

WHOLESALE DISTRIBUTION

FIRST QUARTER

2019

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.

Wholesale Distribution M&A

M&A activity for North American based target companies in the Wholesale Distribution sector for Q4 2018 included 129 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was announced in October when The Andersons, Inc. acquired the remaining 67.5% majority stake not already owned in Lansing Trade Group, LLC for US\$305 million in cash, stock and assumed liabilities. Under the terms of transaction, The Andersons paid US\$175 million in cash, US\$130 million in stock and US\$166 million in liabilities assumed to Lansing Trade Group. The acquisition

enables The Andersons to further increase its product and services offerings. Located in Overland Park, Kansas, Lansing Trade Group engages in the distribution and trade of agricultural and energy-related commodities.

The strong economy and cheap financing have enabled merchant wholesalers to increase inventories over the last two years readily distributing products when needed.

Transactional Overview

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

December 2018 - J Kings Food Service Professionals, Inc. acquired Cookies & More, Inc. for an undisclosed amount. The merger enhances the services of both companies. J. Kings Food Service Professionals wholesales fruits and grocery related products. Cookies & More distributes specialty food products. It supplies cookies, chips, candy, beverages, nut free snacks, kosher snacks, whole grain and other snacks. The firm specializes in distribution supplying schools K-12, colleges, camps, prisons, government agencies, day care facilities, corporate catering, country clubs, healthcare facilities, delis and restaurants. The company was founded in 1963 and is headquartered in Farmingdale, NY.



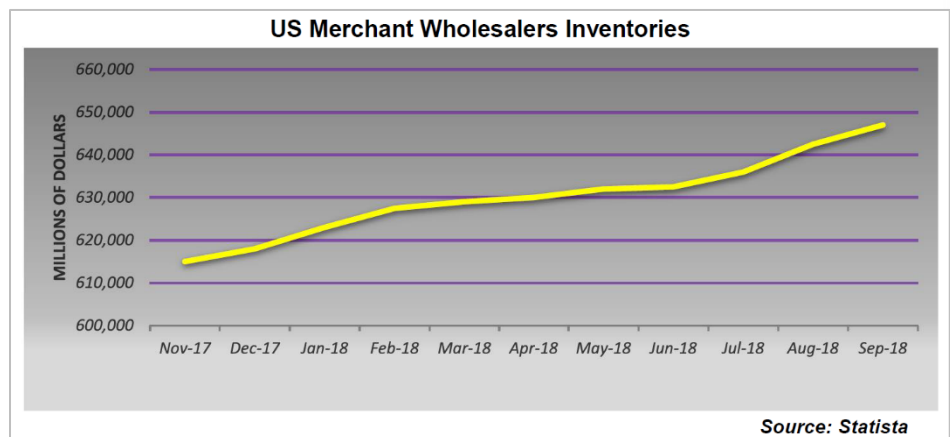
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November 2018 - Masonite International Corp acquired Bridgewater Wholesalers, Inc. for US\$23 million, subject to post-closing adjustments. The acquisition would expand Masonite International's existing business portfolio. Masonite International designs and manufactures of interior and exterior doors. Bridgewater Wholesalers engages in the supply of millwork to independent retail establishments. It offers exterior doors, castle gate and interior doors. The company is headquartered in Branchburg, NJ.

November 2018 - Sunbelt Rentals, Inc., a subsidiary of Ashtead Group Plc, acquired Underground Safety Equipment, LLC for US\$39 million in cash and contingent payout. Sunbelt Rentals provides equipment rental solutions for industrial and construction markets. Part of Ashtead Group Plc, Underground Safety Equipment is an American company located in Scottsdale, AZ, that wholesales underground safety equipment.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Standard Office Equipment Co., Inc.	Walter Printing Co., Inc.
Titan Construction Supply, Inc. (Nevada)	The Sterling Group LP; Construction Supply Group
Western Wood Treating, Inc.	CanWel Building Materials Ltd.
O'Rourke Petroleum	Mansfield Energy Corp.
Underground Safety Equipment, LLC	Sunbelt Rentals, Inc.
Engineer Supply LLC	ProClick Ventures, Inc.
HomeGuard Building Products, Inc.	Wind Point Advisors LLC; OX Engineered Products LLC
Breckenridge Building Center, Inc.	Clearlake Capital Group LP; Angeles Equity Partners, LLC

Industry Update

Wholesalers can boost their return on investment (ROI) by rethinking how they use costly outside sales reps, according to J. Michael Marks, a fellow with the National Association of Wholesale Distributors (NAW). Outside sales reps are an expensive resource - in addition to compensation, associated costs include hiring, training, managing, transporting, and supporting - that distributors may fail to use to their full potential. Some 95% of what customers purchase from distributors are goods that they've bought before; orders that help fulfill a transaction rather than sell a new product do not require an expert sales rep and can be filled by a lower-cost customer service or inside sales representative. Before dispatching a sales rep to call on a customer, wholesalers should research the customer's potential to get a worthwhile ROI. They should also determine a customer's preferred sales call frequency and communication channels. Why for pay an expensive sales call, when the customer would prefer help via phone or chat?

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, rose and fell 8.6% and 2.6%, respectively, in the week ending December 10, 2018, compared to the same week in 2017.
- Total US manufacturers' shipments, an indicator of demand for industries in the wholesale sector, rose 7.6% year-to-date in October 2018 compared to the same period in 2017.
- (Note: Due to budget restraints the US Bureau of Economic Analysis discontinued production of quarterly travel and tourism estimates in 2017.)
- Total US wholesale sales, a measure of the wholesale sector, rose 9.5% in October 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.

