

Specialty Distribution 1Q2023 Market Update

Market Commentary

Resilient M&A Activity despite headwinds

Despite the uncertain near-term economic outlook and difficult debt markets, the number of completed M&A transactions across the specialty distribution sector in Q1 2023 has been encouraging.

The buyer mix across the specialty distribution M&A landscape has largely been focused on strategic acquirers as private equity firms without active specialty distribution investments have experienced significant challenges associated with new acquisition debt financing (e.g., availability, pricing, restrictive covenants, etc.). As a result, private equity groups have generally turned their focus to smaller add-on acquisitions that typically require more limited debt financing versus new platform investments.

While we still expect to see steady M&A activity over the remainder of 2023, we believe that there are headwinds (i.e., general market conditions and uncertainty, limited earnings visibility, and availability / pricing of debt financing) that will ultimately stretch deal timelines and potentially dampen valuation multiples.

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