

Specialty Distribution Sector Update

2H 2023



Sector Highlights

In the second half of 2023, distributors adjusted to a “renormalization” of supply and demand in their various markets

Specialty Distribution Coverage

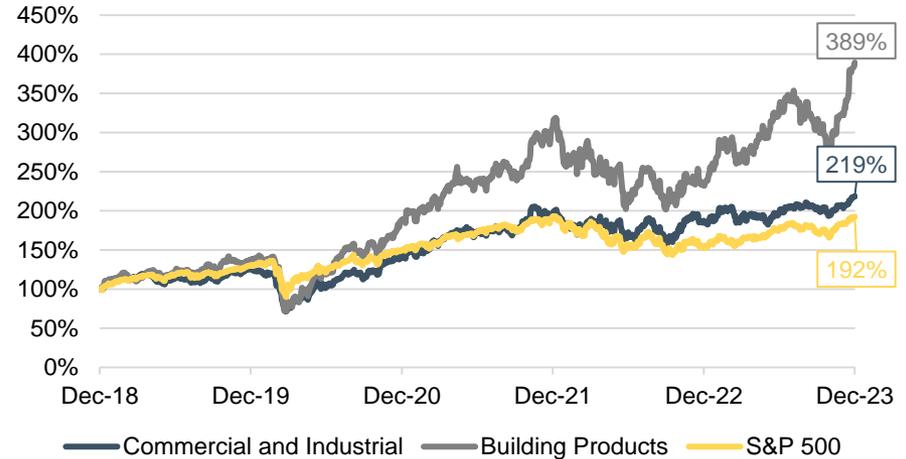


Vaughn McCrary
Director

Ever since the pandemic, the distribution sector has been a volatile place to be. This year, that continued, but things do seem to be “renormalizing” for most subsectors with supply chain lead times and customer demand coming back to earth. As we reflect on 2023 and look ahead to 2024, we are thankful for old and new relationships and look forward to growing those and building others. We will again be distributing M&A updates for the various subsectors listed below that we cover. If you are interested in receiving one or want to catch up on any of the latest distribution M&A, drop me a note at vmccrary@foundersib.com.

Sincerely, *Vaughn McCrary*

Historical Stock Prices (Last Five Years)



Representative Public Companies

Auto. & Heavy-Duty Aftermarket	Equipment Dealers	Fastener / MRO	Fluid Power	Foodservice	Gases & Welding Equipment	Hoses & Fittings	Janitorial & Sanitation	Specialty Chemical
Electrical	HVACR	Landscape Supplies	Lumber & Building Materials	Pipes, Valves, & Fittings	Plumbing	Pool & Spa	Roofing	Wallboard / Gypsum

Commercial and Industrial Acquisition Activity

Acquisition activity in commercial and industrial distribution markets has been strong over the last five years and continued at a strong albeit somewhat lower pace in the back half of 2023

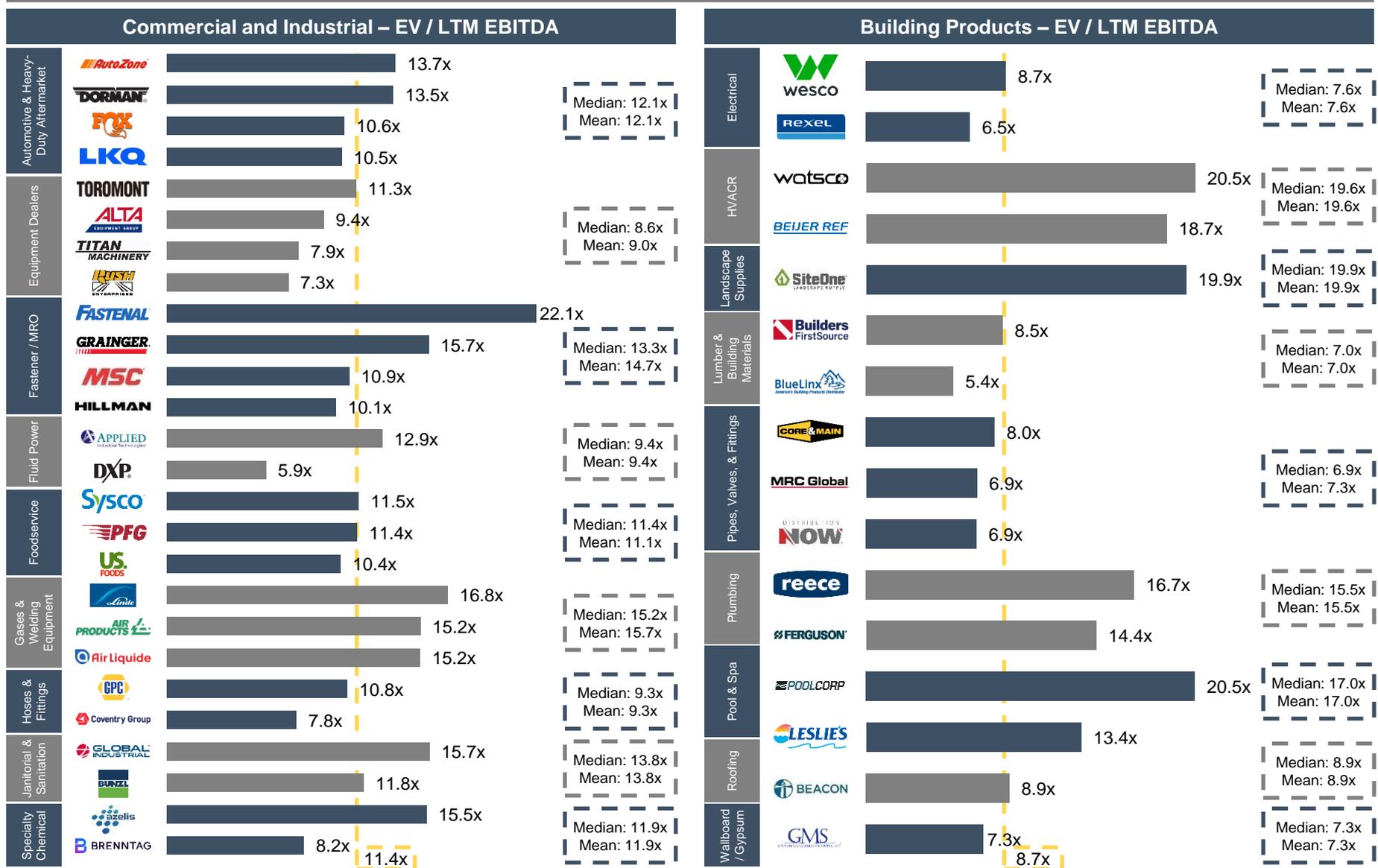
Recent Transactions				Subsector	Active Consolidators	Recent Acquisitions (Last Five Yrs.)					
Seller	Acquirer	Date	Subsector								
		Dec. 1, 2023	Hoses & Fittings	Auto & Heavy-Duty Aftermarket				13	13	11	37
		Nov. 30, 2023	Foodservice	Equipment Dealers				13	11	5	29
		Nov. 27, 2023	Foodservice	Fasteners / MRO				12	11	8	31
		Oct. 31, 2023	Janitorial & Sanitation	Fluid Power				11	10	7	28
		Oct. 2, 2023	Auto & Heavy-Duty Aftermarket	Foodservice				10	9	8	27
		Sep. 7, 2023	Fluid Power	Gases & Welding Equipment				9	5	3	17
		Aug. 23, 2023	Specialty Chemical	Hoses & Fittings				14	4	3	21
		Aug. 1, 2023	Auto & Heavy-Duty Aftermarket	Janitorial & Sanitation				56	41	12	109
		Jul. 27, 2023	Foodservice	Specialty Chemical				15	8	6	29
		Jun. 8, 2023	Fasteners / MRO								

Building Products Acquisition Activity

Acquisition activity in building products distribution markets was off in the back half of 2023 primarily due to uncertainty around construction activity, but activity continued for strong assets

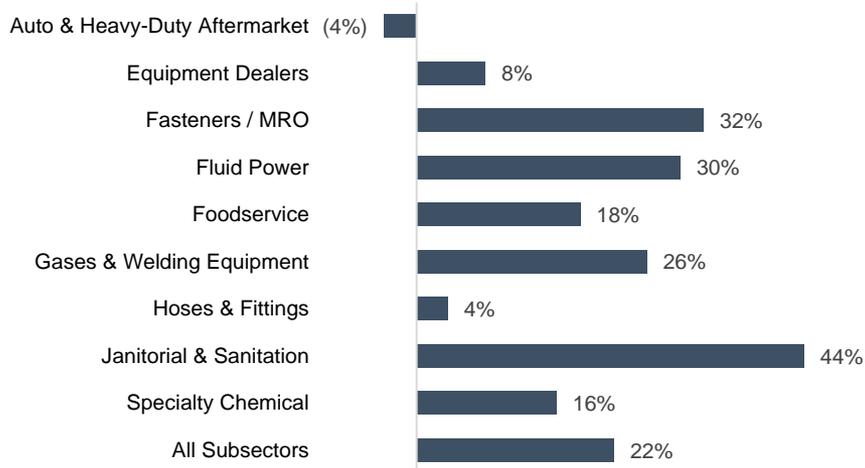
Recent Transactions				Subsector	Active Consolidators	Recent Acquisitions (Last Five Yrs.)
Seller	Acquirer	Date	Subsector	Electrical		7 5 3 15
		Nov. 30, 2023	Pipes, Valves, & Fittings	HVACR		8 6 6 20
		Oct. 19, 2023	Electrical	Landscape Supplies		52 26 15 93
		Oct. 3, 2023	Electrical	Lumber & Building Materials		21 12 7 40
		Sep. 29, 2023	Roofing	Pipes, Valves, & Fittings		27 10 6 43
		Sep. 6, 2023	HVACR	Plumbing		10 6 4 20
		Aug. 24, 2023	Lumber & Building Materials	Pool & Spa		9 8 5 22
		Aug. 11, 2023	Electrical	Roofing		24 13 11 48
		Aug. 2, 2023	HVACR	Wallboard / Gypsum		18 12 8 38
		Aug. 1, 2023	Roofing			
		Jul. 17, 2023	Electrical			

Public Companies Valuation Detail

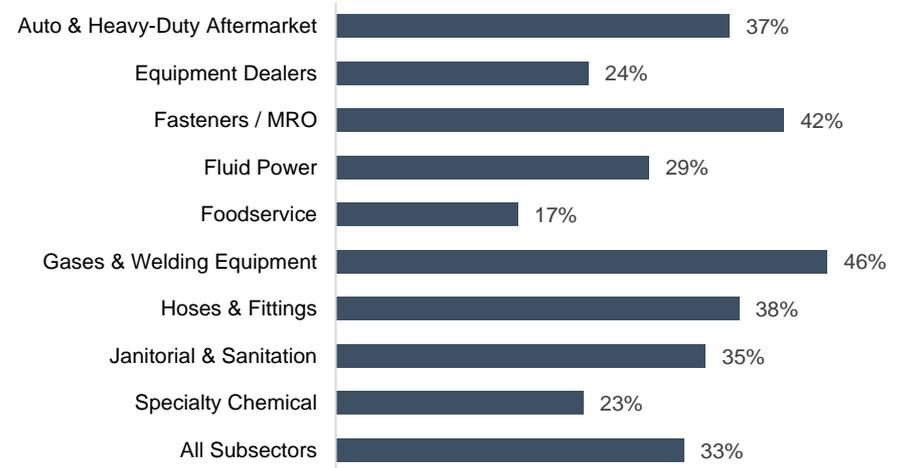


Commercial and Industrial Public Company Metrics

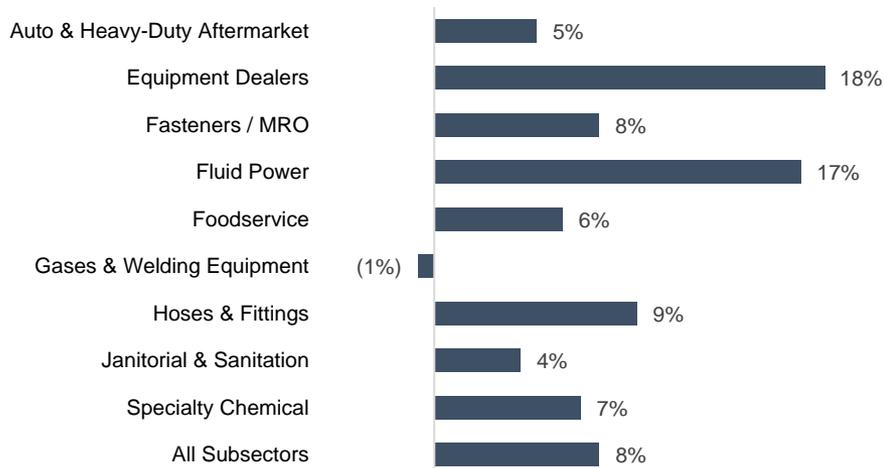
12-Month Change in Stock Price



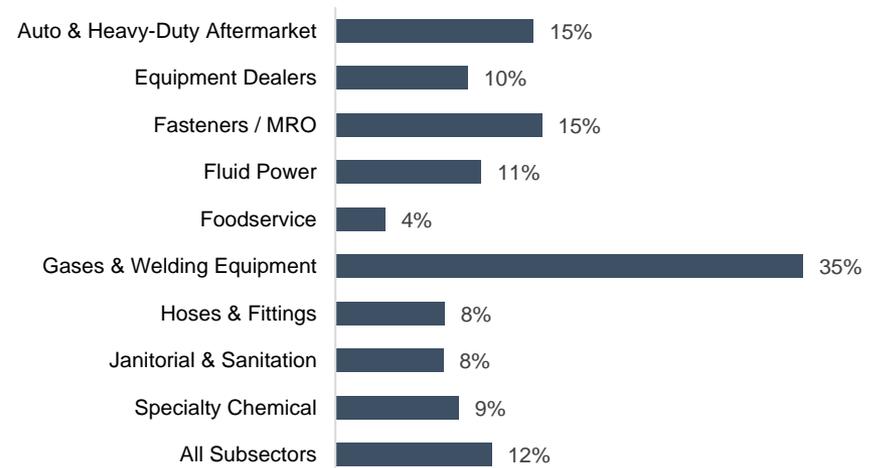
Median LTM Gross Margin



Median LTM Revenue Growth

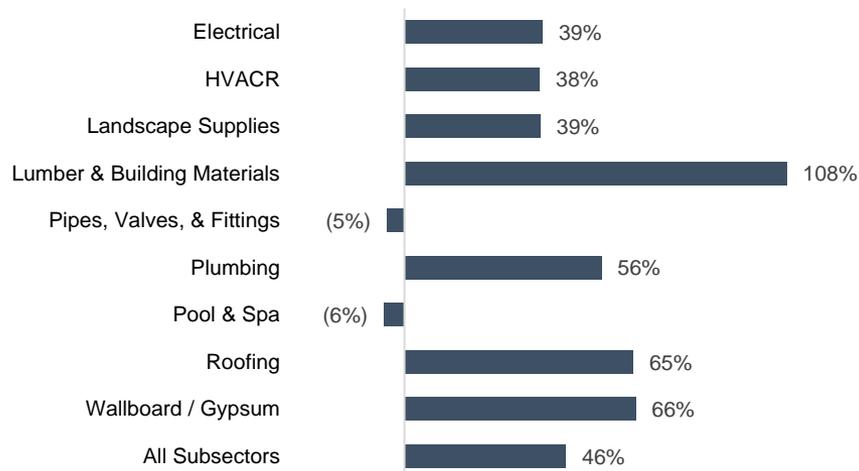


Median LTM EBITDA Margin

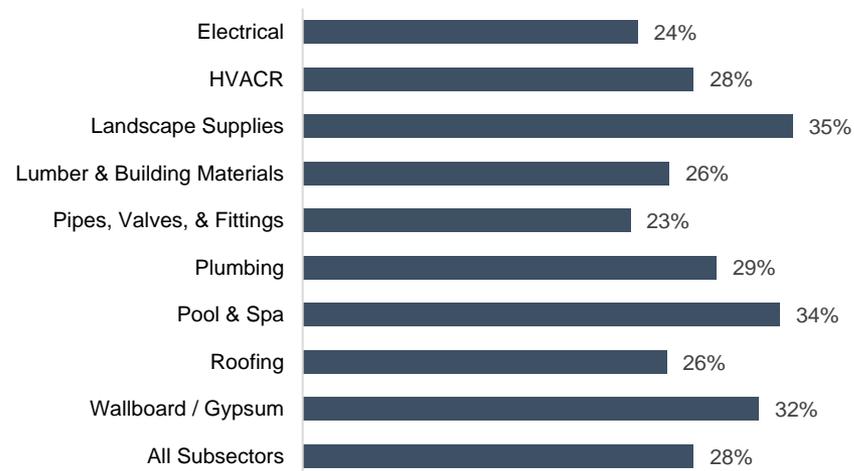


Building Products Public Company Metrics

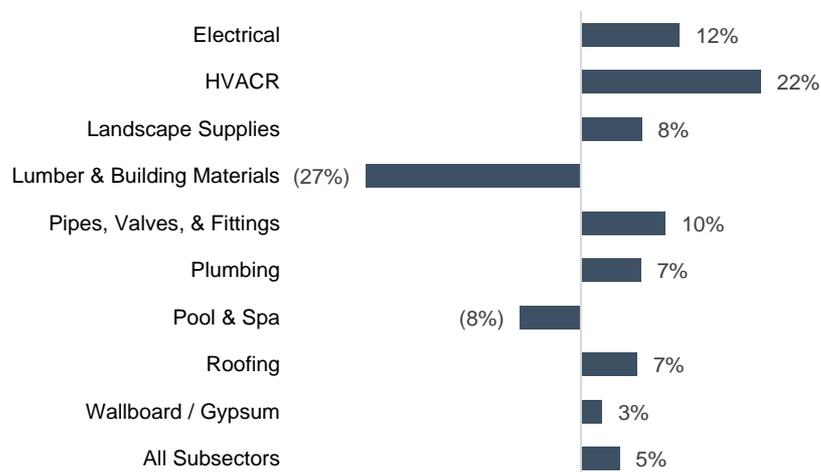
12-Month Change in Stock Price



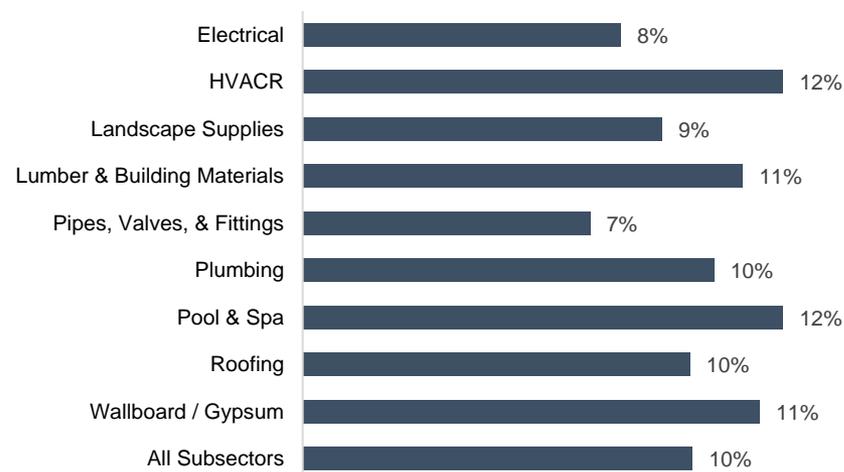
Median LTM Gross Margin



Median LTM Revenue Growth



Median LTM EBITDA Margin



Specialty Distribution Coverage

Founders has focused coverage efforts on the specialty distribution sector

Specialty Distribution Coverage

Commercial and Industrial

Automotive & Heavy-Duty Aftermarket



Equipment Dealers



Fastener / MRO



Fluid Power



Foodservice



Gases & Welding Equipment



Hoses & Fittings



Janitorial & Sanitation



Specialty Chemical



Building Products

Electrical



HVACR



Landscape Supplies



Lumber & Building Materials



Pipes, Valves, & Fittings



Plumbing



Pool & Spa



Roofing



Wallboard / Gypsum



Recent Specialty Distribution Transactions



Distributes and services heavy-duty truck and trailer parts for a regional customer base

October 2023



Distributes refrigeration parts and equipment to restaurants, bars, and supermarkets

March 2023



Distributes and services industrial valves and other flow control products across the Southeast

July 2022



Distributes plumbing supplies and fixtures to residential repair and construction end markets

December 2021



Distributes fasteners and strut accessories to OEM and construction end markets

March 2023



Distributes lumber and building materials to residential construction end markets

September 2022



Distributes heavy-duty truck parts and accessories to enthusiasts via the e-commerce channel

June 2022



Distributes pool and spa products to dealers in the Southeast

October 2021

Industrials Group Overview

With expertise across many Industrial sectors, our group brings valuable knowledge, contacts, and resources to our clients

Overview

- Founders' Industrials Group consists of 16 professionals who bring a wealth of knowledge, industry expertise, and commitment to our clients
- Our Senior Bankers have over 90 years of collective experience in industry and investment banking providing expert M&A advisory services to founder-owned companies
- Our deal teams are typically comprised of four professionals that are dedicated to helping our clients navigate complex M&A transactions and achieve their strategic and personal goals

Experience Across a Wide Array of Sectors

Advanced Mfg. and Process Equipment

Facility and Industrial Services

Advanced Materials

Plastics & Packaging

Automation & IIoT

Power and Infrastructure

Connectors and Electronics

Specialty Distribution

Construction and Building Materials

Test & Measurement

Recent Transactions



December 2023



November 2023



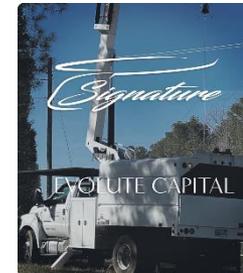
October 2023



August 2023



August 2023



March 2023



March 2023

Founders Overview

Founders utilizes proven expertise and process-based solutions to produce exceptional outcomes for our clients

- Independent merger and acquisition advisory firm focused on private businesses for the last 20 years
- Expertise across five industries that include Consumer, Healthcare, Industrials, and Technology & Business Services
- Senior bankers with decades of experience in investment banking, private equity, business development, and industry
- Headquartered in Birmingham, AL, with an additional office in Dallas, TX

FOUNDERS ADVISORS

2003 *Year founded*

45+ *Professionals*

90%+ *Percentage of clients that are family owned*

INDUSTRY COVERAGE

Industrials



Technology



Consumer



Healthcare



Business Services



FOUNDERS

ADVISORS

BIRMINGHAM | DALLAS

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