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Intelligence for Wholesale Distribution Professionals

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Wave of Consolidation Hits Industry

The drivers and impacts of the latest surge in M&A activity

Each year we say the big get bigger. And while that remains the case, we saw the big get much bigger thanks to a wave of mergers and acquisitions in 2011. That's reflected on the 2012 MDM Market Leaders top distributor lists – which are featured in this issue and online at mdm.com/marketleaders.

The average growth for distributors on this year's Top 40 Industrial Distributors list was 19.4 percent, a significant jump from the 10.4 percent we saw on last year's list, in part due to acquisitions made throughout the year. Consolidation further ramped up in the first half of 2012.

Dozens of deals have been announced in distribution thanks to a perfect storm of contributing factors that include a large number of owners who are ready to retire, significantly improved deal valuations and a group of larger distributors and private equity firms that have cash they need to deploy. "It's a seller's market," says Steve Deist of Indian River Consulting Group.

One driver of the most recent consolidation trend is the desire to fill product or service gaps. As we reported last year, more distributors are looking to diversify their offerings to help cushion their businesses against another dramatic downturn like we saw in 2008-2009. "It will be interesting to see how (the acquisitions) impact the channel overall," says Mike McGuire, editor and publisher of American Fastener Journal. "Most of the acquisitions have been targeted to help the players fill out or complement their lines rather than just taking players out of the market."

"We thought that consolidation in this sector had run its course, but there do appear to be some gaps that the big companies are still trying to fill," says Barbara Jorgensen, community editor for ebn, an online community focusing on the electronics supply chain. She says that electronics distributors – such as primary consolidators Avnet and Arrow Electronics – are focused on acquiring particular customers or a specific expertise.

The top five electronics distributors do more than 90 percent of the business in electronics, one of the most consolidated sectors. "It's much harder today for the small independents to survive," says Eric Max, vice president for sales and market-

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2012 MDM Market Leaders & Distribution Trends Report

In the June 25 and July 10 issues, we take our annual look at the state of the distribution industry. The four trends we are covering this year include consolidation, on page 1 of this issue; vending as a growth driver; challenges and opportunities in human resources; and the increase in distributors taking action online.

We'll also give you a rundown of other trends that distributors noted in interviews and surveys for this year's report, as well as where distributors are seeing strength and weakness in end-markets.

This annual report – the 2012 Distribution Trends Report – accompanies the annual MDM Market Leaders lists, which provide the top distributors.

We also present MDM Market Movers, distribution companies who are innovative in their markets. The first, C.H. Briggs, is profiled in this issue.

Access all articles and lists in this issue and the next online in a single downloadable pdf at mdm.com/marketleaders.

Questions? Call us at 303-443-5060. - *Lindsay Konzak & Jenel Stelton-Holtmeier*

INSIDE

PERSPECTIVE ■ Commentary by Thomas P. Gale

The Difference in 2012: Profitability

The economy in 2012 is proving to be consistently inconsistent. Anecdotally, we're hearing of record-breaking months followed by slow ones; nearly all distribution sectors expect less in 2012, but still a year of moderate growth.

As Wurth-North America's CEO Robert Stolz says on page 4 of this issue of MDM: "It's very difficult still to plan or to set prognosis because we'll have a couple of good quarters and then we'll have a month that's not as strong."

Making the most of more limited growth opportunities will separate high performers this year from the rest of the pack.

MDM's forecasts point to a moderate-growth year in our analysis of 2011 wholesale distribution industry revenues and expected revenues in 2012. Based on our just-released 2012 Wholesale Distribution Economic Factbook, total wholesale distribution industry revenues – made up of 19 major sectors – increased 13.2 percent in 2011. MDM's 2012 forecast growth is 6.8 percent for the total $4.7-trillion industry in the U.S.

One of the 19 sectors profiled in MDM's annual report is industrial distribution, including analytics on 19 subsectors within this $353-billion segment. Revenues for industrial distributors increased 19.1 percent in 2011, and MDM forecasts growth of 10.1 percent in 2012.

The subsectors include construction machinery and equipment, general-line industrial MRO supplies, material handling, metalworking, fluid power, power transmission, oil & gas production supplies, and others.

The net result for 2012 is that revenue growth is going to be harder to come by, and profitability even harder. Where has your company's growth come from in the past two years? Where will it come from in the next year? How can you maximize your growth and profitability against expected industry averages?

Ideally, it will come from a well-planned execution to increase your share of business at the most profitable accounts and prospects with the highest potential for profitability, not just volume.

Without a clear understanding of markets and customer segmentation that includes profitability, your limited sales and marketing resources won't be focused on growth opportunities with the highest potential.

For more information about MDM's 2012 Wholesale Distribution Economic Reports, visit www.mdm.com/wder or call us at 888-742-5060.

MODERN DISTRIBUTION MANAGEMENT

Founded in 1967 by J. Van Ness Philip

Publisher
Thomas P. Gale
tom@mdm.com

Editor
Lindsay Konzak
lindsay@mdm.com

Associate Publisher
Craig Riley
craig@mdm.com

Associate Editor
Jenel Stelton-Holtmeier
jenel@mdm.com

Contact Information
Questions, comments, article proposals, address changes or subscription service to:

Gale Media, Inc.
3100 Arapahoe Avenue, Ste 201, Boulder, CO 80303
Tel: 303-443-5060 Fax: 303-443-5059
Website: http://www.mdm.com

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Consolidation
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ing for the Genie Group, a marketing group of more than 90 electronics distributors.

Safety products are a target for growth across sectors, and a focus for distributors looking to both diversify by buying safety products specialists or expand services through the purchase of safety-related service providers. Most recently, electrical distributor WESCO International agreed to acquire Conney Safety products, with $85 million in annual sales.

On the other hand, distributors in more fragmented subsectors of distribution are focused on consolidating and building the ability to serve customers on a national basis, rather than reaching into new product areas. Supported by private equity, GHX Industrial's growth has been fueled primarily through acquisitions over the past few years.

GHX Chairman Dan Ahuero says the distributor wants to keep a focus on building out its core hose, gasket and valve product lines. It is pursuing a consolidation strategy in part to diversify into other end-markets, but also to make their product categories more visible on a corporate or even regional level.

Gaining access to a particular supplier is a driver for some distributors. For example, Kaman Industrial Technologies acquired Catching Fluidpower in late 2011, resulting in Parker Hannifin Corp. recognizing Kaman nationally as a reseller of Parker hydraulics, fluid connector and automation products. Smaller distributors say acquisitions like this add another complexity to competition in their local markets.

In some sectors – especially building materials – the consolidation trend may still be driven by need. "Distributors are seeing more pressure on their cash," says Ruth Kellick-Grubbs, president of Kellick & Associates. She focuses primarily on the building materials distribution channel. "Every uptick in sales puts real pressure on an organization. So we're seeing more companies being forced into selling." She says more private equity firms have taken an interest in the sector, as well.

Pent-up demand may also be playing a role in the most recent burst of M&A activity. Distribution deals were nearly nonexistent during the Great Recession, picking up in 2010 and again in 2011. The first half of 2012 however has seen some large deals in several sectors. There have also been a few large mergers by manufacturers that are sure to have an impact on independent distribution channels, including Eaton Corp.'s acquisition of Cooper Industries and Stanley Black & Decker's acquisition of Powers Fasteners.

Reactions to the latest wave of consolidation are mixed, from seeing acquisitions as an opportunity to take advantage of short-term disruptions in service to concern over the ability of smaller distributors to compete effectively in certain product categories.

David Gordon, president of Channel Marketing Group, says that distributors that stay close to their local markets will succeed despite ongoing consolidation. He says there is some concern about what happens when small, local companies become part of the regional and national distributors as it can be a challenge for larger distributors to manage across a broad geography. Gordon, whose primary focus is electrical distribution, expects consolidation to continue throughout the year, with the possibility of five to seven major deals in that sector before the year is out.

M. Jay Heilbrunn, a partner with The Distributor Board, says that consolidation could have a positive impact on the industry overall because it gives owners who are ready to exit an opportunity to do so. "Three to four years ago, a lot of people wanted to sell their businesses. The recession came along, and they got stymied… Those same people are really wanting to sell now."

And companies that don't want to be acquired will probably become acquirers, he says. "They're going to look to build their volume much more rapidly than they can through an organic process," he says.

Regional distributors in several sectors have picked up the acquisition pace in the past couple of years – and some small family-owned distributors say they prefer to join those companies rather than sell to the largest strategic acquirers. But it depends on what they are looking for, and whether they want to stick around after the business is acquired.

"Consolidation runs in cycles," says Joe Llewellyn, corporate marketing director for Mayer Electric Supply. "And right now, it wouldn't surprise me if it continues at the pace we've been seeing. I don't think the economy is going to get super healthy any time soon, so that will leave the pressure on some folks to sell their businesses. In addition, the multiples that some people are willing to pay may convince some to sell when they may not have been considering it before."

Online Resources

On June 28, MDM presents the 2012 Wholesale Distribution M&A Update webcast. If you miss it, it's available on-demand or DVD at mdm.com. Or call 888-742-5060.

Wurth's Approach to Growth in the U.S.

MDM Interview with Wurth-North America CEO Robert Stolz

Associate Editor Jenel Stelton-Holtmeier recently spoke with Wurth-North America CEO Robert Stolz about how the industrial distributor, which is part of the Germany-based Wurth Group, is approaching growth in U.S. markets.

MDM: It looks like Wurth-North America had some solid growth in 2011. What are some of the drivers of that growth?

Robert Stolz: We actually had double-digit growth in all four of our divisions: an industrial division; a wood division – which is construction materials; a metal division – which is MRO; and then an automotive division. That's how we're structured around the world and in North America.

As for what drove that growth, No. 1, of course, is we're seeing the overall economy improve. I like to describe it as two steps forward, one step back. It's very difficult still to plan or to set prognosis because we'll have a couple of good quarters and then we'll have a month that's not as strong. But I think that's the overall economy.

I also think we're very focused on market share gain, and we're pushing very hard in all four segments to pick up market share.

MDM: What's the outlook for the rest of 2012?

Stolz: It's interesting. I have moved from cautiously optimistic to optimistic. I think that in an economy like we're in right now, well-capitalized and well-financed businesses will be very strong.

Of course, one of the things we've seen is that as you come out of a recession like this one, it puts a huge strain on working capital. If you think about it, when times are declining, your balance sheet is collapsing and you've got inventory and receivables, you're able to live off of the cash, right? Inventory is coming down because you're not restocking it as much and receivables are coming down. So you're able to survive.

But where we see a real crunch in companies across the country is when things start to turn back up. There's a huge need for capital to boost your inventory and receivables.

We're extremely well-capitalized, and frankly we're taking advantage of that financial strength.

2012 MDM Market Leader Profile

MDM: Being a global organization, is the North American arm feeling any pressures from what's going on in Europe right now?

Stolz: I was just on the West Coast with our European financial leadership, the treasurer of the company and the CFO. What we see is an opportunity for North America and our companies to help pull the rest of the company through whatever they're going through in Europe.

There's no question that Europe is in a crisis state right now; Southern Europe is collapsing as we speak. But the great news for us and for our company is we're well-diversified; we have 400 companies in 84 countries around the world. That diversification allows us to lean on stronger areas during hard times. When the United States was going through very difficult times, we were thankful that South Africa and Norway and Finland were all very strong. And now we're just repaying the favor.

MDM: It sounds like you are well prepared and have thought a lot about this. I hear a lot of people who are still saying, "I don't even know how to think about it."

Stolz: Yes. I will say this though, one of the things I'm trying to do with our associates and all of our employees is I want it to be fun again, right? I mean, I want people to come to work every day excited about what they're doing and what the potential is out there. And so that's kind of the attitude we're taking, we want to have fun again.

MDM: How do you go about trying to get people to have fun again in this environment?

Stolz: Well, No. 1, success breeds success. When the company sees they can be successful with their initiatives, it gets everybody more excited and fired up. We're seeing that. Any time an organization is growing, and particularly growing at a double-digit rate, it is fun.

That's what we're all in business to do, is to grow and be profitable. So I'm seeing our folks having more fun than certainly they have in the last three to five years.

MDM: In 2010 you acquired New Orleans-based Oliver Van Horn Co., your first acquisition into the U.S. industrial supplies and metalworking space. What is attractive about this market in the U.S.?

Stolz: We're very excited about our partnership with Oliver Van Horn, and we're very excited to have Lee Eagan, who's the CEO of Oliver Van Horn, lead our efforts in that division. I've never been around anyone who knows more people in the industry than Lee. He's a walking encyclopedia for that segment. We see particular opportunities in the oil and gas sector, where he has so much expertise.

MDM: How do your efforts in industrial supplies complement your other divisions in the U.S., particularly fasteners?

Stolz: What Van Horn brings to the rest of the group is that while their product offering is different, it's very complementary to the fastener business. We're seeing that we can compete now with the one-stop shop concept, and that our sales reps are able to call on our customers and offer them a broader line of products than we've had before. All of our companies are independent and run autonomously from one each other, but we certainly have the ability, when the companies would like to, to work together on certain projects, certain customer groups. So we're seeing that develop now in that sector.

MDM: What's the strategy behind keeping them as autonomous units?

Stolz: We think it's critically important. What makes the businesses that we partner with or acquire great is the entrepreneurial mindset that is a part of so many family owned companies. And we want to keep the culture of the company entrepreneurial.

We like to inject capital into the business to allow the entrepreneurs to flourish. That's been our strategy now for almost 20 years in the U.S. We also like maintaining the entire management team and giving them even more capital than maybe they had access to and letting them rock and roll. I think that's one of the expectations in joining our group. We're a growth-oriented business, and what we've found is the companies that have decided to join us like that culture of growth.

MDM: How do you integrate these companies into Wurth while still allowing them to maintain that autonomy?

Stolz: One of the things we're very proud of is we have a group-wide "high-potential program" where we identify emerging leaders from throughout the organization. These emerging leaders meet two or three times a year at forums all over the world.

A general manager from St. Louis has the opportunity to fly to South Africa and meet with general managers from India, China and Great Britain. So it's really an amazing opportunity, particularly for Americans, to see the rest of the world and experience the global culture of our company. We use this as a tool to engage the independent companies within our organization.

Every single company that has joined our group has what we call "vibrant curiosity." We look for companies that are curious, and we look for leaders that are both vibrant and curious. It's really one of the most amazing parts about our company culture. A new company can step into the group and the culture just immerses you into what we do.

MDM: Are there any other trends that you're seeing emerge this year?

Stolz: I think maybe the most important thing I'm seeing is the financial stability of the industry. Of course we think it's very important for our customers to be affiliated with financially sound distributors. So we have hundreds of thousands of accounts that we monitor every day.

But we're also looking upstream. I may spend 20 percent or even 30 of my time working upstream with our vendors and suppliers, making sure that they are financially sound.

Also, one of our mantras is we want to be the first in the market with any new products that our suppliers have. So we push very hard to make sure they're working with us to achieve that goal.

MDM: Do you get any pushback from your suppliers on that?

Stolz: No, they love it. They love it. Because they know that if Wurth jumps on a program that it will be successful.

Hear more from Robert Stolz in the latest MDM Executive Briefing 7 Minutes With ... executive Q&A at www.mdm.com/executivebriefing.

mdm MarketLeaders

The 2012 lists of top distributors in 14 sectors are now available

Online Resources

Access the full MDM Market Leaders lists & the 2012 Distribution Trends Report at
www.mdm.com/marketleaders

Methodology for Distributor Rankings

These are the 2012 MDM Market Leaders. The lists are ranked in order of fiscal 2011 revenue size alone; no other factors were used to compile these lists.

These lists reflect North American revenues where they are clearly broken out by the global distributors. For example, rather than list Wolseley plc as the top industrial distributor, we listed its North American subsidiaries, Ferguson/Wolseley Canada.

We collected data for this report in several ways. Companies were asked to fill out a form online providing data about revenues, trends and executives. In addition, forms were sent to companies known to be the largest players in their sectors. We also utilized SEC annual filings for public companies.

In the end, not every company was willing to provide us with revenue data for 2011, yet we deemed it important to include them anyway (e.g. McMaster-Carr, SunSource, etc.). We utilized several resources to estimate where to place these companies on their respective lists. These resources included: past reported revenues, average revenue increases within the sectors, data from economic reports and conversations with industry experts. All companies for which we estimated revenues and/or position are notated with "N/A."

Revenues for all companies in this report are in U.S. dollars. For companies who report their data in other currencies, we converted their revenues to U.S. dollars using the exchange rate in place on the last day of that company's reported fiscal year to determine ranking.

- Editor Lindsay Konzak & Associate Editor Jenel Stelton-Holtmeier

Top 40 Industrial Distributors

1. Ferguson/Wolseley Canada: $9.75 billion
2. Grainger: $8.1 billion
3. HD Supply: $7.7 billion
4. MRC Global Corp.: $4.8 billion
5. Airgas: $4.7 billion
6. Motion Industries: $4.2 billion
7. Fastenal: $2.8 billion
8. Wilson/CE Franklin: $2.6 billion
9. McMaster Carr: N/A
10. Applied Industrial Technologies: $2.3 billion*
11. MSC Industrial Direct: $2 billion
12. Sonepar Industrial: N/A
13. WinWholesale: N/A
14. Edgen Group: $1.7 billion
15. Interline Brands: $1.25 billion
16. Wurth - North America: $1.07 billion
17. Kaman Industrial Tech.: $950.8 million
18. DXP Enterprises: $807 million
19. FW Webb: $720 million
20. ERIKS (North America): $700 million
21. BDI: $593 million
22. Barnes Distribution: $492.9 million
23. Industrial Distribution Group: $474 million
24. Turtle & Hughes: $460 million
25. Wajax Industrial Components: $360 million
26. SunSource: N/A
27. Lawson Products: $315 million
28. BlackHawk Industrial Dist.: $260 million
29. DGI Supply: N/A
30. Gas and Supply Co.: $254.6 million
31. Hisco: $237 million
32. RS Hughes Co.: $228.5 million
33. GHX Industrial: $216.7 million
34. Hydradyne: $210 million
35. Womack Machine Supply Co.: $171.3 million
36. Canadian Bearings: $170 million
37. FCX Performance: $161.8 million
38. Valin Corp.: $153 million
39. OTP Industrial Solutions: $147 million
40. IBT Inc.: $134 million

* calendar year 2011

Top 25 Electrical Distributors

1. Sonepar: $6.7 billion
2. WESCO Distribution: $6 billion
3. Rexel Holdings (Rexel/Gexpro): $4.8 billion
4. CED: N/A
5. Graybar: $5.4 billion
6. Anixter International: $4.3 billion
7. HD Supply (Electrical): $1.5 billion
8. Border States Electric: $1.2 billion
9. Grainger (Electrical): $1.1 billion
10. Crescent Electric Supply Co: $886 million
11. Mayer Electric Supply: $626 million
12. McNaughton-McKay Electric Company: N/A
13. EIS, Inc.: $557.5 million
14. Elliott Electric Supply: $502 million
15. Turtle & Hughes: $460 million
16. Platt Electric Supply: $394 million
17. North Coast Electric: $387 million
18. Summit Electric Supply: $358.5 million
19. Dealers Electrical: N/A
20. Wholesale Electric Supply of Houston: N/A
21. The Reynolds Company: N/A
22. State Electric Supply Company: N/A
23. City Electric Supply: N/A
24. Kirby Risk Electrical Supply: N/A
25. Van Meter Inc.: $206.4 million

Top 10 HVACR/Plumbing

1. Ferguson/Wolseley Canada: $9.75 billion
2. Watsco: $2.98 billion
3. Hajoca (incl. EMCO): N/A
4. WinWholesale: N/A
5. Johnstone Supply: $1.3 billion
6. FW Webb: $720 million
7. Morrison Supply Co.: $550 million
8. Groupe Deschenes: $500 million
9. Interline Brands (HVACR/Plumb/Appliances): $462.5 million
10. RE Michel: N/A

Top 10 Power Transmission/Bearing

1. Motion Industries: $4.2 billion
2. Applied Industrial Technologies: $2.3 billion*
3. Kaman Industrial Technologies: $950.8 million
4. DXP Enterprises: $807 million
5. BDI: $593 million
6. Wajax Industrial Components: $360 million
7. Canadian Bearings: $170 million
8. Grainger (PT): $162 million
9. OTP Industrial Solutions: $147 million
10. IBT Inc.: $134 million

Other: Purvis Industries

Top 5 Electronics

1. Avnet: $26.5 billion
2. Arrow Electronics: $21.4 billion
3. Future Electronics: N/A
4. TTI, Inc./Mouser Electronics: $1.3 billion
5. Digi-Key: N/A

Other: Newark/element14

Top 10 Building Materials Distributors

1. ABC Supply: $4 billion
2. ProBuild Holdings: N/A
3. Beacon Roofing Supply: $1.8 billion
4. BlueLinx Holdings: $1.8 billion
5. Allied Building Products: $1.7 billion
6. HD Supply (Bldg Mats): $1.6 billion
7. 84 Lumber: $1.4 billion
8. L&W Supply: $1.1 billion
9. Roofing Supply Group: N/A
10. Builders FirstSource: $779.1 million

Other: PrimeSource Building Products, Stock Building Supply

Other sectors online at www.mdm.com/marketleaders:

Fluid Power
Fasteners
Gases/Welding Equipment
Hose & Accessories
Industrial PVF
Pharmaceutical
Plastics
Safety

C.H. Briggs Thinks Differently On 'Social'

Distributor uses technology to better understand and engage customers

In 2012, MDM is recognizing distributors that are innovative in their approach to their markets. Specialty building materials distributor C.H. Briggs is the first of two featured this year.

By Jenel Stelton-Holtmeier

In wholesale distribution, "good enough" has long been a common theme for technology's role in the business. But "good enough" was never good enough for C.H. Briggs, a specialty building materials distributor based in Reading, PA. "You can't just accept what you're told," says CIO Scott Withers. "You have to ask yourself: What can this mean for me tomorrow?"

Following that philosophy has made C.H. Briggs a leader in adapting technology. In April, C.H. Briggs became the first company to go live with Inforce Everywhere, a collaboration between ERP provider Infor and customer relationship management provider Salesforce.com integrating traditional ERP back-office functions with customer and market information, while tying in data from social media, as well.

By integrating these systems and information sources, C.H. Briggs comes closer to being able to create a "customer social profile" that will enable the company to better understand its customers' buying behaviors, as well as the drivers behind that customer behavior.

"When it comes to operations, we know that there's not a whole lot that really differentiates us from our competitors," Withers says. "But we want to change that. We want to really engage our customers and become a partner they trust."

Chairman and CEO Julia Klein sees engagement as the future of technology in distribution. "Distribution has always been about systems of record: What did we buy, what did we sell, and can we track it?" she says. "That's just not enough in a faster social world."

While many distribution companies are still questioning the value of social networks such as Twitter and Facebook, C.H. Briggs has built an active presence on those platforms. When asked about measuring the ROI, Klein laughs. "'What's the ROI on social networking?' is really kind of a dumb question. It's like asking 'What's the return on the telephone?' Nobody would ask that question," she says. "It's not really a question of ROI; it's a question of relevancy."

Customers and vendors want to do business on their terms, Withers says. They want to interact when, where and how is convenient for them. And the same goes for employees. They want to interact in the business world with the same tools they use in other parts of their lives. "We have developed a social habit," he says. "Our employees are social."

Beyond that, integrating a company's core operations systems with social technology can help you better leverage the data you have. "Social can mean easily shared," Klein says. "What good does having all this data do if it's kept locked in the heads of the head accountant or sales managers?"

Part of C.H. Briggs' success comes from approaching technology as an enabler rather than a solution, Withers says. The technology is still developing. But with the developments related to Inforce Everywhere, "all of a sudden we see the path to our vision," he says.

C.H. Briggs isn't sitting back and waiting for the technology to come to them. Klein regularly communicates with Infor about what her company needs. "I talk to them all the time about what it's really like for a midmarket company," she says. "The needs aren't the same for us as they would be for a multibillion-dollar company with 200 IT people on staff. We need tools, and all those tools need to be mobile and social."

Klein already has her eye on her next technology move: "big data" – allowing the use of the massive amounts of data generated across their systems to become more agile and responsive.

"We can look at our customer segmentation, overlay that with a cost-to-serve model and then track those trends over time," she says. "... Next year I think we'll be able to take it a layer deeper, and a layer deeper after that. That's a place where technology is going to give us some incredible insights. It's going to be really revolutionary for our industry."

2012 MDM Market Mover

Distributor: C.H. Briggs
Headquarters: Reading, PA
Leadership: Chairman & CEO Julia Klein
Details: Specialty building materials distributor C.H. Briggs is integrating its traditional ERP back-office functions, customer and market information, and data from social media. The goal: Better leveraging the data they already have to engage more effectively with the customer.

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WESCO Agrees to Buy Conney Safety Products

WESCO International Inc. (NYSE: WCC), Pittsburgh, PA, a distributor of electrical, industrial and communications MRO and OEM products, construction materials, and advanced supply chain management and logistics services, has agreed to buy Conney Safety Products LLC, Madison, WI, a distributor of MRO safety products with about $85 million in revenue.

The deal is expected to close in July.

The addition of Conney Safety Products is expected to strengthen WESCO's safety products and service portfolio and enhance the company's e-commerce capabilities.

Conney will function as what WESCO calls "a center of excellence" supporting the safety needs for WESCO's customers, including its Global Accounts, Utility and Integrated Supply customers.

The acquisition continues a trend over the past decade that has introduced new competitors into the safety products landscape.

John J. Engel, WESCO's CEO, said: "The addition of Conney to the WESCO team supports our One WESCO growth strategy and expands our MRO supplier base, enabling us to bring additional safety products and services to our customers."

Michael Wessner, Conney Safety Products' CEO, said: "We are pleased to become part of the WESCO team. Our companies have a similar culture and operating philosophy that will enable us to continue to provide a superior level of service to our customers, while pursuing new opportunities in an industry with significant growth potential."

Distributor News

Hisco, Houston, TX, an employee-owned, specialty distribution company serving the electronic assembly, renewable energy, medical device, LED and other industrial markets, has acquired Minnesota-based **TC Services** Inc. The distributor supplies engineered polymers and related assembly products to a variety of industries.

HD Supply Inc., Atlanta, GA, reported sales in the first quarter of $1.8 billion, a 14.2 percent increase over the same period a year ago. The distributor reported a loss of $360 million, compared to year-ago loss of $164 million.

HD Supply has agreed to purchase **Peachtree Business Products** as part of its facilities maintenance line of business. Headquartered in Marietta, GA, Peachtree Business Products specializes in customizable business and property marketing supplies, serving residential and commercial property managers, medical facilities, schools and universities, churches and funeral homes.

WESCO Distribution Inc., through its wholly-owned Canadian subsidiary, has agreed to acquire **Trydor Industries**, Ltd., Surrey, British Columbia. WESCO Distribution is part of **WESCO International** Inc., Pittsburgh, PA.

MSC Industrial Direct Co. Inc., Melville, NY, announced plans to co-locate its corporate headquarters in Davidson, NC, in addition to its current location in Melville, NY.

Eleven electrical and automation distributors have formed **EDGE Investment Partners** LLC. EDGE is an acronym for Electrical Distribution Global Enterprise. The focus of the partnership is to build a network of distribution company partners outside of North America. EDGE has tapped Bob Eisenbrown as CEO of the new venture.

Mallory Safety and Supply, a Longview, WA-based safety products distributor, has acquired the ENSA North America training division of **Airstreams Renewables** Inc., a career safety and technical training company. ENSA provides wind energy-specific height/rescue and confined space training and, under the Mallory umbrella, will be able to provide equipment, equipment rental and service, safety staffing, and other solutions to its training customers.

Houston-based **GHX Industrial**, LLC, has acquired Abilene, TX-based **Key City Warehouse Sales**. Key City specializes in the distribution of belts, hoses, fittings, valves and other products to customers primarily in the upstream oil and gas business. Key City's five locations will bring the number of branches operated by GHX to 42 in the U.S. and Edmonton, Canada.

Sysco Corp., Houston, TX, has agreed to acquire **Crossgar Foodservice**, a privately owned foodservice supplier headquartered in Northern Ireland,

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through Sysco's subsidiary, **Pallas Foods**.

High-profit power transmission distribution firms had sales of $35.8 million in 2011 and a pretax profit of 6.8 percent, compared with a pretax profit of 3.4 percent for typical power transmission distribution firms, according to the **2012 PT Distributor Performance Report**. The annual report, conducted for the Power Transmission Distributors Association by Profit Planning Group of Boulder, CO, is a compilation of operational statistics from distribution firms throughout North America.

Grainger, Chicago, IL, reported daily sales for May increased 13 percent versus May 2011. Results for the month included a 5 percentage point contribution from acquisitions. Organic sales on a daily basis increased 9 percent, including 6 percentage points from volume and 3 percentage points from price.

Economic News

Privately owned housing starts in May were at a seasonally adjusted annual rate of 780,000, 7.9 percent above April and 25 percent above May 2011, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Industrial production edged down 0.1 percent in May after having gained 1 percent in April. A decrease of 0.4 percent for manufacturing production in May partially reversed a large increase in April, according to the Federal Reserve.

Canadian manufacturing sales fell 0.8 percent in April to $49.1 billion, the third decline in four months. The aerospace product and parts industry and the petroleum and coal product industry posted the largest decreases, while sales of motor vehicles rose to the highest level since November 2007.

Wholesale prices fell 1 percent in May, seasonally adjusted, the U.S. Bureau of Labor Statistics reported. Prices for finished goods moved down 0.2 percent in April and were unchanged in March.

April U.S. manufacturing technology orders

Calculation of MDM Industrial Inflation Index for May 2012

		BLS Price Indices May '12	BLS Price Indices Apr. '12	BLS Price Indices May '11	% Sales Weight	Weighted Indices May '12 (1)X(4)	% Change May '12 Apr. '12	% Change May '12 May '11
1136	Abr. Prod.	549.8	549.2	535.2	19.1	105.01	0.11	2.72
1135	Cutting Tools	486.7	486.7	475.6	18.9	91.99	0.00	2.34
1145	Power Trans.	772.3	772.6	750.4	15.4	118.93	-0.04	2.91
1081	Fasteners	499.6	499.9	487.2	9.0	44.97	-0.05	2.55
1149.01	Valves, etc.	929.4	929.9	875.1	7.6	70.64	-0.05	6.21
1132	Power Tools	347.4	346.5	342.3	6.5	22.58	0.26	1.49
1144	Mat. Handling	555.3	553.9	537.8	6.2	34.43	0.26	3.25
0713.03	Belting	806.3	799.9	736.8	6.1	49.19	0.80	9.44
1042	Hand Tools	749.9	750.2	739.3	8.1	60.74	-0.05	1.43
108	Misc. Metal	474.1	474.1	468.1	3.1	14.70	0.00	1.27
"New" May Index		320.4	May Inflation Index			613.16	0.08	3.41
"New" April Index		320.1	April Inflation Index			612.64		
			May 2011 Inflation Index			592.97		

New index reflects 1977=100 base other #: 1967 To convert multiply by .52247 totaled $410.42 million, according to The Association for Manufacturing Technology. This total was down 17 percent from March, but up 2.9 percent up when compared with $398.73 million in April 2011. With a year-to-date total of $1.76 billion, 2012 is up 10.2 percent compared with 2011.

Manufacturer News

Air Products and Chemicals Inc., Allentown, PA, has agreed to purchase a 67 percent majority stake in **Indura South America** for $884 million. The transaction is expected to close in early July and be accretive to Air Products earnings per share in fiscal 2013.

Actuant Corp., Milwaukee, WI, reported sales for the third quarter of $429 million, a 9 percent increase over the same period a year ago. Profit was $34.4 million. For the first nine months, sales were $1.2 billion, a 15 percent increase over the same period a year ago. Organic sales increased 6 percent. Profit was $103.8 million.

General Cable Corp., Highland Heights, KY, has agreed to acquire a majority interest in **Procables S.A** for $45 million. The transaction is expected to close in the second half of 2012. **The Sredni Group** will maintain a 40 percent interest in the business.

Tramec, LLC, Iola, KS, has acquired **LRG Fastener Corp. (Continental-Aero),** Harrison, NJ. The new legal entity, Tramec Continental-Aero, LLC, will be fully integrated into Tramec, LLC.

CEO Survey: Expectations for Sales, Capital Spending and Hiring Fall

The results of Business Roundtable's second-quarter CEO Economic Outlook Survey for 2012 show a slight downturn in CEOs' expectations for sales, capital spending and hiring for the next six months.

"CEOs envision somewhat slower overall economic growth for 2012 and have modestly lower expectations for sales, capital expenditures, and hiring as compared to last quarter," said Jim McNerney, chairman of Business Roundtable and president and CEO of The Boeing Company.

"While CEOs see continued economic expansion, the dip in quarterly sentiment reflects concern over increasingly persistent obstacles to a stronger recovery, including uncertainty over year-end U.S. government tax and spending plans and a path to resolution of the Eurozone crises."

About 81 percent of CEOs surveyed expect their sales to decrease in the next six months; 6 percent expect them to increase.

Twelve percent of CEOs say their capital spending is expected to increase in the next six months, compared with nearly half who say that their capital spending will decrease. And finally, about 20 percent say their employment will increase; 42 percent say it will decrease.

In terms of the overall U.S. economy, Business Roundtable members estimate real GDP will grow by 2.1 percent in 2012, down slightly from last quarter's estimate of 2.3 percent.

The Business Roundtable CEO Economic Outlook Survey Index – a composite index of CEO expectations for the next six months of sales, capital spending and employment – trended downward to 89.1 in the second quarter of 2012, from 96.9 in the first quarter of 2012.

Business Roundtable's CEO Economic Outlook Survey, conducted quarterly since the fourth quarter of 2002, provides a forward-looking view of the economy by BRT member CEOs.

The survey was completed between May 17 and June 8, 2012. Responses were received from 164 member CEOs, 78 percent of the total BRT.

Business Roundtable (BRT) is an association of chief executive officers of leading U.S. companies with over $6 trillion in annual revenues and more than 14 million employees.

BRT member companies comprise nearly a third of the total value of the U.S. stock market and invest more than $150 billion annually in research and development – nearly half of all private U.S. R&D spending.

Business Roundtable companies pay $163 billion in dividends to shareholders and generate an estimated $420 billion in sales for small and medium-sized businesses annually.

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Monthly Wholesale Trade Data

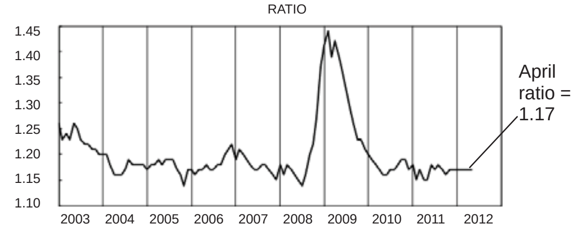
April 2012 sales for wholesalers were $415 billion, up 1.1 percent from March and up 6.8 percent from April 2011, according to the U.S. Census Bureau. April sales of durable goods were up 0.1 percent from last month and up 8.1 percent from a year ago. Sales of motor vehicle and motor vehicle parts and supplies were up 3.8 percent from last month. Sales of nondurable goods were up 1.9 percent from March and up 5.9 percent from last April.

Inventories. Inventories were $483.5 billion at the end of April, up 0.6 percent from March and up 8.2 percent from April 2011. April inventories of durable goods were up 1.1 percent from last month and up 11.4 percent from a year ago. Inventories of machinery, equipment and supplies were up 2.4 percent from last month, and inventories of lumber and other construction materials were up 1.9 percent. Inventories of nondurable goods were down 0.1 percent from March but were up 4 percent from last April.

Inventories/Sales Ratio. The April inventories/sales ratio for wholesalers was 1.17. The April 2011 ratio was 1.15.

Monthly Inventories/Sales Ratios of Merchant Wholesalers: 2003-2012

(Estimates adjusted for seasonal and trading-day differences, but not for price changes)



Source: U.S. Census Bureau

Sales and Inventories Trends: April 2012

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	Percent Change Sales 3/12-4/12	Percent Change Sales 4/11-4/12	Percent Change Inventory 3/12-4/12	Percent Change Inventory 4/11-4/12
42	**U.S. Total**	**415,018**	**483,504**	**1.17**	**1.1**	**6.8**	**0.6**	**8.2**
423	**Durable**	**184,224**	**284,348**	**1.54**	**0.1**	**8.1**	**1.1**	**11.4**
4231	Automotive	33,397	45,377	1.36	3.8	26.6	1.7	22.1
4232	Furniture & Home Furnishings	4,397	7,107	1.62	-1.0	2.9	-0.3	-2.2
4233	Lumber & Other Construction Materials	9,273	12,619	1.36	0.8	17.7	1.9	4.0
4234	Prof. & Commercial Equip. & Supplies	32,231	32,375	1.00	0.6	3.8	1.4	5.3
42343	Computer Equipment & Software	16,437	11,938	0.73	0.5	-0.7	0.8	3.1
4235	Metals & Minerals	13,012	26,958	2.07	-1.1	11.0	0.8	12.5
4236	Electrical Goods	31,065	41,264	1.33	0.1	0.2	0.5	5.1
4237	Hardware, Plumbing, & Heating Equipment	8,969	18,045	2.01	0.3	7.6	0.4	6.3
4238	Machinery, Equipment & Supplies	32,166	75,848	2.36	-1.0	12.2	2.4	17.7
4239	Miscellaneous Durable	19,714	24,755	1.26	-3.7	-6.8	-1.8	6.5
424	**Nondurable Goods**	**230,794**	**199,156**	**0.86**	**1.9**	**5.9**	**-0.1**	**4.0**
4241	Paper & Paper Products	6,905	7,525	1.09	-3.0	-3.5	3.9	1.1
4242	Drugs	36,371	33,745	0.93	0.3	3.3	-2.4	4.2
4243	Apparel, Piece Goods & Notions	11,937	22,046	1.85	3.8	6.8	0.5	8.4
4244	Groceries &Related Products	47,306	33,845	0.72	-0.7	6.3	-1.0	6.2
4245	Farm-product Raw Materials	18,534	21,205	1.14	4.2	-2.4	-1.0	-13.3
4246	Chemicals & Allied Products	10,230	11,683	1.14	2.8	7.4	1.0	9.7
4247	Petroleum & Petroleum Products	69,184	28,565	0.41	4.8	8.6	2.0	6.3
4248	Beer, Wine & Distilled Beverages	9,992	13,067	1.31	-0.1	3.9	1.5	6.9
4249	Miscellaneous Nondurable Goods	20,335	27,475	1.35	0.1	12.2	-0.4	8.6

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.