

# WHOLESALE DISTRIBUTION

THIRD QUARTER

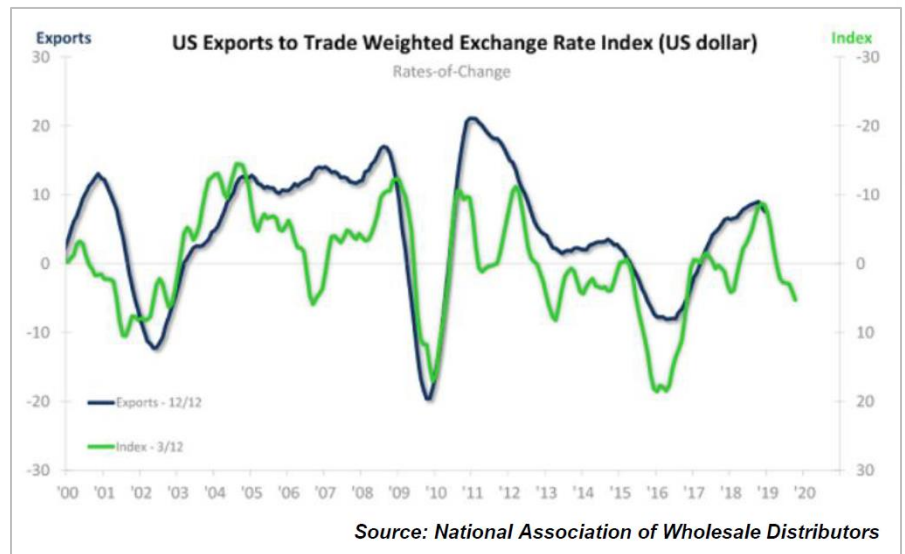
2019

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 Q2 2019 included 149 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was announced in May when Tailwind Management LP acquired Ring & Pinion Service, Inc., also doing business as RANDY'S Worldwide Automotive, Inc. and a portfolio company of PNC Erievue Capital, Linsalata Capital Partners, Inc. and the private equity arm of Barings LLC. The deal was reportedly valued at US\$187 million. The deal reinforces RANDY's growth and expansion strategy. Ring & Pinion Service is located in Everett, Washington and distributes automotive parts.



U.S. exports have lagged of late as the U.S. continues to work toward a trade deal with China.

## Transactional Overview

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

**May 2019** - Alternate Health Corp acquired Blaine Labs, Inc. for US\$17.1 million. Alternate Health is a medical cannabis company that engages in the research, education and production. The company was founded in 1995 and is headquartered in Santa Fe Springs, CA.

**April 2019** - DCC Energy Ltd (Ireland), doing business as DCC LPG, a subsidiary of DCC Plc, acquired Pacific Coast Energy LLC for an enterprise value of US\$38.8 million. DCC Energy operates through three businesses: liquid petroleum gas (LPG), oil and retail and fuel cards.



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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

Pacific Coast Energy engages in the marketing and distribution of propane to the residential and commercial market. It offers temporary heating, dispensing stations, building contractors and tanks and tank sets. The company is headquartered in DuPont, WA.

**April 2019** - KTRI Holdings, Inc. acquired Federal-Mogul Motorparts LLC, a subsidiary of Federal-Mogul Corp, ultimately owned by Tenneco, Inc., for US\$27.3 million. KTRI Holdings manufactures and sells automotive parts and accessories. Federal-Mogul Motorparts sells and distributes a portfolio of automotive products. The company is headquartered in Southfield, MI.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Travel Management Co. LLC	Wheels Up Partners LLC
Mayflower Sales Co., Inc.	Gen Cap America, Inc.; Mayflower Sales Co., Inc.
Pacific Alliance Capital, Inc.	BOXX Technologies, Inc.; Craftsman Capital Partners LLC
Panorama Meats, Inc.	Perdue Foods LLC; Perdue Premium Meat Co. LLC
Mid-Continent Paper & Distributing Co., Inc.	Audax Private Equity; Imperial Dade LLC
Eagle Valley Clean Energy LLC	Greenbacker Renewable Energy Co
Dunphey & Associates Supply Co	Watsco, Inc.
Piper Products, Inc.	CFS Brands LLC

## Industry Update

Rising e-commerce demand is driving up employment in distribution centers and competition for warehouse space, challenging distributors on both fronts. With the US unemployment rate at the lowest level in 50 years, distributors are facing staffing challenges, putting some at risk for shipping delays during peak periods. Competition for labor and space is especially intense near major population centers, where rapid e-commerce growth is prompting companies to open fulfillment centers to speed delivery to customers. Warehousing and storage firms added 5,400 jobs in April, according to preliminary figures from the Labor Department cited in The Wall Street Journal (WSJ). April marked the fourth consecutive month of growth in a sector that includes fulfillment centers that process and ship online orders. The sector has added nearly 70,000 jobs over the past 12 months, the WSJ reports. With not enough workers to fill positions at key hubs like Southern California's Inland Empire and parts of New Jersey near New York City -- and Amazon's recent minimum wage hike to \$15 per hour -- the pressure on wholesalers to raise wages is growing.

## Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, fell 5.8% and 3.0%, respectively, in the week ending July 15, 2019, compared to the same week in 2018.
- Total US manufacturers' shipments, an indicator of demand for industries in the wholesale sector, rose 2.4% year-to-date in May 2019 compared to the same period in 2018.
- Total US wholesale sales, a measure of the wholesale sector, dropped 0.1% in May 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.

