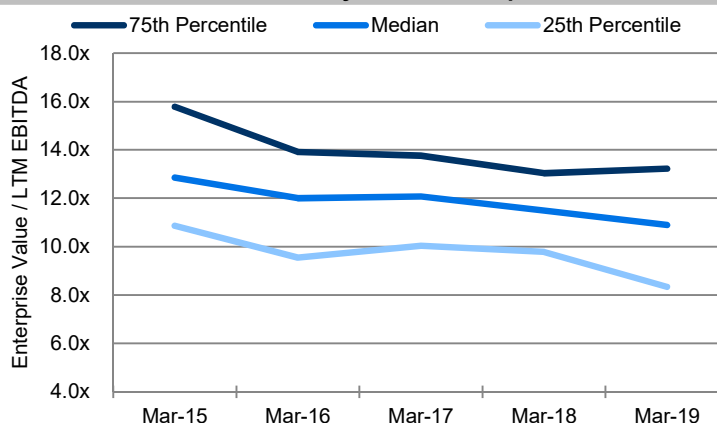


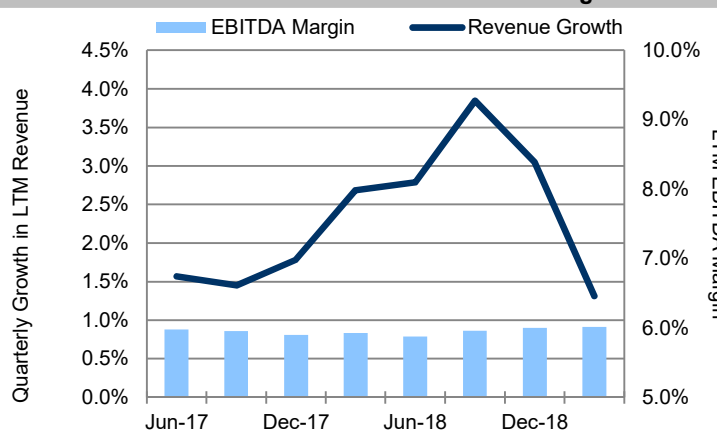
Industry Highlights

- 2018 was a positive year for the distribution industry with many factors aiding the nearly \$6.0 trillion segment. The outlook for 2019 is less certain as factors relating to trade and economic strength are likely to influence the operations of industry leaders. As companies continue to leverage technology, embrace expanding markets, enhance efficiencies and utilize analytics, the pace of M&A has been strong with a number of multi-billion dollar deals closing in 2018 and more likely to come as 2019 keeps pace.
- Notable deals among our peer group that closed in the previous 12 to 18 months include McKesson's \$784 million acquisition of Medical Specialties Distributors, Genuine Parts' \$2.0 billion acquisition of Alliance Automotive Group, Beacon Roofing Supply's \$2.8 billion acquisition of Allied Building Products, Tech Data's \$2.8 billion acquisition of Technology Solutions and lastly Cardinal Health's \$6.0 billion acquisition of Medtronic's Patient Recovery Business.
- One deal worth mentioning that closed in early 2019 is Univar's \$2.0 billion acquisition of Nexeo Solutions. The transaction will yield a premier global chemical and ingredients distributor with one of the largest North American presences. The purchase price, post synergies, will come in at around 6.5x LTM EBITDA.
- Another transaction worthy of attention is Genuine Parts \$2.0 billion acquisition of Alliance Automotive. Between this transaction and LKQ's (see below), two of the largest parts distribution platforms in Europe have been acquired. GPC paid approximately 10.0x EBITDA compared to LKQ's nearly 12.0x for Stahlgruber. These figures fall into our expected range of multiples as they have held at or around 10-12x.
- Revenue growth has been under pressure as of late falling from above 3.0% to 1.5%, which is below our historical ranges. EBITDA margins have risen slightly in 2018 but remain at their recent levels of approximately 6.0%.
- Purchase price allocations from transactions closed in 2018 shows a rise in customer relationships, brand and trademark assets, and goodwill. Brands and goodwill have seen the most significant increases when compared to previous samples. Tech-related and other intangibles contributed little value to the purchase price allocations.

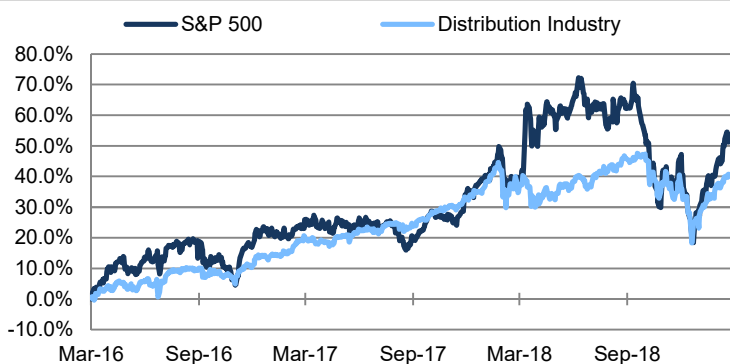
Trend in Industry EBITDA Multiples¹



Trends in Revenue Growth and EBITDA Margins²



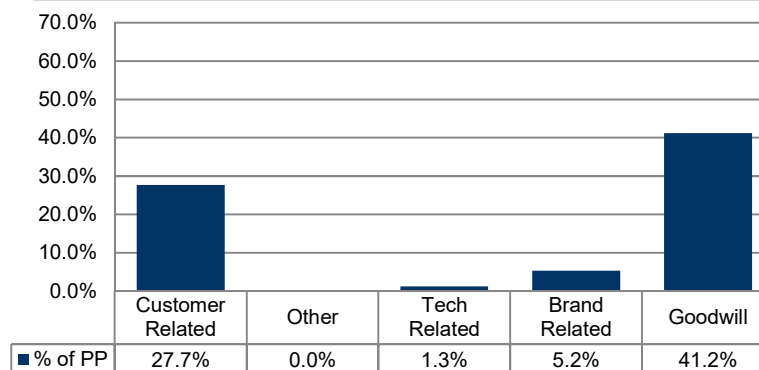
Relative Stock Price Returns¹



¹ Distributor Industry is a custom, equal-weighted index constructed with the aforementioned companies.

² Calculated using aggregated data for ARW, AVT, ABC, SITE, FAST, BECN, BMCH, CAH, CDW, CHEF, CORE, GPC, GWW, HDS, HSIC, LKQ, MCK, MSM, PFGC, SYY, TECD, UNFI, UNVR, USFD, WCC, and WSO.

Purchase Price Allocation (PPA) % from Recent Transactions



Notable M&A Deals



In July of 2018, United Natural Foods acquired SUPERVALU INC. for approximately \$2.9 billion. The transaction provides UNFI an opportunity to combine their leading position in natural and organic foods with SUPERVALU's portfolio to provide "better for you" products to the consumer.



In May of 2018, LKQ announced the closing of its acquisition of STAHLGRUBER GmbH for approximately \$1.8 billion (11.9x 2017 EBITDA). The acquisition extends LKQ's footprint in Europe through the purchase of a leading wholesale distributor of aftermarket parts and accessories.



In early 2018, Arrow Electronics acquired global product engineering services firm eInfochips for \$313 million. The merger will provide both firms synergies between their engineering capabilities and digital transformation offerings.

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