

INDUSTRIAL DISTRIBUTION UPDATE



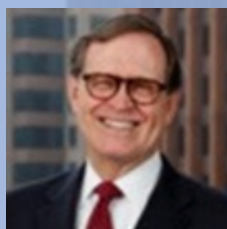
4Q 2023

Carleton McKenna & Co

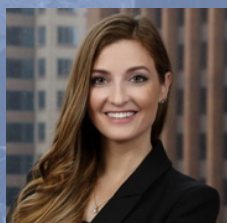
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CARLETON MCKENNA INDUSTRIALS BANKERS



Paul H. Carleton
Managing Partner
phc@carletonmckenna.com



Nora T. Mahoney
Managing Director
ntm@carletonmckenna.com



Brent Grover
Managing Director
Brent@brentgrover.com



INDUSTRIAL DISTRIBUTION UPDATE

KEY TAKEAWAYS

Carleton McKenna is pleased to share its 4Q23 Industrial Distribution. In this report, Carleton McKenna explores the strategic marketplace, consolidation trends and noteworthy transactions, as well as what the future deal making landscape may look like for distribution and logistics businesses to help sector participants shape their strategies for the near- to medium-term.

1. **Post-Pandemic Recovery:** Industrial production is steadily recovering to pre-pandemic levels by mid-2023, showing resilience and adaptability in the face of global challenges.
2. **Sector Transformation:** The industry is undergoing significant consolidation, with distributor types evolving to meet changing market demands, indicating a strategic shift towards efficiency and scalability.
3. **E-commerce Growth:** The sector is experiencing a surge in e-commerce sales, highlighting a pivotal shift in distribution channels and customer buying behaviors.
4. **Inflation and EBIT Margins:** Inflation has temporarily increased EBIT margins for distributors through strategic pricing and inventory management, showcasing adaptability in financial strategies.
5. **Market Growth Projections:** The global industrial distribution market is projected to reach USD 9.99 trillion by 2028, reflecting the sector's growth potential and its critical role in the global economy.

Carleton McKenna has substantive experience in the Industrial Distribution industry, with a niche interest in Transportation and Logistics. To learn more about Carleton McKenna's wide range of transaction experiences, strategies for growth or exit, and current Industrial Distribution industry trends, please [contact us](#).

Industrial distributors sell a wide assortment of industrial and construction supplies. These firms aggregate demand on a national level and distribute products in smaller quantities to customers of all sizes across many end markets. Industrial distributors bring their products to market through multiple sales channels, including sales representatives, catalogs, websites, and vending machines.

The industrial distributors industry has shown resilience and steady growth, driven by increased manufacturing activities, infrastructure developments, and the expansion of key sectors like construction, automotive, and aerospace. The market witnessed a moderate yet consistent growth trajectory throughout 2023, with several regions experiencing robust demand for industrial products.

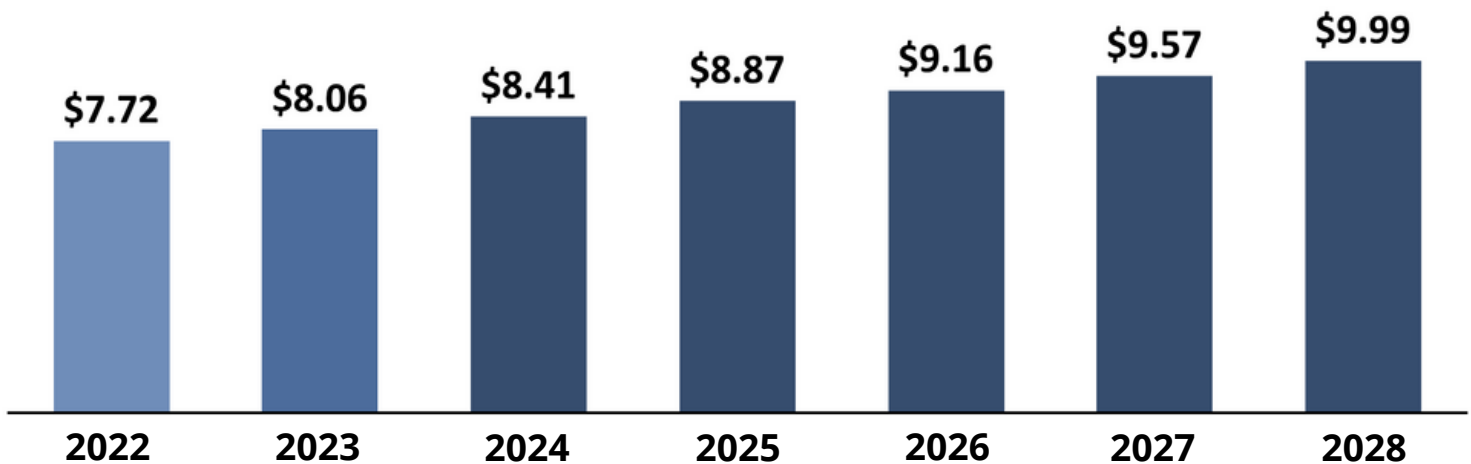
Increasing inflation initially contributed positively to the short-term EBIT margins of industrial distributors. This was primarily due to their ability to adjust prices on inventory previously acquired, make advance purchases before supplier price hikes, and negotiate more favorable pricing. However, as inflationary pressures ease, industry margins are gradually returning to a more standard level.

Several elements significantly impact the industry's growth path and overall dynamics. Key catalysts that historically fuel this sector's expansion include technological advancements, customer-centric strategies, supply chain enhancements, economic upswings, and the amalgamation of markets along with innovation, among various other influential factors.

The global industrial distribution market size was estimated at USD 7.72 trillion in 2022 and is projected to reach around USD 9.99 trillion by 2028, growing at a CAGR of 4.4% during the forecast period from 2023 to 2028.¹

INDUSTRIAL DISTRIBUTION GLOBAL MARKET SIZE¹

2022 - 2028 (USD TRILLION)



KEY INDUSTRY THEMES²

Industrial Production Remains Resilient

Industrial production serves as a pivotal economic gauge crucial for industrial distributors. While there have been fluctuations in industrial production since the pandemic lows, the path to recovery has been inconsistent until mid-2023. Nevertheless, it's noteworthy that several industrial end markets, including heavy manufacturing and transportation, have displayed resilience throughout this period. This resilience instills confidence that industrial distributors can maintain positive earnings in the foreseeable future.

Industry Consolidation

The current industrial distribution landscape remains in a state of continual transformation, marked by ongoing consolidation within the sector and a noticeable divergence between two key types of distributors. This evolution is characterized by a multifaceted consolidation across various dimensions, fueling a surge in merger and acquisition activity within the industry.

INDUSTRIAL PRODUCTION: TOTAL INDEX³

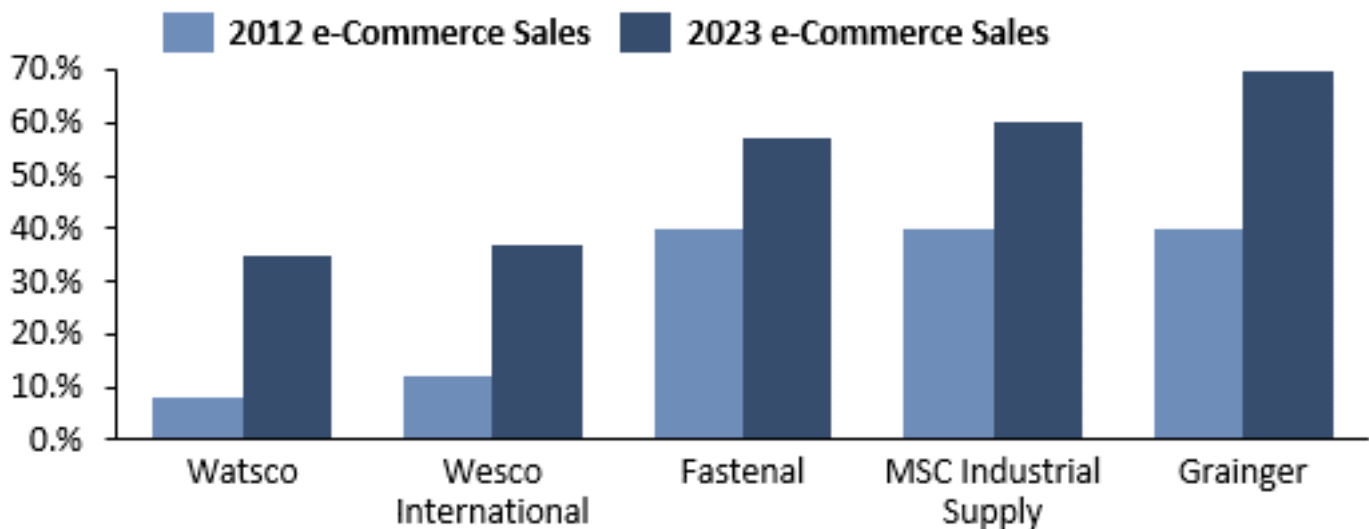


Broadline distributors are amplifying their offerings and product range through strategic acquisitions, aiming to capitalize on cross-selling opportunities and positioning themselves as comprehensive, all-encompassing suppliers. On the other hand, specialized distributors are pursuing their growth by acquiring entities within their niche markets, amplifying their expertise, capabilities, and widening their scope to cater to increasingly sophisticated clientele.

Increased Focus on e-Commerce Sales

Today, the largest industrial distributors employ an omnichannel approach, which is increasingly featuring e-commerce. For some distributors, the online channel makes up more than half of revenue. E-commerce sales show no signs of slowing down in the future. Fastenal expects e-commerce to make up 85% of sales in the long term. The online channel offers customers greater flexibility when procuring industrial supplies. Buying online is a much faster experience and reduces both search and time costs for customers.

E-COMMERCE SALES CONTRIBUTION BY LARGEST INDUSTRIAL DISTRIBUTORS



M&A ACTIVITY AND REPRESENTATIVE MULTIPLES

MACHINERY, EQUIPMENT AND SUPPLIES MERCHANT WHOLESAL MULTIPLES⁴

Year	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA
2003-2004	\$ 32.5	\$ 41.5	3.5%	19%	1.1x	5.5x
2005-2006	\$ 80.2	\$ 108.6	10%	15.5%	0.9x	6.1x
2007-2008	\$ 26.9	\$ 26.5	19.7%	28%	1.5x	5.3x
2009	\$ 32.8	\$ 46.4	-9.3%	15.5%	0.8x	5.5x
2010	\$ 13.9	\$ 24.3	30.8%	14.9%	0.6x	4.2x
2011	\$ 26.0	\$ 37.4	12.7%	16.7%	0.8x	4.9x
2012	\$ 59.8	\$ 71.2	11.5%	11.7%	0.7x	5.8x
2014	\$ 55.5	\$ 57.0	5.5%	19.7%	1.3x	6.9x
2015-2016	\$ 108.4	\$ 172.2	18.9%	11.6%	1x	8.2x
2017	\$ 46.2	\$ 36.6	17.1%	23.2%	1.4x	6.5x
2018	\$ 72.4	\$ 145.4	12%	10%	0.8x	7.5x
2019	\$ 46.8	\$ 39.2	22.8%	13.8%	1.2x	8.9x
2020	\$ 68.3	\$ 98.1	21.1%	12%	0.9x	7.0x
2021	\$ 66.9	\$ 186.8	11.5%	13.5%	0.9x	6.5x
2022	\$ 65.1	\$ 107.2	22.2%	12.7%	0.9x	7.0x
Total	\$ 55.1	\$ 89.2	14.7%	15.4%	1x	6.4x

INDUSTRIAL SUPPLIES MERCHANT WHOLESAL MULTIPLES⁴

Year	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA
2004-2008	\$ 18.9	\$ 24.3	1.5%	16.9%	1x	5.3x
2010	\$ 14.6	\$ 24.3	30.9%	14.9%	0.7x	4.5x
2011-2015	\$ 68.4	\$ 71.5	7.5%	13.5%	0.9x	6.8x
2017	\$ 59.7	\$ 50.6	2.4%	19%	1.3x	7.3x
2018-2019	\$ 74.8	\$ 72.0	24.5%	13.8%	1.1x	8.1x
2020	\$ 70.8	\$ 125.7	6.3%	7.9%	0.5x	6.5x
2021	\$ 78.3	\$ 209.3	18%	16.5%	1.1x	6.4x
2022	\$ 73.1	\$ 134.8	21.8%	11.5%	0.8x	7.0x
Total	\$ 58.7	\$ 94.8	15%	14.2%	0.9x	6.5x

M&A ACTIVITY & REPRESENTATIVE M&A MULTIPLES

SELECT TRANSACTION ACTIVITY⁵

Date	Target	Description	Acquirer	Amount
11/15/23	Branham	Manufacturer and distributor of industrial products intended for chemical, transportation, construction and other industries.	ERIKS North America	Undisclosed
11/1/2023	Viscan Group	Supplier and distributor of specialized screws, general fasteners and related components.	Endries International	Undisclosed
9/29/23	Capital Rubber & Gasket	Distributor of rubber industrial supplies and parts intended to serve aggregate, agriculture, construction and general maintenance, repair and operations end markets.	Singer Industrial	Undisclosed
9/23/23	Star Marketing	Distributor of industrial valves intended to serve various segments such as pulp and paper, mining, power generation, biopharma, chemical and many other industries.	Vessco	Undisclosed
8/31/23	American Hose & Hardware	Distributor of hardware products catering to the construction, food and beverage and transportation markets.	Singer Industrial	Undisclosed
7/1/23	Monroe Electronic Fasteners	Provider of fasteners and fastener services intended for industrial, commercial, and mil-spec fastener markets.	Monroe Egeenring	Undisclosed
5/1/23	Fastbolt Corporation	Distributor of industrial fasteners intended for alternative energy, automotive, consumer products, electronics, military and other industries.	AFC Industries	Undisclosed
4/17/23	Midwest Pipe Supply	Distributor of drainage, septic and its related products intended for contractors, municipalities and agriculture customers.	Core & Main (NYS: CNM)	Undisclosed
3/31/23	Tech-Syn	Distributor of spare parts intended to serve the industrial sector. The company offers products such as seals, O-rings, hoses, fittings and tubing, enabling clients to get required products and reliable after-sales service.	Triad Technologies	Undisclosed
3/10/23	Federal Steel Supply	Distributor of industrial tubular products intended for oil and gas, pipe fabrication, construction, manufacturing and power generation industries.	Westbridge Capital	Undisclosed
1/30/23	Mid-State Bolt & Nut Company	Distributor of hardware and class C components intended to serve wholesalers. The company supplies different types of nuts, bolts, screws and washers.	Field Fastener Supply	Undisclosed



has been acquired by



Premier Hydraulics (“PH”) was acquired by PTR Group in December of 2022. Premier Hydraulics offers a uniquely broad range of customized, value-added manufacturing and distribution services to some of the nation’s largest industrial equipment OEMs. PH’s diverse capabilities include design, engineering, machining, shipping and receiving, final assembly, inspection, warehousing and fulfillment. Carleton McKenna was engaged by PH owners to run a full-scale sell-side transaction process and maximize valuation, while operating under an expedited timeline.

After a comprehensive, custom-built and accelerated marketing process, Carleton McKenna created a competitive bidding environment between multiple strategic businesses, one being the owners' preference. **Given the competitive dynamics and CM&Co's thoughtful negotiation, the preferred buyer increased their initial bid by 10% to surpass a higher bidder and secure exclusivity with Premier Hydraulics. The diligence process to follow was executed in under 60 days to meet the owners' year-end closing desires.**



has been acquired by



In July 2023, Commercial Fluid Power (“CFP”) was acquired by leading International supplier of carbon and alloy mechanical tubing and fluid power products, National Tube Supply. CFP is a national, fully-integrated supplier providing finished machining, warehousing, repair and distribution services for specialty tubing and bar products related to hydraulic applications. Carleton McKenna was engaged by CFP owners to run a full-scale sell-side transaction process and maximize valuation, while limiting and anonymizing sensitive information made available to potential competitors that would not be the ultimate buyer.

CM&Co carefully managed and tailored information flow and communications to all process participants. We ensured customer, supplier and employee information as well as valuable trade secrets were kept confidential from potential competitors until a single party was selected and was midway through the diligence process (providing high confidence of close). Given the tremendous synergies with the international powerhouse buyer, this tailored and carefully managed process allowed for creation of an exceptional partnership offering new opportunities for both businesses to expand product and service offerings as well as geographic coverage.



has been acquired by



Based in Canton, OH, Millman Surveying, Inc. (“Millman”) is a leading provider of comprehensive national land services, including ALTA and NSPS surveys, telecommunications/cell tower surveys, zoning reports and real estate compliance solutions. Carleton McKenna was engaged by Millman to run a full-scale sell-side transaction process, with the goal of maximizing valuation and preserving the Company’s hard-earned legacy.

After a comprehensive, custom-built marketing process, Carleton McKenna created a competitive bidding environment through thoughtful Company positioning and a fulsome buyer pool. Carleton McKenna’s marketing process resulted in nine Indications of Interest from which the Millman owner selected five parties with strong valuations and theses to move to the next phase of diligence. Ultimately, the business was sold to commercial real estate powerhouse, CBRE, with all Millman employees (except for the owner, by choice) continuing under the new ownership. **Given Millman’s strong, synergistic, last-piece-of-the-puzzle fit with CBRE, Millman was valued on its high watermark TTM Adj. EBITDA, earning a premium market multiple despite softening commercial real estate transaction activity. Millman continues to operate under its own name within CBRE, enhancing CBRE’s team of national engineers, architects and environmental scientists to provide expert assessment to clients.**



has been acquired by



TestOil is a Northeast Ohio based industrial testing solutions provider, focusing on oil analysis, turbine oil analysis, filter debris analysis, material identification analysis, and lubricant compatibility analysis for heavy machinery. TestOil works to protect customers' continuous process equipment in industry applications, including energy, manufacturing, construction, chemical and consumer products.

Carleton McKenna was engaged as sell-side advisor and was shared an initial value target based on a preliminary indication from a strategic. After conducting a competitive sell-side process, the initial value target was exceeded by 16%, and a significant amount of process assistance ensured a timely closing without adjustment. The additional value created from conducting a competitive sale process was 10x greater than the success fee earned on the transaction.

CARLETON MCKENNA & CO'S DISTRIBUTION EXPERT



Brent Grover

Managing Director

Brent is a Managing Director at Carleton McKenna & Co. Prior to joining the firm, he was an owner and CEO of a nationally-recognized, innovative and highly successful wholesale distribution company; practiced accounting at a national firm and taught accounting at a major university. Currently, Brent is an advisor to distribution executives at some leading-edge companies.

Through The NAW Institute for Distribution Excellence (formerly DREF), Brent has published 8 of books and articles which appear often in national distribution journals. He has also written a book for MDM and has contributed to several other MDM books. Brent also serves as a Board Member of several prominent distribution and manufacturing firms.

His industry specialties include Wholesale Distribution, Strategic Pricing, Customer Profitability Analysis, Strategic Planning, and Mergers & Acquisitions' Profit Improvement.

Interested in Learning More?

Contact [Brent Grover](#) for more information about the Distribution industry, questions you may have about business' value, or if you want to know more about Carleton McKenna's services.



Paul H. Carleton
Managing Partner

Paul is founder and Managing Partner of Carleton McKenna & Company. He has more than 40 years of experience in corporate and investment banking focusing on mergers and acquisitions and capital raising activities for both private and public corporations. Prior to establishing Carleton McKenna, Paul was founder and Senior Managing Director of Carleton, McCreary, Holmes & Company, which was acquired by KeyCorp. Paul was previously Senior Managing Director and Head of Corporate Finance at the regional investment banking firm of McDonald & Company.

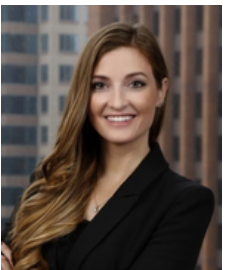
Paul has extensive corporate governance experience serving on corporate boards and not-for-profit boards. He has served on over 15 private company boards and currently sits on the Boards of E & H Family Group, Inc. and Breuer Premium Pet Food, Inc. Paul earned his bachelor's degree from Baldwin Wallace University and his master's in business administration from Northwestern University. He also received an honorary doctorate degree from Baldwin Wallace University.



Christopher J. McKenna
Managing Partner

Christopher McKenna is Managing Partner at Carleton McKenna & Company. Before joining Carleton McKenna, Chris partnered with a private equity firm to buy a Cleveland manufacturing business where he was President and CEO. Previously, Chris was the Director of Financial Analysis with the MacLean-Fogg Company in Chicago where he executed on financial transactions and acquisitions and also managed a business unit.

Chris was an Associate with the investment banking firm of Rodman & Renshaw in New York, where he was involved with private and public transactions to raise equity, subordinated and senior debt. He began his career in commercial banking in New York with Manufacturers Hanover Trust and Security Pacific Business Credit. Chris received his B.A. in Economics from Dartmouth College and his M.B.A. with High Distinction from the University of Michigan Business School.



Nora T. Mahoney
Managing Director

Nora T. Mahoney has experience with securities regulation, corporate governance, commercial litigation and broker dealer registrations. Nora is primarily responsible for the execution of capital raisings and private placement assignments across a variety of industries, as well as M&A advisory for business owners, specifically focused in B2B Services, Manufacturing & Industrials.

Prior to joining Carleton McKenna, Nora worked for Attorney General Mike DeWine and then practiced Commercial Litigation with a national law firm where she was involved in pre-trial practice for securities litigation.

Nora was awarded her Juris Doctor and Masters from Vermont Law School and serves as a Board Member for First Federal of Lakewood and as an executive Board Member for the Union Club of Cleveland. She also serves on the Board of Trustees for Baldwin Wallace University, from which she received her Bachelors in Biology and Sustainability.



Alexis M. Becker

Vice President

Alexis is a Vice President at Carleton McKenna & Company. As part of Carleton McKenna's senior management team, Alexis manages M&A and capital raise transactions, guiding clients from preparation and marketing stages through negotiation and close. As part of transaction processing, Alexis reviews and develops marketing materials, conducts financial and valuation analysis, identifies strategic and financial partners for clients and facilitates due diligence processes. Alexis is also actively involved in building and maintaining client and partner relationships for Carleton McKenna.

Alexis completed her M.B.A. in Business Administration from Baldwin Wallace University in May 2018. She received her B.S. in Business Administration with a concentration in Marketing and a minor in Spanish from the Honors Program at Edinboro University of Pennsylvania, where she graduated top of her class.



Patrick T. Berry

Assistant Vice President

Patrick is an Assistant Vice President with Carleton McKenna & Co. His primary responsibilities include managing research, complex financial analysis and modeling as well as due diligence, process management and other day-to-day operations required for executing M&A transactions. He plays a key role throughout planning, strategizing and executing both buy-side and sell-side transactions for the Firm's clients.

Prior to joining Carleton McKenna & Co, Patrick interned for Bellwether Enterprise Real Estate Capital, a Cleveland-based commercial and multi-family mortgage banking firm. Patrick worked in both Asset Management and Production capacities, where he was involved in developing financial presentations on real estate assets, modeling and facilitating due diligence on debt structures, conducting industry research and serving portfolio loans through financial and maintenance covenant analyses.

Patrick graduated from The Ohio State University in December 2019 with a B.A. in Business Administration and a specialization in Finance. Patrick has passed the CFA Level II exam.



Emily A. Kuznik

Marketing Analyst

Emily is a Marketing Analyst at Carleton McKenna & Company. Her primary responsibilities include researching and developing marketing content and industry reports, enacting website development, maintaining a social media strategy and regulating web-based management services.

Prior to joining Carleton McKenna, Emily worked as a Leadership Development Fellow for Baldwin Wallace University's Carmel Boyer School of Business. As a member of the pilot program, she coordinated a variety of marketing initiatives for both graduate and undergraduate programs including social media and email marketing campaigns, advertising, event planning, and recruiting.

She graduated magna cum laude from Baldwin Wallace University in 2021 where she earned a B.A. in Digital Marketing and again in 2022 with an M.B.A. in Management.

PH Premier Hydraulics, LLC
Special Valves, Fittings & Custom Products

has been acquired by



The undersigned provided exclusive financial advisory services to Premier Hydraulics, LLC

Carleton McKenna
INVESTMENT BANKING SERVICES



has been acquired by



The undersigned provided exclusive financial advisory services to Insight Services, Inc. (dba TestOil)

Carleton McKenna
INVESTMENT BANKING SERVICES



has been acquired by



The undersigned provided exclusive financial advisory services to Commercial Fluid Power

Carleton McKenna
INVESTMENT BANKING SERVICES



has been acquired by



The undersigned provided exclusive financial advisory services to Millman Surveying, Inc.

Carleton McKenna
INVESTMENT BANKING SERVICES



The undersigned provided exclusive valuation services to D+S Distribution Services, Inc.

Carleton McKenna
INVESTMENT BANKING SERVICES



has acquired



The undersigned provided exclusive financial advisory services to Webster Industries, Inc.

Carleton McKenna
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has been acquired by



The undersigned provided exclusive financial advisory services to Precision Component Industries, LLC

Carleton McKenna
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has been acquired by



The undersigned provided exclusive financial advisory services to StationCheck, LLC

Carleton McKenna
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Project Vulcan

Project financing related to the construction of domestic alternative iron unit production facility

The undersigned provided exclusive financial advisory services to Project Vulcan

Carleton McKenna
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has sold its Pavement Marking Coatings Operations to



The undersigned provided exclusive financial advisory services to Lafarge S.A

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Project Erie

Transportation logistics and supply chain provider

The undersigned is currently providing exclusive financial advisory services to Project Erie

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has acquired



The undersigned provided exclusive financial advisory services to Cornerstone Industrial Group, LLC

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has been acquired by



The undersigned provided exclusive financial advisory services to ATK Vege shareholders

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The undersigned provided exclusive strategic alternative and financial advisory services to Arrowhead Industries Corp.

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The undersigned provided exclusive financial advisory services to Trust Technologies, a Kilroy Company, for debt placement

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has successfully divested its wholly-owned Technology consulting subsidiary EdgeTech Consulting, LLC

The undersigned provided exclusive financial advisory services to Edgewater Technology

Carleton McKenna
INVESTMENT BANKING SERVICES

ENDNOTES

1. <https://www.precedenceresearch.com/industrial-distribution-market>
2. <https://www.morningstar.com>
3. <https://fred.stlouisfed.org/series/INDPRO/>
4. <https://gfddata.com>
5. <https://pitchbook.com>