

# Market Update

## Distribution

Q3 2017



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## Distribution Index

| Company Name                               | Stock Price | % of 52 Week High | Market Cap | Enterprise Value | LTM       |         | YoY     | EBITDA Margin | EV / LTM |        |
|--|-------------|-------------------|------------|------------------|-----------|---------|---------|---------------|----------|--------|
|  |             |                   |            |                  | Revenue   | EBITDA  | Growth  |               | Revenue  | EBITDA |
| Aerospace and Defense                      |             |                   |            |                  |           |         |         |               |          |        |
| KLX, Inc.                                  | \$52.93     | 97.3%             | \$2,722    | \$3,629          | \$1,604   | \$241   | 10.3%   | 15.0%         | 2.3x     | 15.1x  |
| Wesco Aircraft Holdings, Inc.              | 9.40        | 59.6%             | 936        | 1,749            | 1,433     | 151     | (3.2%)  | 10.5%         | 1.2x     | 11.6x  |
| Automotive and Truck                       |             |                   |            |                  |           |         |         |               |          |        |
| AutoZone, Inc.                             | \$595.11    | 73.1%             | \$16,564   | \$21,352         | \$10,889  | \$2,373 | 2.4%    | 21.8%         | 2.0x     | 9.0x   |
| Genuine Parts Company                      | 95.65       | 94.8%             | 14,044     | 14,984           | 15,728    | 1,222   | 3.3%    | 7.8%          | 1.0x     | 12.3x  |
| LKQ Corporation                            | 35.99       | 99.8%             | 11,116     | 13,834           | 9,159     | 1,059   | 17.3%   | 11.6%         | 1.5x     | 13.0x  |
| O'Reilly Automotive, Inc.                  | 215.37      | 75.2%             | 18,956     | 21,534           | 8,767     | 1,945   | 5.6%    | 22.2%         | 2.5x     | 11.1x  |
| Uni-Select, Inc.                           | 21.57       | 72.8%             | 912        | 1,109            | 1,247     | 107     | 11.0%   | 8.6%          | 0.9x     | 9.9x   |
| Building Products                          |             |                   |            |                  |           |         |         |               |          |        |
| Beacon Roofing Supply, Inc.                | \$51.25     | 98.3%             | \$3,469    | \$4,649          | \$4,261   | \$374   | 13.9%   | 8.8%          | 1.1x     | 12.4x  |
| BMC Stock Holdings, Inc.                   | 21.35       | 89.3%             | 1,430      | 1,860            | 3,213     | 186     | 31.1%   | 5.8%          | 0.6x     | 10.0x  |
| Builders FirstSource, Inc.                 | 17.99       | 99.5%             | 2,026      | 3,920            | 6,669     | 367     | 14.9%   | 5.5%          | 0.6x     | 10.7x  |
| CRH plc                                    | 38.15       | 92.6%             | 31,907     | 40,158           | 31,270    | 3,606   | 4.4%    | 11.5%         | 1.2x     | 10.6x  |
| Ferguson plc                               | 65.64       | 92.6%             | 16,510     | 18,281           | 20,064    | 1,549   | 4.7%    | 7.7%          | 0.8x     | 11.8x  |
| HD Supply Holdings, Inc.                   | 36.07       | 80.6%             | 6,732      | 10,717           | 7,548     | 867     | 26.1%   | 11.5%         | 1.4x     | 12.4x  |
| SiteOne Landscape Supply, Inc.             | 58.10       | 100.0%            | 2,309      | 2,780            | 1,750     | 133     | 10.3%   | 7.6%          | 1.6x     | 21.0x  |
| Watsco, Inc.                               | 161.07      | 99.5%             | 5,263      | 5,855            | 4,303     | 377     | 3.8%    | 8.8%          | 1.4x     | 15.5x  |
| Communications, Electronics and Electrical |             |                   |            |                  |           |         |         |               |          |        |
| Anixter International, Inc.                | \$85.00     | 96.6%             | \$2,825    | \$3,979          | \$7,748   | \$382   | 9.2%    | 4.9%          | 0.5x     | 10.4x  |
| Rexel SA                                   | 17.30       | 85.1%             | 5,224      | 7,967            | 15,194    | 689     | 2.1%    | 4.5%          | 0.5x     | 11.2x  |
| WESCO International, Inc.                  | 58.25       | 76.5%             | 2,794      | 4,093            | 7,331     | 379     | (1.9%)  | 5.2%          | 0.6x     | 10.8x  |
| Consumer Products                          |             |                   |            |                  |           |         |         |               |          |        |
| Bunzl plc                                  | \$30.39     | 91.7%             | \$10,015   | \$11,898         | \$10,522  | \$759   | 16.4%   | 7.2%          | 1.1x     | 15.2x  |
| Core-Mark Holding Company, Inc.            | 32.14       | 72.9%             | 1,489      | 1,789            | 11,832    | 118     | 18.3%   | 1.0%          | 0.2x     | 15.2x  |
| Pool Corporation                           | 108.17      | 87.1%             | 4,459      | 4,987            | 2,671     | 293     | 7.1%    | 11.0%         | 1.9x     | 17.0x  |
| SpartanNash Company                        | 26.37       | 65.3%             | 983        | 1,620            | 7,925     | 228     | 3.6%    | 2.9%          | 0.2x     | 7.1x   |
| Sysco Corporation                          | 53.95       | 94.5%             | 28,479     | 35,887           | 55,371    | 3,031   | 9.9%    | 5.5%          | 0.6x     | 11.8x  |
| United Natural Foods, Inc.                 | 41.59       | 83.6%             | 2,105      | 2,476            | 9,274     | 319     | 9.5%    | 3.4%          | 0.3x     | 7.8x   |
| US Foods Holding Corp.                     | 26.70       | 86.9%             | 5,991      | 9,568            | 23,466    | 889     | 1.4%    | 3.8%          | 0.4x     | 10.8x  |
| Healthcare                                 |             |                   |            |                  |           |         |         |               |          |        |
| Cardinal Health, Inc.                      | \$66.92     | 78.8%             | \$21,094   | \$24,769         | \$129,976 | \$3,069 | 6.9%    | 2.4%          | 0.2x     | 8.1x   |
| Henry Schein, Inc.                         | 81.99       | 87.7%             | 12,964     | 15,047           | 11,968    | 1,020   | 5.9%    | 8.5%          | 1.3x     | 14.5x  |
| McKesson Corporation                       | 153.61      | 90.7%             | 32,298     | 39,537           | 199,851   | 3,943   | 3.5%    | 2.0%          | 0.2x     | 10.3x  |
| Owens & Minor, Inc.                        | 29.20       | 78.9%             | 1,788      | 2,310            | 9,378     | 230     | (5.3%)  | 2.5%          | 0.2x     | 10.0x  |
| Industrial                                 |             |                   |            |                  |           |         |         |               |          |        |
| Air Liquide SA                             | \$121.25    | 97.9%             | \$51,620   | \$70,510         | \$23,286  | \$5,544 | 33.4%   | 23.8%         | 2.9x     | 12.3x  |
| Applied Industrial Technologies, Inc.      | 65.80       | 95.4%             | 2,557      | 2,744            | 2,594     | 214     | 2.9%    | 8.3%          | 1.1x     | 12.8x  |
| DXP Enterprises, Inc.                      | 31.49       | 75.0%             | 548        | 766              | 942       | 60      | (13.7%) | 6.3%          | 0.8x     | 12.8x  |
| Fastenal Company                           | 45.58       | 86.4%             | 13,126     | 13,456           | 4,130     | 952     | 5.4%    | 23.1%         | 3.3x     | 14.1x  |
| Kaman Corporation                          | 55.78       | 98.9%             | 1,556      | 1,962            | 1,771     | 161     | (2.0%)  | 9.1%          | 1.1x     | 12.2x  |
| MRC Global, Inc.                           | 17.49       | 77.7%             | 1,653      | 2,381            | 3,296     | 69      | (7.6%)  | 2.1%          | 0.7x     | NM     |
| NOW, Inc.                                  | 13.81       | 58.7%             | 1,488      | 1,519            | 2,340     | (81)    | (4.3%)  | (3.5%)        | 0.6x     | NM     |
| MSC Industrial Direct Co., Inc.            | 75.57       | 71.5%             | 4,304      | 4,791            | 2,879     | 444     | 0.5%    | 15.4%         | 1.7x     | 10.8x  |
| W.W. Grainger, Inc.                        | 179.75      | 68.4%             | 10,370     | 12,646           | 10,223    | 1,404   | 1.4%    | 13.7%         | 1.2x     | 9.2x   |
| Office Supplies                            |             |                   |            |                  |           |         |         |               |          |        |
| Essendant, Inc.                            | \$13.17     | 58.5%             | \$494      | \$981            | \$5,192   | \$148   | (3.8%)  | 2.8%          | 0.2x     | 6.7x   |
| Technology                                 |             |                   |            |                  |           |         |         |               |          |        |
| Arrow Electronics, Inc.                    | \$80.41     | 95.1%             | \$7,097    | \$9,790          | \$24,604  | \$1,089 | 3.0%    | 4.4%          | 0.4x     | 8.9x   |
| Avnet, Inc.                                | 39.30       | 76.3%             | 4,793      | 5,455            | 17,440    | 738     | 4.2%    | 4.2%          | 0.3x     | 7.4x   |
| ScanSource, Inc.                           | 43.65       | 97.1%             | 1,110      | 1,151            | 3,568     | 119     | 0.8%    | 3.3%          | 0.3x     | 9.7x   |
| SYNNEX Corporation                         | 126.51      | 96.3%             | 5,053      | 5,858            | 15,621    | 633     | 13.8%   | 4.0%          | 0.4x     | 9.3x   |
| Tech Data Corporation                      | 88.85       | 80.0%             | 3,390      | 4,624            | 30,465    | 499     | 16.1%   | 1.6%          | 0.2x     | 9.3x   |
| Mean                                       |             | 84.9%             |            |                  |           |         | 6.6%    | 7.9%          | 1.0x     | 11.5x  |
| Median                                     |             | 87.0%             |            |                  |           |         | 4.6%    | 6.8%          | 0.8x     | 10.9x  |

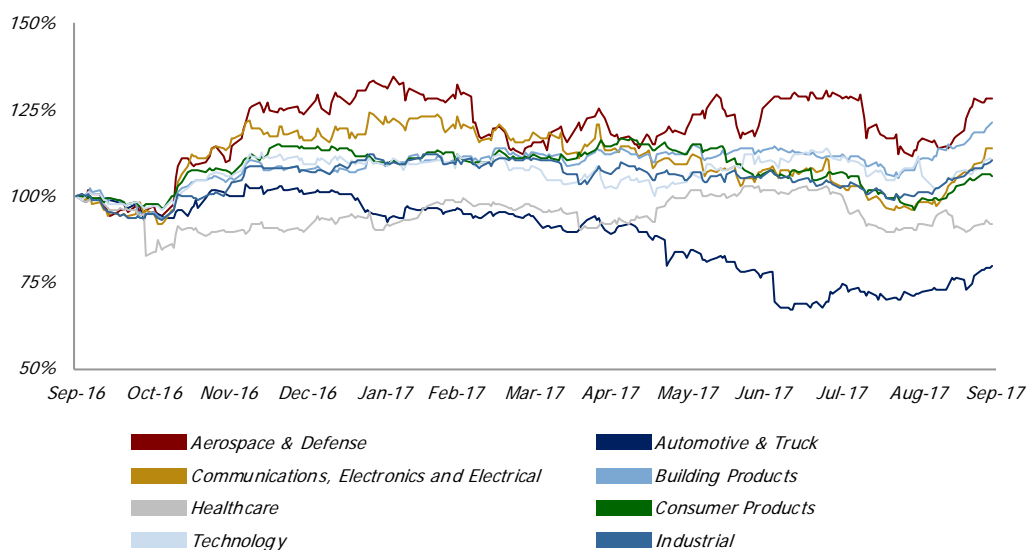
Source: Bloomberg, Capital IQ and company filings, as of 9/30/2017

Note: dollars in millions, except stock price

## Index Performance

Lincoln's Distribution Index recorded a gain of 1.2% in Q3 2017 vs. Q2 2017; Building Products (+7.2%), Communications, Electronics and Electrical (+5.7%), Automotive and Truck (+2.6%), Aerospace and Defense (+2.4%), Industrial (+1.4%) and Technology (+0.0%) outpaced the Q2 index, while Consumer Products (-0.4%) and Healthcare (-9.4%) lagged the Q2 index

## Distribution Index – LTM Relative Stock Price Performance



## Lincoln News

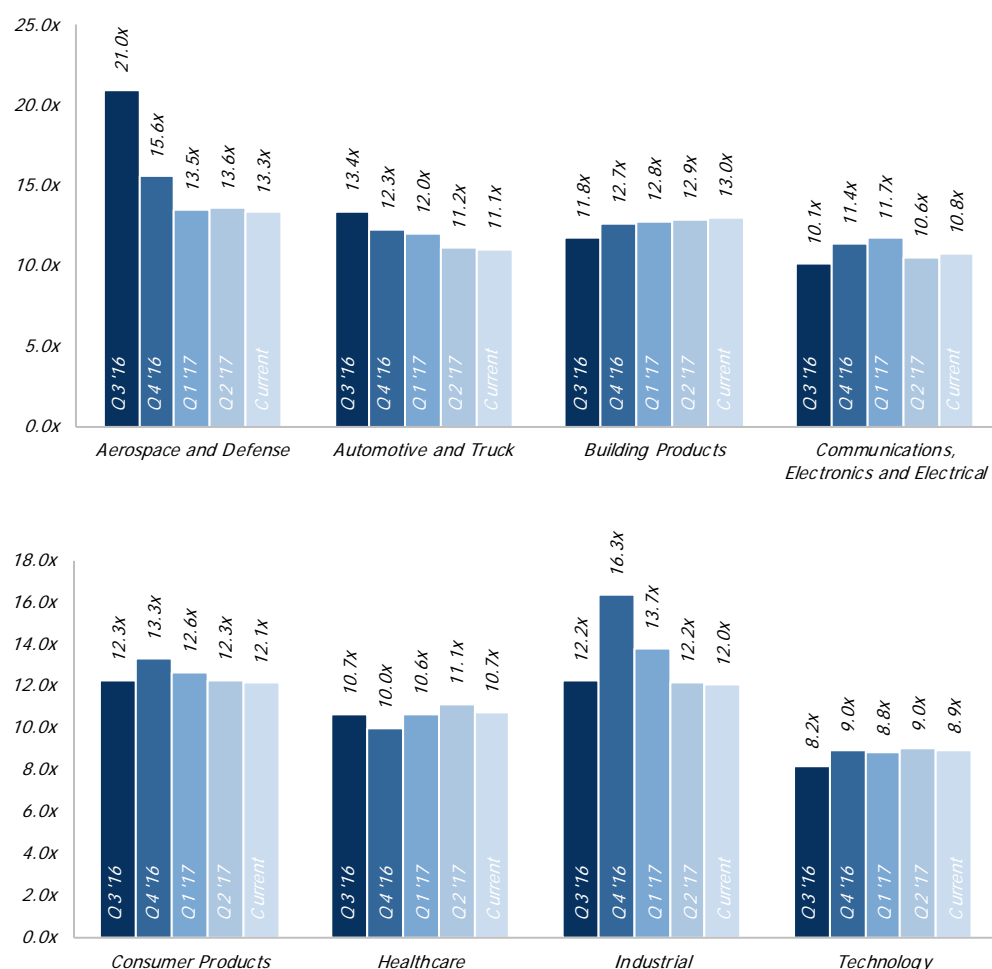
**08/07/2017**

Lincoln acted as the exclusive sell-side advisor to Wynnchurch Capital in the sale of Senco Brands, the Cincinnati, Ohio-based provider of fasteners and tools for the powered fastening industry, to Kyocera Corporation (NYSE: KYO).

**08/31/2017**

Lincoln International announced the opening of a San Francisco Bay Area Office led by Managing Director and Co-Head of Lincoln's TMT group, William Bowmer. This new opening marks the firm's nineteenth international office and further solidifies Lincoln's differentiated global footprint.

## Distribution Index – Historical EV / EBITDA Valuation Performance



## M&A Transaction Recap (Selected Transactions)

| Date    | Target Company  | Target Description                                 | Acquiring Company                     |
|---------|---|--|---------------------------------------|
| Pending | Forsythe Technology, Inc.                                     | Information technology (IT) integration services   | Sirius Computer Solutions, Inc.       |
| Pending | NILCO, LLC  | Lumber building materials                          | U.S. LUMBER GROUP, LLC                |
| Pending | Allied Building Products                                      | Roofing and building materials                     | Beacon Roofing Supply, Inc.           |
| Pending | Alliance Automotive Holding Ltd.                              | Automotive and commercial vehicle parts            | Genuine Parts Company                 |
| Pending | CompuCom Systems, Inc.  | IT managed services and products                   | Office Depot, Inc.                    |
| Pending | T & T Marketing, Inc.   | Polymer resins and compounds                       | M. Holland Company                    |
| Pending | Comptoir de Bretagne, Generale Collectivites and Groupe Hedis | Catering equipment and tableware                   | Bunzl plc                             |
| Pending | Braunger Foods, The Thompson Company and Variety Foods LLC    | Food and food supplies                             | US Foods Holding Corp.                |
| Pending | Smith Implements, Inc.  | Agricultural equipment                             | Koenig Equipment, Inc.                |
| Pending | JC Paper, Inc.  | Paper and janitorial supplies                      | Spicers Paper, Inc.                   |
| Pending | Minnesota Pipe & Equipment Co.                                | Waterworks supplies                                | Core & Main LP                        |
| Pending | Pattonair Ltd.  | Aerospace and defense supply chain solutions       | Platinum Equity, LLC                  |
| Sep-17  | Sogo Sangyo Kabushiki Kaisha                                  | Medical services                                   | Air Liquide Japan Ltd.                |
| Sep-17  | Marshall Stone, Inc.  | Stone landscaping products                         | SiteOne Landscape Supply, Inc.        |
| Sep-17  | JPW Industries, Inc.  | Metalwork, woodwork and material handling products | Gamut Capital Management, LP          |
| Sep-17  | Seidler Chemical Co, Inc.                                     | Specialty chemicals                                | Maroon Group, LLC                     |
| Sep-17  | The R. W. Earhart Company, Propane Distribution Assets        | Propane and fuel products                          | Superior Plus Corp.                   |
| Sep-17  | Dash Distributors, Inc.                                       | Automotive products                                | Uni-Select, Inc.                      |
| Sep-17  | Casabella Holdings  | Household cleaning tools and kitchen products      | Bradshaw International                |
| Sep-17  | JR McDade Company, WCCV Floor Coverings and Arlun, Inc.       | Residential flooring products                      | Artisan Design Group, Inc.            |
| Sep-17  | WPI Holdings, Inc.  | Incontinence and related healthcare products       | Convatec Group Plc                    |
| Sep-17  | Honsador Holding, LLC   | Building products and electrical supplies          | CanWel Building Materials Group Ltd.  |
| Sep-17  | TriMark USA, LLC  | Restaurant equipment and supplies                  | Centerbridge Partners, LP             |
| Sep-17  | All American Containers, Inc.                                 | Glass, plastic and metal containers                | Veritiv Corporation                   |
| Aug-17  | Colton Truck Supply, Inc.                                     | Truck and trailer parts                            | FleetPride, Inc.                      |
| Aug-17  | HSESF   | Personal protection equipment                      | Bunzl plc                             |
| Aug-17  | Kriz-Davis Co.  | Electrical products                                | Border States Industries, Inc.        |
| Aug-17  | Milliken Millwork, Inc.                                       | Doors and millwork products                        | JELD-WEN Holding, Inc.                |
| Aug-17  | Sase Company, Inc.  | Concrete polishing equipment                       | Blue Point Capital Partners           |
| Aug-17  | Dragon Innovation, Inc.                                       | Product development solutions                      | Avnet, Inc.                           |
| Aug-17  | National Building Supply                                      | Residential building products                      | SRS Distribution                      |
| Aug-17  | Encova, Inc.  | Professional engineering consulting services       | FCX Performance                       |
| Aug-17  | IF & P Foods, Inc.  | Food and foodservice products                      | Rotunda Capital Partners, LLC         |
| Aug-17  | Fitz Chem Corporation (nka:Fitz Chem, LLC)                    | Specialty chemicals                                | Nagase America Corporation            |
| Aug-17  | South Coast Supply, Inc.                                      | Landscaping and masonry building materials         | SiteOne Landscape Supply, Inc.        |
| Aug-17  | Matex Wire Rope Co., Inc.                                     | Industrial slings and wire lifting products        | Bishop Lifting Products, Inc.         |
| Aug-17  | Parish Maintenance Supply Corp.                               | Cleaning and janitorial products                   | Standardized Sanitation Systems, Inc. |
| Aug-17  | ASI Building Products, LLC                                    | Interior building products                         | GMS, Inc.                             |
| Aug-17  | American Wal-Board, LLC                                       | Drywall, framing, insulation and roofing products  | Foundation Building Materials, Inc.   |
| Aug-17  | F&S Distributors  | Janitorial supplies and equipment                  | Brady Industries, Inc.                |
| Jul-17  | Womack Electric Supply Co., Inc.                              | Electrical products                                | Crescent Electric Supply Co., Inc.    |
| Jul-17  | DECO Tool Supply Company, Inc.                                | Air and electric tool repair services              | MSC Industrial Direct Co., Inc.       |
| Jul-17  | Techni-Tool, Inc.   | Test and material handling equipment               | TestEquity, LLC                       |
| Jul-17  | Numatic Engineering, Inc.                                     | Automation components                              | Motion Industries, Inc.               |
| Jul-17  | JPC Enterprises, Inc.   | Paper and packaging products                       | Imperial Bag & Paper Co., LLC         |
| Jul-17  | HemaSource, Inc.  | Medical disposable products                        | Ridgmont Equity Partners              |
| Jul-17  | BakeMark  | Bakery ingredients and products                    | Pamplona Capital Management           |
| Jul-17  | OnX Enterprise Solutions Ltd.                                 | IT services and solutions                          | Cincinnati Bell, Inc.                 |
| Jul-17  | Virginia Builders Supply, Inc.                                | Building products                                  | Foundation Building Materials, Inc.   |
| Jul-17  | Ceiling and Wall Supply, Inc.                                 | Drywall, framing, insulation and roofing products  | Foundation Building Materials, Inc.   |
| Jul-17  | Mainline Automotive Parts Corporation                         | Automotive parts                                   | Parts Authority, Inc.                 |
| Jul-17  | Capstone Supply, LLC  | Building products                                  | ABC Supply Co., Inc.                  |

## Market Intelligence

**9/8/2017: HD Supply (Nasdaq:HDS)**, the Atlanta, Georgia-based distributor of construction supplies, has indicated that the company is opportunistically considering tuck-in acquisitions after a period of acquisition inactivity

**9/7/2017: Gypsum Management and Supply (NYSE:GMS)**, the Tucker, Georgia-based distributor of wallboard and related building products, is seeking more acquisitions, citing that the company's "acquisition pipeline remains robust with hundreds of fragmented local competitors"

**8/21/2017: Performance Food Group (NYSE:PFGC)**, the Richmond, Virginia-based provider of food and food-related products, has a strong pipeline of potential acquisitions with an emphasis on accretive, complementary additions to the company's existing businesses

**8/16/2017: US Foods (NYSE:USFD)**, the Rosemont, Illinois-based foodservice products distributor, is eyeing additional acquisitions this year according to CEO Pietro Striano, indicating that the company is focused on building its implementation strategy

*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  
Electronics  
Energy & Power  
Financial Institutions  
Food & Beverage  
Healthcare  
Industrials  
Packaging  
Technology, Media &  
Telecom

## Global Locations

Amsterdam  
Beijing  
Chicago  
Dallas  
Frankfurt  
London  
Los Angeles  
Madrid  
Milan  
Moscow  
Mumbai  
Munich  
New York  
Paris  
São Paulo  
San Francisco  
Tokyo  
Vienna  
Zurich

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