

# Specialty Distribution Insights

WINTER 2025

## In This Issue

What We're Seeing in the Industry	3-9
Recent Events and Where We'll Be Next	10-11
Economic Trends	12-15
Public Comps and Research	16-21



*Learn how our deep industry expertise and commitment to each transaction can help you achieve your business objectives*



**Gareth Hughes**  
*Managing Director*

727.336.8140  
Gareth.Hughes@RaymondJames.com



**Carl Gatenio**  
*Managing Director*

312.655.2615  
Carl.Gatenio@RaymondJames.com



**Rueben Stokes**  
*Director*

727.472.4653  
Rueben.Stokes@RaymondJames.com



**Casey Brecher**  
*Vice President*

714.866.9174  
Casey.Brecher@RaymondJames.com



**Bryce Benjamin**  
*Senior Associate*

813.766.0993  
Bryce.Benjamin@RaymondJames.com



**Carter Mulroe**  
*Associate*

813.335.2968  
Carter.Mulroe@RaymondJames.com

# Specialty Distribution Coverage Verticals



# In this Edition of Specialty Distribution Insights



## Reflections on Q4 2024

Challenges faced by distributors throughout 2023 and 2024, namely anemic industrial demand and customer destocking, persisted into the final quarter of 2024. These factors were compounded by a notable pause in activity around the election, coupled with an initiation of rate cuts (but still high on an absolute basis), that cultivated a “wait and see” environment



## Improved Outlook for 2025

However, leading indicators – such as quoting/booking activity – have generated greater optimism heading into 2025. Notably, MDM upgraded sector growth to 5.9%, up from a mid-year forecast of 4.8%. The brighter growth outlook is supported by a tightening in the inventory:sales ratio, which portends an end to destocking and firmer demand ahead



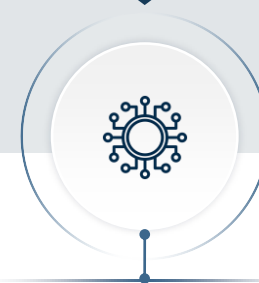
## Megaproject Tailwinds to (Finally) Fuel Growth

Recent years have seen a swathe of Federal Spending commitments that would benefit distributors across sectors. However, deployment has been slower than hoped, and megaproject activity did not kick-start as anticipated in 2024. In our view, 2025 should – finally – be the year in which meaningful project delivery picks up and delivers tangible growth to distributors



## Impact of Policy on Distributors

The new administration’s policies evolve daily and are set to have several material impacts on distributors in 2025. President Trump has committed to bringing more manufacturing back to the US, an overhaul of the trade system via tariffs and initiating a “comprehensive approach” to inflation. We discuss the possible earnings upside for distributors from tariffs



## AI within Distribution

Leadership teams across industries are racing to understand and implement AI tools, and the distribution sector is no different – a common topic at this year’s NAW Executive Summit. Data-intensive and working capital-heavy business models mean distributors can see meaningful benefits from AI implementation. Distribution executives are determined to shed the “slow follower” approach of the past



## Dealmakers Preparing for Improved 2025

Sluggish deal volumes in 2023 and 2024 have fueled a record-high backlog of private equity-owned companies. Tighter lending conditions and a hoped-for return to organic growth should alleviate the malaise. Our team has observed an uptick in pitch activity and engaged backlog, indicating higher activity levels ahead in 2025, but risks persist

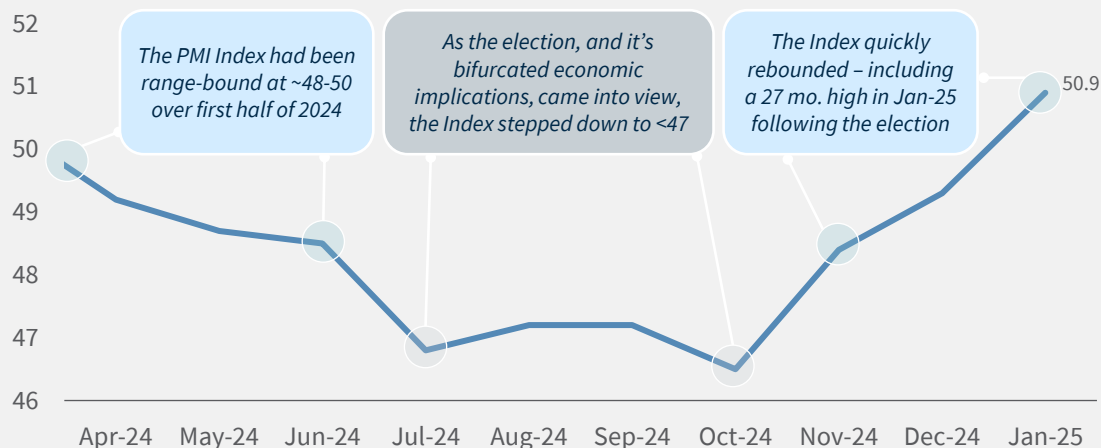


# ① Confluence of Factors Muted Activity in 2H 2024...

## ELECTION GENERATED NOTABLE IMPACT ON ACTIVITY...

- Activity Pause** – Unlike in prior election cycles, our clients reported an abnormal drop-off in demand both leading up to and around the time of the election. Many observed a slowing of ordering and invoicing, driven by the highly polarized implications of a Republican or Democratic election victory
- Evident in the Data** – This sentiment was clearly borne out in the data. While ISM Manufacturing PMI has remained ~48-50 for nearly two years, July through October saw a marked drop to <47. Post-election, the index quickly returned to pre-election levels

### ISM Manufacturing PMI Index

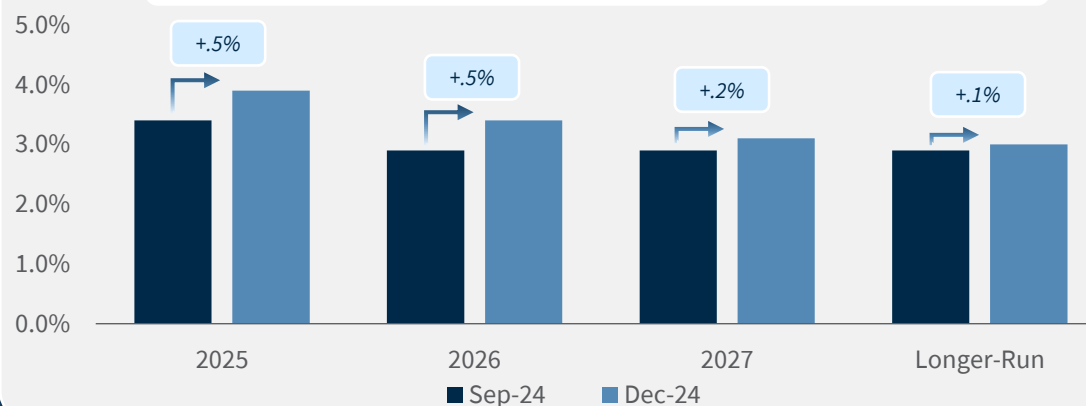


## ... COUPLED WITH RATE CUTS & TARIFF CONCERNS

- Expected Rate Cuts** – In March 2024, the Federal Reserve projected 4 rate cuts in 2025. That forecast has since dropped to only 2 this year, driven by stubborn inflation, the threat of tariffs and concerns over government debt
- Tariff Uncertainty** – Despite a commitment to “focus on the data”, the risk of tariffs and associated inflationary pressure has clearly fostered conservatism at the Federal reserve. EY forecasts that declared tariffs would increase US inflation (that already runs at 2.9%) by 0.4%

### The Fed's “Higher For Longer” Pivot

In the final quarter of 2024, rate expectations for 2025 and 2026 increased by half a percent, or two fewer rate cuts



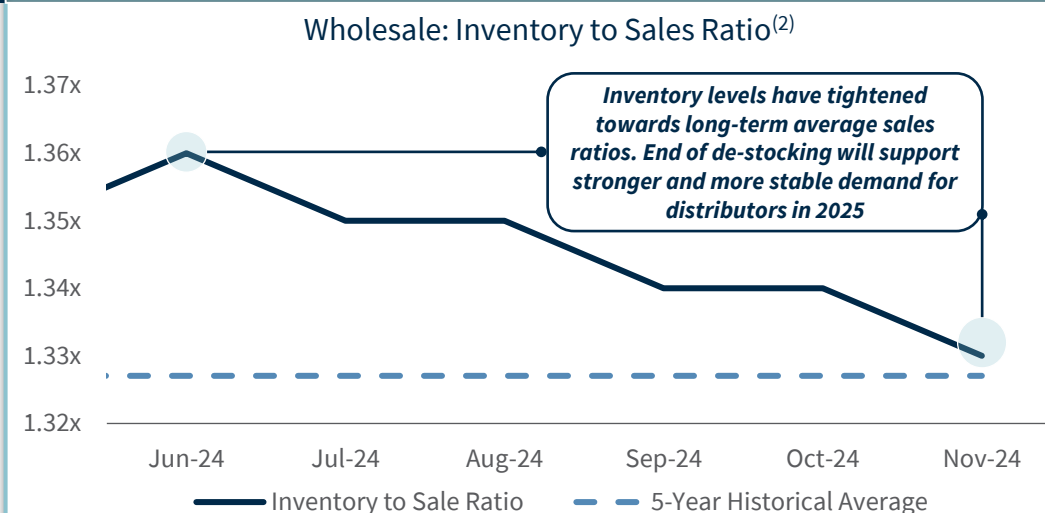
2

# ... but Broad-Based Optimism Heading into 2025

## Improved Growth Expected Across the Board

U.S. Wholesale Distribution Revenues <sup>(1)</sup>	Jul'24 Forecast	Dec'24 Forecast	Variance
Oil & Gas Products	1.7%	2.1%	+0.4%
Pharmaceutical	7.4%	9.5%	+2.1%
Electrical and Electronics	7.8%	12.5%	+4.7%
Industrial Distributors	2.5%	4.2%	+1.7%
Motor Vehicles & Parts	8.2%	9.3%	+1.1%
Miscellaneous Durable Goods	2.4%	3.6%	+1.2%
Other Consumer Products	3.4%	2.3%	-1.1%
Computer Equipment & Software	5.8%	6.6%	+0.8%
Commercial Equipment & Supplies	3.6%	4.3%	+0.7%
Agricultural Products	3.0%	4.7%	+1.7%
Metal Service Centers	6.5%	-0.7%	-7.2%
Construction Materials	4.7%	5.0%	+0.3%
Hardware, Plumbing & Heating Supplies	4.1%	4.5%	+0.4%
Apparel & Piece Goods	4.0%	5.8%	+1.8%
Chemicals & Plastics	5.9%	-0.1%	-6.0%
Furniture & Home Furnishing	-0.6%	0.5%	+1.1%
Office & Paper Products	3.0%	3.6%	+0.6%
<b>Total Wholesale Distribution Industry</b>	<b>4.8%</b>	<b>5.9%</b>	<b>+1.1%</b>

## Wholesale Inventory to Sales Ratio has Tightened



## Outlook Upgrade - Key Takeaways

- **Rebounding from lows** – Larger upgrades can be attributed to sectors recovering from underperformance, such as Agriculture (+1.7%) and Industrial (+1.7%). These upgrade are consistent with public company commentary on a rebound (see our prior newsletter)
- **Electrification of Everything** – The largest upgrade (+4.7%) was awarded to the Electrical sector (see our commentary on Federal Spending and megaproject activity finally lifting off)
- **Commodity weakness** – Rare downgrades for Metals (-7.2%) and Chemicals (-6.0%) sectors attributed to softened views on future commodity prices

**+2.2%**  
2024A Growth

**+5.9%**  
2025E Growth

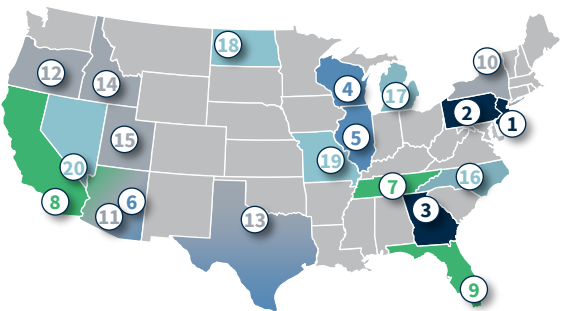
**+4.5%**  
2026P Growth

(1) Modern Distribution Management.

(2) FactSet.

# ③ Megaproject Tailwinds will (Finally) Fuel Growth in 2025

## Select Landmark Projects



**\$290+ Billion**

Total Value of Select Megaprojects

## Project Overview

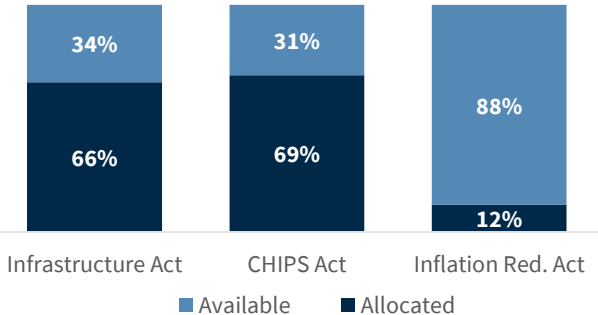
<b>1</b> University Hospitals Operating Medical Center \$1.8B Newark, NJ	<b>2</b> Geisinger \$1.8B Wilkes Barre, PA	<b>3</b> Northeast Georgia Health System \$700M Gainesville, GA	<b>4</b> College of Engineering \$347M Madison, WI
<b>5</b> ILLINOIS \$500M Champaign, IL	<b>6</b> ASU NAU \$1.0B Arizona	<b>7</b> Georgia-Pacific \$425M Jackson, TN	<b>8</b> GAYLORD HOTELS \$1.2B Chula Vista, CA
<b>9</b> MIAMI BEACH \$500M Miami, FL	<b>10</b> Micron ~\$100B <sup>(1)</sup> Clay, NY	<b>11</b> tsmc ~\$40B Phoenix, AZ	<b>12</b> intel ~\$36B Hillsboro, OR
<b>13</b> TEXAS INSTRUMENTS ~\$30B Sherman, TX	<b>14</b> Micron ~\$15B Boise, ID	<b>15</b> TEXAS INSTRUMENTS ~\$11B Lehi, UT	<b>16</b> REDWOOD MATERIALS ~\$4B Ridgefield, NC
<b>17</b> Ford ~\$4B Marshall, MI	<b>18</b> METRO RPOSD DIVERSION AUTHORITY ~\$3B Fargo, ND	<b>19</b> BOEING ~\$2B St. Louis, MO	<b>20</b> brightline ~\$12B Las Vegas, NV

The anticipated benefits from megaprojects were not realized in 2024. However, 2025 will be different, with roughly two-thirds of Infrastructure Bill and CHIPS Act dollars now allocated and set for deployment. The IRA still lags and is therefore expected to provide tailwinds for 2026

## Commentary

- A** Although the sector did not see a material demand uplift from the announced megaprojects in 2024, these landmark projects have since commenced construction and are expected to drive growth for distributors in 2025 and 2026
- B** According to latest figures, approximately 2/3 of the funds from the Infrastructure Act and the CHIPS Act have been allocated, while only ~12% of the funds from the Inflation Reduction Act have been awarded
- C** For the first time, a majority of identified megaprojects receiving federal support have “broken ground”. Therefore 2025 will be the first year in which we observe a full year of sustained construction activity, benefiting distributors supplying building materials, jobsite supplies, electrical, plumbing, HVAC, safety and other related supply sectors

### Substantial Funds Available for 2025+



Sources: U.S. Department of Transportation, Internal Revenue Service (IRS), NIST.

(1) Micron intends to invest up to \$100 billion over the next 20+ years to construct a new megafab in Clay, New York, with the first phase investment of \$20 billion planned by the end of this decade.

(2) Infrastructure Act as of 12/15/24, CHIPS Act as of 12/8/24, Inflation Reduction Act as of 6/30/24.



**Ed Mills**  
Managing Director,  
Equity Research

4

5

# New DC Policies are Poised to Uniquely Impact Distributors

*The Trump Administration hit the ground running with a multitude of executive orders signed post-inauguration*

## Trump's New Policies



### Executive Orders ("EOs")

- Trump signed a range of executive orders on day one, including the reversal of several Biden-era policies, as well as orders on deregulation, energy, tariffs and federal employees
- President Trump also rolled out a regulatory freeze order, suspending all new rule proposals until they are reviewed and approved by Trump-appointed department heads
- Trump officially established the Department of Government Efficiency ("DOGE") with the primary objective of maximizing government efficiency and productivity

**26**

Executive Orders  
Signed on Day 1

**78**

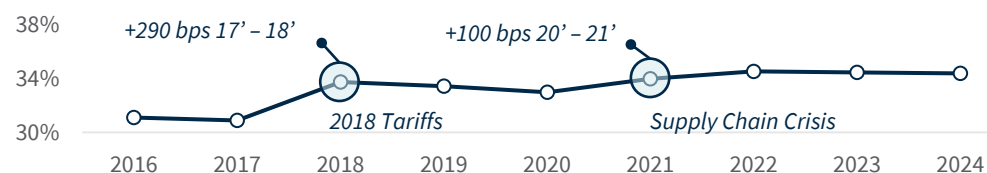
Biden-era Executive Orders  
Repealed on Day 1



### Tariffs: A Potential Upside for Distributors?<sup>(1)</sup>

- While the impact on supply chains will cause concern, past case studies consistently demonstrate that distributors successfully leverage rising price environments to grow margins – whether that be tariffs in 2018, or the COVID-19 pandemic
- Moreover, any future removal of tariffs (and therefore drop in input costs) could provide a further leg-up to margins if distributors are able to hold onto the new, higher, tariff-induced prices

#### Average Distributor Gross Margins<sup>(2)</sup>



## Trump Announces AI Infrastructure Investments



### Stargate Initiative

- President Trump announced the "Stargate" project, a major AI infrastructure initiative with an initial \$100 billion commitment and potential to grow to \$500 billion over four years, led by OpenAI, SoftBank and Oracle
- The project includes constructing data centers in Abilene, Texas, and plans to build up to 20 campuses, creating 100,000 jobs focused on energy generation
- Trump 2.0 will also emphasize AI infrastructure, leveraging nuclear energy to meet the electricity demands of AI data centers

**\$100B+**

Initial Commitment

**~100,000**

Jobs Created

## Potential Use Cases for AI within Distribution



**Inventory Management:** AI-powered systems and technologies will optimize storage space and help predict demand trends, improving warehouse workflows



**Procurement:** AI will analyze order history, customer preferences and current inventory levels to automate orders, reducing inventory fluctuations and obsolescence



**Dynamic Pricing:** AI-driven dynamic pricing models will enable businesses to instantly adjust prices based on demand and market conditions – even the time of day



**Order Processing:** AI will revolutionize order processing by automating tasks, reducing manual input and boosting accuracy

Sources: Raymond James Equity Research, publicly available data.

(1) This section is not reflective of Ed Mills' policy outlook.

(2) Distributors include: Ferguson, Fastenal, Watsco, Grainger, GPC, Wesco and MSC.

# 6 Cautious Optimism for Specialty Distribution M&A Activity

## Key Drivers for Distribution M&A:



*Significant private equity backlogs*



*Private equity deals from 2021's frothy M&A market are set to trade again*



*Stabilizing price/volume/mix dynamics*



*Boost from 2024 Election Results*



*Competitive lending markets*



*Easier YoY comps heading into 2025*

Sources: FactSet, Pitchbook, S&P Global.

Note: Number of deals includes transactions for which value was not disclosed. Includes announced transactions up to \$1,000M in deal value with a target based in the U.S.

(1) PitchBook as of 9/30/2024.

## Observed Specialty Distribution M&A Trends



### 2020 – 2021 Private Equity Deals Poised to Trade Again Soon

- In Q4 2021, 3,935 U.S. middle market transaction were reported, compared to 2,526 in Q2 2023
- PE exits from acquisitions in 2020 – 2021 are “coming due”, in addition to delayed exits originally slated for 2023 – 2024
- Our private equity clients consistently report growing pressure from LPs to generate liquidity. This sentiment is reflected in slower fund raising, which has declined for two consecutive years for the first time over a decade

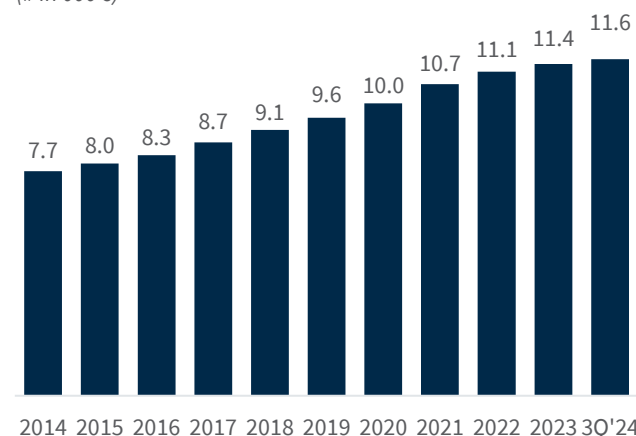


### Recent Uptick in Pitch Activity and Backlog Suggests a Busier Year

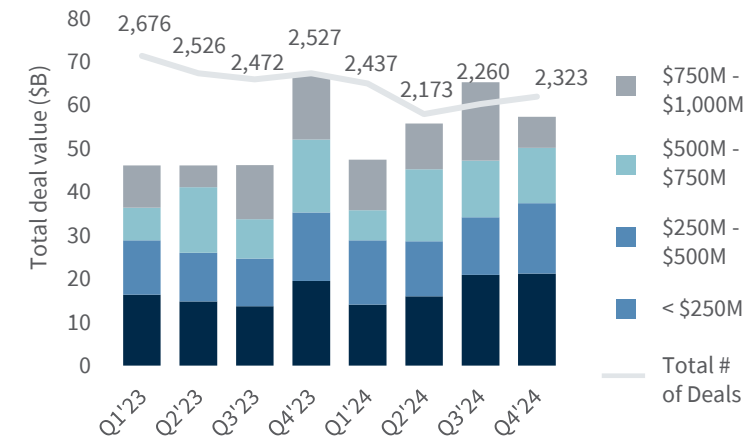
- Our team has observed a surge in recent pitch activity and engaged backlog. This uptick is fueled by growing confidence in a return to organic growth (a silver lining of weak growth in 2024) and the most stable demand and pricing outlook since before the pandemic (subject to tariff developments)

## Inventory of U.S. Private Equity-Backed Companies<sup>(1)</sup>

(# in 000's)



## U.S. Middle Market M&A Activity





# Raymond James Deal Announcement



## Target

R&B Wholesale  
Distributors

## Date

January 2025

## Acquirer

Platinum Equity

## Deal size

Undisclosed

## Transaction Overview

Raymond James served as the exclusive sell-side advisor to R&B Wholesale Distributors (“R&B”) in their acquisition by Platinum Equity. The Raymond James team conducted a broad auction process focused predominantly on financial sponsors to support rollover by second generation management. Following competitive LOI negotiations with multiple parties, R&B was ultimately acquired by Platinum Equity

## Value Maximizing Attributes



Premier distributor of **high-quality appliances with unparalleled scale** to serve **Builder, Dealer, Property Management and Commercial** customers throughout the Western U.S.



**End-to-end solution** through **custom orders, warehousing, delivery and installation** - a highly differentiated turnkey offering compared to other appliance suppliers

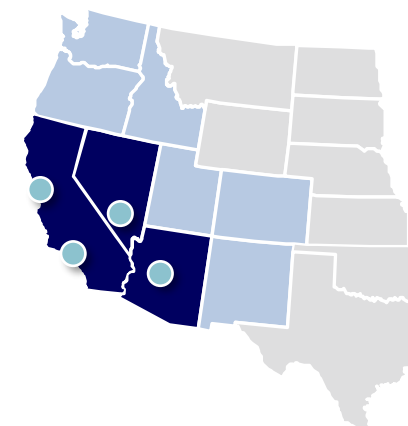


Entrenched **blue-chip supplier relationships** with **regional exclusivities in key geographies**



**Significant growth opportunities** to expand the platform geographically by **opening Greenfield locations and acquiring mom-and-pop operators** in adjacent geographies

## Strong West Footprint with Geographic Whitespace



**Strong Presence in Key Markets Across the West Coast**

- Existing Locations
- Existing State Locations
- Target Market
- Market Opportunity

## Diverse Revenue Streams

### Product Categories



Refrigerators



Stoves & Ovens

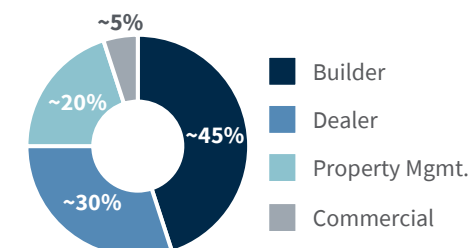


Washers



Dryers

### Channel Mix



# H1 2025 Conference Calendar

*Planning to attend the following conferences?*

*Please reach out to schedule a meeting!*



**Gareth Hughes**  
*Managing Director*

[Gareth.Hughes@RaymondJames.com](mailto:Gareth.Hughes@RaymondJames.com)  
M: 727.336.8140



**Carl Gatenio**  
*Managing Director*

[Carl.Gatenio@RaymondJames.com](mailto:Carl.Gatenio@RaymondJames.com)  
M: 312.655.2615



 Conference Name	 Date	 Location	 Description
	Jan 27 – 29	Washington, DC	Premier strategy event bringing together executives from the nation's top distribution firms. This event features presentations from national political, academic, technology and industry leaders
	Feb 25 – 27	Las Vegas, NV	The largest annual construction show in the world, serving as a hub for new product launches, construction demos, industry thought leader sessions, workshops, panel discussions and more
	Mar 2 – 5	Orlando, FL	Raymond James' 46 <sup>th</sup> Annual Institutional Investors Conference connects institutional investors and company management teams
	Mar 5 – 7	St. Petersburg, FL	Exclusive event filled with company presentations, 1:1 meetings between companies and select private equity firms and multiple networking opportunities
	Mar 31 – Apr 2	Nashville, TN	Annual industrial supply conference bringing together metalworking & industrial MRO manufacturers & distributors to foster relationships with key industry participants
	Apr 7 – 9	Las Vegas, NV	Premier conference for middle-market M&A where individuals gather for three days of efficient dealmaking, idea-sharing and networking
	May 20 – 22	Marco Island, FL	Pre-eminent gathering of electrical supply executives to network, learn about business trends and listen to world-class speakers

# Takeaways From the 2025 NAW Executive Summit

## Key Takeaways

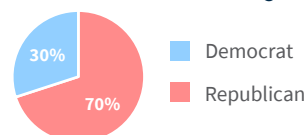


**Attendance Up:** The Conference moved from its longtime home at the Fairmont Hotel to accommodate record attendance. Eric Hoplin and team continue to grow NAW at an impressive clip



**DC Abuzz:** It was a timely visit to DC, with significant chatter about Trump announcements. Despite uncertainty, distributors appeared bullish – 70% of surveyed business owners identify as Republican

*Business Owner Political Leanings<sup>(1)</sup>*



**AI:** A recurrent theme across content. Despite the obvious benefits for distributors, executives admitted the industry is typically slower to adapt to new technologies. We expect 2025 to be a year of learning and training, with benefits observed from 2026



**M&A:** NAW has typically shied away from discussing the topic. This year it was in full view as industry stalwarts appear to accept that consolidation activity is here to stay

## Select Company Attendees

### LARGE CAP ATTENDEES



### PRIVATE COMPANY ATTENDEES



## “Elephants in the Room”



Despite real-time activity with QXO's hostile takeover, Beacon CEO Julian Francis participated in a CEO panel Tuesday morning



At the Tuesday evening gala, Henry Schein CEO Stan Bergman received a lifetime achievement award. The next morning, he announced a strategic investment by KKR, board changes and a \$0.5B buyback program

## Content Spotlight: CEO Panel



**Jason Tillis**  
CEO



**Kevin Weadick**  
CEO



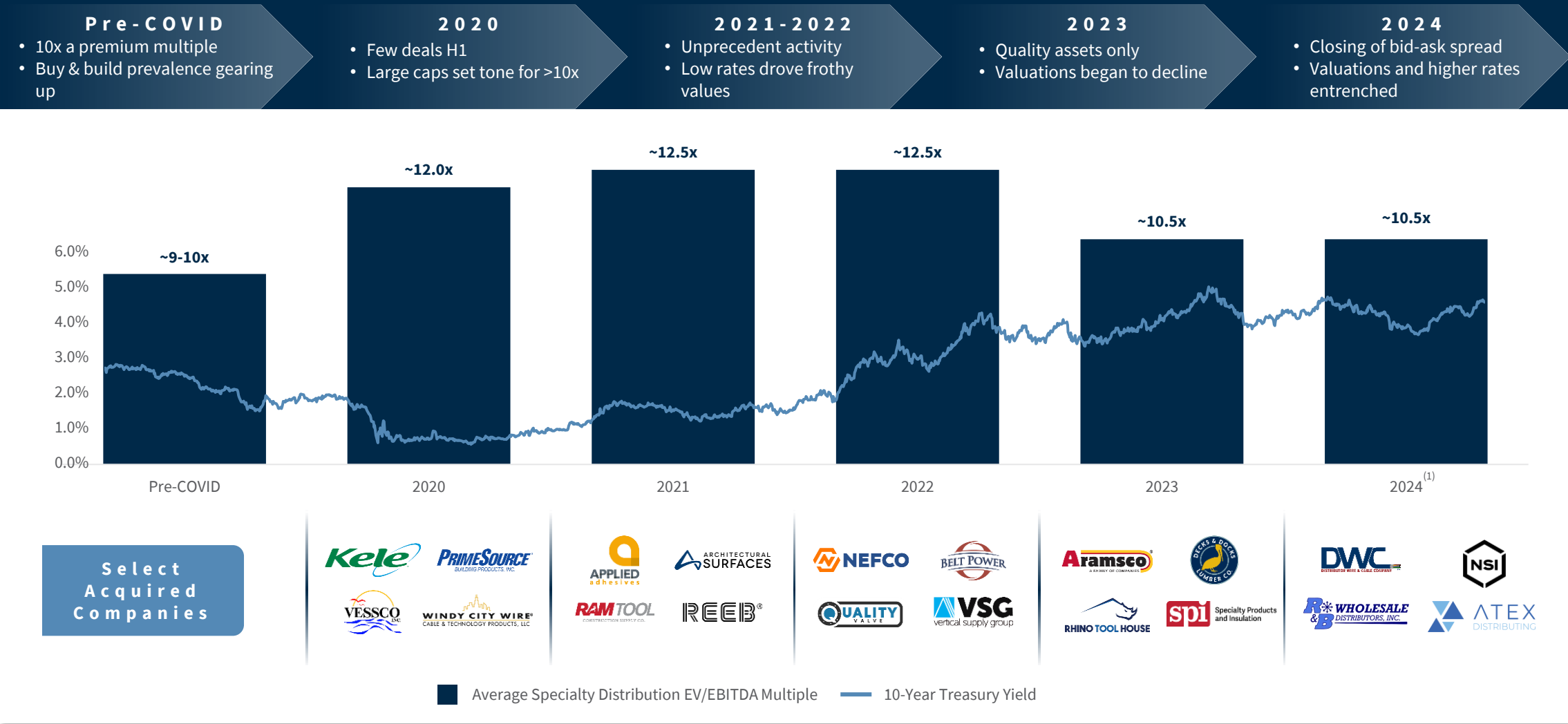
**Julian Francis**  
President and CEO



- All stressed the importance of scale and M&A to achieve it (Imperial Dade recently closed its 96th add-on)
- Imperial Dade and Beacon both changed “Corporate HQ” to “National Support Center” to reflect role serving the front lines
- Discussed explosion of cyber-security attacks and efforts to mitigate (Beacon is hit 75,000 times / day)

(1) The Harvard Gazette. Identified political affiliation of surveyed business owners.

# Average Middle Mkt Distribution Multiples have Stabilized at ~10.5x





# Select Specialty Distribution Platform Transactions

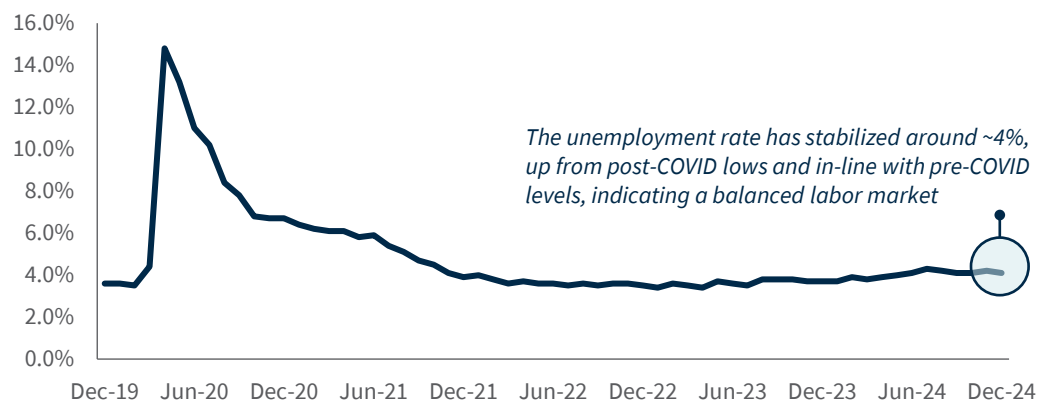
Date	Target	Acquiror	EV / EBITDA	Date	Target	Acquiror	EV / EBITDA
Jan-25	 <b>R*B WHOLESALE</b> DISTRIBUTORS, INC.	 <i>Platinum Equity</i>	Confidential <sup>(1)</sup>	Jan-24	 <b>IMS</b> INTEGRATED WAREHOUSE SOLUTIONS	 <b>ASSA ABLOY</b>	Confidential <sup>(1)</sup>
Jan-25	 <b>ATEX</b> DISTRIBUTING	 <b>CLAVIS</b> CAPITAL PARTNERS		Jan-24	 <b>ECI</b> ELECTRIC CONSTRUCTION	 <b>MITER</b> BRANDS	
Dec-24	 <b>PATTERSON</b> COMPANIES, INC.	 <b>PATIENT</b> SQUARE		Jan-24	 <b>SurfacePrep</b>	 <b>NAUTIC</b>	
Dec-24	 <b>DWC</b> DISTRIBUTION & WAREHOUSE	 <b>CROSSPLANE</b> CAPITAL		Nov-23	 <b>Veritiv</b>	 <b>GLENAYRE</b> PRODUCTS	
Dec-24	 <b>SUMMIT</b> Materials	 <b>THE</b> <b>QUIKRETE</b> COMPANIES		Oct-23	 <b>Wesco</b>	 <b>BDT&amp;MSD</b>	
Dec-24	 <b>Hydradyne</b>	 <b>APPLIED</b> Industrial Technologies		Oct-23	 <b>THE COOK</b> <b>BOARDMAN</b> GROUP	 <i>Platinum Equity</i>	
Nov-24	 <b>NSI</b>	 <b>Sentinel</b> CAPITAL PARTNERS		Oct-23	 <b>HARRINGTON</b> Process Solutions since 1959	 <b>Bain Capital</b>	
Oct-24	 <b>GSM</b> OUTDOORS	 <i>Platinum Equity</i>		Oct-23	 <b>CCMP</b> CAPITAL		
Sep-24	 <b>LEHMAN</b> TIRE AND RUBBER CO.	 <b>Rotunda</b> CAPITAL PARTNERS		Sep-23	 <b>Aramco</b> A GROUP OF COMPANIES	 <b>AMERICAN</b> SECURITIES	
Aug-24	 <b>ORS-Nasco</b>	 <b>WC WYNNCHURCH</b>   CAPITAL		Aug-23	 <b>garner industries</b>	 <b>SHOREVIEW</b>	
Aug-24	 <b>ASP</b> GLOBAL	 <i>Platinum Equity</i>		Jul-23	 <b>SPJ</b> Specialty Products and Industries	 <b>TopBuild</b>	
Jun-24	 <b>TRACHTE</b>	 <b>nvent</b>		Jul-23	 <b>GME</b> Supply Co.	 <b>INCLINE</b> EQUITY PARTNERS	
Jun-24	 <b>W.S. CONNELLY</b> Specialty Products and Industries	 <b>INCLINE</b> EQUITY PARTNERS		Jun-23	 <b>CIRCOR</b>	 <b>KKR</b>	
May-24	 <b>KRM</b>	 <b>TINICUM</b>		Apr-23	 <b>SHEARER</b> SUPPLY	 <b>INVESTCORP</b>	
Apr-24	 <b>Handgards</b>	 <b>WC WYNNCHURCH</b>   CAPITAL		Apr-23	 <b>RHINO TOOL HOUSE</b>	 <b>Blue Sea Capital</b>	
Mar-24	 <b>SRS</b> DISTRIBUTION	 <b>THE HOME DEPOT</b>		Apr-23	 <b>KRAYDEN</b>	 <b>Audax Group</b>	
Mar-24	 <b>meyer</b>	 <b>TRUARC</b> PARTNERS		Jan-23	 <b>HERITAGE</b> DISTRIBUTION HOLDINGS	 <b>BEIJER REF</b>	
Jan-24	 <b>REPNER</b>	 <b>CORE &amp; MAIN</b>		Sep-22	 <b>PROSOURCE</b>	 <b>Blue Sea Capital</b>	
Jan-24	 <b>smartSD</b> Smart Security Distribution	 <b>COBEPA</b>		Aug-22	 <b>NEFCO</b>	 <b>BERTRAM</b> CAPITAL	
				<b>Average</b>			<b>11.1x</b>

Sources: Raymond James' proprietary Specialty Distribution middle market platform multiples database.

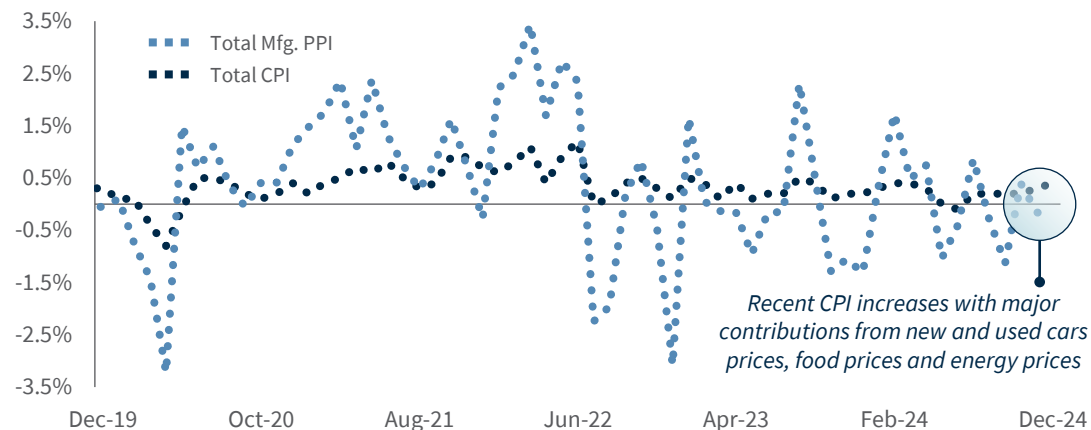
(1) To learn more about these transactions, please reach out to the Specialty Distribution team.

# Key Economic Trends we're Watching

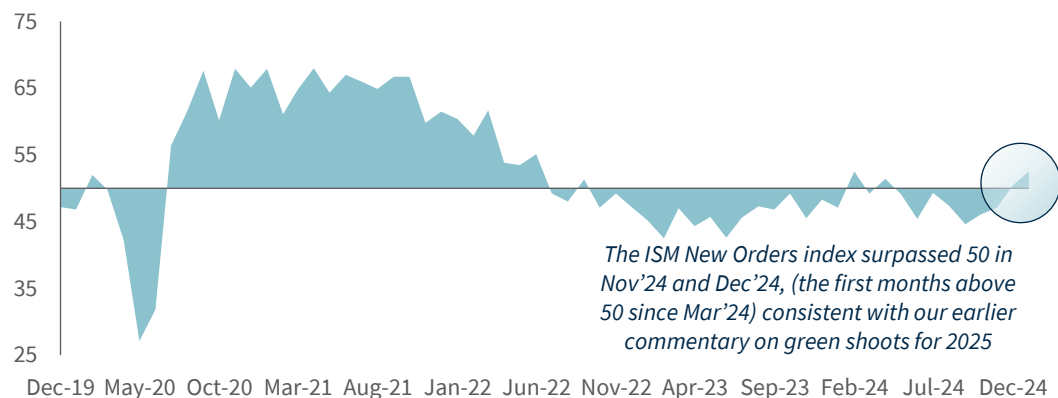
## U.S. Unemployment Rate



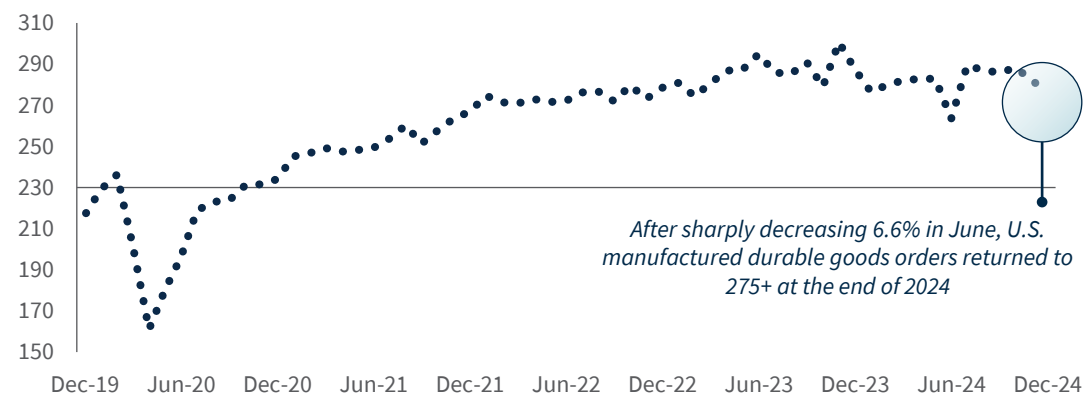
## CPI vs. Manufacturing PPI (% MoM Change)<sup>(1)</sup>



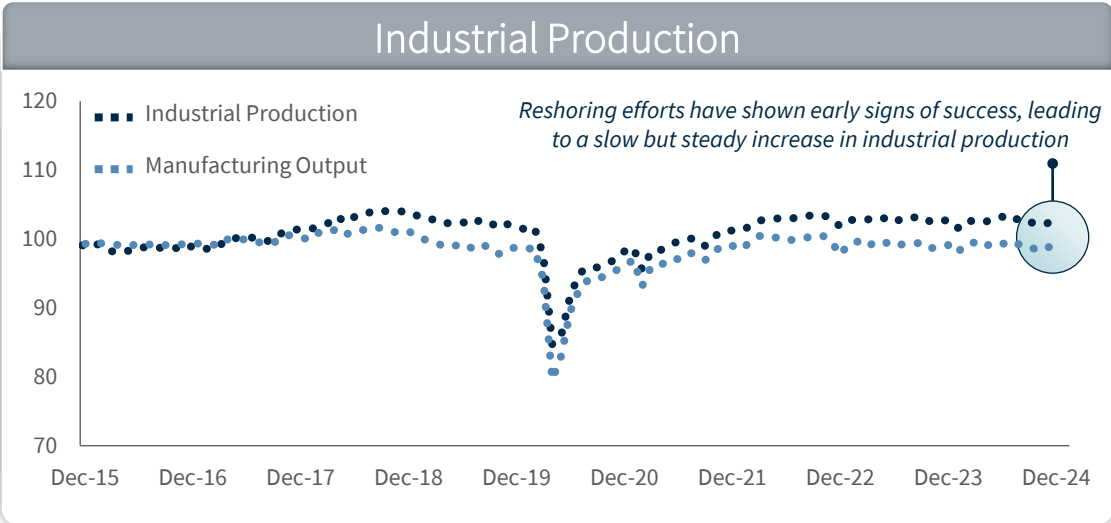
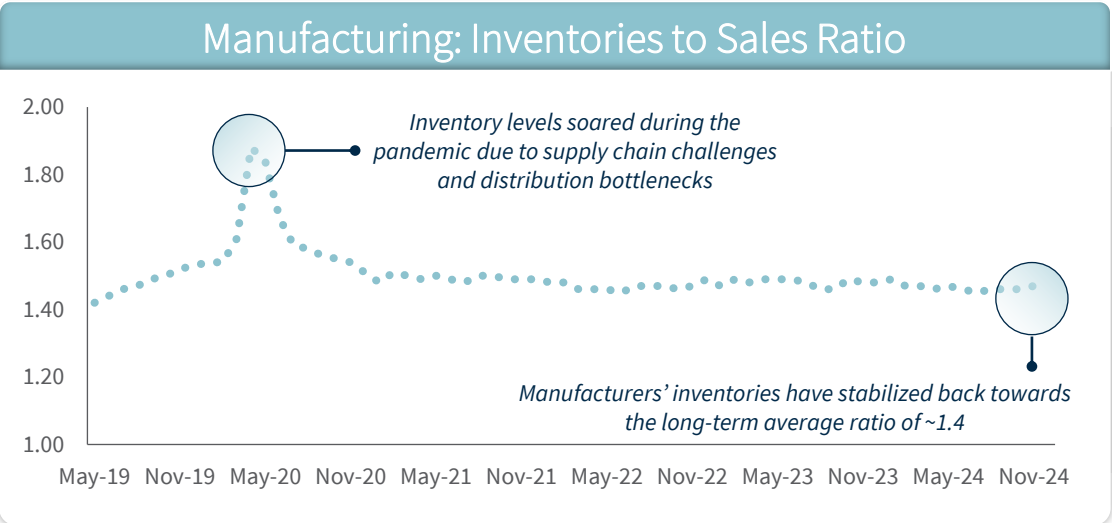
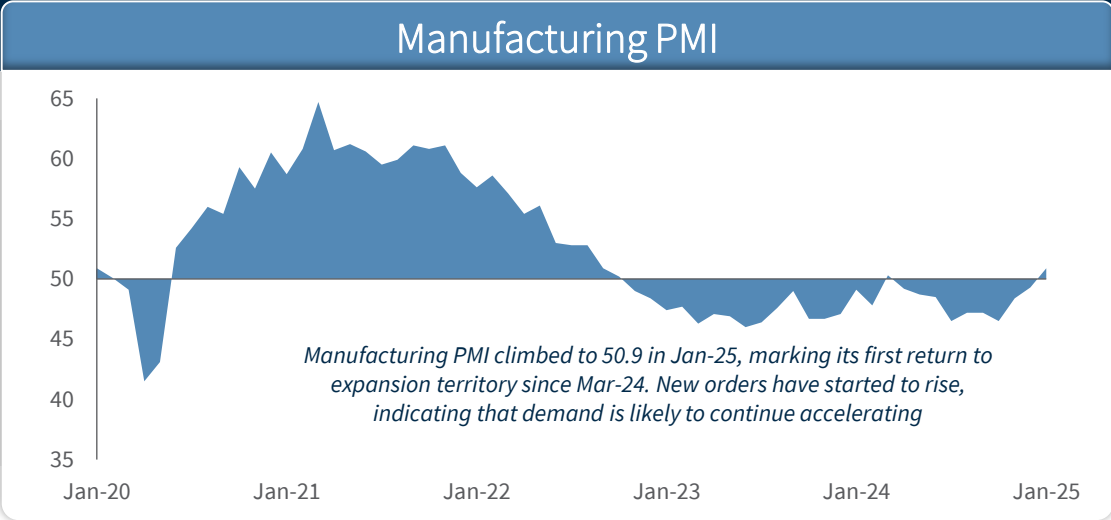
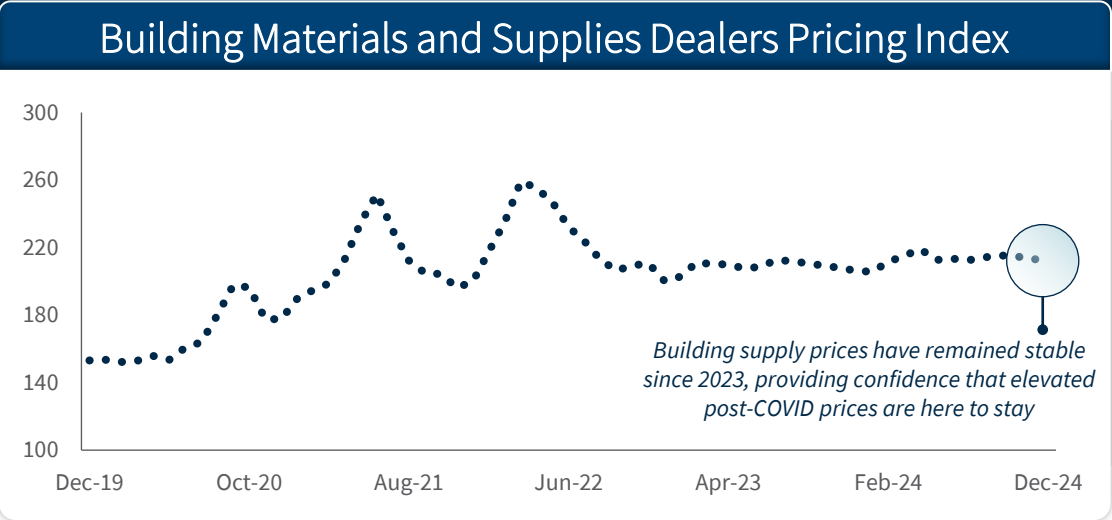
## ISM New Orders Index



## Durable Goods New Orders Index

















# Key Economic Trends we're Watching (cont.)



# Disappointing Results Across the Board, Outlooks More Promising

*Distributor results were mixed as select sub-sectors were better positioned to navigate rising input costs in this inflationary environment*

Company	Quarterly Results (vs. Consensus) <sup>(1)</sup>	TTM Financials (\$mm)	Commentary
		<ul style="list-style-type: none"> <li>Revenue: \$29,635</li> <li>EBITDA: \$2,978</li> </ul>	<ul style="list-style-type: none"> <li>Missed revenue and EBITDA estimates</li> <li>Ferguson reported a +1% uptick in Q1 revenue despite continued deflation of commodity prices</li> </ul>
		<ul style="list-style-type: none"> <li>Revenue: \$7,546</li> <li>EBITDA: \$1,685</li> </ul>	<ul style="list-style-type: none"> <li>Missed revenue and EBITDA estimates</li> <li>Fastenal fell short of Management's annual goal for the 8<sup>th</sup> straight year as just 5% of total customer sites/locations generate about 77% of total company sales</li> </ul>
		<ul style="list-style-type: none"> <li>Revenue: \$7,468</li> <li>EBITDA: \$761</li> </ul>	<ul style="list-style-type: none"> <li>Missed revenue and EBITDA estimates</li> <li>Watsco reported a 1% decline in ducted HVAC products and is seeking to recover after the loss of a key OEM supplier</li> </ul>
		<ul style="list-style-type: none"> <li>Revenue: \$17,168</li> <li>EBITDA: \$2,890</li> </ul>	<ul style="list-style-type: none"> <li>Missed revenue and EBITDA estimates</li> <li>The Company highlighted new AI initiatives to aid with product recommendations, inventory optimization and fraud detection</li> </ul>
		<ul style="list-style-type: none"> <li>Revenue: \$23,302</li> <li>EBITDA: \$2,055</li> </ul>	<ul style="list-style-type: none"> <li>Beat revenue estimates; missed EBITDA estimates</li> <li>GPC reported softness in market conditions, particularly in Europe and within the industrials business</li> </ul>
		<ul style="list-style-type: none"> <li>Revenue: \$21,793</li> <li>EBITDA: \$1,450</li> </ul>	<ul style="list-style-type: none"> <li>Beat revenue and EBITDA estimates</li> <li>The Company continues to experience growth and momentum in data centers and security systems being +40% and +8.5% YoY, respectively</li> </ul>
		<ul style="list-style-type: none"> <li>Revenue: \$3,795</li> <li>EBITDA: \$461</li> </ul>	<ul style="list-style-type: none"> <li>Beat revenue and EBITDA estimates</li> <li>MSC saw notable bright spots including a bump in November organic ADS and a +5% increase in vending sales</li> </ul>

Notes: Information via publicly available reports, CapIQ, financial profiles as of 1/29/24.

(1) Quarterly result performance is based on the most recent quarter's actual revenue vs. RJ consensus revenue estimate. When RJ estimates aren't available, estimates are based on broader street estimates.

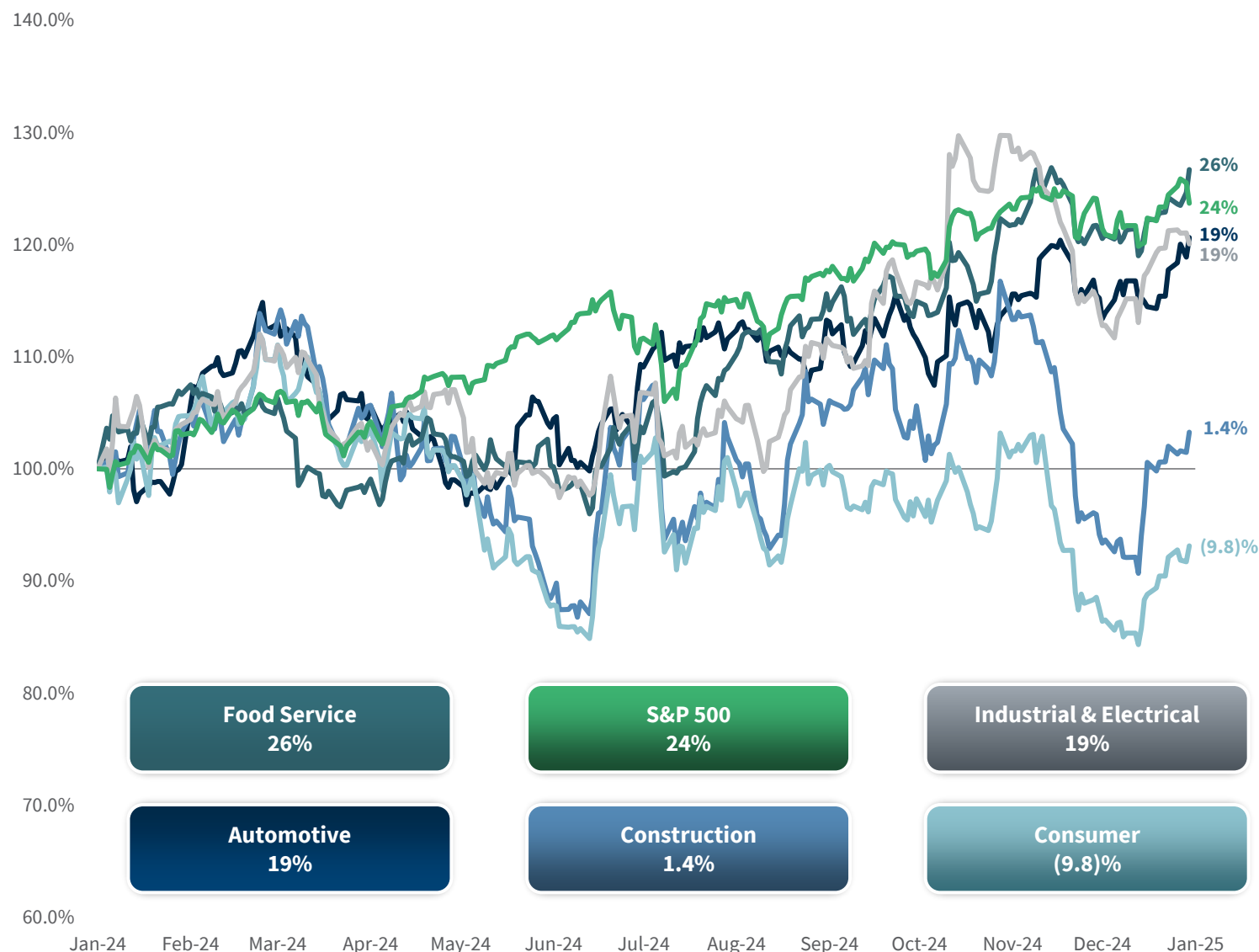


# Public Specialty Distribution Market Performance

## Market Commentary

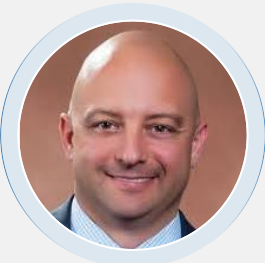
- Four out of five distributor indexes underperformed the S&P 500 over the last twelve months
- The Food Service index outperformed other sectors as distributors were able to efficiently pass through any rises in input costs while maintaining their purchasing power
- Q4 was notably challenging for consumer and construction stocks, as “higher for longer” interest rates adversely impacted the outlook for new construction projects and consumer spending
- All indexes rose sharply following the election due to reduced political uncertainty and positive economic signals

## TTM Specialty Distributors Index Performance



# Subscribe to Raymond James Equity and DC Publications

## Specialty Distribution Coverage



**Sam Darkatsh**

Managing Director,  
Equity Research

**25+**

Years of  
Experience

**Contact:**

Sam.Darkatsh@RaymondJames.com



## Washington Policy Coverage



**Ed Mills**

Managing Director,  
Equity Research

**15+**

Years of  
Policy Coverage Experience

**Contact:**

Ed.Mills@RaymondJames.com



**Chris Meekins**

Managing Director,  
Equity Research

**15+**

Years of  
Policy Coverage Experience

**Contact:**

Chris.Meekins@RaymondJames.com



Please contact the Raymond James Investment Banking Team to be included on Sam, Ed or Chris's mailing lists

# Detail for Comparable Companies

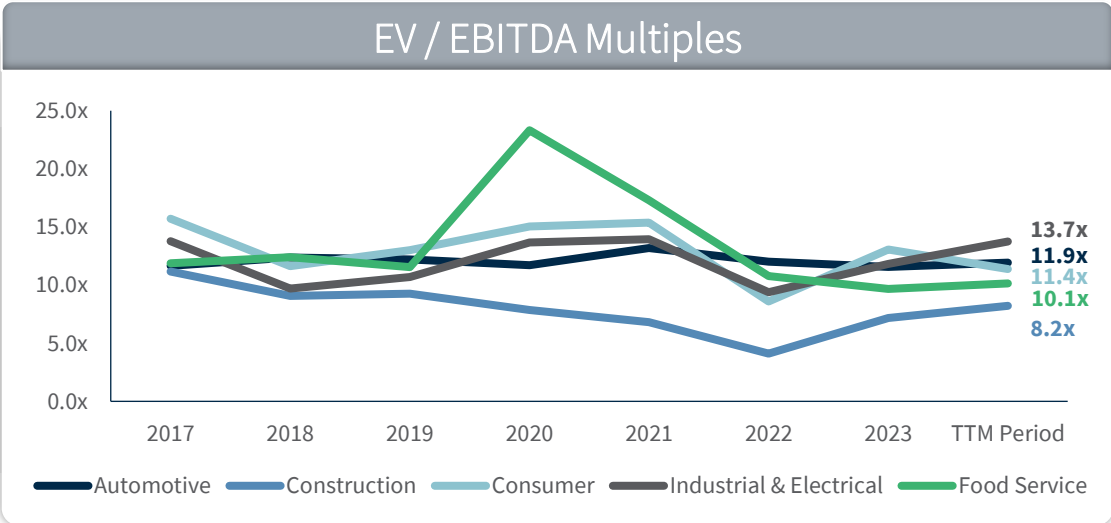
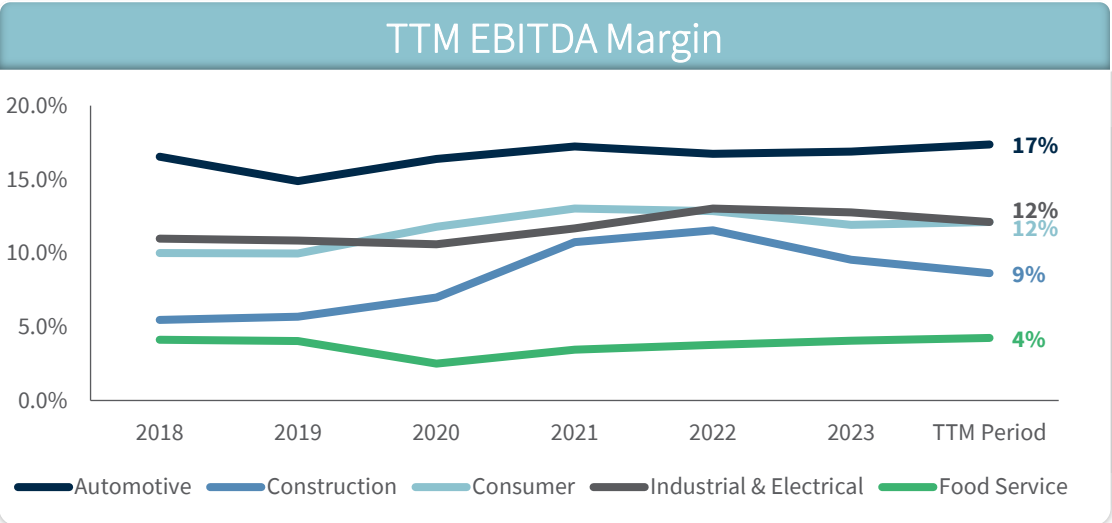
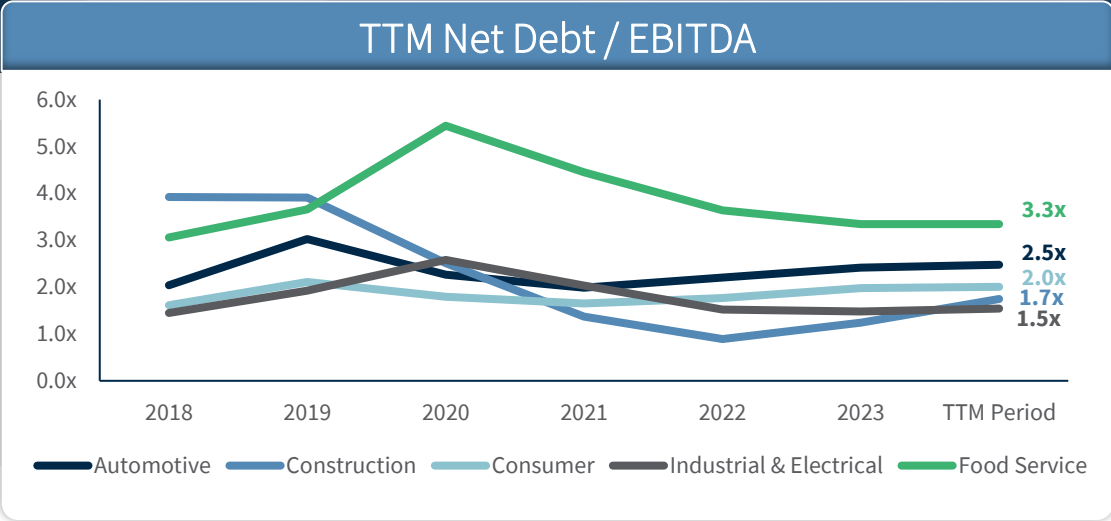
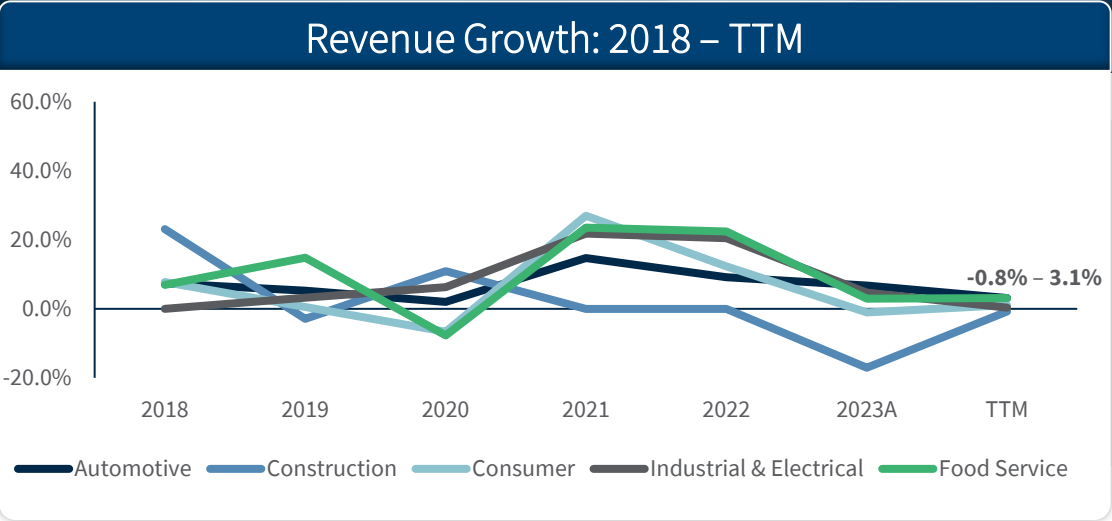
Specialty Distribution Public Company Universe														
\$ in millions USD, except per share data														
Name	Market Statistics			NTM Growth & Margin Profile			Balance Sheet			EV / EBITDA			Price / Earnings	
	Price 1/28/25	Market Cap	Enterprise Value	Revenue Growth %	Gross Margin %	EBITDA Margin %	TTM Cash	TTM Debt	Net Debt / EBITDA	TTM Period	CY 2024	CY 2025	CY 2024	CY 2025
<b>Automotive</b>														
AutoZone, Inc.	\$ 3,318.58	\$ 55,693	\$ 67,923	5.3%	53.2%	23.4%	\$ 304	\$ 12,654	2.8x	15.6x	15.6x	15.3x	22.5x	21.0x
Dorman Products, Inc.	\$ 133.49	\$ 4,074	\$ 4,658	3.6%	40.4%	18.3%	\$ 45	\$ 630	1.6x	11.7x	12.7x	11.9x	19.3x	17.7x
Genuine Parts Company	\$ 117.31	\$ 16,310	\$ 21,236	1.5%	36.8%	8.8%	\$ 1,078	\$ 5,990	2.4x	10.3x	10.3x	9.8x	14.5x	13.8x
LKQ Corporation	\$ 38.13	\$ 9,912	\$ 15,349	4.1%	39.1%	12.0%	\$ 353	\$ 5,774	3.1x	8.9x	8.9x	8.6x	11.1x	10.4x
O'Reilly Automotive, Inc.	\$ 1,278.34	\$ 73,799	\$ 81,325	5.4%	51.8%	22.4%	\$ 116	\$ 7,707	2.0x	22.1x	21.8x	20.7x	31.3x	28.4x
<b>Mean</b>									<b>2.4x</b>	<b>13.7x</b>	<b>13.9x</b>	<b>13.2x</b>	<b>19.7x</b>	<b>18.3x</b>
<b>Median</b>									<b>2.4x</b>	<b>11.7x</b>	<b>12.7x</b>	<b>11.9x</b>	<b>19.3x</b>	<b>17.7x</b>
<b>Construction</b>														
ADENTRA Inc.	\$ 35.48	\$ 889	\$ 1,691	-2.1%	22.6%	8.5%	\$ 8	\$ 614	3.3x	12.5x	9.1x	8.2x	11.5x	10.9x
Beacon Roofing Supply, Inc.	\$ 119.27	\$ 7,381	\$ 11,017	7.4%	26.7%	9.6%	\$ 68	\$ 3,707	3.9x	12.4x	11.7x	11.0x	16.6x	14.9x
BlueLinx Holdings Inc.	\$ 107.92	\$ 904	\$ 1,014	-6.2%	16.4%	4.4%	\$ 526	\$ 636	0.8x	7.4x	7.8x	7.9x	17.9x	17.6x
Builders FirstSource, Inc.	\$ 169.52	\$ 19,509	\$ 23,518	-3.6%	32.5%	14.0%	\$ 328	\$ 4,337	1.7x	10.0x	10.2x	10.2x	14.8x	14.5x
Boise Cascade Company	\$ 127.64	\$ 4,902	\$ 4,668	-1.6%	19.2%	9.4%	\$ 762	\$ 529	(0.4x)	7.0x	7.4x	7.1x	13.4x	12.6x
Doman Building Materials Group Ltd.	\$ 8.03	\$ 701	\$ 1,352	7.9%	22.2%	7.3%	\$ 32	\$ 683	3.3x	10.1x	6.9x	5.1x	12.2x	8.8x
GMS Inc.	\$ 85.31	\$ 3,311	\$ 5,008	4.3%	32.3%	10.0%	\$ 84	\$ 1,781	3.0x	9.5x	8.9x	8.7x	11.9x	10.9x
UFP Industries, Inc.	\$ 116.79	\$ 7,092	\$ 6,294	-8.3%	17.9%	10.1%	\$ 1,191	\$ 406	(1.2x)	9.2x	9.4x	8.7x	17.0x	16.0x
<b>Mean</b>									<b>1.8x</b>	<b>9.7x</b>	<b>8.9x</b>	<b>8.4x</b>	<b>14.4x</b>	<b>13.3x</b>
<b>Median</b>									<b>2.4x</b>	<b>9.7x</b>	<b>9.0x</b>	<b>8.5x</b>	<b>14.1x</b>	<b>13.6x</b>
<b>Consumer</b>														
Central Garden & Pet Company	\$ 36.86	\$ 2,115	\$ 2,783	-3.6%	29.9%	10.3%	\$ 754	\$ 1,420	2.0x	8.9x	8.5x	8.2x	17.7x	16.4x
Ferguson Enterprises Inc.	\$ 182.61	\$ 36,512	\$ 41,549	1.5%	30.7%	9.8%	\$ 601	\$ 5,638	1.7x	14.3x	14.3x	13.5x	19.5x	18.3x
Fortune Brands Innovations, Inc.	\$ 72.95	\$ 9,062	\$ 11,623	0.5%	44.3%	20.8%	\$ 345	\$ 2,905	2.6x	11.9x	12.0x	11.4x	17.4x	16.2x
SiteOne Landscape Supply, Inc.	\$ 145.39	\$ 6,560	\$ 7,453	5.2%	34.9%	8.3%	\$ 86	\$ 963	2.3x	20.9x	19.8x	17.4x	44.2x	35.2x
<b>Mean</b>									<b>2.2x</b>	<b>14.0x</b>	<b>13.6x</b>	<b>12.6x</b>	<b>24.7x</b>	<b>21.5x</b>
<b>Median</b>									<b>2.2x</b>	<b>13.1x</b>	<b>13.1x</b>	<b>12.4x</b>	<b>18.6x</b>	<b>17.3x</b>

# Detail for Comparable Companies (cont.)

Specialty Distribution Public Company Universe														
\$ in millions USD, except per share data														
Name	Market Statistics			NTM Growth & Margin Profile			Balance Sheet			EV / EBITDA			Price / Earnings	
	Price 1/28/25	Market Cap	Enterprise Value	Revenue Growth %	Gross Margin %	EBITDA Margin %	TTM Cash	TTM Debt	Net Debt / EBITDA	TTM Period	CY 2024	CY 2025	CY 2024	CY 2025
<b>Industrial &amp; Electrical</b>														
Applied Industrial Technologies, Inc.	\$ 252.22	\$ 9,697	\$ 9,731	0.4%	29.8%	12.2%	\$ 539	\$ 597	0.1x	18.0x	17.8x	17.6x	26.0x	24.8x
Core & Main, Inc.	\$ 56.73	\$ 10,789	\$ 13,495	10.7%	28.9%	12.5%	\$ 10	\$ 2,637	2.8x	15.0x	14.5x	13.6x	25.7x	23.1x
Fastenal Company	\$ 74.79	\$ 42,879	\$ 43,108	2.9%	45.8%	22.5%	\$ 256	\$ 485	0.1x	25.6x	25.3x	23.8x	36.9x	34.6x
Global Industrial Company	\$ 25.66	\$ 981	\$ 1,028	3.5%	33.6%	6.4%	\$ 39	\$ 86	0.6x	10.7x	12.2x	12.0x	16.2x	15.0x
W.W. Grainger, Inc.	\$ 1,131.28	\$ 55,094	\$ 57,212	4.2%	40.1%	16.8%	\$ 1,448	\$ 3,213	0.6x	20.2x	19.8x	18.6x	29.0x	26.9x
MSC Industrial Direct Co., Inc.	\$ 82.42	\$ 4,604	\$ 5,131	-5.8%	40.4%	12.0%	\$ 57	\$ 576	1.1x	11.1x	11.4x	12.8x	19.3x	22.4x
Rexel S.A.	\$ 25.26	\$ 7,533	\$ 11,531	0.8%	26.2%	7.8%	\$ 417	\$ 4,409	2.7x	9.5x	7.7x	7.1x	11.3x	9.9x
WESCO International, Inc.	\$ 184.76	\$ 9,054	\$ 13,988	-2.9%	21.4%	7.0%	\$ 707	\$ 5,647	3.3x	9.7x	9.2x	8.8x	15.1x	12.8x
<b>Mean</b>									<b>1.4x</b>	<b>15.0x</b>	<b>14.7x</b>	<b>14.3x</b>	<b>22.4x</b>	<b>21.2x</b>
<b>Median</b>									<b>0.9x</b>	<b>13.1x</b>	<b>13.4x</b>	<b>13.2x</b>	<b>22.5x</b>	<b>22.8x</b>
<b>Food Service</b>														
Bunzl plc	\$ 34.16	\$ 11,214	\$ 13,317	-0.4%	28.6%	10.2%	\$ 1,381	\$ 3,484	1.8x	13.4x	11.1x	10.8x	17.6x	16.8x
Performance Food Group Company	\$ 90.04	\$ 14,029	\$ 19,766	11.1%	19.1%	2.7%	\$ 43	\$ 5,780	3.6x	14.1x	12.4x	10.6x	20.2x	17.4x
SpartanNash Company	\$ 18.18	\$ 614	\$ 1,521	-2.0%	15.6%	2.7%	\$ 18	\$ 925	3.6x	6.3x	6.0x	5.8x	9.5x	9.3x
Sysco Corporation	\$ 72.28	\$ 35,379	\$ 48,291	3.9%	19.3%	5.3%	\$ 793	\$ 13,690	3.0x	10.9x	11.3x	10.5x	16.6x	15.3x
The Chefs' Warehouse, Inc.	\$ 54.72	\$ 2,211	\$ 3,090	9.6%	25.1%	5.7%	\$ 51	\$ 929	4.1x	17.4x	14.4x	12.9x	38.6x	32.1x
United Natural Foods, Inc.	\$ 30.33	\$ 1,817	\$ 5,614	4.0%	13.9%	1.7%	\$ 37	\$ 3,839	7.0x	11.5x	10.3x	9.6x	70.5x	27.6x
US Foods Holding Corp.	\$ 70.88	\$ 16,511	\$ 21,398	6.4%	18.5%	4.6%	\$ 81	\$ 4,968	2.8x	13.8x	12.3x	11.1x	22.7x	18.5x
<b>Mean</b>									<b>3.7x</b>	<b>12.5x</b>	<b>11.1x</b>	<b>10.2x</b>	<b>28.0x</b>	<b>19.6x</b>
<b>Median</b>									<b>3.6x</b>	<b>13.4x</b>	<b>11.3x</b>	<b>10.6x</b>	<b>20.2x</b>	<b>17.4x</b>
<b>Consolidated Mean</b>									<b>2.3x</b>	<b>12.8x</b>	<b>12.2x</b>	<b>11.5x</b>	<b>21.5x</b>	<b>18.5x</b>
<b>Consolidated Median</b>									<b>2.5x</b>	<b>11.6x</b>	<b>11.3x</b>	<b>10.7x</b>	<b>17.6x</b>	<b>16.6x</b>



# Specialty Distribution Industry Benchmarking



# Representative Specialty Distribution Credentials

**29**

Completed Transactions  
Since 2020

**~\$7B**

Transaction Value  
Since 2020

**25+**

Years of Senior Banker  
Sector Coverage

**15**

Dedicated Investment  
Banking Professionals

## Project Bow

Exclusive Sell-side  
Advisor

## Project Coral

Exclusive Sell-side  
Advisor

## Project Woodroof

Exclusive Sell-side  
Advisor



Has been acquired by



Has been acquired by



Advised the spin-off from



A portfolio company of



**RHINO TOOL HOUSE**

A portfolio company of



**WINCOVE**

Has been acquired by



An affiliate of



Has been acquired by



Has acquired



Has been acquired by



Has acquired



A portfolio company of



Has been acquired by



# Notes and Disclosures

Sources of data include Capital IQ, FactSet and other news organizations. Information obtained from third-party sources is considered reliable, but we do not guarantee that the information herein is accurate or complete. This report was prepared within Raymond James & Associates' Investment Banking Department and is for information purposes only. This report is not a product of Raymond James & Associates' Research Department; recipients of this report should not interpret the information herein as sufficient grounds for an investment decision or any other decision. The report shall not constitute an offer to sell or the solicitation of an offer to buy any of the securities mentioned herein; past performance does not guarantee future results. Any performance mentioned does not include transaction fees and costs which would reduce an investor's return. An investment cannot be made directly in a market index.

This presentation includes logos or other words or devices that may be registered trademarks of their respective owners. Such use is solely for purposes of convenience in referring to the trademark owners and their products/services. This presentation and its contents are not endorsed, sponsored or affiliated with any trademark owner. Raymond James & Associates, Inc. and its affiliates are not affiliated with any trademark owner but may provide certain financial services to one or more trademark owners or their affiliates.

Additional information is available upon request.

Automotive constituents: **AZO, DORM, GPC, LKQ, ORLY**

Construction constituents: **ADEN, BECN, BXC, BLDR, BCC, DBM, GMS, UFPI**

Consumer constituents: **CENT, FERG, FBIN, SITE**

Industrial & Electric constituents: **AIT, CNM, FAST, GIC, GWW, MSM, RXL, WCC**

Food Service constituents: **BNZL, PFGC, SPTN, SYI, CHEF, UNFI, USFD**

EBIT: Earnings Before Interest and Taxes

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

EPS: Earnings per Share

TTM: Trailing Twelve Months

N/A: Not Applicable

NM: Not Meaningful

PE: Price Earnings Ratio

TEV: Total Enterprise Value

**RAYMOND JAMES®** | INVESTMENT BANKING

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER  
880 CARILLON PARKWAY, ST. PETERSBURG, FL 33716  
[rjdiversifiedindustrials.com](http://rjdiversifiedindustrials.com)

© 2025 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC.  
Raymond James® is a registered trademark of Raymond James Financial, Inc.