

Distribution Q2 2022



Market Commentary and Insights

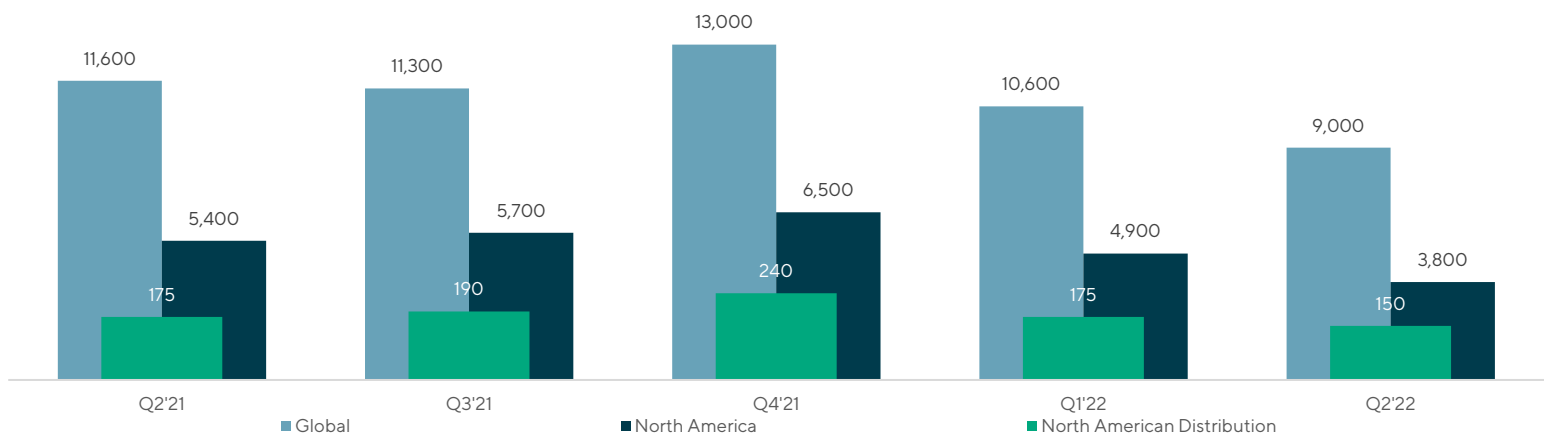
Public Markets

- Public equity markets pulled back in Q2, with the Dow Jones and S&P 500 dropping 11% and 17%, respectively, during the quarter
- Both public markets and macroeconomic activity were hampered by continuing problems with international supply chains and shipping lanes, a disrupted domestic labor market and the ongoing war in Ukraine; these challenges were exacerbated by record-high inflation that has grown worse as the year has progressed
 - Though these factors were mitigated by strength in the healthcare sector and relative strength in the automotive industry, as well as a remarkably resilient employment rate, GDP dropped again in Q2 for the second straight quarter
- Overall, publicly-traded distribution equities performed somewhat better than the broader market – dropping 11% for the second quarter as compared to the 17% decrease in the S&P 500 index
 - Healthcare distribution was the only subsector to show a gain, while building products, communications, electronics and electrical and industrial distribution stocks posted the worst performances within the sector in Q2

M&A and Private Markets

- Similar to the public markets, global mergers and acquisitions (M&A) activity continued to drop off from 2021 levels as the Federal Reserve raised interest rates and concerns about an imminent recession spread
 - Global M&A closings were down 15% from Q1 levels and 22% year-over-year against Q2 2021
 - The North American deal market was hit particularly hard – down 22% from the prior quarter and 30% from Q2 2021
 - Distribution sector deal activity fared better than the broader M&A markets (both global and domestic), though it was still down 14% both on quarter-over-quarter and year-over-year bases
- In addition to the broader macroeconomic and financial environments discussed above, the downtrend in M&A volume in early 2022 has been driven by:
 - Flight to quality – concerns over underlying economic fundamentals and the specter of a recession have caused investors (both debt and equity) to become more selective in where they spend time and effort; as a result, higher-quality deals are receiving outsized attention, interest and valuation levels
 - Debt market volatility – higher interest rates and the rising cost of capital have lenders increasing debt pricing and scrutinizing business outlooks and economic fundamentals more closely
 - Deal calendar – 2021 was both record-setting and backend-loaded, with many sellers accelerating exits that would otherwise have been slated for 2022 or future years in anticipation of a tax-cliff; while this is not expected to reduce overall M&A activity for the full year, as compared to pre-2021 levels, it has resulted in relatively lower activity in the first half of 2022
- Particularly within middle market distribution, buyers have turned their attention toward proven platforms with durable, predictable demand drivers and recession-resistant fundamentals
 - Key areas of focus for investors are 1) revenue visibility and / or predictability, 2) end market(s) served and 3) cash flow generation
 - Buyers have also begun to favor businesses with global sourcing networks that are diversified beyond China, as both geopolitical tensions and ongoing COVID-19 lockdowns in that country have exacerbated uncertainty and volatility in international supply chains

Closed M&A Deal Volume

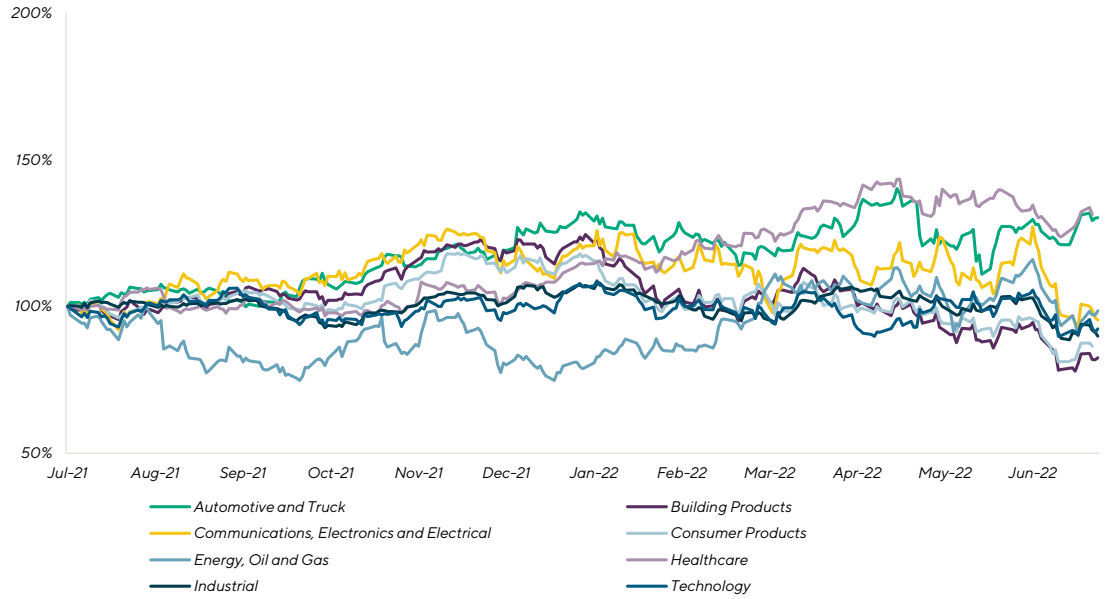


Source: S&P Global approximate closed M&A deal volume

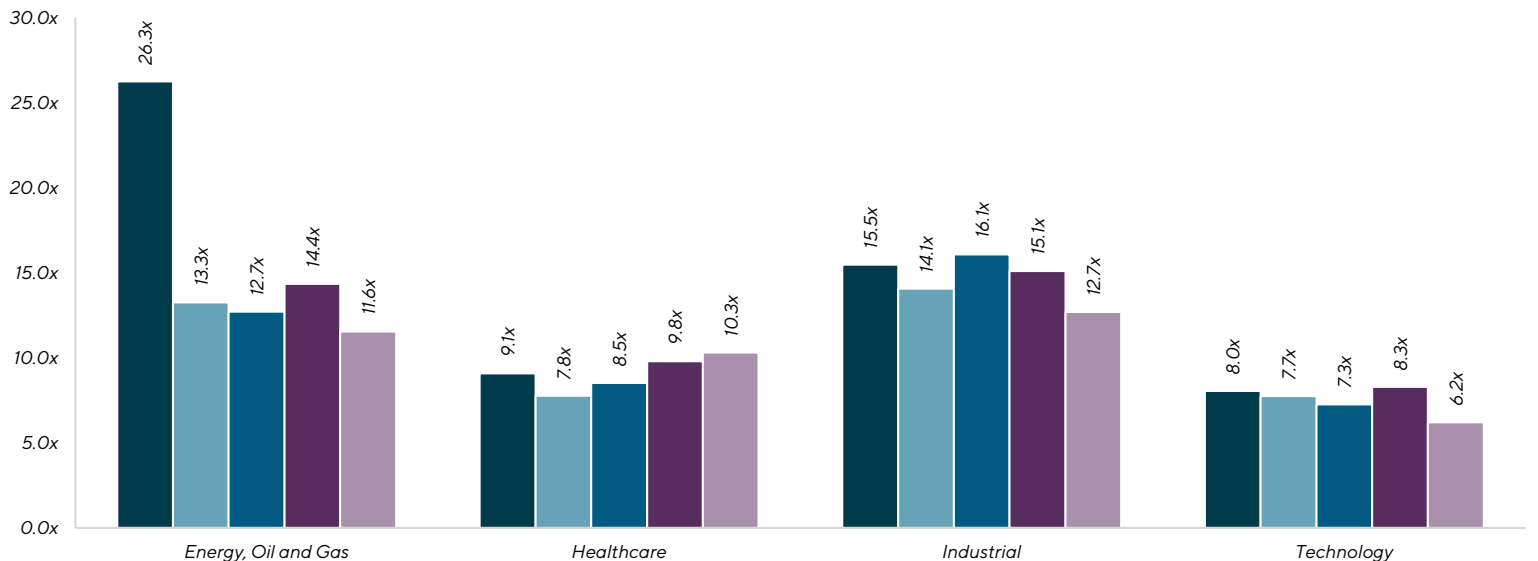
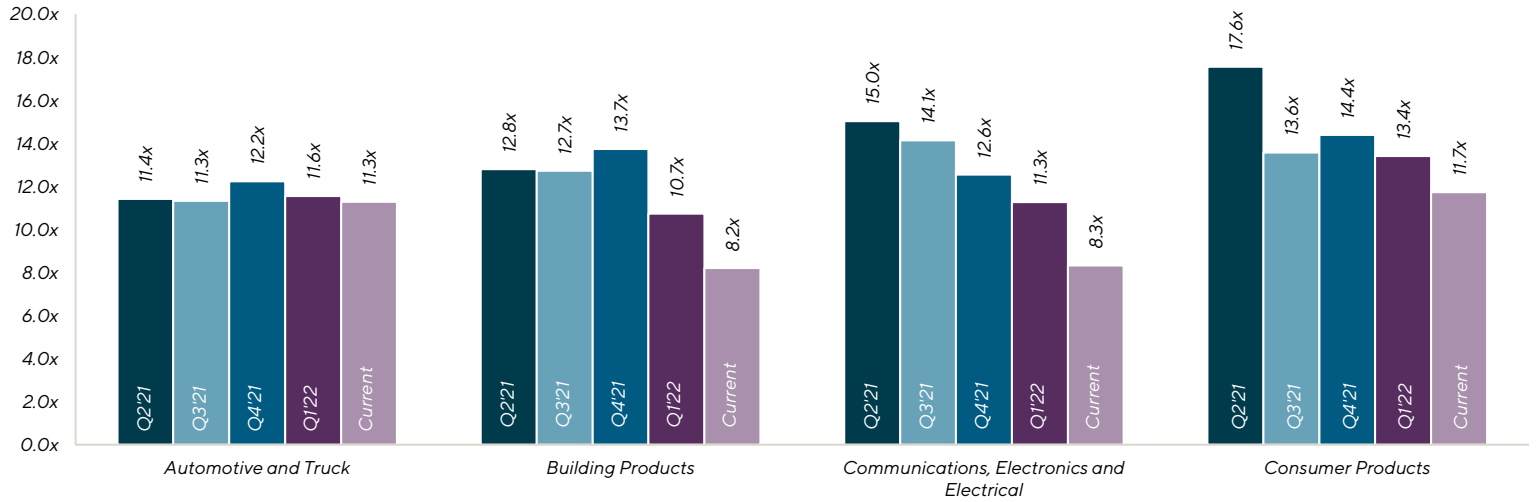
Index Performance

Lincoln's distribution index recorded a loss of 10.8% in Q2 2022 vs. Q1 2021. This quarter, the automotive and truck (5.2%) sector recorded a gain while building products (-21.8%), communications, electronic and electrical (-20.3%), industrial (-15.2%), consumer products (13.5%); energy, oil and gas (-10.7%); technology (-4.0%) and healthcare sectors (-2.2%) recorded losses. Year-over-year, healthcare and automotive and truck sectors are up 32.2% and 30.2% respectively, while building products and consumer product sectors are down 17.5% and 13.9% respectively.

Distribution Index - LTM Relative Stock Price Performance



Distribution Index - Historical EV / EBITDA Valuation Performance



Comparable Public Companies

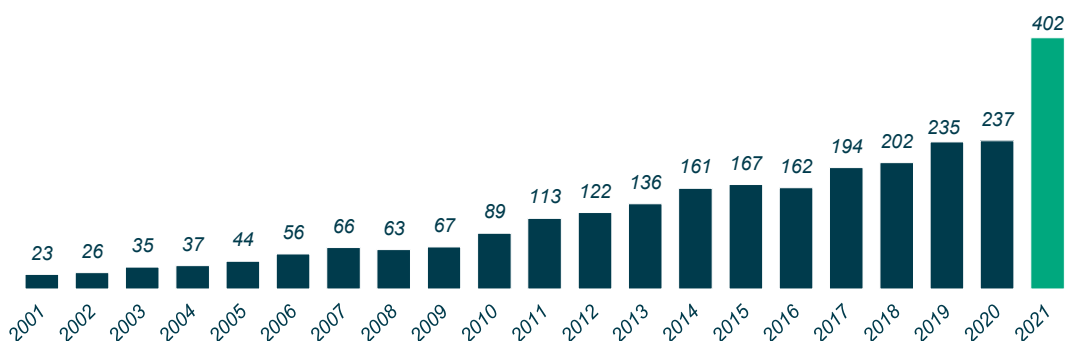
Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
Automotive & Truck										
AutoZone, Inc.	\$2,149.12	94.8%	\$41,881	\$50,485	\$15,817	\$3,639	10.9%	23.0%	3.2x	12.5x
Genuine Parts Company	133.00	93.0%	18,832	22,589	19,700	1,667	10.2%	8.5%	1.1x	11.2x
LKQ Corporation	49.09	81.2%	13,884	17,660	13,266	1,749	5.2%	13.2%	1.3x	8.1x
O'Reilly Automotive, Inc.	631.76	84.4%	41,523	47,139	13,533	3,240	7.5%	23.9%	3.5x	12.8x
Uni-Select Inc.	22.20	85.0%	966	1,361	1,652	92	6.7%	5.6%	0.8x	11.8x
Building Products										
Beacon Roofing Supply, Inc.	\$51.36	78.7%	\$3,531	\$6,114	\$7,389	\$749	(2.1%)	10.1%	0.8x	7.0x
Builders FirstSource, Inc.	53.70	62.1%	9,277	12,852	21,401	3,516	46.8%	16.4%	0.6x	3.5x
CRH plc	34.50	68.5%	26,062	32,408	30,981	5,062	5.3%	16.3%	1.2x	6.7x
Ferguson plc	111.65	67.4%	23,612	27,031	27,162	3,009	27.8%	11.1%	1.0x	9.1x
SiteOne Landscape Supply, Inc.	118.87	45.7%	5,341	6,071	3,631	428	25.4%	11.8%	1.7x	12.0x
Watsco, Inc.	238.82	74.9%	8,508	9,318	6,668	728	17.4%	10.9%	1.4x	10.9x
Communications, Electronics & Electrical										
Electrocomponents plc	\$10.56	68.1%	\$4,972	\$5,023	\$2,554	\$335	18.6%	13.1%	1.6x	11.7x
Rexel S.A.	15.34	66.8%	4,705	7,547	14,690	947	8.0%	6.4%	0.5x	6.3x
WESCO International, Inc.	107.10	74.2%	5,432	10,577	19,108	1,283	13.0%	6.7%	0.6x	7.0x
Consumer Products										
Bunzl plc	\$33.04	85.8%	\$11,092	\$13,324	\$10,285	\$779	1.5%	7.6%	1.1x	12.0x
Performance Food Group Company	45.98	79.1%	7,127	11,933	43,845	732	68.6%	1.7%	0.3x	13.0x
Pool Corporation	351.23	60.3%	14,058	15,773	5,647	969	17.0%	17.2%	2.8x	14.9x
SpartanNash Company	30.17	80.5%	1,090	1,823	9,037	207	(1.2%)	2.3%	0.2x	6.9x
Sysco Corporation	84.71	92.5%	43,158	54,245	65,816	3,266	49.5%	5.0%	0.8x	15.9x
United Natural Foods, Inc.	39.40	68.1%	2,297	5,920	28,390	749	5.1%	2.6%	0.2x	6.0x
US Foods Holding Corp.	30.68	77.2%	6,869	12,420	30,990	838	35.7%	2.7%	0.4x	13.7x
Energy, Oil & Gas										
DXP Enterprises, Inc.	\$30.63	84.5%	\$571	\$910	\$1,188	\$82	20.7%	6.9%	0.8x	8.5x
MRC Global Inc.	9.96	74.1%	831	1,677	2,799	76	13.8%	2.7%	0.6x	14.6x
NOW Inc.	9.78	77.9%	1,083	820	1,744	64	24.0%	3.7%	0.5x	8.9x
Healthcare										
Cardinal Health, Inc.	\$52.27	81.0%	\$14,240	\$17,500	\$176,847	\$2,431	8.9%	1.4%	0.1x	6.8x
Henry Schein, Inc.	76.74	82.8%	10,594	12,932	12,655	1,075	6.4%	8.5%	1.0x	10.8x
McKesson Corporation	326.21	96.0%	46,838	51,403	263,966	3,191	7.6%	1.2%	0.2x	13.5x
Owens & Minor, Inc.	31.45	64.0%	2,394	5,115	9,866	428	5.3%	4.3%	0.5x	10.1x
Industrial										
Air Liquide S.A.	\$133.93	83.5%	\$69,874	\$82,683	\$23,335	\$5,821	10.8%	24.9%	3.4x	13.1x
Applied Industrial Technologies, Inc.	96.17	86.1%	3,697	4,213	3,645	383	12.6%	10.5%	1.2x	9.9x
Fastenal Company	49.92	77.1%	28,734	29,116	6,298	1,468	10.6%	23.3%	4.6x	18.1x
MSC Industrial Direct Co., Inc.	75.11	81.6%	4,205	5,038	3,501	503	10.8%	14.4%	1.4x	9.5x
W.W. Grainger, Inc.	454.43	85.8%	23,222	25,873	13,585	1,939	10.9%	14.3%	1.9x	12.9x
Technology										
Arrow Electronics, Inc.	\$112.09	81.3%	\$7,402	\$10,326	\$35,165	\$1,967	14.6%	5.6%	0.3x	5.0x
Avnet, Inc.	42.88	85.4%	4,189	5,609	23,165	955	25.4%	4.1%	0.2x	5.3x
ScanSource, Inc.	31.14	75.9%	786	943	3,420	146	8.6%	4.3%	0.3x	6.2x
TD SYNNEX Corporation	91.10	69.6%	8,676	12,266	51,558	1,416	132.0%	2.7%	0.2x	8.3x
Mean		77.7%					18.9%	9.4%	1.1x	10.1x
Median		79.1%					10.9%	7.6%	0.8x	10.1x

Source: Bloomberg, Capital IQ and company filings, as of 6/31/21
Note: dollars in millions, except stock price

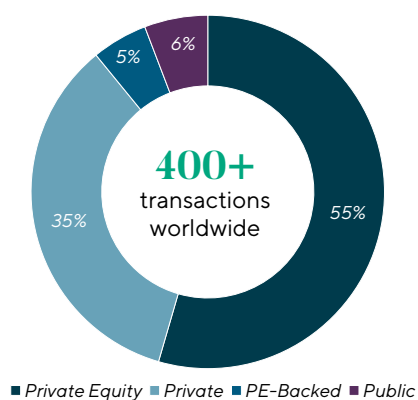
Lincoln International's 2021 Highlights



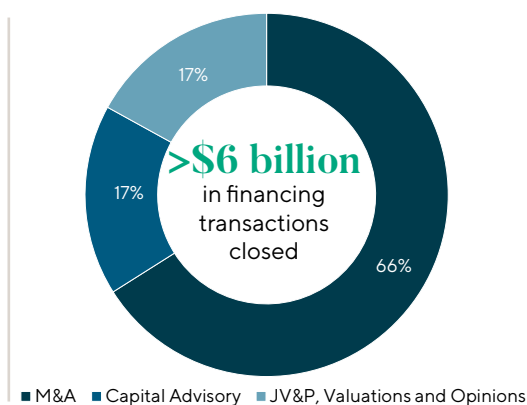
Global Transaction Growth⁽¹⁾



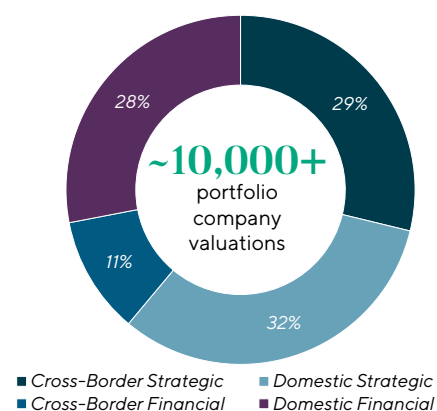
2021 M&A Client Type



2021 Transaction Type



2021 M&A Transaction Type



Selected M&A Transactions

Date	Target Company	Target Description	Acquiring Company
Jun-22	Remke	Electrical products	NSI Industries (Odyssey Investment Partners)
Jun-22	Frezite	Industrial tools	Sandvik
Jun-22	PB Packaging	Plastic and glass packaging	TricorBraun (Ares Management / Ontario Teachers' Pension Plan Board)
Jun-22	Breyden Products, Inc.	Defense products	Auxo Investment Partners
Jun-22	Yard Works	Landscaping products	SiteOne Landscape Supply, Inc.
Jun-22	Alliance Entertainment	Entertainment products	Adara Acquisition
Jun-22	Jiffy Fastening Systems	Industrial products	NEFCO
Jun-22	Miller Lumber	Building products	Kodiak Building Partners
Jun-22	Airex	Electromagnetic products	Allied Motion Technologies, Inc.
Jun-22	Lewis Paper International	Paper packaging products	Central National Gottesman, Inc.
Jun-22	Across the Pond	Landscaping products	SiteOne Landscape Supply, Inc.

(1) Note: Includes M&A advisory transactions, capital raise transactions, restructuring transactions and JV&P transactions, valuations and opinions as well as transactions related other advisories

Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
Jun-22	Andler Packaging Group	Packaging products	Berlin Packaging (Oak Hill Capital / CPP Investments)
Jun-22	Lynn Electronics (NewSpring Capital)	Wire products	NSI Industries (Odyssey Investment Partners)
Jun-22	Store Room Fasteners	Industrial products	Endries International, Inc. (MSD Partners)
Jun-22	Hydrolico International, Inc.	Hydraulic components	Bailey International, LLC (EBSCO Capital)
Jun-22	Industrial Starter	Worker safety products	Protective Industrial Products (Odyssey Investment Partners)
Jun-22	MasterDrive	Industrial automation products	Solve Industrial Motion Group (Audax Group)
Jun-22	Level5 Tools	Drywall and building products	Worthington Industries
Jun-22	W.A. Bragg & Co.	Plumbing and electrical products	Plumbing Distributors, Inc.
Jun-22	Camden Bag and Paper Company	Janitorial-sanitation products	BradyIFS (Kelso & Company)
Jun-22	Engman-Taylor	Industrial products	MSC Industrial Supply
Jun-22	CSI Geoturf	Construction products	White Cap Supply Holdings, LLC (Clayton, Dubilier & Rice)
Jun-22	Lone Star Machine Works	Hydraulic and industrial products	Motion & Control Enterprises (Frontenac Company)
Jun-22	Industrial Supply, Inc.	Industrial products	Alaska Rubber Group
Jun-22	Truss Fab	Building products	US LBM (Bain Capital)
Jun-22	Complete Supply	Building products	Beacon Roofing Supply, Inc.
Jun-22	Torbsa	Building products	Affiliated Distributors
May-22	Alpha Technologies (Audax Group)	Rubber products	Aignep
May-22	FPH Group	Automotive defense products	Allied Motion Technologies
May-22	Air Center	Air compressor products	Lane Supply Company
May-22	Spinea	Industrial automation products	The Timken Company
May-22	ThinGap	Motor products	Allied Motion Technologies
May-22	Service Construction Supply	Building products	Darragh Company
May-22	Parker-Hannifin	Aviation products	Kaman Corporation
May-22	American Paper & Supply Company	Janitorial products	Envoy Solutions, LLC
May-22	PetroChoice (Golden Gate Capital)	Industrial automotive products	Moove (CVC Capital Partners)
May-22	North Alabama Chemical	Chemical and paper products	Imperial Dade (Bain Capital / Advent International)

Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
May-22	KITO CORPORATION	Material handling	The Crosby Group (Kohlberg Kravis Roberts)
May-22	Tires Now (Monro)	Tire products	American Tire Distributors, Inc.
May-22	Tepe Sanitary Supply	Janitorial and industrial products	Imperial Dade (Bain Capital / Advent International)
May-22	Retailers Supply	Janitorial products	Aramco, Inc. (Odyssey Investment Partners)
May-22	Thunder Technologies	Industrial products	Milton Industries (CNL Strategic Capital / Levine Leichtman Capital Partners)
May-22	San Antonio Armature Works	Electromechanical products	Industrial Service Solutions
May-22	A-Team Industrial Products	Industrial products	Turner Supply
May-22	T&R Towing and Service Centers	Towing products	FleetPride (American Securities)
May-22	Cisco Air Systems	Air compressors	DXP Enterprises
May-22	JJ Industries	Industrial products	BlackHawk Industrial (TruArc Partners)
May-22	Jet Tool & Cutter	Metalworking products	BlackHawk Industrial (TruArc Partners)
May-22	Huttig	Building materials and wood	Woodgrain Millwork
May-22	Dawson Oil Company	Fuel products	Renewable Energy Group, Inc. (Chevron)
May-22	Auveco	Automotive aftermarket products	GHK Capital
May-22	Interworld Highway	Electrical testing products	TestEquity (LCKM Headwater)
May-22	Allied Eagle Supply	Janitorial products	Imperial Dade (Bain Capital / Advent International)
May-22	Florachem Corp (Carmelina Capital Partners)	Chemical products	SK Capital Partners, LP
May-22	Imperial Dade (Bain Capital)	Chemical products	Advent International Corporation
Apr-22	Murray's Diesel Repair (Murray's Auto Group)	Automotive products	FleetPride (American Securities)
Apr-22	DWS Building Supply	Building products	L&W Supply (ABC Supply Company)
Apr-22	Sovereign Industries	Janitorial products	Aramco, Inc. (Odyssey Investment Partners)
Apr-22	Sealand Foods	Food products	HF Foods Group, Inc.
Apr-22	Ed's Supply Company	HVAC products	Heritage Distribution Holdings (f/k/a Wittichen)
Apr-22	DSM Protective Materials	Composite products	Avient
Apr-22	Advance Electrical Supply Co.	Electrical products	Border States
Apr-22	Crowd Control Warehouse	Crowd safety products	Brimar Industries (Blue Point Capital Partners)

Selected M&A Transactions (cont'd)

Date	Target Company	Target Description	Acquiring Company
Apr-22	Williams Wholesale Supply	Electrical and plumbing products	Winsupply, Inc.
Apr-22	Embed	Transportation software	Littelfuse
Apr-22	C&K Switches (Sun Capital Partners)	Distributes electronic switches and components	Littelfuse
Apr-22	Hageman Earth Cycle	Distributes landscape and water management products	Ewing Irrigation & Landscape Supply
Apr-22	Lausan	Distributes automotive aftermarket parts	Alliance Automotive Group (Genuine Parts Company)
Apr-22	Old Dominion Fasteners	Distributes fasteners	Endries International (MSD Private Capital)
Apr-22	DSD Merchandisers	Distributes organic, all-natural and bulk products	American Nuts (Capital Southwest and Guage Capital)
Apr-22	LJR Electronics	Distributes industrial electrical connectors	Diploma PLC
Apr-22	PBFY Flexible Packaging (Pacific Western Sales)	Distributes flexible packaging products and solutions	TricorBraun (Ares Management)
Apr-22	Associated Paper	Distributes products in janitorial and sanitation, foodservice, packaging and other areas	BradyIFS (Kelso & Company)
Apr-22	Encompass Supply Chain Solutions (Comvest Partners)	Distributes operational equipment manufacturer repair parts	Parts Town (Berkshire Partners / Leonard Green & Partners)
Apr-22	Lock City Supply	Distributes water and wastewater products	Core & Main
Apr-22	Berg-Nelson Company	Distributes industrial hose, fluid power products and hose assembly solutions	Echelon Supply and Service (HCI Equity Partners)
Apr-22	Florence Corporation	Distributes building products, including lumber, roofing, siding, windows and doors	SRS Distribution
Apr-22	Crown Components	Distributes structural roof and floor trusses	US LBM (Bain Capital)
Apr-22	Casey Engineered Maintenance	Distributes janitorial supplies and equipment	Aramco, Inc. (Odyssey Investment Partners)

Recent Lincoln Distribution Transactions

Foresight
has sold




to




AFC Industries
a portfolio company of




Sell-Side

has been sold to



Sell-Side




TENEX | CAPITAL MANAGEMENT
has sold




to




Sell-Side


and co-shareholders
have sold




to



a portfolio company of



Sell-Side




has sold



to



a portfolio company of



Sell-Side



DUNES POINT CAPITAL
has sold



to



a portfolio company of



Sell-Side





has been sold to




a portfolio company of




Sell-Side

has acquired



Buy-Side




has been sold to



Sell-Side




has sold



to



a subsidiary of



Sell-Side




has acquired



Buy-Side




has sold



to



Sell-Side





Lincoln's Global Distribution Team

Our dedicated distribution team possesses deep knowledge of the key attributes top-performing distributors utilize to drive value for their customers and shareholders. With significant expertise across several verticals, the team brings valuable knowledge, contacts and global resources to each distribution transaction. We partner with professionals from the firm's other industry groups to offer clients the knowledge and perspective of the underlying distribution business model as well as deep end market and product expertise.



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About Lincoln International

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