

Internal comments (to be removed before publishing)

Draft

sc&h  
/capital

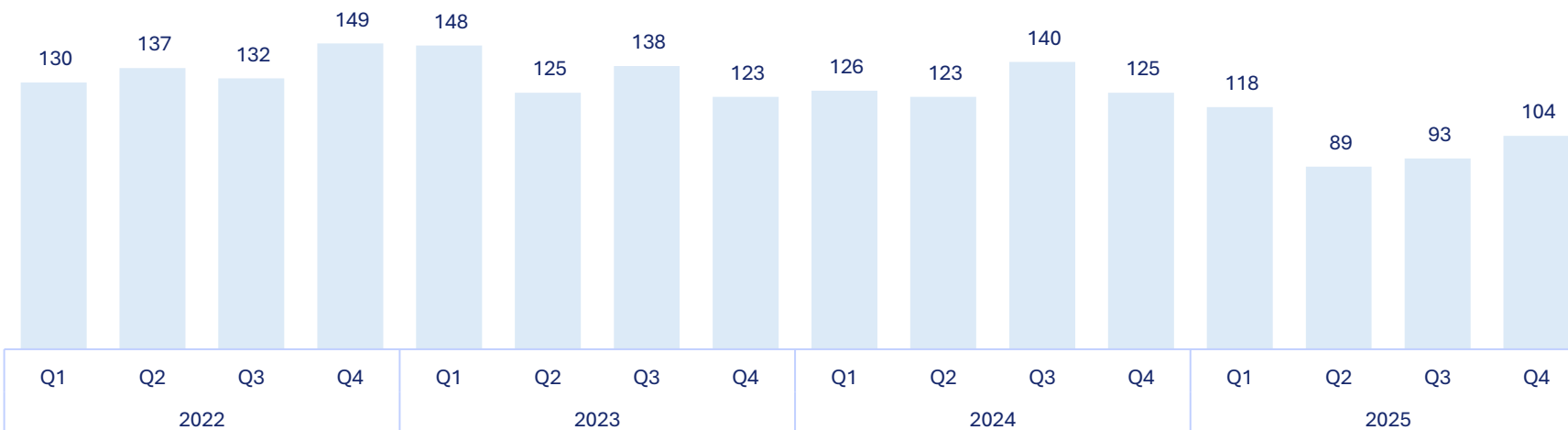
# Specialty Distribution Industry Update

January 2026

# Specialty Distribution - M&A Market Update

## Specialty Distribution M&A Deal Count | United States

Source: Pitchbook and Capital IQ



## Select Recent and Large Transactions

Date	Nov 2025	Oct 2025	Oct 2025	Jun 2025	Apr 2025	Apr 2025
Value	\$1.5 Billion	\$1.0 billion	\$8.8 billion	\$5.5 Billion	\$11.0 Billion	\$1.3 Billion
Target						
Acquirer						

## SC&H Insights & Observations

- M&A activity in the distribution sector has moderated since record highs in 2021–2022, reflecting a recalibration in valuations and a more selective approach to dealmaking.
- Financing conditions are expected to improve through 2026 as interest rates ease, which should support increased transaction volume. High-quality platforms with strong margins and defensible market positions continue to attract premium valuations.
- Strategic acquirers drove several marquee transactions in 2025, including QXO’s \$11.0 billion acquisition of Beacon and Lowe’s \$8.8 billion acquisition of FBM. Strategics are prioritizing scale, geographic expansion, and end-market diversification.
- Private equity remains active despite a more selective environment, with record dry powder supporting platform investments and add-on acquisitions. Roll-up strategies in fragmented verticals continue to attract sponsor interest.
- Tariff policy and supply chain resilience remain top-of-mind for buyers, favoring distributors with diversified sourcing, domestic manufacturing relationships, and strong vendor partnerships.
- Technology enablement is increasingly table stakes, with acquirers prioritizing targets that have invested in e-commerce, AI-driven inventory optimization, and warehouse automation.
- Labor market pressures persist, driving continued investment in workforce technology, retention programs, and operational efficiency initiatives.

# Notable Specialty Distribution M&A Spotlights by Subsectors

	 Automotive & Aftermarket	 Building Products	 Electrical & Electronics Distribution	 Consumer & Food Service	 Medical & Healthcare	 General Industrial
Target / Acquirer	 National Coatings & Supplies	 Specialty Products and Insulation	 Electrical Components International	 Backed by Advent, Bain Capital	 P&HS Segment	 DNow
Valuation	Nov 2025 \$1bn+ // Undisclosed	Oct 2025 \$1.0bn // 12.4x EV/EBITDA	Aug 2025 \$1.9bn // Undisclosed	Aug 2025 Undisclosed	Dec 2025 \$375mm // Undisclosed	Nov 2025 \$1.5bn // 11.9x EV/EBITDA
Deal Notes	“Bringing Wesco Group and National Coatings & Supplies together strengthens our shared mission: to be the industry’s most trusted and full-service provider of specialty coatings, equipment, and related supplies”  -- Wesco, CEO	“The SPI acquisition is highly strategic for TopBuild. The addition of SPI’s resources and capabilities further enhances our customer value proposition while its complementary fabrication footprint strengthens and expands our presence across North America. The transaction also drives our growth in non-cyclical revenue streams.”  -- TopBuild, CEO	Cerberus’s sale of ECI to Rosebank Industries for \$1.9 billion highlights successful private equity transformation - over seven years, Cerberus repositioned ECI from a domestic appliance-focused wire harness manufacturer into a diversified global industrial technology platform through nine strategic add-on acquisitions and operational improvements.	“This transformational partnership will expand our geographic reach and significantly enhance our ability to serve our customers ... Together, we’ll be more agile, more connected to customer needs, and better equipped to provide solutions to more customers across North America.”  -- BradyPLUS, CEO	Products & Healthcare Services (P&HS) is a vertically integrated medical supply distribution platform primarily serving the acute care market.  “We believe the aging U.S. population and increasing demand for healthcare services will continue to drive sustainable long-term demand for medical supplies distribution.”  -- Platinum Equity, MD	“The combination of DNOW and MRC Global will create a premier energy and industrial solutions provider with a balanced portfolio of businesses and a diversified customer base fortifying long-term profitability and cash flow generation.”  -- DNOW, CEO
Target / Acquirer	 Advanced Auto Parts	 Gypsum Management & Supply, Inc.	 OS Electronics Co. Ltd.	 C-B-I	 Advanced Diabetes Supply	 Delivering Confidence
Valuation	Aug 2024 \$1.5bn // 15.0x EV/EBITDA	Jun 2025 \$5.5bn // 10.2x EV/EBITDA	Jun 2025 Undisclosed	Oct 2024 \$2.1bn // 9.9x EV/EBITDA	Apr 2025 \$1.1bn // 11.0x EV/EBITDA	Oct 2025 \$650mm // 10.5x EV/EBITDA
Deal Notes	“What we like about Worldpac is it’s just the professional market, the repair shops, and the trend longer term is for that market to grow, and the economic resiliency makes it an attractive part of the industry.”  -- Carlye, Partner	“The addition of GMS further enhances SRS’s position as a leading multi-category building materials distributor, bringing differentiated capabilities, product categories and customer relationships that are highly complementary to SRS’s business today.”  -- The Home Depot, CEO	This acquisition strengthens Marubeni’s industrial solution platform for electronic components and semiconductors, delivering added value through customer-oriented proposals and sales within the growing domains of electronic components and semiconductors.	Acquisition expands PFG’s penetration and reach from state-of-the-art facilities with excess capacity for growth in Florida, Georgia, North Carolina and South Carolina  “Cheney has built a strong business, and this transaction expands PFG’s platform and geographic reach to help our diverse customer base thrive.”  -- PFG, CEO	ADSG will merge with Cardinal’s at-home solutions business, which has performed swimmingly in recent quarters, posting double-digit growth  “The acquisition is synergistic with Cardinal Health at-Home Solutions’ strategy to expand patients served and accelerate growth in key areas, including the increasing diabetes patient population.”  -- Cardinal, CEO	MARS Parts is one of the largest distributors of HVAC/R parts and supplies in North America, and a leading provider of motors and capacitors.  “This acquisition will expand our existing HVAC/R product portfolio with highly complementary offerings and enhance our value proposition in the HVAC/R end market.”  -- CSW, CEO

Deal count is a bit subjective but directionally accurate (trend)

# Subsector Spotlight - Pump Distribution

M&A activity is on the rise in the pump distribution sector. Buyers hope to capitalize on favorable market demand dynamics, while sellers look to benefit from recent industry growth and favorable valuations.

Below are some key themes SC&H is observing in the pump distribution sector:

## Key Pump Distribution Themes

### Active Acquirers

Established private equity backed consolidators like Tencarva (backed by Bessemer Investors), United Flow Technologies (backed by H.I.G. Capital), and Vessco Water (backed by Gryphon Investors) continue to aggressively seek out acquisitions

Buyers are targeting companies who have strong relationships with high quality OEMs in efforts to widen line cards, grow customers, and expand geographic reach

### Federal & State Funding

Through government initiatives and legislation, there is billions of dollars in federal and state funding earmarked for water & wastewater improvements

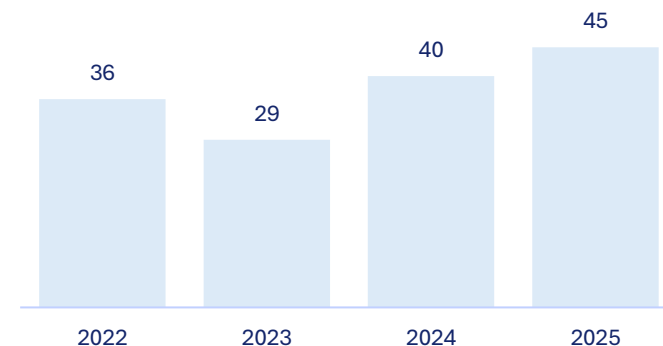
### Aging Infrastructure

Aging water infrastructure, with its high cost of failure and urgent need for replacement, is bolstering demand for water and wastewater pumps and ancillary products as municipalities and utilities prioritize reliable partners to support large-scale upgrades and mitigate operational risks

### Municipal Customer Demand

Distributors with strong municipal customer relationships are commanding premium valuations given the lack of cyclical and persistent spending

### Pump Distribution Deal Count



Source: Pitchbook and Capital IQ

### Select Pump Distribution Experience

**FJNUGENT**  
has been acquired by  
**FG**  
FLUID CONTROL GROUP  
a portfolio company of  
**KKR**  
Sell Side Advisor

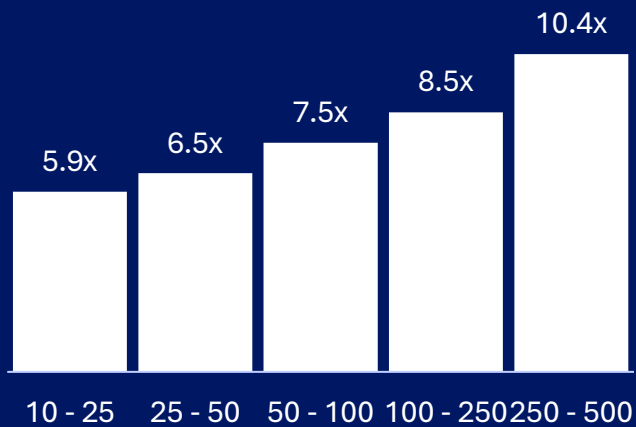
**GEIGER**  
GEIGER PUMP & EQUIPMENT  
has been acquired by  
**CRANE ENGINEERING**  
a portfolio company of  
**AEA**  
Sell Side Advisor

**AMEC**  
has been acquired by  
**FG**  
FLUID CONTROL GROUP  
a portfolio company of  
**KKR**  
Sell Side Advisor

## Lower Middle-Market Specialty Distribution Valuation Insight

Lower middle-market valuation multiples in specialty distribution remain healthy. Buyer appetite continues to be strong for platforms with defensible market positions, differentiated service capabilities, and strong customer retention. Investors are rewarding businesses that demonstrate scalable infrastructure, diversified end-market exposure, and consistent margin performance, with larger, more resilient platforms continuing to command premium valuations.

### Lower-Middle Market Distribution EV/EBITDA Multiples | TEV Range

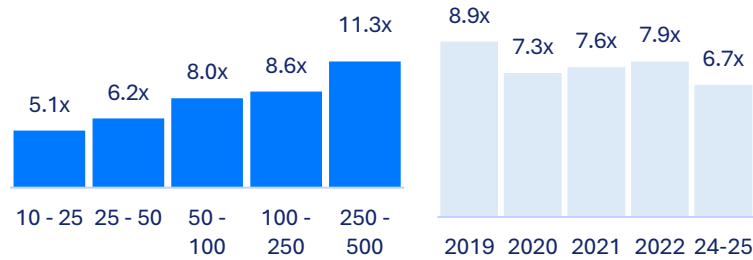


EV/EBITDA By TEV Range (in \$ millions)

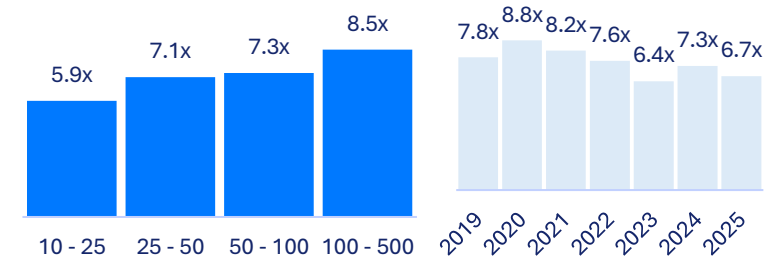
# EV/EBITDA Multiples By Subsectors



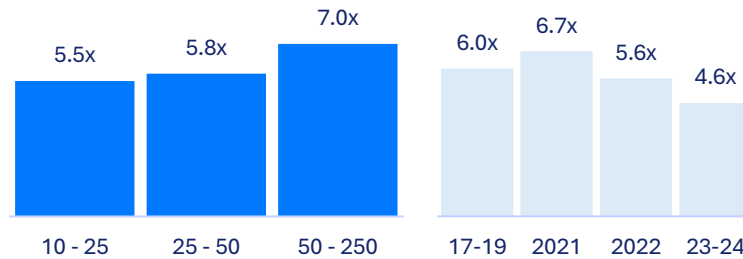
### General Industrial



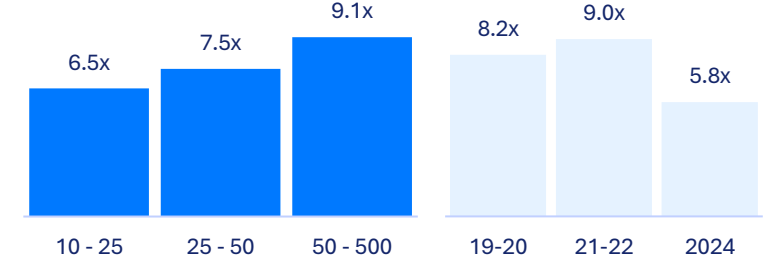
### Consumer and Food Service



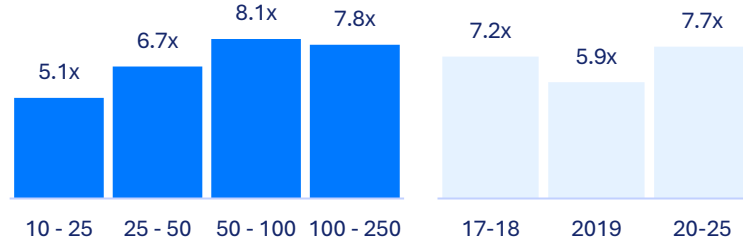
### Building Products



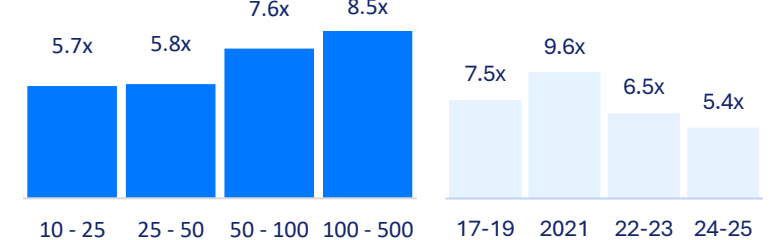
### Medical & Healthcare



### Electrical & Electronics Distribution



### Automotive & Aftermarket



Source: GF Data

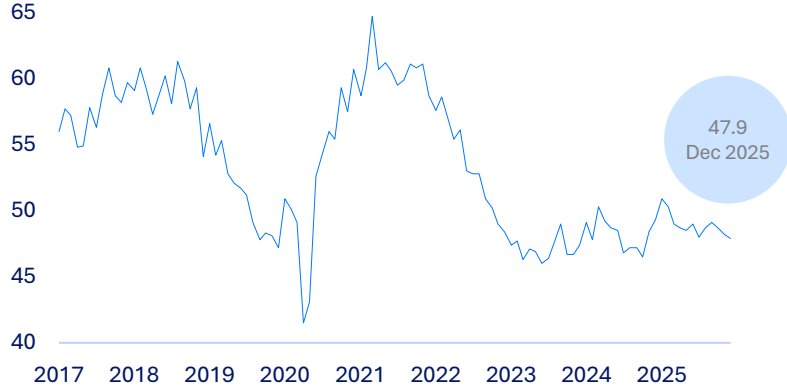
EV/EBITDA By TEV Range (in \$ millions)

EV / EBITDA By Year

# Economic Trends and Data

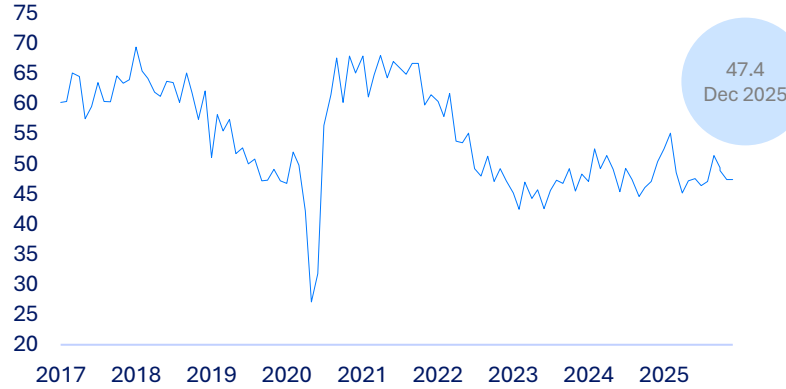
## Purchasing Managers' Index

Tracks overall manufacturing activity - affects specialty distributors who supply industrial, construction, and commercial customers.



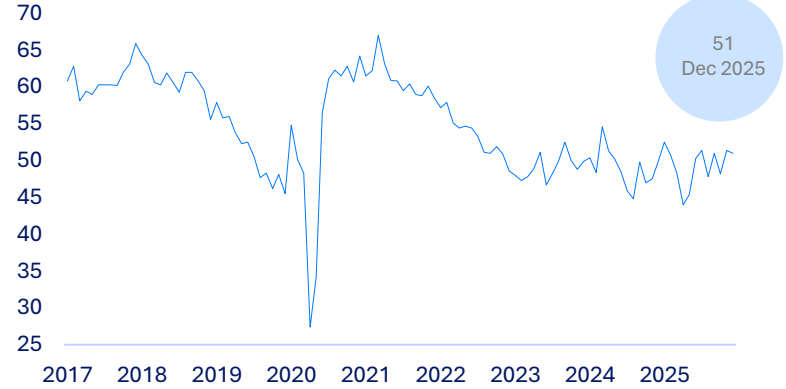
## ISM New Orders Index

Indicates forward-looking demand from manufacturers — an early signal for distributors' order pipelines.



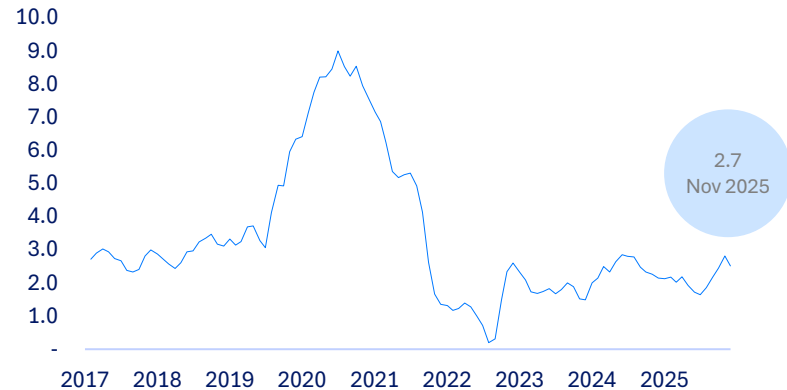
## ISM Production Index

Reflects manufacturing output, which drives consumption of industrial inputs and components sold through distributors.



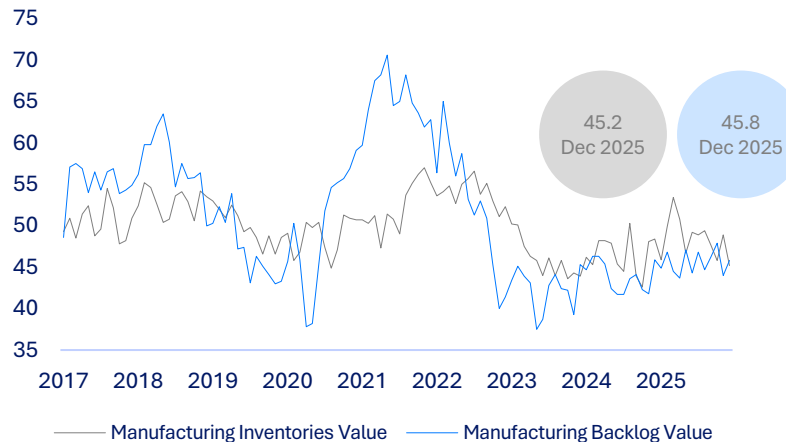
## Consumer Price Index

Captures inflationary pressure on goods and services, which affects both distributor input costs and customer purchasing power.



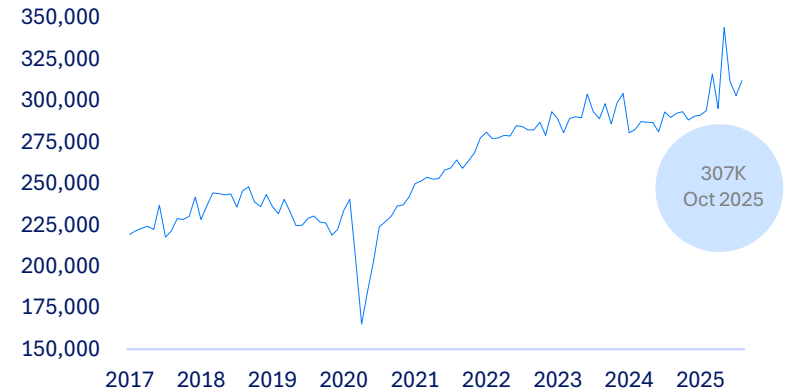
## Manufacturing Inventory and Backlog

Balance between supply/demand in mfg. — excess inventory or backlogs influence distributors' order timing and inventory turnover.



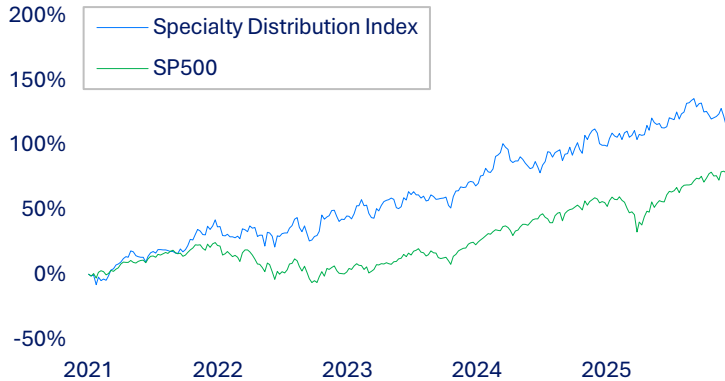
## Mfg. New Order – Durable Goods

Durable goods orders reflect capital spending trends, a key leading indicator for long-cycle industrial and construction demand.

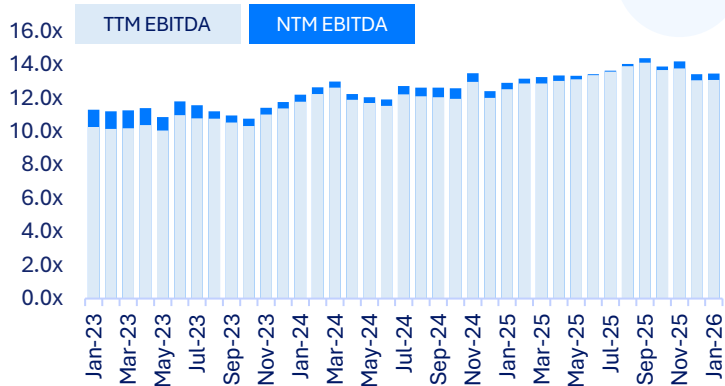


# Public Market Pulse

## Index Share Performance Against SP500 (Last 5 years)



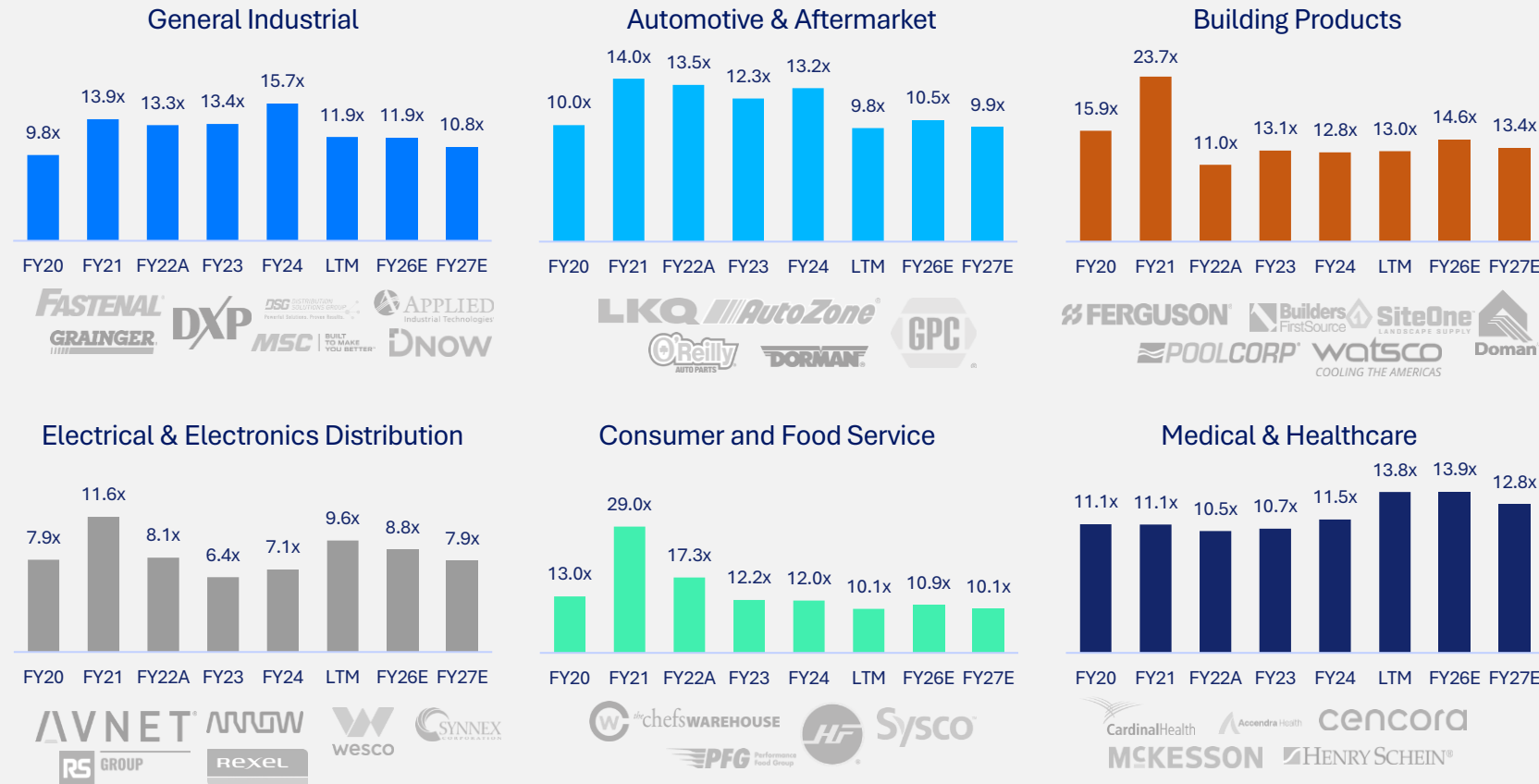
## Median TEV/ EBITDA Multiples (Last 3 years)



## Financial Overview by Subsectors

Subcategory	Market Cap	TEV	LTM Revenue	LTM EBITDA	Gross Margins %	EBITDA Margins %	EV/LTM Revenue	EV/LTM EBITDA
General Industrial	\$4.8	\$5.3	\$3.8	\$0.4	33.6%	11.8%	1.4x	11.9x
Automotive & Aftermarket	\$17.2	\$23.1	\$17.5	\$2.4	41.9%	20.9%	2.0x	9.8x
Building Products	\$10.4	\$11.9	\$6.4	\$0.9	30.2%	11.8%	1.5x	13.0x
Electrical & Electronics Distribution	\$8.8	\$12.3	\$22.9	\$1.4	16.2%	5.5%	0.5x	9.6x
Consumer and Food Service	\$13.8	\$22.0	\$39.1	\$1.7	17.4%	4.5%	0.6x	10.1x
Medical & Healthcare	\$48.8	\$53.4	\$234.3	\$3.7	3.7%	1.8%	0.2x	13.8x

## Historical and Estimated Median TEV/EBITDA Multiples



# About SC&H Capital

SC&H Capital is an investment banking advisory firm focused on delivering outstanding results to leading middle market and growth companies.

Our solution-driven approach combines creativity and industry experience to help founder owned businesses navigate the M&A process and achieve their goals.

Business Services

Software and Technology

Healthcare

Government Contracting

Manufacturing

Specialty Distribution



*Boutique Firm  
Attention + Large  
Firm Execution*

- SC&H Capital has completed hundreds of M&A advisory, financing, and ESOP transactions with an aggregate economic value of over \$11 billion
- Senior banking team professionals have an average of over 20 years of experience in transaction advisory services
- Recognized by clients for providing relevant market and industry insights to help unlock their full strategic value
- Deep specialty distribution sector expertise



Automotive & Aftermarket



Building Products



Electrical & Electronics



Consumer and Food Services



Medical and Healthcare



General Industrial

## Our Solutions

Mergers & Acquisitions

Debt Capital Markets

ESOP Transactions

Special Situations

Business Valuations

Click to learn more about our services

SC&H Capital brings deep expertise and extensive experience in the specialty distribution sector, consistently delivering exceptional outcomes for our clients.

**500+**

Completed Transactions

**\$11B+**

in Deal Value Since Inception

**35**

Seasoned Investment Bankers

### Industry Coverage Overview

Automotive Aftermarket	PBE (Automotive Paint)	Industrial Pump
HVAC / Plumbing	Industrial Food Products	Construction Equipment
Industrial Equipment / Components	Electrical Products	Safety Products
Technology & Electronics	Coatings, Chemicals, & Materials	And More...



## SC&H Capital Specialty Distribution Experience

Below is a sample of our recent transactions.

has been acquired by

a portfolio company of

Sell Side Advisor

Commercial/Industrial Distribution

Distributor of a variety of pumps and valves for the hazardous waste and wastewater industries

has been acquired by

a portfolio company of

Sell Side Advisor

Automotive Distribution

Automotive paint, body & equipment (PBE) Distributor

has been acquired by

a portfolio company of

Sell Side Advisor

Automotive Distribution

Automotive paint, body & equipment (PBE) Distributor

has been acquired by

a portfolio company of

Sell Side Advisor

Commercial/Industrial Distribution

Distributor of water and wastewater treatment equipment (pumps and pump systems), plumbing, and HVAC equipment

has been acquired by

Proud to be an Employee-Owned Company

Sell Side Advisor

Construction Equipment Distribution

Provider of construction and paving equipment to the Mid-Atlantic region

Releverage transaction

Financial Advisor

Electrical / HVAC / Plumbing Distribution

Provider of electrical, plumbing, HVAC, utility, waterworks products

has been acquired by

Sell Side Advisor

Agricultural Distribution

Value-added distributor of industrial animal feed supplement and logistics services

has been acquired by

a portfolio company of

Sell Side Advisor

Commercial/Industrial Distribution

Distributor of pumps and process equipment to the industrial and municipal end markets

sale of 100% interest to the ESOP

your work is our business

Financial Advisor

Building Products Distribution

Wholesale distributor of forest/wood building materials.

# Contact Us For More Information

## M&A Advisory Team



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*Managing Director*



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*Principal*



**Roger Christopher**  
*Principal*



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**Guided by our values — for our clients, colleagues, and communities. Driven by results.**

### Expertly Qualified

We pursue excellence through continuous learning, expanded expertise, and proactive exploration of new opportunities.

### Exceptionally Responsive

We deliver timely, high-value outcomes by actively listening, honoring our commitments, and exceeding expectations.

### People-Focused

Integrity guides everything we do. We value collaboration, accountability, and a commitment to our clients, colleagues, and communities.

### Results Driven

We take ownership of outcomes and innovate continuously to achieve measurable, lasting success for our clients.