

Wholesale Distribution Overview

This analysis of the \$5.3-trillion United States wholesale distribution industry provides a comparative view of key financial and economic sector benchmarks, as well as emerging trends impacting specific sectors. It includes a competitive market share analysis of the top five Market Leaders by product category, where available, and a more comprehensive listing of the largest distributors by specialized product segments.

The U.S. wholesale distribution industry is highly fragmented. For that reason, this report provides two perspectives on U.S. wholesale distribution markets:

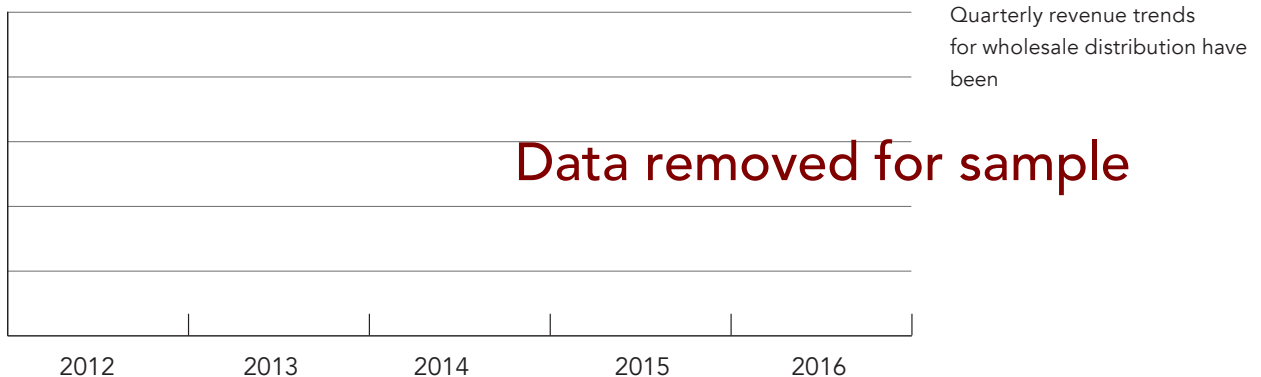
- This Overview section profiles the composition of 19 major sectors, including durable and nondurable goods, defined in the two tables at the end of this section. This provides a valuable context for understanding the overall ecosystem and trends. The key financial benchmarks are based on wholesale distribution revenues.
- After this Overview, each of the following sections profile the end market verticals served by specific wholesale distribution subsectors defined by product category and competitive landscape of the companies that serve these segments (except for building materials/construction due to unavailability of data). It includes a segmentation of product market demand by customer segment and geography to better understand the key competitive drivers at a more granular level. The key financial benchmarks are based on estimated market demand by product category.

It is important to understand that the product-defined end-market verticals do not have distinct barriers. There is some overlap of specific product categories and much overlap competitively. For that reason, it is not accurate to define an aggregated market demand as a simple sum of individual product verticals. This is addressed in more detail in the Industrial section that follows.

Wholesale Distribution

Real Revenue Growth

(Adjusted for inflation, 2012-2016)



Source: 2017 Economic Benchmarks for Wholesale Distribution

Industry Overview

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About this Data

Modern Distribution Management compiles the data included in this report from a number of sources, including public databases, private/proprietary databases and company-provided information. These numbers represent different aspects of the wholesale distribution industry and, as a result, are not necessarily directly comparable. (Source: MDM Market Leaders, www.mdm.com/marketleaders)

The size of the wholesale distribution industry is based on sales data provided to the U.S. government from businesses that sell to retailers, contractors or other types of businesses, but not to the general public in any significant amount. It excludes revenue from manufacturers' sales branches and offices. (Source: 2017 Economic Benchmarks for Wholesale Distribution)

Market size estimates, as provided in the sector breakouts, are based on end-user consumption for a selection of product categories, primarily consumable products which vary by sector. These product categories are defined on page 52 and in the individual sector breakouts. These figures are inclusive of all sales channels, not limited to wholesale distribution. (Source: MDM Analytics)

Wholesale Distribution

Financial Profile by Sector

(Largest to Smallest Sector Revenues)

Major Sector	2016 Revenues (\$B)	% of Industry Revenues	Avg. Gross Margin (2015)	2018 Forecast
Pharmaceutical Wholesalers				
Grocery and Foodservice Distributors				
Electrical and Electronics Wholesalers				
Oil and Gas Products Wholesale Distributors				
Motor Vehicles and Motor Vehicle Parts Distributors				
Industrial Distributors				
Other Consumer Products Wholesale Distributors				
Computer Equipment and Software Distributors				
Agricultural Products Wholesale Distributors				
Miscellaneous Durable Goods Wholesale Distributors				
Commercial Eqpt/Supplies Wholesale Distributors				
Apparel and Piece Goods Wholesale Distributors				
Metal Service Centers				
Beer, Wine and Liquor Wholesalers				
Hardware, Plumbing, Heating Eqpt/Supplies Wholesalers				
Chemicals and Plastics Wholesale Distributors				
Building Material and Construction Wholesale Distributors				
Office Product Wholesalers and Paper Merchants				
Furniture and Home Furnishing Wholesale Distributors				
Total				

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Source: 2017 Economic Benchmarks for Wholesale Distribution

MDM Analytics forecasts overall industry revenues to i

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Wholesale Distribution

Market Segmentation by Company Size

(number of companies by employee count, 2016 data)

Major Sector	Total	<20 Employees	20-99 Employees	100-499 Employees	500+ Employees
Pharmaceutical Wholesalers					
Grocery and Foodservice Wholesale Distributors					
Electrical and Electronics Wholesalers					
Oil and Gas Products Wholesale Distributors					
Motor Vehicles and Motor Vehicle Parts Distributors					
Industrial Distributors					
Other Consumer Products Wholesale Distributors					
Computer Eqpt and Software Wholesale Distributors					
Agricultural Products Wholesale Distributors					
Miscellaneous Durable Goods Wholesale Distributors					
Commercial Eqpt/Supplies Wholesale Distributors					
Apparel and Piece Goods Wholesale Distributors					
Metal Service Centers					
Beer, Wine and Liquor Wholesalers					
Hardware, Plumbing, Heating Eqpt/Supplies Wholesalers					
Chemicals and Plastics Wholesale Distributors					
Building Material and Construction Wholesale Distributors					
Office Product Wholesalers and Paper Merchants					
Furniture and Home Furnishing Wholesale Distributors					
Total					

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Source: 2017 Economic Benchmarks for Wholesale Distribution

Wholesale distribution is a highly fragmented industry, particularly in

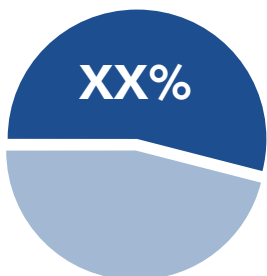
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U.S. Market Size

\$XXB

DISTRIBUTION SECTOR

**Top 5 Companies
Market Share**



Company	2016 Revenue
Company 1	\$xx billion
Company 2	\$xx billion
Company 3	N/A
Company 4	\$xx billion
Company 5	N/A

Source: 2017 Market Leaders (www.mdm.com/marketleaders). Full list at the end of this section.

Current Trends Shaping This Sector:

Source: 2017 Market Leaders (www.mdm.com/marketleaders)

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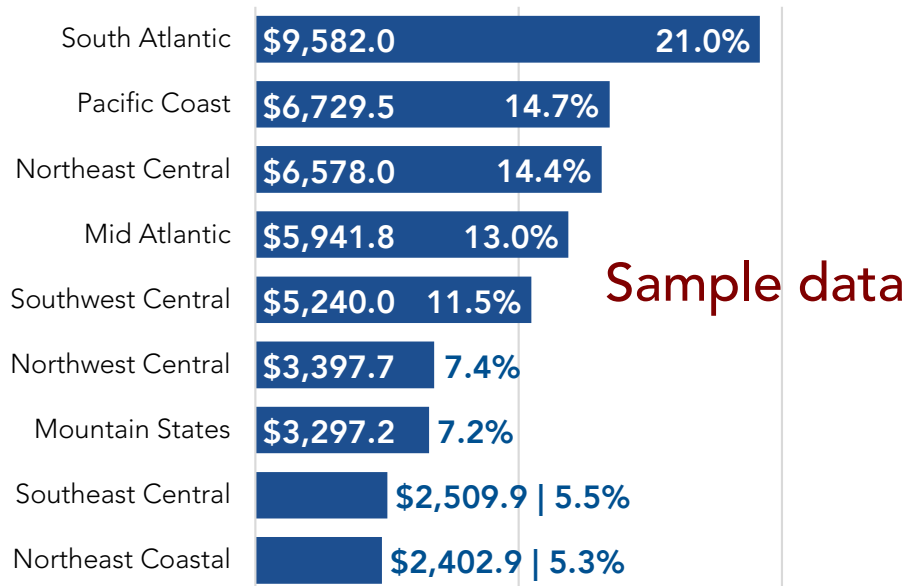
Merger & Acquisition Highlights:

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The Numbers:

U.S. DISTRIBUTION SECTOR Regional Market Analysis

Source: MDM Analytics (www.mdm.com/analytics)



States included in each of the nine U.S. regions, according to the U.S. Census Bureau:

Mid-Atlantic: NJ, NY, PA

Mountain: AZ, CO, ID, MT, NV, NM, UT, WY

New England: CT, ME, MA, NH, RI, VT

Northeast Central: IL, IN, MI, OH, WI

Northwest Central: IA, KS, MN, MO, NE, ND, SD

Pacific Coastal: AK, CA, HI, OR, WA

South Atlantic: DE, DC, FL, GA, MD, NC, SC, VA, WV

Southeast Central: AL, KY, MS, TN

Southwest Central: AK, LA, OK, TX

Estimated market demand for this product category is segmented across nine defined government regions. All market size segmentations in this report represent estimated annual demand in U.S. dollars at the end-user market level or "street price," with an average distributor margin included. Together with the demand segmentation by end-user customers (as defined by NAICS definition), a clearer picture emerges of how these product markets are concentrated by geography and industry sector.

Top 10 Industry Sectors Consuming SECTOR (2-digit NAICS)

Source: MDM Analytics (www.mdm.com/analytics)

NAICS	Definition	Est. Consumption
23	Construction	\$1,889.1M
62	Health Care and Social Assistance	\$469.3M
31-33	Manufacturing	\$382.6M
44-45	Retail Trade	\$354.2M
72	Accommodation and Food Services	\$235.4M
61	Educational Services	\$225.2M
92	Public Administration	\$223.7M
54	Professional, Scientific, and Technical Services	\$142.5M
56	Administrative and Support and Waste Management and Remediation Services	\$116.1M
81	Other Services (except Public Administration)	\$115.6M

Sample data
(not actual)

Top 10 End Markets for DISTRIBUTION SECTOR (6-digit NAICS)

Source: MDM Analytics (www.mdm.com/analytics)

NAICS	Definition	Est. Consumption
238220	Plumbing, Heating, and Air-Conditioning Contractors	\$8,460.1M
622110	General Medical and Surgical Hospitals	\$2,103.5M
611110	Elementary and Secondary Schools	\$1,442.7M
722511	Full-Service Restaurants	\$896.3M
445110	Supermarkets and Other Grocery (except Convenience) Stores	\$876.8M
721110	Hotels (except Casino Hotels) and Motels	\$746.1M
722513	Limited-Service Restaurants	\$739.6M
611310	Colleges, Universities, and Professional Schools	\$544.9M
928110	National Security	\$520.0M
621111	Offices of Physicians (except Mental Health Specialists)	\$465.9M

Sample data
(not actual)

Product Category & Definition

The DISTRIBUTION SECTOR market as defined in this report is made up of the following product categories:

Maintenance/MRO
New Construction
Comm/Ind Maint
Comm/Ind New

Categories and definitions are examples and will vary by sector.

Top SECTOR Distributors

Source: 2017 Market Leaders (www.mdm.com/marketleaders)

Rank	Company	2016 Revenue	Rank	Company	2016 Revenue
1	Company 1	\$13 billion	6	Company 6	\$10 million
2	Company 2	N/A	7	Company 7	\$9 million
3	Company 3	\$1 billion	8	Company 8	\$8 million
4	Company 4	N/A	9	Company 9	\$7 million
5	Company 5	\$100 million	10	Company 10	\$1 million