

WHOLESALE DISTRIBUTION

SECOND QUARTER

2018

The Wholesale Distribution Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Wholesale Distribution category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.



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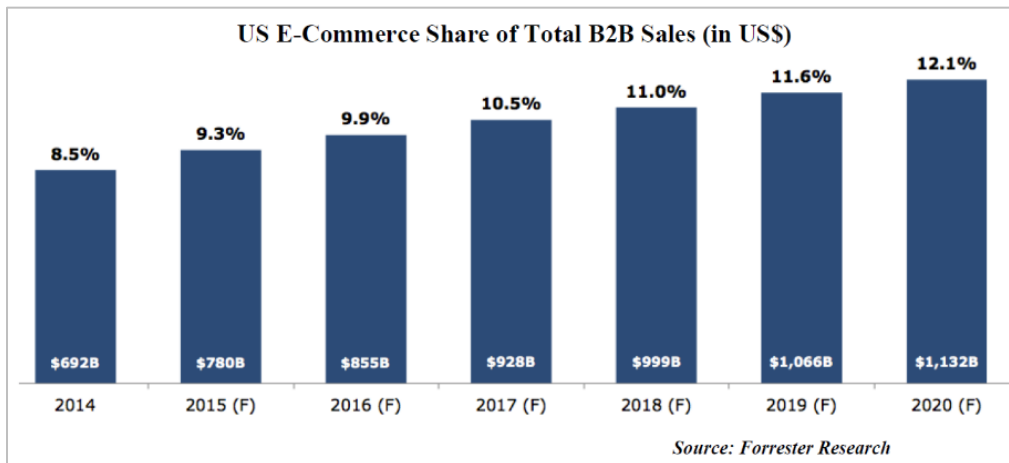
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Wholesale Distribution M&A

M&A activity for North American based target companies in the Wholesale and Distribution sector for Q1 2018 included 94 closed deals, according to data published by industry data tracker *FactSet*.



One of the notable transactions of the quarter was announced in March when Patricia Industries AB, a subsidiary of Investor AB, acquired Sarnova, Inc., a portfolio company of Water Street Healthcare Partners LLC and Talisman Capital Management Inc, for US\$903 million in cash. The transaction enhances Patricia Industries AB's investment portfolio in medical services sector. Sarnova, distributes healthcare products to emergency care providers, hospitals, schools and universities, businesses and government sectors.

The B2B distribution of products has continually increased its online presence over the last few years.

Transactional Overview

Notable closed lower middle market transactions for the period in the Wholesale and Distribution sector include:

March 2018 - Lucara Diamond Corp acquired Clara Diamond Solutions Corp for CAD58.6 million (US\$46.2 million) in stock and contingent payout. Lucara Diamond engages in the production and exploration of diamond properties. Clara Diamond Solutions engages in diamonds trading and distribution. The company is headquartered in Canada.

January 2018 - Thomas Scientific LLC acquired Denville Scientific, Inc. from Harvard Bioscience, Inc. for US\$20 million in cash and contingent payout. Thomas Scientific distributes laboratory equipment and chemicals. Denville Scientific distributes molecular biology research equipment and products. Its products include liquid handling, reagents, PCR solutions, tissue culture, laboratory solutions, microscopy & histology and equipment. The company was founded in 1979 and is headquartered in Holliston, MA.

January 2018 - DXP Enterprises, Inc. acquired Application Specialties, Inc. for US\$36.7 million in cash. DXP Enterprises engages in the business of distributing maintenance, repair and operating products, equipment and service to industrial customers. Application Specialties distributes industrial tools. It offers end mills, indexable tooling, tool holders, work holding and abrasives. The firm provides sharpening and grinding, tool balancing and heat shrinking. The company was founded in 1989 and is headquartered in Auburn, WA.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
A.H. Harris & Sons, Inc.	HD Supply Holdings, Inc.
Hehr International, Inc.	Lippert Components, Inc.; Lippert Components Manufacturing, Inc.
Kelly Limestone LLC	H.I.G. Capital LLC (Private Equity); Harrison Gypsum LLC
Lentz Milling Co.	Platinum Equity LLC
Pacific Ozone Technology, Inc.	Evoqua Water Technologies Corp.
Petrosmith Equipment LP	Blue Wolf Capital Partners LLC
Sarnova, Inc.	Patricia Industries AB
Valley Farms Supply, Inc.	Franklin Electric Co., Inc.

Industry Update

Competition for urban warehouse space is heating up as e-commerce providers seek locations close to their customers. Demand for so-called "last-mile" facilities is growing as online retailers look for close-in locations from which to ship goods within hours to customers in densely populated cities, according to The Wall Street Journal. As a result, wholesale distributors doing business in urban areas face higher costs and limited real estate options when looking to add warehouse space, which can run to hundreds of thousands of square feet. To meet the space crunch, developers in New York City are undertaking multistory warehouse projects in Brooklyn and the Bronx, said to be the first of their kind in New York and among the first in the nation, the WSJ reports. While multistory warehouses with truck ramps and elevators to the upper floors are often built in Asia and Europe, the concept is new in the US, where warehouse construction tends to be horizontal. While land and development costs -- and ultimately rents -- are considerably higher for multistory warehouses, the benefits of close-in locations may justify the expense for some tenants.

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, rose 16% and 10.2%, respectively, in the week ending March 12, 2018, compared to the same week in 2017.
- Total US manufacturers' shipments, an indicator of demand for industries in the wholesale sector, rose 8.0% year-to-date in January 2018 compared to the same period in 2017.
- Total US wholesale sales, a measure of the wholesale sector, rose 10.0% in January 2018 compared to the same period in 2017.

The Wholesale Distribution Industry Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Wholesale Distribution Practice Group provides M&A advice to public and private companies in all sectors of the wholesale distribution, including Pharmaceutical, Food and Beverage, Electronic Parts, Oil & Gas Products, Motor Vehicle and Parts, Industrial Equipment and Supplies, Computer Equipment and Software, Agricultural Products, Apparel, Metals, Chemicals and Plastics, Building Materials, Office Products and Paper and Furniture and Home Furnishings. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

