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The Business Case for Better Data

Distributors, suppliers work to standardize how they use & send data

Distributors and their suppliers want to improve efficiencies, save time and money, and reduce errors. One way to do this is to improve and standardize the way they use and send data. This article is the first of a series of MDM articles on current trends in doing business electronically.

By Lindsay Konzak

About five years ago, PTDA member Baldwin Supply Co., Minneapolis, MN-based distributor of mechanical power transmission and electrical control products, adopted the association's recommended format for receiving product data changes from its suppliers.

"It used to take us a month to update a price increase with some of our bigger manufacturers. Now we can do it in an hour or so," says Baldwin Supply President Ron Herem, the Power Transmission Distributors Association board liaison to the Industry Relations Committee, which in collaboration with other associations developed the Product and Price Information Format.

"(PPIF) drastically reduced the time it took to do a pricing update. We used to have 2 and a half people – and that was pretty much all they did, and it was done manually."

Baldwin's experience is just one example of the impact of one of many data standardization initiatives taking place right now in distribution.

The challenge that distributors and manufacturers across diverse sectors are trying to address is the data piece of the EDI pie: How can they improve and standardize the way they communicate data from one business system to another? Each organization taking on the challenge hopes their solutions result in time and cost savings, and decreased error rates.

The Bottom Line

Improving the transmission and management of data between supplier and distributor can have big returns for both parties, says Bill Millinczek, IT manager, IT eBusiness Gateway & Integration Services at 3M, St. Paul, MN.

Millinczek served on the Industrial Supply Association's eBusiness committee for five years, which developed EDI transmission sets for transactions such as purchase orders, acknowledgements, and item master.

"Everything is directed to reduce the cost of doing business," Millinczek says. "We've got to reduce costs, and these are some of the best tools we have out there to do that. Processing orders manually is a non-value-add. There's no benefit to it."

The PTDA Industry Relations committee researched the savings from implementing the PPIF: "If you have to update prices on 50,000 items, or 250 hours, each time you make an update it will cost you $5,000. That can happen two to three times a year (with each manufacturer)," says committee chairman Jeff Lunn of Kinecor, an industrial distributor based in Lachine, QC, Canada.

"The savings in uploading in 5 minutes versus 250 hours is huge."

In another sector, 55 foodservice manufacturers, distributors and operators recently announced they would be undertaking the Foodservice GS1 US Standards Initiative, aimed at adopting a timeline for implementation of GS1 Global Standards for company and item identification, as well as product description.

The goal is to not only to drive inefficiencies out of the foodservice supply chain, but also to improve food safety and traceability with more accurate company

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INSIDE

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PERSPECTIVE ■ *Commentary by Thomas P. Gale*

Recommended Reading for 2010

Tenney Campbell, the well-known owner of a fluid power distributor, died in mid-January. He was ahead of his time in many ways. He will be remembered as a person who had an impact in this world beyond so many friends among fluid power distributors and manufacturers.

He sold his California business to Berendsen Fluid Power in the mid-1990s. He continued to work for the company a few years in the capacity of corporate curmudgeon.

His role in those few years was to "create heat, smoke and discontent" among the company's management, according to distribution consultant Mike Workman, who called Tenney a longtime friend and mentor. "He was always an 'and' guy, not a 'but' guy," Workman says. "His job was to argue with everybody about everything and to force people in the organization to think differently. He had a gift to take what's normal and convert it into an example that opens your eyes." Following his retirement, he worked as a consultant for several years.

Tenney was way ahead of all the bloggers today. He built up a list of hundreds of people who received his frequent emails with a mixture of wit, wisdom and food for thought. Often there were scanned articles in PDF format from a wide range of publications attached.

Tenney loved good, creative busines strategy. In his spirit, here are a few books I think he might have recommended in 2010. The first is *How the Mighty Fall*, by Jim Collins, author of *Good to Great*. This research explores how great companies sometimes stumble. In the course of identifying five stages of decline with stories about Circuit City, Hewlett-Packard, Rubbermaid, Scott Paper and others, there are some lessons you can apply to your own situation.

The second book is *Value Creation Strategies for Wholesaler-Distributors*, by Steve Deist, Mike Marks and Mike Emerson, available at www.nawpubs.org. This book provides a great framework for creating a market-driven approach to strategy development and execution specific to distribution companies with real-world examples.

Tenney's children sent out a nice email last month that captured his essence, with this included:

"We would ask that all who have been a friend, been mentored by, prompted to consider new ideas, or just been amused over the years by Tenney to simply raise a glass (or two), pick up a book you might not otherwise read, and most importantly, keep an open and inquisitive mind. Nothing would make him happier."

Well said. Good reading and thank you, Tenney! ■

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Business Case for Better Data

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and product information.

Connecting these improvements more closely with the bottom line is what needs to happen to increase adoption of these initiatives in the distribution channel, says Denise Keating, president of DATAgility, which works with companies and their channel partners to improve the quality of their data.

"I think that when CEOs or CFOs are looking at financial results they don't always make the connection that returns, errors and pricing discrepancies are directly related to the quality of the data," Keating says.

Hurdles to Adoption

Despite the intended benefits, adoption remains a big challenge for standards-setters. And success depends in large part on the adoption rate. The more companies that adopt, the more valuable these initiatives are to all companies.

Lunn said adoption is in large part dependent on marketing: "It's about getting that message out, that there's potential savings for a distributor or manufacturer, and really being able to document that value," he says.

But he says he understands why some companies have moved forward and others have not. "Companies have a lot of priorities," he says. "A decision to use a tool like this has to be a priority. There is work to setting this up. It's a project."

Another challenge is that while associations lead the charge they can't necessarily implement standards. "All they can do is promote them," 3M's Millinczek says. "They can establish guidelines and say 'If we are going to do business together, these are the guidelines in which we'll fall.'"

ISA recognized that it would be a challenge to get everyone on-board, especially for some of the smaller companies that might feel the cost of setting their systems up for the recommended formats was prohibitive. "There is cost involved, but that cost can be recovered," Millinczek says. "There are benefits and savings."

Format Challenges

IDEA, co-founded by the National Electrical Manufacturers Association (NEMA) and the National Association of Electrical Distributors (NAED) to support standards-setting, data synchronization and eCommerce initiatives in the electrical supply chain, found that allowing more than one data format for its business-to-business communications and Industry Data Warehouse (IDW) standards was another way of getting past some of the resistance for adoption, according to Phil Barrios, electrical manufacturer Hubbell's senior director for corporate marketing & eBusiness, IDEA board member and chairman of the IDEA Industry Standards Committee.

Although most of the original B2B standards were EDI-based, IDEA developed alternate XML and preset Flat File (delimited text file) standards to be employed for certain IDW and B2B communications.

These options empower non-EDI proficient companies to utilize industry-developed standards, expanding the pool of potential eCommerce-capable trading partners. "We were trying to provide as much flexibility as possible, yet remain within a set of globally harmonized and industry-developed standards," Barrios says. "This helps address some of the headwinds of adoption within the industry."

Trade Service Company, a nearly 80-year-old data firm that serves industrial, electrical, plumbing/HVAC, office supplies and automotive after parts distribution companies and their customers, inputs data from manufacturers and delivers it to distributors in the format they need.

"In order for distributors to make viable use of the data, it has to come in a way his business system accepts," says John Henry, director of business development and 35-year veteran of the firm.

Trade Service sees both sides of the coin. Illustrating some of the delay in some sectors to adopting these services, Henry says that some of Trade Service's customers still prefer printed price directories, or prefer the data delivered on CD. Those distributors are usually smaller and family-owned and have not yet updated their computers to accommodate data delivered directly to their business systems.

Quality of Data

Preparing data to maximize the benefits of standardized formats and transmission channels can be another hurdle to adoption. To get over this, Trade Service says it does a lot of the "heavy lifting" helping suppliers and distributors clean and prepare the data for usage in its system.

That is a challenge, Henry says, because data in a manufacturer's system does not always

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match the data that a distributor has on the same product: "The goal is to establish a reliable content platform upon which all industry segments may effectively communicate and conduct business," Henry says.

"One proven way to achieve data synchronization between trading partners is to apply a precise blend of specialized data handling technology and close visual examination by industry-trained content experts."

DATAgility's Keating says one of the first steps to better and more efficient data management is clarifying how the industry defines "quality data." The problem? Distributors tell manufacturers they need "quality data"; manufacturers think they are already providing "quality data." There's often a disconnect.

"When you ask them to define what quality means to them, they all have different ideas," Keating says. "Here is our definition: 'Data quality is about being timely, complete, accurate, standardized, synchronized, consistent and easy-to-use.' If you're failing on any of those aspects, you're not fulfilling what distributors need in the marketplace."

She says many common data problems can keep distributors from gaining the greatest ROI from selling online, or utilizing any basic eBusiness transactions. Some of the more common areas where companies will find mistakes or deficiencies with their data, according to Keating:

Synchronization: For example, "If you're a manufacturer and have 100 parts, and a distributor who sells those 100 parts, it's not a good assumption that the part information is the same in both systems."

Synchronization problems often occur as a result of mergers and acquisitions. It can also be attributed to the lack of formal data governance and the way much of the data got into systems in the first place: manually. This can increase the likelihood of errors.

Lifecycle Management: One of the most complex issues facing manufacturers and distributors is the management and sharing of a product's lifecycle from birth to obsolescence.

Taxonomy: The application of an industry taxonomy is one that many struggle to adopt. Keating says a taxonomy provides a structure to normalize product categories across companies. When a taxonomy is linked to product-specific attributes it aids in selecting the right products.

Descriptions: The primary description that feeds distributor business systems is often 40 characters, but there is also a need for 20-, 30- and 80-character descriptions, as well as an "extended description," depending on the use of that data, Keating says. "Suppliers often believe by creating a single description they are fulfilling their distributors' need for quality descriptions. The reality is that product descriptions provided for display on a Web site, for example, are very often different than those required in a distributor's internal systems."

Big Hammer Data Vice President of Marketing John Sullivan provided an example of the importance of consistent data in serving a distributor's or retailer's marketing needs: Suppliers use alternative words for colors – such as "midnight" or "ebony" instead of "black."

But if someone is searching on a Web site for a product that is "black," and the product is labeled as "midnight," that person will not find that manufacturer's product among the products that appear in search results.

Making Data a Priority

It's no secret that many distribution sectors are a few years behind retail channels when it comes to the adoption of technology and standardized data. So what's the impetus to change?

"You can't approach it from a data perspective," Keating says. "Do you want to build brand loyalty? Increase market share? Accelerate revenue? Decrease the time it takes to introduce new products in the marketplace? When you present it this way, they're able to get excited about data." In other words, the challenge is getting companies to view better data management as a business function, and not just an IT function, Keating says.

John Teipen, director of eBusiness for electrical, networking and security product distributor Graybar, says it's important to integrate doing business electronically into a company's overall strategy.

"That's an important differentiator for Graybar," says Teipen. "I report to the Senior Vice Presidents for Sales and Marketing. We look at eBusiness as a service to our customers and suppliers. It's a tool – it's not just about technology."

Working together as a channel to push the industry forward on improving data management is key to success, says Teipen, who will start a stint on the board of directors of IDEA in May. "We can do better as a group than we can individually," he says.

Herem of Baldwin Supply says that the process is ongoing, and despite its challenges, is necessary:

"The way we do business is changing, and the exchange of information is getting faster and faster. We need to keep pace with that and not fall behind."

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■ *MDM Interview*

Applied Industrial's Growth Plans

CEO David Pugh addresses fluid power, wind energy & international markets

This is Part 2 of an interview with David Pugh, CEO of industrial distributor Applied Industrial Technologies. In this piece, Pugh talks about new markets, fluid power, e-commerce, integrated supply and the impact of the recession on channel relationships.

MDM: You have made some key acquisitions in the fluid power segment. How does that fit into your growth plans going forward?

David Pugh: We started our fluid power growth in the mid-'90s. I am not sure we truly understood the business when we headed into it because we pictured it to be a lot like bearing and power transmission. The manufacturers supplying the industry have a different mindset with regard to how they use distribution and how they authorize distribution. That was an eye-opener for us.

We also went into it thinking it was going to be a national roll-up that would be run from headquarters. What we found is that each of these acquisitions is provincially strong, and what somebody's doing in Baltimore, MD, with one customer has nothing to do with what someone's doing in Silicon Valley with another customer. So we decentralized it and put a different style of management into place. We have really come a long way with that. The gentleman who is running that for us is doing an excellent job.

We were fortunate to pick up Fluid Power Resource, LLC in August of 2008. Though the market collapsed right after we made the acquisition, that acquisition will be excellent for the company in the coming years.

MDM: What are some of the challenges and opportunities for Applied in the fluid power market?

Pugh: One thing I continue to believe is that there will be a reconciliation of distribution philosophy, customer needs and how fluid power manufacturers look at distribution. There's a gap with our national accounts who want us to provide them consistent service and a consistent product across the country, but the manufacturers are still unwilling to authorize on a national basis. It's challenging. We understand the manufacturer's position.

We continue to work with them in a way that's beneficial to all, but at end of the day we really have to together be able to service the customer, or it's not going to be good for either of us.

We expect to continue to grow in the fluid power business. It's been good for us. I feel really good about what lies ahead. We're going to be doing some new things with regard to updating our information technology within that group to give us better capabilities, and we're making good investments both externally and internally.

MDM: How is Applied approaching alternative energy markets, including the wind industry?

Pugh: Wind energy is an enigma right now because it's still one of the highest cost per kilowatt generation of power. It's green, it's renewable, and it fits in with the strategy of our current administration. But without government subsidies, it will be dead in the water.

Also, there's not been a true solidification on a design of these windmills. If you've seen one, you've seen one.

Even if it were up and running the role of distribution has not been clearly defined. This is being handled more on a manufacturer-direct basis right now. There are also challenges with repair – a lot of the repair services are built into maintenance contracts of the initial sale of the manufacturer. We have received some nice pieces of business on a one-time basis here and there. But we haven't seen a steady stream.

One question I have revolves around the long-term viability of the business. If it is viable, what are the standards going to be, and can you get this down to something that you can wrap your arms around? And will the manufacturers have us in the supply chain?

MDM: What has this recession done to the relationships between manufacturers and distributors, and distributors and customers? Has it changed how manufacturers have gone to market, or how they work with you? What shifts if any have you seen?

Pugh: The recession has put pressure on traditional relationships with suppliers. For example,

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you have customers in critical situations asking us to bring in offerings from low-cost countries.

MDM: They are asking for that more?

Pugh: Yes. Not only asking but demanding that we bring offerings from low-cost countries. That's a challenge because that flies in the face of our traditional tier-one suppliers. You've seen some distributors address that with private branding, but I don't think that is a long-term viable solution because you're probably going to end up putting the same product on the shelf under two or three different names. You're increasing your asset base with no great value.

The margin pressures are key. Somebody's got to make it for you. Distributors don't make this product so you have to select one manufacturer, and irritate three or four, so I just don't see that as being the distributor's role.

We have got to figure out with our existing suppliers, what is the best way to meet those needs? I don't know that any of this is different from what has happened in the past in crisis mode, and honestly when I look back on the evolution of distribution post-World War II, we continue to evolve in ways that make sense and have stability.

You have crisis points along the way, and things get in, and then get thrown back out, but it really hasn't changed the mode that we've been in and the relationships that we've had, so I think we're going to come back to the traditional relationships that we had seen before the crisis. A lot of it is customer-driven, and I think together distributors and their suppliers have to go to the customers and explain to them the long-term benefits of not making a panic decision.

MDM: Which is sometimes easier said than done, right?

Pugh: It is, and it makes selling more difficult and time-consuming, but it's something that has to be done.

MDM: You are in Mexico and Canada. Do you have plans to continue to grow in those countries or expand to others?

Pugh: I think Mexico is a very good opportunity for us. We made our first acquisition there in 2001 to gain a footprint and understand the culture and decide whether we could do business there. We liked what we saw. Our first acquisition lost money, but it was a learning experience and an investment. Our second acquisition got us management talent that has continued to lead us forward. That was a key acquisition for us. We're pleased with the way that's going, and we certainly expect to make further acquisitions and grow our business in Mexico.

Canada has been excellent. We would love to be in Eastern Canada. That's been a real challenge. Western Canada has been a big stronghold for us. You know we certainly will keep an eye on the latest acquisition that was done up there by one of our key competitors, and we'll see what that means to us. But I feel good about our position out there.

China is an enigma. China is a huge opportunity, but it's also a huge risk. I've not seen any of our North America distribution really go in there and be successful. Most of our suppliers tell me that it's not ready for us right now. We have no plans at this point to move into China.

MDM: Have you been asked by customers to expand overseas?

Pugh: It's not a demand. It's a "If you were there we'd love to have you, but …" They have different operating modes from what they have in the U.S. If I were to go to a place, India might be better than China just simply because you don't have any language barriers. The form of government, the form of judicial system, the form of contractual arrangements all are much easier to understand for us, and much more controlled. I think India would be lower risk.

We're also looking at South America, and since we have operations in Mexico and Puerto Rico, a Latin American expansion probably would be easier for us. It's not in our core strategy right now, but it's a potential as an expansion of our strategy.

MDM: Does Applied do integrated supply or have plans to do integrated supply?

Pugh: No we do not do integrated supply. That's a great debate even within our own company as to how, when, or whether. I have a bias against integrated supply more for my background on the manufacturing side. When I look at the logic – integrated supply means that from the manufacturing side you get rid of your own expertise, and you turn it over to someone else. I just cannot imagine long-term having all of my materials, my nomenclature and my acquisition systems being owned by someone else who could shut me down in a nanosecond.

We were in it at one point, and 90 percent

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of what we sold was outside of our core competencies. We are a value-added distributor. If 90 percent of what you're selling is something to which you can't add value, you should ask: "Why are you doing it?" Where's our buying leverage? I fail to see what we truly add to the end-use customer with integrated supply, but we do have people asking for it.

We have teams in our company looking at how we would do it but there are still a lot of unanswered questions with regard to how you get into that and make it work and truly deliver value to your customer.

MDM: People call integrated supply many different things these days.

Pugh: You're exactly right. It's kind of like windmill design. If you've seen one version of integrated supply, you've seen one. Because for some it is come in and do all my purchasing and run everything for me down to sweeping floors and getting the grass cut. You have others that just say OK, I buy some of this mill supply stuff that's outside your core competency. I'm willing to pay a little bit extra for you to bring that in and deliver it rather than dealing with three or four other people that are supplying it today. We will do that. But the broad scale of supplying everything is something we don't think is good.

MDM: What role will e-commerce play for Applied going forward?

Pugh: E-commerce had a lot of hype in the early 2000s. Much more hype than reality in our type of business. Over time it will grow simply because you have more generations of what I call the "digital kids" coming into the workplace.

In our business where 50 percent of customers coming to us don't know what they need, e-commerce loses some of its value. In addition, time is critical. If you need a bearing to get that multimillion-dollar piece of equipment back up and running, and it's costing a million dollars an hour when down, then timing is critical.

So rather than relying on what shows up on an inanimate screen in front of me versus hearing a warm voice on the other end of the phone saying, "Not only does it show on the screen. I walked out in the warehouse, and yes it's sitting on the shelf. I have it in my hand and I can bring it over to you in 15 minutes."

I don't think you're going to ever get rid of that in our business because of the criticality of getting equipment back up and running.

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Monthly Wholesale Trade: Sales and Inventories for December 2009

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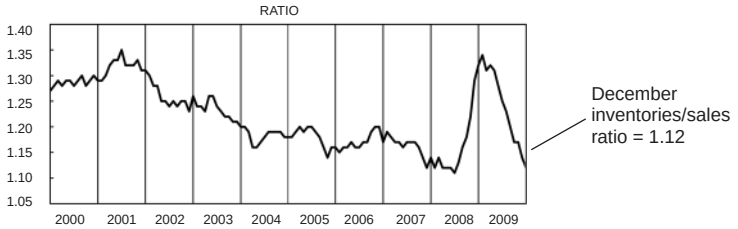
December 2009 wholesale revenues were $341.2 billion, up 0.8 percent from the revised November level, and up 5.7 percent from the December 2008 level. The November preliminary estimate was revised upward $0.9 billion or 0.3 percent. December sales of durable goods were up 3.0 percent from last month, and were up 2.3 percent from a year ago. Sales of machinery, equipment, and supplies were up 7.5 percent and sales of metals and minerals, except petroleum, were up 5.7 percent. Sales of nondurable goods were down 0.8 percent from last month, but were up 8.8 percent from last year. Sales of farm product raw materials were down 14.1 percent and sales of drugs and druggists' sundries were down 3.3 percent from last month.

Inventories. Total inventories were $383.6 billion at the end of December, down 0.8 percent from the revised November level, and were down 10.2 percent from a year ago. End-of-month inventories of durable goods were down 1.1 percent from last month and were down 15.9 percent from last December. Inventories of metals and minerals, except petroleum, were down 3.1 percent from last month and inventories of motor vehicle and motor vehicle parts and supplies were down 2.5 percent. End-of-month inventories of nondurable goods decreased 0.3 percent from November, and were down 0.2 percent compared to last December. Inventories of farm product raw materials were down 4.5 percent from last month and inventories of petroleum and petroleum products were up 3.6 percent.

Inventory-Sales Ratio. The December inventories/sales ratio was 1.12. The December 2008 ratio was 1.32.

Monthly Inventories/Sales Ratios
of Merchant Wholesalers: 2000-2009
(Estimates adjusted for seasonal and trading-day differences, but not for price changes)



Source: U.S. Census Bureau

Monthly wholesale trade: Sales and inventories December 2009

NAICS Code	Business Type	Sales $ millions	Inventories $ millions	Stock and Sales ratio	% Change in Sales 11/09-12/09	% Change in Sales 12/08-12/09	% Change Inventory 11/09-12/09	% Change Inventory 12/08-12/09
42	U.S. Total	341,155	383,570	1.12	0.8	5.7	-0.8	-10.2
423	Durable	152,758	227,434	1.49	3.0	2.3	-1.1	-15.9
4231	Automotive	21,710	32,409	1.49	1.5	14.4	-2.5	-25.4
4232	Furniture & Home Furnishings	4,394	6,291	1.43	4.6	-2.0	0.7	-19.0
4233	Lumber & Other Construction Materials	7,146	11,527	1.61	-4.3	-11.3	-2.1	-17.4
4234	Prof. & Commercial Equip. & Supplies	30,651	29,530	0.96	3.9	7.8	2.5	-7.2
42343	Computer Equipment & Software	16,755	10,574	0.63	3.9	18.6	6.6	2.1
4235	Metals & Minerals	8,782	17,596	2.00	5.7	-30.5	-3.1	-35.3
4236	Electrical Goods	26,563	30,245	1.14	-3.0	5.9	2.0	-11.3
4237	Hardware, Plumbing, & Heating Equipment	5,944	12,545	2.11	-0.2	-7.2	-0.5	-9.5
4238	Machinery, Equipment & Supplies	25,996	63,818	2.45	7.5	-9.5	-2.2	-12.0
4239	Miscellaneous Durable	21,572	23,473	1.09	7.9	29.9	-3.1	-9.2
424	Nondurable Goods	188,397	156,136	0.83	-0.8	8.8	-0.3	-0.2
4241	Paper & Paper Products	7,345	6,265	0.85	0.6	-2.7	-1.0	-14.2
4242	Drugs	32,750	32,291	0.99	-3.3	1.9	2.2	2.2
4243	Apparel, Piece Goods & Notions	10,401	13,624	1.31	1.7	7.9	-20.7	-20.7
4244	Groceries &Related Products	41,197	25,644	0.62	0.0	-4.0	-7.9	-7.9
4245	Farm-product Raw Materials	18,313	22,229	1.21	-14.1	22.0	23.4	23.4
4246	Chemicals &Allied Products	7,642	7,699	1.01	4.7	1.3	-17.6	-17.6
4247	Petroleum &Petroleum Products	43,446	18,232	0.42	4.4	38.0	59.3	59.3
4248	Beer, Wine & Distilled Beverages	9,027	10,455	1.16	0.7	2.9	-7.7	-7.7
4249	Miscellaneous Nondurable Goods	18,276	19,697	1.08	0.7	0.5	-12.1	-12.1

U.S. Bureau of the Census, Current Business Reports, Monthly Wholesale Trade, Sales and Inventories Series: MDM compilation and analysis.
Adjusted for seasonal and trading day differences. Figures for sales and inventories are preliminary adjusted estimates.

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Industrial & Construction Markets Update

VOL. 40, NO. 04 | FEBRUARY 25, 2010

Grainger Adds 85,000 Products to 2010 Catalog

Chicago, IL-based Grainger, distributor of facilities maintenance supplies, has released its 2010 catalog, with more than 300,000 maintenance, repair and operating (MRO) products, the company's largest offering yet.

A Grainger spokesman said that some of the products the company added to its catalog were previously featured on its Web site, www.grainger.com.

Grainger added 85,000 new items to the catalog across product categories such as cutting tools, shelving and storage, and fleet maintenance products.

"Our customers have told us they want access to the broadest product offering with high inventory availability," said D.G. Macpherson, Senior Vice President, Global Supply Chain.

"We're continually adding to our product line and investing in our supply chain network so that when our customers have a need, we are poised and ready to address it quickly and accurately with a product solution."

Beyond the product expansion to the catalog, the company added products to its Web site, which now lists 500,000 products.

As of last February, Grainger had 240,000 products in its catalog and 300,000 online.

In its 2009 earnings release, Grainger reported that product line expansion contributed $260 million in sales for the fourth quarter 2009, and product added over the past four years resulted in $934 million in 2009.

Mike Pulick, President, Grainger U.S., said:

"We continue to invest in the products, programs and services that businesses and institutions of all sizes need to keep their facilities safe, efficient and functioning smoothly."

Airgas Inc., Radnor, PA, received and rejected an unsolicited proposal from **Air Products & Chemicals** Inc. to acquire the company in an all-cash deal for $60 a share. Airgas also received a cash and stock proposal from Air Products in December worth $62 a share. In October, Airgas received an all-stock proposal worth $60 a share.

Professional building materials supplier **ProBuild Holdings** Inc., Denver, CO, will open its first store in Sacramento, CA, creating 20 new positions. The location expects to be fully operational by the end of February. The location will start as a lumber yard, but expansion to component and millwork manufacturing in the future is possible.

Beacon Roofing Supply, Inc. , Peabody, MA, has acquired **Independent Building Materials**, a distributor of mostly residential roofing systems and related accessories with one location in Orlando, FL.

Bradco Supply, Avenel, NJ, has acquired **Insulation Systems**, Inc., Greensboro, NC. This marks Bradco's sixth acquisition in the past 12 months. ISI, a distributor of commercial roofing products, has three offices in North Carolina, which will continue to operate under the ISI name.

Grainger reported daily sales increased 12 percent in January 2010 compared with January 2009. Excluding acquisitions, holiday timing and foreign exchange, daily sales for the company increased 3 percent. In the U.S. daily sales increased 6 percent, in Canada sales in local currency were up 4 percent, and Other Businesses sales were up 283 percent thanks to acquisitions.

United Stationers Inc., Deerfield, IL, reported sales for 2009 declined 5.5 percent to $4.7 billion. Profit for the year was $100.9 million. For the fourth quarter, sales were $1.2 billion, up 3.3 percent. Profit for the quarter was $32.8 million. During the fourth quarter 2009, sales in the technology and janitorial/breakroom product categories grew by 12 percent and 10 percent, respectively, while industrial supplies fell 18 percent.

Atlanta, GA-based **BlueLinx Holdings** Inc., reported sales for the fourth quarter were $366.1 million, a decrease of 27 percent from the year-ago period, primarily driven by a 20 percent decline in housing starts relative to year-ago levels. Profit was $12.0 million, compared to a net loss of $25.1 million for fourth quarter 2008. For the full year ended Jan. 2, 2010, net loss totaled $61.5 million on revenues of $1.65 billion, compared with a net loss of $31.7 million on revenues of $2.8 billion a year ago.

Watsco, Inc. , Coconut Grove, FL, reported sales for 2009 were $2.0 billion, an increase of 18 percent. Same-store sales declined 17 percent. Carrier Enterprise, a joint venture between Watsco and Carrier, contributed sales of $588 million. Profit fell 28.3 percent to $43.3 million. Fourth quarter sales were $564 million, an increase of 68 percent over the prior-year period. Results include $251 million of sales added by Carrier Enterprise. Same-store sales declined 7 percent. Profit was $7.1 million, compared to $3.3 million in fourth quarter 2008.

continued on p.4 of this section

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■ *Economic Update*

Is Manufacturing Bouncing Back?

Latest numbers indicate that in some sectors the road to recovery is near

Cautious optimism remains the theme for the economy in 2010. Slow but steady improvement is being seen in several sectors, yet the latest round of earnings reports demonstrate a hesitation to proclaim the U.S. and global economies have entered the recovery phase.

Last month, Donald A. Norman, an economist for the Manufacturers Alliance/MAPI, referred to the economy having been in "rehab" during the last quarter, while now it "finally appears to be on the road to recovery."

Indeed, manufacturing – one of the hardest hit sectors during this recession – began posting some positive numbers.

According to the Bureau of Labor Statistics, manufacturing added 11,000 jobs in January. And **manufacturing production** rose 1 percent, according to the Federal Reserve Board.

While the gains may be small, they may signify an end to the precipitous declines over the past two years.

Other key numbers from the past month:

Wholesale prices rose 1.4 percent in January, seasonally adjusted, the U.S. Bureau of Labor Statistics reported. At the earlier stages of processing, prices received by manufacturers of intermediate goods climbed 1.7 percent, and the crude goods index jumped 9.6 percent. On an unadjusted basis, prices for finished goods moved up 4.6 percent for the 12 months ended January 2010, their third consecutive 12-month increase.

The Conference Board **Leading Economic Index** for the U.S. increased 0.3 percent in January, marking the tenth consecutive increase for the LEI. The **Coincident Economic Index** rose 0.2 percent in January, while the **Lagging Economic Index** declined 0.1 percent.

Industrial production increased 0.9 percent in January following a gain of 0.7 percent in December. The capacity utilization rate for total industry rose 0.7 percentage point to 72.6 percent, a rate 8.0 percentage points below its average from 1972 to 2009.

The **Purchasing Managers Index** rose to 58.4 percent, its highest level since August 2004, according to the latest Manufacturing ISM Report on Business. Both the **New Orders** and **Production indexes** were above 60 percent for the industry. The **Inventories Index** for January was at 46.5 percent.

The U.S. Census Bureau and the Department

continued on p.4 of this section

Calculation of MDM Industrial Inflation Index for December 2009

		BLS Price Indices Dec. '09	BLS Price Indices Nov. '09	BLS Price Indices Dec. '08	% Sales Weight	Weighted Indices Dec. '09 (1)X(4)	% Change Dec. '09 Nov. '09	% Change Dec. '09 Dec. '08
1136	Abr. Prod.	515.0	515.6	512.1	19.1	98.37	-0.12	0.58
1135	Cutting Tools	450.9	451.2	450.6	18.9	85.22	-0.06	0.06
1145	Power Trans.	717.9	720.7	724.2	15.4	110.56	-0.39	-0.86
1081	Fasteners	472.3	475.0	492.9	9.0	42.51	-0.57	-4.16
1149.01	Valves, etc.	859.4	859.4	854.4	7.6	65.31	0.00	0.59
1132	Power Tools	337.4	337.2	344.7	6.5	21.93	0.07	-2.12
1144	Mat. Handling	522.6	521.8	524.7	6.2	32.40	0.16	-0.38
0713.03	Belting	622.2	623.5	607.4	6.1	37.95	-0.21	2.44
1042	Hand Tools	735.6	733.2	734.5	8.1	59.58	0.33	0.14
108	Misc. Metal	459.9	459.7	457.7	3.1	14.26	0.06	0.49
"New" December Index		296.8	December Inflation Index			568.11	-0.11	-0.24
"New" November Index		297.2	November Inflation Index			568.76		
			December 2008 Inflation Index			569.46		

New index reflects 1977=100 base other #: 1967 To convert multiply by .52247

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U.S. MARKET ANALYSIS: Safety Products

The product group listed here - Safety Products - represented a market in 2009 of $7.78 billion, according to estimates by Industrial Market Information, Minneapolis.

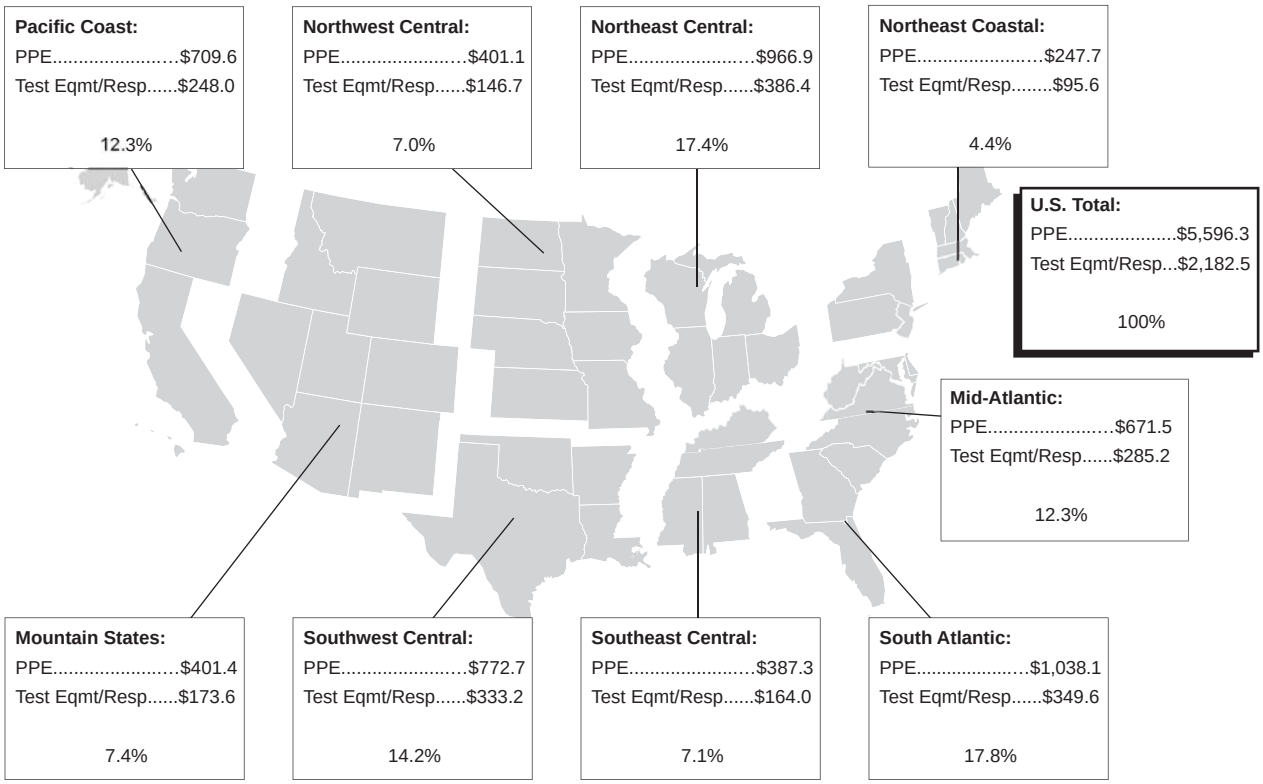
These charts show the top ten industries, by SIC code, consuming these products; and the 2009 end-user consumption of these groups sorted by the nine government market regions.

Top ten industries in $ volume, by SIC code consuming Safety Products

(2009 estimates)

SIC CODE	Personal Proteciton Eqmt.	Test Equipment/ Respirators	Companies	Total (Column A + B)
1542 Nonsidential Construction	356,648,046	64,581,453	48,852	421,229,499
1611 Highway & Street Construction	335,772,649	81,871,570	26,674	417,644,219
1623 Water, Sewer & Utilities Construction	268,142,015	129,723,796	12,459	397,865,811
1771 Concrete Work	325,115,762	65,454,870	41,368	390,570,632
1629 Heavy Construction	233,196,650	44,676,937	17,125	277,873,587
1711 Plumbing, Heating & Air Conditioning	205,352,892	30,463,377	168,664	235,816,269
1731 Electrical Work	189,950,710	9,908,434	112,113	199,859,144
2869 Industrial Organic Chemicals, NEC	89,858,735	102,273,370	1,843	192,132,105
2821 Plastics Materials, Resins, Elastomers	93,261,519	89,173,766	1,802	182,435,285
2834 Pharmaceutical Preparations	64,926,441	99,611,706	3,583	164,538,148

End-user consumption of Safety Products by region, millions of $ (2009 est.)



Source: INDUSTRIAL MARKET INFORMATION, INC. (763) 535-7432. © 2010 Industrial Market Information, Inc., Minneapolis, MN. All rights reserved. Industrial Market Information has more than 200 industrial product profiles available at the county level. www.imidata.com

MARKETS UPDATE SUPPLEMENT P. 4

Online Resources

View company or sector news at mdm.com/company-news or www.mdm.com/sector-news.

MDM News Digest

Continued from p.1 of this section

Genuine Parts Co., Atlanta, GA, reported sales for 2009 were $10.1 billion, down 9 percent compared to 2008. Profit declined 16 percent to $399.6 million. Sales for **Motion Industries**, GPC's industrial group, were down 18 percent for the year. EIS, the electrical segment, reported an annual sales decline of 26 percent.

Barnes Group Inc., Bristol, CT, reported sales for 2009 were $1 billion, down 24 percent from 2008. Income from continuing operations for the full year was $39 million. Barnes Group's fourth quarter 2009 sales were $256.5 million, down 3 percent from $265.4 million in the fourth quarter of 2008.

Paris-based **Rexel** reported sales for 2009 were €11.3 billion (US$15.4 billion), down 12.1 percent from 2008. Organic same-day sales were down 17.2 percent. Profit for 2009 declined 18.1 percent to €2.4 billion (US$3.3 billion). Fourth quarter sales were €2.9 billion (US$3.95 billion), down 15.2 percent from the prior year period. Organic same-day sales were down 13.7 percent.

Weyerhaeuser Co., Federal Way, WA, reported sales for 2009, sales were $5.53 billion, a decline of 31.8 percent from a year ago. The company recorded a net loss of $545 million, compared to a net loss of $1.18 billion in 2008.

Nashville, TN-based **Louisiana-Pacific** Corp. 2009 sales were down 23 percent to $1.1 billion. Full-year loss from continuing operations was $117 million, compared to a loss of $565 million in 2008.

Reliance Steel & Aluminum Co., Los Angeles, CA, reported sales for 2009 were $5.32 billion, down 39 percent from 2008 sales. Profit was $148.2 million, compared with profit of $482.8 million a year ago.

Sweden-based **Alfa Laval**, reported sales for 2009 were SEK 26.03 billion (US$3.52 billion), a decrease of 14 percent excluding exchange rate variations. Profit declined 28.1 percent to SEK 2.74 billion (US$370 million).

Economic Update

Continued from p.2 of this section

of Housing and Urban Development reported **privately-owned housing starts** in January were at a seasonally adjusted annual rate of 591,000, 2.8 percent above the revised December estimate of 575,000 and 21.1 percent above the January 2009 rate. Single-family housing starts were at a rate of 484,000, 1.5 percent above the revised December figure of 477,000.

December **U.S. manufacturing technology consumption** was $219.60 million, according to the Association for Manufacturing Technology and the American Machine Tool Distributors' Association. This total was up 22.9 percent from November but down 5.7 percent from the total of $232.93 million reported for December 2008. With a year-to-date total of $1,771.91 million, 2009 is down 60.4 percent compared with 2008.

Construction spending in December 2009 was estimated at a seasonally adjusted annual rate of $902.5 billion, 1.2 percent below the revised November estimate. The December figure is 9.9 percent below December 2008. The value of construction in 2009 was $939.1 billion, 12.4 percent below the $1,072.1 billion spent in 2008.

Canadian manufacturing sales rose 1.6 percent in December to $43 billion. The gains were mostly concentrated in the transportation equipment industry. This was the sixth increase in overall manufacturing sales in seven months. Sales advanced in 11 of the 21 manufacturing industries for December.

Canadian contractors took out $6.2 billion in building permits in December, up 2.4 percent from November and 32.6 percent higher than in December 2008.

In December, Canada's **Industrial Product Price Index and the Raw Materials Price Index** fell 0.1 percent and 1.7 percent respectively, pulled down by lower petroleum prices.

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Modern DISTRIBUTION MANAGEMENT®
Intelligence for Wholesale Distribution Professionals

Public Distributor Report
Fourth Quarter 2009

mdm.com

■ *Reports Digest*

Signs of Optimism Start to Appear in Distributors' Quarterly Reports

This article is based on comments made during distributors' quarterly earnings calls.

Fourth quarter 2009 continued to be tough on distributors. While the recession has technically come to an end, recovery remains elusive. However, signs of improvement are appearing, and companies are starting to plan for the future rather than staying focused on the now.

"It's the expectation that we are at the beginning of an economic recovery based on GDP numbers that are being reported out of the U.S. and Europe. Certainly parts of Asia and Latin America," said Bob Eck, president and CEO of electrical, electronic wire/cable and fasteners distributor Anixter International, Glenview, IL. "As you look at the world and see economic recovery, it's our expectation tha we will begin to see pickup as a direct result."

Business Expansion

Perhaps as a result, in the fourth quarter, acquisition chatter picked up and some large deals were completed. Arrow Electronics, Melville, NY, completed the acquisition of A. E. Petsche, and Avnet expanded its presence in Southeast Asia with the acquisition of Sunshine Stock Joint Company in Vietnam.

But few executives were willing to claim the mergers and acquisitions arena was ready to return to more normal levels of activity.

"I think it's still an environment where if you don't need to sell your business right now, you're probably not going to be overly interested in doing that," said Willam DeLaney, CEO of Houston, TX-based foodservice distributor Sysco.

Dennis Letham, Anixter's CFO, agrees: "There just really isn't much activity out there in the smaller-sized deals. Certainly we all see the paper every day, and we've seen the bigger deals that have gotten done recently, but there does seem to be a dearth of small deals in the market that fit with our strategy and our business model."

That said, Anixter is "open to assessing" opportunities as they arise, Letham said.

"One of the old sayings in M&A is you've got have a willing buyer and a willing seller," Avnet CEO Roy Vallee said. Avnet is headquartered in Phoenix, AZ. "And during the downturn I guess I would describe Avnet as a reluctant buyer. Now if you fast-forward, we're actually quite comfortable with capital markets. Therefore we are interested in making investments. On the seller side, there are still substantial

continued on next page

■ *Sales Trends*

A Selection of Reports from Various Wholesale Sectors

	Prev. Qtr.	Current Qtr.
United Stationers	↓ 6.8%	↓ 5.5%
Owens & Minor	↑ 13.9%	↑ 11%
Motion Industries	↓ 22%	↓ 18%
Reliance Steel & Aluminum	↓ 51.8%	↓ 39%
Watsco Inc.	↓ 15%	↑ 18%
W.W. Grainger	↓ 14%	↑ 3%
Fastenal Co.	↓ 21.7%	↓ 12.5%
MSC Industrial Direct (1Q)	↓ 21.1%	↓ 12%
Anixter	↓ 20%	↓ 18.8%
Interline Brands	↓ 12.5%	↓ 11.4%
Praxair	↓ 20%	↑ .004%
Avnet (2Q)	↓ 3.1%	↑ 13.2%

Numbers include acquisitions. All current-quarter numbers fourth-quarter 2009 unless otherwise specified. More earnings at www.mdm.com.

About This Report

This is the MDM Public Distributor Report, provided on a quarterly basis to subscribers of Modern Distribution Management.

On the first three pages, you will find recent sales figures from various sectors, as well as a Reports Digest, with information you can use from public distributor and manufacturer reports and earnings calls, distilled by MDM.

On page three of this Public Distributor Report, we feature Airgas, which is fighting off a $7 billion takeover attempt by Air Products.

The latest numbers for dozens of public distributors across various wholesale sectors are on the back page and provided by Robert W. Baird & Co.

We hope you will view this quarterly feature as another way to gather ideas, stay on top of the moves of your largest competitors, and hone your business plan.

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strategic pressures in distribution and they tend to favor global scale and scope.

"I'm reasonably comfortable that our M&A activity will be picking up over the next few quarters," Vallee said.

In the meantime, distributors said they will continue to focus on organic growth and expansion outside of acquisitions. Winona, MN-based Fastenal announced plans to add new stores at a rate of around 20 stores per month during the second half of 2010. "We can do that. We've done that for years. We're going to invest aggressively to grow," said Dan Fiorness, CFO. The first half of the year will be focused on increasing average existing store size.

Price Pressures/Commodities

Uncertainty in commodity markets continued to have an impact on distributors in the fourth quarter. "Steel prices are pretty much flat and down in summer, and they've actually started rising through the last four months of the year," Fastenal CEO Will Oberton said.

But forecasting future prices is difficult. "We anticipate a little bit of inflation in steel but it's really hard to tell because it has a lot to do with what happens with the economy and the world, mainly China," Oberton says. Inflation is expected to have some positive impact on Fastenal's margins in the second or third quarter of 2010.

The other problem with forecasting the impact of commodity pricing is the lag time between spot market prices and product price increases, Anixter's Letham said. "In the current environment where product demand remains comparatively weak, there remains an estimated five- to six-month lag," he said.

Copper prices had a negative impact on Anixter's sales during every quarter of 2009, though the fourth quarter showed some improvement. Recent increases in the spot price of copper has led to some price increases, Eck said.

Sysco COO Kenneth Spitler called the price environment tough. "We're used to being the market leader so we're used to staving off price attacks. It's been a lot more frequent, and of course the customer base gets more upset, so we've had to be cautiously defensive, but there's definitely an uptick to it," Spitler said.

Outlook for 2010

While the outlook for the economy remains somewhat murky, cautious optimism is returning to the conversation as more companies are willing to include forecast discussion in their earnings releases.

"Being a Midwesterner and an accountant makes me a truly conservative person. So for me to come out and say something positive into the future is a pretty rare event," said Fastenal's Fiorness. "But when I look at the trends, as of last October ... our sequential numbers not only make sense but are making us more positive in our outlook."

Pharmaceutical distributor Owens & Minor, Richmond, VA, announced it expected revenue growth in the range of 4 percent to 6 percent in the next year. Avnet also forecast single-digit growth in 2010, with higher growth in emerging markets. - *Jenel Stelton-Holtmeier*

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■ *Distributor Focus*

The Back & Forth Between Airgas and Air Products

Air Products took its fight for Airgas public this month – though it has been courting the industrial gases and hardgoods distributor since October. Airgas has rejected each offer; the latest offer is for $60 per share in an all-cash deal. The value of the transaction is $7 billion, including $5.1 billion of equity and $1.9 billion of debt.

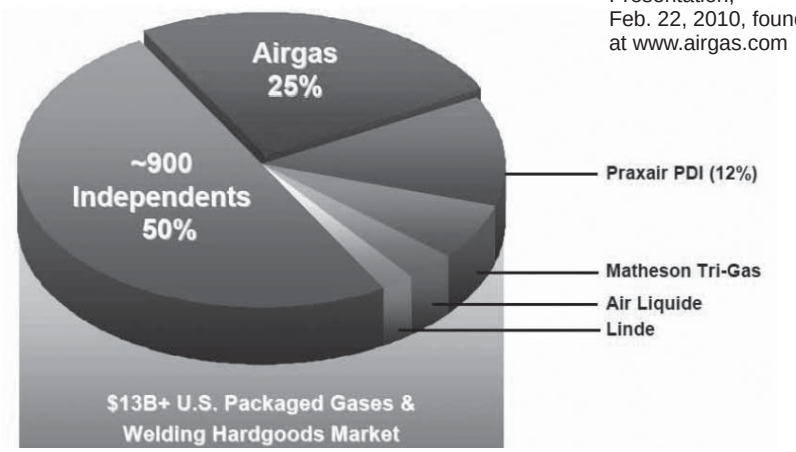
"The Airgas Board of Directors is unanimous in its belief that the Air Products offer significantly undervalues Airgas and fails to reflect the value of our industry-leading position and future growth prospects," said CEO Peter McCausland in an announcement encouraging shareholders not to tender their shares. Showing the market may agree with that assessment, on Feb. 24, Airgas shares were trading above $63.

Despite Airgas' continued rejections of the attempted takeover, Air Products told analysts at the Barclays 2nd Annual Industrial Select Conference that it is "committed to completing the transaction" through all necessary paths, including divestments to comply with regulatory requirements, legal moves and a proxy contest.

In an "open letter to Airgas employees" posted at www.airgasoffer.com, CEO John McGlade said: "You might be wondering why we are looking to return to the U.S. packaged gas business. In 2002, our U.S. packaged gas business had limited breadth and scope and at that time, we examined our strategic priorities and decided to exit that business in order to focus on other areas where we could grow and improve our company."

McGlade says packaged gas is a growth area and that Airgas can grow quickly on a global scale with Air Products' international reach.

How Airgas Views the Market



Source: Airgas Presentation, Feb. 22, 2010, found at www.airgas.com

From Airgas' 3Q Earnings Call

Quotes from CEO Peter McCausland:

M&A Plans

"Acquisition activity has been slow as potential sellers assess their business in the wake of the downturn. However, our pipeline has been recovering as the anticipation of improving business conditions has stirred some interest."

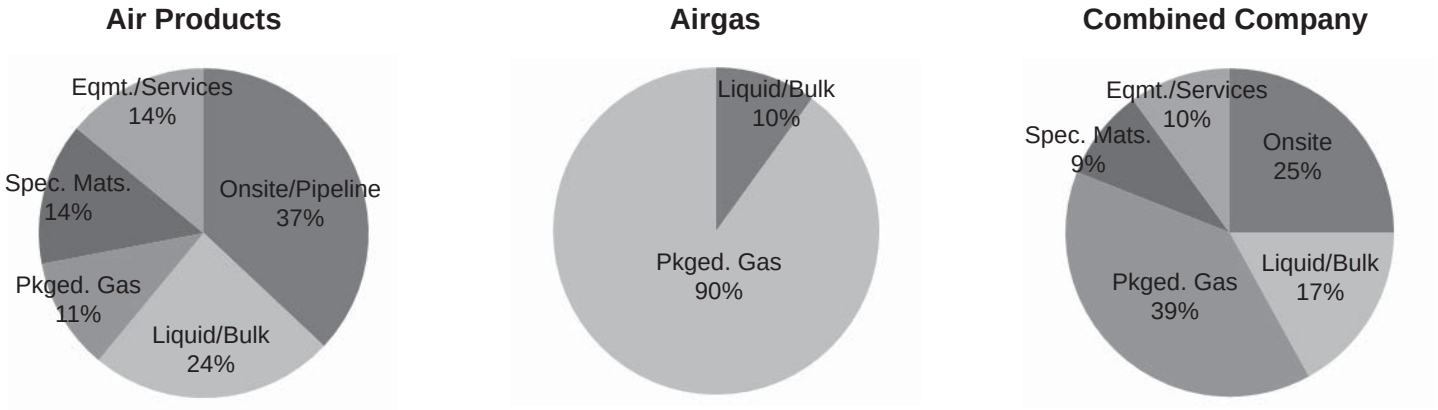
Cross-Selling Opportunities

"Safety products present a strong cross-sell opportunity as the value in vendor consolidation is greater for our customers in today's economy."

Margin Pressure

"What we're seeing is the end of recession, beginning of recovery, normal price competition. We're not concerned about it, and our gross margins have actually improved."

Air Products' View of Proposed Combined Company



Source: Air Products Presentation, Feb. 17, 2010, found at www.airproducts.com

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Distribution Financial Metrics and Trading Multiples

(Data as of Dec. 31, 2009)

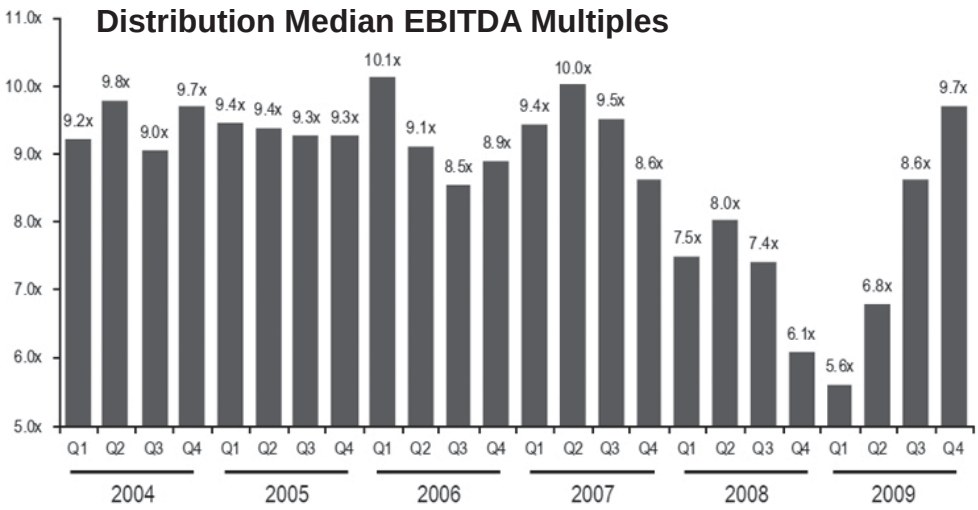
($ in millions)

Company	Ticker	Enterprise Value	LTM Sales	LTM Sales Growth	LTM Gross Margin	LTM EBITDA	LTM EBITDA Margin	EV to LTM Sales	EV to LTM EBITDA	ROIC	Working Capital/Sales
Airgas Inc. *	ARG	$5,523	$4,012	(8.3%)	54.8%	$690	17.2%	1.4 x	8.0 x	8.5%	6.9%
AM Castle & Co.	CAS	392	953	(36.5%)	12.8%	13	1.3%	0.4	N/M	N/M	23.7%
Anixter International Inc. *	AXE	2,350	5,223	(15.3%)	22.9%	252	4.8%	0.4	9.3	7.5%	24.8%
Applied Industrial Technologies Inc.	AIT	956	1,817	(14.1%)	26.9%	113	6.2%	0.5	8.5	11.1%	17.2%
Barnes Group Inc. *	B	1,271	1,043	(27.3%)	35.5%	122	11.7%	1.2	10.4	5.9%	22.2%
Beacon Roofing Supply Inc. *	BECN	1,007	1,734	(2.8%)	23.7%	140	8.1%	0.6	7.2	9.4%	16.1%
BlueLinx Holdings Inc.	BXC	426	1,782	(41.7%)	11.1%	(21)	N/M	0.2	N/M	N/M	13.3%
Builders FirstSource, Inc. *	BLDR	342	759	(26.9%)	21.2%	(46)	N/M	0.5	N/M	N/M	9.2%
Bunzl plc	BNZL	4,843	7,415	(2.4%)	21.2%	500	6.7%	0.7	9.7	12.6%	5.5%
DXP Enterprises Inc.	DXPE	296	639	(10.3%)	29.0%	43	6.8%	0.5	6.8	7.0%	18.4%
Fastenal Co. *	FAST	5,981	1,999	(13.7%)	51.9%	365	18.3%	3.0	16.4	20.4%	33.2%
Genuine Parts Co.	GPC	6,201	10,106	(9.1%)	29.6%	752	7.4%	0.6	8.2	14.8%	22.0%
Houston Wire & Cable Company *	HWCC	228	267	(28.9%)	21.2%	16	5.9%	0.9	14.4	9.5%	33.8%
Huttig Building Products Inc.	HBPI	45	477	(34.2%)	17.4%	(27)	N/M	0.1	N/M	N/M	8.6%
Interline Brands Inc. *	IBI	806	1,082	(11.2%)	37.0%	85	7.8%	0.7	9.5	5.8%	21.1%
Kaman Corp.	KAMN	657	1,194	(1.3%)	26.2%	68	5.7%	0.6	9.6	9.9%	27.3%
Lawson Products Inc.	LAWS	140	396	(21.4%)	57.2%	12	3.0%	0.4	11.9	3.5%	17.5%
MSC Industrial Direct Co. Inc. *	MSM	2,936	1,490	(16.3%)	46.2%	232	15.6%	2.0	12.7	16.4%	23.9%
Park-Ohio Holdings Corp.	PKOH	392	763	(28.5%)	14.2%	38	5.0%	0.5	10.3	3.9%	28.7%
Pool Corp *	POOL	1,183	1,568	(14.1%)	29.2%	107	6.8%	0.8	11.1	11.0%	19.2%
Reliance Steel & Aluminum Co.	RS	4,167	6,188	(25.3%)	23.5%	372	6.0%	0.7	11.2	5.0%	16.9%
Rexel SA	RXL	7,471	17,290	1.0%	23.9%	668	3.9%	0.4	11.2	4.0%	11.4%
Smith International Inc.	SII	10,159	9,291	(7.2%)	28.6%	1,331	14.3%	1.1	7.6	9.6%	32.2%
Watsco Inc. *	WSO	1,705	1,773	0.6%	24.4%	83	4.7%	1.0	20.4	6.8%	29.0%
WESCO International Inc. *	WCC	1,755	4,921	(20.2%)	19.7%	232	4.7%	0.4	7.6	9.7%	13.4%
Wolseley plc	WOS	7,524	24,082	(26.3%)	27.5%	350	1.5%	0.3	N/M	N/M	7.9%
WW Grainger Inc. *	GWW	7,120	6,181	(10.0%)	43.9%	801	13.0%	1.2	8.9	19.3%	16.5%
Median		$1,271	$1,773	(14.1%)	26.2%	$122	6.5%	0.6 x	9.7 x	9.4%	18.4%

* = Companies covered by Baird Research

The table above highlights key financial metrics and trading multiples for 27 publicly traded distributors in the industrial and building products industries.

The chart below illustrates historical median EBITDA multiples for the above companies calculated using LTM EBITDA as of the quarter shown and the enterprise value as of the last day of the quarter. Please see Definitions at bottom of page.



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Definitions

LTM means latest twelve months. Enterprise Value ("EV") means market capitalization of a company's equity plus preferred stock plus total interest bearing debt (including capitalized leases) net of any cash or cash equivalents. EBITDA means earnings before interest, taxes, depreciation and amortization. In certain cases earnings have been adjusted for certain disclosed income or expense items considered to be non-recurring in nature. ROIC means return on invested capital and is defined as tax-effected EBIT divided by the sum of the book value of equity plus net debt. Working Capital is calculated as current assets, less cash, minus current liabilities excluding short-term borrowings and current portion of long-term debt.

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