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Behind the Deal: Anixter & HD Supply

Power Solutions sale expands Anixter's core, sharpens HD Supply's focus

Anixter International Inc. recently announced it would acquire HD Supply's Power Solutions division, one of its core lines of business. This article looks at how the $825 million deal benefits both companies.

By Eric Smith

The roots of Anixter International Inc.'s acquisition of the Power Solutions division of HD Supply Holdings Inc. for $825 million trace back to strategic planning meetings the Glenview, IL, company held over the past few years. During those meetings, Anixter's management team identified a pair of gaps in the company's electrical business and brought those findings to the board, according to President and CEO Bob Eck.

First, the company lacked breadth in its electrical and electronic wire & cable business. As a specialty distributor in that product line, Eck says, Anixter had been "really good at identifying specifications for products that support a specific requirement a customer has and providing supply chain services around that," but Anixter hadn't been able to gain traction in a significant part of the market – mid-size construction projects.

Anixter was capable of meeting customers' needs for smaller day-to-day orders while also satisfying the demands of larger industrial projects, Eck says, but company executives recognized that wire and cable wasn't substantial enough in total spend for customers working on mid-sized projects to break it out separately from the electrical package. That meant customers would buy their equipment and their wire and cable from one source – and Anixter wasn't equipped to be that one-stop shop.

Anixter's second gap was in the utility business. Eck says the company had been losing market share to companies with a broader offering, particularly in the utility MRO space, as well as in transmission and distribution. With the economy finally on the upswing with projects roaring back to life, the company decided now was the time to bolster that platform.

"We believe that we're in the early stages of a capital investment cycle in the utility market in the U.S., particularly, and we wanted to address the weakness in our utility business and take advantage of that capital spend cycle," Eck says.

Addition by Subtraction

As Anixter looked to fill gaps in its business, HD Supply, Atlanta, GA, was looking to simplify. When the company sold its Hardware Solutions division to The Home Depot in December, four core businesses remained: Facilities Maintenance (FY14 revenue of $2.5 billion); Waterworks ($2.4 billion); Power Solutions ($1.9 billion); and White Cap ($1.5 billion).

But shedding one business and keeping those four didn't move the needle enough. And while divesting Power Solutions meant losing nearly a quarter of HD Supply's annual revenue, proceeds from the sale would offer more flexibility for the company to reduce debt.

"If you look at the strategic rationale for the transaction for HD Supply, at the highest level it allows us to enhance our business mix, and it will accelerate our capital structure strategy," says President and CEO Joe DeAngelo. "We're in the process of evaluating the precise application of the proceeds, but we intend to be able to utilize them entirely to reduce debt."

Power Solutions made the most sense as the odd division out, DeAngelo says, because "the other three all have established clear No. 1 positions in their space." In

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INSIDE

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PERSPECTIVE ■ Commentary by Thomas P. Gale

The Next Normal for M&A

During the midsummer doldrums, two big acquisition deals announced in the past few weeks are worth analyzing:

- Grainger plans to acquire Cromwell Group, the largest independent MRO distributor in the UK, for a little more than Cromwell's annual revenue of US$442 million, or about 11x EBITDA margins.
- The Home Depot plans to buy Interline Brands for $1.6 billion, just under its 2014 annual revenue of $1.7 billion.

Both these deals break some current molds and at least start to paint a picture for how M&A might look different going forward. You could define normal the past few years as a continuation of portfolio building in the U.S. by European distributors, such as Sonepar, Wurth and others. For North American companies, it has been a feeding frenzy across a few strategic opportunity levels: grow market share by geographic acquisition within a core product portfolio or grow wallet share by expanding into other product categories.

Overall, it has been a seller's market, where the pool of highly attractive acquisition targets within many highly fragmented verticals is getting picked pretty hard. Financial market conditions continue to fuel record levels of demand.

Both the Grainger and Home Depot deals push this envelope more than a bit by exploring new markets and channels for growth opportunity through acquisition.

After years of M&A acquisition activity by European companies buying up industrial distribution capacity in North America, Grainger's big-time entry into the UK market turns the tide, with an e-commerce beachhead twist to it. Grainger sees adoption of online sales lagging Europe (Cromwell's digital sales are relatively low). Grainger expects to boost its German online business as well as in the UK by using Zoro. It's a pure e-commerce site targeted at smaller customers, and modeled on its predecessor in Japan, MonataRO, which Grainger holds a stake in. Grainger has grown Zoro in the U.S. from startup to $300 million in four years.

At one level you could say this move by Grainger is merely an extension of its successful multichannel growth strategy, but it is a bit more creative than recent add-ons in the way it integrates the pieces.

As for Home Depot, its more definitive move back into B2B from B2C definitely gets it outside the retail box and beyond services to build a growth strategy into larger professional customers and markets with higher growth potential and stronger service components.

I expect we will continue to see more creative crossovers across these dimensions in the deals ahead that will change the shape of competitors.

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Behind the Deal
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other words, Facilities Maintenance, Waterworks and White Cap segments faced less threatening competition in their space than Power Solutions did, particularly on the low-voltage side.

"There are some formidable global players that have billions and billions of dollars of market share out there," DeAngelo says. "It's a very different business aspect on that side, the low-voltage side. On the high-voltage side, we were clearly No. 1. Anixter's strategy was to be able to extend themselves in the high-voltage side."

Build vs. Buy

Anixter debated two approaches to filling its gaps: building organically or pursuing an acquisition target that would meet its needs more quickly.

Organically solving the problem meant identifying new product lines and suppliers, hiring and training additional salespeople and building up the divisions "one customer at a time," Eck says. "Or, you can go out and do an acquisition and accelerate that process of filling the gaps very dramatically."

Eck says the company steered away from organic growth for another reason – some suppliers maintain a committed channel structure and aren't looking for additional distribution, particularly in the highly fragmented electrical space. "There may not have been enough room for the suppliers to fit us into their distribution strategy," he says.

Around the same time Anixter entered full acquisition mode, HD Supply was entertaining offers for Power Solutions.

"We always have great incoming interest for all our business models," DeAngelo says. "The way I look at it is we have very differentiated business units. They're all very strong, and people would find them attractive additions to their business. There's nothing different in this case. Power Solutions was a sought-after asset."

Finally cultivated and inked last month, the $825 million agreement for Anixter to acquire Power Solutions means it is adding $1.9 billion in revenue, $79 million in EBITDA, 200,000 SKUs, 1,800 employees and 130 branches – but the numbers weren't all that mattered to Eck and DeAngelo.

Cultural Alignment

Anixter's pursuit of Power Solutions as an acquisition target is recent, but its familiarity with the division predates the formation of HD Supply. A few years ago Anixter studied some best-in-class supply chain service providers as a way to benchmark its own successes and weaknesses. One of the companies that Anixter analyzed was Hughes Supply Inc., which, through subsequent acquisitions and spinoffs, ultimately became the Power Solutions division of HD Supply.

Based on the research it had done on Hughes – even though this was a different iteration of the company – Anixter had found not only the right business fit, but the best cultural fit, as well.

"We knew the Hughes background, we knew their reputation for supply chain, we knew the HD Supply reputation for integrity," Eck says. Anixter executives liked what they saw in the company's value-add services, management style and talented employees, the latter of which was most critical because "distribution is all about the people."

That cultural alignment also was important to DeAngelo, who says during a divestiture he always makes sure that "our associates are going to a great home. From day one … it was a good fit. The cultures were very much a match."

"At the end of the day we think this is a very exciting next chapter of our Power Solutions associates joining Anixter," he says. "It's very complementary relative to understanding the profit pools of Power Solutions. There's nice overlap and adjacency for customers, suppliers, products, everything that makes a business work well."

Not only was Anixter a good home for Power Solutions employees, "where they could live to their full potential and execute to their full potential," but the transaction was positive from an HD Supply shareholder standpoint, DeAngelo says. "We were able to hit that. We are very, very pleased with the transaction."

Moving Forward

Anixter looks different now than it did just a year ago due to the $420 million purchase of Tri-Ed that closed last September, the $380 million divestiture of its Fasteners division that closed this June and this $825 acquisition of HD Supply's Power Solutions division that will close in the third quarter. Despite these changes, the company's focus hasn't changed. Rather, it has been "sharpened," according to Eck.

"There's nothing wrong with the fasteners business, but it's a little bit more of an inefficient working capital and operating model and a little less flexible than the model in the data-comm and security and electrical businesses,"

he says. "That challenge brought a lower return on capital investment, so we made a decision to reallocate the capital away from the fastener industry and into our electrical and security businesses where we think there's a better chance to achieve the kind of return on invested capital we do across the rest of the business."

DeAngelo calls the deal mutually beneficial, saying, "it was a good match for them and good divestiture for us."

"If you look at us going forward, our business is going to change but our strategy won't," DeAngelo says. "Our strategy is an organic growth strategy. We execute five growth plays: selling more to existing customers; introducing new products and services; expanding channels to reach customers via catalog and Internet mobility; acquiring new customers; and opening new locations.

"This is a transformational transaction for us. It positions us to get faster and better."

Anixter also sees the deal as transformational, yet different from typical industry consolidation in that it perfectly aligned the needs of the two companies involved without one sacrificing too much.

"Each one of us is good at something different, and when you put them together it becomes extremely powerful," Eck says. "It's not so much consolidation or a market share build opportunity. It is an opportunity to augment our capabilities as a combined organization."

■ *MDM Interview*

Behind Ferguson's Acquisitive Year

Distributor completed 13 acquisitions during fiscal 2015

Fiscal 2015 was an acquisitive year for HVAC & plumbing distributor Ferguson, Newport News, VA. The distributor more than tripled the number of completed acquisitions it saw in fiscal 2014. CEO Frank Roach recently spoke with Editor Jenel Stelton-Holtmeier about the company's acquisition strategy and how it fits into the overall growth strategy.

MDM: How's business going?

Frank Roach: Business is going well. We just finished our year in July, so it's "Happy New Year" at Ferguson right now.

It used to be more of an uneven recovery; now we see a more consistent one across all our businesses. We're seeing growth in all our markets, albeit somewhat lower than prerecession. The market is good, and we feel like we're in a good place and doing a nice job of taking share.

MDM: Ferguson completed 13 acquisitions in its fiscal year 2015. How does that compare with prior years?

Roach: That's up quite a bit from the prior two years. In fiscal 2014, we had four, and two years ago in fiscal 2013, we did three. So it's up, but we have no specific acquisition target number. We feel like that would drive the wrong behavior. It's not just the quantity we're looking for. It's the shape and the size and the business makeup that we look at, as well.

We look at opportunities for expansion in markets, new product opportunities, ways to complement existing locations, and we do a lot of bolt-ons that are easy to integrate and expand what we do. If you look historically, since I've been with the company, we've done 150 acquisitions. It's an important part of our growth strategy.

MDM: What does that growth strategy look like? What are your strategic priorities for acquisitions?

Roach: It's part of the overall growth strategy. We grow organically through like-for-like and new store openings, and we also look for opportunities for product and business expansion, as well as geographic expansion.

Obviously acquisition is the easiest way to enter a market. Our history of diversification, which goes back some time, really reflects doing a significant acquisition in a new space that gives us a platform for national growth.

The mix of acquisition versus organic has changed significantly since the recession. Before we used to grow 50 percent through acquisition, now we're in most of the geographies we want to be in, and I would say the mix is more like 80/20, or even 90/10 in the last couple of years, organic.

MDM: What do you think is driving the high level of activity this year? What is it about the current conditions have made it possible to complete so many deals?

Roach: Sometimes it's less about the economy and more about the decisions people are making in terms of succession planning, investing in the business, etc. To compete today you really need to be committed to technology, and the investments that technology requires, so that's a consideration too. This was one of those years where a lot of companies, particularly smaller companies, were just making those decisions.

The cultivation of acquisition doesn't happen within a short period of time. It's not like putting public companies into play. Some of the companies that we acquired over this past year we've been having conversations with on and off for a number of years. We're OK with that because it's about relationships, it's about culture. We want them to know as much about us as they can, and we want to know as much about them as we can. The owners are very concerned about what's going to happen to them and what's going to happen to their people.

There was no specific event, no acceleration from us or change in the economy that we can point to. It was just one of those years where a number of those discussions morphed into real acquisition opportunities.

MDM: How do those conversations start? Are these companies that you've reached out to or ones that have put themselves out there where you recognize the opportunity?

Roach: It's a little bit of both. There are companies that make a decision and work through someone else or even contact us directly. There are very good companies out there starting that conversation.

But our approach, particularly if we're going to a new market, is about beginning a conversation. Maybe it's something the owners didn't think about as part of their long-term strategy, but we have the conversation with companies that we think are a very good fit.

The fit – yes it's about geography and yes it's about product expansion, but it's really about people. Our biggest competitor is the local competitor, and we have a great deal of respect for the relationships that our competition has in a market. And it's those relationships that we want to attach ourselves to.

MDM: What's the acquisition outlook for the next year? Do you expect to remain this active or to return to more normal levels?

Table 1: Timeline of Ferguson Diversification

Business Unit	Platform Co.	Fiscal Year
Plumbing & Mechanical	1953 (start-up)	1954
Waterworks	Pompano WW	1987
HVAC	LBS Supply	1989
Industrial	Integrated	1989
Ferguson Fire & Fabrication	J&G Products	1997
B2C	Improvement Direct	2007
MRO	HP Products	2014

Roach: I'm not sure what is normal now.

We're very active across the country among all our businesses, and we'll just see how it goes. We never predict; we have some closings coming up but beyond that we just don't know. It's a timing issue – when to close – but we think there are still wonderful opportunities for us to become associated with very good companies in the markets that we serve.

MDM: Some of your acquisitions – notably HP Products – are outside of your main product categories. Is diversification an active strategy for Ferguson right now?

Roach: It is an active strategy. If you look at HP Products and the jan-san category, that's the number one category in the MRO space. We feel like MRO was just a natural move for us, a space to be in because it's about leveraging our people and the product categories that we're already in, and leveraging our supply chain, e-commerce, etc.

For all the right reasons, it just made sense. We had this product offering gap that we felt like we needed to fill, but we didn't rush into it. HP filled that product category. We've now completed our MRO approach on the residential side, in terms of our offering, and we have a very good company that is helping us learn more about that space.

We do spend a lot of time looking for the right company to make sure it's the right fit, particularly if it is going to be a platform that we're going to learn from. It's worked well, and this diversification has served us well particularly with the cycles that we experience in our industry.

MDM: How does Ferguson approach integra-

tion to ensure a more seamless process?

Roach: It's about knowing each other – the approach, the expectations, particularly around growth and opportunities for the leadership team and the associates. We need to understand their needs and desires. Integrations work well when you have great communication and understanding between the two companies. Essentially what that means is there are no surprises once you acquire a company. That's a good thing.

We're pretty good at sticking to a process, a timeline for introducing technology, leveraging supply chain and doing all these things that we need to do to support the new company. We feel like if both sides have done their homework and have been open and honest in conversations, then integrations go well.

And we sometimes use the prior owners and executives from recently acquired companies as references for companies we're looking to acquire. We may say: "Don't listen to us. Why don't you talk to the last three companies that we acquired and get their feedback?"

The roles owners or executives play after acquisition is really dependent on what they want to do. If we're acquiring good companies – and that's what we do – they obviously got there for a reason, because of the leadership and the presence in the marketplace. We want to continue with that; that's very important to us.

It's also not just about serving customers, it's about serving the community. And those leaders can help get that connection started quickly. That's something that we're all committed to.

MDM: What are some of the biggest challenges around integration?

Roach: Our biggest challenge is balancing the desire for bringing all the things that we bring and the need to understand how abrupt change can be disruptive to our new associates. You get into this "stop-go-stop-go" pattern sometimes. That's why it's important to have the conversations up front. If you do, we can move at an appropriate pace with the understanding of what the business requires and what the associates want.

Typically the way it works, when we start bringing in some of the bells and whistles, then they come back and say "Can't we speed this up a little bit?" We get more of that than "Please, we've had enough."

We start by making sure our associates are taken care of, and then when they start seeing the benefits of size and scale, of innovation, when their fill rates in the marketplace become world class, when they have technology and B2B investments – when they see a lot of these things, they recognize these are tools that we can provide to help them compete best in the marketplace.

July 2015 M&A Roundup: Blockbuster Deals for Distribution, Manufacturing

The M&A surge that many projected for 2015 finally arrived in July with a host of monumental deals, led by The Home Depot's return to distribution.

The Atlanta, GA-based retail giant is plunging into wholesale distribution for the second time – it spun off HD Supply Holding Inc. in 2007 – with the $1.6 billion purchase of Interline Brands Inc., Jacksonville, FL.

Its aforementioned spinoff, HD Supply, pulled off another one of July's most notable transactions when it agreed to sell its Power Solutions division to Anixter International Inc., Glenview, IL, for $825 million.

Also in the electrical space, Paris-based electrical distributor Rexel acquired Belgium-based electrical distributor Electro-Industrie en Acoustiek, whose market is primarily in the industrial zone of Antwerp's port.

Switzerland-based power and automation company ABB agreed to sell its Huntersville, NC, cable factory to Southwire Company LLC, a Carrollton, GA-based wire and cable manufacturer. And Emerson, St. Louis, MO, plans to spin off its Network Power business to streamline its portfolio, drive growth and accelerate value creation for shareholders.

The building materials sector continued to be active. Beacon Roofing Supply Inc., Herndon, VA, agreed to acquire Roofing Supply Group, Dallas, TX, for $1.1 billion.

Another deal reported to be around $1 billion – terms were not disclosed – was the owner of building materials distributor US LBM Holdings LLC, Green Bay, WI, agreeing to sell a majority of the equity interests in the company to affiliates of another private equity firm, Kelso & Co.

And Builders FirstSource completed its acquisition of ProBuild, a $1.6 billion deal that was announced in April.

Global Industrial M&A Activity Keeps Pace in 2Q15

Global industrial M&A activity maintained a strong pace in 2Q15 despite lackluster transaction volume in the United States and a notable drop off in cross-border activity, according PwC's quarterly analysis of mergers and acquisitions in the industrial manufacturing industry.

The number of transactions of $50 million or above increased to 66, a slight improvement over the 59 first quarter deals and the fifth quarter in a row to exceed a 50-deal pace. With $28.2 billion in announced deals, 2Q15 totals were well below the near-record $60.4 set in the same quarter of the prior year but easily exceeded the five-year median rate. Almost half the dollar value of transactions was driven by one megadeal, and three transactions of a billion dollars or greater were announced in the quarter.

Global manufacturing activity expanded in the second quarter but at a slower pace than the prior quarter. Domestic growth remains healthy across most end markets, but the strong U.S. dollar and soft overseas demand are sources of concern for U.S.-based exporters, according to PwC's *Manufacturing Barometer* survey.

Executives are more risk averse as a result of currency and commodity market volatility and have become more cautious about expansion plans. U.S. transaction activity has been hampered by an obscured growth outlook and associated difficulty determining fair pricing on M&A targets.

U.S. share of global activity dropped to among its lowest levels in a decade and the share of global deals involving energy related entities dropped below 15 percent in the first half of 2015 (versus 23.8 percent in 2014). Sustained low oil price has adversely impacted all players along the oil field and energy sector's equipment manufacturing supply chain.

Production figures in Europe signal a reasonable pace of recovery even as uncertainty looms regarding the future of Greece and the European Union. Strong exports led by weak currency and increasing domestic spending stemming from low oil price bode well for the region. Transaction activity was limited in the second quarter.

Emerging markets accounted for almost two-thirds of all deals, well above their typical share. As PwC has noted in prior reports, heavy transaction activity in China was driven partially by the need to eliminate excess capacity in the region as the baseline growth rates slows. The economic outlook in the region appears to be worsening with PMI levels persisting below 50. Policy makers continue to cut rates in an effort to spur growth, offset weak capital markets, and stimulate subdued commodity prices. However, manufacturing employment continues to deteriorate and consolidation remains the dominant theme.

Cross-border deals dropped to 16.7 percent of the global total, the lowest share in at least 10 years. However, going forward, the strong dollar could drive U.S. outbound deals in the coming months (since foreign targets have become cheaper in U.S. currency).

Strategic activity in the second quarter covered a diverse range of end markets. PwC sees a continued emphasis among industrial manufacturers on portfolio enhancement and strategic realignment. Companies are cautious about growth, keeping an eye on economies of scale and operating efficiencies in core businesses. Financial investors continue to pursue high quality industrial assets with stable growth prospects, particularly in recovering markets.

PwC analysts are monitoring several additional trends expected to affect the value and volume of deals in the global industrial manufacturing sector:

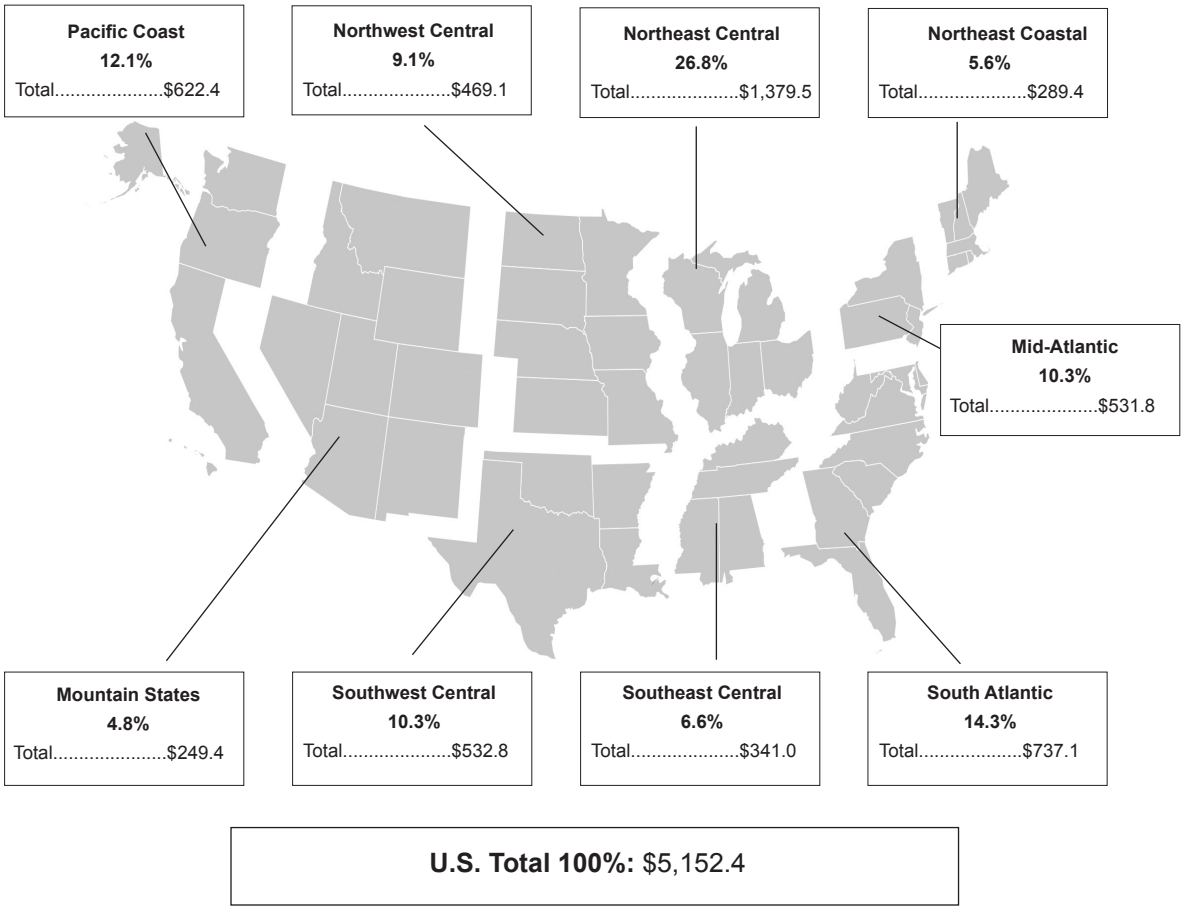
- **Activist investors:** There has been a heightened level of activity from the activist investor community.
- **Shedding non-core businesses:** Restructuring of businesses by aligning business portfolios to high-growth areas in areas of core competencies.
- **Financial buyers:** With plenty of cash at their disposal, investor groups have been highly active in deals involving diverse end markets.
- **Next wave technology:** Investing in advances in automation, efficiency and machine communication, as well as next generation robotics and nanotechnology, or acquiring niche expertise in these areas.

PwC remains optimistic that deal activity in the industrial manufacturing sector will continue at a brisk pace. The biggest challenge for potential buyers is calibrating the long-term growth themes (emerging markets and resource scarcity megatrends) with near-term volatility. Companies are re-evaluating growth opportunities in major markets as they digest both the direct and indirect economic implications of the deterioration in oil prices and consider the potential impact of the first round of regulatory tightening on U.S. economic activity.

MARKET ANALYSIS: Abrasives Consumption in the United States

Consumption of Abrasives in the U.S. was $5.2 billion in 2014, according to data from MDM Analytics (formerly Industrial Market Information). All estimates are 2014 end user demand, in U.S. dollars, including distributor margin.

■ U.S. End-User consumption of Abrasives by region, in millions of $ (2014 estimates)



U.S. Total 100%: $5,152.4

■ U.S. End-User Consumption of Abrasives: Top 10 End-Markets

Top 10 end-markets in $ volume, by NAICS code, consuming Abrasives (2014 estimates)

End User		Estimated Consumption
336412	Aircraft Engine and Engine Parts Manufacturing	$220.3 million
333120	Construction Machinery Manufacturing	$137.6 million
333618	Other Engine Equipment Manufacturing	$124.1 million
336111	Automobile Manufacturing	$119.0 million
336390	Other Motor Vehicle Parts Manufacturing	$118.1 million
333517	Machine Tool Manufacturing	$116.7 million
337110	Wood Kitchen Cabinet and Countertop Manufacturing	$115.2 million
333111	Farm Machinery and Equipment Manufacturing	$114.5 million
332710	Machine Shops	$103.0 million
321918	Other Millwork (including Flooring)	$93.5 million

This market size estimate was compiled by MDM Analytics, Lafayette, CO.
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Industrial & Construction Markets Update

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3M Sales Down 5.5% in 2Q

Diversified manufacturer 3M, St. Paul, MN, reported second-quarter sales of $7.7 billion, down 5.5 percent over the same period a year ago. Organic local-currency sales grew 1.8 percent. Profit for the diversified manufacturer increased 2 percent to $1.3 billion.

On a geographic basis, organic local-currency sales grew 4.1 percent in the U.S., 0.8 percent in Latin America/Canada, 0.5 percent in Asia Pacific and 0.4 percent in EMEA (Europe, Middle East and Africa).

Industrial sales fell 6.4 percent to $2.6 billion. Organic local-currency sales increased 1.4 percent. Sales grew in the U.S. and Latin America/Canada; Asia Pacific was flat; EMEA sales declined slightly. Operating income fell 1.2 percent to $609 million.

Electronics and energy sales of $1.3 billion were down 7.9 percent year-over-year. Organic local-currency sales declined 3 percent. Operating income was $277 million, a decline of 5.2 percent.

Safety and graphics sales of $1.4 billion were down 4.1 percent from second quarter 2014. Organic local-currency sales increased 4.9 percent. Operating income was $364 million, an increase of 3.1 percent.

Health care sales of $1.4 billion fell 3.7 percent, while organic local-currency sales increased 3.4 percent. Operating income was $440 million, an increase of 1.3 percent year-on-year.

Consumer sales of $1.1 billion were down 2.5 percent. Organic local-currency sales increased 3.4 percent. Operating income was $259 million, up 7.4 percent year-on-year.

For the six months ended June 30, 3M reported sales of $15.3 billion, down 4 percent from the same period a year ago. Profit grew 1 percent to $2.5 billion.

Distributor News

Grainger, Chicago, IL, has agreed to acquire **Cromwell Group (Holdings) Ltd**., Leicester, England, and its subsidiaries for £310 million (US$484 million).

Interline Brands Inc., Jacksonville, FL, has agreed to be acquired by **The Home Depot**, Atlanta, GA, for $1.6 billion.

Interline Brands Inc. reported second-quarter sales of $447.7 million, up 5.2 percent year-over-year. The company reported a profit of $3.9 million, up from a year-ago loss of $38.6 million. Year-to-date sales were $859.5 million, up 5.1 percent over the prior-year period. The company reported a profit of $0.2 million, up from a loss of $44.7 million in the prior-year period.

St. Louis, MO-based **Graybar** reported sales for the second quarter of $1.6 billion, a 3.5 percent increase over the same period a year ago. Profit decreased 13.6 percent to $25.1 million. For the first six months of the year, sales were $3 billion, a year-over-year increase of 4.7 percent. Profit decreased 7 percent to $37.6 million.

BlackEagle Partners LLC, owner of building materials distributor **US LBM Holdings LLC**, Green Bay, WI, has agreed to sell a majority of the equity interests in the company to affiliates of another private equity firm, **Kelso & Co**.

The Fastenal Company, Winona, MN, reported sales for July of $334.5 million, a 3.2 percent increase over the same period a year ago. Daily sales also increased 3.2 percent to an average of $15.2 million.

Lee Hein will step down as CEO of **Fastenal**, and return to his previous position of COO, and former CEO Will Oberton will reassume the company's top post.

Paris-based electrical distributor **Rexel** has acquired Belgium-based electrical distributor **Electro-Industrie en Acoustiek.**

Rexel reported sales for the second quarter of €3.4 billion (US$3.7 billion), up 8.4 percent from the same period a year ago. The company reported a net loss of €19 million (US$21 million), compared to a profit of €47.3 million (US$52.2 million) a year ago. For the first six months, total group sales were €6.6 billion (US$7.3 billion), up 7.8 percent from the same period a year ago. Profit decreased 98.4 percent to €1.5 million (US$1.7 million).

NOW Inc., Houston, TX, has agreed to acquire **Challenger Industries Inc**., Bismarck, ND.

NOW Inc. sales for the second quarter were $750 million, down 21.2 percent year-over-year. The company reported a loss of $19 million, compared to a profit of $27 million a year ago. Year-to-date sales were $1.6 billion, down 20.5 percent over the prior-year period. The company reported a loss of $29 million, compared to a profit of $68 million a year ago.

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News Digest

Continued from p. 1 of this section

Beacon Roofing Supply Inc., Herndon, VA, has agreed to acquire **Roofing Supply Group**, Dallas, TX, from investment firm **Clayton, Dubilier & Rice** for $1.1 billion.

Stellar Industrial Supply, Tacoma, WA, has agreed to acquire **Tucson Abrasives**, Tucson, AZ.

Shale-Inland Holdings LLC, Houston, TX, has acquired New-Jersey-based **Major Sourcing LLC**.

Motion Industries reported sales for the second quarter of $1.2 billion, down 2 percent from the previous year, including 1 percent growth from acquisitions. Operating profit decreased 6.7 percent to $88.9 million. Sales for the first six months increased 0.7 percent to $2.7 billion.

Genuine Parts Co., Atlanta, GA, parent company of Motion Industries, reported sales for the second quarter of $3.9 billion, an increase of 1 percent compared to the prior year quarter. Profit decreased 1.2 percent to $195.4 million. For the first six months, sales were $7.7 billion, a 2 percent increase over the prior year period. Profit was $356.4 million, basically unchanged from the previous year.

Distribution sales for **Kaman Corp.**, Bloomfield, CT, declined 2 percent for the second quarter to $304.1 million, while organic sales per sales day decreased 1 percent. Operating income decreased 4.8 percent to $15.4 million.

Applied Industrial Technologies, Cleveland, OH, has acquired **Atlantic Fasteners**, a distributor of C-Class consumables in Agawam, MA.

Arrow Electronics Inc., Englewood, CO, reported sales for the second quarter of $5.8 billion, an increase of 2.7 percent year-over-year. Profit decreased 3.1 percent to $123.9 million. Year-to-date sales were $10.8 billion, an increase of 0.7 percent over the prior-year period. Profit decreased 2.1 percent to $230 million.

WESCO International Inc., Pittsburgh, PA, reported sales for the second quarter of $1.9 billion, down 4.4 percent year-over-year. Profit decreased 24.8 percent to $51.8 million. Year-to-date sales were $3.7 billion, down 2.2 percent over the prior-year period. Profit decreased 18.2 percent to $98.7 million.

Anixter International Inc., Glenview, IL, reported sales for the second quarter of $1.5 billion, a 10.2 percent increase year-over-year. Profit decreased 33.7 percent to $29.5 million. Year-to-date sales were $2.9 billion, up 9.5 percent over the prior-year period. Profit decreased 31.9 percent to $56 million.

Builders FirstSource Inc., Dallas, TX, reported second-quarter sales of $461.5 million, up 8.2 percent over the same period a year ago. Profit was $3.6 million, compared to $10.6 million for the year-ago period. For the six months ended June 30, sales were $832.5 million, up 8 percent year-over-year. The company recorded a year-to-date loss of $3.5 million, compared to year-ago profit of $7.2 million.

Airgas Inc., Radnor, PA, has acquired **Weldinghouse Inc**., Corpus Christi, TX, and **Priority Energy Services LLC**, Covington, LA.

Airgas reported sales for the first quarter ended June 30 of $1.3 billion, a 3 percent increase over the same period a year ago. Profit decreased 0.7 percent to $88.2 million for the quarter.

Praxair Inc., Danbury, CT, reported sales for the second quarter of $2.7 billion, a 12 percent decrease year-over-year. Profit decreased 34 percent to $308 million. Year-to-date, sales were $5.5 billion, down 10.5 percent year-over-year. Profit decreased 20.9 percent to $724 million.

Essendant Inc., Deerfield, IL, has named Robert B. Aiken Jr. president & CEO.

L&W Supply Corp., Chicago, IL, reported sales for the quarter of $364 million, up 5.8 percent year-over-year. Operating profit for the quarter was up 125 percent to $9 million. Year-to-date sales were $698 million, up 8.4 percent. Year-to-date operating profit increased 160 percent to $13 million.

MRC Global Inc., Houston, TX, reported second-quarter sales of $1.2 billion, down 20 percent over the same period a year ago. Profit fell 61.9 percent to $15 million. For the first six months of 2015, sales were $2.5 billion, down 11.2 percent year-over-year. Profit fell 29.9 percent to $44 million.

Huttig Building Products Inc., St. Louis, MO, reported second quarter sales of $175.1 million,

up 4 percent over the same period a year ago. Profit increased 59.4 percent to $5.1 million. For the first six months, sales were $322.5 million, up 6.1 percent year-over-year. Profit was $5.1 million, compared to a year-ago loss of $0.8 million.

Stock Building Supply Inc., Raleigh, NC, reported sales for the second quarter of $350.1 million, a 1.6 percent increase over the same period a year ago. Profit decreased 54.3 percent to $2.6 million. For the first six months, sales were $647.7 million, up 3.7 percent over the same period one year ago. Profit was $4.4 million, up 89.4 percent from a year ago.

A. M. Castle & Co., Oak Brook, IL, reported second-quarter sales of $199.7 million, down 20 percent from the same period a year ago. The company recorded a net loss for the period of $58.9 million, compared to a year-ago loss of $72.3 million. Sales for the six-month period ended June 30 were $421.9 million, down 16 percent year-over-year. The company recorded a net loss for the period of $79.6 million, compared to a year-ago loss of $88.3 million.

Lawson Products Inc., Chicago, IL, reported sales for the second quarter of $70.7 million, a 1.9 percent decrease year-over-year. Profit for the quarter was $2.9 million, compared to $0.8 million for the same period a year ago. For the first six months, sales were $140.6 million, down 0.5 percent year-over-year. Profit for the period was $1.6 million, compared to a year-ago loss of $2.2 million.

Watsco Inc., Miami, FL, reported second quarter sales of $1.2 billion, up 5 percent year-over-year. Profit increased 16.6 percent to $65.4 million. For the first six months, sales were $2 billion, up 5 percent over the same period a year ago. Profit grew 21.4 percent to $88.5 million.

National Oilwell Varco Inc., Houston, TX, reported sales for the second quarter of $3.9 billion, a decrease of 25.6 percent compared to the same period a year ago. Profit decreased 53.3 percent to $289 million. Year-to-date sales were $8.7 billion, down 14 percent over the prior-year period. Profit decreased 50.4 percent to $599 million.

Ritz Safety LLC, Dayton, OH, has acquired **Safety Source Inc.**, Mobile, AL.

Avnet Inc., Phoenix, AZ, reported sales for the fiscal year ended June 27 of $27.9 billion, a 1.5 percent increase over the same period a year ago. Profit increased 4.8 percent to $571.9 million. For the fourth quarter, sales were $6.8 billion, down 3.6 percent year-over-year. Profit decreased 15.1 percent to $158.7 million.

Univar Inc., Downers Grove, IL, through its wholly owned subsidiary, **Univar USA Inc**., has acquired **Chemical Associates Inc**., Copley, OH.

Univar reported sales for the second quarter of $2.5 billion, down 12.3 percent compared to the prior year quarter. The company reported a loss of $12.4 million, compared to a profit of $19.5 million the prior year. For the first six months, sales were down 10.6 percent year-over-year to $4.8 billion. Profit decreased 56.3 percent to $7.3 million.

B/E Aerospace Inc., Wellington, FL, reported sales for the second quarter of $700.6 million, a 5.7 percent increase over the same period a year ago. Profit increased 17.1 percent to $78.9 million. For the first six months, sales were $1.4 billion, up 6.4 percent year-over-year. First-half profit increased 19.1 percent to $156.5 million.

Air Products, Lehigh Valley, PA, reported sales for the fiscal third quarter ended June 30 of $2.5 billion, a 6 percent decrease year-over-year. Profit increased 1.5 percent to $318.8 million. For the first nine months of the fiscal year, sales were $7.4 billion, down 4 percent over the prior-year period. Profit increased 5.5 percent to $933.4 million.

Motion Solutions, Aliso Viejo, CA, a portfolio company of **North Branch Capital LLC**, has acquired **Specialty Motions Inc**., Corona, CA.

Economic News

The **Chicago Fed National Activity Index** moved up to +0.08 in June from -0.08 in May. The index's three-month moving average, **CFNAI-MA3**, edged up to -0.01 in June from -0.07 in May.

Real gross domestic product increased at an annual rate of 2.3 percent in the second quarter of 2015, according to the "advance" estimate released by the Bureau of Economic Analysis.

A deceleration in nondurable goods manufacturing (+0.2 percent) and downturns in profes-

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News Digest
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sional, scientific and technical services (-0.6 percent) and wholesale trade (-3.4 percent) were the **leading contributors to the downturn in U.S. economic growth**, according to the Bureau of Economic Analysis.

New orders for manufactured durable goods in June increased 3.4 percent to $235.3 billion, according to an advance report from the U.S. Census Bureau.

Privately owned housing starts in June were at a seasonally adjusted annual rate of 1,174,000, according to the U.S. Census Bureau and the Department of Housing and Development. This is 9.8 percent above the revised May estimate of 1,069,000, and 26.6 percent above the June 2014 rate of 927,000.

The **Conference Board Leading Economic Index** for the U.S. increased 0.6 percent in June to 123.6, following a 0.8 percent increase in May. The **Coincident Economic Index** increased 0.2 percent to 112.5, and the **Lagging Economic Index** increased 0.7 percent to 117.6.

June construction spending was estimated at a seasonally adjusted annual rate of $1,064.6 billion, 0.1 percent above the revised May estimate of $1,063.5 billion, according to the U.S. Census Bureau of the Department of Commerce. The June figure is 12 percent above the June 2014 estimate of $950.3 billion.

The July **PMI** was 52.7 percent, a decrease of 0.8 percentage points from the June reading, according to the latest ISM Report on Business. The **New Orders Index** registered 56.5 percent, an increase of 0.5 percentage point from the reading of 56 percent in June.

The **Canadian Industrial Product Price Index** increased 0.5 percent in June, mainly because of higher prices for energy and petroleum products and motorized and recreational vehicles. The **Raw Materials Price Index** was unchanged in June, as lower prices for metal ores, concentrates and scrap were mostly offset by higher prices for crude energy products.

Canadian investment in new housing construction increased 2 percent to C$3.9 billion (US$3 billion) in May compared with the same month in 2014, according to Statistics Canada.

Canadian wholesale sales decreased 1 percent to $54.5 billion in May, following two consecutive increases, according to Statistics Canada.

Second quarter **Canadian investment in non-residential building construction** decreased 0.8 percent from the previous quarter to C$12.8 billion (US$9.8 billion), the second consecutive quarterly decline. The decrease resulted from lower spending on the construction of commercial and industrial buildings.

Overall manufacturing output in Latin America will decline 0.9 percent in 2015 and increase 1.9 percent in 2016, according to a forecast from the MAPI Foundation, the research affiliate of the Manufacturers Alliance for Productivity and Innovation, in the **Latin America Manufacturing Outlook**.

Compared with May, **European seasonally adjusted industrial production** in June dipped 0.1 percent in the euro area (EA19) and rose 0.1 percent in the EU28, according to estimates from Eurostat, the statistical office of the European Union.

Manufacturer News

The Timken Company, North Canton, OH, has agreed to acquire the **Carlstar Belts** business, Springfield, MO, from private equity firm American Industrial Partners.

The Timken Company reported second-quarter sales of $728 million, down 8 percent year-over-year. Profit decreased 41.5 percent to $36.7 million. Year-to-date sales were $1.5 billion, down 5 percent year-over-year. The company reported a loss of $98.5 million for the period, compared to a profit of $146.2 million the prior year.

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