

Distribution Sector M&A Quarterly Update

SECOND QUARTER 2020

DISTRIBUTION M&A QUARTERLY UPDATE

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Value-added distribution companies will continue to be active in M&A

M&A activity has slowed but not stopped, as the economy emerges out of the crisis, we expect buyers to remain active and continue to seek strategic assets in the distributor sector

Distribution Market Outlook

COVID-19 market separation has taken place in the distribution industry. Companies who were proactive and able to maintain financial stability through the initial shock of the virus are still standing and creatively identifying ways to capture market share

Amazon market share take over is a reality for industrial supply distribution companies. Amazon has 31.3 million listed products in MRO and office supply categories; the leading incumbent has about 3 million. By 2021 Amazon will be the No. 1 industrial distributor in the United States by sales volume

China conflict will continue even post COVID-19. The trade war triggered some notable change in the supply chain and COVID-19 furthered the damage. 75% of companies reported supply chain disruptions because of the virus

Distribution Middle-Market M&A

M&A Activity

121 Distribution transactions closed through May 31 YTD 2020, down from 203 transactions in 2019. We expect overall M&A activity in Distribution to slow down in 2020

Financial Sponsors

Private equity and private equity-backed companies will continue to be opportunistic buyers as they address the call to action of their investors to put additional capital to work

Strategic Buyers

Public and private non-sponsor backed strategics will slow down on any new major acquisitions, but this will likely pick back up by 2H 2020



“Strategic buyers are seeking acquisitions with strong fit and low integration risk as tolerance for all risk is currently at an all-time low in the present environment.”

Chad Gardiner, Director
Bridgepoint Investment Banking

Notable Distribution Transactions Q2-20

Logging Distribution



Active Energy Group acquired the remaining 70% for a combined 100% ownership of Renewable Energy Systems, announced on March 31st 2020.



"I am delighted to announce this value accretive transaction. AEG will become the 100% owner and operator of the existing sawmill and saw log export activities at Lumberton." - Michael Rowan, Active Energy, CEO

Automation Product Distribution



Certain assets of Apex Industrial Technologies was acquired by Fastenal Company, announced on March 30th 2020. Apex Industrials is known for their automated industrial supply chain distribution compromised in various business activities.



"This transaction allows both organizations to move forward with their unique strategic plans while still providing an avenue for additional collaboration." - Daniel Florness, Fastenal, CEO

Paper / Packaging Distribution

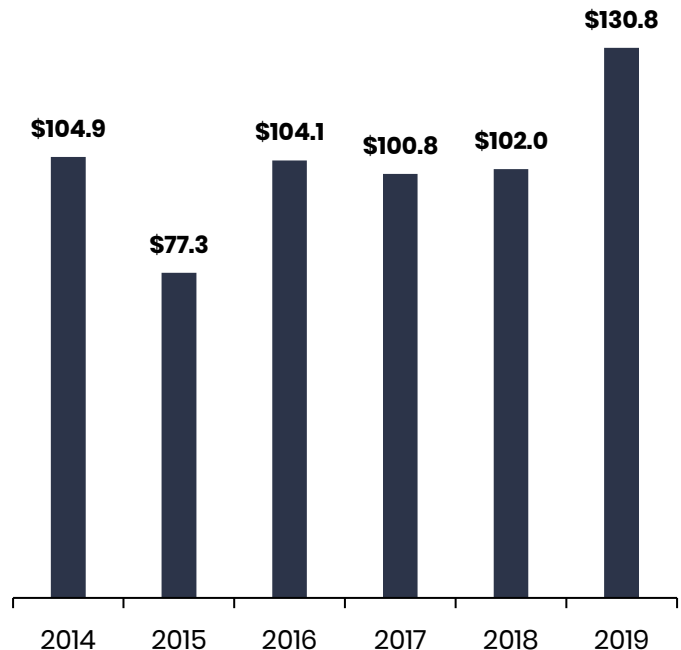


Monomy Capital Partners announced the acquisition of MAC Papers announced on March 13th. The Company generates over \$600m in annual sales. With 19 branches throughout the Southeast.



"The entire Mac Papers team looks forward to working with Monomy. Their extensive resources and capabilities will allow us to advance the company's many strategic and operational initiatives, we are excited to begin the next phase in our evolution as a Company." - Rick Mitchell, Mac Papers, COO

2014-2019 PE Middle Market^(a) Fundraising Capital Raised (\$bn)

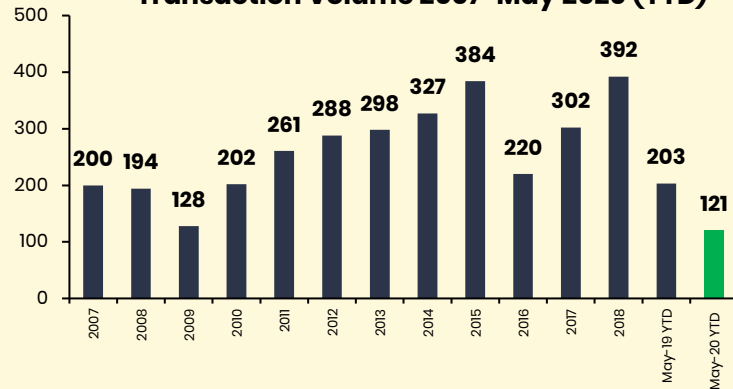


(a) Middle Market = Companies \$50mm-\$1bn TEV.

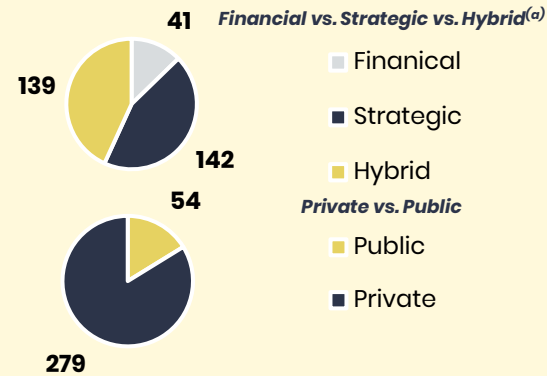
Sources: S&P Capital IQ, BusinessWire, SupplyHT, mdm competitive intelligence for wholesale distribution, Bloomberg

Selected Distribution M&A Transaction Statistics

Transaction Volume 2007–May 2020 (YTD)



Distribution Transaction Buyer Statistics LTM



Selected Distribution Report M&A Transactions

Date Announced	Target	Buyer	Business Description
05/28/2020	Adams Machinery Movers	MEI Rigging & Crating	Provider of forklift rigs
05/28/2020	Production Tool & Supply	DGI Supply	Distributor of power tools
05/13/2020	The Equipment Source	Eberhart Capital	Distributor of tool and equipment for contractors
05/11/2020	Temple Associates	SurfacePrep	Distributes mental finishing equipment
05/07/2020	Unitec Elevator Company	Arcline Investment Management	Distributes elevator and escalator replacement parts
04/30/2020	Independent Ag Equipment	GVM	Distributes farming equipment
04/19/2020	Lewiston Kubota Dealership	Coeur d'Alene Tractor Company	Distributes farm and construction equipment
04/16/2020	Street Smart Rental	Carlson Private Capital Partners	Distributes sells traffic safety equipment
04/15/2020	H&R Construction Parts and Equipment	All States Ag Parts	Distributes construction parts
04/09/2020	Black Rock Petroleum Company	Optimum Mining	Distributes crude oil products
04/06/2020	All Around Lighting	AAL	Distributes electrical products
04/06/2020	May Supply Company	Winsupply	Distributes house utilize parts
03/31/2020	Renewable Energy Systems	Active Energy Group	Distributes logs
03/30/2020	Apex Industrial Technologies	Fastenal	Comprises automated industrial supply distribution
03/27/2020	Instone	Capstone Therapeutics	Distributor of natural stone
03/24/2020	Liftek Entertainment	LIFKET Hoffmann GmbH	Distributes electric chain hoists
03/23/2020	Needmore Vending	AVI Foodsystems	Distributes vending machines and supplies
03/17/2020	Pace Dewatering Systems	Synagro Technologies	Comprises rental and sludge dewatering contracts
03/17/2020	Pipeline & Utility Rental Equipment	Perco Equipment Rentals	Offers pipeline equipment rental services
03/17/2020	Tri-Ag Implements	Webb's Machinery	Supplies new and used agricultural equipment
03/16/2020	Lansing Building Products	Markel Ventures	Distributes building products
03/16/2020	Harvey Building Products	Lansing Building Products	Comprises building products distribution business
03/15/2020	Lizzy Lift	BigRentz	Provides construction equipment rental services
03/13/2020	Dien	LeBaronBrown Specialties	Distributes specialty chemical and ingredients
03/12/2020	Mac Papers	Monomoy Capital Partners	Distributes and sells paper and print

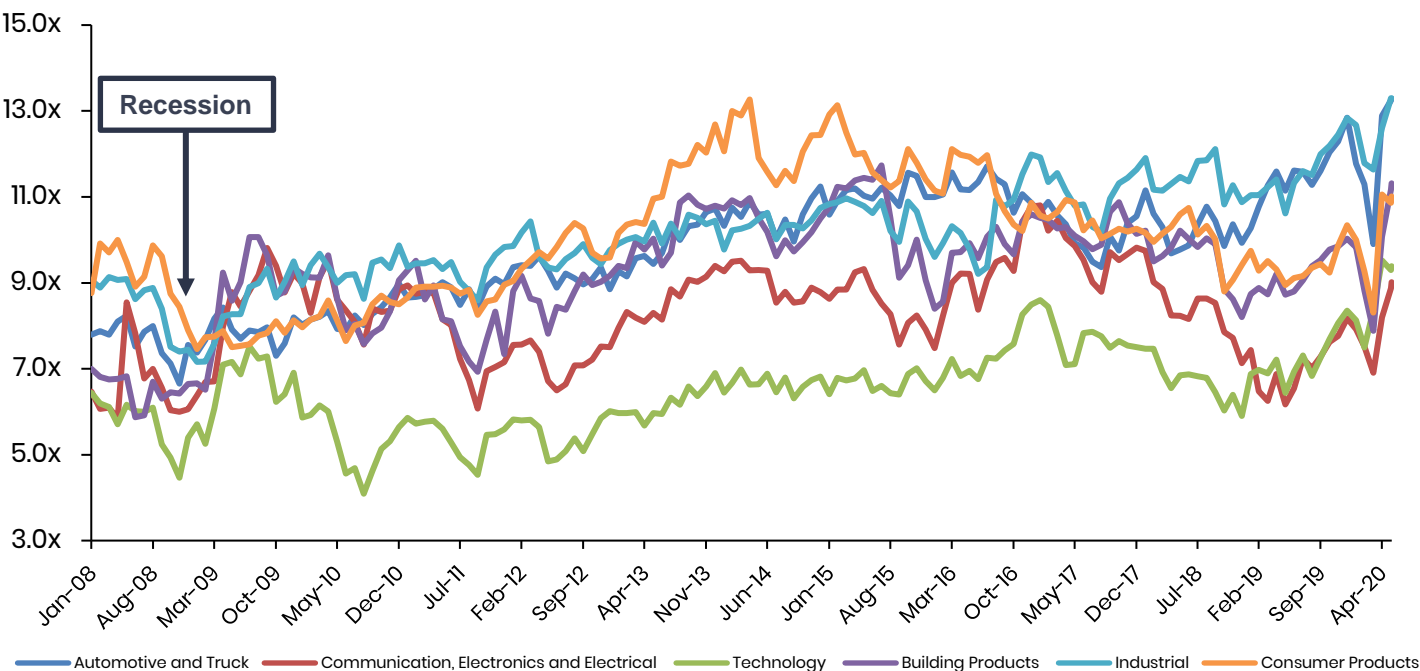
(a): Hybrid – Sponsored-backed strategies.
Sources: S&P Capital IQ

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Distribution Rolling TEV / NTM EBITDA by Sector Index January 2008–May 2020

	Automotive & Truck	Communication Electronics & Electrical	Technology	Building Products	Industrial	Consumer Products
5/31/20 TEV / NTM EBITDA	13.5x	8.5x	9.5x	10.7x	12.8x	10.7x
3-Year TEV / NTM EBITDA Median	11.3x	7.7x	7.0x	9.5x	11.6x	9.5x
3-Year TEV / NTM EBITDA Mean	11.2x	7.6x	7.4x	9.4x	11.8x	9.7x



SELECT BRIDGEPOINT DISTRIBUTION TRANSACTION EXPERIENCE

Eagle
AUTOMATION

Has been acquired by

FEATHERGILL
CAPITAL

Sell-side Advisor

RCI
Roofing Supply Company Inc.

Has been acquired by

Beacon

Sell-side Advisor

CONTRACTORS
SIDING, WINDOWS & ROOFING SUPPLY

Has been acquired by

SRS
Distribution

Sell-side Advisor

BADLANDS
TASK LINES

Acquisition and global financing

Sole Financial Arranger

PROVIDEA
CONFERRING

Has been acquired by

WESTVIEW
CAPITAL PARTNERS

Sell-side Advisor

AULICK
Leasing

Has been acquired by

TFI
International

Sell-side Advisor

Dabarc
A DMR COMPANY

Has been acquired by

DMR

Buy-side M&A Advisor

FleetPride
TRUCK & TRAILER PARTS

Senior secured credit facilities / senior notes

Joint Bookrunner

Note: All indexes are sub-sectors of distribution - Technology Index: ARW, AVT, SCSC, SNX, TE CD; Consumer Products Index: BNZL, Core, POOL, SPTN, SYY, INF, USFD; Industrial Index: AI, AIT, FAST, MSM, GWW; Automotive and Truck Index: AZO, GPC, LKQ, UNS; Electronics and Electrical Index: AXE, RXL, WCC; Building Products: BECN, BMCH, BLDR, CRG, FERQ, HDS, SITE, WSO
Note: Selected transactions listed above include those executed by bankers at firms outside of Bridgepoint Investment Banking.
Sources: S&P Capital IQ

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SECOND QUARTER 2020

Market-leading boutique investment bank providing M&A and capital raising advisory solutions focused on the distribution industry

229+ years cumulative investment banking experience spanning 163 transactions

\$108+ billion of M&A, capital raising, corporate finance and M&A transaction advisory service experience

73 completed M&A assignments spanning more than \$34 billion

90 completed corporate finance transactions, raising more than \$74 billion in capital

Bridgepoint's experience, process, and deep connectivity to real, national funders and buyers provides distribution companies tailored, value add capital solutions

Services / Solutions

- ✓ Rescue & Bridge Financing
- ✓ Debt Restructuring
- ✓ Debt & Equity Recapitalization
- ✓ Growth / Acquisition Financing
- ✓ M&A Advisory

Outcomes

- ✓ Increased Cash Flow
- ✓ Debt Service Reduction / Flexibility
- ✓ Shareholder Liquidity
- ✓ Committed Capital Partner
- ✓ Optimal Transaction Result

Chad Gardiner Director



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SECTORS OF FOCUS



Distribution



Trucking



Business Services &
IT Services



Consumer &
Retail



Healthcare

229

YEARS OF EXPERIENCE

MORE THAN
\$108B

IN TRANSACTIONS

163

TOTAL TRANSACTIONS

bridgepointib.com

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