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Intelligence for Wholesale Distribution Professionals

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■ *M&A in Distribution: Part 1*

M&A Mirrors Economy

Deals slowly picking up as end markets improve

Opposing forces hindered distribution M&A so far this year. While economic and commodity pressures have cut down on the volume and size of deals, lack of organic growth has companies seeking acquisitions to boost their top lines. This article looks at the current state of M&A and what's in store for the second half of 2016.

By Eric Smith

As end markets carried over their struggles from the fourth quarter of 2015 into the first quarter of 2016, merger and acquisition activity in distribution has mirrored that overall economic softness with smaller and fewer deals. But like the economy, M&A is poised for a strong finish to 2016 as private equity firms prepare to deploy capital and strategic buyers look to acquire growth and increase market share.

So far, however, three overriding themes – energy, price transparency and the strong U.S. dollar – have slowed the pace of M&A across distribution, especially in the industrial space, according to Jason Kliewer, co-head of Baird's distribution investment banking group.

"All of those key themes have meant that it's been a little harder to demonstrate the growth of a platform, and there's been a slowdown in upper middle market M&A this year," Kliewer says. "But at the same time, distributors are continually looking for ways to augment the top line so they have been active with bolt-on acquisitions."

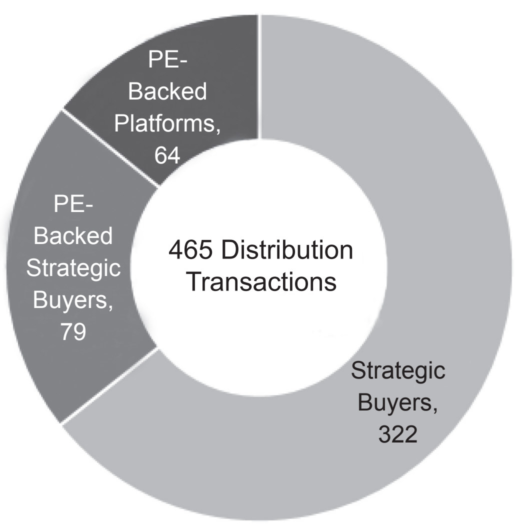
Energy, in particular, stunted M&A activity as revenues, earnings and valuations tumbled, most notably among industrial distributors. Companies divesting divisions with exposure to oil & gas was the exception.

"For industrial supply distributors, there may be more of an energy exposure than people realized a few years ago, even if it's only 5 or 10 percent," Kliewer says. "The energy theme is one of the big ones. As that's unwound over the last year, it's dragged down organic growth for a number of distributors not typically viewed as energy focused."

Focus on core strengths

With headwinds creating overall softness – distributors averaged -0.1 percent revenue growth in the first quarter, marking the second consecutive quarter of negative

Figure 1: 2015 Distribution Transactions



Source: Supply Chain Equity Partners proprietary distribution database.

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INSIDE

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PERSPECTIVE ■ Commentary by Jenel Stelton-Holtmeier

The Language of Big Data

We've spoken a lot about big data over the last few years. We've emphasized how important it is to bring together all the data you already have in your systems to make more informed decisions about the future.

But I have a nagging suspicion that for many of you, the concept is still a bit opaque. I say that because even though I understood the theory, I felt the exact same way about many of big data's concepts. And that made it difficult to explain without relying on buzzwords and consultant speak.

That changed this week while I was at the Sapphire Now annual meeting for SAP users. During the opening keynote, Elena Donio, president of SAP's Concur, gave me the description I have been looking for:

Big data is about turning those bits and bytes of data into conversations that your customers don't know that they're having with you.

Many distributors have said to me over the years that in order to add value, they have to try and understand what their customers need before they know they need it. These conversations in data can help you identify what those needs are.

Think about it: Every time your customer interacts with your systems and with you, they're taking several actions. Some of them are conscious decisions, such as choosing the specific product or products to search for that day, but others may be more subtle.

Do they have a pattern of searching for X a few days after searching for Y? Why not recommend X every time they search for Y to streamline the order process for them?

When they call customer service, are their questions usually service or product based? Use this pattern to help streamline future calls. Put notes in your records for them to help guide the customer service rep to the appropriate information more quickly. That rep not only will be able to meet current needs but might be able to uncover cross-selling opportunities.

How do your customers search? How do they order? Use this information to start a dialogue about their buying and shopping wants and needs.

There are so many possibilities; I'm just scratching the surface here.

Your competitors are hiring talent and investing in analytics capabilities in hopes of meeting customer needs more quickly and more effectively than you.

And your customers are providing you with a wealth of information that can help you better serve them – and in the long run, better serve yourself.

They're trying to have the conversation. Are you listening?

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M&A
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growth, according to the most recent MDM-Baird Distribution Survey – potential strategic buyers have been primarily looking at strengthening their own businesses instead of targeting new assets.

"They've been saying, 'I need to focus within my four walls, execute my strategy and find efficiencies to maximize my earnings in what is a softer end market,'" says Reed Anderson, head of Houlihan Lokey's industrial distribution practice.

Distributors are even looking to shed underperforming divisions or adjacent businesses where they simply no longer want to spend time and energy, as HD Supply, Atlanta, GA, did recently when it agreed to sell its HD Supply Interior Solutions business unit.

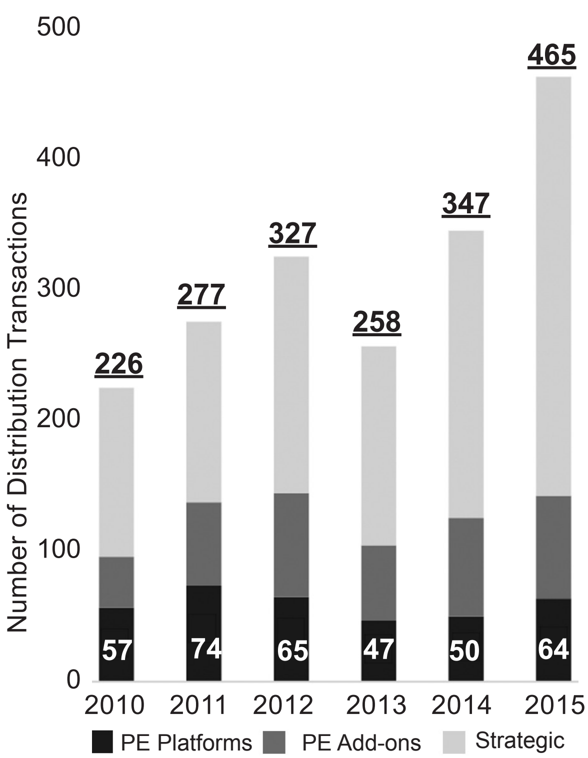
The current economic climate – improving but not robust – is an ideal time to adapt to changing market conditions by strengthening your core and executing within it. If you don't want to invest in a part of the business, for whatever reason, it's time to get out.

"Boards are looking more closely at lower-priority items when things aren't going up and to the right," Anderson says. "It's not just dollars that they're interested in, but also management time."

Reinforcing and reinvigorating the core will play a factor in the deals that do – or don't – happen. A company has to know itself first before getting to know anyone else and making an acquisition, according to Dave Gabriel, president, Sonepar North America, Charleston, SC, who spoke on a panel at the National Association of Electrical Distributors national meeting this month in Washington, DC.

"Look at your core business today and say, 'What am I really good at? What do I do well and do better than someone else? What is close to that? I think I can create some traction and some scale,'" Gabriel says. "If you have an alignment … then maybe it makes sense. Know yourself first. Chasing volume for the sake of volume, or chasing geography for the sake of geography, I wouldn't advise that for anyone."

Figure 2: Number of Wholesale Distribution Transactions



Source: Supply Chain Equity Partners proprietary distribution database.

"Slight pullback" in volume, quality

Yet some distributors have an opposite mindset of "We're going to do all that, but we know we're not going to grow at the top-line rate we'd like to grow. And we need M&A to augment that growth, particularly in the industrial sectors that might be a little bit softer," Anderson says.

The result of these conflicting forces has been a tepid M&A market that hasn't matched the volume and size of deals from a year ago, when M&A was flush with high-dollar and high-profile acquisitions.

"You factor all that in and we are seeing a slight pullback in volume as well as the quality of companies in the market selling their businesses, both private equity-owned and family- or founder-owned businesses," says T.J. Monico, head of distribution, investment banking, KeyBanc Capital Markets.

According to data from Supply Chain Equity Partners' proprietary distribution database, there were 465 wholesale distribution transactions completed in 2015. Of those, 322 were strategic buyer transactions, 79 were private equity-backed strategic buyers and 64 were private equity-backed platforms. (See **Figure 1**).

The 2015 total was up 34 percent from 2014 (see **Figure 2**) and continues the S-curve of M&A in distribution – a period of numerous acquisitions, followed by a period of entrepre-

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

	2015		2014	
Sector of Distribution	Number of Distributors Acquired by PE in 2015	% in 2015	#	% in 2014
Industrial	45	*31%*	50	*40%*
Building Materials	32	*22%*	20	*16%*
Foodservice & Beverage	17	*12%*	7	*6%*
Auto / Truck Parts Aftermarket	11	*8%*	18	*14%*
Consumer Products	9	*6%*	10	*8%*
Electrical / Electrconics	8	*6%*	6	*5%*
Specialty Chemicals / Lubricants	7	*5%*	6	*5%*
Health Care	5	*3%*	5	*4%*
Other Sectors of Distribution	9	*6%*	4	*3%*
Total # of Distributors	143	*100%*	126	*100%*

*Building Materials 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.

neurs breaking off and starting their own businesses, followed by another period of acquisitions. The drop-off in M&A activity this year, even slight, furthers this cycle.

"That is going to continue in this industry," says Jim Miller, a principal and founder at Supply Chain Equity Partners, speaking on the same NAED panel that featured Gabriel. "You're going to have waves of consolidation and waves of new businesses expanding. And you're always going to have dozens and dozens of companies that don't have succession planning, so when it comes time, they're going to need to sell."

Slow or immediate growth?

The modest pace of economic recovery bodes well for increased M&A activity as companies look for other ways to boost their top lines, Monico says.

"Organic growth is going to be a challenge, given that we're not firing at all cylinders right now," he says. "Companies will look to supplement organic growth with acquisition growth. It's cheaper to buy growth than to wait for organic growth to return."

Purchasing competitors in new markets or even expanding their product focus is also the fastest way for distributors to prosper as they look to balance organic and acquisition growth, according to Sonepar's Gabriel.

"In a slow-growth environment, which I think we're in, execution on organic (growth) is extraordinarily important to all of us, and then selective targets on the acquisition side is even more important," Gabriel says.

Acquisitions are equally important for regional distributors, yet many of those companies remain hesitant to acquire too much too quickly, which has cut down on the number of deals across distribution.

For example, HVAC, refrigeration and plumbing distributor F.W. Webb Co., Bedford, MA, has made three acquisitions in the past year – Grant Supply, Water Works Supply Corp. and State Line Supply – but while buying adds market share, the company often has to say no or "wait and see" if the deal might make sense later, COO Bob Mucciarone says.

"You want to improve the top line, but you don't want to do it at the expense of the bottom line," Mucciarone says. "You want the top line to grow at the same slope as the bottom line. If you do too many, too quickly, your top line will grow but your bottom line will go the other way."

New themes emerging

A few themes emerged in distribution M&A last year, most notably financial and strategic buyers increasingly competing for the same targets. While that is still true to a degree, most strategic buyers are "staying within their lane" this year, Anderson says.

"In periods of economic boom, it's easier for strategics to move outside their lanes and get into adjacencies that may be complementary business," he says. "In the market we're in today, we're seeing strategics be much more focused."

Another difference in 2016 is a lack of blockbuster announcements. This year has seen large distributors adding small companies that meet a geographic or product need, while last year saw several high-profile deals that included Air Liquide acquiring Airgas, Builders FirstSource acquiring ProBuild, Anixter acquiring the Power Solutions Division of HD Supply, The Home Depot acquiring Interline Brands, Beacon Roofing acquiring Roofing Supply Group, and Stock Building Supply merging with Building Materials Holding Corp.

Also unlike last year, when building materials & construction consolidation was rampant and big deals in that space were routinely announced, no single sector has emerged as an M&A leader so far in 2016.

"There's so much diversity across a lot of the distribution landscape here that even when you look within industrial you can find certain categories that are way up and certain categories that are way down from an end-market perspective," Anderson says. "Both of those can drive M&A – some wanted M&A and some unwanted M&A if you're struggling and have no other option."

Other sectors have shown flurries of consolidation, from gases & welding equipment to HVAC & plumbing, yet industrial supply and building materials & construction should see the most activity, especially from private equity buyers, as they did last year (see **Figure 3**).

While most analysts agree that it's difficult to predict what will happen with M&A in distribution for the second half of 2016, most forecast a bump from the first half as the economy improves. Strategic buyers will look to buy growth and financial buyers will deploy capital in distribution.

"What's going to happen the remainder of the year is a tough question to answer," Miller says. "There's still tons of cash on the sidelines. The strategic buyers are dominating the market right now, but that comes in waves, as well. There's a trillion dollars of buying power in private equity right now, and they have a period of time that they need to invest that money. With every day that passes, that money needs to be invested, and there's increasing pressure to invest that money."

Part 2 will outline strategies for companies looking to buy or sell in today's M&A landscape.

How to Overcome Training Challenges

Offering ongoing, in-depth sales training for employees critical for success

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Distributors say they want to provide more training to their employees. But decisions about product and sales training delivery, measurement and retention aren't always simple. This article, based on the results of a recent Real Results Marketing survey, examines the challenges that distributors face around providing training.

This article is part two in our ongoing series on training in distribution. Part one looked at how distributors can shift their thinking about training.

By Debbie Paul

Distributors are good at providing their employees with training on products and systems. But they often fall behind when it comes to offering ongoing, in-depth sales training, even though sales is a critical element of any distribution business.

Part of the challenge may come from the choices around delivering training. Product and system training is generally provided in-house or through vendors.

Expanded sales training requires a longer term focus that simply isn't a part of the culture for many distributors.

Much on-the-job sales training is based on the assumption that "tribal knowledge" will be learned through experience. But without a formal process for sharing that experiential wisdom, it is rarely shared among sales employees.

Most of this knowledge never gets written down and stored for future training, yet this information may be the richest when it comes to understanding market segments, buyers within those segments and how products and services are identified based on segment.

How much training follow-up do you offer?
When a distributor has a formal sales training program integral to how it does business, often the program is a product purchased from a third-party vendor.

Delivery of this type of training could be in the form of on-site training and practice, including follow-up assignments and materials, and is usually given to employees when they join the company.

The effectiveness of this type of training lies in the ability of the company to follow through with the training to ensure it is retained and actively used on an ongoing basis, through testing, practice and continual follow-up. Unfortunately, this is not a frequent occurrence, and this type of sales training is often viewed as one-time.

There are many options available, but each has their own challenges. Formal learning management systems (LMS), such as Docebo, Eclipse or Bluevolt, may be expensive and rely on vendor portals for product training.

In a recent survey from Real Results Marketing on sales training in distribution, only 22 percent of respondents used a learning management system. Yet when asked if they would like to see vendors deliver product training via LMS, 75 percent of them responded yes. Distributors see the value of LMS for training, but they do not appear ready to invest in one for themselves.

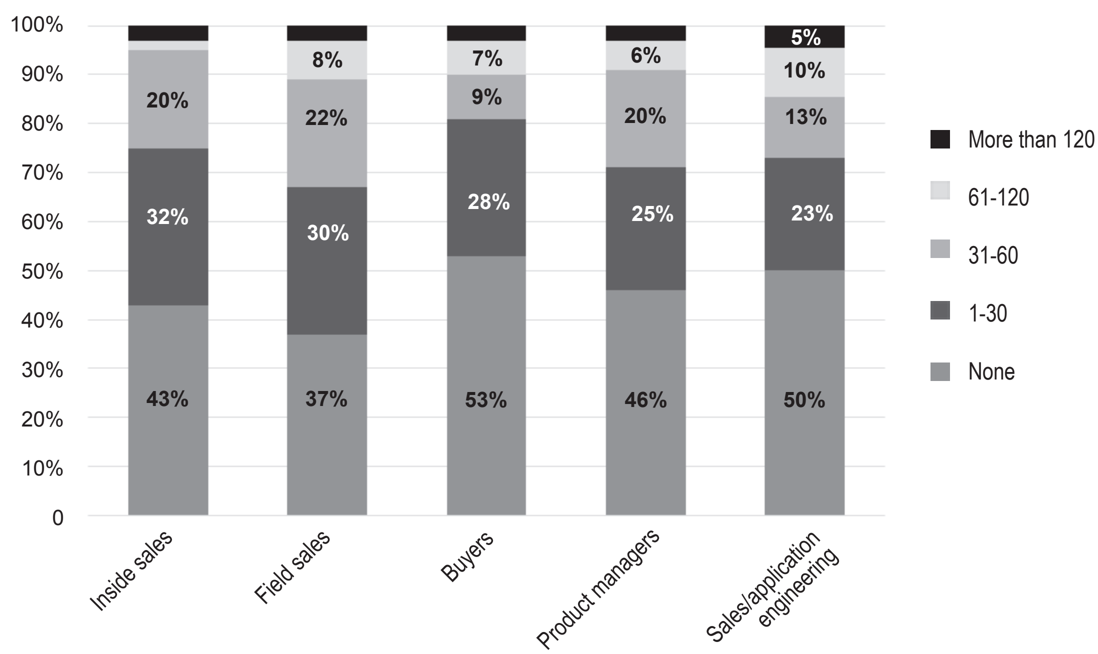
Instead, many noted they use online platforms as the preferred method of delivery for product training. But when asked how many minutes per month were actually spent in online learning (including vendor portal training) by job title, nearly half of employees did not participate in any.

How much time is spent on online learning?
Only a small percentage of employees spent more than one hour each month performing online training of any type.

Interviews with several distributors revealed that a focused amount of training happened when a salesperson was hired, but after the first three to six months, training simply stopped. The salesperson became busy servicing an assigned territory, and because training was not a core part of the company's strategy, there was no incentive to take time for additional training.

Another reason for the lack of online training is the lack of accountability for salespeople to actually do the training. If given the choice between training and their jobs, they usually elect to perform their normal job duties.

Figure 1: Minutes per Month Spent on Online Learning



This is why it is so important to build a training path for each employee that will provide real value to both employees and the company. Training needs to be viewed as an important aspect of every sales job. It must be tracked and, most importantly, the knowledge must be retained.

"We need to do less training and find ways to retain the training we are delivering in a more effective way," noted one distribution executive.

If it's not driven internally, the value of ongoing training is minimal. Some vendors require their distributor partners' salespeople to participate in formal training of their products, including a certain number of hours to be spent with online training.

The risk of not doing so, according to one distributor interviewed, was the potential of losing exclusivity on the product line. But even though the training was required, ongoing retention of the information was not emphasized or measured by the distributor.

When asked what format distributors' vendors were providing product training in, 82 percent said that training was performed onsite at the distributor location, while other written forms of training were also popular.

How is your vendor training delivered?

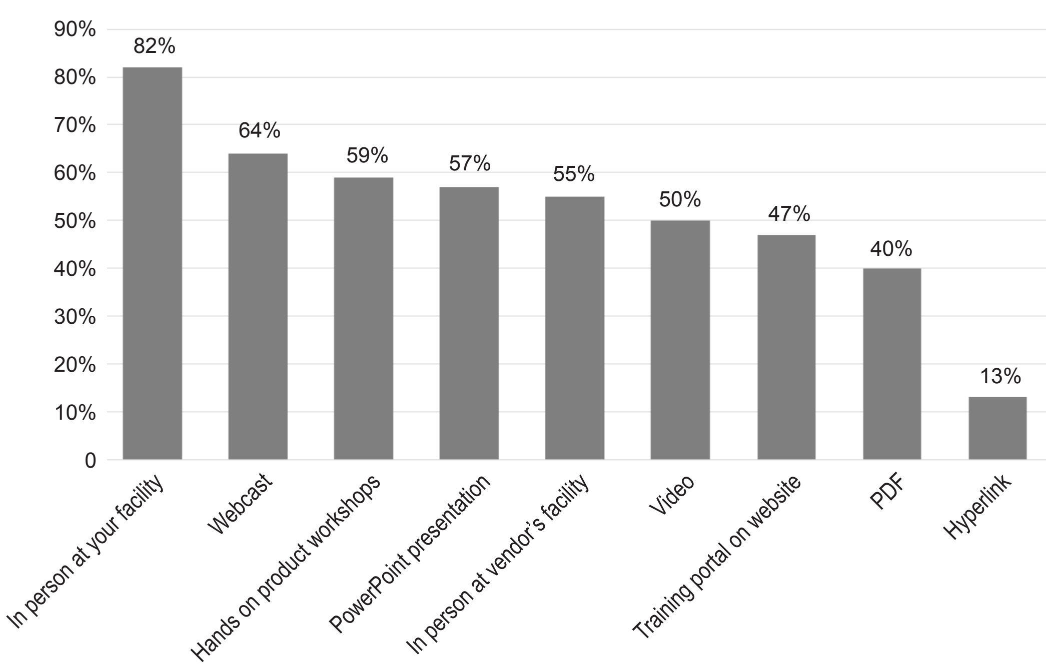
The delivery method varies widely, but it is often a one-time event. PowerPoint presentations, videos, PDFs and even materials gathered at the training are simply filed away and not looked at again. As a result, the knowledge contained within them is left to gather dust.

A shared file or learning management system that is regularly updated can be an effective tool for ensuring that tribal knowledge isn't lost as veteran salespeople leave the workforce and that vendor training remains a relevant part of their day-to-day tasks. Employees will be much more likely to use the information if they know where they can access it consistently.

In addition, develop a strategy for making ongoing training a critical piece of the business' long-term focus. Things that aren't measured and/or incentivized are less likely to be done, especially if they're treated as a one-off requirement. Ongoing training and development has also been shown to be an effective engagement tool, contributing to longer employee tenure with better results.

MDM Editor Jenel Stelton-Holtmeier contributed to this report.

Figure 2: How Vendor Training is Delivered



Monthly Wholesale Trade Data

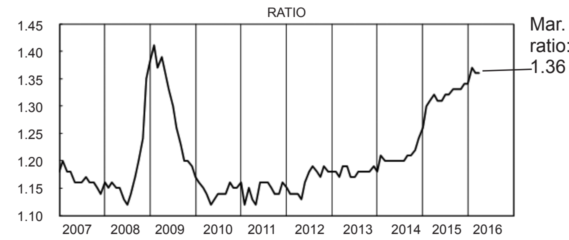
Wholesale revenues in March were $430.7 billion, down 2 percent from March 2015 and up 0.7 percent from February. March sales of durable goods were down 0.2 percent from last month and down 0.4 percent from a year ago. Sales of nondurable goods were up 1.6 percent from February, but down 3.5 percent from last March.

Inventories. Inventories were $583.6 billion at the end of March, up 0.1 percent from the revised February level and up 0.3 percent from March 2015. March inventories of durable goods were down 0.1 percent from last month and down 2.2 percent from a year ago. Inventories of nondurable goods were up 0.5 percent from February and up 4.6 percent from last March

Inventories/Sales Ratio. The March inventories/sales ratio for merchant wholesalers was 1.36. The March 2015 ratio was 1.32.

Monthly Inventories/Sales Ratios of Merchant Wholesalers: 2007-2016

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



Source: U.S. Census Bureau

Sales and Inventories Trends: March 2016

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	Percent Change Sales 2/16-3/16	Percent Change Sales 3/15-3/16	Percent Change Inventory 2/16-3/16	Percent Change Inventory 3/15-3/16
42	**U.S. Total**	**430,671**	**583,582**	**1.36**	**0.7**	**-2.0**	**0.1**	**0.3**
423	**Durable**	**211,015**	**354,132**	**1.68**	**-0.2**	**-0.4**	**-0.1**	**-2.2**
4231	Automotive	35,949	65,941	1.83	-0.7	-0.9	1.0	6.5
4232	Furniture & Home Furnishings	6,994	11,112	1.59	0.6	4.2	0.3	4.8
4233	Lumber & Other Construction Materials	10,301	13,825	1.34	-1.2	10.6	-0.5	2.3
4234	Prof. & Commercial Equip. & Supplies	36,908	38,235	1.04	0.4	0.9	0.1	-4.4
42343	Computer Equipment & Software	18,288	15,102	0.83	1.2	-4.0	0.8	-5.5
4235	Metals & Minerals	11,463	25,844	2.25	0.1	-18.0	-2.0	-21.1
4236	Electrical Goods	46,899	45,714	0.97	1.3	3.6	-1.6	-6.3
4237	Hardware, Plumbing, & Heating Equipment	11,110	22,773	2.05	-2.2	2.2	0.3	4.0
4238	Machinery, Equipment & Supplies	34,097	103,709	3.04	0.1	-1.5	0.1	-1.6
4239	Miscellaneous Durable	17,294	26,979	1.56	-3.9	-5.7	0.5	-1.1
424	**Nondurable Goods**	**219,656**	**229,450**	**1.04**	**1.6**	**-3.5**	**0.5**	**4.6**
4241	Paper & Paper Products	8,201	8,353	1.02	-0.1	3.8	-1.2	2.6
4242	Drugs	53,290	60,427	1.13	0.4	7.4	2.0	10.7
4243	Apparel, Piece Goods & Notions	13,171	30,581	2.32	-5.9	-6.2	0.2	9.5
4244	Groceries &Related Products	50,044	34,505	0.69	-1.3	-0.5	-0.7	2.7
4245	Farm-product Raw Materials	16,730	21,023	1.26	2.7	-5.9	1.3	-3.5
4246	Chemicals & Allied Products	10,021	12,476	1.24	0.7	-4.7	-2.4	4.2
4247	Petroleum & Petroleum Products	34,478	17,994	0.52	13.5	-23.2	3.3	-3.5
4248	Beer, Wine & Distilled Beverages	11,537	15,457	1.34	-1.0	4.2	-1.7	0.4
4249	Miscellaneous Nondurable Goods	22,184	28,634	1.29	1.7	3.7	-0.4	4.5

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. 46, NO. 10 | MAY 25, 2016

Home Depot Sales Up 9% in 1Q

The Home Depot, Atlanta, GA, reported sales for the first quarter of $22.8 billion, a 9 percent increase year-over-year, with comparable store sales up 6.5 percent.

Profit for the first quarter increased 14.2 percent to $1.8 billion.

The company is reaping the benefits of its $1.6 billion acquisition of Interline Brands, but the big-box retailer has even bigger plans for its recently added maintenance and repair distribution business.

"We're planning a $550 billion market 'all in' now with the addition of Interline and playing in the MRO space for multifamily, hospitality and institutional," President and CEO Craig Menear said. "And we own less than 20 percent of that in total. So we think there's lots of opportunity to grow."

The Home Depot bought Interline last year, helping the company fill a hole in serving the professional contractor.

"In today's environment, we have the ability in many of these spaces to handle the remodel portion of the business," Menear said last year. "But we don't do as well on the maintenance and repair portion."

The Home Depot is now getting traction on this new model, which is designed to meet the needs of both DIY and professional segments while also posing a growing competitive threat for distributors with focus into construction and facilities maintenance markets.

"The desire for the customer – whether it's an Interline customer to fill in and shop at The Home Depot and/or customers who are shopping in The Home Depot to have a desire to buy through Interline – is there," Menear said. "We're pleased with it."

Menear said the "Interline integration is progressing nicely," as the company continues "to move forward on a number of exciting sales driven initiatives, and we have outlined a path to truly realize the value of the Interline acquisition and the total pro opportunity over the next 18 to 24 months."

Distributor News

Grainger, Chicago, IL, reported sales for April increased 4 percent compared to the same period a year ago. Results for the month included a 4 percentage point contribution from Cromwell Group (Holdings) Ltd., acquired Sept. 1. Excluding acquisitions, organic daily sales were flat driven by a 1 percentage point increase in volume and a 1 percentage point benefit from the timing of the Easter holiday, offset by a 2 percentage point decline in price.

Essendant Inc., Deerfield, IL, has announced that its agreement with **Staples Inc.** to acquire its wholesale contracts with minority- and woman-owned office supply resellers and their large corporate customers will not close. The acquisition was contingent on the merger between Staples and Office Depot Inc., which was preliminarily enjoined on antitrust grounds by a U.S. District Court judge's ruling on May 10. Staples and Office Depot announced plans to abandon the merger in the wake of that ruling.

Graybar, St. Louis, MO, reported first-quarter sales of $1.5 billion, an increase of 5.1 percent compared to the same period a year ago. Profit increased 20.7 percent to $15 million.

Kathleen M. Mazzarella, president and CEO of **Graybar Electric Company Inc.**, St. Louis, MO, was named chair of the St. Louis Fed's board of directors.

Building products distributor **ABC Supply Co. Inc.**, Beloit, WI, has acquired roofing products distributor **T&C Supply**, Flagstaff, AZ.

KLX Inc., Wellington, FL, has acquired **Herndon Aerospace & Defense LLC** for $210 million.

S.P. Richards Co., the office products group of **Genuine Parts Co.**, Atlanta, GA, has agreed to acquire **The Safety Zone LLC**, Guilford, CT.

Lawson Products Inc., Chicago, IL, has acquired **F.B. Feeney Hardware**, Ontario, Canada.

Jergens Industrial, Cleveland, OH, has acquired **B&G Supply**, Akron, OH.

Red Ball Oxygen, Shreveport, LA, has agreed to acquire **Ideal Specialty Gases and Analytical Services**, Houston, TX, according to a report from the Shreveport Times.

Honeywell, Morris Plains, NJ, announced plans to spin off its resins and chemicals business into a standalone, publicly traded company named **AdvanSix Inc.**

Airgas Inc., Radnor, PA, reported sales for the fiscal full year 2016 ended March 31 of $5.3 billion, flat compared to the previous year. Profit for the year decreased 8.3 percent to $337.5 million.

Industrial distributor **DXP Enterprises Inc.**, Houston, TX, reported sales for the first quarter of $253.6 million, a 25.8 percent decrease year-over-year. The

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MARKETS UPDATE SUPPLEMENT P. 2

News Digest
Continued from p. 1 of this section

company reported a loss of $5.1 million for the quarter, compared to a profit of $9.7 million the prior year.

BlueLinx Holdings Inc., Atlanta, GA, reported sales for the first quarter of $474.3 million, an increase of 4.3 percent year-over-year. The company reported a loss of $6.1 million for the quarter, compared to a loss of $8.9 million in the prior year quarter.

A. M. Castle & Co., Franklin Park, IL, a global distributor of specialty metal and plastic products, reported sales for the first quarter of $163.8 million, down 13.1 percent year-over-year. The company reported a loss of $36.9 million for the quarter, compared to a loss of $15.1 million the same quarter a year ago. In February the company said it would close its Houston, TX, and Edmonton, Alberta, facilities, which primarily serviced the energy sector.

Veritiv Corp., Atlanta, GA, reported sales for the first quarter of $2 billion, a 5.5 percent decrease from the prior year. Profit was $3.3 million, compared to $2.2 million the same quarter a year ago.

Electrical distributor **Van Meter Inc.**, Cedar Rapids, IA, has appointed Lura McBride to president and CEO.

Turner Supply Co., Mobile, AL, has appointed Christopher Pratt to vice president and to its management team. Pratt succeeds Kent Crosthwait, who is retiring after 46 years in industrial distribution.

HVAC & plumbing distributor **APR Supply Co.**, Harrisburg, PA, plans to relocate its Harrisburg branch to a joint branch location with **Schaedler Yesco Distribution**.

Economic News

March U.S. manufacturing technology orders totaled $371 million according to AMT – The Association for Manufacturing Technology. This total, as reported by companies participating in the USMTO program, was up 36.9 percent from February and down 11.8 percent from March 2015.

March U.S. cutting tool consumption totaled $184.1 million, according to the U.S. Cutting Tool Institute and AMT – the Association for

Calculation of MDM Inflation Index for April 2016

		BLS Price Indices Apr '16	BLS Price Indices Mar '16	BLS Price Indices Apr '15	% Sales Weight	Weighted Indices Apr '16 (1)X(4)	% Change Apr '16 Mar '16	% Change Apr '16 Apr '15
1136	Abr. Prod.	584.2	584.2	575.9	19.1	111.58	0.00	1.44
1135	Cutting Tools	508.4	507.3	506.0	18.9	96.09	0.21	0.48
1145	Power Trans.	811.0	811.3	811.6	15.4	124.90	-0.04	-0.08
1081	Fasteners	517.4	517.7	511.0	9.0	46.57	-0.05	1.27
1149.01	Valves, etc.	965.5	961.9	962.7	7.6	73.38	0.37	0.29
1132	Power Tools	379.1	379.7	368.7	6.5	24.64	-0.18	2.82
1144	Mat. Handling	599.8	598.3	593.2	6.2	37.19	0.24	1.11
0713.03	Belting	831.8	826.9	834.0	6.1	50.74	0.58	-0.27
1042	Hand Tools	782.2	782.2	784.6	8.1	63.36	0.00	-0.30
108	Misc. Metal	469.8	469.8	478.0	3.1	14.56	0.00	-1.71

"New" April Index	335.9	April Inflation Index	643.00	0.12	0.51
"New" March Index	335.6	March Inflation Index	642.26		
		April 2015 Inflation Index	639.76		

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

Manufacturing Technology. This total, as reported by companies participating in the Cutting Tool Market Report collaboration, was up 6.2 percent from February's total and down 7.9 percent from March 2015. With a year-to-date total of $516.1 million, 2016 is down 8.5 percent when compared with 2015.

Led by improvements in production-related indicators, the **Chicago Fed National Activity Index** rose to +0.10 in April from –0.55 in March. All four of the broad categories of indicators that make up the index increased from March, but three of the four categories made nonpositive contributions to the index in April.

The Conference Board Leading Economic Index for the U.S. increased 0.6 percent in April to 123.9 (2010 = 100), following a no change in March, and a 0.1 percent increase in February.

The Conference Board Employment Trends Index increased in April to 128.3, up from 126.4 in March. This represents a 1.4 percent gain in the ETI compared to a year ago.

Industrial production in the U.S. increased 0.7 percent in April after decreasing in the previous two months, according to the Federal Reserve.

Privately owned housing starts in April were at a seasonally adjusted annual rate of 1,172,000. This is 6.6 percent above the revised March estimate of 1,099,000, but is 1.7 percent below the April 2015 rate of 1,192,000.

Canadian manufacturing sales decreased 0.9 percent to C$50 billion (US$38.7 billion) in March, mainly reflecting lower sales of transportation equipment and primary metals, according to Statistics Canada.

Canadian investment in new housing construction increased 9.7 percent to C$3.8 billion (US$2.9 billion) in March compared with the same month in 2015, according to Statistics Canada.

Canadian wholesale sales decreased 1 percent to C$54.6 billion (US$41.6 billion) in March, according to Statistics Canada. Lower sales were recorded in five of seven subsectors, led by the motor vehicle and parts subsector and the miscellaneous subsector. In volume terms, wholesale sales declined 0.4 percent.

The Canadian Wholesale Services Price Index was up 1.5 percent in the fourth quarter, according to Statistics Canada. Gains were widespread, with seven of eight major sectors reporting increases and one sector posting a decline.

European seasonally adjusted industrial production fell by 0.8 percent in March in the euro area (EA19) and by 0.5 percent in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In February 2016 industrial production fell by 1.2 percent in the euro area and by 1 percent in the EU28. In March 2016 compared with March 2015, industrial production increased by 0.2 percent in both the euro area and by 0.3 percent in the EU28.

Compared with February 2016, **seasonally adjusted European production in the construction sector** in March decreased by 0.9 percent in the euro area (EA19) and by 1.4 percent in the EU28, according to first estimates from Eurostat, the statistical office of the European Union. In February 2016, production in construction fell by 0.6 percent in both zones. Year-over-year, March production in construction fell by 0.5 percent in the euro area and by 1.4 percent in the EU28.

Power transmission/motion control distributor sales were up 9.4 percent in the fourth quarter of 2015 compared to the same period in 2014, ac-

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cording to the quarterly Sales History & Outlook Report from the Power Transmission Distributors Association.

Manufacturer News

Lincoln Electric Holdings Inc., Cleveland, OH, has acquired **Vizient Manufacturing Solutions**, Bettendorf, IA.

Rexnord Corp., Milwaukee, WI, has agreed to acquire **Cambridge International Holdings Corp.** for $210 million.

Rexnord reported sales for fiscal 2016 of $1.9 billion, a decrease of 6.2 percent compared to the previous year. Profit for the year decreased 19 percent to $67.9 million. Fourth quarter sales were $492.6 million, a year-over-year decrease of 5 percent. The company reported a loss for the quarter of $0.4 million compared to a profit the prior-year of $32.3 million.

Switzerland-based power and automation company **ABB** has acquired **SVIA**, Jönköping, Sweden, a provider of robot automation cells for machine tending.

The Kistler Group has acquired Germany-based **Schatz AG** and its U.S. sales and service company, **Schatz USA Inc.**

Dorner Holding Corp., the parent company of **Dorner Mfg. Corp.**, has acquired Germany-based **Geppert-Band**, a manufacturer of belt and modular belt conveyors.

Louisiana-Pacific Corp., Nashville, TN, reported sales for the first quarter of $504.6 million, an increase of 7 percent year-over-year. Profit for the quarter was $10.3 million, compared to a loss of $34.5 million in the prior year quarter.

International Wire Group Holdings Inc., Camden, NY, reported sales for the first quarter of $139.6 million, down 21.4 percent year-over-year. This decrease was partly due to a lower selling price of copper, partially offset by a lower proportion of tolled copper. Profit decreased 53.5 percent to $2 million.

Jason Industries Inc., Milwaukee, WI, parent company to a global family of manufacturers in the seating, finishing, automotive acoustics and components markets, reported sales for the first quarter of $191 million, up 8.6 percent year-over-year. The company reported a loss for the quarter of $3.4 million, compared with loss of $1.6 million in the prior-year quarter.

Continental Building Products Inc., Herndon, VA, manufacturer of gypsum wallboard and finishing products, reported first quarter sales of $111.5 million, an increase of 21 percent year-over-year. Profit was $12.5 million, compared to $2 million in the prior year quarter.

Manufacturer Regal Beloit Corp., Beloit, WI, reported first quarter sales of $818.2 million, a decrease of 10.3 percent from the previous year. Profit increased 12.7 percent to $42.7 million.

Safety products manufacturer **Brady Corp.**, Milwaukee, WI, reported sales for the fiscal third quarter ended April 30 of $286.8 million, a decrease of 1.2 percent year-over-year. Profit increased 21.9 percent to $21 million. For the first nine months of the fiscal year, sales were $838.5 million, a 5 percent decrease from the same period the previous year. Profit increased 29.7 percent to $55 million.

Swedish manufacturer **Sandvik** has announced that ZZ Zhang, executive vice president and head of emerging markets, will leave the group executive management team.

Carlisle Cos. Inc., Charlotte, NC, has named Kevin Zdimal as vice president of business development, a newly created position. Titus Ball will succeed Zdimal as vice president and chief accounting officer.

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