



■ MDM-Baird Distribution Survey

Distributors Optimistic about Strength of Post-COVID Recovery

Recovery starts to heat up in the first quarter while outlook improves for the rest of 2021

After a difficult 2020 due to the COVID-19 pandemic, the recovery in the distribution market continued to blossom in the first quarter of 2021. During MDM webcasts and virtual events that have taken place so far this year, panelists and industry experts alike have expressed a collective optimism for 2021 being a recovery year. This is borne out in the most recent quarterly MDM-Baird Distribution Survey that covers the first quarter of this year.

By Mike Robuck

After the pandemic-induced trough in the second quarter of last year, each subsequent quarter showed marked improvement and even more so in the first quarter of 2021. After dropping by 10% year-over-

year in Q2 of 2020, the fourth quarter was 1.5% below forecast, but was up 5% overall in Q1.

The top performers in Q1 included:

- HVAC +8.6%
- Landscape Suppliers +8.3%
- LBM +8%
- Pool and Spa +7.8%
- Safety +7.7%
- Roofing +6.9%
- Plumbing +6.2%
- Wallboard +4.5%
- OEM Fasteners +4.3%

The recovery started to build in earnest in the first three months of 2021. January was up by a mere 0.4% while improving to 1.3% in February and 5.4% in March.

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Key Takeaways from Distributors' 1Q Outlook

Distributors are paying close attention to pricing inflation, supply chain issues and technology adoption challenges.

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First Quarter 2021 Pricing Trends Report

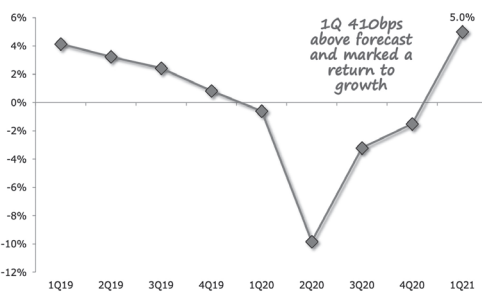
MDM's quarterly look at inflation trends for dozens of product groups.

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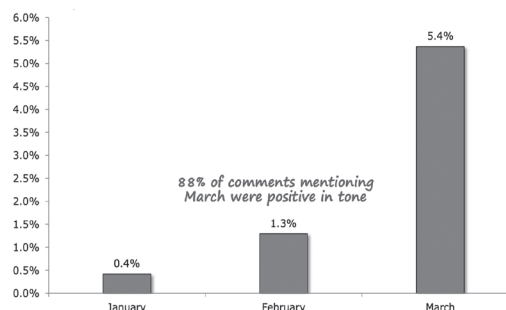
1Q2021 Financial Metrics & Trading Multiples

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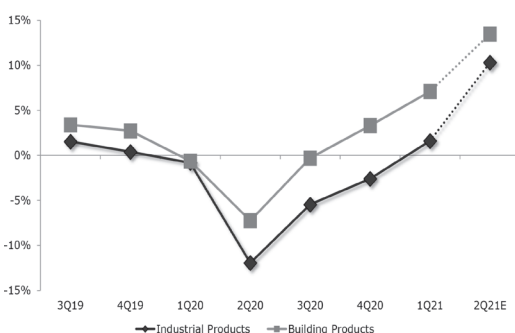
1Q21 Revenues: +5%



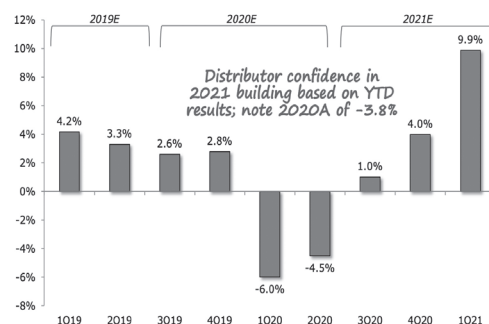
1Q 2021 Revenue by Month



1Q21 Revenue Growth by Industry



2021 Revenue Outlook: +1.0%/+4.0%/+9.9%



Key Takeaways from Distributors' 1Q Outlook

Likely thanks to the COVID-19 vaccine coursing through me, I have a building sense of optimism that I have not felt in over a year now. It would appear that the same goes for the majority of respondents to the latest quarterly MDM-Baird Industrial Distribution survey. Out of approximately 500 respondents, 88% of comments mentioning March 2021 performance were positive. Distributor confidence in overall 2021 performance is up as well. As of the first quarter, year over year outlook is up 9.9%.

You'll see in this issue's feature story, "Distributors Optimistic about Strength of Post-COVID Recovery," positive sentiment is expressed across individual sectors as well. That said, there are enduring and developing challenges to address as we approach the second half of the year. Here are three points worth following that came out of this quarter's survey data:

1. Pricing inflation is a factor

Pricing concerns came up across all of the sectors surveyed. As one industrial distributor respondent put it, "Everybody is having price increases, especially on imported items. Freight has more than doubled overseas. It's definitely an inflationary environment."

When asked, "With the potential for above-average inflation (raw materials, freight, labor, etc.) ahead, do you see this translating into higher gross profit/net income dollars for your business?" it was close between yes (48%) and no (52%) responses. Those responding "yes" reasoned that customers will pay whatever it takes, inflation increases the value of inventory and they expect a strong history of passing any

price increases onto the customer will continue. Those who responded "no" feel distributors are at the mercy of suppliers due to end-user push-back, competitive pressures among fellow distributors limiting their ability to raise prices and the cost of commodities hurting their margins.

2. Supply chain issues present a risk

Fluke Suez Canal blockages aside, COVID-19-related shutdowns from last year are still having an impact on raw materials, as seen with recent news about shortages in everything from computer chips to plastics. Indeed, supply chain concerns came up frequently in distributor survey responses.

The industrial sector reports extended lead times and building backlogs. It's having an impact on growth ability. Said one industrial respondent, "Upward trends would be better if we could deliver material." The same goes for the electrical sector, where a respondent reported, "PVC, conduit, breakers and panels are some of the biggest problems in sourcing products right now."

2. Room for technology improvement

When asked, "What challenges do you face with integrating new technologies into your operations and workflow?" responses were not surprising: old-school mentalities, existing software integration issues, resistance to change — the usual issues. The good news is, we're here to help. Join us for our Digital Distributor Summit on Tuesday, June 29, where we'll address these challenges and much more. Visit mdm.com/digital-distributor-summit/ for all the details.

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MDM-Baird Survey

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The top-performing product categories in March include:

- 1) HVAC +10.2%
- 2) LBM +9.9%
- 3) OEM Fasteners +9.2%
- 4) Pool and Spa +8.9%
- 5) Plumbing + 8%

“March was very strong. Part was the continued improvement in furnace availability and February cold weather, but nice March weather meant contractors could get out to do maintenance checks,” said one survey respondent.

The strongest second quarter forecasts are across OEM Fasteners (+23%), Mechanical/PT (19%), HVAC (+16%), Plumbing (+15%), and Electrical (+15%).

On the flip side, the weakest forecasts for the second quarter are FM/Jan-San (+1%), Safety (+5%), Industrial/Energy PVF (+7), General Ind. MRO (+9%), and Datacomm (+10%).

With shelter-in-place, work-from-home and quarantine policies in place, Jan-San was one of the hardest hit sectors last year. That sector’s forecast for the fourth quarter was -8.6%. Along the same lines, Industrial/Energy PVF’s fourth quarter forecast was -1.2%.

“I think we’ll be up 10% for the balance of this year. Our quoting activity is strong and we’re hearing from customers we haven’t heard from in a while,” said a survey respondent.

Here’s a look at some of the key themes and distributor expectations across an array of sectors, according to the survey.

Industrial Market

The strong finish in the fourth quarter rolled into the first quarter of this year, as momentum continues to build on manufacturing plant floors and in machine shops. On the other hand, supply chain constraints are leading to extended

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Current and Expected Revenue and Pricing Levels by Sector

	1Q21 Sales Change	1Q21 Pricing Change	2Q21 Sales Forecast	2021 Sales Forecast
Overall	5.0%	3.7%	12.6%	9.9%
Plumbing	6.2	4.9	15.2	9.5
Gases & Cylinder Rental	4.3	2.1	6.4	8.0
Hoses & Accessories	-2.9	1.2	10.6	8.6
HVAC	8.6	4.5	16.0	11.1
Mechanical/Power Transmission	-0.9	2.2	18.9	7.0
OEM Fasteners	4.3	4.2	23.4	9.9
Pool & Spa	7.8	5.4	13.6	11.5
Safety	7.7	5.3	5.2	9.0
Industrial/Energy PVF	-0.4	2.3	7.4	7.8
Electrical	4.3	3.5	14.7	12.4
General Industrial (MRO)	1.7	3.6	8.6	8.2
Waterworks Products	4.1	4.3	10.9	7.5
Facilities Maintenance/Jan-San (MRO)	-4.8	1.9	0.6	6.1
Metalworking/Cutting Tools	-2.9	1.2	10.6	8.6
Datacomm	1.4	0.8	9.9	7.6
Welding Hardgoods	4.7	3.0	7.3	8.1
Roofing	6.9	2.5	12.5	12.0
Wallboard/Gypsum	4.5	4.1	13.5	13.5
Building Materials/Lumber	8.0	7.1	12.5	11.3
Landscape Supplies	8.3	4.9	13.1	13.1

*For MRO, industrial includes industrial & manufacturing end-markets; non-industrial includes institutional, hospitality and other non-manufacturing end-markets. Jan-San results are included in these categories.

MDM-Baird Survey

Continued from page 3

lead times and building backlogs.

The survey predicts double-digit growth in the second quarter for most product categories against year-over-year comparisons amid good quoting activity. The survey notes that supplier price increases are coming “fast and furious.”

What they are saying:

- “More rapid recovery in March as more manufacturing moved back to full personnel.”
- “Some of our larger customers that went dormant on us last year their new orders came in very, very slow until around Oct/Nov when orders picked up. I’m looking at orders continuing to hold.”

“Price increases continue to be implemented by suppliers, some justifiable due to material costs, others opportunistic due to supply chain pressure. Expect margins to continue to improve as long as inflation remains sub 2% and operating expenses do not creep back in as the economy improves.”

— an industrial distributor

- “Manufacturing is still down some because we’re finding getting supply is a struggle here.”
- “Demand is ramping up well. Our biggest challenge over the next year will be keeping up with demand and maintaining margins as input costs increase.”
- “Price increases continue to be implemented by suppliers, some justifiable due to material costs, others opportunistic due to supply chain pressures. Expect margins to continue to improve as long as inflation remains sub 2% and operating expenses do not creep back in as the economy improves.”

Electrical Market

Optimism abounds as construction demand continues to power solid electrical trends for the rest of 2021. Inventory shortages are putting a strain on growth while OEM demand is outpac-

ing MRO. Also, electrical pricing is surging amid higher copper pricing and supplier increases.

What they are saying:

- “Construction is certainly a standout. New data centers being built are supporting backlog. Also a good bit of warehousing in our backlog, schools, hospitals and industrial construction.”
- “MRO is healthy but it’s not extraordinarily robust — some tailwind but nowhere near the tailwind that construction is.”
- “PVC, conduit, breakers and panels are some of the biggest problems in sourcing products right now.”
- “Everybody and their mother is trying to pass through price increases. Certainly on the cable side with copper well over \$4 now.”
- “We are seeing increased demand and significant lagging supply. Most of our suppliers are not keeping up with demand, allowing the stocking distributor to improve margins following the old adage, ‘He who stocks, gets’.”
- “Cautiously optimistic. January was the same as COVID year, February bookings went up, and March has been the busiest/most profitable/highest revenue in the history of the company.”

HVAC/Plumbing Market

To date, the HVAC price increases have been holding and a second increase could be on tap. The colder months of January and February at the beginning of the year sparked an increase in furnace demand while robust residential demand powered the plumbing sector, according to the survey. The survey says increases were reported to be bordering on demand destruction in plumbing.

What they are saying:

- “January’s price increase and a colder winter than 2019 were market drivers early. Buyers also were restocking towards the end of the quarter versus 2020 when COVID fear led to inventory caution.”
- “We’ve had very little challenge in pushing manufacturers’ price increases out. We’ve had very little pushback and it’s sticking very well. My concern is that we could have another one mid-year with the way the commodities are going up.”
- “2021 seems to be continuing strong for our company largely because the construction side in residential housing market is experiencing high demand and inventory shortages.”
- “Inflation seems on the precipice of leading to demand destruction and product availability is a bigger problem than inflation.”

Pipe, Valves & Fitting Market

The Industrial/Energy PVF market is seeing signs of a return to normality, according to the survey results. Also, the Waterworks market saw continued residential strength plus indications of a possible infrastructure tailwind.

What they are saying:

- “Signs of stability returning. Smaller customer inventories are depleted, so many are now reordering and restocking. Larger customers are still over stocked, but projects are starting to be let and deliveries are tight due to pent up work.”

- “The business is returning to normal. As COVID impacts were felt from Mid-March 2020 to about mid- June of that year, there is going to be a very favorable YoY trend, but leaving this period aside, we are finding we have returned to slow and steady organic growth of 3%.”

- “Starting in the fall we saw a number of price increases in finished steel for use in our fabrication operations. Since December, all raw materials and scrap metals have increased pricing substantially and the potential for supply disruption exists.”

- “With springtime coming, infrastructure projects will start back again. With governments financial grants and investments, revenue should pick up and might exceed our forecasts. We don’t expect significant margin variation.”

- “January and February 2021, we experienced more normal winter conditions for the Northeast, which resulted in sales and margin well below 2020. January and February of 2020 were both abnormally warmer and dry. A very busy March of 2021 picked up the slack.”

Building Products

The roofing sector continues to fair well due to strong demand and pricing driving growth. For lumber and building materials, there’s a robust housing market but also lumber inflation headwinds. For pool and spa/landscaping, expect surging inflation amid material shortages. Good residential demand and strong pricing were cited by survey respondents as reasons for being optimistic this year.

What they are saying:

- “Very strong demand in both the reroof and new construction. Both look to continue through this fall.”

- “Demand in housing (new and R&R) continues to be strong and should all year. Demand is far outsized compared to supply so pricing and margins are increasing.”

- “Pool and Spa industry is by all accounts at an all-time high as far as demand for new and renovated residential. That said, there is a sanitizer shortage (chlorine rationing) driving higher demand for alternative sanitizers (Salt and AOP). Complicating this is the Texas freeze, which broke most residential pools- literally. PVC is scarce as is equipment. It’s a perfect storm.”

- “Demand is high as we fight product availability, more so on accessory and steel items vs. drywall at the moment. It’s almost impossible to keep up with the never-ending barrage of increase letters. Its turning into a, ‘I don’t care about the price; just do you have the product at the moment?’”

- “Demand for housing is strong, with an influx of buyers from markets with excess equity from prior home sales.”

- “Housing market has exploded.”

Gases/Welding Market

Rapid inflation and supply chain issues are seen as potential risks in 2021, according to survey respondents, but expect sequential recovery in both gases and welding hardwoods.

Distributors in this sector report:

- “Capex items are back on the table again. We are selling more and seeing more inquires.”

- “Supply issues are impacting sales.”

- “Due to COVID and the unsure economy, we are fearful of the lack of finished products from our suppliers. We expect Supply Chain holdups that will affect our business greatly.”

- “Rapid change of steel and other metals costs affecting many sectors. Maintaining margins, revising prices, effective quotes difficult to keep up with properly. Takes time away from other projects.”

Since 2010, Robert W. Baird & Co., in partnership with Modern Distribution Management, has conducted quarterly surveys of distributors and manufacturers to gauge business trends and the outlook for the industry. The Baird-MDM quarterly survey is the deepest financial performance benchmarking analysis for industrial wholesale distribution sectors, representing more than \$100 billion in aggregate annual revenue across six distribution categories. Survey participants receive a complete readout of the quarterly results. For questions or to participate, contact info@mdm.com, or Baird Research Associate Quinn Fredrickson (qfredrickson@rwbaire.com).

1Q21 Pricing Trends Report

Inflation trends for core industrial/construction products

These select product groups provide a snapshot of inflation trends based on the Producer Price Index from the U.S. Bureau of Labor Statistics.

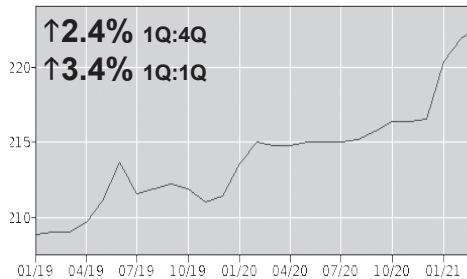
Key

↑X.X% 1Q:4Q (1Q '21 with 4Q '20)

↑X.X% 1Q:1Q (1Q '21 with 1Q '20)

Industrial

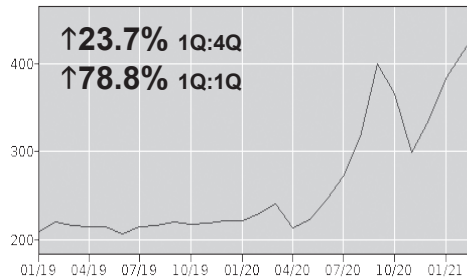
Abrasives



Product Group	1Q:4Q	1Q:1Q
Adhesives/Sealants	0.7%	1.3%
Ind. Mat Handling Eqmt	0.7%	1.2%
Industrial Rubber Products nec	-1.5%	-1.9%
Metal Cutting Machine Tools	0.9%	2.2%
Metal Forming Machine Tools	0.5%	0.6%
Metal Valves (not FP)	0.9%	2.7%
Personal Safety Eqmt & Clothing	0.9%	2.5%
Pumps & Compressors	1.2%	1.1%
Rubber & Plastic Belts & Belting	0.4%	0.6%
Rubber & Plastic Hose	0.7%	0.9%
Steel Mill Products	24.0%	22.5%

Construction

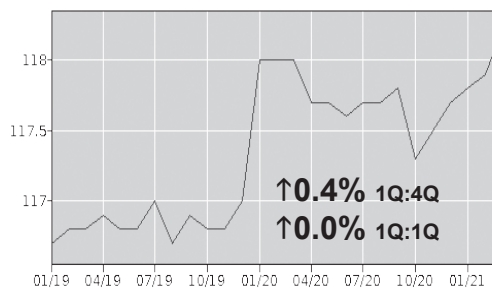
Softwood Lumber



Product Group	1Q:4Q	1Q:1Q
Plastic Construction Products	3.2%	3.2%
General Millwork	2.1%	3.8%
Gypsum Products	5.1%	5.0%
Hardboard, Particlebd, Fiberbd	4.9%	59.8%
Hardwood Lumber	11.9%	19.6%
Plywood	10.0%	44.4%
Wood Ties, Siding, Shingles, etc.	0.3%	-0.8%

Electrical

Electrical Machinery & Eqmt*

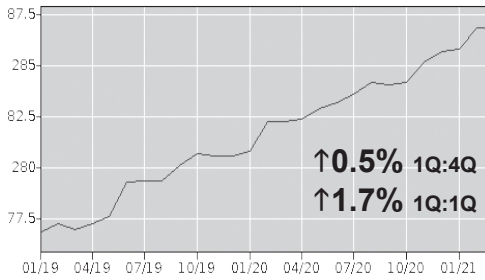


Product Group	1Q:4Q	1Q:1Q
Communications/Related Eqmt	0.2%	0.0%
Electric Lamp Bulbs and Tubes	0.4%	1.8%
Electronic Components & Accs.	0.5%	-2.1%
Integrating/Measuring Instrumts	-0.8%	-0.3%
Lighting Fixtures	0.5%	1.3%
Motors, Generators, etc.	0.8%	1.0%
Switchgear, Switchbd, etc. Eqmt	0.7%	1.4%
Transformers/Power Regulators	2.3%	3.1%
Wiring Devices	2.0%	6.4%
Fab. Ferrous Wire Products	3.7%	4.6%
Nonferrous Wire & Cable	7.3%	13.9%

*Category includes products in table to right

Power Transmission/Bearing/Fluid Power

Mech. Power Transmission Eqmt*

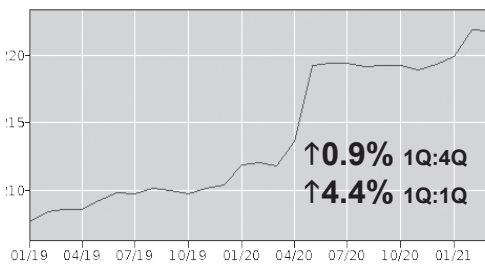


*Category encompasses first three (PT) products in table.

Product Group	1Q:4Q	1Q:1Q
Ball & Roller Bearings	0.8%	1.1%
Plain Bearings & Bushings	0.0%	0.4%
Speed Changers/Drives/Gears	0.3%	1.5%
Fluid Power Equipment	0.5%	0.9%
FP Cylinders, Actuators, Accum.	0.3%	0.3%
FP Hose & Tube Fittings	1.4%	1.4%
Fluid Power Pumps & Parts	0.1%	0.4%
Fluid Power Valves	0.2%	1.7%

Fasteners

Nuts, Bolts, Screws, Rivets, Washers*

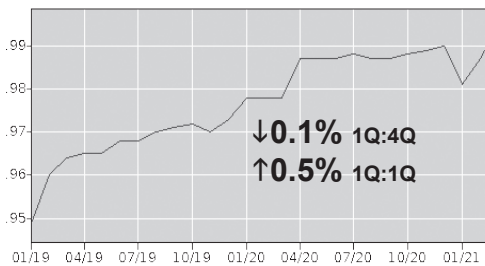


Product Group	1Q:4Q	1Q:1Q
Aircraft Fasteners	0.9%	4.9%
Externally Thread. Fasteners**	1.4%	7.6%
Internally Thread. Fasteners**	-0.1%	-0.5%
Nonthreaded Metal Fasteners**	0.3%	0.2%

*Category encompasses products in table above
 **Excludes aircraft fasteners.

Tools

Cutting Tools & Accessories*

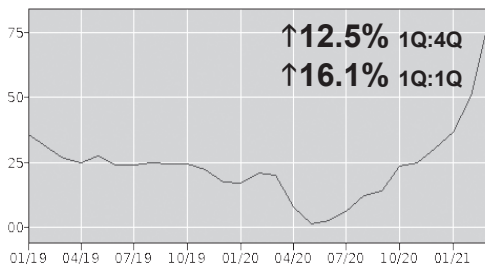


*Category encompasses some of the products in table.

Product Group	1Q:4Q	1Q:1Q
Hand & Edge Tools	0.5%	2.6%
Power-Driven Hand Tools	1.9%	3.1%
Precision Measuring Tools	0.3%	0.8%
Small Cutting Tools	-0.3%	0.3%
Tools, Dies, Jigs, Molds, Fixture	0.5%	-0.1%

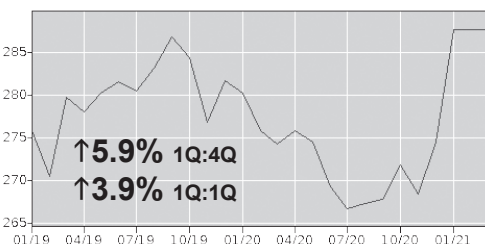
Other

Plastic Resins and Materials



Product Group	1Q:4Q	1Q:1Q
Hardware*	1.1%	2.2%
Builders Hardware	1.3%	1.3%
Air Cond. & Refrigeration Eqmt	2.4%	4.3%
Heating Eqmt	1.4%	1.9%
Plumbing Fixtures & Fittings	0.6%	1.6%
Plastic Products (overall)	2.5%	2.8%
Pkgng Products from Plastics	3.3%	1.6%
Welding Machinery & Eqmt	1.7%	3.0%
Office Supplies & Accessories	0.4%	-0.2%
Pulp, Paper & Allied Products**	2.6%	5.0%
Boxes	2.5%	2.5%
Sanitary Paper Products	0.5%	0.4%

Industrial Gases

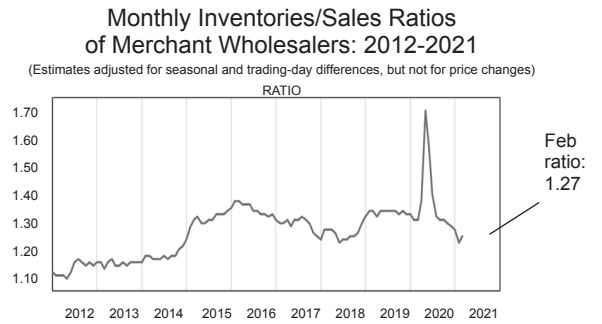


*This category includes builders' hardware & other product groups
 **Category includes boxes, sanitary paper products & office supplies & other groups

February 2021 | Monthly Wholesale Trade Data

Wholesale revenues in February were \$538.3 billion, up 6.4% from February 2020 and down 0.8% over January. February sales of durable goods were down 2.2% over last month and up 7.2% from a year ago. Sales of nondurable goods were up 0.5% over January and up 5.7% over last February.

Inventories were \$682.5 billion at the end of February, up 0.6% from the revised January level and 2.0% from last year. February inventories of durable goods were up 0.3% from last month and down 0.5% from a year ago. Inventories of nondurable goods were up 1.1% from January and up 6.0% over last year.



Source: U.S. Census Bureau

Inventories/Sales Ratio. The February inventories/sales ratio for merchant wholesalers was 1.27. The February 2020 ratio was 1.32.

Sales and Inventories Trends: February 2021

NAICS Code	Business Type	Sales \$Millions	Inventory \$Millions	Stock/Sales Ratio	% Change Sales 01/21-02/21	% Change Sales 02/20-02/21	% Change Inventory 01/21-02/21	% Change Inventory 02/20-02/21
42	U.S. Total	538,303	682,470	1.27	-0.8	6.4	0.6	2.0
423	Durable	259,430	403,060	1.55	-2.2	7.2	0.3	-0.5
4231	Automotive	41,789	62,653	1.50	-5.0	2.1	-0.6	-4.6
4232	Furniture & Home Furnishings	8,402	12,701	1.51	-2.2	0.3	1.9	-3.2
4233	Lumber & Other Construction Materials	16,001	23,565	1.47	-5.3	15.8	2.0	12.6
4234	Prof. & Commercial Equip. & Supplies	47,398	51,237	1.08	-0.6	9.0	0.5	3.8
42343	Computer Equipment & Software	25,038	17,972	0.72	1.1	15.0	0.9	8.2
4235	Metals & Minerals	15,002	31,050	2.07	2.9	13.4	2.1	-1.6
4236	Electrical Goods	50,577	53,657	1.06	0.3	5.8	-0.7	0.4
4237	Hardware, Plumbing, & Heating Equipment	15,700	32,339	2.06	-0.5	7.7	0.8	7.7
4238	Machinery, Equipment & Supplies	39,477	104,181	2.64	-4.7	-0.1	0.1	-4.3
4239	Miscellaneous Durable	25,084	31,677	1.26	-3.2	24.4	0.9	-1.9
424	Nondurable Goods	278,873	279,410	1.00	0.5	5.7	1.1	6.0
4241	Paper & Paper Products	7,267	8,886	1.22	-4.3	-3.0	1.6	10.4
4242	Drugs	67,037	76,360	1.14	-1.2	7.8	0.1	11.2
4243	Apparel, Piece Goods & Notions	12,009	26,584	2.21	-6.5	-10.3	6.0	-9.2
4244	Groceries & Related Products	58,514	40,630	0.69	0.1	2.1	-0.4	-2.8
4245	Farm-product Raw Materials	20,888	32,059	1.53	-3.1	30.3	-1.4	36.4
4246	Chemicals & Allied Products	10,148	11,880	1.17	0.4	0.7	0.5	-1.3
4247	Petroleum & Petroleum Products	63,009	24,767	0.39	9.3	6.7	8.1	20.8
4248	Beer, Wine & Distilled Beverages	15,046	17,584	1.17	-4.5	11.5	-0.9	-1.8
4249	Miscellaneous Nondurable Goods	24,955	40,660	1.63	-3.2	-0.1	0.2	-3.0

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.

Würth Industry North America Launches 3D Printing

To better help its customers create and manage their digital inventories, Würth Industry North America (WINA) has launched a new U.S.-based company called Würth Additive Group. WINA started dabbling in offering its customers additive tools, such as 3D printing products and services, in late 2017.

In addition to 3D printing, the Würth Additive Group also offers white glove services to its customers as well as financing and rental options on equipment. Instead of customers loading up their inventory parts lists onto CDs, they can now keep them as MP3 files on their devices. "Our partner network includes printer manufacturers. Our main business is selling the equipment and materials to help our customers adopt it," says Würth Additive Group CEO AJ Strandquist. "We bring together all of the different vendors and services so that our customers can have one convenient location and be able to have access to all of it."

The end result for customers is manufacturing on demand, according to Strandquist. The additive solutions that Würth Additive Group provides plug into its existing supplier solutions so it's easier for customers to integrate that new tech into existing Würth supply chain solutions, according to the company's CFO, Achim Grenner

"We try to lower entry barriers by offering very competitive financing and leasing, as well as rental models or equivalents, which is still fairly unique in the industry," Grenner says. "We make it easy for our vendors, as well as our suppliers, who tend not to be 75-year-old family-owned companies but rather startups. We offer them access to our customer network that is in the millions worldwide."

Offering 3D digital solutions enables Würth Additive Group to create flexible inventory solutions that gives customers a lower total cost of ownership, according to Strandquist.

Distributor

McKinney, Texas-based **Heritage Landscape Supply Group** acquired **Davis Supply**, a family-owned distributor of irrigation, lighting, pool and spa and other outdoor related-products.

United Rentals Inc., Stamford, Connecticut, acquired **Franklin Equipment LLC**, a regional provider of equipment rentals, sales and related services in the Midwest and Southeast United States.

American Construction Source, a Springfield, Missouri-based building materials distributor backed by **Angeles Equity Partners LLC** and **Clearlake Capital Group LP**, acquired **Foley Lumber** and **Milaca Building Center**.

Watsco Inc., Miami, completed the \$291 million acquisition of **Temperature Equipment Corp.**

Industrial distributor **NEFCO Corp.** has completed its acquisition of **Sigma Engineering Int'l** through its **NEFCO Engineered Support** division.

Fastenal Co., Winona, Minnesota, reported first-quarter sales of \$1.4 billion, a 3.7% increase compared with same period a year ago. Quarterly profit was \$210.6 million, also a 3.7% increase compared to the year-ago period.

Genuine Parts Co., the Atlanta-based parent of **Motion** — what GPC calls its "industrial parts group" — reported that the distributor's first-quarter sales of \$1.5 billion were up 0.1% year-over-year and represented 34% of total company revenues (the same as the prior quarter). Segment profit of \$125.3 million increased 10%.

HVACR distributor **Watsco Inc.**, Miami, reported first-quarter sales of \$1.1 billion, up 12.7% from the year-ago quarter. Profit increased 80.6% to \$55.1 million. HVAC equipment sales increased 14% in the quarter, other HVAC products increased 11% and commercial refrigeration equipment increased 10%.

Winsupply Inc., Dayton, Ohio, will open a new regional distribution center in Oklahoma City in 2022.

The Home Depot, Atlanta, has opened three new distribution centers in Florida — West Palm Beach, Miami and Fort Myers — to provide faster delivery options for customers in South Florida.

Winsupply Inc., Dayton, Ohio, announced the promotion of three of Winsupply's local company presidents to the roles of area leaders: Eric Leatherman, David Benton and Steve Lyon.

BlueLinx Holdings Inc., Marietta, Georgia, announced that Mitchell B. Lewis will step down as president and CEO of the company on June 7.

Industry Data Exchange Association (IDEA), Arlington, Virginia, announced Brian DiBella will serve as the board chair for the coming year. DiBella, president of **Electrical Wiring Systems at Legrand North America**,

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News Digest

Continued from p. 1 of this section

previously served as Legrand’s CIO.

Economic

Led by improvements in indicators related to production and personal consumption and housing, the **Chicago Fed National Activity Index (CFNAI)** rose to +1.71 in March from -1.20 in February. All four broad categories of indicators used to construct the index made positive contributions in March, and all four categories improved from February. The index’s three-month moving average, CFNAI-MA3, increased to +0.54 in March from +0.07 in February.

Low mortgage interest rates contributed to a housing production rebound in March. Overall housing starts increased 19.4% to a seasonally adjusted annual rate of 1.74 million units, according to the **U.S. Department of Housing and Urban Development and the U.S. Census Bureau**. It marks the fastest pace for combined single-family and multifamily construction since June 2006.

The seasonally adjusted **Fastener Distributor Index (FDI)** for March was 66, down from 66.1 in February, according to the latest analysis from **Baird, FCH Sourcing Network** and the **Institute for Supply Management**.

U.S. manufacturing technology orders totaled \$377.6 million in February, a 34.2% increase from the same month a year ago, according to the **U.S. Manufacturing Technology Orders** report published by **AMT – The Association For Manufacturing Technology**.

Manufacturer

Pittsburgh-based **PPG Industries** has struck a deal to buy **Cetelon Lackfabrik GmbH**, a manufacturer of coatings for automotive and light truck wheel applications.

Protective Industrial Products Inc., Latham, New York, announced the appointment of Laura Proctor as director of marketing for industrial safety.

Calculation of MDM Inflation Index for March 2021

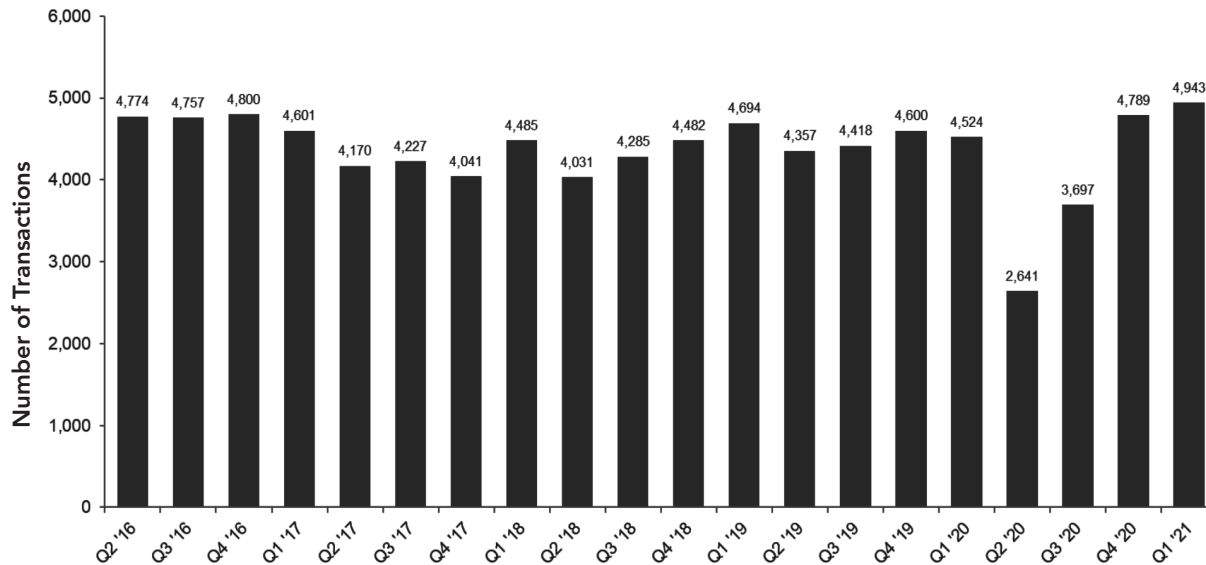
	BLS	BLS	BLS		Weighted	%	%	
	Price	Price	Price	%	Indices	Change	Change	
	Indices	Indices	Indices	Sales	Mar '21	Mar '21	Mar '21	
	Mar '21	Feb '21	Mar '20	Weight	(1)X(4)	Feb '21	Mar '20	
1136	Abr. Prod.	661.1	658.7	635.3	19.1	126.27	0.36	4.07
1135	Cutting Tools	540.7	538.8	536.3	18.9	102.19	0.35	0.81
1145	Power Trans.	896.0	896.3	881.9	15.4	137.98	-0.03	1.59
1081	Fasteners	599.0	599.3	572.3	9.0	53.91	-0.05	4.67
1149.01	Valves, etc.	1211.2	1176.9	1090.0	7.6	92.05	2.91	11.11
1132	Power Tools	418.7	409.7	400.1	6.5	27.22	2.22	4.65
1144	Mat. Handling	664.0	661.1	657.7	6.2	41.17	0.43	0.96
0713.03	Belting	975.0	971.5	969.5	6.1	59.47	0.36	0.56
1042	Hand Tools	860.6	861.9	840.8	8.1	69.71	-0.16	2.35
108	Misc. Metal	520.1	514.7	503.1	3.1	16.12	1.04	3.37
	"New" Mar Index	379.4	March Inflation Index			726.09	0.61	3.36
	"New" Feb Index	377.1	February Inflation Index			721.70		
			March 2020 Inflation Index			702.50		

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

First Quarter 2021 Financial Metrics & Trading Multiples

Domestic M&A Activity – All Industries

This chart shows the number of transactions announced each quarter for the last five years.



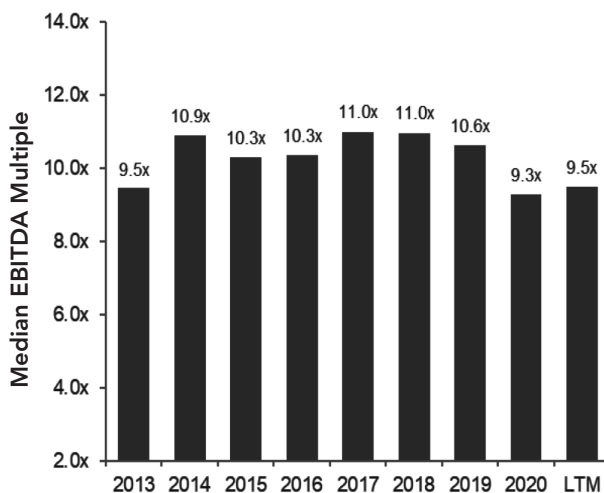
Data Source: Houlihan Lokey, Thomson Reuters, S&P Capital IQ, as of 3/31/2021.

Notes: Represents reported M&A activity across all industries, not just distribution. Excludes debt tender offers, private placements, equity carve-outs, exchange offers, loan modifications, and open market repurchases.

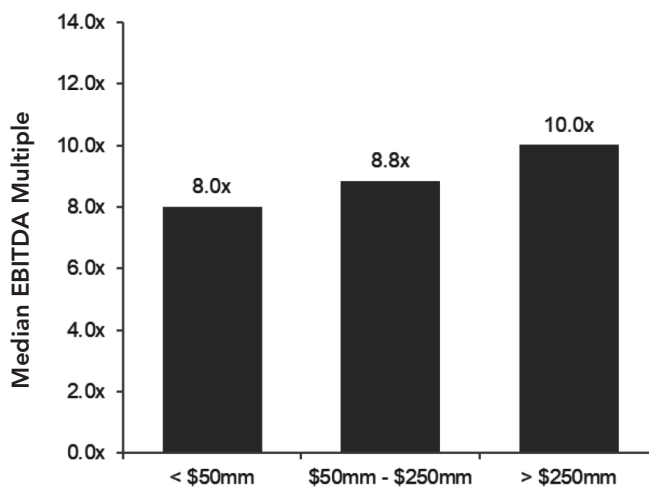
Median EBITDA Transaction Multiples – All Industries

The charts below shows the median EBITDA transaction multiples by year, as well as segmentation of multiples by enterprise value for the last 12 months.

By Year



By Deal Size - 2021



Data Source: Houlihan Lokey, Thomson Reuters, S&P Capital IQ, as of 3/31/2021.

Notes: Represents reported M&A activity across all industries, not just distribution. Based on U.S. deals and excludes multiples below 0.0x and above 25.0x.

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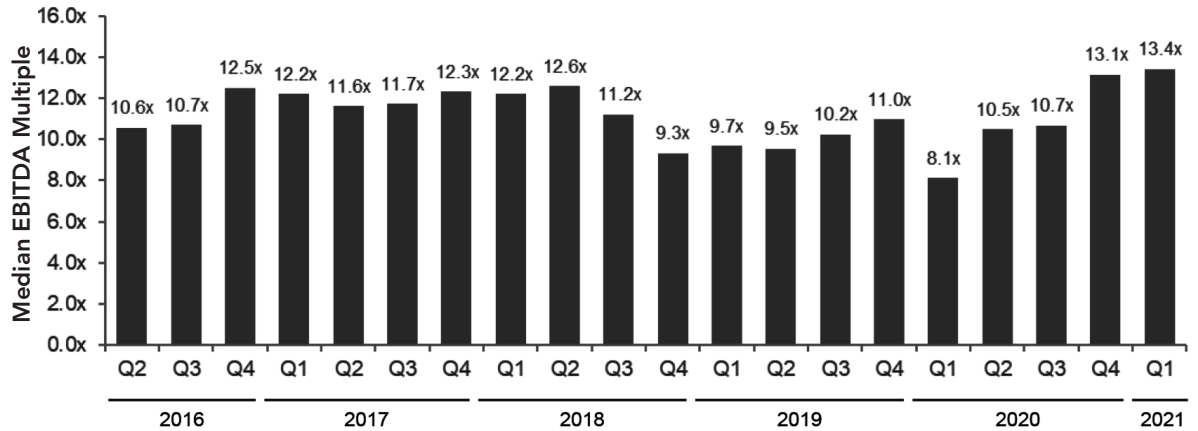
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Distribution Financial Metrics and Trading Multiples

(Data as of March 31, 2021)

The chart below illustrates historical median EBITDA multiples for the below companies calculated using LTM EBITDA as of the quarter shown and the enterprise value as of the last day of the quarter.



The table below highlights key financial metrics and trading multiples for 32 distributors across diverse end markets. LTM means latest 12 months. Enterprise Value means market capitalization of a company's equity plus preferred stock plus total interest bearing debt net of any cash or cash equivalents. EBITDA means earnings before interest, taxes, depreciation and amortization. In certain cases earnings have been adjusted for certain disclosed income or expense items considered to be non-recurring.

(\$ in millions)									
Company	Ticker	Enterprise Value	LTM Sales	LTM Sales Growth	LTM Margins		Working Capital / LTM Sales	ROIC	EV / LTM EBITDA
					Gross	EBITDA			
Applied Industrial Technologies, Inc.	AIT	4,092	3,055	(11.7%)	28.9%	9.0%	16.9%	7.2%	14.9x
Arrow Electronics, Inc.	ARW	10,210	28,673	(0.8%)	11.1%	3.8%	13.5%	7.2%	9.3x
Avnet, Inc.	AVT	4,959	17,861	(3.7%)	11.3%	2.0%	20.3%	2.2%	14.0x
Beacon Roofing Supply, Inc.	BECN	6,240	6,845	0.7%	24.5%	7.5%	24.6%	3.2%	12.2x
Bluelinx Holdings Inc.	BXC	967	3,097	17.4%	15.4%	5.1%	14.6%	11.5%	6.2x
Builders FirstSource, Inc.	BLDR	10,773	12,766	17.0%	26.0%	8.4%	6.4%	12.4%	10.0x
Bunzl	BNZL	13,088	13,948	8.4%	25.3%	7.9%	8.7%	9.7%	11.9x
DXP Enterprises, Inc.	DXPE	786	1,005	(20.7%)	25.9%	3.7%	16.3%	1.3%	NM
Fastenal Company	FAST	29,030	5,697	5.7%	45.2%	23.1%	30.8%	21.1%	22.1x
Ferguson	FERG	29,017	22,235	3.3%	29.4%	8.6%	9.8%	12.2%	15.2x
Genuine Parts Company	GPC	18,392	16,537	(5.6%)	34.2%	7.7%	4.0%	8.3%	14.4x
GMS, Inc.	GMS	2,657	3,137	(3.5%)	32.5%	8.7%	15.0%	5.4%	9.7x
Houston Wire & Cable Company	HWCC	121	286	(15.5%)	22.0%	0.3%	33.9%	(0.8%)	NM
Lawson Products	LAWS	442	352	(5.2%)	53.1%	9.0%	6.0%	12.4%	14.0x
MRC Global Inc.	MRC	1,366	2,560	(30.1%)	16.8%	2.2%	19.1%	0.4%	NM
MSC Industrial Direct Co., Inc.	MSM	5,476	3,129	(5.7%)	42.0%	13.7%	27.3%	11.6%	12.8x
NOW Inc.	DNOW	733	1,619	(45.1%)	21.4%	(1.2%)	13.8%	(3.0%)	NM
Park-Ohio Holdings Corp.	PKOH	860	1,295	(20.0%)	13.4%	4.9%	28.5%	1.8%	13.4x
Pool Corp.	POOL	14,257	3,937	NM	28.7%	12.7%	17.5%	24.8%	28.5x
Reliance Steel & Aluminum Co.	RS	10,655	8,812	(19.7%)	31.9%	10.5%	21.3%	6.3%	11.5x
Rexel SA	RXL	8,777	15,077	(8.4%)	25.2%	4.5%	10.4%	4.3%	12.9x
SiteOne	SITE	7,832	2,705	14.7%	33.3%	9.0%	18.4%	8.8%	32.0x
W.W. Grainger	GWW	23,062	11,797	2.7%	35.9%	12.9%	16.6%	18.7%	15.1x
Watsco Inc.	WSO	9,322	5,055	6.0%	24.2%	8.2%	18.3%	11.9%	22.4x
WESCO International, Inc.	WCC	8,783	16,130	(6.2%)	19.6%	5.3%	16.9%	5.3%	10.2x
Median		\$7,832	\$5,055	(4.4%)	25.9%	7.9%	16.9%	7.2%	13.4x

Data Source: Houlihan Lokey, Thomson Reuters, S&P Capital IQ, Bloomberg & company financials.