

Market Update

Distribution

Q2 2017



Inside this Issue

Distribution Index

M&A Transaction Recap

Market Intelligence

Distribution Index

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	EV / LTM	
					Revenue	EBITDA			Revenue	EBITDA
Aerospace and Defense										
KLX Inc.	\$50.00	94.1%	\$2,586	\$3,500	\$1,553	\$221	4.3%	14.3%	2.3x	15.8x
Wesco Aircraft Holdings, Inc.	10.85	68.8%	1,082	1,890	1,445	166	(2.5%)	11.5%	1.3x	11.4x
Automotive and Truck										
AutoZone, Inc.	\$570.46	69.6%	\$15,990	\$20,899	\$10,775	\$2,390	2.4%	22.2%	1.9x	8.7x
Genuine Parts Company	92.76	87.5%	13,672	14,533	15,527	1,219	2.0%	7.9%	0.9x	11.9x
LKQ Corp.	32.95	90.6%	10,158	12,924	9,005	1,059	13.2%	11.8%	1.4x	12.2x
O'Reilly Automotive Inc.	218.74	74.7%	19,906	21,856	8,653	1,908	4.2%	22.0%	2.5x	11.5x
Uni-Select Inc.	24.10	84.6%	1,018	1,222	1,230	105	9.5%	8.5%	1.0x	11.4x
Building Products										
Beacon Roofing Supply, Inc.	\$49.00	94.0%	\$2,954	\$3,980	\$4,200	\$361	12.3%	8.6%	0.9x	11.0x
BMC Stock Holdings, Inc.	21.85	91.4%	1,462	1,850	3,124	184	27.4%	5.9%	0.6x	10.1x
Builders FirstSource, Inc.	15.32	92.8%	1,721	3,660	6,503	362	12.0%	5.6%	0.6x	10.1x
CRH plc	35.34	88.8%	29,556	36,310	28,612	3,274	(4.4%)	11.4%	1.2x	10.1x
HD Supply Holdings, Inc.	30.63	68.5%	6,207	9,867	7,531	865	4.0%	11.5%	1.3x	11.4x
SiteOne Landscape Supply, Inc.	52.06	97.3%	2,067	2,552	1,655	106	6.5%	6.4%	1.5x	24.2x
Watsco Inc.	154.20	96.6%	5,034	5,499	4,241	365	2.3%	8.6%	1.3x	15.1x
Wolseley plc	61.21	89.2%	15,392	17,108	20,228	1,451	4.3%	7.2%	0.8x	11.4x
Communications, Electronics and Electrical										
Anixter International Inc.	\$78.20	88.9%	\$2,598	\$3,818	\$7,702	\$381	16.3%	4.9%	0.5x	10.0x
Rexel SA	16.34	83.3%	4,934	7,702	14,248	652	(4.3%)	4.6%	0.5x	11.1x
WESCO International Inc.	57.30	75.2%	2,808	4,074	7,333	385	(1.9%)	5.3%	0.6x	10.6x
Consumer Products										
Bunzl plc	\$29.72	88.4%	\$9,791	\$11,407	\$9,173	\$673	1.4%	7.3%	1.2x	16.1x
Core-Mark Holding Company, Inc.	33.06	66.1%	1,531	1,767	11,861	131	18.6%	1.1%	0.1x	13.5x
Pool Corp.	117.57	94.6%	4,862	5,342	2,602	280	4.3%	10.8%	2.1x	19.1x
SpartanNash Company	25.96	64.3%	982	1,639	7,858	226	3.2%	2.9%	0.2x	7.3x
Sysco Corporation	50.33	88.2%	26,936	34,767	54,598	3,000	11.2%	5.5%	0.6x	11.6x
United Natural Foods, Inc.	36.70	70.3%	1,858	2,311	9,147	316	10.0%	3.5%	0.3x	7.3x
US Foods Holding Corp.	27.22	88.6%	6,046	9,748	23,114	867	(0.2%)	3.7%	0.4x	11.2x
Healthcare										
Cardinal Health, Inc.	\$77.92	91.1%	\$24,613	\$28,842	128,394	\$3,099	5.6%	2.4%	0.2x	9.3x
Henry Schein, Inc.	183.02	97.9%	14,519	16,582	11,782	1,005	5.9%	8.5%	1.4x	16.2x
McKesson Corporation	164.54	82.5%	34,793	42,060	198,533	4,354	2.8%	2.2%	0.2x	9.6x
Owens & Minor Inc.	32.19	84.1%	1,970	2,407	9,596	255	(3.1%)	2.7%	0.3x	9.5x
Industrial										
Air Liquide SA	\$123.45	93.9%	\$47,770	\$65,676	\$19,144	\$4,633	2.9%	24.2%	3.2x	13.1x
Applied Industrial Technologies, Inc.	59.05	85.6%	2,305	2,559	2,546	208	1.1%	8.2%	1.0x	12.3x
DXP Enterprises, Inc.	34.50	82.1%	601	828	947	59	(13.2%)	6.2%	0.9x	14.0x
Fastenal Company	43.53	82.5%	12,592	12,822	4,023	917	2.7%	22.8%	3.2x	14.0x
Kaman Corporation	49.87	93.4%	1,356	1,762	1,793	164	0.5%	9.2%	1.0x	10.7x
MRC Global Inc.	16.52	73.4%	1,561	2,235	3,120	45	(12.5%)	1.4%	0.7x	NM
NOW Inc.	16.08	68.3%	1,731	1,711	2,190	(124)	(10.5%)	(5.7%)	0.8x	NM
MSC Industrial Direct Co. Inc.	85.96	81.3%	4,895	5,408	2,863	450	0.6%	15.7%	1.9x	12.0x
W.W. Grainger, Inc.	180.53	68.7%	10,544	12,716	10,172	1,428	0.9%	14.0%	1.3x	9.1x
Office Supplies										
Essendant Inc.	\$14.83	45.4%	\$556	\$1,105	\$5,286	\$159	(2.0%)	3.0%	0.2x	6.9x
Technology										
Arrow Electronics, Inc.	\$78.42	97.6%	\$6,967	\$9,418	\$24,111	\$1,083	1.5%	4.5%	0.4x	8.6x
Avnet, Inc.	38.88	75.5%	4,860	5,226	26,281	990	34.3%	3.8%	0.2x	5.3x
ScanSource, Inc.	40.30	89.7%	1,020	1,072	3,528	109	(0.3%)	3.1%	0.3x	9.8x
SYNNEX Corp.	119.96	91.3%	4,788	5,567	15,014	603	12.2%	4.0%	0.4x	9.2x
Tech Data Corp.	101.00	95.9%	3,851	5,275	27,936	441	5.6%	1.6%	0.2x	12.0x
Mean		83.6%					4.3%	7.8%	1.0x	11.6x
Median		87.9%					2.9%	6.3%	0.8x	11.3x

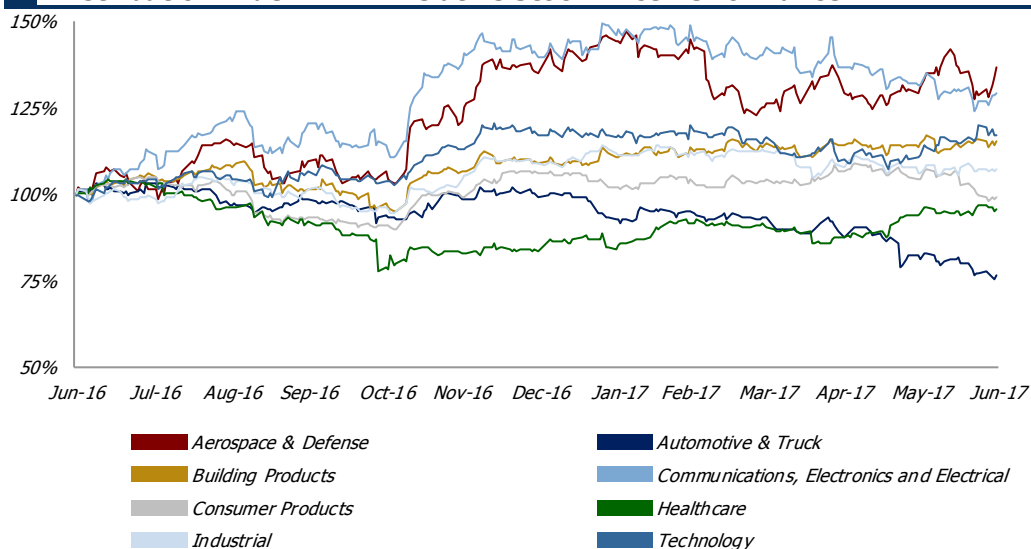
Source: Bloomberg, Capital IQ and company filings, as of 6/30/2017

Note: dollars in millions, except stock price

Index Performance

Lincoln's Distribution Index recorded a loss of 7.4% in Q2 2017 vs. Q1 2017; Aerospace and Defense (+8.5%), Healthcare (+5.4%), Technology (+3.9%), Building Products (+0.5%), and Consumer Products (-5.1%) outpaced the index, while Communications, Electronics and Electrical (-9.1%), Industrial (-11.0%), and Automotive and Truck (-17.7%) lagged behind the index

Distribution Index – LTM Relative Stock Price Performance



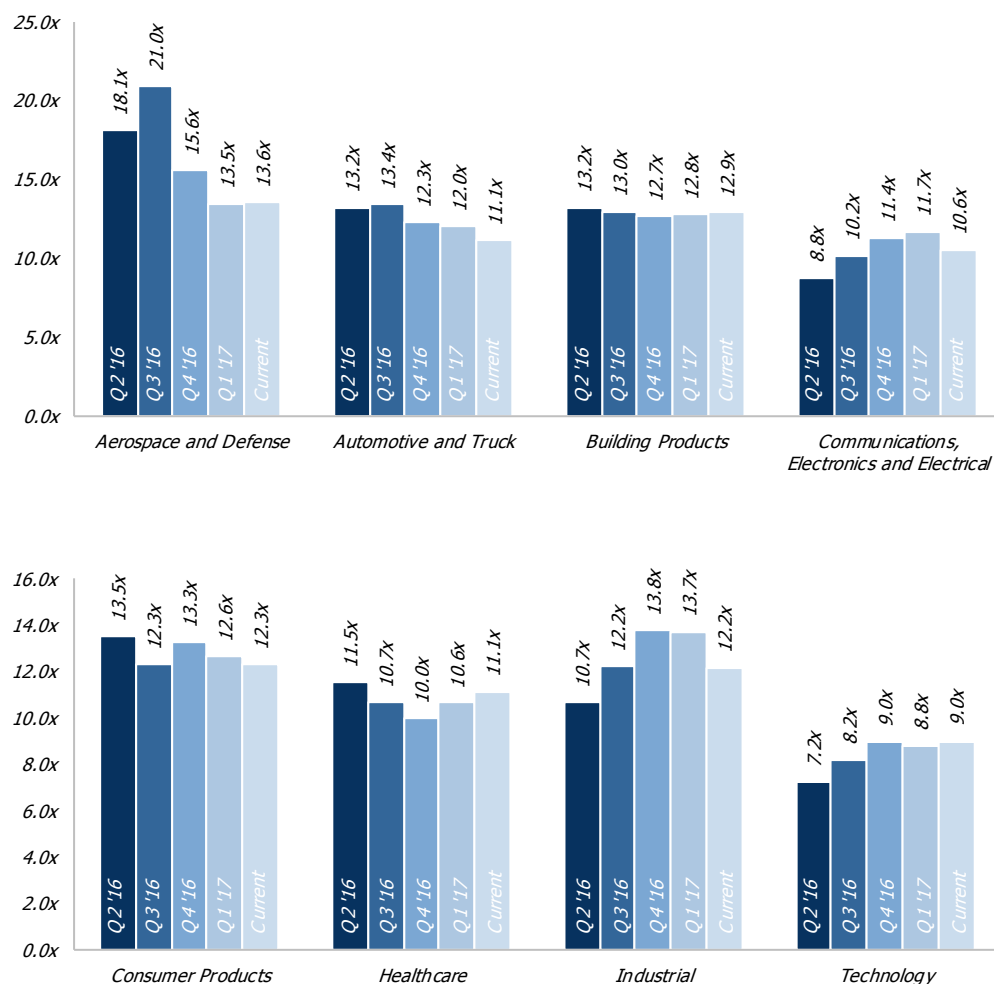
2017 State of M&A in



Distribution: *Never Been a Better Time to Sell*

Each year, Modern Distribution Management publishes its State of the Market report, highlighting industry trends, current conditions and an outlook for the distribution M&A market. This year's article highlighted that although the M&A market has leveled off a bit since 2015, there is still strong demand from buyers. Providing his perspective on the M&A market, Brad Keyworth, Lincoln's Head of Distribution, commented that even with the current economic expansion, organic growth is still slow enough that companies continue to seek assets to boost their top lines. "The publicly traded companies are not generating the organic growth to justify the stock prices that they're trading at," he says. "They have a need to go out into the market and complement their organic growth via acquisition."

Distribution Index – Historical EV / EBITDA Valuation Performance



M&A Transaction Recap (Selected Transactions)

Date	Target Company	Target Description	Acquiring Company
Pending	2M Company and Western Hydro Corporation	Groundwater distribution products and equipment	Franklin Electric Co., Inc.
Pending	Air Liquide Welding France SA	Welding and material cutting products	Lincoln Electric Holdings, Inc.
Pending	Staples, Inc.	Office products	Sycamore Partners
Pending	HD Supply Waterworks Group	Water, sewer and fire protection infrastructure products	Clayton, Dubilier & Rice, Inc.
Pending	Linde AG	Industrial gases and welding products	Praxair, Inc.
Pending	Medtronic plc, Certain Assets	Device-based medical therapies	Cardinal Health, Inc.
Pending	OfficeMax Business in Australia and New Zealand	Office products	Platinum Equity, LLC
Pending	VWR Corporation	Laboratory products	Avantor Performance Materials, Inc.
Pending	West Marine, Inc.	Boating supplies and outdoor products	Monomoy Capital Partners
Pending	REIFF Reifen und Autotechnik GmbH	Tires and auto parts	European Tyres Distribution Limited
Pending	Argos Material Distribution, LP	Gypsum and related building materials	Action Gypsum Supply, LP
Pending	Farnar-Bocken Company	Convenience foodservice products	Core-Mark Midcontinent, Inc.
Jun-17	Endries International, Inc.	Fasteners and related production components	Nautic Partners, LLC
Jun-17	Painters Supply & Equipment Co.	Automotive, industrial and architectural coatings	PNC Riverarch
Jun-17	English Color & Supply	Automotive paint and body shop supplies	WestView Capital Partners
Jun-17	Carter-Waters LLC	Construction materials	Construction Supply Holdings, LLC
Jun-17	SG Wholesale Roofing Supplies	Residential and commercial roofing products	SRS Distribution, Inc.
Jun-17	Tecnopacking, Western Safety and AMFAS	Industrial and disposable packaging products	Bunzl plc
Jun-17	Stampede Meat, Inc.	Beef, pork and chicken products	Wynnchurch Capital, LLC
Jun-17	Maintenance Supply Headquarters, LP	Residential MRO products	Lowe's Companies, Inc.
Jun-17	Unified Grocers, Inc.	Wholesale groceries	SUPERVALU, Inc.
Jun-17	Spiral Binding Company, Inc.	Binding and laminating equipment	KCB Management and Hilltop Private Capital
Jun-17	IPH	Industrial supplies	Advent International
Jun-17	A & R Wholesale Distributors, Inc.	Healthy food products	Castle Harlan, Inc.
Jun-17	Dade Paper Company	Foodservice disposables and janitorial supplies	Imperial Bag & Paper Co., LLC
Jun-17	Beltram Foodservice Group, Inc.	Foodservice equipment	B & J Food Service Equipment, Inc.
Jun-17	Canyon Insulation, Inc.	Insulation and firestopping contracting services	TopBuild Corp.
May-17	EverGreen Partners of Raleigh, LLC	Plants and landscaping products	SiteOne Landscape Supply, Inc.
May-17	Storage Battery Systems, LLC	Industrial battery products	High Road Capital Partners
May-17	TestEquity LLC	Electronic test and measurement equipment	Luther King Capital Management Corporation
May-17	Pearlman Enterprises, Inc.	Hard surfaces fabrication tools and equipment	The Stephens Group, LLC
May-17	Total Building Supplies, Inc.	Building products	RAM Tool Construction Supply Company
May-17	Fluid Systems Engineering, Inc.	Hydraulic and pneumatic products	Ritter Technology, LLC
May-17	Industrial Control Direct	Automation products	B&D Industrial, Inc.
May-17	Lowry's, Inc.	Sealants and waterproofing materials	Beacon Roofing Supply, Inc.
May-17	Peninsular Paper Company, Inc.	Food packaging and paper products	Imperial Bag & Paper Co., LLC
May-17	Wallboard, Inc.	Drywall, steel framing, insulation and finishing products	Foundation Building Materials, Inc.
Apr-17	Firstclass Foods, Inc.	Meat products	US Foods Holding Corp.
Apr-17	Kohl Building Products, LLC	Building materials	SRS Distribution, Inc.
Apr-17	Superior Insulation Products, LLC	Residential insulation products	TopBuild Corp.
Apr-17	Weston Premium Woods, Inc.	Lumber products	Richelieu Hardware Ltd.
Apr-17	Electrical Sales, Inc.	Electrical materials	Winsupply, Inc.
Apr-17	Kinder Morgan, Engineering & Conveying Division	Bulk material systems	Purvis Industries Ltd.
Apr-17	Passport Food Group, LLC	Food products	Swander Pace Capital
Apr-17	Pental Surfaces	Stone and tile interior surfaces products	Trive Capital
Apr-17	Empire Wire & Supply, LLC	Custom cable assemblies and automation and safety products	EIS, Inc.
Apr-17	Aircraft Fasteners International, LLC	Aerospace fasteners and c-class components	Audax Group, Inc.
Apr-17	M.L. Kishigo Manufacturing Company LLC	Safety related workwear	Bunzl plc
Apr-17	Neri	Personal protection equipment	Bunzl plc
Apr-17	Tri-Power MPT, Inc.	Automation, motion control and safety products	Ohio Transmission Corp.
Apr-17	GMD Distribution, Inc.	Pharmaceutical products	McKesson Corporation
Apr-17	NES Rentals Holdings, Inc.	Aerial construction equipment	United Rentals (North America), Inc.
Apr-17	Sherwood Food Distributors, LLC	Meat and food products	Harvest Food Distributors
Apr-17	Ultra Chem, Chemical Distribution Business	Specialty chemical products	Nexeo Solutions, Inc.

Market Intelligence

6/27/2017: PrimeSource Building Products, the Dallas, Texas-based distributor of fasteners and related building products, has initiated a sale process from its current owner, Platinum Equity Partners

6/22/2017: Wolseley, the multinational specialty building materials distributor headquartered in Switzerland, is focusing its M&A efforts on North America, specifically seeking synergistic targets complementary to its core plumbing and heating operations

5/23/2017: Imperial Bag & Paper, the Jersey City, New Jersey-based distributor of disposable foodservice and janitorial supplies, has merged with Dade Paper and indicated that the combined ~\$1 billion entity will continue to pursue growth through acquisitions

5/17/2017: DXP Enterprises, the Houston, Texas-based distributor of industrial products, is seeking potential M&A opportunities and is actively engaged in discussions with targets that would propel the company's inorganic growth 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

Global Locations

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

Advisory Services

Mergers & Acquisitions
Debt Advisory
Special Situations
JV & Partnering
Valuations & Opinions

About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and joint venture & partnering advisory services on a wide range of transaction sizes. With eighteen offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolninternational.com.

Lincoln's Global Distribution Group

North America

Brad Keyworth

Managing Director (Chicago)
bkeyworth@lincolninternational.com
+1 (312) 506-2710

Bridget Mollner

Vice President (Los Angeles)
bmollner@lincolninternational.com
+1 (312) 506-2722

South America

Luiz Recchia

Managing Director (São Paulo)
lrecchia@lincolninternational.com
+55-11 2166-8822

Asia

Joe Chang

Managing Director (Beijing)
jchang@lincolninternational.com
+86 (10) 6468.6458

T.N. Giridhar

Managing Director (Mumbai)
tngiridhar@lincolninternational.com
+91 (22) 3304 0667

Tetsuya Fujii

Managing Director (Tokyo)
tfujii@lincolninternational.com
+813-5549-7681

Europe

Eric Wijs

Managing Director (Amsterdam)
e.wijs@lincolninternational.nl
+31 (20) 7670 311

Dominique Lecendreux

Managing Director (Paris)
d.lecendreux@lincolninternational.fr
+33 (0) 1 53 53 18 20

Dirk Langenbach

Managing Director (Frankfurt)
d.langenbach@lincolninternational.de
+49 (0) 69 97 105 420

Saverio Rondelli

Managing Director (Milan)
s.rondelli@lincolninternational.com
+39 (02) 30300703

Ivan Marina

Managing Director (Madrid)
i.marina@lincolninternational.es
+34 91 129 4996

Andrei Joosten

Managing Director (Moscow)
a.joosten@lincolninternational.ru
+7 (495) 770 00 51

Harry Kalmanowicz

Managing Director (London)
hkalmanowicz@lincolninternational.com
+44 20 7632 5226

Disclaimer

This document contains significant assumptions and has been prepared based on publicly available information, or additional information supplied by the owners and/or managers of the company(ies) described in this document, which has not been independently verified. Accuracy and completeness of the information provided has been presumed and, therefore, its content may or may not be accurate and complete. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information or statements made in this document and Lincoln International, its affiliates, directors, officers, employees and representatives expressly disclaim any and all liability with regards thereto. This document has been prepared for informational purposes only, is not a research report (as such term is defined by applicable law and regulations) and is not to be relied on by any person for any purpose. In addition, it is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form, or redistributed, without the prior written consent of Lincoln International.