

# DISTRIBUTION MARKET UPDATE

Q4 2024





# Opening remarks

Distributors in the lower middle market are an integral part of the broader economic landscape. The sector plays a crucial role in the economy by facilitating the movement of goods from manufacturers to consumers and has shown resilience in the midst of economic uncertainty.

CIBC is pleased to present its distribution market update featuring insights on the key themes driving M&A activity, recent M&A transactions, and public company trends, including:

- Middle-market M&A activity in 2024 remains lower than 2023's levels, but valuations for high-quality companies have remained consistent or improved
- Every publicly traded distribution index (per page 6 of this report) has improved in the last 12 months ended Q3 2024. The S&P 500 outperformed publicly traded distribution companies due to supply chain disruptions and margin compression.
- Investment in infrastructure upgrades and expansion have increased growth and M&A activity in certain distribution subsectors such as water and wastewater, power and electrical, industrial controls and automation, and aerospace and defense

## CIBC Distribution Team



**Ryan Olsta**  
 Managing Director  
[ryan.olsta@cibc.com](mailto:ryan.olsta@cibc.com)  
 414 291-4555



**Alex Eskra**  
 Director  
[alexander.eskra@cibc.com](mailto:alexander.eskra@cibc.com)  
 414 291-4533



## Select CIBC US Middle Market distribution transactions

**ARMOR ANIMAL HEALTH**  
 DETECT. DEFEND. DELIVER.

a portfolio company of

**GOLDNERHAWN**

has been acquired by

**VSI**

**STOCKP**  
 CONSIDER IT DONE

a portfolio company of

**NEBRASKA HEAVY INDUSTRIES** **MIDWEST GROWTH PARTNERS**

has been acquired by

**BLACK HAWK INDUSTRIAL**

a portfolio company of

**TRUARC PARTNERS**

**EGT**  
 GOLF SUPPLIES

a portfolio company of

**HADLEY**

has been acquired by

**KINZIE**  
 CAPITAL PARTNERS

in partnership with management

**LWALLEN** **ALTRONEX**

a portfolio company of

**GENCAP AMERICA**

has been acquired by

**SJE**

a portfolio company of

**Audax Private Equity**

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CIBC is a diversified financial institution committed to creating enduring value for all our stakeholders—our clients, team, communities and shareholders.

## Leading North American bank...



14 million  
clients



45,000  
employees



\$45 billion  
market cap

## ...serving our clients across multiple business units...



Commercial and  
Retail Banking



Capital  
Markets



Private  
Wealth

## ...throughout the globe

- United States
- Canada
- UK / Europe
- Asia
- Australia
- South America





# Distribution market themes



Distributors are increasingly adopting technology to streamline operations and improve efficiency.



Faster delivery and improved customer experience is becoming a critical differentiator.



National labor shortage is driving the need for strategies to attract and retain talent.



Agility and adaptability is necessary against a backdrop of economic and geopolitical disruption.



Shift towards data-driven sales strategies to enhance personalization and drive efficiency.

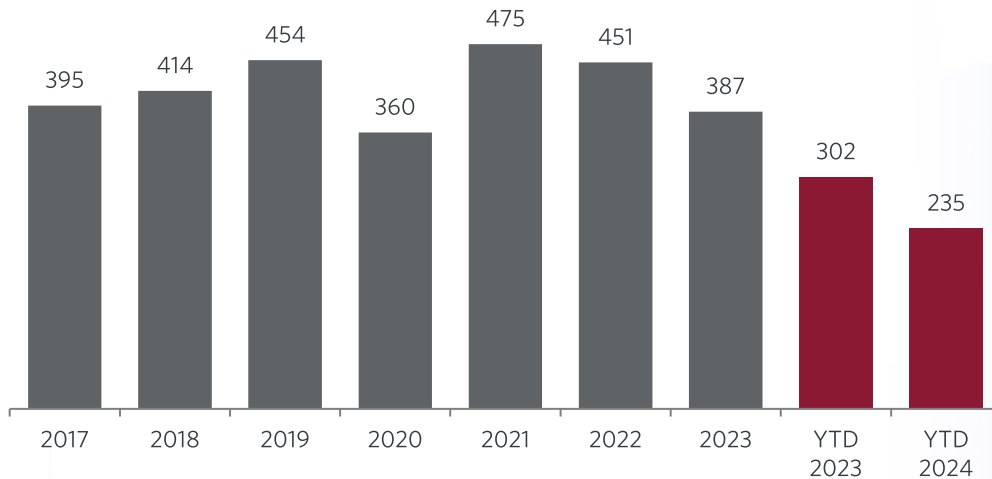


Omnichannel capabilities to integrate sales channels and enhance customer experience.



# 2024 YTD distribution M&A activity

## 2017 - Q3 2024 YTD distribution M&A transactions



Through Q3 2024, distribution M&A transaction volume is down 22% compared to the same period in 2023. Unsurprisingly, forces in the broader M&A market, such as elevated interest rates, inflation, and macroeconomic uncertainty, weighed on the sector. In addition, several other notable factors impacted M&A activity for distribution companies.

- **Supply chain challenges**—Distributors have faced ongoing supply chain issues, such as shipping restrictions and increased logistics costs.
- **De-stocking and order reductions**—During 2023, there were widespread destocking and new order reductions across multiple subsectors that have carried over into 2024.
- **Supply chain diversification**—Due to geopolitical tensions, particularly between China and the West, many distributors are actively seeking alternative sources of supply, including other countries in Southeast Asia or nearshoring to the Americas.

Companies that have successfully diversified their supply chains and managed through geopolitical turmoil are continuing to attract buyer interest. We expect 2025 to be a positive year for distribution companies, with lower interest rates and potential dissipation of supply chain disruptions.

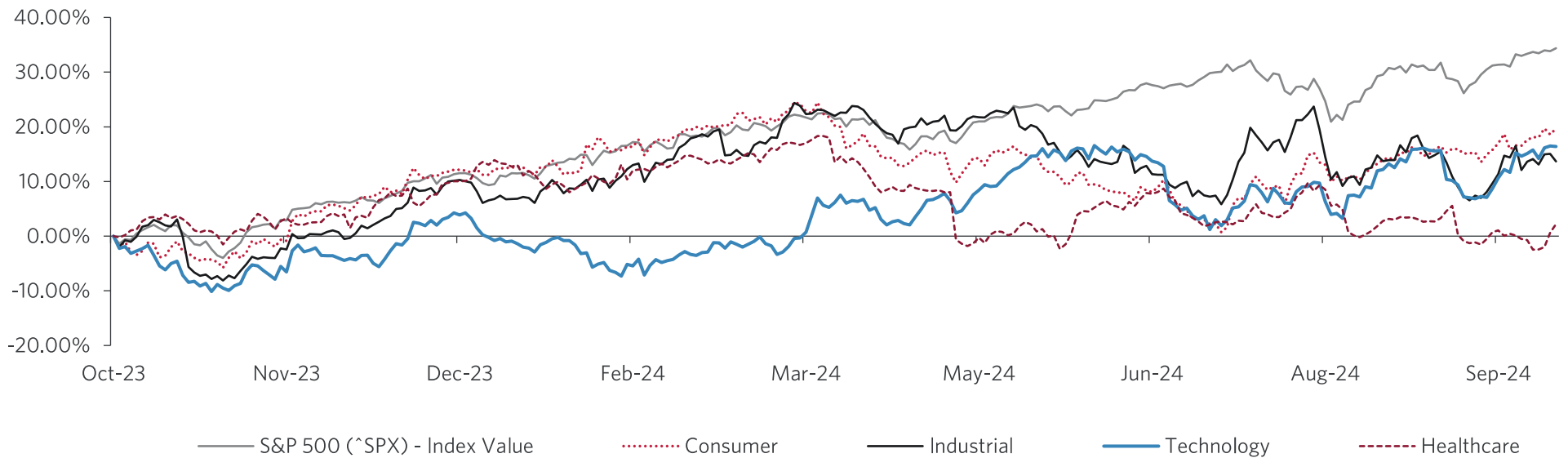
Source: S&P Capital IQ.





# Distribution public markets update

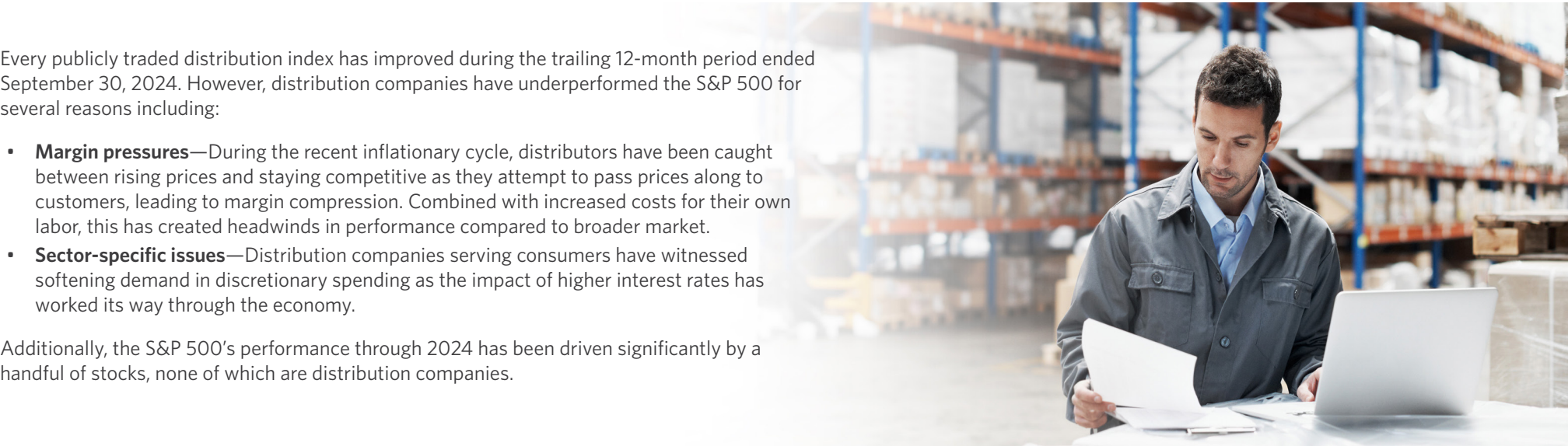
## Distribution subsectors vs S&P 500



















Every publicly traded distribution index has improved during the trailing 12-month period ended September 30, 2024. However, distribution companies have underperformed the S&P 500 for several reasons including:

- **Margin pressures**—During the recent inflationary cycle, distributors have been caught between rising prices and staying competitive as they attempt to pass prices along to customers, leading to margin compression. Combined with increased costs for their own labor, this has created headwinds in performance compared to broader market.
- **Sector-specific issues**—Distribution companies serving consumers have witnessed softening demand in discretionary spending as the impact of higher interest rates has worked its way through the economy.


Additionally, the S&P 500's performance through 2024 has been driven significantly by a handful of stocks, none of which are distribution companies.



## Select distribution M&A transactions

Date effective	Target	Acquiror	Target's business description	EV (MM)	EV/Revenue	EV/EBITDA
11/1/2024	 <b>AUTOPART</b> INTERNATIONAL	<b>CARLYLE</b>	Replacement parts for foreign and domestic automobiles	\$1,500	0.7x	15.0x
10/25/2024	 <b>PET IQ</b> Smarter Pet Health	<b>Bansk</b>	Pet medication and wellness products	\$1,361	1.2x	11.8x
7/31/2024	 <b>THE DOUGLAS</b> <b>STEWART</b> CO	<b>CLIMB</b> GLOBAL SOLUTIONS	Educational resources and software	\$20	N/A	3.8x
6/18/2024	 <b>SRS</b> DISTRIBUTION	 <b>THE HOME</b> <b>DEPOT</b>	Residential roofing products	\$18,250	1.8x	16.6x
11/30/2023	 <b>Veritiv</b>	 <b>CD&amp;R</b>	Value-added packaging products and services	\$2,896	0.5x	5.5x
6/8/2023	 <b>Hisco</b> Fast Friendly Service	 <b>DSG</b> DISTRIBUTION SOLUTIONS GROUP	Mission-critical materials for electronic assembly	\$270	0.7x	9.3x
8/1/2023	 <b>Univar</b> Solutions	<b>APOLLO</b>	Commodity and specialty chemical products	\$8,112	0.7x	7.3x
8/1/2023	 <b>UNI-SELECT</b>	<b>LKQ</b>	Automotive refinish and industrial coatings	\$2,129	1.2x	13.6x
10/19/2022	 <b>TESORO</b> <sup>TM</sup>	 <b>VICTORIA</b> PLC	Porcelain, ceramic, and natural stone tile products	\$29	0.5x	4.1x
10/3/2022	 <b>Vandermeer</b> Forest Products, Inc.	<b>BLUELINX</b>	Building products, including lumber, plywood, and flooring	\$67	0.5x	3.5x
6/3/2022	 <b>NorCal</b> Respiratory	 <b>quipt</b> home medical	Home medical equipment and supplies	\$3	0.1x	4.7x
5/2/2022	 <b>Cisco Air Systems</b> Compressed Air Solutions Since 1973	<b>DXP</b>	Air compressor equipment and repair parts	\$48	1.1x	6.8x
5/2/2022	 <b>HUTTIG</b> BUILDING PRODUCTS Constructive Solutions Since 1885	 <b>woodgrain</b>	Millwork, building materials, and wood products	\$400	0.4x	5.8x

## Select distribution M&A transactions (con't)

Date effective	Target	Acquiror	Target's business description	EV (MM)	EV/Revenue	EV/EBITDA
5/2/2022	 CCOM GROUP, INC.	 DAIKIN	Heating, ventilating, and air conditioning equipment	\$35	0.3x	5.2x
9/3/2021	 ALLIED 100 LLC	 Cardio Partners	Automated external defibrillators and ancillary parts	\$290	2.5x	14.5x
9/1/2021	 Core-Mark	 PFG Performance Food Group	Packaged consumer products for convenience stores	\$2,694	0.2x	12.3x
4/30/2021	 Gj	 DXP	Water and wastewater treatment products	\$61	2.1x	12.2x
6/15/2021	 HWC	 OMNICABLE EMPOWERING DISTRIBUTION	Industrial fasteners	\$138	0.5x	30.3x
9/1/2021	 TechData	 SYNNEX CORPORATION	Computers, software, peripherals, and accessories	\$7,200	0.2x	10.3x
7/7/2021	 INGRAM MICRO	 Platinum Equity	Computer hardware and software products	\$6,010	0.1x	5.8x
2/1/2021	 AeroCare	 adapthealth	Respiratory and home medical equipment	\$2,026	3.1x	12.4x
1/29/2021	 FBM Foundation Building Materials	 AMERICAN SECURITIES	Building products, tools, and accessories	\$1,423	0.7x	7.3x
1/1/2021	 BMC	 Builders FirstSource	Building products, including lumber, trusses, and millwork	\$2,785	0.7x	9.4x
<b>Average:</b>				<b>\$2,408</b>	<b>0.9x</b>	<b>9.7x</b>
<b>Median:</b>				<b>\$881</b>	<b>0.7x</b>	<b>8.3x</b>

Source: S&P Capital IQ, publicly available information, and CIBC knowledge.



# Public distribution company valuations

## Consumer distribution

(\$'s in millions, except per share amounts)

Company	Ticker	9/30/2024 Stock Price	% of 52 Week High	Enterprise Value <sup>1</sup>	Enterprise value as a multiple of			Equity value as a multiple of		
					LTM Sales	LTM EBITDA	LTM EBIT	LTM P/E	2024 P/E	2025 P/E
Sysco Corporation	SYU	\$58.24	94.20%	\$37,415.80	0.61x	10.7x	13.8x	17.4x	16.8x	15.5x
US Foods Holding Corp.	USFD	\$45.89	97.70%	\$14,493.90	0.53x	12.8x	17.7x	25.6x	18.5x	15.2x
Pool Corporation	POOL	\$281.13	89.10%	\$11,446.40	2.97x	23.5x	25.2x	33.5x	31.6x	29.5x
SiteOne Landscape Supply, Inc.	SITE	\$112.59	80.30%	\$5,419.90	1.65x	21.1x	34.5x	49.8x	43.2x	34.5x
SpartanNash Company	SPTN	\$16.72	91.40%	\$1,035.30	0.15x	5.8x	9.9x	11.5x	11.1x	10.8x
Alliance Entertainment Holding Corporation	AENT	\$2.03	68.20%	\$175.20	0.20x	8.7x	11.0x	13.2x	9.7x	6.1x
<b>Mean:</b>					<b>1.02x</b>	<b>13.8x</b>	<b>18.7x</b>	<b>25.2x</b>	<b>21.8x</b>	<b>18.6x</b>
<b>Median:</b>					<b>0.57x</b>	<b>11.7x</b>	<b>15.8x</b>	<b>21.5x</b>	<b>17.7x</b>	<b>15.3x</b>

## Healthcare distribution

(\$'s in millions, except per share amounts)

Company	Ticker	9/30/2024 Stock Price	% of 52 Week High	Enterprise Value <sup>1</sup>	Enterprise value as a multiple of			Equity value as a multiple of		
					LTM Sales	LTM EBITDA	LTM EBIT	LTM P/E	2024 P/E	2025 P/E
CVS Health Corporation	CVS	\$46.91	75.50%	\$101,213.50	0.38x	9.9x	14.7x	13.8x	11.0x	9.2x
McKesson Corporation	MCK	\$368.89	77.60%	\$50,542.90	0.20x	13.7x	15.4x	19.6x	15.7x	13.1x
Cardinal Health, Inc.	CAH	\$82.46	95.20%	\$21,666.40	0.12x	9.6x	12.7x	17.3x	13.8x	12.6x
Henry Schein, Inc.	HSIC	\$54.39	88.20%	\$9,925.20	1.09x	15.0x	22.0x	24.9x	14.4x	13.2x
Owens & Minor, Inc.	OMI	\$11.71	55.30%	\$2,267.70	0.29x	5.3x	9.2x	13.7x	9.8x	8.0x
Patterson Companies, Inc.	PDCO	\$16.29	67.00%	\$1,955.50	0.37x	7.0x	9.4x	10.4x	9.3x	8.2x
<b>Mean:</b>					<b>0.41x</b>	<b>10.1x</b>	<b>13.9x</b>	<b>16.6x</b>	<b>12.3x</b>	<b>10.7x</b>
<b>Median:</b>					<b>0.33x</b>	<b>9.7x</b>	<b>13.7x</b>	<b>15.6x</b>	<b>12.4x</b>	<b>10.9x</b>

Source: S&P Capital IQ

Notes:

\*\* "LTM" or "Latest Twelve Months" represents last four quarters reported.

\*\* Financial data have been adjusted to exclude one-time, non-recurring items.

# Public distribution company valuations (con't)

## Industrial distribution

(\$'s in millions, except per share amounts)

Company	Ticker	9/30/2024 Stock Price	% of 52 Week High	Enterprise Value <sup>1</sup>	Enterprise value as a multiple of			Equity value as a multiple of		
					LTM Sales	LTM EBITDA	LTM EBIT	LTM P/E	2024 P/E	2025 P/E
Ferguson Enterprises Inc.	FERG	\$148.15	88.00%	\$32,659.00	1.42x	14.1x	15.9x	22.3x	19.3x	18.2x
Genuine Parts Company	GPC	\$104.22	84.90%	\$17,170.30	1.01x	11.5x	14.1x	16.9x	16.1x	15.3x
Applied Industrial Technologies, Inc.	AIT	\$166.48	98.60%	\$6,443.20	1.86x	15.4x	17.1x	21.8x	21.6x	20.7x
Beacon Roofing Supply, Inc.	BECN	\$64.49	82.00%	\$6,224.00	0.88x	9.6x	12.3x	14.5x	11.3x	10.1x
MSC Industrial Direct Co., Inc.	MSM	\$64.21	81.40%	\$3,991.80	1.37x	10.8x	12.9x	17.9x	19.0x	21.3x
MRC Global Inc.	MRC	\$9.51	85.40%	\$1,117.60	0.48x	8.1x	10.4x	8.8x	14.8x	11.6x
DXP Enterprises, Inc.	DXPE	\$39.81	93.00%	\$1,005.10	0.79x	8.1x	10.1x	13.7x	12.3x	11.6x
BlueLinx Holdings Inc.	BXC	\$78.65	79.50%	\$513.30	0.24x	5.2x	7.1x	21.3x	16.4x	16.2x
<b>Mean:</b>					<b>1.01x</b>	<b>10.3x</b>	<b>12.5x</b>	<b>17.2x</b>	<b>16.4x</b>	<b>15.6x</b>
<b>Median:</b>					<b>0.95x</b>	<b>10.2x</b>	<b>12.6x</b>	<b>17.4x</b>	<b>16.2x</b>	<b>15.7x</b>

## Technology distribution

(\$'s in millions, except per share amounts)

Company	Ticker	9/30/2024 Stock Price	% of 52 Week High	Enterprise Value <sup>1</sup>	Enterprise value as a multiple of			Equity value as a multiple of		
					LTM Sales	LTM EBITDA	LTM EBIT	LTM P/E	2024 P/E	2025 P/E
TD SYNEX Corporation	SNX	\$89.59	89.70%	\$9,982.20	0.23x	7.7x	10.2x	13.2x	9.7x	8.8x
CommScope Holding Company, Inc.	COMM	\$4.56	90.50%	\$8,538.80	2.23x	12.5x	21.8x	NEG	54.5x	7.8x
Arrow Electronics, Inc.	ARW	\$99.10	97.00%	\$7,558.90	0.37x	8.6x	10.0x	12.7x	12.3x	9.9x
Avnet, Inc.	AVT	\$40.52	97.30%	\$5,617.20	0.32x	7.5x	8.8x	11.7x	12.4x	10.2x
<b>Mean:</b>					<b>0.79x</b>	<b>9.1x</b>	<b>12.7x</b>	<b>12.6x</b>	<b>22.2x</b>	<b>9.2x</b>
<b>Median:</b>					<b>0.34x</b>	<b>8.2x</b>	<b>10.1x</b>	<b>12.7x</b>	<b>12.4x</b>	<b>9.3x</b>

Source: S&P Capital IQ

Notes:

\*\* "LTM" or "Latest Twelve Months" represents last four quarters reported.

\*\* Financial data have been adjusted to exclude one-time, non-recurring items.



<sup>1</sup> Enterprise Value equals net debt plus market value of equity plus book value of preferred stock and minority interests.

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