

# Market Update

## Distribution

Q4 2016



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## Distribution Index

| Company Name                                      | Stock Price | % of 52 Week High | Market Cap | Enterprise Value | LTM       |         | YoY Revenue Growth | EBITDA Margin | Enterprise Value/LTM |              |
|---|-------------|-------------------|------------|------------------|-----------|---------|--------------------|---------------|----------------------|--------------|
|   |             |                   |            |                  | Revenue   | EBITDA  |                    |               | Revenue              | EBITDA       |
| <b>Aerospace and Defense</b>                      |             |                   |            |                  |           |         |                    |               |                      |              |
| KLX Inc.  | \$45.11     | 95.5%             | \$2,369    | \$3,252          | \$1,507   | \$171   | (5.6%)             | 11.3%         | 2.2x                 | 19.1x        |
| Wesco Aircraft Holdings, Inc.                     | 14.95       | 94.8%             | 1,480      | 2,255            | 1,477     | 187     | (1.4%)             | 12.7%         | 1.5x                 | 12.1x        |
| <b>Automotive and Truck</b>                       |             |                   |            |                  |           |         |                    |               |                      |              |
| AutoZone, Inc.                                    | \$789.79    | 96.4%             | \$22,604   | \$27,396         | \$10,717  | \$2,384 | 3.9%               | 22.2%         | 2.6x                 | 11.5x        |
| Genuine Parts Company                             | 95.54       | 90.2%             | 14,210     | 14,773           | 15,241    | 1,243   | (1.2%)             | 8.2%          | 1.0x                 | 11.9x        |
| LKQ Corp.   | 30.65       | 84.3%             | 9,425      | 12,420           | 8,508     | 1,016   | 19.4%              | 11.9%         | 1.5x                 | 12.2x        |
| O'Reilly Automotive Inc.                          | 278.41      | 95.1%             | 26,299     | 27,625           | 8,443     | 1,868   | 8.5%               | 22.1%         | 3.3x                 | 14.8x        |
| Uni-Select Inc.                                   | 21.95       | 83.1%             | 927        | 1,057            | 1,166     | 99      | (23.5%)            | 8.5%          | 0.9x                 | 11.0x        |
| <b>Building Products</b>                          |             |                   |            |                  |           |         |                    |               |                      |              |
| Beacon Roofing Supply, Inc.                       | \$46.07     | 93.4%             | \$2,760    | \$3,861          | \$4,127   | \$357   | 64.1%              | 8.7%          | 0.9x                 | 10.8x        |
| BMC Stock Holdings, Inc.                          | 19.50       | 90.7%             | 1,299      | 1,692            | 2,856     | 170     | 107.2%             | 5.9%          | 0.6x                 | 10.0x        |
| Builders FirstSource, Inc.                        | 10.97       | 77.6%             | 1,208      | 3,146            | 6,276     | 342     | 150.5%             | 5.4%          | 0.5x                 | 9.2x         |
| CRH plc   | 34.79       | 95.8%             | 28,968     | 37,151           | 29,938    | 3,040   | 23.1%              | 10.2%         | 1.3x                 | 12.6x        |
| HD Supply Holdings, Inc.                          | 42.51       | 96.2%             | 8,556      | 12,507           | 7,654     | 864     | 8.1%               | 11.3%         | 1.6x                 | 14.5x        |
| SiteOne Landscape Supply, Inc.                    | 34.73       | 84.8%             | 1,373      | 1,793            | 1,626     | 108     | 16.2%              | 6.6%          | 1.1x                 | 16.7x        |
| Watsco Inc.                                       | 148.12      | 92.8%             | 4,836      | 5,288            | 4,211     | 362     | 3.1%               | 8.6%          | 1.3x                 | 14.6x        |
| Wolseley plc                                      | 61.27       | 99.6%             | 15,385     | 16,577           | 19,161    | 1,380   | (8.2%)             | 7.2%          | 0.9x                 | 12.9x        |
| <b>Communications, Electronics and Electrical</b> |             |                   |            |                  |           |         |                    |               |                      |              |
| Anixter International Inc.                        | \$81.05     | 96.4%             | \$2,679    | \$3,983          | \$7,564   | \$376   | 30.3%              | 5.0%          | 0.5x                 | 10.6x        |
| Rexel SA  | 16.50       | 98.0%             | 4,977      | 7,648            | 14,853    | 687     | (0.9%)             | 4.6%          | 0.5x                 | 11.9x        |
| WESCO International Inc.                          | 66.55       | 90.7%             | 3,232      | 4,606            | 7,404     | 397     | (3.2%)             | 5.4%          | 0.6x                 | 11.6x        |
| <b>Consumer Products</b>                          |             |                   |            |                  |           |         |                    |               |                      |              |
| Bunzl plc   | \$26.04     | 81.5%             | \$8,577    | \$10,083         | \$9,042   | \$668   | (6.9%)             | 7.4%          | 1.2x                 | 16.3x        |
| Core-Mark Holding Company, Inc.                   | 43.07       | 86.1%             | 1,988      | 2,282            | 10,735    | 129     | 23.6%              | 1.2%          | 0.2x                 | 17.6x        |
| Pool Corp.  | 104.34      | 96.6%             | 4,313      | 4,682            | 2,541     | 272     | 9.3%               | 10.7%         | 1.8x                 | 17.2x        |
| SpartanNash Company                               | 39.54       | 98.9%             | 1,482      | 1,950            | 7,674     | 227     | (2.2%)             | 3.0%          | 0.3x                 | 8.6x         |
| Sysco Corporation                                 | 55.37       | 97.0%             | 30,284     | 37,460           | 51,773    | 2,807   | 6.0%               | 5.4%          | 0.7x                 | 13.3x        |
| United Natural Foods, Inc.                        | 47.72       | 91.5%             | 2,414      | 2,998            | 8,672     | 304     | 4.9%               | 3.5%          | 0.3x                 | 9.9x         |
| US Foods Holding Corp.                            | 27.48       | 98.9%             | 6,062      | 9,744            | 23,176    | 979     | 1.0%               | 4.2%          | 0.4x                 | 9.9x         |
| <b>Healthcare</b>                                 |             |                   |            |                  |           |         |                    |               |                      |              |
| Cardinal Health, Inc.                             | \$71.97     | 80.0%             | \$23,035   | \$26,701         | \$125,530 | \$3,084 | 17.9%              | 2.5%          | 0.2x                 | 8.7x         |
| Henry Schein, Inc.                                | 151.71      | 82.9%             | 12,211     | 13,783           | 11,302    | 967     | 6.3%               | 8.6%          | 1.2x                 | 14.0x        |
| McKesson Corporation                              | 140.45      | 70.4%             | 31,754     | 35,912           | 194,267   | 4,330   | 3.5%               | 2.2%          | 0.2x                 | 8.3x         |
| Owens & Minor Inc.                                | 35.29       | 85.1%             | 2,171      | 2,622            | 9,843     | 275     | 0.7%               | 2.8%          | 0.3x                 | 9.6x         |
| <b>Industrial</b>                                 |             |                   |            |                  |           |         |                    |               |                      |              |
| Air Liquide SA                                    | \$111.53    | 99.1%             | \$43,229   | \$64,575         | \$18,587  | \$4,690 | 1.7%               | 25.2%         | 3.7x                 | 14.4x        |
| Applied Industrial Technologies, Inc.             | 59.40       | 94.8%             | 2,317      | 2,564            | 2,502     | 206     | (7.0%)             | 8.2%          | 1.0x                 | 12.4x        |
| DXP Enterprises, Inc.                             | 34.74       | 90.1%             | 602        | 915              | 1,018     | 48      | (24.6%)            | 4.7%          | 0.9x                 | 19.0x        |
| Fastenal Company                                  | 46.98       | 94.0%             | 13,579     | 13,877           | 3,937     | 892     | 1.7%               | 22.7%         | 3.5x                 | 15.6x        |
| Kaman Corporation                                 | 48.93       | 96.1%             | 1,326      | 1,721            | 1,828     | 158     | 1.5%               | 8.6%          | 0.9x                 | 10.9x        |
| MRC Global Inc.                                   | 20.26       | 90.0%             | 1,931      | 2,588            | 3,289     | 81      | (35.2%)            | 2.5%          | 0.8x                 | NM           |
| NOW Inc.  | 20.47       | 87.0%             | 2,200      | 2,214            | 2,213     | (170)   | (34.4%)            | (7.7%)        | 1.0x                 | NM           |
| MSC Industrial Direct Co. Inc.                    | 92.39       | 97.2%             | 5,235      | 5,789            | 2,864     | 448     | (0.8%)             | 15.6%         | 2.0x                 | 12.9x        |
| W.W. Grainger, Inc.                               | 232.25      | 96.5%             | 13,835     | 15,946           | 10,145    | 1,468   | 1.4%               | 14.5%         | 1.6x                 | 11.0x        |
| <b>Office Supplies</b>                            |             |                   |            |                  |           |         |                    |               |                      |              |
| Essendant Inc.                                    | \$20.90     | 59.7%             | \$773      | \$1,370          | \$5,412   | \$234   | 0.2%               | 4.3%          | 0.3x                 | 5.9x         |
| <b>Technology</b>                                 |             |                   |            |                  |           |         |                    |               |                      |              |
| Arrow Electronics, Inc.                           | \$71.30     | 97.5%             | \$6,387    | \$8,840          | \$24,134  | \$1,087 | 5.3%               | 4.5%          | 0.4x                 | 8.1x         |
| Avnet, Inc.                                       | 47.61       | 92.4%             | 6,077      | 7,588            | 25,792    | 960     | 0.4%               | 3.7%          | 0.3x                 | 7.9x         |
| ScanSource, Inc.                                  | 40.35       | 92.8%             | 1,015      | 1,136            | 3,602     | 114     | 9.2%               | 3.2%          | 0.3x                 | 10.0x        |
| SYNNEX Corp.                                      | 121.02      | 94.5%             | 4,814      | 5,406            | 14,062    | 490     | 5.4%               | 3.5%          | 0.4x                 | 11.4x        |
| Tech Data Corp.                                   | 84.68       | 92.6%             | 2,983      | 2,656            | 26,291    | 366     | 0.2%               | 1.4%          | 0.1x                 | 7.3x         |
| <b>Mean</b>                                       |             | <b>90.9%</b>      |            |                  |           |         | <b>8.6%</b>        | <b>7.8%</b>   | <b>1.1x</b>          | <b>12.6x</b> |
| <b>Median</b>                                     |             | <b>93.1%</b>      |            |                  |           |         | <b>1.7%</b>        | <b>6.3%</b>   | <b>0.9x</b>          | <b>11.9x</b> |

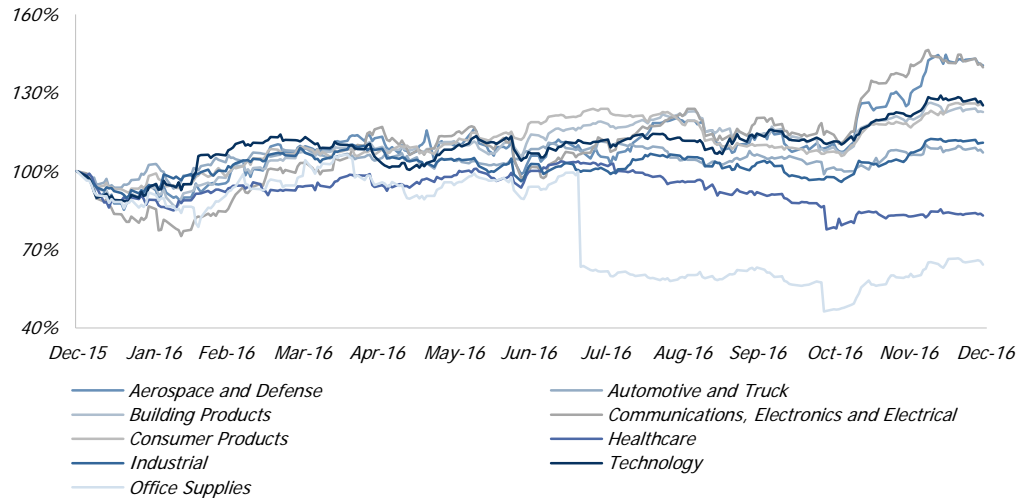
Source: Bloomberg, Capital IQ and company filings, as of 12/31/2016

Note: dollars in millions, except stock price

### Index Performance

Lincoln's Distribution Index recorded a gain of 4.5% in Q4 2016 vs. Q3 2016; Aerospace and Defense (+23.5%), Communications, Electronics and Electrical (+16.1%), Consumer Products (+13.9%), Industrial (+10.4%), Building Products (+7.5%) and Technology (+7.2%) outpaced the index, while Automotive and Truck (+0.6%) and Healthcare (-9.7%) lagged behind the index

### Distribution Index – LTM Relative Stock Price Performance

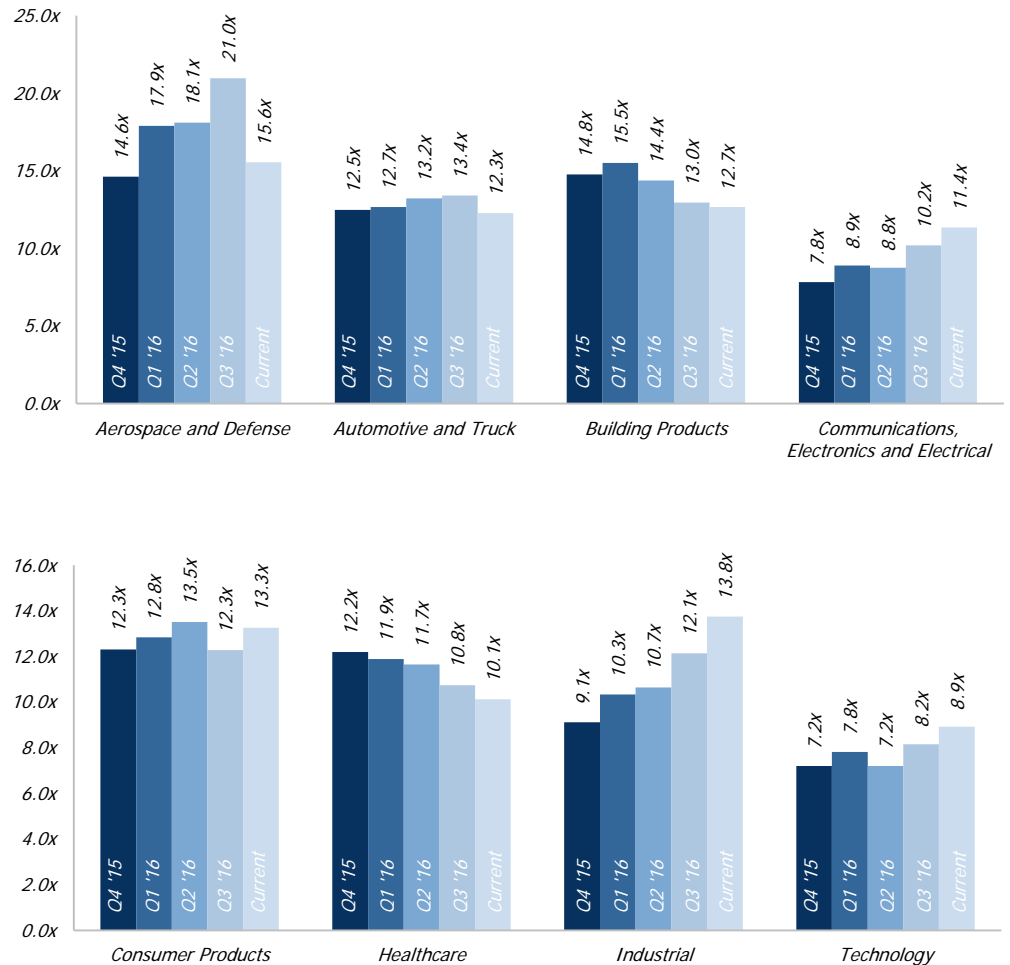


### Lincoln News

12/31/2016: Distribution M&A gained momentum in 2016; according to Mergermarket, the number of global transactions increased 7.9% from 2015 to 2016, while the number of U.S. transactions increased 13.0%

11/30/2016: Lincoln acted as the exclusive sell-side advisor to Silver Oak Services Partners in its sale of Accent Food Services, the Austin, Texas-based provider of customized fresh food, snacks and refreshment services, to Audax Private Equity

### Distribution Index – Historical EV / EBITDA Valuation Performance



## M&A Transaction Recap (Selected Transactions)

| Date    | Target Company  | Target Description  | Acquiring Company                      |
|---------|---|---|--|
| Pending | Arnold Industries, Inc.   | Fastening solutions                                       | Bossard Holding AG                     |
| Pending | Brammer plc   | Industrial MRO products                                   | Advent International Corporation       |
| Pending | Linde AG  | Industrial gases  | Praxair, Inc.                          |
| Pending | NOCO Energy Corp., Lubricants Business                            | Automotive and industrial lubricant products              | Brenntag AG                            |
| Pending | Prorisk and GM Equipment  | Personal protection equipment and first aid products      | Bunzl plc                              |
| Pending | Save On Seafood Company Inc.                                      | Seafood products  | US Foods, Inc.                         |
| Pending | Slidell Oil Company, Lubricants and Commercial Fuel Divisions     | Lubricants and commercial fuel                            | RelaDyne, Inc.                         |
| Dec-16  | Air Liquide Korea Businesses                                      | Industrial and medical gases                              | Linde AG                               |
| Dec-16  | BJ Building Material Supply Company                               | Building materials and services                           | Beacon Roofing Supply, Inc.            |
| Dec-16  | C & C Industrial Sales, Inc.                                      | Spray finishing systems                                   | Ohio Transmission Corporation          |
| Dec-16  | Cadence Chemical Corporation                                      | Specialty chemicals                                       | Maroon Group, LLC                      |
| Dec-16  | Floors, Inc. and Malibu Acceptance Corp.                          | Flooring products   | Dunes Point Capital, LLC               |
| Dec-16  | Manske Material Handling, Inc.                                    | Material handling and industrial supplies                 | Richards Supply Company                |
| Dec-16  | Matera Paper Company, Inc.  | Cleaning chemicals, supplies and equipment                | Ferguson Enterprises, Inc.             |
| Dec-16  | Metro Roofing Supplies, Inc.                                      | Building materials  | SRS Distribution, Inc.                 |
| Dec-16  | Midway Industrial Supply Co., Inc.                                | Fluid handling and spray finishing equipment              | Ohio Transmission Corporation          |
| Dec-16  | Plastics & Metals Enterprises Inc.                                | Plastic and metal sheets, rods and tubes                  | Curbell, Inc.                          |
| Dec-16  | Rocket Seals Corporation  | Seals and O-rings   | Lynwood Capital Partners, Inc.         |
| Dec-16  | Stetson Building Products, LLC                                    | Construction supplies                                     | Construction Supply Holdings, LLC      |
| Dec-16  | Woodway UK Limited  | Cartons, boxes and containers                             | Bunzl plc                              |
| Nov-16  | Beacon Electrical Sales & Supply                                  | Electrical supplies                                       | Sonepar S.A.                           |
| Nov-16  | Brock White Company, LLC and Border Construction Specialties, LLC | Construction materials, accessories and tools             | The Sterling Group, L.P.               |
| Nov-16  | Columbus Container Inc.   | Corrugated packaging products                             | Packaging Corporation of America       |
| Nov-16  | Mattic Industries Ltd.  | Rivets, fasteners and other industrial components         | Lawson Products, Inc.                  |
| Nov-16  | Mile Hi Specialty Foods, Inc.                                     | Restaurant food products                                  | Golden State Foods Corporation         |
| Nov-16  | Northeast Wholesale Nail & Fastener Supply                        | Fasteners, tools and other building materials             | PrimeSource Building Products, Inc.    |
| Nov-16  | Pharmaceutical Calibrations & Instrumentation, LLC                | Instrumentation compliance solutions                      | FCX Performance, Inc.                  |
| Nov-16  | Pugh Oil Company, Inc.  | Automotive, commercial and industrial lubricants and oils | Tenex Capital Management               |
| Nov-16  | TricorBraun Holdings Inc.   | Rigid packaging solutions                                 | AEA Investors LP                       |
| Nov-16  | Tri-State Aluminum Products of Wisconsin                          | Residential roofing, siding and windows                   | SRS Distribution, Inc.                 |
| Nov-16  | Trumbull Vinyl Products, Inc.                                     | Roofing, siding and other building products               | ABC Supply Co., Inc.                   |
| Nov-16  | World and Main, LLC, Handy Hardware Unit                          | Hardware and building material products                   | Hardware Distribution Warehouses, Inc. |
| Oct-16  | Ace Aluminum Distributors Inc.                                    | Pool and patio products                                   | ABC Supply Co., Inc.                   |
| Oct-16  | Blyth s.r.o.  | Personal protection equipment                             | Bunzl plc                              |
| Oct-16  | Braas Company Inc.  | Industrial automation and control products                | Genuine Parts Company                  |
| Oct-16  | Communications Products & Services                                | Conduits, cables, enclosures and construction accessories | Genuine Parts Company                  |
| Oct-16  | Five Star Food Service, Inc.                                      | On-site food and beverage solutions                       | PNC RiverArch Capital                  |
| Oct-16  | Hawkeye Building Distributors Limited                             | Building materials and roofing products                   | Guardian Building Products Inc.        |
| Oct-16  | Hayley Group Plc  | Automotive components and equipment                       | Descours & Cabaud SA                   |
| Oct-16  | Kingsbury Packaging   | Food packaging products                                   | Bunzl plc                              |
| Oct-16  | MidSouth Building Supply of Maryland Inc.                         | Windows, kitchen cabinetry and residential roofing        | SRS Distribution, Inc.                 |
| Oct-16  | RBC Tile & Stone, LLC   | Tile and stone products                                   | Virginia Tile Company                  |
| Oct-16  | Trademark Global, Inc.  | Branded products  | Bertram Capital Management LLC         |
| Oct-16  | Tri-Star Packaging Supplies and Kingsbury Packaging               | Food packaging and foodservice products                   | Bunzl plc                              |
| Oct-16  | USA Woods International, Inc.                                     | Hardwood lumber   | Frank Miller Lumber Company, Inc.      |
| Oct-16  | Vertex Distribution, Inc.   | Industrial fasteners                                      | Houston Wire & Cable Company           |

## Market Intelligence

**12/12/2016: United Natural Foods**, the Providence, Rhode Island-based wholesale distributor to the U.S. and Canada's natural, organic and specialty food industry, has a strong pipeline of acquisition opportunities and will concentrate its efforts in and around the fresh food space

**12/08/2016: Wolseley**, the Zug, Switzerland-based plumbing and heating distributor, which completed ten acquisitions in 2016, continues to maintain a healthy pipeline of bolt-on acquisition opportunities

**11/22/2016: Beacon Roofing Supply**, the Herndon, Virginia-based distributor of residential and non-residential roofing materials, which completed eight acquisitions in fiscal year 2016, has a strong pipeline of potential acquisition targets and will continue its aggressive M&A strategy

**10/27/2016: PolyOne**, the Avon Lake, Ohio-based provider of specialty polymer formulations, color and additive systems, continues to focus on M&A and will pursue a number of bolt-on acquisitions in its pipeline

Source: Mergermarket, Capital IQ, company filings, investor presentations and earnings transcripts

## Global Industry Groups

Aerospace & Defense  
Automotive & Truck  
Building & Infrastructure  
Business Services  
Chemicals  
Consumer  
Distribution  
Education Technology & Services  
Electronics  
Energy & Power  
Financial Institutions  
Food & Beverage  
Healthcare  
Industrials  
Packaging  
Technology & Media

## Global Locations

Amsterdam  
Beijing  
Chicago  
Dallas  
Frankfurt  
London  
Los Angeles  
Madrid  
Milan  
Moscow  
Mumbai  
Munich  
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Paris  
São Paulo  
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