

# CASCADIA

CAPITAL LLC

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## Distributors Market Update

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# Distributors Market Performance

THE DISTRIBUTORS SECTOR IS OUTPERFORMING THE MARKET

- Wholesale distribution has been meaningfully impacted by COVID driven supply chain challenges and inflationary trends
- While building product distribution was an early outperformer out of COVID, domestic manufacturing growth and technology adoption are driving multiple expansion across the distribution landscape
- Specific valuation drivers vary by sub-sector and end market; however, the common link is the significant value add and critical role that distribution plays in the supply chain
- Despite the meaningful financial “noise”, valuations in the sector have outperformed the overall market and remain at record levels despite the recent correction in the public markets

## By the Numbers

**116%**

Distributors Market Index increase from COVID low

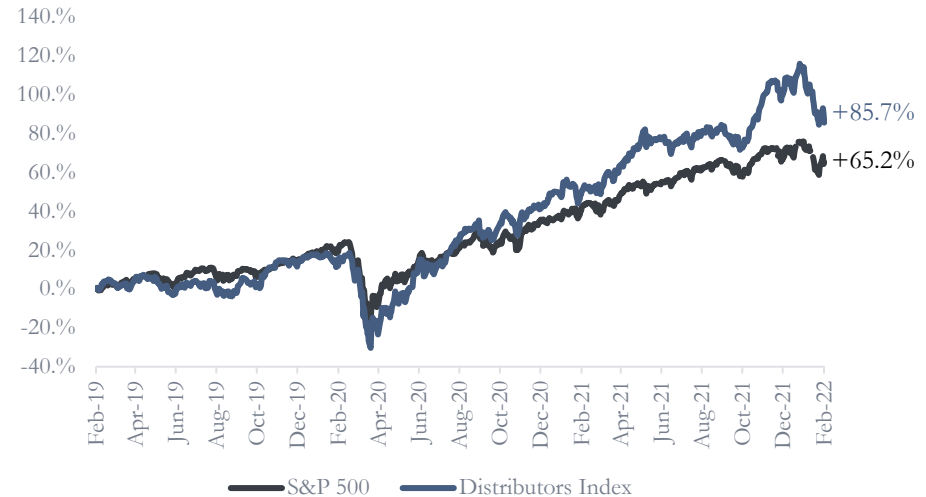
**86%**

Distributors Market Index growth over the last 3 years

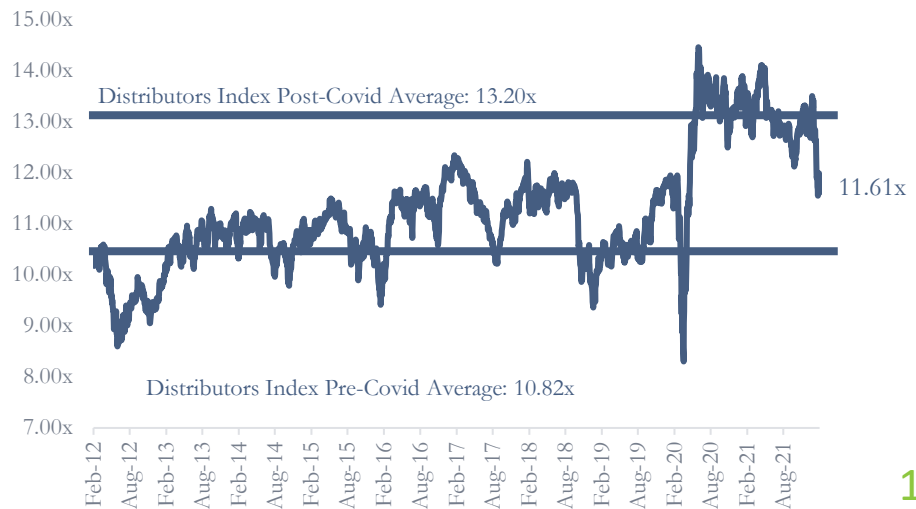
**+2.4x**

Distributors Market Index EBITDA Multiple

## 3-Year Share Price Performance



## 10-Year NTM EBITDA Multiples



# Public Distributors

(\$ in millions, except per share data)

	Equity Value	Enterprise Value	2021E Margin		2021E		2022E		EV / Revenue		EV / EBITDA		Net Debt /
			Gross	EBITDA	Revenue	EBITDA	Revenue	EBITDA	2021E	2022E	2021E	2022E	LTM EBITDA
<b>Building Products</b>													
Ferguson plc	\$33,381	\$34,273	29.9%	11.0%	\$22,608	\$2,483	\$25,982	\$2,765	1.5x	1.3x	13.8x	12.4x	0.3x
Pool Corporation	17,984	18,488	30.1%	16.3%	5,193	846	5,699	943	3.6	3.2	21.9	19.6	0.6
Builders FirstSource, Inc.	12,794	15,448	28.6%	14.8%	19,538	2,901	18,269	2,294	0.8	0.8	5.3	6.7	1.1
Reece Limited	9,382	10,229	0.0%	11.4%	4,674	531	4,915	558	2.2	2.1	19.3	18.3	1.5
Watsco, Inc.	9,555	10,069	26.4%	10.3%	6,116	631	6,436	648	1.6	1.6	16.0	15.5	0.2
SiteOne Landscape Supply, Inc.	8,098	8,581	34.4%	11.6%	3,403	394	3,683	418	2.5	2.3	21.8	20.5	1.3
TopBuild Corp.	7,399	7,879	27.6%	17.2%	3,447	594	4,507	774	2.3	1.7	13.3	10.2	0.9
Core & Main, Inc.	3,898	6,062	N/A	N/A	N/A	N/A	4,888	574	N/A	1.2	N/A	10.6	3.2
Beacon Roofing Supply, Inc.	3,795	6,044	26.4%	9.7%	6,650	648	7,109	N/A	0.9	0.9	9.3	N/A	2.8
UFP Industries, Inc.	4,786	4,934	15.7%	8.9%	8,346	742	7,993	707	0.6	0.6	6.7	7.0	0.4
Installed Building Products, Inc.	3,075	3,516	30.4%	14.8%	1,956	290	2,260	348	1.8	1.6	12.1	10.1	1.7
Comfort Systems USA, Inc.	3,038	3,349	18.6%	8.7%	3,028	263	3,390	317	1.1	1.0	12.7	10.6	1.2
GMS Inc.	2,148	3,345	32.3%	9.5%	3,229	307	4,517	550	1.0	0.7	10.9	6.1	2.9
Boise Cascade Company	3,015	2,773	19.5%	12.3%	7,694	946	6,927	541	0.4	0.4	2.9	5.1	(0.3)
Hardwoods Distribution Inc.	854	1,463	23.1%	12.1%	1,580	192	2,284	241	0.9	0.6	7.6	6.1	4.7
BlueLinx Holdings Inc.	682	1,230	17.6%	10.0%	4,157	416	3,478	226	0.3	0.4	3.0	5.4	1.4
Huttig Building Products, Inc.	248	361	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.4
<b>Mean</b>	<b>\$7,302</b>	<b>\$8,120</b>	<b>24.0%</b>	<b>11.9%</b>	<b>\$6,775</b>	<b>\$812</b>	<b>\$7,021</b>	<b>\$794</b>	<b>1.4x</b>	<b>1.3x</b>	<b>11.8x</b>	<b>11.0x</b>	<b>1.6x</b>
<b>Median</b>	<b>\$3,898</b>	<b>\$6,044</b>	<b>26.4%</b>	<b>11.4%</b>	<b>\$4,674</b>	<b>\$594</b>	<b>\$4,901</b>	<b>\$558</b>	<b>1.1x</b>	<b>1.1x</b>	<b>12.1x</b>	<b>10.2x</b>	<b>1.3x</b>

Building  
Products  
Distributors

# Public Distributors

(\$ in millions, except per share data)

	Equity Value	Enterprise Value	2021E Margin		2021E		2022E		EV / Revenue		EV / EBITDA		Net Debt /
			Gross	EBITDA	Revenue	EBITDA	Revenue	EBITDA	2021E	2022E	2021E	2022E	LTM EBITDA

## Specialty Chemicals

Specialty Chemicals													
Brenntag SE	\$13,192	\$15,586	23.5%	9.7%	\$15,613	\$1,509	\$16,850	\$1,656	1.0x	0.9x	10.3x	9.4x	2.4x
IMCD N.V.	9,795	10,730	24.4%	11.9%	3,830	457	4,203	496	2.8	2.6	23.5	21.6	3.0
Univar Solutions Inc.	4,669	6,923	24.6%	8.2%	9,317	768	9,478	792	0.7	0.7	9.0	8.7	3.3
<b>Mean</b>	<b>\$9,219</b>	<b>\$11,080</b>	<b>24.2%</b>	<b>9.9%</b>	<b>\$9,586</b>	<b>\$911</b>	<b>\$10,177</b>	<b>\$981</b>	<b>1.5x</b>	<b>1.4x</b>	<b>14.3x</b>	<b>13.3x</b>	<b>2.9x</b>
<b>Median</b>	<b>\$9,795</b>	<b>\$10,730</b>	<b>24.4%</b>	<b>9.7%</b>	<b>\$9,317</b>	<b>\$768</b>	<b>\$9,478</b>	<b>\$792</b>	<b>1.0x</b>	<b>0.9x</b>	<b>10.3x</b>	<b>9.4x</b>	<b>3.0x</b>

## PVF

Pipes, Valves, and Fittings													
MRC Global Inc.	\$623	\$1,462	17.4%	5.2%	\$2,665	\$138	\$3,002	\$182	0.5x	0.5x	10.6x	8.0x	10.8x
NOW Inc.	985	713	21.2%	2.0%	1,626	32	1,847	75	0.4	0.4	22.1	9.5	(6.2)
DXP Enterprises, Inc.	535	845	30.0%	6.1%	1,106	68	1,218	73	0.8	0.7	12.4	11.6	6.8
<b>Mean</b>	<b>\$714</b>	<b>\$1,007</b>	<b>22.9%</b>	<b>4.4%</b>	<b>\$1,799</b>	<b>\$79</b>	<b>\$2,022</b>	<b>\$110</b>	<b>0.6x</b>	<b>0.5x</b>	<b>15.1x</b>	<b>9.7x</b>	<b>3.8x</b>
<b>Median</b>	<b>\$623</b>	<b>\$845</b>	<b>21.2%</b>	<b>5.2%</b>	<b>\$1,626</b>	<b>\$68</b>	<b>\$1,847</b>	<b>\$75</b>	<b>0.5x</b>	<b>0.5x</b>	<b>12.4x</b>	<b>9.5x</b>	<b>6.8x</b>

# Public Distributors (Cont'd)

(\$ in millions, except per share data)

	Equity Value	Enterprise Value	2021E Margin		2021E		2022E		EV / Revenue		EV / EBITDA		Net Debt /
			Gross	EBITDA	Revenue	EBITDA	Revenue	EBITDA	2021E	2022E	2021E	2022E	LTM EBITDA
<b>Industrial</b>													
Fastenal Company	\$31,645	\$32,045	46.1%	22.9%	\$5,982	\$1,371	\$6,719	\$1,545	5.4x	4.8x	23.4x	20.7x	0.3x
W.W. Grainger, Inc.	25,125	27,646	36.2%	13.3%	12,927	1,713	14,276	2,016	2.1	1.9	16.1	13.7	1.5
Genuine Parts Company	18,489	20,798	35.2%	8.6%	18,734	1,614	19,790	1,786	1.1	1.1	12.9	11.6	1.6
Bunzl plc	12,318	14,615	25.8%	8.9%	13,896	1,230	14,306	1,243	1.1	1.0	11.9	11.8	2.8
WESCO International, Inc.	6,027	10,775	20.9%	6.5%	18,036	1,167	18,920	1,276	0.6	0.6	9.2	8.4	4.6
Rexel S.A.	6,735	9,662	25.4%	7.9%	16,558	1,300	18,204	1,420	0.6	0.5	7.4	6.8	4.0
MSC Industrial Direct Co., Inc.	4,526	5,290	41.9%	13.6%	3,250	441	3,585	514	1.6	1.5	12.0	10.3	1.7
Applied Industrial Technologies, Inc.	3,671	4,220	29.2%	9.5%	3,184	303	3,618	379	1.3	1.2	13.9	11.1	1.6
Hillman Solutions Corp.	1,635	2,611	41.4%	14.7%	1,409	207	1,518	227	1.9	1.7	12.6	11.5	6.1
Veritiv Corporation	1,270	2,153	0.0%	4.8%	6,704	319	6,660	331	0.3	0.3	6.8	6.5	4.0
Global Industrial Company	1,222	1,249	34.9%	8.3%	1,065	88	1,148	105	1.2	1.1	14.2	11.9	0.3
Lawson Products, Inc.	415	433	52.4%	8.5%	418	35	432	41	1.0	1.0	12.2	10.6	0.6
<b>Mean</b>	<b>\$9,423</b>	<b>\$10,958</b>	<b>32.4%</b>	<b>10.6%</b>	<b>\$8,514</b>	<b>\$816</b>	<b>\$9,098</b>	<b>\$907</b>	<b>1.5x</b>	<b>1.4x</b>	<b>12.7x</b>	<b>11.3x</b>	<b>2.4x</b>
<b>Median</b>	<b>\$5,276</b>	<b>\$7,476</b>	<b>35.0%</b>	<b>8.7%</b>	<b>\$6,343</b>	<b>\$804</b>	<b>\$6,690</b>	<b>\$878</b>	<b>1.1x</b>	<b>1.1x</b>	<b>12.4x</b>	<b>11.3x</b>	<b>1.6x</b>

Industrial

# Notable 2021 Transactions

Announced Date	Target	Buyer	Deal Value (\$M)	EV / Revenue	EV / EBITDA
Mar-21			\$107	0.4x	-
Mar-21			\$138	0.5x	30.3x
Mar-21			\$136	1.2x	-
May-21			\$135	-	-
May-21			\$409	1.2x	-
May-21			\$125	-	-
May-21			-	-	-
Jul-21			\$103	1.4x	-

# Notable 2021 Transactions (cont'd)

Announced Date	Target	Buyer	Deal Value (\$M)	EV / Revenue	EV / EBITDA
Jul-21	 H&E EQUIPMENT SERVICES	 MGX EQUIPMENT SERVICES	\$130	-	-
Aug-21	 CERVUS EQUIPMENT	 Brandt	\$405	0.4x	6.8x
Sep-21	 DI DISTRIBUTION INTERNATIONAL	 TopBuild	\$1,001	1.3x	-
Sep-21	 REEB®	 U.S. LUMBER	\$577	1.5x	-
Oct-21	 MAYER	 REXEL	\$456	0.4x	-
Nov-21	 NxEdge	 ENPRO	\$850	-	-
Dec-21	 KAMAN Distribution	 MOTION	\$1,300	-	-