

Q1  
24

Industrial Industry

# Mirus Industrial Distribution REPORT

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- State of the Industry
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- Mirus Industrial Spotlight

# Industrial Distribution



## Manufacturing Index Shows Growth for First Time Since 2022

Industrial Distribution [Full Article](#)

The Manufacturing Purchasing Managers' Index (PMI) in the United States staged a robust comeback in March, hitting 50.3, the highest level since October 2022. Surpassing the 50 percent mark, this indicates a shift toward expansion in the U.S. manufacturing sector, breaking 16 consecutive months of contraction. Notably, demand is on the rise, buoyed by strengthened output and accommodative inputs. The industry is anticipating resurgence in orders and production during the second quarter, setting the stage for potential improvements in the latter half of the year. Supply chain disruptions remain minimal, primarily limited to semiconductors and select electronic parts. Suppliers are driving costs down, which will improve the margin for the remainder of the year and deliver growth in 2025. Additionally, there has been an uptick in manufacturing companies targeted for acquisition by larger entities.

## Industrial Distribution M&A Expected to Persist in 2024

Industrial Distribution [Full Article](#)

In 2023, the industrial distribution sector exhibited remarkable resilience, paving the way for a consistent stream of M&A opportunities expected to persist throughout 2024. Despite the broader M&A slowdown, compared to the fervent activity of 2022, the sector experienced a notable increase in value-added distribution transactions. This surge was propelled by the sector's asset-light nature, efficient capital, and a market characterized by robust add-on prospects. Transactions in 2023 were particularly pronounced in segments including flow control, fluid power & motion control, electrical products, tools & equipment, packaging & supplies, and maintenance, repair, & operations (MRO) products and supplies.

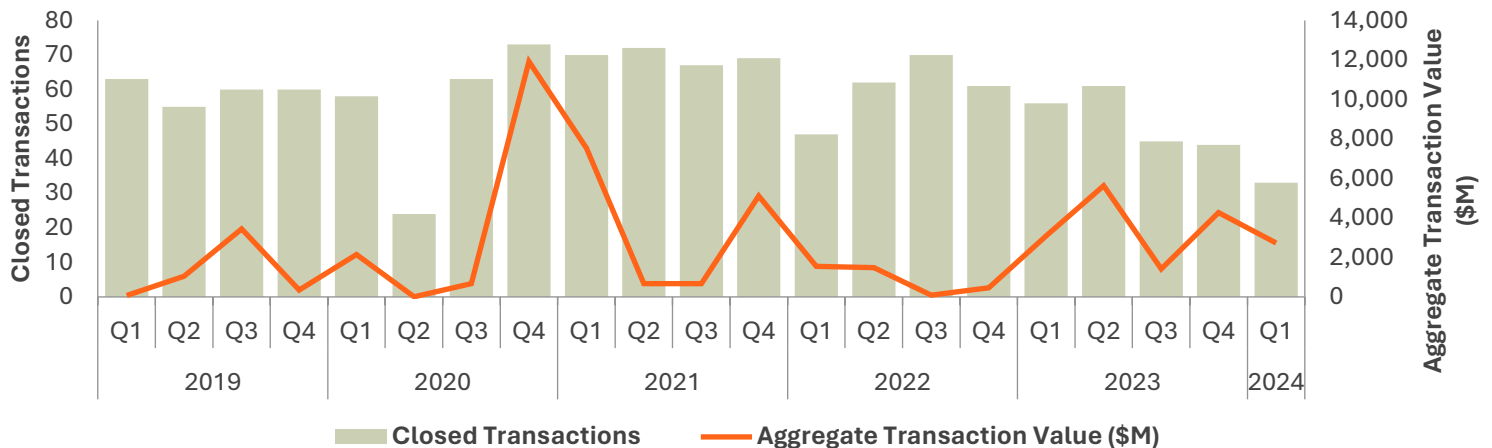
Looking ahead to 2024, the industrial distribution M&A landscape is expected to remain dynamic, buoyed by lower recession fears and sustained demand for growth and consolidation. Key drivers of 2024 M&A activities within industrial distribution include: infrastructure investments; geopolitical dynamics prompting reshoring and supply chain diversification efforts; sustainability initiatives propelling demand for green technologies; technological integration enhancing efficiency; and market diversification attracting renewed interest in previously overlooked sectors such as oil and gas and residential construction.

## Metalformers' Outlook Remains Steady in March

Industrial Distribution [Full Article](#)

The metalforming manufacturers in North America maintain a steady outlook in March, mirroring sentiments observed in the previous month, as indicated by the latest findings in Precision Metalforming Association (PMA) Business Conditions Report. Amidst the shifting economic tides and a slight dip in average daily shipping levels in March, metalforming manufacturers exhibit resilience, with expectations of a stable increase in incoming orders for the forthcoming months. The number of companies that are expanding their workforce continues to rise. However, PMA President David Klotz emphasizes the importance of swift legislative action to drive more growth and expansion in the industry, urging the Senate to approve the House-passed Tax Relief for American Families and Workers Act. This legislative proposal seeks to reinstate critical manufacturing tax provisions, essential for fostering growth and innovation within the industry.

# Industrial Distribution M&A Environment



## Selected Recent Industrial Distribution Transactions



STONEPEAK

### Acquired Textainer Group Holdings Limited (Q1 2024)

“We are excited to close this transaction with Textainer and are optimistic about the opportunities ahead for the company,” said James Wyper, senior managing director at Stonepeak. “As one of the largest intermodal container leasing companies in the world, Textainer has continued to prove its importance as a critical link in the global supply chain. By leveraging Stonepeak’s experience and focusing on capital discipline, operational improvements, and excellent customer service, we believe Textainer will be well-positioned for the future. We look forward to partnering closely with the team as the Company continues to grow.”



### Acquired KAR Industrial Inc. (Q1 2024)

“The addition of KAR Industrial Inc. expands our metalworking footprint in Canada,” said MSC President and Chief Executive Officer Erik Gershwind. “Their expertise in metalworking and industrial distribution aligns well with our commitment to helping customers solve their mission-critical challenges and improve the productivity of their operations.” Ward Meek, president of KAR, stated: “We are looking forward to combining our metalworking expertise with MSC’s to bring even greater value and success to manufacturing customers.”

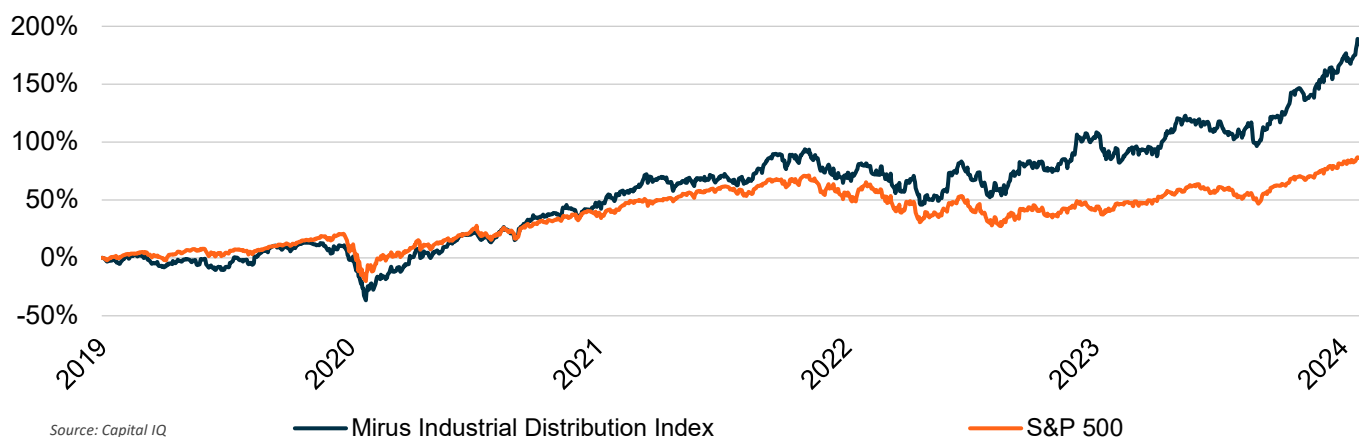


### Announced acquisition of SRS Distribution (Q1 2024)

“SRS’ ability to build leadership positions in each of its trade verticals while generating significant revenue growth is a testament to its strong vision, leadership, culture, and execution,” said Ted Decker, chair, president, and CEO of The Home Depot. “SRS’ branch network, coupled with The Home Depot’s 2,000+ U.S. stores and distribution centers and comprehensive product offering provides the residential and commercial Pro customer with more fulfillment and service options than ever before.”

# Industrial Distribution Public Company Comparables

## Select Industrial Distribution Index v. S&P 500



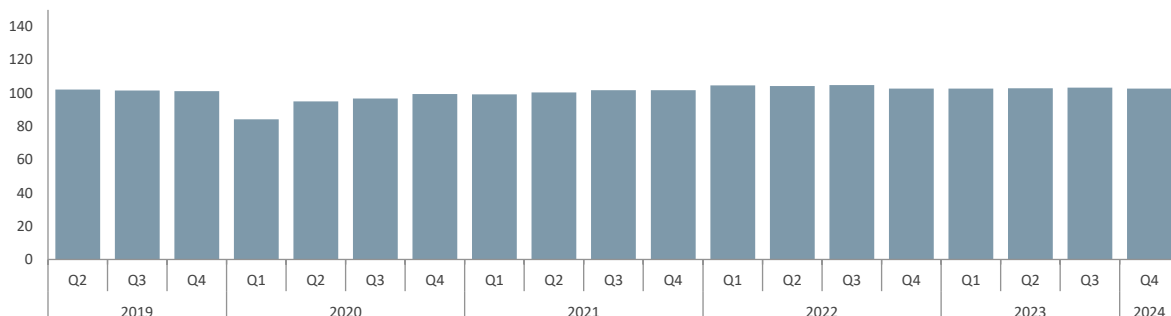
## Select Industrial Distribution Public Companies

Valuation Calculations as of:	3/31/2024	LTM Financials			Valuation Metrics			LTM Margins	
		Enterprise Value	Revenue	Gross Profit	EBITDA	EV / Revenue	EV / Profit	Gross EBITDA	Margin
<b>Maintenance, Repair, and Operations</b>									
W.W. Grainger, Inc.	\$52,081	\$16,478	\$6,496	\$2,823	3.2x	8.0x	18.4x	39%	17%
Fastenal Company	\$44,156	\$7,347	\$3,355	\$1,706	6.0x	13.2x	25.9x	46%	23%
Genuine Parts Company	\$25,609	\$23,091	\$8,291	\$2,148	1.1x	3.1x	11.9x	36%	9%
WESCO International, Inc.	\$14,538	\$22,385	\$4,844	\$1,623	0.6x	3.0x	9.0x	22%	7%
MSC Industrial Direct Co., Inc.	\$6,008	\$3,979	\$1,630	\$536	1.5x	3.7x	11.2x	41%	13%
Distribution Solutions Group, Inc.	\$2,184	\$1,570	\$555	\$119	1.4x	3.9x	18.3x	35%	8%
DNOW Inc.	\$1,373	\$2,321	\$535	\$173	0.6x	2.6x	7.9x	23%	7%
DXP Enterprises, Inc.	\$1,284	\$1,679	\$505	\$169	0.8x	2.5x	7.6x	30%	10%
				<b>Mean:</b>	<b>1.9x</b>	<b>5.0x</b>	<b>13.8x</b>	<b>34%</b>	<b>12%</b>
				<b>Median:</b>	<b>1.2x</b>	<b>3.4x</b>	<b>11.6x</b>	<b>36%</b>	<b>10%</b>
<b>Building Materials</b>									
Ferguson plc	\$48,670	\$29,359	\$8,902	\$2,942	1.7x	5.5x	16.5x	30%	10%
Watsco, Inc.	\$16,514	\$7,284	\$1,992	\$807	2.3x	8.3x	20.5x	27%	11%
Core & Main, Inc.	\$13,149	\$6,702	\$1,818	\$899	2.0x	7.2x	14.6x	27%	13%
Beacon Roofing Supply, Inc.	\$9,188	\$9,120	\$2,343	\$896	1.0x	3.9x	10.3x	26%	10%
GMS Inc.	\$5,034	\$5,393	\$1,749	\$588	0.9x	2.9x	8.6x	32%	11%
Richelieu Hardware Ltd.	\$1,868	\$1,317	\$170	\$145	1.4x	11.0x	12.9x	13%	11%
MRC Global Inc.	\$1,811	\$3,412	\$690	\$227	0.5x	2.6x	8.0x	20%	7%
BlueLinx Holdings Inc.	\$1,204	\$3,136	\$527	\$164	0.4x	2.3x	7.3x	17%	5%
AENTRA Inc.	\$1,201	\$2,239	\$466	\$123	0.5x	2.6x	9.8x	21%	5%
Doman Building Materials Group Ltd.	\$989	\$1,886	\$305	\$131	0.5x	3.2x	7.6x	16%	7%
				<b>Mean:</b>	<b>1.1x</b>	<b>5.0x</b>	<b>11.6x</b>	<b>23%</b>	<b>9%</b>
				<b>Median:</b>	<b>1.0x</b>	<b>3.6x</b>	<b>10.0x</b>	<b>23%</b>	<b>10%</b>
<b>Machinery</b>									
United Rentals, Inc.	\$60,000	\$14,332	\$5,921	\$4,394	4.2x	10.1x	13.7x	41%	31%
Herc Holdings Inc.	\$9,129	\$3,282	\$1,223	\$775	2.8x	7.5x	11.8x	37%	24%
Titan Machinery Inc.	\$1,579	\$2,758	\$531	\$200	0.6x	3.0x	7.9x	19%	7%
Alta Equipment Group Inc.	\$1,563	\$1,877	\$507	\$175	0.8x	3.1x	9.0x	27%	9%
Applied Industrial Technologies, Inc.	\$7,719	\$4,462	\$1,314	\$542	1.7x	5.9x	14.2x	29%	12%
				<b>Mean:</b>	<b>2.0x</b>	<b>5.9x</b>	<b>11.3x</b>	<b>31%</b>	<b>17%</b>
				<b>Median:</b>	<b>1.7x</b>	<b>5.9x</b>	<b>11.8x</b>	<b>29%</b>	<b>12%</b>
				<b>Group Mean:</b>	<b>1.6x</b>	<b>5.2x</b>	<b>12.3x</b>	<b>0.3x</b>	<b>0.1x</b>
				<b>Group Median:</b>	<b>1.1x</b>	<b>3.7x</b>	<b>11.2x</b>	<b>27%</b>	<b>10%</b>

# Sector Update: Industrials

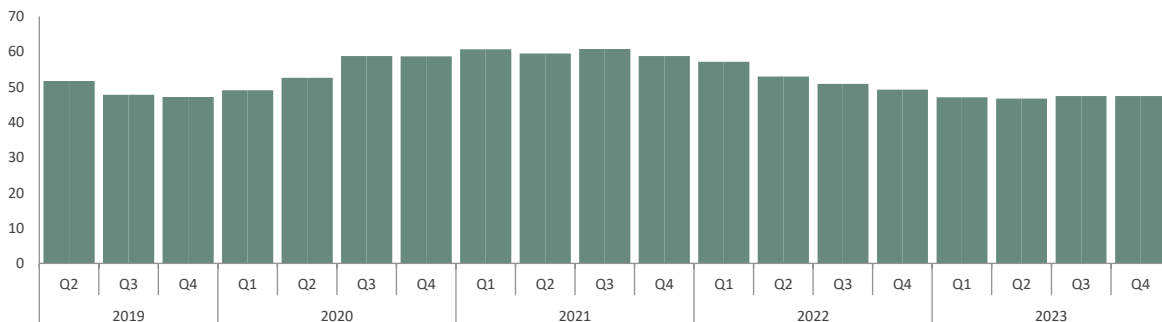
## State of the Industry

### U.S. Industrial Production Index (Seasonally Adjusted)



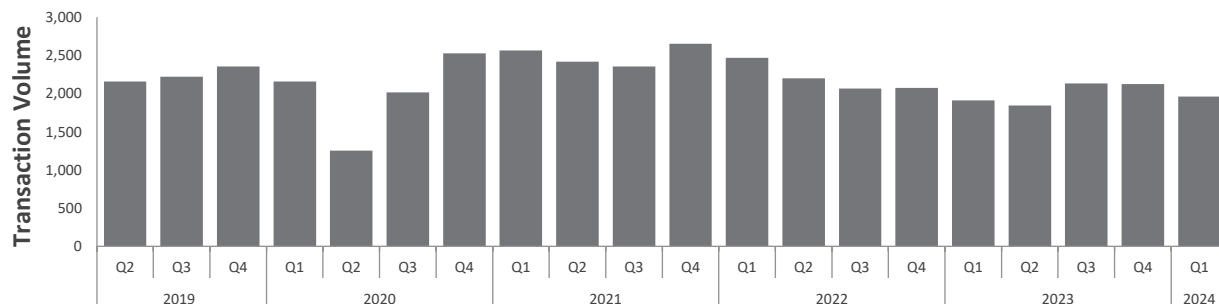
Source: Board of Governors of the Federal Reserve System

### Purchasing Managers Index



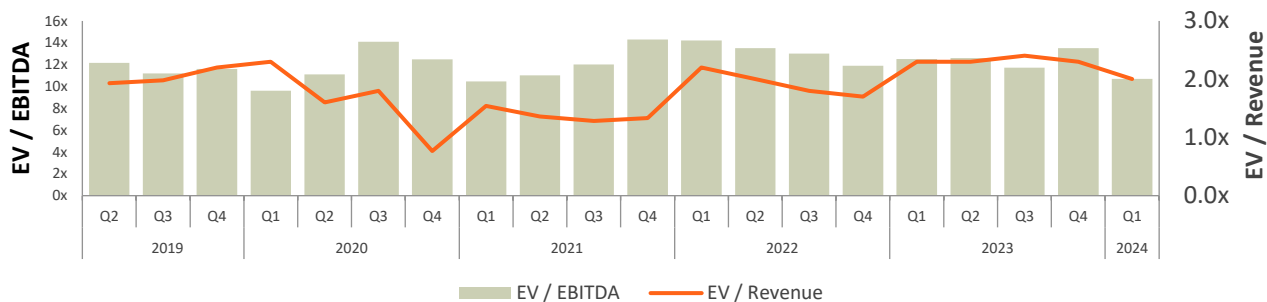
Source: Institution for Supply Management

### Industrials Transaction Volume



Source: Capital IQ

### Industrial Transaction Valuations



Source: Capital IQ



# 35 Years. 350 Deals.

## The Value of Accomplishment

### About Mirus

Mirus Capital Advisors works with owners of growing businesses in the Industrial, Business Services, Healthcare, Technology, and Consumer sectors. We execute both sell-side and buy-side programs on behalf of our clients and also provide corporate advisory services. Much of our work is with closely-held companies – family or entrepreneur-owned businesses that are niche leaders in their particular sectors. These types of growing companies often have strategic value to large corporations serving the broader market and to private equity buyers. Mirus also works with larger strategic players in our core sectors, providing a range of M&A services including advising on acquisitions, corporate divestitures, restructurings and leveraged buy-outs.

### 35 Years. 350 Deals.

The highest level of expertise and hard work is what accomplishment requires.

#### It's what you deserve and what we do.

- We sweat the small stuff.
- Take a 3:00am call.
- Say yes.
- Say no.
- Dig deeper when things get tough.
- Celebrate with you when your efforts pay off and you can reflect on it all and say, "It's really remarkable what we've accomplished here."

Then and only then, will we know that we've accomplished something meaningful, too.



# Partner Spotlight

*“The Mirus team successfully guided us through every aspect of the transaction, from identifying prospective buyers through closing. They conducted a thorough process and we are delighted by the outcome.”*



**Alan Fullerton**  
Partner  
[fullerton@merger.com](mailto:fullerton@merger.com)



**Andrew Crain**  
Partner  
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**Greg Fanikos**  
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[fanikos@merger.com](mailto:fanikos@merger.com)



**Kate Soto**  
Partner  
[soto@merger.com](mailto:soto@merger.com)

Our industrial team brings decades of experience and perspective to our clients. Collectively, the Mirus team has managed and closed over 100 successful engagements with distributors and other industrial businesses. All of our partners have a decade or more of experience working in the M&A industry and the team has completed deals ranging from \$20 million to over \$250 million in value. We have worked with clients on both sell-side mandates and acquisition programs, providing us with a balanced perspective on what attributes drive value for industrial clients. Please feel free to contact any member of our team to set up an initial meeting to discuss your business or to address any questions you may have about our services.

# Trusted advisors to businesses just like yours

Mirus' Industrial team draws on our unique experience working with owners of growth industrial businesses and closely held companies to uncover your personal, business, and financial objectives. We use this knowledge to guide you towards the most appropriate transaction. Whether advising on succession planning strategy, executing a targeted strategic sale, or navigating a broad sale process, Mirus will help you realize the value of your accomplishments.

## Relevant recent transaction experience from Mirus partners



**ALL METALS**  
has been acquired by  
 Salt Creek Capital

Distributor of rolled and coiled steel products



has been acquired by  
  
a portfolio company of  


Distributor of manufactured and natural stone products



has been acquired by  
  
(NYSE: FERG)

Wholesale distributor of HVAC products and accessories



has been acquired by  



Distributor of aluminum and steel bar stock and plate



has been acquired by  


Distributor of fluid management tubing products



has been acquired by  


Distributor of chemical / specialty ingredients

*Note: Transactions in gray boxes were completed by Mirus partners at prior firms*



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