

# WHOLESALE DISTRIBUTION

SECOND 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.



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FOR MORE INFORMATION CONTACT

**Corporate Finance Associates**  
24461 Ridge Route, Suite A200  
Laguna Hills, CA 92653

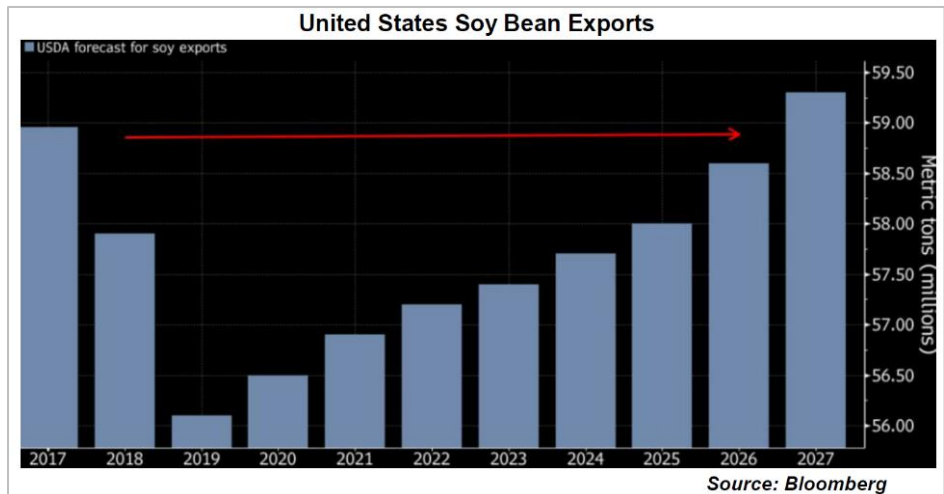
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info@cfaw.com  
www.cfaw.com

## Wholesale Distribution M&A

M&A activity for North American based target companies in the Wholesale and Distribution sector for Q1 2019 included 141 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in March when Square Chain Corp acquired a 55% majority stake in Caravel Group, LLC from M Line Holdings, Inc. for an undisclosed amount in stock. The stock being issued to M Line Holdings for these companies gives M Line a controlling interest in Square Chain Corp. Caravel Group is located in Fremont, California brands and distributes beverages.



Trade wars with China have limited the outlook for U.S. soy bean wholesalers. This outlook could shift as policy potentially changes.

## Transactional Overview

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

**March 2019** - Refresco Group NV acquired Cott Beverages, LLC from Cott Corp for US \$50 million. This acquisition includes the RCI International division of Cott Corp. This acquisition is in line with the growth strategy of Refresco Group. Refresco Group engages in bottling of beverages for retailers and A-brands. It operates through the Europe and North America segments. Cott Beverages distributes beverages for retailers.

**January 2019** - Sunoco LP acquired the business and assets of the wholesale fuel distribution business from Schmitt Sales, Inc. for US\$46 million in cash. The acquisition was funded through existing cash and credit facilities.

Sunoco engages in the management and distribution of fuel products. It operates through wholesale and retail segments. Schmitt sales engages in fuel distribution.

**February 2019** - Cameron Ashley Building Products, Inc., a subsidiary of Guardian Industries Corp and ultimately owned by Koch Industries, Inc., acquired Warrior Building Products, Inc. for an undisclosed amount. The acquisition expands the services of Cameron Ashley Building Products. Warrior Building Products distributes and sells roofing, siding and building materials. The firm also offers insulation, decking and railing, windows and fasteners. The company was founded in 1986 and is headquartered in St. Louis, MO.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
Peek Kids	Mamiye Brothers, Inc.
Hautly Cheese Co., Inc.	Kuna Meat Co., Inc.
NERP Holding Co., Inc.	Brenntag AG
Chasin Foods	GrubMarket, Inc.
North American Rescue LLC	Henry Schein, Inc.
Taylor Security & Lock Co., Inc.	Capital Resource Partners; Craftmaster Hardware LLC
Becker Electric Supply Co.	Kendall Electric, Inc.
JuiceDB.com	Breazy, Inc.

## Industry Update

The big food distribution companies are streamlining their operations to mitigate rising fuel, freight, and labor costs, according to The Wall Street Journal. Industry leaders SYSCO, US Foods, and Performance Food Group, along with smaller operators, are especially sensitive to cost pressures because their operations are less automated than those of some other businesses, increasing their exposure to labor shortages and pressure to hike wages. Efforts to mitigate rising fuel and labor costs include routing optimization to reduce the number of miles driven, improving fleet utilization, shifting some deliveries to smaller trucks, and packing trucks more efficiently. Some companies -- especially those who don't own and operate their own fleets -- are turning to online freight brokers like Uber Freight that use technology to match cargo with available trucks. Labor cost pressures are unlikely to subside anytime soon due to fierce competition from e-commerce companies for drivers and warehouse workers.

## Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, rose 0.5% and 2.9%, respectively, in the week ending April 15, 2019, compared to the same week in 2018.
- Total US manufacturers' shipments, an indicator of demand for industries in the wholesale sector, rose 3.0% year-to-date in February 2019 compared to the same period in 2018.
- Total US wholesale sales, a measure of the wholesale sector, rose 1.9% in February 2019 compared to the same period in 2018.

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.

