26,122	2.5%	13.8%	47.50	92.0%	
Rexel S.A.	10,325	25.9%	7.2%	1,400	1,616	6.3x	6.4x	19,382	16.0%	14.3%	23.86	95.6%	
WESCO International, Inc.	13,552	21.8%	7.5%	1,695	1,768	7.0x	7.7x	22,470	8.5%	29.7%	160.96	86.9%	
Median		17.2%	6.2%	1,548	1,683	6.0x	6.2x	24,296	5.5%	14.0%	83.64	89.4%	
Mean		18.1%	6.2%	1,536	1,588	6.1x	6.5x	25,639	5.2%	16.4%	88.03	88.9%	

Building Products

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue		Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2023E	LTM	2023E	LTM	LTM	3-Yr. CAGR			
Beacon Roofing Supply, Inc.	\$ 8,029	25.8%	9.8%	\$ 858	\$ 922	8.1x	8.7x	\$ 8,790	4.5%	0.0%	\$ 80.50	92.0%	
Builders FirstSource, Inc.	22,045	34.9%	16.0%	2,770	2,780	7.5x	7.9x	17,304	-24.8%	30.5%	147.70	94.2%	
CRH plc	52,580	33.7%	17.6%	5,960	5,794	8.8x	8.4x	33,861	9.1%	7.2%	64.95	99.7%	
Ferguson plc	41,276	30.3%	10.2%	3,012	2,984	11.7x	13.8x	29,511	-0.6%	13.2%	180.65	99.6%	
Watsco, Inc.	15,914	27.7%	11.5%	835	868	16.0x	18.1x	7,262	0.8%	13.5%	411.85	99.6%	
Median		30.3%	11.5%	2,770	2,780	8.8x	8.7x	17,304	0.8%	13.2%	147.70	99.6%	
Mean		30.5%	13.0%	2,687	2,670	10.4x	11.4x	19,346	-2.2%	12.9%	177.13	97.0%	

Source: CapIQ (December 8, 2023)

Industrial Distribution Deal Activity – Last Five Years



- Industrial distribution M&A activity has cooled since peaking in 2021. However, the market has remained resilient, and activity looks likely to outpace 2022 levels
- What will continue to draw buyers to the space is the fact that distribution platforms enable investors to gain exposure to desired industries and end markets in a manner that is naturally diversified – across original equipment manufacturers, brands, geographic regions, and customers.
- Industrial distribution businesses with the following attributes will continue to see M&A interest: recurring customer demand, strong brand awareness, and attractive geographic markets.