

WHOLESALE DISTRIBUTION

FOURTH QUARTER

2019

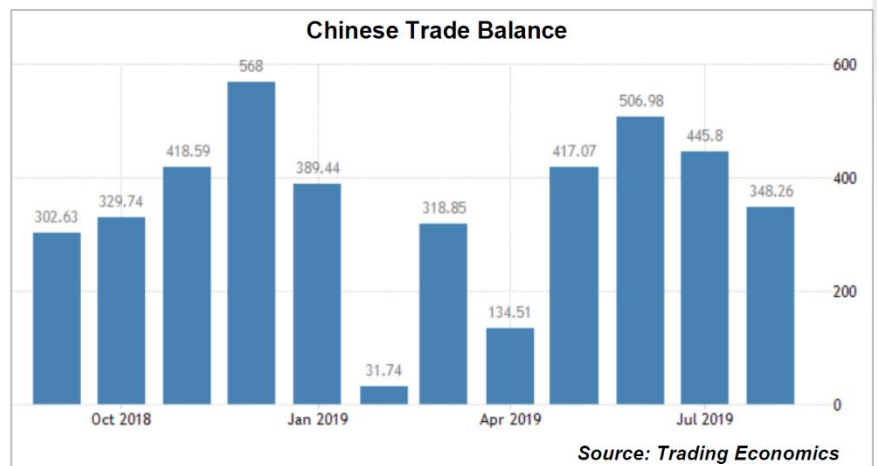
The Wholesale Distribution Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Wholesale Distribution category. Working with your local 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 Q3 2019 included 46 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions in the sector closed in August when Brady Industries, Inc. acquired Datek, Inc. for an undisclosed amount. Established in 1976, Datek is located in North Little Rock, Arkansas. The company distributes janitorial chemicals, laundry products, cleaning equipment and other miscellaneous cleaning supplies.

China's trade surplus with the US narrowed to USD 26.95 billion in August from USD 27.97 billion in July. This is an indicator to keep an eye on as tariffs continue to impact the market.



Transactional Overview

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

September 2019 - MORSCO, Inc., a subsidiary of Reece Ltd, acquired Todd Pipe & Supply LLC from HD Supply Holdings, Inc. for US\$160 million. Under the terms of transaction, MORSCO will pay US\$122 million in cash and US\$38 million in contingent payout to Todd Pipe & Supply LLC, subject to achieving certain milestones. The transaction will be funded through cash and debt. The acquisition will enhance growth opportunities and existing presence of MORSCO in United States. Following the transaction, the existing management team of Todd Pipe & Supply will join MORSCO. Todd Pipe & Supply is located in Hawthorne, California and distributes plumbing supplies.

July 2019 - Diploma Plc acquired Virginia Sealing Products, Inc. for US\$79 million in cash and contingent payout. Diploma engages in the supply of technical products and services. Virginia Sealing Products distributes fluid sealing products. It offers fluid-sealing programs, training surveys item descriptions design and



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engineering services. The company was founded in 1979 and is headquartered in Prince George, VA.

April 2019 - Creation Gardens, Inc., doing business as What Chefs Want, acquired Freshpack Produce, Inc., a portfolio company of Tonka Bay Equity Partners LLC and Silver Peak Partners LLC, for an undisclosed amount. Creation Gardens operates as a wholesale food distributor. Freshpack Produce distributes fruits and vegetables.

It offers value-added repackages of fresh fruits and vegetables serving retail stores, food-service organizations and wholesale customers. The firm supplies its products to the food industry. The company was founded in 2000 and is headquartered in Denver, CO.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Fort Wayne Auto Truck Auction LLC	Stanley, Autenrieth Auction Group, LLC
Food Services of America, Inc.	Harbor Wholesale Grocery, Inc.
Tuffy Manufacturing Industries, Inc.	Myers Industries, Inc.
J. Kings Food Service Professionals, Inc.	Sysco Corp.
Safco Dental Supply Co.	PNC Holding LLC; PNC Capital Finance
Dwindle, Inc.	Bravo Sports Corp.; Transom Capital Group LLC
Lords Additives LLC	Nisus Corp.
Alaska Petroleum Distributing, Inc.	NorthStar Energy LLC (Washington)

Industry Update

Weak sales of computing and communications devices could reduce demand for some wholesale electronic components over the next two years. Worldwide shipments of PCs, tablets, and mobile phones will decline slightly year-over-year in 2019 and increase only slightly in 2020, according to a recent forecast from Gartner. The market research and advisory firm, which pointed to a growing tendency among consumers to retire their PCs without replacing them, projects PC shipments will decline 0.6% in 2019 and 0.4% in 2020. Gartner had a slightly more positive outlook for the mobile phone market: after declining 0.5% year-over-year in 2019, shipments of phones will increase 1.2% year-over-year in 2020. That market is currently challenged by a plateau in technology development, as buyers are postponing upgrades in the absence of models and applications that provide significant new utility or experiences, according to Gartner.

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, fell 6.4% and 7.7%, respectively, in the week ending August 12, 2019, compared to the same week in 2018.
- Total US manufacturers' shipments, an indicator of demand for industries in the wholesale sector, rose 1.9% year-to-date in June 2019 compared to the same period in 2018.
- Total US wholesale sales, a measure of the wholesale sector, dropped 2.7% in June 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.

