

WHOLESALE DISTRIBUTION

FOURTH 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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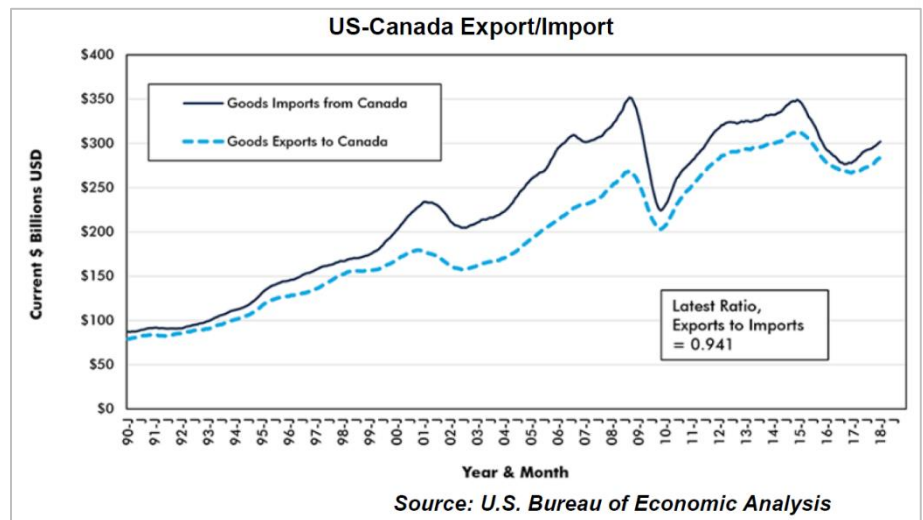
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Wholesale Distribution M&A

M&A activity for North American based target companies in the Wholesale and Distribution sector for Q2 2018 included 112 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in September when DCC Technology Ltd, a subsidiary of DCC Plc, acquired JAM Industries Ltd for CAD220.5 million (US\$170 million). The acquisition expands DCC Technology's service offering and business presence in Canada. JAM Industries is located in Baie-D'Urfé, Québec, Canada and distributes musical instruments and accessories. It had revenue of approximately CAD418.8 million (US\$323 million) and has 570 employees in April 30, 2018.



Despite the current administration's renegotiation of NAFTA, exports and imports between the United States and Canada have climbed relatively steadily over the past three decades

Transactional Overview

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

September 2018 - Snow Phipps Group LLC acquired Blackhawk Industrial Distribution, Inc., a portfolio company of Brazos Private Equity Partners LLC, for an undisclosed amount. Founded in 2005, Snow Phipps Group is a private equity firm headquartered in New York. Blackhawk Industrial Distribution manufactures industrial products and equipment. Its supply solutions include inventory management, procurement, product sourcing and technical innovation. The firm's manufacturing services include pumps and services, fluid services, custom tool fabrication and tool reconditioning. The company was founded in 2010 and is headquartered in Broken Arrow, OK.

September 2018 - A private group led by Great Elm Capital Group, Inc. and the management of Valley Respiratory Services, Inc. acquired Valley Respiratory Services, a portfolio company of Main Street Capital Partners LLC, for an undisclosed amount in cash and contingent payout. Great Elm Capital Group is a holding company that engages in the investment and acquisition of businesses, securities and assets that have significant long-term value creation. Valley Respiratory Services distributes respiratory equipment. The company was founded in 2006 and is headquartered in Mesa, AZ.

September 2018 - Sangoma Technologies Corp. acquired Digium, Inc., a portfolio company of Matrix Management Corp, Advantage Capital Partners and Tenaya Capital LLC, for US\$27.9 million in cash and stock. Sangoma Technologies Corp. engages in the development, manufacture, distribution and support of voice and data connectivity components for software-based communication applications. Digium engages in the provision of hardware and software products to enterprises and telecommunications providers. It offers business phone systems, telephony cards, asterisk training and asterisk hardware. The company was founded in 1999 and is headquartered in Huntsville, AL.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Walker Edison Furniture Co. LLC	J.W. Childs Associates LP
Ambhar Global Spirits LLC	Ambhar Global Spirits LLC
Uniseal, Inc.	LG Chem Ltd.
J&L Medical Services LLC	Lincare Holdings, Inc.
Baron & Leeds, Inc.	Bucherer AG
Austin Brake & Clutch Supply, Inc.	Harvest Partners LP; TruckPro LLC
Wholesome Pride Pet Treats LLC	J.W. Childs Associates LP; The Kyjen Co. LLC
The Letco Cos.	Letco Cos/ Management/

Industry Update

Pricing and competitive pressures in the rapidly evolving food retail market are driving two of the nation's largest food distributors - United Natural Foods (UNF) and SUPERVALU - to combine in an effort to build scale, cut costs, and increase margins, according to the Wall Street Journal. UNF's pending \$2.9 billion purchase of grocery-wholesaler-and-retailer SUPERVALU is a bid by North America's largest natural and organic food distributor to acquire the nation's biggest publicly traded food wholesaler. UNF is making the transaction to expand into more conventional foods and ethnic markets, and help satisfy growing demand from its largest customer, Whole Foods. UNF has struggled to keep up with increased demand following a surge in business since Amazon acquired Whole Foods in 2017; the grocer accounts for more than one-third of UNF's business. While UNF's net sales rose 12% in the latest quarter, gross margins were down as the company incurred expenses to manage the sudden growth, according to the WSJ.

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, rose 16.3% and 5.5%, respectively, in the week ending September 10, 2018, compared to the same week in 2017.
- Total US manufacturers' shipments, an indicator of demand for industries in the wholesale sector, rose 7.5% year-to-date in July 2018 compared to the same period in 2017.
- Total US wholesale sales, a measure of the wholesale sector, rose 12.9% in July 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.

