

WHOLESALE DISTRIBUTION

FIRST QUARTER

2020

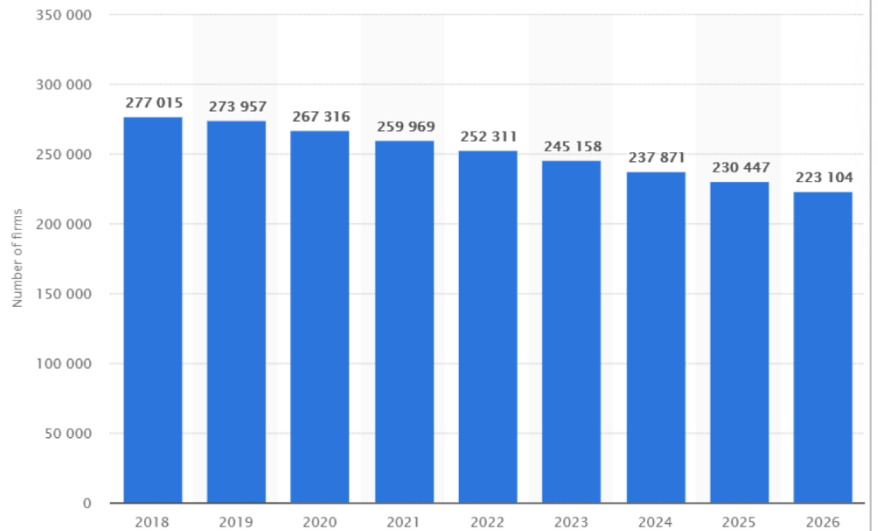
The Wholesale Distribution Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Wholesale Distribution category. Working with your local 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 and Distribution sector for Q4 2019 included 143 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions in the sector was announced in October when Platinum Equity Advisors, LLC acquired TruckPro LLC, a portfolio company of Harvest Partners LP, OCM Mezzanine Investments Group and Partners Group, for an undisclosed amount. Platinum Equity is a global private equity firm. TruckPro is a distributor of heavy-duty truck & trailer products and advanced repair services. Through a distribution network of more than 150 stores and advanced service shops, TruckPro delivers a comprehensive range of products to support commercial and government customer requirements in the areas of brake systems, electrical, engines, gear & drivetrain and more.

Projected Number of Companies in the Wholesale Sector in the U.S. 2018-26



Source: Statista

The number of wholesalers in the U.S. has been on the decline as businesses and consumers have more access to acquiring products direct from manufacturers online.

Transactional Overview

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

December 2019 - Pacific Ventures Group, Inc. acquired Seaport Meat Co for US\$4.2 million. Pacific Ventures Group operates as investment group that concentrates on consumer products in the food, beverage and alcohol related industries. Seaport Meat Co. operates as a meat wholesaler. The firm's products include Italian Deli, beef, poultry, lamb and veal. The company was founded in 1980 and is headquartered in Spring Valley, CA.

December 2019 - BMC Stock Holdings, Inc. acquired DeFord Lumber Co Ltd for an undisclosed amount. BMC Stock



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Holdings is a provider of diversified building products and services in the U.S. residential construction market. DeFord Lumber provides building materials. It offers gypsum products, concrete siding and framing lumber. The firm also offers custom millwork. The company was founded in 1964 and is headquartered in Duncanville, TX.

December 2019 - Watsco, Inc. acquired N&S Supply for an undisclosed amount in cash and stock. Watsco engages in distribution of air conditioning, heating and refrigeration equipment and related parts. N&S Supply engages in the distribution of air conditioning, heating and plumbing products. It offers anti-freeze, condensate pumps, controls, air to air heat exchangers, cast iron radiation, boilers, parts, accessories and circulators. The company was founded by in 1946 and is headquartered in Fishkill, NY.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Zumbro River Brand, Inc.	Balchem Corp.
S.W. Anderson Sales Corp.	Wolseley Ltd.; Ferguson Enterprises
Maine Coast Lobster Co.	Premium Brands Holdings Corp.
Benchmark Cosmetic Laboratories, Inc.	HarbourVest Partners LLC;
Any Old Stone LLC	Monomoy Capital Partners LLC;
Pacific Mutual Door Co., Inc.	Hardwoods Distribution, Inc.
Gold Star Food Service, Inc.	Good Source Solutions, Inc.;
Wicked Cool Toys LLC	Alleghany Capital Partners LLC

Industry Update

An Amazon monopoly on federal procurement is the dark future US wholesalers envision if the US General Services Administration (GSA) continues on its current path. Contrary to a congressional directive to include multiple commercial e-commerce portal providers in pilot tests to validate their appropriateness as procurement vehicles for federal purchasing, the GSA has proposed testing only one -- the E-Marketplace Model -- according to a post on the National Association of Wholesaler-Distributors (NAW) website. Amazon is expected to have the edge in the E-Marketplace Model (aka the "Amazon Model") due to its dominance of the US e-commerce market. The NAW argues that by focusing solely on the E-Marketplace Model, among the three commercial portal models it developed, the government procurement agency effectively is setting up a barrier to entry for the other two options (the E-Commerce and E-Procurement models) that will be insurmountable by the end of the five-year pilot period, resulting in a de facto monopoly. The stakes are high as the portal choice will affect more than \$50 billion in commercial off the shelf (COTS) products annually, says the trade group, which fears its members will face a competitive disadvantage under a single marketplace provider.

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for distributor fleets in the wholesale sector, fell and rose 2.4% and 7.0%, respectively, in the week ending December 16, 2019, compared to the same week in 2018.
- Total US manufacturers' shipments, an indicator of demand for industries in the wholesale sector, rose 0.8% year-to-date in October 2019 compared to the same period in 2018.
- Total US wholesale sales, a measure of the wholesale sector, fell 1.1% in October 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.

