Modern
DISTRIBUTION
MANAGEMENT®
Intelligence for Wholesale Distribution Professionals

VOL. 45, NO. 10
MAY 25, 2015

M&A Competition Heating Up

Strategic buyers, private equity firms vying for same targets

Unlike previous cycles of strong merger and acquisition activity in distribution, today's market is unique in that strategic buyers and private equity firms are going after the same targets, setting the stage for an especially compelling consolidation story in the second half of 2015.

By Jenel Stelton-Holtmeier and Eric Smith

When the Great Recession ended, merger and acquisition activity began a generally upward trajectory in terms of volume. Deal activity peaked in the last quarter of 2012 in advance of tax changes being implemented, but excluding this spike volume has generally continued to grow.

Domestic M&A activity across all industries equaled that peak in third-quarter 2014, according to Houlihan Lokey, and while that number has dipped in the two subsequent quarters, all signs point to continued consolidation for distribution in 2015 and beyond.

"The M&A market today is as strong as it's ever been," says Reed Anderson, head of Houlihan Lokey's industrial distribution practice. "That's generally speaking, but it's particularly true in the distribution space."

While the industry has seen strong M&A cycles in the past, usually it has been driven by either the strategic buyers – big players looking to expand and get bigger – or by private equity firms looking to invest in the industry. What makes this cycle different, according to Anderson, is that strategics and private equity firms are competing for the same targets.

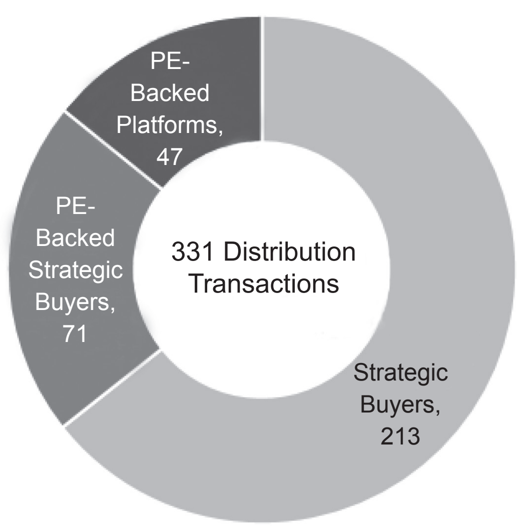
Strategic buyers still make up the lion's share of distribution M&A transactions. According to data from Supply Chain Equity Partners' proprietary distribution database, there were 331 distribution transactions completed in 2014. Of those, 213 were strategic buyer transactions, 47 were private equity-backed platforms and 71 were private equity-backed strategic buyers. (See **Figure 1**).

A "Unique Confluence"

The M&A market in distribution is "incredibly strong right now" because of the industry's financial strength and stability, says Jason Kliewer, co-head of Baird's distribution group.

Theoretically, it makes sense that strategic buyers would be willing and able to pay more for a business because of their ability to capitalize on synergies, but recently private equity has been able to outbid strategic buyers on many deals. Private equity firms have an abundance

Figure 1: 2014 Distribution Transactions



Source: Supply Chain Equity Partners proprietary distribution database.

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INSIDE

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PERSPECTIVE ■ Commentary by Thomas P. Gale

Multitasked to Distraction

Wanted: Productivity expert who can teach our team how to *not* use technology better. You read that right. I think we are pretty good at using technology in many ways, but there's a dark side. It may not have the same consequences as texting and driving, but there are a lot of tech habits we all fall into – some that company cultures enable. I'm starting to get really grouchy about it because it is costing my company and many others in wasted time, lost productivity and even critical thinking skills.

Top of my list are Outlook notifications – either an audible or visible notification for every single email, no matter how unimportant. Unless someone is in a direct customer service role, why would an employee need to hear a bell go off or see a screen pop-up so they can stop whatever task is underway and review a new message? And why is there a need to be alerted on receipt of every email?

I feel the same way about out-of-office notifications, especially if there is no clear alternate contact listed. I don't need to know you are on the beaches of Cancun and won't be checking email until next Monday. All you did was make me jealous, frustrated, angry or all three.

Next on my list is the use of email by teams/workgroups to hold a conversation better suited to either a two-minute stand-up meeting or some chat function. How many times do email threads in your company look more like a text message string? I may be showing my age, but how many email conversations take place between associates who are within 25-50 feet of each other?

Not far behind on my list are devices – in meetings, cars and most public areas. We have a company policy that phones, tablets and laptops are not allowed in meetings unless there is a specific presentation need for them. No multitasking allowed. Be present or not.

As long as I am on a rant, why is there a need in a business setting to have a ringtone volume that qualifies as a Coast Guard-approved signaling device in case of emergency?

We are in an amazing technology revolution that has transformed our lives and businesses, and will continue to. But like four-wheel drive, it is getting as many or more people into trouble as out of trouble. We are so distracted and tethered to our devices. We have discussed the above items as a group, but I know very few businesses that have a policy or effective ways to manage or optimize their technology usage. Please share your successes and I will be delighted to spread the word.

Now, don't get me started on meetings.

MODERN DISTRIBUTION MANAGEMENT

Founded in 1967 by J. Van Ness Philip

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Published twice monthly; $395/yr., $415 U.S. funds other countries. Six-month and two-year terms are available. For group subscription rates and site licenses, please contact Dillon Calkins at 303-443-5060 or visit www.mdm.com/corporate.

ISSN 0544-6538

M&A
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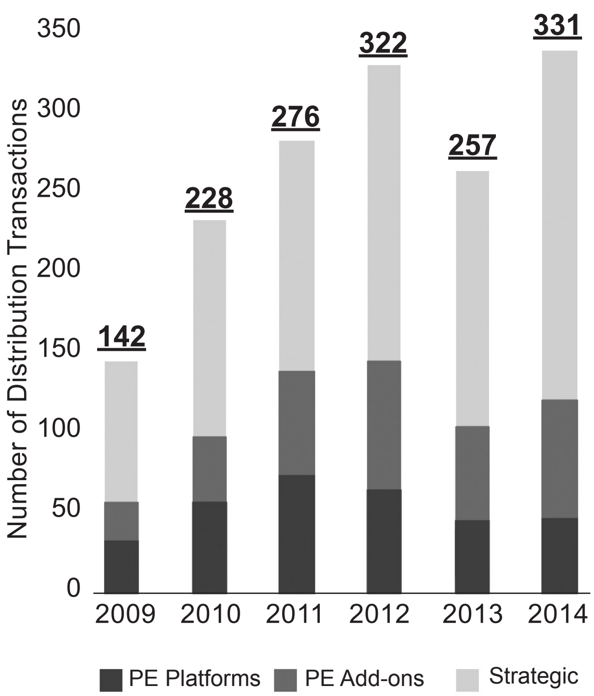
of cash on hand from investors and financing is cheap – meaning more money is available for larger deals. And distributors have proven to be valuable targets.

"The private equity community – both mid-market funds that have traditionally invested in distribution, as well as the larger cap funds – has really looked at distribution models," Kliewer says. "They saw the performance through the downturn, the cash generation of distribution in 2009 – for many distributors that was a record cash year. From an ability to finance a transaction with leverage, that's very attractive in terms of risk."

On the strategic buyer side, slower-than-desired overall gross domestic product growth in the U.S. appears to be hampering organic growth for many of the key players. As a result, companies that haven't historically been known as acquisitive are looking for ways to augment their balance sheets, while at the same time, historically acquisitive strategics are picking up the pace of investment.

"It is a low-growth environment for a lot of larger strategic buyers, and one of the ways they can continue to grow is to make an acquisition and cross-sell a broader product range," Kliewer says. "In addition to those cost opportunities,

Figure 2: Number of Wholesale Distribution Transactions



Source: Supply Chain Equity Partners proprietary distribution database.

the ability to take an acquisition and accelerate what would then be organic growth through cross-selling is very attractive."

This "unique confluence" of factors – strong financing markets, high cash availability and strategic buyers looking for growth – are keeping the M&A market hot for distribution, Anderson says.

But it also means that it is a seller's market, says Jim Miller, a principal and founder at Supply Chain Equity Partners. Sellers have high expectations for valuations, because they're seeing those valuations in the market.

However, conditions may be shifting slightly in favor of buyers. "It's becoming a little bit more of a favorable buyer environment," says Charley Hale, president of FCX Performance, a distributor of process flow control products. "We definitely see the number of opportunities out there increasing."

Hale says FCX has a "very robust pipeline" as it looks to acquire companies in the range of $25 million to $50 million in annual revenue, and that potential sellers are receptive to the offers being made.

Sector Activity

While activity in distribution is broad-based, some sectors are stronger than others. Industrial distributors, particularly those dealing in maintenance, repair and operations-related products, continue to be strong targets. And aftermarket automotive has seen a lot of activity over the past year, Miller says.

"But the sector that seems to be getting strong and building momentum is building products," he says. "In terms of just deal volume, we've seen a lot of stuff in the building products space."

Certainly some of the largest M&A deals in distribution so far in 2015 have been in the building materials space. In April, Builders FirstSource, Dallas, TX, agreed to acquire Denver, CO- based ProBuild Holdings LLC for $1.6 billion.

And rumors have been floated that US LBM Holdings LLC, Green Bay, WI, is for sale with expectations that it could fetch $1 billion at auction, according to a report from Reuters. Meanwhile, the building materials distributor has been buying up a slew of other companies, completing 14 acquisitions in the last nine months.

Housing and construction has been among the slowest areas to recover from the Great Recession, though several analysts say that it's hit bottom. Building products is a cyclical market, Anderson says. "The market has moved and

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Figure 3: Private Equity Buyer Activity – By Sector of Distribution

	2014		2013	
Sector of Distribution	Number of Distributors Acquired by PE in 2014	% in 2014	#	% in 2013
Industrial	48	*41%*	32	*31%*
Auto / Truck Parts Aftermarket	18	*15%*	10	*10%*
Building Products*	17	*14%*	17	*17%*
Consumer Products	9	*8%*	12	*12%*
Specialty Chemicals	6	*5%*	3	*3%*
Electrical / Electrconics	6	*5%*	7	*7%*
Foodservice & Beverage	5	*4%*	6	*6%*
Health Care	5	*4%*	9	*9%*
Other Sectors of Distribution	4	*3%*	6	*6%*
Total # of Distributors	118	*100%*	102	*100%*

*Building Products category includes HVACR/Plumbing distribution M&A, as well as other transactions involving distributors of product categories such as roofing, lumber, landscaping, kitchen cabinets and construction-related supplies.

Source: Supply Chain Equity Partners proprietary distribution database. PE transactions include PE platforms and add-ons.

now it's in the upswing."

The economics of the U.S. residential construction sector, which has seen housing unit starts climb back to 1 million or more per month, bodes well for the building materials sector as it stages a slow but steady recovery.

"The market hasn't rebounded strongly, but there's a lot of excess capacity in some areas of distribution of building products," Kliewer says. "And at the same time there are more experts that think we're in for a longer, slower recovery, which in many ways is more conducive to a longer-term growth potential for the sector."

Oil and gas-related businesses are the exception to the strong activity. "That sector kind of shut down for a while because of the quick decline in prices for oil, so any activity you see there now is more borne out of the distress side," Anderson says.

Negative Influences

The significant deflation experienced in the price of oil since July 2014 also adds a lot of uncertainty for businesses that are impacted directly and indirectly by the economics around oil and gas.

"That deflation in oil has been causing deflation on a lot of byproducts that run through distribution," Miller says. And that may be responsible for some of the pullback in M&A activity in some areas.

There's also uncertainty around the financing market. While it's as good as it's ever been, "no one expects it to get better," Anderson says. So the question over everyone's heads is when is it going to go the other direction – and how quickly?

For now, expectations are for continued financing strength, but the concern is out there, he says.

Limited volume of exceptional targets may also be slowing activity, according to Miller. "The deal flow is still pretty strong, but there was tremendous pull-forward of deal activity in 2012 in advance of tax rates going up," he says. "I'm not sure how many companies that were pulled forward in their natural evolution would have been on the blocks around now."

"It's harder and harder today to buy solid platform businesses versus where it was a number of years ago," Anderson says. "People are willing to stretch more on valuations."

However, the positives in distribution M&A continue to outweigh the negatives, and activity is expected to be strong through 2015.

"I see over the next couple of years, unless there's a market correction or any of the unknowables that can come our way, a continued strong M&A market for distribution," Kliewer says.

■ *2015 State of E-Commerce in Distribution, part 2*

Integrate or Stagnate

Integrated marketing will help drive e-commerce demand

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The fourth annual MDM distribution e-commerce survey conducted with Real Results Marketing revealed that the barrier to entry for e-commerce has lessened, but distributors are still deciding if they should launch e-commerce capability on their websites.

Part 1 of this series showed how the industry's e-commerce offerings are maturing.

By Jonathan Bein, Ph.D., and Dean Mueller

The fourth annual MDM distribution e-commerce survey, conducted with Real Results Marketing, revealed several key trends, including:

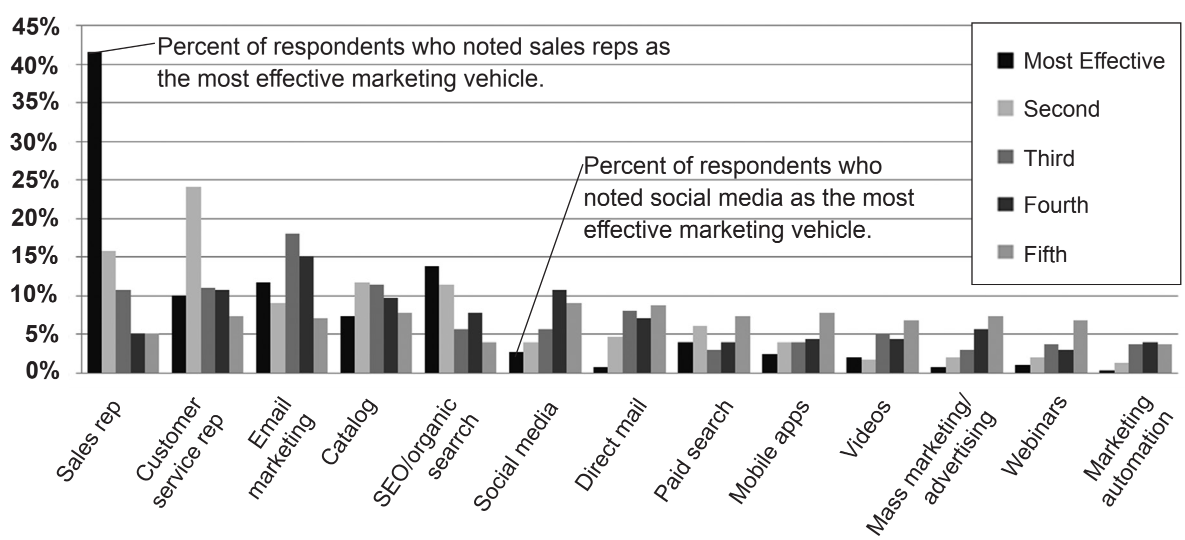
1. Distributors of all sizes have launched or are launching an e-commerce capability because the barrier to entry has been reduced. However, a significant percentage of these distributors are seeing very little revenue traction through their e-commerce site, even after several years.
2. Many distributors are still trying to determine if, not how or when, they will develop and launch an e-commerce capability. The reluctance is often based on an incorrect perception of how quickly the world is changing or outdated assumptions about the cost of entry.

While these trends appear to be conflicting, there is an underlying commonality between distributors that have launched with little growth and those unsure if they should develop an e-commerce capability at all: Both groups have a limited tactical view of what e-commerce does and how it relates to their businesses. In this tactical view, distributors view e-commerce as an ordering mechanism that is part of a cost center driven by IT. For the first group, this tactical view results in a passive approach to promoting the site or driving demand. For the second group, this tactical view reinforces a belief that, despite losing some transactions to e-commerce, they can retain the customer for other business in the branch or with a customer service representative.

The strategic view of e-commerce is of a shopping and ordering mechanism that is part of a profit center driven by marketing or a dedicated e-commerce division. The strategic view recognizes that shopping and buying trends are changing rapidly among all generations, not just

Figure 1: Marketing Vehicle Effectiveness

Distributors were asked to rank their most-effective marketing vehicles out of the 13 listed in the chart below. This chart illustrates, for example, what percentage selected email marketing as the most effective, second most effective, and so on for each vehicle.



millennials. It further recognizes that a distributor's digital presence is increasingly becoming the first or the most significant impression a potential customer has. Distributors that have a strategic view of e-commerce place a big emphasis on ROI from demand generation through marketing programs and through the sales organization.

Marketing Vehicle Effectiveness and Spend

This year, the question on marketing vehicle effectiveness for driving e-commerce demand included field sales and customer service as choices for vehicles. The survey demonstrated that offline vehicles have a significant impact on driving e-commerce demand. Four of the top seven most effective vehicles are offline including sales rep, CSR, catalog and direct mail.

As shown in **Figure 1**, the sales rep is overwhelmingly considered the most effective vehicle for driving e-commerce demand. Customer service reps are considered second most effective and are comparable in effectiveness to email marketing. Email, catalog and SEO were the top choices in last year's survey, and their order remains the same as last year.

While respondents consider SEO/organic search effective, they do not consider paid search effective. Of more than 100 distributor websites, fewer than 20 do much with paid search; it is a competency that most distributors develop as they reach the end of the nascent stage of e-commerce maturity. And, as with last year, marketing automation still plays no role for almost 90 percent of distributors.

Distributors spend the most to drive e-commerce demand through email marketing and catalog. However, in last year's survey, direct mail was third among the choices for spend and this year it is fourth, replaced by SEO/organic search. Mass marketing moved down to seventh this year from fifth last year.

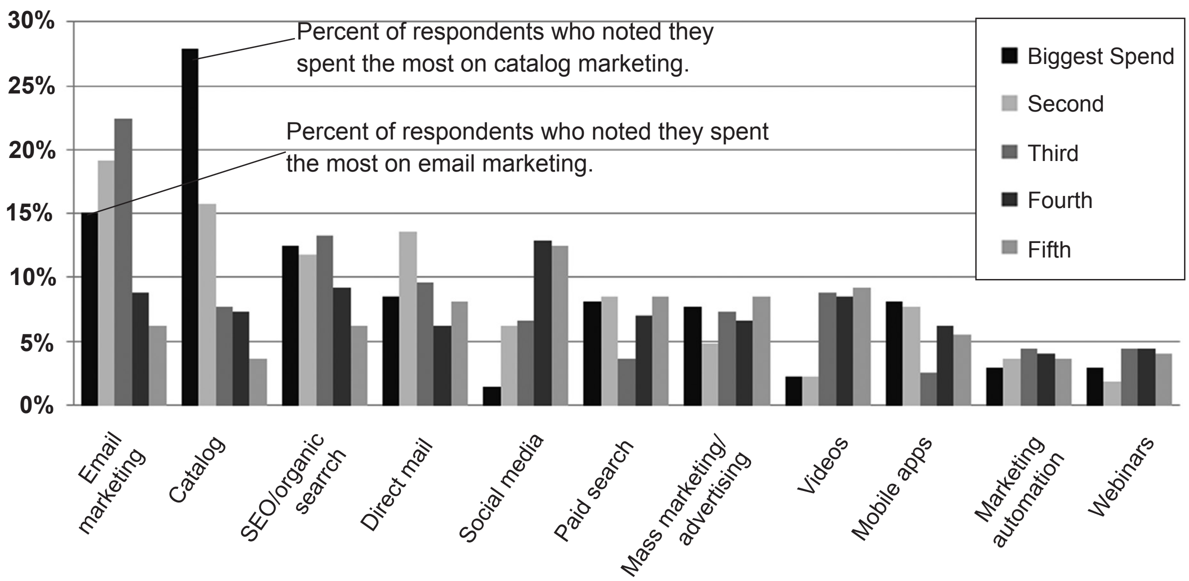
The Integrated Marketing Approach

Though the survey showed the importance of offline marketing for driving e-commerce demand, many distributors make the mistake of assuming that since buying is digital, shopping must also be digital. This restricts the marketing vehicles to SEO, paid search and email marketing or marketing automation when other offline vehicles are relevant. (See **Figure 2**).

Real Results Marketing is performing a syndicated shopping and buying survey with several thousand end users from multiple distributors to answer four key questions relevant to an effective integrated marketing approach for e-commerce:

Figure 2: Marketing Vehicle Spend

Distributors were asked to rank their spend by marketing vehicle out of the 11 listed in the chart below. This chart illustrates, for example, what percentage allocated the highest spend to email marketing, as well as how many allocated the second-biggest spend to that category, and so on for each vehicle.



1. How do my customers shop (not order)? The aggregate data in the survey says that the most common shopping methods are:

- going to a manufacturer website.
- using search.
- going to a distributor website.

While distributors might take comfort that going to a distributor website is third among a list of 10 choices, they should be concerned that an end user is more likely to go to a manufacturer website. Distributors that want to be successful with e-commerce need to ensure that their own e-commerce site is a destination – rich with information that is easy to find.

2. How do my customers order? Among a choice of 10 ordering methods, the ones used most prevalently, in order, are:

- email.
- over the phone with a CSR.
- website.

However, the preferences of end users for a single distributor may vary significantly from the aggregate. For one distributor whose end users participated in the study, over the phone was by far the preferred method and in the branch was more popular than ordering by website.

3. How do my customers want to receive communication? Customers want to receive communication in more ways than distributors typically imagine. Most distributors project their own individual preferences as a consumer onto their customers and conclude that their customers don't want email, phone calls or print mail. But our research shows overwhelmingly that a significant portion of customers is willing to receive such communications. In addition, more than 80 percent are willing to receive a print catalog annually or more frequently.

The aggregate trend is moving away from field sales toward more efficient mechanisms for communication, shopping and buying. About 35 percent of end users either never want a field sales visit or want one only once per year. Again, individual mileage does vary significantly: more than 90 percent of one distributor's end users want a field sales visit at least monthly.

4. What ordering methods do my customers require to continue business with me? Many distributors assume they are losing some transactions as a result of having a subpar e-commerce site. Our research strongly indicates that many of these distributors are actually losing customers, not just transactions. It is imperative to find out what your customers require to do business with you. If they require good mobile ordering, you need to deliver that or you could easily lose 1 percent to 4 percent of your customers per year for the next several years.

Getting clear answers to these questions will deeply inform an e-commerce and integrated marketing strategy. Distributors must understand what their customers and prospects require to determine where the focus should be. The integrated marketing strategy will systematically grow revenue and retain customers who might otherwise find another supplier.

This survey was conducted and produced by MDM and Real Results Marketing and sponsored by hybris, an SAP Company.

About This Research

This research was conducted by Real Results Marketing with Modern Distribution Management. The research included an online survey taken by 415 participants across a variety of distribution sectors.

There was heavier participation from industrial, safety, electrical, electronics, building materials, janitorial, HVACR/plumbing and hardware. Other participating sectors include oil and gas products, pulp and paper, chemicals and plastics, grocery/foodservice and pharmaceutical.

Nearly 40 percent are small distributors with less than $50 million revenue, more than 30 percent are mid-market with $50 million to $500 million revenue, and 19 percent are large with more than $500 million revenue. Others did not disclose the revenue range.

About 30 percent are primarily focused on MRO, 12 percent are focused on OEM customers, 28 percent serve trades/contractors, 20 percent are an even blend of MRO and OEM, and 10 percent are in other categories.

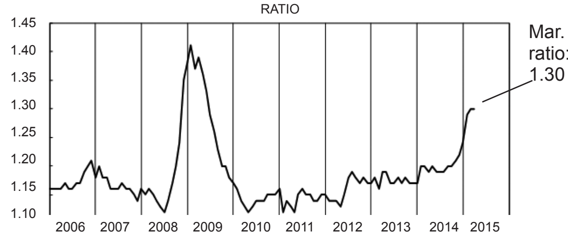
Monthly Wholesale Trade Data

Wholesale revenues in March were $441.6 billion, down 0.2 percent from the revised February level and down 4 percent from the March 2014 level. March sales of durable goods were up 1.3 percent from last month and up 2.5 percent from a year ago. Sales of nondurable goods were down 1.5 percent from February and down 9.6 percent from last March.

Inventories. Inventories were $574.5 billion at the end of March, up 0.1 percent from the revised February level and up 5.1 percent from March 2014. March inventories of durable goods were up 0.5 percent from last month and up 7.4 percent from a year ago. Inventories of nondurable goods were down 0.4 percent from February, but were up 1.5 percent from last March.

Monthly Inventories/Sales Ratios of Merchant Wholesalers: 2006-2015

(Estimates adjusted for seasonal and trading-day differences, but not for price changes)



Source: U.S. Census Bureau

Inventories/Sales Ratio. The March inventories/sales ratio for merchant wholesalers was 1.30. The March 2014 ratio was 1.19.

Sales and Inventories Trends: March 2015

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	Percent Change Sales 2/15-3/15	Percent Change Sales 3/14-3/15	Percent Change Inventory 2/15-3/15	Percent Change Inventory 3/14-3/15
42	**U.S. Total**	**441,598**	**574,499**	**1.30**	**-0.2**	**4.2**	**0.1**	**5.1**
423	**Durable**	**215,969**	**357,722**	**1.66**	**1.3**	**2.5**	**0.5**	**7.4**
4231	Automotive	35,996	59,724	1.66	2.5	8.1	0.2	10.5
4232	Furniture & Home Furnishings	6,534	10,678	1.63	1.2	8.2	2.2	7.0
4233	Lumber & Other Construction Materials	9,234	13,670	1.48	-1.1	5.0	-0.8	-1.9
4234	Prof. & Commercial Equip. & Supplies	37,223	40,870	1.10	0.5	1.8	0.9	7.7
42343	Computer Equipment & Software	19,126	16,196	0.85	-0.2	-0.6	1.7	9.2
4235	Metals & Minerals	14,301	32,218	2.25	-2.6	-4.9	-0.3	11.2
4236	Electrical Goods	47,848	48,366	1.01	3.2	7.4	1.4	11.5
4237	Hardware, Plumbing, & Heating Equipment	10,463	22,202	2.12	1.1	5.4	1.0	11.1
4238	Machinery, Equipment & Supplies	35,602	103,329	2.90	2.4	0.7	0.4	6.4
4239	Miscellaneous Durable	18,768	26,665	1.42	-2.3	-10.7	-0.5	-4.0
424	**Nondurable Goods**	**225,629**	**216,777**	**0.96**	**-1.5**	**-9.6**	**-0.4**	**1.5**
4241	Paper & Paper Products	7,780	7,648	0.98	0.9	1.0	-0.2	2.5
4242	Drugs	49,708	54,779	1.10	-0.3	14.4	0.6	15.6
4243	Apparel, Piece Goods & Notions	14,689	27,452	1.87	3.6	6.6	0.5	6.0
4244	Groceries &Related Products	49,909	32,560	0.65	-1.5	-0.6	0.7	5.6
4245	Farm-product Raw Materials	18,132	20,812	1.15	-7.0	-19.3	-2.8	-13.5
4246	Chemicals & Allied Products	10,966	11,993	1.09	0.8	-0.3	-1.1	-1.7
4247	Petroleum & Petroleum Products	41,981	18,158	0.43	-5.1	-40.5	-4.3	-24.3
4248	Beer, Wine & Distilled Beverages	11,033	15,339	1.39	1.1	4.6	1.2	5.3
4249	Miscellaneous Nondurable Goods	21,431	28,036	1.31	1.1	7.6	-0.7	3.1

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. 45, NO. 10 | MAY 25, 2015

Kaman's Distribution Segment Launches New Brand

The distribution segment of Kaman Corp., Bloomfield, CT, has launched a new brand, Kaman Automation, Control & Energy, to serve original equipment manufacturers, industrial production plants and infrastructure facilities throughout the world.

The company created Kaman AC&E through the collaboration of existing resources from within Kaman Industrial Technologies Corp., including its longstanding bearing and power transmission business, Minarik Corp., which operates its motion and control business, and KIT Zeller Inc., which operates its automation, power and energy business.

Kaman AC&E, with 500 employees operating out of 27 facilities, will deliver products and services through three functional components – engineering, manufacturing and distribution. The brand will be further supported by over 200 other facilities operated by Kaman and staffed by more than 2,000 employees.

"The formal launch of the Kaman Automation, Control and Energy platform of Kaman Distribution is a significant milestone in the growth of our organization, and represents a tremendous opportunity for our customers, as we can provide them with the entire gamut of products, services and integration from one source," said Gary Haseley, senior vice president and general manager of Kaman AC&E.

"With our broad geographic footprint, all-encompassing engineering capabilities, expertise in manufacturing and assembly, and extensive inventory of products from world-class suppliers, we believe we are the only national organization of its kind. We feel our capabilities combined with our commitment to putting our customers first will help our customers meet their return-on-investment goals, which ultimately will lead to our continued success."

Distributor News

Grainger, Chicago, IL, reported daily sales for April increased 1 percent over the same period a year ago. U.S. segment sales were up 1 percent year-over-year and Canadian segment sales were down 6 percent, but up 5 percent in local currency. Other businesses segment sales increased 4 percent compared to April 2014, or 19 percent in local currency.

Sonepar USA subsidiaries **Crawford Electric Supply**, Dallas, TX, and **Cooper Electric**, Monroe, NJ, have acquired **Trinity Electric Supply** and **Ciro Electrical Supply Co**., respectively.

St. Louis, MO-based **Graybar**, a distributor of electrical, communications and data networking products, reported sales for the first quarter of $1.4 billion, a 6.2 percent increase compared to the same period a year ago. Profit increased 10.1 percent to $12.4 million.

Graybar has opened a new location in Orem, UT.

Universal Supply Co., a subsidiary of building materials distributor **US LBM Holdings LLC**, Green Bay, WI, has acquired **A&C Supply**, a distributor of construction fasteners, tools and supplies in the Delaware Valley.

K-I Lumber, a subsidiary of **US LBM Holdings LLC**, has acquired three companies in Louisville, KY – **Boland Maloney Lumber**, **Kingbrook Window and Door**, and **Structural Component Systems**.

P. Cody Phipps has resigned from his position as president and CEO of **United Stationers Inc.**, Deerfield, IL. Robert B. Aiken Jr. will succeed Phipps as interim president and CEO during the search for a permanent CEO.

Building products distributor **ABC Supply Co. Inc**., Beloit, WI, has acquired exterior building materials distributor **Elite Home Supplies Inc**., Bay City, MI.

The Fastenal Company, Winona, MN, reported sales for April of $334.5 million, a 6.1 percent increase over the same period a year ago. Daily sales increased 6.1 percent to an average of $15.2 million.

Airgas Inc., Radnor, PA, a supplier of industrial, medical and specialty gases, has acquired industrial gas and welding supply distributor **Valley Air Supply Inc**., Muscle Shoals, AL.

Airgas Inc. has opened a specialty gases facility in Tooele, UT.

NOW Inc., Houston, TX, reported sales for the first quarter of $863 million, down 19.9 percent year-over-year. The company reported a loss of $10 million for the quarter, compared to a profit of $41 million in the prior year quarter.

Bossard Group, Zug, Switzerland, has agreed to acquire the fastening solutions division of French company **Titanox**, which has annual sales of €6 mil-

continued on p.2 of this section

MARKETS UPDATE SUPPLEMENT P. 2

News Digest
Continued from p. 1 of this section

lion (US$6.8 million).

TPC Wire & Cable Corp., Macedonia, OH, has been acquired by **Audax Private Equity**, Boston, MA.

Canadian distributor **Wajax Corp**. reported sales for the first quarter of $317.2 million, a 4.3 percent decrease year-over-year. Profit decreased 14.9 percent to $5.7 million.

Industrial distributor **DXP Enterprises Inc.**, Houston, TX, reported sales for the first quarter of $341.6 million, a 2 percent decrease year-over-year. Organic sales were down 5.2 percent. Profit decreased 12 percent to $9.7 million.

Aerospace distributor **Wesco Aircraft Holdings Inc.**, Valencia, CA, reported sales for the second quarter of $385.6 million, up 17.8 percent from the same period a year ago. Second-quarter profit fell 5.2 percent to $23 million. Sales for the first six months were $759.3 million, up 37.5 percent from the same period a year ago. Profit for the first six months was $42.8 million, down 12.1 percent.

Beacon Roofing Supply Inc., Herndon, VA, reported sales for the fiscal second quarter of $413.2 million, a 7.4 percent increase year-over-year. Beacon reported a loss of $9.8 million for the quarter, compared to a loss of $12.1 million in the prior-year quarter. Year-to-date sales were $1 billion, up 7.7 percent from the prior-year period. Profit increased 10.7 percent to $3.1 million.

Houston Wire & Cable Co., Houston, TX, reported first quarter sales of $81.6 million, down 18.6 percent year-over-year. Profit decreased 41.6 percent to $2.2 million.

Park-Ohio Holdings Corp., Cleveland, OH, reported first-quarter sales of $374.7 million, an increase of 17.9 percent year-over-year. Profit increased 6.9 percent to $10.8 million.

BlueLinx Holdings Inc., Atlanta, GA, reported sales for the first quarter of $454.9 million, an increase of 2.5 percent year-over-year. The company reported a loss of $8.9 million for the quarter, compared to a loss of $8.6 million in the prior year quarter.

The Home Depot, Atlanta, GA, reported sales

Calculation of MDM Inflation Index for April 2015

		BLS Price Indices Apr '15	BLS Price Indices Mar '15	BLS Price Indices Apr '14	% Sales Weight	Weighted Indices Apr '15 (1)X(4)	% Change Apr '15 Mar '15	% Change Apr '15 Apr '14
1136	Abr. Prod.	575.9	582.7	578.6	19.1	110.00	-1.17	-0.46
1135	Cutting Tools	506.0	506.0	494.0	18.9	95.63	0.00	2.41
1145	Power Trans.	811.6	809.8	802.0	15.4	124.99	0.23	1.21
1081	Fasteners	511.0	512.6	510.4	9.0	45.99	-0.32	0.11
1149.01	Valves, etc.	962.7	962.1	962.4	7.6	73.17	0.07	0.03
1132	Power Tools	368.7	368.7	362.0	6.5	23.96	0.00	1.84
1144	Mat. Handling	593.2	592.3	579.4	6.2	36.78	0.15	2.38
0713.03	Belting	834.0	834.0	838.8	6.1	50.87	0.00	-0.58
1042	Hand Tools	784.6	784.6	783.6	8.1	63.55	0.00	0.13
108	Misc. Metal	478.0	478.3	477.2	3.1	14.82	-0.06	0.18

"New" April Index	334.3	April Inflation Index	639.76	-0.17	0.69
"New" March Index	334.8	March Inflation Index	640.82		
		April 2014 Inflation Index	635.35		

New index reflects 1977-100 base other #: 1967 To convert multiply by .52247 for the first quarter of $20.9 billion, a 6.1 percent increase year-over-year, with comparable store sales also up 6.1 percent. Profit for the first quarter increased 14.5 percent to $1.6 billion.

Metals distributor **Ryerson Holding Corp.**, Chicago, IL, has named Edward J. Lehner as president and CEO.

C.H. Briggs Company, Reading, PA, distributor of interior and specialty building products in the U.S., has appointed Jonathan Peters as president and COO, reporting to CEO Julia Klein.

The **Association of Millwork Distributors** has changed its name to **World Millwork Alliance.**

Economic News

March **U.S. cutting tool consumption** totaled $197.6 million, according to the U.S. Cutting Tool Institute and the Association for Manufacturing Technology. This total, as reported by companies participating in the Cutting Tool Market Report collaboration, was up 4.6 percent from March 2014 and up 9.8 percent from February.

March **U.S. manufacturing technology orders** totaled $399.8 million, according to the Association For Manufacturing Technology. This total, as reported by companies participating in the USMTO program, was up 30.3 percent from February but down 18.7 percent when compared to March 2014.

Manufacturing sector productivity decreased 1.1 percent in the first quarter as output decreased 1.2 percent and hours worked edged down 0.1 percent, according to the U.S. Bureau of Labor Statistics. Productivity decreased 2.3 percent in the durable manufacturing sector and was unchanged in the nondurable manufacturing sector.

The **Producer Price Index** for final demand fell 0.4 percent in April, seasonally adjusted, according to the U.S. Bureau of Labor Statistics. On an unadjusted basis, the index for final demand declined 1.3 percent for the 12 months ended in April.

Industrial production decreased 0.3 percent in April for its fifth consecutive monthly loss, according to the Federal Reserve. **Capacity utilization** for the industrial sector decreased 0.4 percentage point in April to 78.2 percent.

Privately owned housing starts in April were at a seasonally adjusted annual rate of 1,135,000, according to the U.S. Census Bureau and the Department of Housing and Development. This is 20.2 percent above the revised March estimate and is 9.2 percent above the April 2014 rate.

The combined value of **distributive trade sales and manufacturers' shipments** for March, adjusted for seasonal and trading-day differences but not for price changes, was estimated at $1,309.7 billion, up 0.4 percent from February and down 2.1 percent from March 2014, according to the U.S. Census Bureau.

Construction employers added 45,000 jobs in April and 280,000 over the past year, as the sector's unemployment rate fell to a nine-year April low of 7.5 percent, according to the Associated General Contractors of America.

Prices for U.S. imports declined 0.3 percent in April, after decreasing 0.2 percent in March and 0.4 percent in February, according to the U.S. Bureau of Labor Statistics. **U.S. exports** fell 0.7 percent in April following a 0.1 percent rise the previous month.

The **NFIB Small Business Optimism Index** rose 1.7 points to 96.9 in April, this in spite of a quarter of virtually no economic growth. The index remained below the January reading, and nine of the 10 index components gained or were unchanged. Fifty-three percent reported hiring or trying to hire (up 3 points), but 44 percent reported few or no qualified applicants for the positions they were trying to fill.

The **Canadian wholesale services price index** increased 1.6 percent in the fourth quarter. Of the eight major wholesale sectors, five recorded higher margins and three recorded lower margins.

Canadian manufacturing sales increased 2.9 percent to C$51 billion (US$42.5 billion) in March, the second increase in six months, according to Statistics Canada. The increase follows a 2.2 percent decline in February.

Canadian municipalities issued building permits worth C$6.9 billion (US$5.7 billion) in March, up 11.6 percent from February. The increase in March resulted from higher construc-

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tion intentions for non-residential buildings in British Columbia and Alberta and for multi-family dwellings in Ontario and British Columbia.

Compared with February 2015, March **industrial producer prices in Europe** rose by 0.2 percent in both the euro area (EA19) and the EU28, according to Eurostat, the statistical office of the European Union. Compared with March 2014, industrial producer prices fell 2.3 percent in the euro area and 2.9 percent in the EU28.

Compared with February, **seasonally adjusted industrial production** in March decreased 0.3 percent in the euro area (EA19) and remained stable in the EU28, according to estimates from Eurostat. Compared with March 2014, industrial production increased by 1.8 percent in the euro area and by 2 percent in the EU28.

The **Power Transmission Distributors Association Business Index** reading for the first quarter was 67.7, up from the 4Q2014 reading of 66.4, indicating slowing but continued positive growth. Distributors reported more positive business activity and new orders for the first quarter than manufacturers, a notable change from the same period a year ago.

Manufacturer News

Danaher Corp., Washington, DC, intends to separate into two independent companies, a science and technology growth company that will retain the **Danaher** name and **NewCo**, a diversified industrial growth company.

Japan-based motor manufacturer **Nidec Corp.** has acquired Italy-based **Motortecnica s.r.l.** through its subsidiary, **Nidec ASI S.p.A.**

Motion control manufacturer **Allied Motion Technologies Inc.**, Amherst, NY, reported sales for the first quarter of $59.6 million, a decrease of 1.4 percent compared to the same period a year ago. Profit increased 38.5 percent to $3 million.

Kennametal Inc., Latrobe, PA, reported sales for the fiscal third quarter of $639 million, a 15.4 percent decrease year-over-year. The company reported a loss of $46.2 million, compared to a profit of $50.9 million in the prior year quarter. Year-to-date, Kennametal reported sales of $2 billion, down 2.7 percent from the same period a year ago. The company reported a loss of $395 million, as compared to a profit of $112.9 million in the first nine months of fiscal 2014.

Continental Building Products Inc., Herndon, VA, manufacturer of gypsum wallboard and finishing products, reported first quarter sales of $92.2 million, an increase of 6 percent year-over-year. Profit was $2 million, compared to a loss of $8.6 million in the prior year quarter.

Hubbell Inc., Shelton, CT, has named Kevin A. Poyck, Rodd R. Ruland and Darrin S. Wegman as group presidents for its lighting, construction and energy, and commercial and industrial businesses, respectively.

Louisiana-Pacific Corp., Nashville, TN, reported sales for the first quarter of $471.7 million, an increase of 6 percent year-over-year. The company reported a loss of $34.5 million, compared to a loss of $14.2 million in the prior year quarter.

General Cable Corp., Highland Heights, KY, reported sales for the first quarter of $1.3 billion, down 11.7 percent year-over-year. The company reported a loss of $38.1 million, compared to a loss of $315.4 million in the prior year quarter.

Emerson, St. Louis, MO, reported sales for the fiscal second quarter of $5.4 billion, down 7 percent from the prior-year quarter. Profit increased 78 percent to $973 million. For the first six months of the fiscal year, sales were $11 billion, down 4 percent from the prior-year period. Profit increased 48 percent to $1.5 billion.

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ISSN 0544-6538

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