



WHOLESALE DISTRIBUTION

THIRD 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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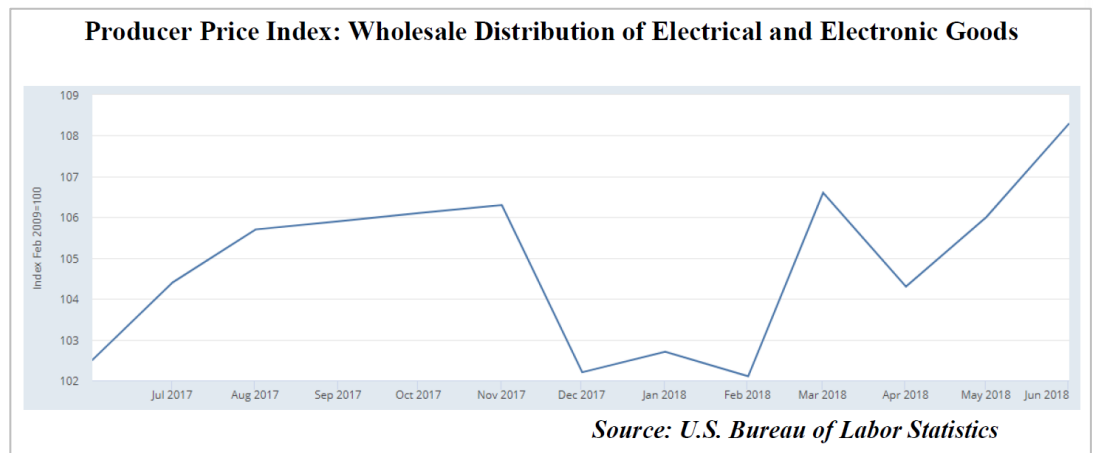
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Wholesale Distribution M&A

M&A activity for North American based target companies in the Wholesale and Distribution sector for Q2 2018 included 122 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was announced in June when Ryerson Holding Corp. acquired Central Steel & Wire Co for US\$163.8 million in cash. The consideration for each Central Steel & Wire Co share is composed of US\$616.32 in cash, plus US\$50 in special dividends.



Funding for the transaction was through Ryerson's internal resources. Central Steel & Wire Co is located in Chicago and distributes ferrous and nonferrous metal products.

Distribution of electronic products rose sharply in the second quarter spurred by general growth in the economy and high consumer confidence.

Transactional Overview

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

May 2018 - Kush Bottles, Inc. acquired Summit Innovations LLC for US\$17.7 million in cash, stock and contingent payout. The transaction enables Kush Bottles to enhance its packaging products and solutions. Kush Bottles engages in the marketing and sale of packaging products and solutions to customers operating in the regulated medical and recreational cannabis industries. Summit Innovations distributes hydrocarbons to the legal cannabis industry. The company is headquartered in Scottsdale, AZ.

May 2018 - Arizona Nutritional Supplements LLC, a portfolio company of DVSM LLC, doing business as Endeavour Capital, acquired FDC Vitamins LLC, doing business as Nutri-Force Nutrition, a subsidiary of Vitamin Shoppe, Inc. for US\$15 million. DVSM is a private equity firm founded in 1991. FDC Vitamins distributes vitamins, minerals, herbs and food supplements. The firm offers multivitamins and nutritional supplements, special formula, joint support, heart health products, vitamins for hair, skin and nails. The company was founded in 2007 and is headquartered in Miami, FL.

May 2018 - Axon Enterprise, Inc. acquired Viewu LLC from Safariland LLC for US\$12.9 million in cash, stock and contingent payout. Axon

Enterprise engages in the development, manufacture and sale of conducted electrical weapons for personal defense. Viewu, headquartered in Seattle, wholesales and distributes electrical appliances, televisions and radio sets.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Impact Sales & Associates	CI Capital Partners LLC; Impact Sales LLC
Proforged LLC	Huron Capital Partners LLC; Drake Automotive Group LLC
Tri-State Builder's Supply, Inc.	Beacon Roofing Supply, Inc.
Medical Specialties Distributors	McKesson Corp.
TMP Worldwide Advertising & Communications LLC	Gemspring Capital Management LLC; TMP Worldwide Advertising & Communications
Prolube, Inc.	Golden Gate Private Equity, Inc.; PetroChoice Holdings, Inc.
Grabber Construction Products, Inc. /GSD Distribution Ops/	Gypsum Management & Supply, Inc.; J&B Materials, Inc.
Berlin Metals LLC	Olympic Steel, Inc.

Industry Update

A critical shortage of commercial drivers is affecting some distributors' ability to efficiently move their products through the supply chain, according to the National Association of Wholesaler-Distributors. The tight labor market is causing delays and resulting in higher costs for trucks and trains, putting a squeeze on profits. The rising price of diesel (up about 6% since January 1) is shifting some freight from truck to rail, which is cheaper, but also slower. Compensation costs for private transportation and material moving workers -- a category that includes truck drivers and railroad workers -- rose 3.7% in the first quarter of 2018 versus 2017 (the biggest gain since 2004), compared with less than 3% for all workers, according to the Labor Department. Manufacturers, retailers, and the distributors caught in the middle are all feeling the pain of the tight labor market and higher transportation costs.

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, rose 29.4% and 23%, respectively, in the week ending June 11, 2018, compared to the same week in 2017.
- Total US manufacturers' shipments, an indicator of demand for industries in the wholesale sector, rose 7.1% year-to-date in April 2018 compared to the same period in 2017.
- US tourism spending on all tourism goods and services, which impacts the wholesale sector revenues, increased 5.4% in the third quarter of 2017 compared to the same period in 2016.
- Total US wholesale sales, a measure of the wholesale sector, rose 10.6% in April 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 Pharmaceuticals, Food and Beverage, Electronic Parts, Oil & Gas Products, Motor Vehicles 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.

