

# US Specialty Distribution Market

## Sector Brief Review - 2023

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# Specialty Distribution Market Overview

## Key Segments of Specialty Distribution Sector

- Distributors continue to report significant jump in sales and volume growth despite broader economic challenges in uncertainties
- Distributors with diversified product portfolios are seeing balanced & risk-hedged growth
- Impact of reshoring is seen with reduced transit times and improved product availabilities – creating tailwinds
- North America industrial distribution market stood at **~US\$ 3.1 Tn in 2022**

### Consumer

- Global durable goods distribution
  - Market size 2022 - US\$ 22,844 Bn
  - CAGR by 2026 - 10%

### Industrial

- Global industrial distribution
  - Market size 2022 - US\$ 7,450 Bn
  - CAGR by 2032 - 5%
- North America dominates the market with a share of 42.1%

### F&B

- Global foodservice market
  - Market size 2022 - US\$ 2,540 Bn
  - CAGR by 2032 - 11%
- US foodservice market was valued at US\$ 824 Bn in 2022

### Healthcare

- Global healthcare distribution
  - Market size 2022 - US\$ 850 Bn
  - CAGR by 2032 - 7%
- North America dominates the market due to rise in growth of the medical devices industry

### Automotive

- Global wholesale & distribution automotive aftermarket
  - Market size 2022 - US\$ 212 Bn
  - CAGR by 2027 - 5%

### Technology

- Global software distribution
  - Market size 2022 - US\$ 123 Bn
  - CAGR by 2032 - 12%
- North America dominates the market with significant market share

### Building & Construction

- Global components distribution
  - Market size 2022 - US\$ 39 Bn
  - CAGR by 2032 - 4%

### Chemical

- Global chemical distribution
  - Market size 2023 - US\$ 10.3 Bn
  - CAGR by 2033 - 13%

# Specialty Distribution M&A Overview

## Key Trends Shaping Distribution Market M&A

- M&A activity in the distribution sector reflected the sentiments in the overall M&A market in USA (& worldwide) and remained active but subdued
  - Q3 M&A activity in distribution showed a slight increase over Q3 2022 deal volume
- The sector continued to witness multiple PE backed, add-on and deals announced by large strategics
- Recent transactions in the lower middle market include:
  - **Boise Cascade Building Materials Distribution, LLC** acquisition of **Brockway-Smith** for **US\$ 171 Mn**
  - **Ferronordic AB**, addition of a strategic player to its portfolio, **Rudd Equipment Company, Inc.** for **US\$ 105 Mn**
  - **Diploma PLC** acquisition of **Tennessee Industrial Electronics, LLC** for **US\$ 91 Mn**
- Similarly, strategics such as **SiteOne** and **Applied Industrial Technologies** are actively engaged in acquisitions

The distribution M&A activity trends are in line with the broader market, indicating that companies with consistent demand, good margins and opportunity for expansion & growth are being prioritized for acquisition targets

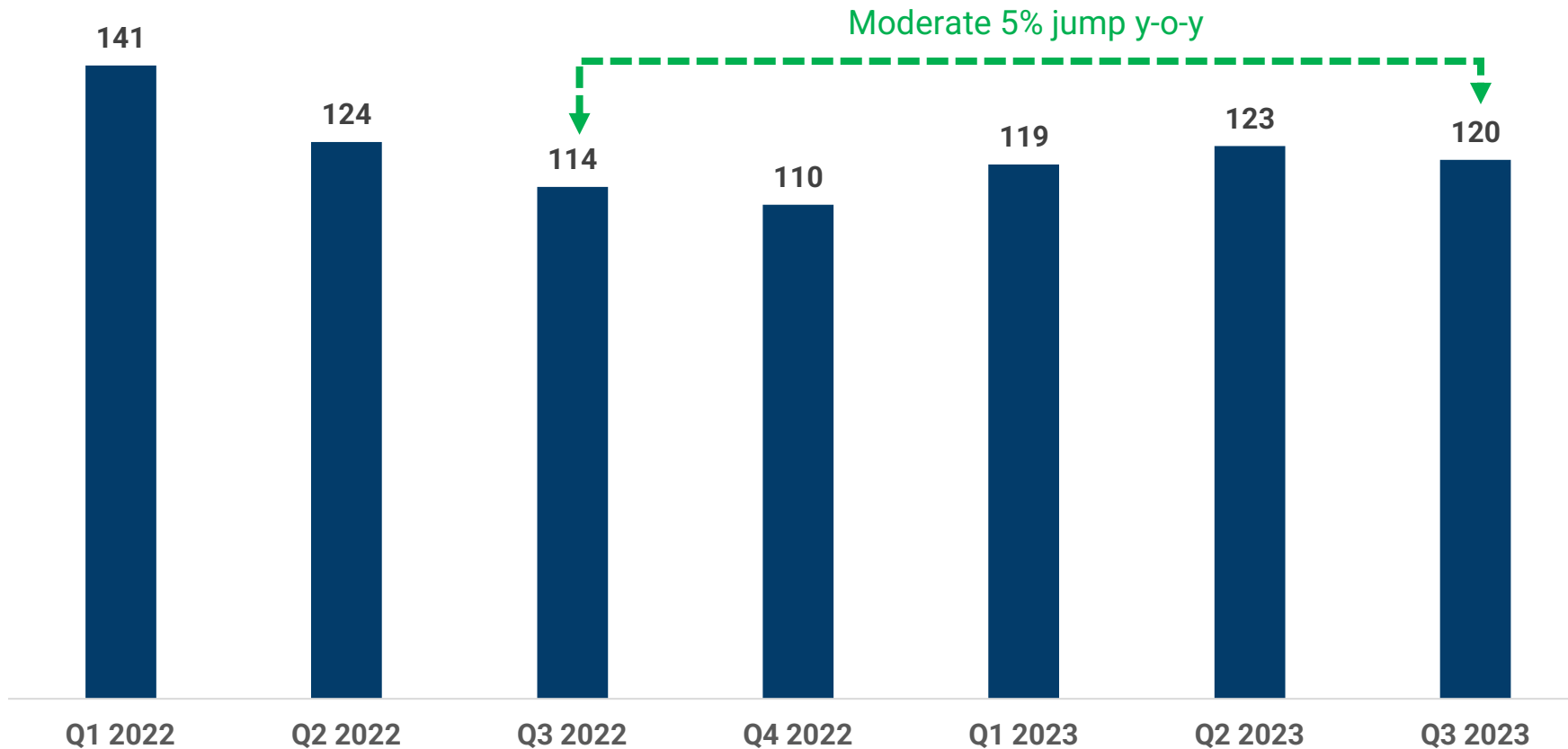
Automation, data-driven decision-making, seamless integration with e-commerce and omnichannel strategies are driving innovation in the distribution sector, compelling companies to adapt

Strategic buyers like Sysco & Beacon have consistently strong interest in M&A activities, emphasizing on add-on deals

Private equity investor like Gryphon is consistently engaging in add-on deals, while Advent International's platform company Imperial Dade has acquired ~70 companies across various distribution sectors

# Specialty Distribution Sector M&A Deal Volume Trends

M&A Deal Count

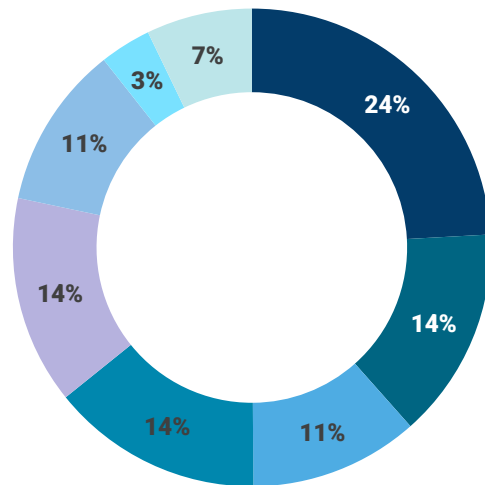


- Deal activity in distribution sector continues to remain resilient in an overall subdued M&A environment
- Q3 23 has seen a moderate ~5% jump in deal count compared to Q3 22

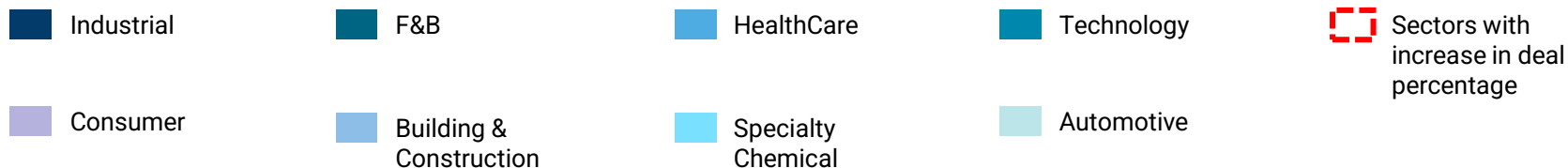
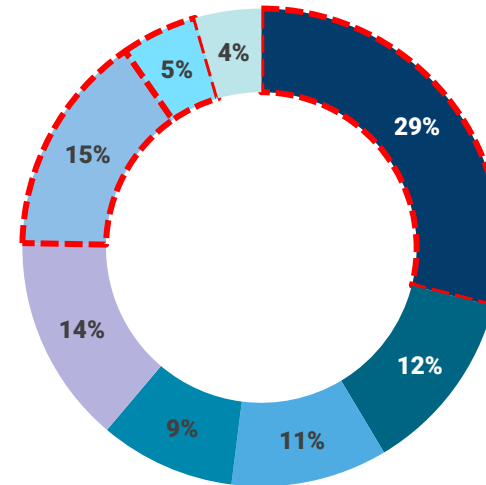
# Uptick Seen in Industrial & Building & Construction deals in 2023

## M&A Deal Volume Breakup by Subsector

2022



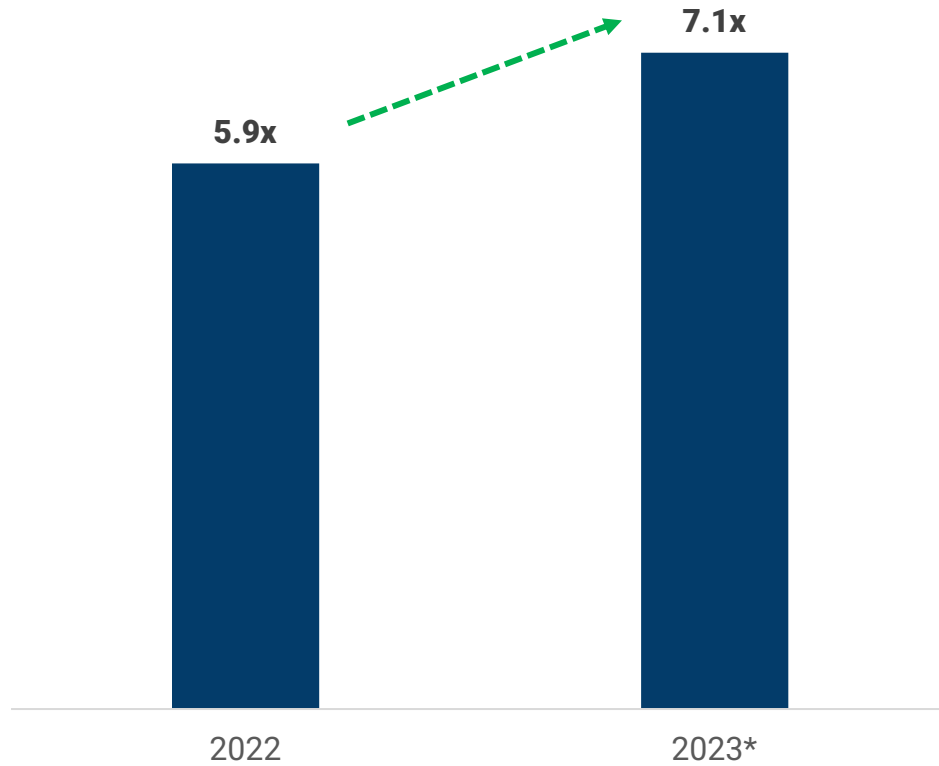
2023\*



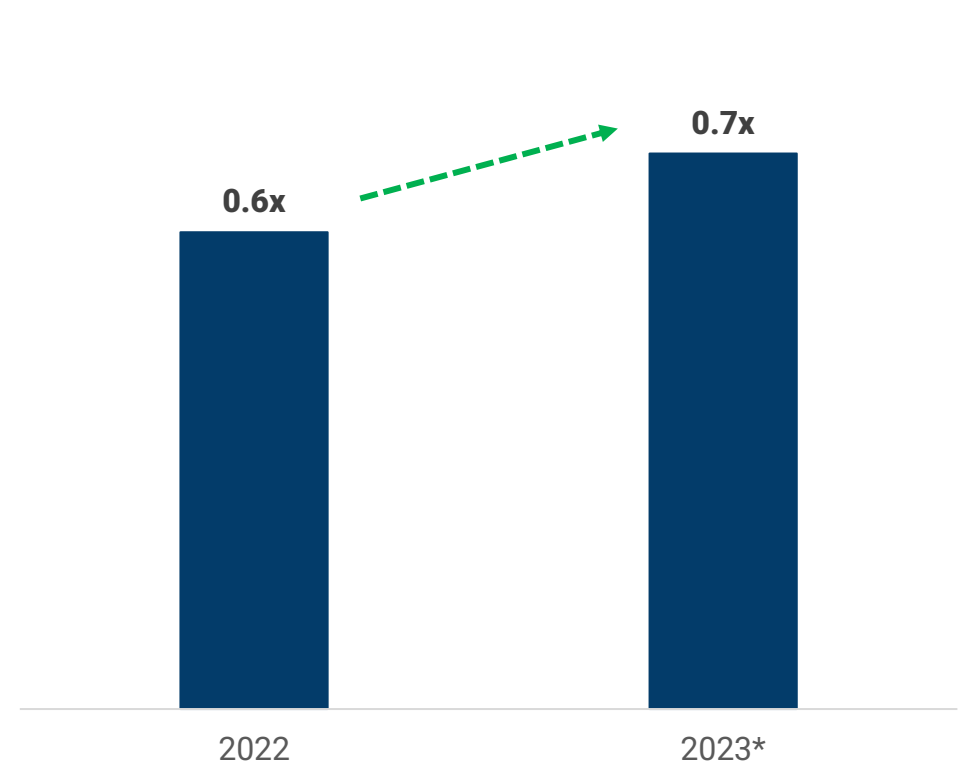
- The industrial distribution sector has experienced a surge in deal volume, solidifying its dominant position
- The building & construction and specialty chemical sectors are gaining traction, progressively expanding their M&A volume

# Deal Multiples See Slight Jump

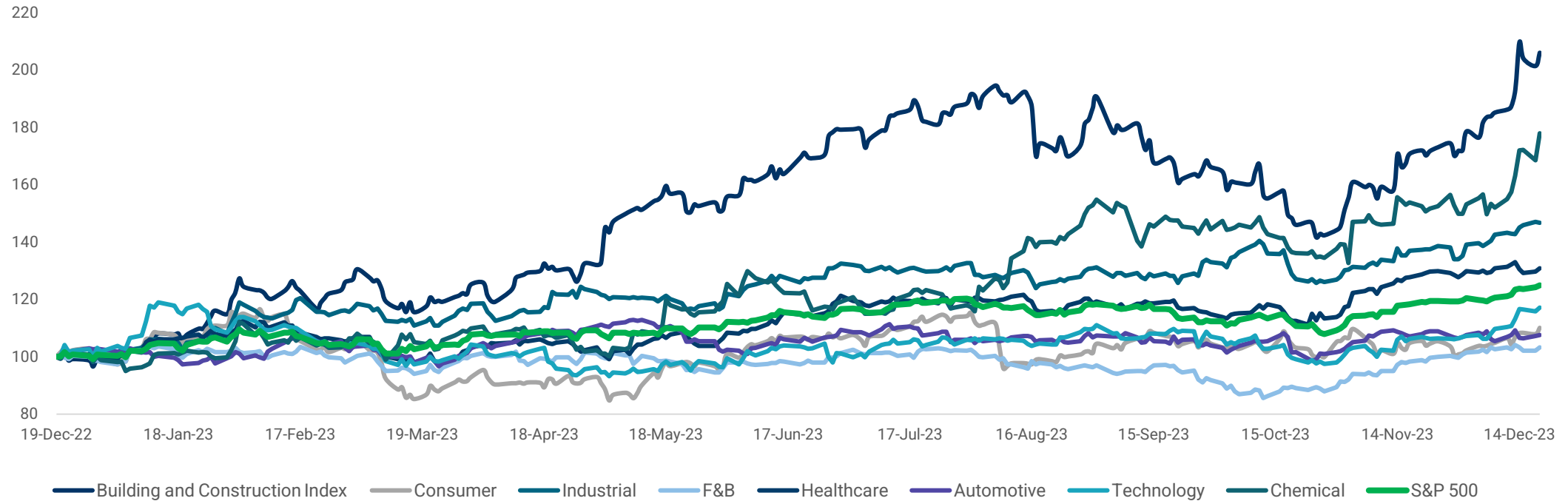
## Median EV/LTM EBITDA



## Median EV/LTM Revenue



# LTM Equity Market Performance of Distribution Sub-Segments



Building & Construction, Chemical, Industrial & Healthcare distribution companies has outperformed the S&P 500 index LTM

1: The subsector indexes has been calculated as market cap weighted average of respective companies within the sector

2: Stock prices are as on 19th December 2023

# Active Buyers

## Acquiror

## M&A Overview

## Select Acquisitions



SiteOne Landscape Supply is a prominent distributor of landscape supplies, irrigation tools and agronomic maintenance in North America. It has completed ~61 acquisition till date



SRS distribution backed by Leonard Green & Partners LP provides roofing materials and building products. There are ~29 companies in its portfolio with Capital Rubber & Gasket being the most recent addition



Imperial Dade backed by Advent International is the leading distributor of foodservice packaging, facilities maintenance supplies, and equipment in North America. Imperial Dade has made ~71 acquisitions across sectors





# Active Buyers

## Acquiror

## M&A Overview

## Select Acquisitions



Applied Industrial Technologies offers a distribution portfolio including bearings, power transmission components, fluid power products, and maintenance supplies. It has acquired ~40 companies till date









AramSCO holdings backed by Kinderhook Industries distributes goods and services for environmental safety, emergency response, and surface preparations. It has ~20 companies in its portfolio with Tran safe, Inc being the most recent acquisition



Beacon building products is the largest distributor of roofing materials and complementary building products in USA and Canada. The most recent addition to its portfolio is Silver State Building Material Company, bringing the total to ~22 companies



# Active Buyers

Acquiror	M&A Overview	Select Acquisitions
 <b>Strategic Buyer</b>	<p>Sysco Corporation distributes food and related products primarily to the foodservice industry. It is a strategic buyer and has acquired ~20 companies across sectors</p>	
 <b>PE</b>	<p>Gryphon Investors is a leading middle-market private equity firm focusing on Business Services, Consumer, Healthcare, Industrial Growth, and Software sectors. The PE acquired ~69 companies across sectors</p>	
 <b>PE</b>	<p>Platinum equity is a PE acquiring actively across sectors along with distribution firms. Their portfolio consists of ~50 companies operating in a diverse range of industrial sectors</p>	

Source : Capital IQ and Press Releases


# Marquee M&A Deals in last 12 months

## Marquee M&A Deals


Date	Target	Acquiror(s) / Investor(s)	Deal Size (US \$Mn)	Stake %	EV/ EBITDA (x)	EV/ Revenue (x)	Target Business Description
Nov-23	Rudd Equipment Company, Inc.	Ferronordic AB (publ) (OM:FNM)	105	100%	-	0.4x	Rudd provides complete equipment sales and service support
Oct-23	US LBM Holdings, LLC	Platinum Equity, LLC	-	50%	-	-	US LBM Holdings is a national distributor of specialty building materials
Oct-23	Edward Don & Company, LLC	Sysco Corporation (NYSE:SY)Y)	-	-	-	-	Edward Don & Company is a distributor of foodservice equipment and supplies
Aug-23	Veritiv Corporation	Clayton, Dubilier & Rice, LLC	2,600	100%	5.5x	0.5x	Veritiv Corporation is a provider of packaging, publishing, and hygiene products
Jul-23	Specialty Products and Insulation LLC	TopBuild Corp. (NYSE:BLD)	960	100%	12.5x	1.4x	SPI provides Distribution and Specialty Fabrication of insulation products
Jun-23	Bix Produce Company, LLC	FreshPoint, Inc.	217	100%	-	-	Bix Produce Company, LLC distributes food products
May-23	Jetro Holdings, LLC	-	1,395	-	-	-	Jetro Holdings, LLC operates and distributes in wholesales dry, perishable groceries and liquor
May-23	Renzi Bros., Inc.	US Foods Holding Corp. (NYSE:USFD)	142	100%	-	-	Renzi Bros., Inc. distributes meats, seafood, beverages, poultry, bakery, and related products
Apr-23	ECM Industries, LLC	nVent Electric plc (NYSE:NVT)	1,100	100%	10.5x	2.6x	ECM Industries, LLC is a distributor and manufacturer of electrical products
Mar-23	HISCO, Inc.	Distribution Solutions Group, Inc. (NasdaqGS:DSGR)	269	100%	9.3x	0.7x	HISCO, Inc. distributes specialty products
Mar-23	Univar Solutions Inc.	Apollo Global Management, Inc. (NYSE:APO); Abu Dhabi Investment Authority	8,100	100%	7.3x	0.7x	Univar Solutions Inc. distributes industrial and specialty chemical products
Dec-22	Heritage Distribution Holdings	Beijer Ref AB (publ) (OM:BEIJ B)	1,275	100%	13.4x	2.0x	Heritage Distribution Holdings is HVAC/R distributor in the US




# Our Notable Transactions in Distribution M&A Space



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## Have questions about this report or would like to speak to our team?

Reach out to:



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