

# **Baird Investment Banking**

## **Industrial Distribution – Q3 Earnings and Sector Update**

*November 2013*

## North America

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*Baird's North American Industrial Distribution Index includes 23 publicly-traded industrial and building products distributors shown on page 2*

- Median Q3 2013 revenue increased 7.0% year-over-year
- Median Q3 2013 EBITDA increased 8.3% year-over-year
- Current median LTM EBITDA multiple of 12.1x exceeds the five-year average of 9.5x
- The North American Industrial Distribution Index increased by 24.3% over the last twelve months through October 31, 2013, performing in line with the S&P 500 Index <sup>(1)</sup> which increased by 24.4%

## Europe

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*Baird's European Industrial Distribution Index includes 10 publicly-traded industrial and building products distributors shown on page 4*

- Current median LTM EBITDA multiple of 12.2x exceeds the five-year average of 9.1x
- The European Industrial Distribution Index increased by 34.4% over the last twelve months through October 31, 2013, outperforming the FTSE 100 Index <sup>(2)</sup> which increased by 14.8%

(1) The S&P 500 Index is a representative sample of 500 leading large-cap companies in the U.S. economy.

(2) The FTSE 100 Index is a market capitalization-weighted index of the 100 largest companies traded on the London Stock Exchange.

Note: A direct investment cannot be made in Baird's North American Industrial Distribution Index, Baird's European Industrial Distribution Index, the S&P 500 Index or the FTSE 100 Index.

# Distribution Financial Metrics



(\$ in millions)

Company	Ticker	Enterprise Value	LTM										Q3 2013 / Q3 2012		EV to LTM EBITDA	
			Revenue	Revenue Growth <sup>(1)</sup>	Gross Margin	EBITDA	EBITDA Margin	ROIC	Working Capital/Rev.	Inventory Turns <sup>(2)</sup>	Calculated Inv. Turn	LTM COGS	LTM Avg. Inventory	Revenue		EBITDA
Airgas Inc. *	ARG	\$10,398	\$5,032	3.1%	55.7%	\$923	18.3%	9.6%	16.4%	5.3 x	5.3 x	\$2,229	\$418	4.3%	11.6%	11.3 x
AM Castle & Co.	CAS	552	1,094	(14.4%)	13.0%	38	3.5%	0.7%	25.8%	3.2	3.2	952	295	(16.6%)	(69.7%)	14.6
Anixter International Inc. *	AXE	3,522	6,172	(0.6%)	22.6%	360	5.8%	11.2%	22.2%	4.6	4.6	4,778	1,034	(3.2%)	(2.5%)	9.8
Applied Industrial Technologies Inc.	AIT	1,919	2,457	2.1%	28.0%	198	8.1%	16.4%	17.6%	6.9	6.9	1,769	256	(0.9%)	(8.3%)	9.7
Beacon Roofing Supply Inc. *	BECN	1,947	2,155	6.6%	24.3%	159	7.4%	8.1%	18.4%	5.9	5.9	1,632	275	11.9%	(2.2%)	12.2
BlueLinX Holdings Inc.	BXC	613	2,106	13.3%	10.7%	(14)	N/M	N/M	17.4%	6.9	6.9	1,880	272	12.3%	N/M	N/M
Builders FirstSource, Inc.	BLDR	1,024	1,408	44.3%	21.0%	44	3.2%	6.9%	10.6%	9.7	9.7	1,113	115	38.1%	N/M	23.0
DXP Enterprises Inc.	DXPE	1,541	1,221	19.4%	29.9%	120	9.8%	12.6%	0.0%	8.4	8.4	856	102	13.7%	1.8%	12.9
Fastenal Co. *	FAST	14,694	3,270	6.4%	52.0%	775	23.7%	27.0%	33.2%	2.2	2.2	1,571	704	7.0%	8.3%	19.0
Genuine Parts Co.	GPC	12,731	13,679	6.0%	29.5%	1,191	8.7%	19.1%	15.4%	3.7	3.7	9,641	2,578	9.2%	3.9%	10.7
HD Supply <sup>(3)</sup> *	HDS	9,457	8,465	31.3%	29.1%	740	8.7%	5.5%	14.0%	5.8	5.8	6,003	1,042	--	--	12.8
Houston Wire & Cable Company *	HWCC	302	394	2.2%	22.0%	31	7.8%	10.3%	32.2%	3.6	3.6	307	85	--	--	9.8
Kaman Corp.	KAMN	1,273	1,643	5.5%	28.2%	135	8.2%	9.3%	26.6%	3.2	3.2	1,180	374	2.2%	17.0%	9.5
Lawson Products Inc. <sup>(3)</sup>	LAWS	142	285	1.2%	56.3%	10	3.5%	N/M	18.7%	2.4	2.4	125	52	0.5%	N/M	14.1
MRC Global Inc. <sup>(3)</sup> *	MRC	3,853	5,193	(6.8%)	19.0%	398	7.7%	10.2%	21.2%	4.3	4.3	4,206	975	(9.5%)	(23.1%)	9.7
MSC Industrial Direct Co. Inc. *	MSM	5,043	2,458	4.3%	45.5%	435	17.7%	15.0%	26.0%	3.5	3.5	1,339	385	6.1%	(10.8%)	11.6
Pool Corp *	POOL	2,772	2,046	6.7%	28.6%	176	8.6%	17.1%	17.2%	3.5	3.5	1,461	417	9.5%	10.8%	15.8
Reliance Steel & Aluminum Co.	RS	7,724	8,806	2.5%	26.3%	760	8.6%	6.6%	23.7%	4.7	4.7	6,488	1,390	18.9%	12.2%	10.2
Stock Building Supply <sup>(3)</sup> *	STCK	555	1,071	42.5%	22.5%	21	2.0%	N/M	11.5%	8.2	8.2	830	102	28.4%	N/M	26.1
Watsco Inc. *	WSO	3,637	3,682	11.2%	24.0%	284	7.7%	13.4%	22.3%	4.5	4.5	2,798	626	6.0%	10.3%	12.8
Wesco Aircraft Holdings, Inc. *	WAIR	2,244	879	18.0%	36.0%	193	22.0%	9.3%	81.7%	1.0	1.0	563	557	8.5%	31.4%	11.6
WESCO International Inc. *	WCC	5,256	7,278	11.5%	20.7%	438	6.0%	8.7%	15.5%	7.5	7.5	5,771	764	16.6%	24.4%	12.0
W.W. Grainger Inc. *	GWW	18,678	9,287	5.5%	44.1%	1,485	16.0%	24.7%	16.5%	4.1	4.1	5,187	1,256	5.1%	33.3%	12.6
Median		\$2,772	\$2,457	6.0%	28.0%	\$198	8.1%	10.3%	18.4%	4.5 x	4.5 x	\$1,631.9	\$417.2	7.0%	8.3%	12.1 x

Source: Capital IQ as of October 31, 2013.

\* Companies covered by Baird Research.

(1) LTM revenue growth represents year-over-year growth in reported revenue through the latest available period.

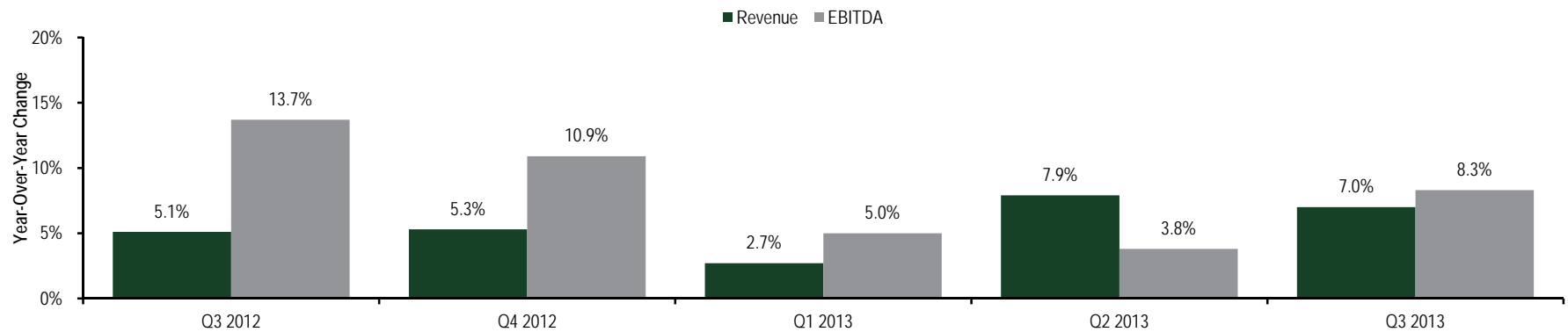
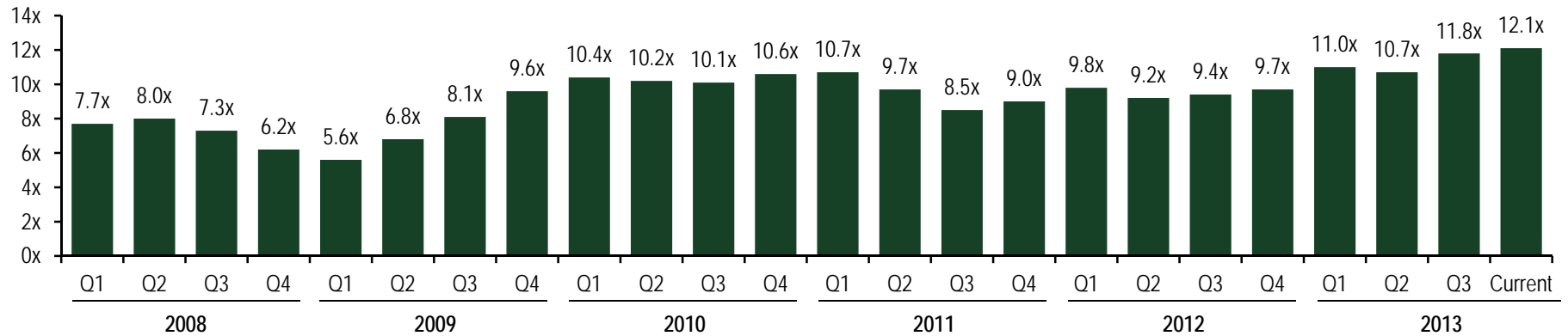
(2) Inventory turns calculated as LTM cost of goods sold divided by average inventory over the period.

(3) HD Supply, Lawson Products, MRC Global and Stock Building Supply figures based on Adjusted EBITDA.

# Distribution EBITDA Multiples and Growth Trends



## Median LTM EBITDA Multiples – North American Industrial Distribution Index <sup>(1)</sup>



Source: Company filings and Capital IQ as of October 31, 2013.

(1) Baird's North American Industrial Distribution Index includes the companies shown on page 2.

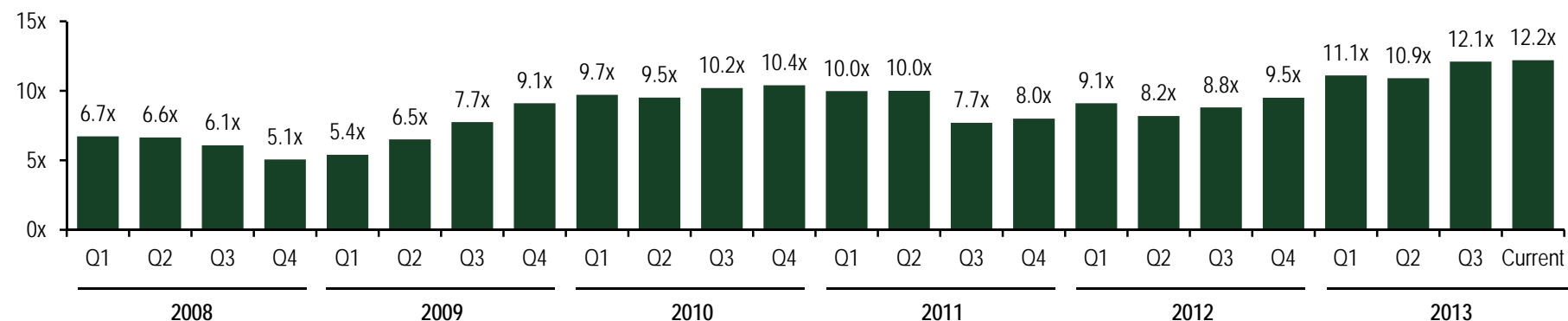
# Europe – Distribution Financial Metrics and Trading Multiples

## Distribution Financial Metrics

(€ in millions)

Company	Ticker	Enterprise Value	LTM								EV to LTM EBITDA
			Revenue	Revenue Growth <sup>(1)</sup>	Gross Margin	EBITDA	EBITDA Margin	ROIC	Working Capital/Rev.	Inventory Turns <sup>(2)</sup>	
Bossard Holding AG	BOS	€ 676	€ 430	15.8%	40.4%	€ 55	12.9%	18.0%	35.8%	2.1 x	12.2 x
Brammer plc	BRAM	741	752	1.5%	31.0%	45	6.0%	11.9%	12.5%	5.3	16.3
Bunzl plc	BNZL	6,389	6,737	8.0%	22.2%	476	7.1%	13.4%	7.1%	7.8	13.4
Diploma plc	DPLM	915	322	11.3%	37.7%	65	20.3%	19.1%	18.4%	3.6	14.0
Electrocomponents plc	ECM	1,750	1,459	(2.5%)	45.0%	129	8.8%	12.1%	22.7%	2.6	13.6
Premier Farnell plc	PFL	1,279	1,147	1.7%	37.9%	122	10.6%	19.8%	25.1%	2.5	10.5
Rexel SA	RXL	7,779	13,164	(1.4%)	24.5%	791	6.0%	6.8%	12.0%	6.9	9.8
Travis Perkins plc	TPK	5,735	5,767	0.8%	30.8%	467	8.1%	8.8%	2.1%	5.1	12.3
Trifast plc	TRI	107	144	8.0%	26.0%	11	7.5%	7.2%	28.5%	3.0	9.9
Wolseley plc	WOS	11,288	15,536	(4.5%)	27.8%	981	6.3%	11.9%	8.5%	5.7	11.5
<b>Median</b>		<b>€ 1,514</b>	<b>€ 1,303</b>	<b>1.6%</b>	<b>30.9%</b>	<b>€ 125</b>	<b>7.8%</b>	<b>12.0%</b>	<b>15.5%</b>	<b>4.4 x</b>	<b>12.2 x</b>

## Median LTM EBITDA Multiples – European Industrial Distribution Index



Source: Capital IQ as of October 31, 2013. Local currency converted to EUR at current exchange rates.

- (1) LTM revenue growth represents year-over-year growth in reported revenue through the latest available period.  
 (2) Inventory turns calculated as LTM cost of goods sold divided by average inventory over the period.

# Selected LTM Distribution Transactions



*Shading Represents Baird Transaction*

Date Announced	Acquiror	Target	Target Business Description	Transaction Value	Target Trailing Revenue	Transaction Value Multiple	
						Revenue	EBITDA
10/23/2013	BlackHawk Industrial	Hi-Speed Tool & Supply and Quaker Tool Grinding	Distributor of reconditioned tools	-	-	-	-
10/4/2013	BlackHawk Industrial	Precision Supply	Distributor of cutting tools, abrasives, fluids, engineered products and MRO supplies	-	-	-	-
10/1/2013	Sumitomo Corporation	Edgen Group	Distributor of specialty steel products to the energy sector	\$1,185.0	\$1,894.4	0.6x	9.6x
10/1/2013	Motion & Flow Control	Jackovich Industrial and Construction Supply	Distributor of fluid connectors and fluid power equipment	-	-	-	-
9/6/2013	Marubeni	Sooner Pipe	Distributor of pipe and tubular products	600.0	-	-	9.5
9/25/2013	Crescent Electric	Interstate Electric	Distributor of electrical equipment and supplies	-	-	-	-
9/16/2013	Border States Electric	Electrical Wholesale Supply	Distributor of electrical supplies	-	-	-	-
8/26/2013	W.W. Grainger	E&R Industrial Sales, Inc.,	Distributor of metalworking, production supplies and MRO materials	-	180.0	-	-
8/13/2013	FCX Performance	Florida Sealing Products	Distributor of mechanical seals, aftermarket parts and services	-	-	-	-
8/8/2013	TruckPro	CCI Corporation	Distributor of drivetrain, power take-off, suspension, brakes, hydraulics and related products	-	-	-	-
8/1/2013	Kaman	Western Fluid Components	Distributor of hydraulic and industrial hose assemblies, custom kits and value-added services	-	-	-	-
7/3/2013	Motion Flow & Control	MD Hose & Fittings	Distributor of industrial hose, hydraulic hose and fittings	-	-	-	-
7/2/2013	DXP Enterprises	Alaska Pump & Supply	Distributor of pump products, process equipment and services	-	-	-	-
7/1/2013	ABC Supply	Sellmore Industries	Distributor of steep-slope roofing, siding and windows	-	-	-	-
6/18/2013	Morgenthaler	United Pipe & Steel Corp	Distributor of pipe products	-	-	-	-
6/18/2013	MRC Global	Flow Control Products	Distributor of pneumatic, electric and electro-hydraulic valve automation packages	28.0	-	-	-
6/13/2013	GHX Industrial	Flowline Components / Flowline OEM Group	Distributor of fabricated hose, MRO products and other related products	-	-	-	-
6/11/2013	GHX Industrial	Key City Warehouse Sales	Distributor of belts, hoses, fittings and valves	-	-	-	-
6/10/2013	Svoboda Capital	Blake & Pendleton	Distributor of a range of air compressors, process gas compressors and vacuum pumps	-	-	-	-
6/6/2013	Industrial Opportunity Partners	Western Tool Supply	Distributor of product assembly systems	-	-	-	-
5/31/2013	ABC Supply	JB Supply Co.	Distributor of roofing, siding and other exterior building products	-	-	-	-
5/24/2013	RelaDyne	Maxum Petroleum (lubricants and tank wagon fuel businesses)	Distributor of a comprehensive offering of refined petroleum products and services	-	-	-	-

# Selected LTM Distribution Transactions (continued)

*Shading Represents Baird Transaction*

Date Announced	Acquiror	Target	Target Business Description	Transaction Value	Target Trailing Revenue	Transaction Value Multiple	
						Revenue	EBITDA
5/22/2013	AEA Investors	AramSCO	Distributor of safety products, equipment and supplies	-	-	-	-
4/25/2013	LKQ Corporation	Sator Beheer	Distributor of auto parts, tools and equipment	\$268.0	-	0.7x	8.6x
4/25/2013	Distribution International	Midwest Sales	Distributor of commercial and industrial insulation	-	-	-	-
4/9/2013	ERIKS	Klaus Technische Grosshandlung GmbH	Distributor of industrial hoses and accessories, seals, tools and pumps	-	-	-	-
3/29/2013	TriMark USA	Strategic Equipment and Supply Corporation	Distributor of foodservice equipment	-	-	-	-
3/28/2013	American Tire Distributors	Regional Tire Distributors	Distributor of tires	-	-	-	-
3/11/2013	Genuine Parts Company	Exego Group	Distributor of aftermarket automotive replacement parts	800.0	-	-	-
3/4/2013	PAI Partners	IPH Group	Distributor of industrial supplies	-	\$1,120.0	-	-
2/28/2013	Berkshire Partners	SRS Distribution	Distributor of roofing supplies	-	-	-	-
2/22/2013	MSC Industrial Direct	Barnes Distribution North America (subsidiary of Barnes Group)	Distributor of MRO supplies	550.0	300.0	1.8	15.3
2/18/2013	Investcorp International	Hydrasun Limited	Distributor of fluid transfer products	-	140.5	-	-
2/6/2013	Praxair	NuCO2	Distributor of carbonation gasses for soda products	1,100.0	250.0	-	9.6 <sup>(1)</sup>
1/10/2013	Bunzl plc	Vicsa Safety	Distributor of personal protection equipment	-	60.0	-	-
1/9/2013	FCX Performance	Pierce Pump Company	Distributor of pumps, mechanical seals and compressed air equipment	-	-	-	-
1/7/2013	Morrison Supply	Express Pipe & Supply	Distributor of residential plumbing products	-	-	-	-
1/2/2013	BlackHawk Industrial	EF Bailey Industrial Supply	Distributor of cutting tools, abrasives, fluids and engineered products	-	-	-	-
1/2/2013	F.W. Webb	Systemation	Distributor of measurement and flow control products	-	-	-	-
12/31/2012	Rawson / ERIKS	Regal-Brown	Distributor of instrumentation, process control and filtration systems equipment	-	-	-	-
12/31/2012	Stock Building Supply	Total Building Services Group	Distributor of structural components and architectural millwork	-	-	-	-
12/28/2012	Beacon Roofing Supply	Ford Wholesale and Construction Materials Supply	Distributor of commercial roofing and related accessories	-	60.0	-	-
12/20/2012	Linsalata Capital Partners	Stag-Parkway	Distributor of recreational vehicle parts and accessories	-	-	-	-
12/19/2012	Advance Auto Parts	B.W.P Distributors	Distributor of automotive aftermarket parts and products	-	-	-	-
12/19/2012	Ridgemont Equity Partners	J.A.M. Distributing Company	Distributor of lubricants, fuel, base stock and ancillary products	-	-	-	-

(1) Multiple calculated based on forward looking 2013 forecasts stated in transaction press release.

## Selected LTM Distribution Transactions (continued)



*Shading Represents Baird Transaction*

Date Announced	Acquiror	Target	Target Business Description	Transaction Value	Target Trailing Revenue	Transaction Value Multiple	
						Revenue	EBITDA
12/18/2012	The Hillman Companies	H. Paulin & Co.	Distributor and manufacturer of fasteners, fluid system products, automotive parts and retail hardware components	\$103.0	\$146.7	0.7x	11.6x
12/17/2012	W.W. Grainger	Techni-Tool and Wassco	Distributors of electronic production, maintenance, and voice/video and data equipment	-	88.0	-	-
12/11/2012	Edgen Group	HSP Group	Distributor of valves	-	37.0	-	-
12/6/2012	High Road Capital Partners	Accurate Component Sales	Distributor of industrial fasteners, hardware and components	-	-	-	-
12/5/2012	GHX Industrial / United Distribution Group	Express Hose & Fittings II	Distributor of hose, fittings and other products	-	-	-	-
12/4/2012	Interline Brands	JanPak	Distributor of cleaning and packaging supplies	82.5	232.0	0.4	9.4
12/3/2012	PetroChoice	Craft Oil Corporation	Distributor of motor oil and lubricants	-	-	-	-
12/1/2012	Industrial Controls / ERIKS	IEC Control Shop	Distributor of HVAC controls	-	-	-	-
11/30/2012	American Tire Distributors	TriCan Tire Distributors	Distributor of tires	97.5	-	-	-
11/30/2012	MRC Global	Production Specialty Services	Distributor of pipes, valves, fittings and other MRO products	-	127.0	-	-
11/28/2012	Rugby IPD	F.W. Honerkamp	Distributor of architectural based building products	-	-	-	-
11/21/2012	HD Supply	Water Products (3 businesses)	Distributor of water, sewer and gas system installations and maintenance products and repair services	-	-	-	-
11/8/2012	Bearing Distributors	Bearing Sales	Distributor of bearings	-	-	-	-
11/2/2012	Wolseley	Burdens Limited	Distributor of drainage and civil engineering products	38.4	-	-	-
11/2/2012	Penfund	Jet Equipment and Tools	Distributor and marketer of branded professional tools, materials handling equipment, automotive equipment and abrasives	-	-	-	-
10/31/2012	Rexel	Munro Distributing Company	Distributor of electrical, safety and energy efficient solutions	150.0	-	-	-
10/25/2012	Bossard Group	KVT Fastening	Distributor of high quality, special fastening and sealing applications	214.0	128.5	1.7	-
10/22/2012	United Stationers	O.K.I. Supply	Distributor of welding, safety and industrial products	90.0	150.0	0.6	-
10/18/2012	Harvest Partners	FCX Performance	Distributor of flow control equipment	-	-	-	-
10/18/2012	Blue Point Capital Partners	Smith-Cooper International	Distributor of valves and fittings	-	-	-	-
10/17/2012	WESCO International	EECOL Electric Corporation	Distributor of electrical products and services	1,170.0	900.0	1.3	10.0
10/15/2012	Invicta Holdings	Kian Ann Engineering	Distributor of heavy machinery parts and diesel engine components	155.4	139.6	1.1	8.7
10/10/2012	United Central Industrial Supply	GHX Holdings	Distributor of fluid transfer and sealing products	240.0	259.0	0.9	-



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## United States

**Tom Lange**  
*Managing Director*  
(813) 273-8248  
tlange@rwbaird.com

**Jason Kliewer**  
*Managing Director*  
(813) 273-8242  
jkliewer@rwbaird.com

---

## Europe

**David Silver**  
*Managing Director / U.K.*  
+44 (0) 20 7667 8216  
dsilver@rwbaird.com

---

## Asia

**Anthony Siu**  
*Managing Director / China*  
+86 21 6182 0980  
asiu@bairdasia.com.cn

**Nick Troyer**  
*Associate*  
(813) 273-8204  
ntroyer@rwbaird.com

**Chris Grizzard**  
*Analyst*  
(813) 273-8203  
cgrizzard@rwbaird.com

**Rob Hamill**  
*Analyst*  
(813) 273-8245  
rhamill@rwbaird.com

**Michael Wolff**  
*Managing Director / Germany*  
+49 69 1301 4949  
mwolff@rwbaird.com

**Satoshi Matsumoto**  
*Managing Director / Japan*  
(312) 609-5446  
smatsumoto@rwbaird.com

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## Definitions

- LTM means latest twelve months
- Enterprise Value ("EV") means market capitalization of a company's equity plus preferred stock plus total interest bearing debt (including capitalized leases) 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 nature

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