



# Fire and Safety Distribution Industry Advisor

Winter 2014



Investment Banking Solutions for the Middle Market



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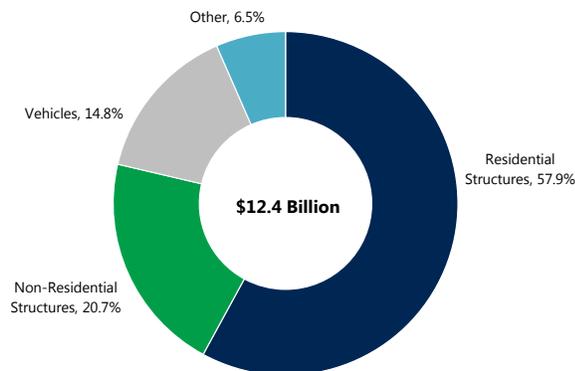
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## I. Executive Summary

U.S. fire departments responded to approximately 1.4 million fires in 2012, which resulted in an estimated \$12.4 billion in direct property loss. Structure fires, both of the residential and non-residential variety, comprised approximately 35% of all fires; however, structure fires contributed to nearly 80% of total direct dollar loss attributable to all fires in the U.S. The aforementioned economic costs and health / safety concerns drive demand for the fire and safety distribution market, as the market addresses the prevention and suppression needs of homeowners, business owners, and other structure owners.

**Figure 1: Direct Dollar Loss by Property Type**



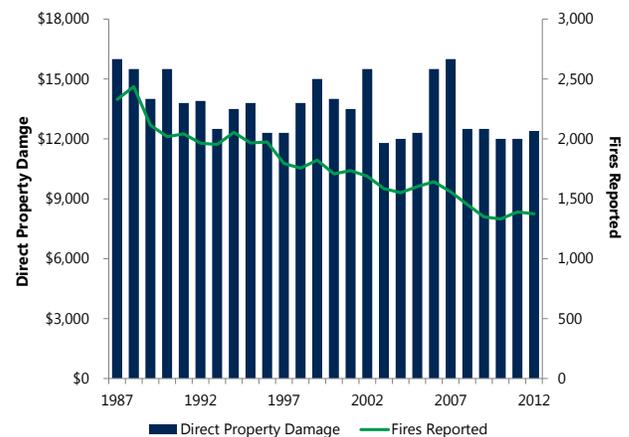
Source: National Fire Protection Association

The highly fragmented \$12 billion fire and safety industry<sup>(1)</sup> is comprised of thousands of distributors and service providers that address the fire protection needs of nearly nine million commercial, industrial, and institutional buildings and an estimated 116 million residential buildings. The industry has exhibited consistent growth in recent years and is anticipated to grow at an estimated 5% per annum. The fire and safety industry is principally focused on fire and safety equipment products for commercial, industrial, and institutional applications, while growing residential applications are also driving demand.

The industry is characterized by stable demand that is driven by changing national, regional, and local building codes and regulations that require regular maintenance and upkeep of existing systems. As a highly regulated industry, the fire and safety market has been historically recession-resistant and is expected to continue to benefit from the continually evolving regulatory environment.

**Figure 2: Reported Fires and Direct Property Damage, 1987 – 2012**

(\$ and fires reported in millions)



Source: National Fire Protection Association

**Figure 3: U.S. Fire and Safety Market, 2007 – 2017P<sup>(1)</sup>**

(\$ in millions)



Sources: Company Investor Presentations, FMI Corporation, IBIS World, IMF, SEC Filings, and League Park Estimates

<sup>(1)</sup> Estimate of fire and safety distribution market excludes sales of fire doors, fire-related industrial systems, storage, and traffic safety products

The overall fire and safety value chain has three participant segments: (i) manufacturers, (ii) master / national distributors, local distributors, and service providers, and (iii) end users. While each segment is characterized by a unique set of market dynamics, all segments experience a relatively high degree of fragmentation.

The manufacturing segment is led by several large players, such as Tyco (NYSE: TYC) and United Technologies Corporation (NYSE: UTX) and their subsidiaries, while hundreds of smaller niche specialty manufacturers also operate within the industry. League Park estimates that there are well over 400 participants in the manufacturing segment of the market. Due to the highly fragmented nature of the market and expansive volume of SKUs, direct sales are cost prohibitive and generally limited.

While distributors principally operate at the local or regional level, select master / national distributors such as Grainger (NYSE: GWW), MSC Industrial (NYSE: MSM), WESCO (NYSE: WCC), Applied Industrial Technologies (NYSE: AIT), and BHC participate on a national basis, albeit with a more limited offering sold directly to end users. In addition to serving as logistical support for service providers, distributors also serve as the marketing arm for manufacturers upstream.

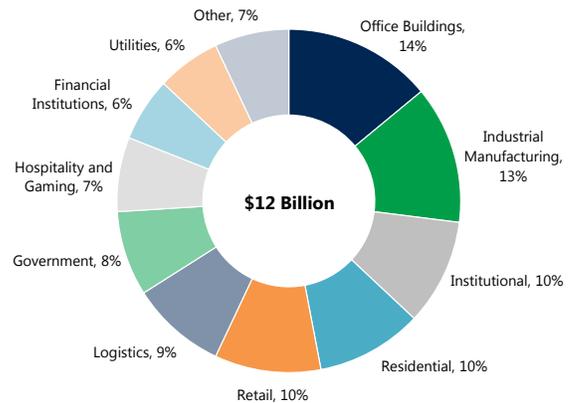
Over 7,000 local distributors and service providers operate within the fire and safety industry, ranging from several large national enterprises, such as Cintas (NasdaqGS: CTAS), SimplexGrinnell (a Tyco subsidiary), and Minimax, to thousands of local, single-person practices that comprise the majority of the industry. Historically, local distributors and service providers have largely relied on master distributors to deliver a broad base of SKUs in a timely fashion.

End users include the operators and decision-making occupants of the approximately nine million commercial, industrial, and institutional buildings requiring products and services from the aforementioned fire and safety industry participants. It should be noted that numerous end users may reside within an individual building which

greatly increases the number of purchasers. Recently, the residential corner of the market has demonstrated strong growth prospects as the housing market continues on its path of recovery.

The fire and safety industry has been historically stable and continues to grow with prevailing macroeconomic trends, although each participant group operates under a unique set of market dynamics. A major potential play lies in the residential sprinkler initiative, as proposed local legislation that has been lobbied and advocated for at a national level would require all new one- and two-family homes to include a sprinkler system. Existing homes would be initially exempt; however, such homes would fall under renovation regulations that require the modernization of buildings so as to retrofit fire systems to meet current codes. With only 10% of fire contractors offering sprinkler systems in 2012, this initiative represents a significant growth opportunity for industry participants.

**Figure 4: U.S. Fire and Safety Sales by End Market**



Sources: Company Investor Presentations, FMI Corporation, IBIS World, SEC Filings, SSI Installation Business Report, and League Park Estimates

## II. Industry Overview

The \$12 billion fire and safety industry represents a robust market with highly attractive characteristics. The industry typically expands at the same pace as the overall economy while maintaining a degree of recession-resistance, such that during a recessionary period, the installed base of equipment and nature of existing building codes drive recurring revenue. The regulated nature of the industry makes maintenance, repair, and operations (“MRO”) spending generally non-discretionary and stable. The core industry fundamentals include: (i) strict regulations, (ii) recurring, need-based purchases, (iii) large market size, (iv) fragmented market conditions, (v) insurance-influenced purchases, and (vi) growth through new construction, modernization, and code changes.

### Heavily Regulated Industry

The domestic fire and safety industry is governed by state and local fire marshals with guidance from the National Fire Protection Association (“NFPA”) and the International Code Council (“ICC”). The NFPA has published approximately 300 codes and standards that are designed to minimize the risks and effects of fire by establishing enforceable criteria for buildings as well as the design, service, and installation of systems therein. States and local municipalities are free to develop their own codes and regulations, but they typically use the NFPA and ICC as a baseline from which to form their own policies. State and local codes require buildings to meet or exceed the specified minimum national requirements.

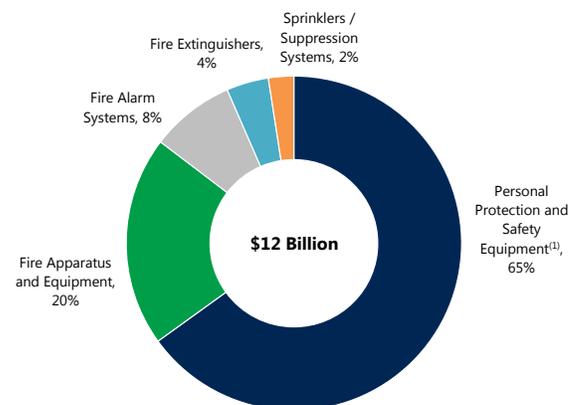
Regulations and codes are instrumental to the fire and safety industry. As is true with any heavily regulated industry, spending on fire and safety products is generally non-discretionary, as it is mandated by the aforementioned codes. The codes and regulations are strictly enforced, requiring close adherence that drives recurring purchases. Generally, the highly regulated nature of the industry leads to recurring revenue from necessary regular maintenance, repair, and retrofits, which augments revenue generated from spending on new construction.

### Recurring, Needs-Based Purchases

The needs-based nature of purchases in the fire and safety market is largely attributable to the strictly-enforced codes governing the industry. End users are required to maintain their equipment according to the guidelines set forth in the codes and enforced by the local municipality. NFPA 1 is the regulatory standard most commonly used to write fire codes. NFPA 1 requires regular maintenance and inspection, which typically occurs on an annual basis. The inspection schedule mandated by NFPA 1 requires the frequent purchase of replacement parts, which drives the fire and safety aftermarket.

During periods of economic downturn, the fire and safety industry will usually see an increase in the volume of replacement part sales. Although overall industry revenue dips during recessionary periods, the sale of higher margin replacement parts leads to relatively stable profits and earnings before interest, taxes, depreciation, and amortization (“EBITDA”) for fire and safety providers. Generally, the only value chain participants adversely affected by the switch to a focus on replacement parts are installers, who are better served mounting new systems in lieu of replacing smaller parts due to the higher associated labor costs.

**Figure 5: U.S. Fire and Safety Sales by Product**



Sources: CapitalIQ, Company Investor Presentations, IBIS World, SEC Filings, and League Park Estimates

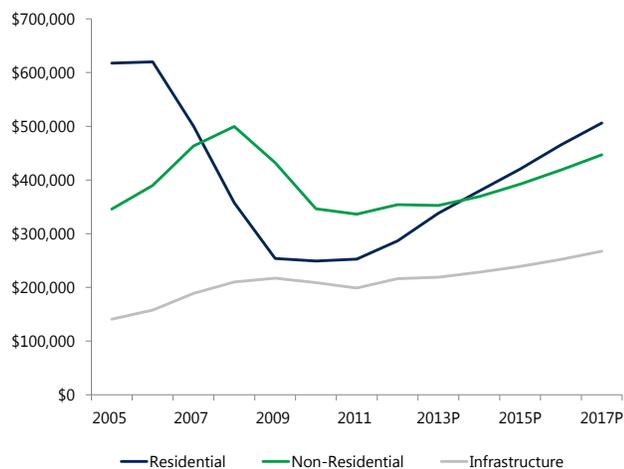
<sup>(1)</sup> Personal protection and safety equipment includes traditional personal protection and safety, first aid, protective clothing, signs, fall protection, facility safety

## Market Size and Competition

End users in the fire and safety industry include owners of commercial buildings, governmental buildings, and other institutional buildings, with an emerging residential segment contributing a growing number of end users to the overall market. Overall, there are approximately 125 million such buildings in the U.S. – a number that grows steadily each year as the construction markets continue to rebound from the recession. Local distributors and service providers selected by end users to fulfill their fire and safety needs generally operate as the decision makers in the market and facilitate code compliance.

**Figure 6: U.S. Construction Put in Place, 2005 – 2017P**

(\$ in millions)



Source: FMI Corporation

Another segment of the fire and safety industry is comprised of non-structural end users, including those who operate within the trucking and transportation, commercial and recreational maritime, firefighting, and government first-response agency markets. Generally, this segment of end users is affected by similar regulatory characteristics as the rest of the fire and safety industry; however, they are serviced by a different set of installers and maintenance personnel.

Due to the high degree of fragmentation, the fire and safety industry is locally competitive. Competition is generally

based on price, product line breadth, support, and delivery. The relative importance of these factors varies depending on project and product line complexity, conditions in local markets, as well as other factors. The competitive dynamics in the fire and safety industry generally result in more direct competition and lower margins for new construction compared to MRO offerings.

## Fragmented Market

Given the sheer scale of the overall fire and safety industry, there is a significant amount of fragmentation among both end users and local distributors and service providers. As property owners, end users are inherently fragmented. Local distributors and service providers are especially fragmented as they may serve only the buildings in a single town with little or no competition. Installers often attempt to both install the equipment and service the product throughout its lifetime.

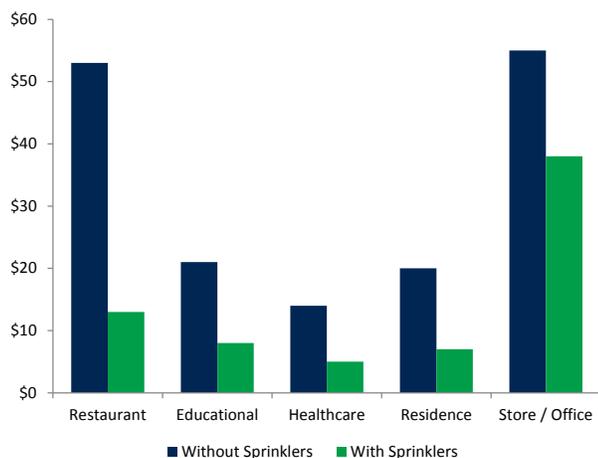
End market fragmentation makes it difficult for manufacturers and master / national distributors to identify and sell products to end users. This fragmentation often gives rise to close relationships with local distributors and service providers, as they are the participants most knowledgeable of local codes and regulations. In many cases, there is little competition among service providers and the purchase decision becomes little more than an afterthought for building supervisors.

## Insurance Drives Installation

Insurance savings, to a lesser degree, can drive some owners to install fire equipment. Many property insurance policies will reduce premiums up to 30% with the installation of fire alarm and suppression systems. While insurance for homeowners will vary depending on the type of coverage amounts, the discounts for home sprinkler systems range up to 10%, with an average discount of approximately 7%. In 2012, buildings with modern sprinkler systems sustained 69% of the damage of those without sprinkler systems during structure fires. Further, as the likelihood of a building with a sprinkler system surviving a fire is approximately 97%, there are tangible reasons that validate the proliferation of sprinkler systems.

**Figure 7: Average Damage per Fire With and Without Sprinklers**

(\$ in thousands)



Source: National Fire Protection Association

Every community in the U.S. has its firefighting capability evaluated by the Insurance Services Office (“ISO”), a leading source of risk information. Through the Public Protection Classification (“PPC”) program, the ISO evaluates municipal fire-protection efforts in communities throughout the U.S. Insurance companies use PPC information to help establish fair premiums for fire insurance – generally offering lower premiums in communities with better protection. Many communities use the PPC as a benchmark for measuring the effectiveness of their fire-protection services. The PPC program is also a tool that helps communities plan for, budget, and justify improvements.

The ISO analyzes the relevant community data and assigns a PCC class – a number from 1 to 10 that is based on the community’s adherence to the ISO’s fire suppression and protection standards. Class 1 communities are those that demonstrate exemplary fire protection, while Class 10 communities are those with fire suppression programs that do not meet the ISO’s minimum standards. The financial benefit of achieving a higher PPC status varies by state. However, on average, the cost of fire losses for homeowners’ policies in communities graded Class 9 is

65% higher than those in communities graded Class 5. With that, if a community improved from a Class 9 rating to Class 5, homeowners could expect their premiums for fire insurance to drop substantially.

### **Growth through Construction, Modernization, and Code Changes**

Historically, market growth in the fire and safety industry has been driven by new construction and changes in fire code. The tragedies of September 11, 2001 spurred dramatic changes in fire code for commercial structures. Additionally, the passage of the Americans with Disabilities Act (“ADA”) resulted in increased requirements for alarm notification appliances and power supplies to support them. The ADA required the expanded use of voice and visual evacuation systems, which are now required in smaller-assembly occupancies.

Many buildings that were constructed prior to the adoption of modern building codes were never equipped with fire alarm equipment. As these particular buildings age, they are modernized and upgraded (e.g. new modern interiors, energy efficient glazing, air conditioning systems, etc.), which also triggers requirements that fire alarm and fire protection systems be installed in many building codes. The trigger point in many of these codes is called “substantial renovation,” which is a monetary point in which the dollar value spent on voluntary modernization surpasses a predefined threshold. Once this threshold is surpassed, additional work on the building is no longer considered simple maintenance, and it is reasonable to expect that the fire alarm systems and other fire protection features should be upgraded to a new building performance standard.

## III. Financial Analysis

Fire and safety and industrial distribution companies continue to perform well, with positive revenue growth demonstrated by major industry participants. Strong revenue growth that is generally generated from non-discretionary spending was augmented by gains in discretionary spending, which has benefited from the relatively strong economy and low interest rates.

Nearly all of the publicly-traded fire and safety and industrial distribution companies tracked grew their revenue base over the last twelve months (“LTM”) ended December 31, 2013, with median growth of 4.1% and 3.8% for fire and safety and industrial distribution companies, respectively. Market profitability is also improving, as the median EBITDA margin increased to 15.2% for fire and safety companies and 16.0% for industrial distribution companies. As qualities that attract investment, the growth and profitability currently demonstrated by industry participants are expected to drive M&A activity.

**Figure 8: Relative Stock Price Performance**

December 31, 2012 – December 31, 2013



Fire and Safety	Price as of	52 Week		% of High
	12/31/13	High	Low	
Tyco International	\$41.04	\$41.44	\$29.58	99.0%
Cintas	59.59	59.73	41.24	99.8%
<b>Median</b>	<b>\$50.32</b>	<b>\$50.59</b>	<b>\$35.41</b>	<b>99.4%</b>
Industrial Distribution				
Grainger	\$255.42	\$276.38	\$201.49	92.4%
Fastenal	47.51	53.38	43.75	89.0%
Airgas	111.85	112.60	88.60	99.3%
MSC Industrial	80.87	87.92	71.44	92.0%
Anixter International	89.84	92.46	63.92	97.2%
Applied	49.09	53.57	40.39	91.6%
DXP	115.20	116.88	49.65	98.6%
<b>Median</b>	<b>\$85.36</b>	<b>\$90.19</b>	<b>\$67.68</b>	<b>92.2%</b>

Source: CapitalIQ

**Figure 9: Industry Financial Analysis**

As of December 31, 2013

(\$ in millions)

Fire and Safety	Last Twelve Months (LTM)				LTM Margins			YoY Change			
	Revenue	Gross Profit	EBIT	EBITDA	Gross	EBIT	EBITDA	LTM Revenue	LTM Gross	LTM EBIT	LTM EBITDA
Tyco International	\$10,647.0	\$3,881.0	\$955.0	\$1,382.0	36.5%	9.0%	13.0%	1.2%	0.7%	11.0%	7.8%
Cintas	4,468.9	1,853.7	581.5	774.5	41.5%	13.0%	17.3%	7.0%	(0.9%)	4.2%	9.0%
<b>Median</b>	<b>\$7,557.9</b>	<b>\$2,867.3</b>	<b>\$768.3</b>	<b>\$1,078.3</b>	<b>39.0%</b>	<b>11.0%</b>	<b>15.2%</b>	<b>4.1%</b>	<b>(0.1%)</b>	<b>7.6%</b>	<b>8.4%</b>
Industrial Distribution											
Grainger	\$9,286.6	\$4,099.6	\$1,328.7	\$1,484.6	44.1%	14.3%	16.0%	3.8%	0.9%	14.4%	13.8%
Fastenal	3,269.6	1,698.8	712.9	774.8	52.0%	21.8%	23.7%	4.3%	0.8%	5.9%	6.5%
Airgas	5,032.5	2,803.2	626.9	923.4	55.7%	12.5%	18.3%	2.0%	1.6%	3.7%	3.9%
MSC Industrial	2,558.7	1,168.3	395.8	451.3	45.7%	15.5%	17.6%	7.2%	(0.1%)	(6.0%)	(1.5%)
Anixter International	6,172.4	1,394.2	329.2	360.1	22.6%	5.3%	5.8%	(1.3%)	0.3%	(3.5%)	(3.6%)
Applied	2,457.0	688.2	171.6	198.0	28.0%	7.0%	8.1%	1.3%	1.7%	(2.9%)	(1.3%)
DXP	1,220.8	365.2	98.1	119.3	29.9%	8.0%	9.8%	11.3%	2.9%	8.4%	9.8%
<b>Median</b>	<b>\$3,269.6</b>	<b>\$1,394.2</b>	<b>\$395.8</b>	<b>\$451.3</b>	<b>44.1%</b>	<b>12.5%</b>	<b>16.0%</b>	<b>3.8%</b>	<b>0.9%</b>	<b>3.7%</b>	<b>3.9%</b>

Source: CapitalIQ

## Figure 10: Industry Valuations

As of December 31, 2013

(\$ in millions)

Fire and Safety	Market Cap	Enterprise Value	Total Debt / LTM		Enterprise Value / LTM		
			EBITDA	Capital	Revenue	EBIT	EBITDA
Tyco International	\$19,063.5	\$19,898.5	1.1x	7.1%	1.9x	20.8x	14.4x
Cintas	7,257.4	8,245.3	1.7x	15.2%	1.8x	14.2x	10.6x
<b>Median</b>	<b>\$13,160.4</b>	<b>\$14,071.9</b>	<b>1.4x</b>	<b>11.2%</b>	<b>1.9x</b>	<b>17.5x</b>	<b>12.5x</b>
<b>Industrial Distribution</b>							
Grainger	\$17,555.7	\$17,647.9	0.4x	3.0%	1.9x	13.3x	11.9x
Fastenal	13,614.5	13,521.9	0.0x	0.0%	4.1x	19.0x	17.5x
Airgas	8,091.5	10,535.5	2.8x	24.0%	2.1x	16.8x	11.4x
MSC Industrial	5,058.9	5,258.7	0.7x	6.0%	2.1x	13.3x	11.7x
Anixter International	2,948.2	3,688.0	2.3x	21.8%	0.6x	11.2x	10.2x
Applied	2,031.5	1,954.6	0.0x	0.0%	0.8x	11.4x	9.9x
DXP	1,562.7	1,790.6	2.0x	13.1%	1.5x	18.2x	15.0x
<b>Median</b>	<b>\$5,058.9</b>	<b>\$5,258.7</b>	<b>0.7x</b>	<b>6.0%</b>	<b>1.9x</b>	<b>13.3x</b>	<b>11.7x</b>

Source: CapitalIQ

## Figure 11: Industry Valuation Trends

As of December 31, 2004 – 2013

Fire and Safety	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Tyco International	14.4x	11.6x	7.3x	7.7x	7.3x	3.9x	8.2x	8.6x	8.8x	10.6x
Cintas	10.6x	8.6x	8.4x	8.5x	6.6x	6.0x	8.3x	9.9x	11.2x	12.9x
<b>Median</b>	<b>12.5x</b>	<b>10.1x</b>	<b>7.9x</b>	<b>8.1x</b>	<b>6.9x</b>	<b>5.0x</b>	<b>8.3x</b>	<b>9.2x</b>	<b>10.0x</b>	<b>11.8x</b>
<b>Industrial Distribution</b>										
Grainger	11.9x	11.5x	11.5x	10.3x	8.9x	6.9x	9.2x	8.2x	10.0x	10.9x
Fastenal	17.5x	19.2x	21.8x	19.9x	16.4x	10.6x	15.1x	15.9x	20.7x	21.9x
Airgas	11.4x	10.6x	10.1x	9.9x	8.0x	6.7x	10.2x	9.2x	9.5x	9.9x
MSC Industrial	11.7x	10.2x	11.7x	15.0x	12.7x	7.2x	8.8x	11.6x	13.8x	16.9x
Anixter International	10.2x	7.5x	7.2x	9.4x	9.3x	4.4x	7.4x	8.7x	9.7x	11.8x
Applied	9.9x	8.7x	7.7x	8.8x	8.5x	5.1x	7.6x	8.2x	8.9x	10.2x
DXP	15.0x	9.7x	9.1x	12.2x	6.8x	6.4x	13.0x	10.6x	12.3x	6.5x
<b>Median</b>	<b>11.7x</b>	<b>10.2x</b>	<b>10.1x</b>	<b>10.3x</b>	<b>8.9x</b>	<b>6.7x</b>	<b>9.2x</b>	<b>9.2x</b>	<b>10.0x</b>	<b>10.9x</b>

Source: CapitalIQ

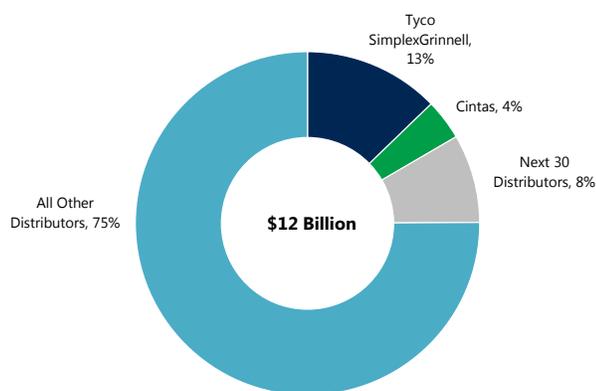
## IV. Fire and Safety M&A Trends

### Market Fragmentation

The fire and safety industry, particularly in the distributor / service provider segment, is highly fragmented. Traditional distributors such as Grainger, Interline Brands, and MSC Industrial carry a limited fire and safety product offering, while smaller local and regional distributors carry specialized offerings to address the varied needs of their local markets. Nearly 7,000 specialty fire and equipment distributors operate in today's fire and safety market, none of which maintain a dominant share of the national market. League Park estimates that only 30 regional distributors generate annual revenue in excess of \$10 million, with only a few national distributors such as Tyco SimplexGrinnell and Cintas holding a material share of the total fire and safety distribution market.

Ongoing consolidation among the local distributor and service provider segment is anticipated. Benefits of consolidation include: (i) improved purchasing power, (ii) an enhanced and more comprehensive service offering, (iii) broader technical competency, and (iv) an improved ability to service customers on a regional and national basis.

**Figure 12: Fire and Safety Distribution Market Share**



Source: CapitalIQ, Company Investor Presentations, SEC Filings, IBIS World, and League Park Estimates

### Impact of Politics and Legislation

Spending by end users within the industry is significantly impacted by regulation, with non-discretionary fire and safety expenditures driven by changes in existing standards and fire codes. As a highly regulated industry, changes in taxation and federal and state budgets also impact dynamics within the industry, specifically affecting the enforceability of the codes that drive participants' revenues.

One legislative development that could dramatically affect both competitive dynamics and M&A activity within the industry is the residential sprinkler initiative, which would require all one- and two-family residences to install a home sprinkler system. Sprinkler systems have historically been considered too expensive to generate meaningful demand among homeowners, but the declining cost of sprinkler installation coupled with the life safety benefits has made sprinkler installation more attractive and viable. Over the last decade, an average of 1.3 million new homes have been constructed on an annual basis, and given the estimated \$6,000 cost to fully install a system, a sprinkler installation market of approximately \$7.7 billion would be created upon passage of national sprinkler legislation. As only 10% of contractors currently offer sprinkler system products, passage of such legislation would likely lead to an influx of new installers and providers, with other fire and safety industry participants looking to access this market via acquisition.

### Recent Activity and M&A Outlook

The pace of global M&A activity in the fire and safety industry in 2013 slowed moderately from its 2012 levels, as the overall market remained tempered. A total of 23 transactions were reported in 2013, a 32% decrease from 2012. Over 80% of acquisitions were made by strategic acquirers, with the most active acquirers being larger, integrated global companies that are looking to broaden their product portfolio (i.e. Grainger's acquisition of personal protective equipment distributor Safety Solutions, and DIRECTV's acquisition of electronic security system provider LifeShield). Fire sprinkler system providers also proved to be attractive acquisition targets, with WinWholesale's acquisition of domestic fire sprinkler distributor West Coast Associates of Tampa (now known as West Coast Winsupply) and Evolver Investment



## Fire and Safety M&A Trends

Group's acquisition of Swedish sprinkler manufacturer Mälars Sprinkler as noteworthy developments. The majority of companies acquired in 2013 had revenues in the \$5 million to \$50 million range.

In addition to strategic acquirers, the fire and safety industry continues to be an attractive sector for many private equity firms, primarily due to a positive long-term outlook, degree of fragmentation, and availability of exit opportunities. Many private equity firms have taken a keen interest in fire and safety companies, as well as industrial distribution companies, due to the projected growth and earnings of industry participants. Additional attractive characteristics of fire and safety companies include the non-discretionary and recurring nature of sales.

The degree of fragmentation in the fire and safety industry also provides many opportunities for private equity firms to acquire platform investments and then grow the business to a larger scale through add-on acquisitions, in many cases at a lower valuation than the initial platform (i.e. due to size and market position). League Park believes that the local distributor and service provider segment of the market offers a unique investment opportunity to the private equity sphere, with significant future consolidation anticipated.

Private equity groups typically make an investment with several exit alternatives in mind, including a sale or public offering. Due to the continued industry consolidation, a financial investor in the fire and safety industry can usually rely on a sale to a strategic buyer as a likely exit scenario. In conjunction with a sound exit strategy, private equity firms also have the opportunity to create value through multiple expansion. If a private equity firm transitions its investment from a small niche company into a dominant player, it can realize more value, since larger companies are commonly worth more due to greater (i) market share and pricing power; (ii) purchasing leverage; (iii) customer, end market, and geographic diversification; (iv) more effective national account coverage; (v) technical competency; and (vi) perceived management talent.

Key company specific elements that private equity investors desire in their investments include: (i) defensible market position with barriers to entry; (ii) limited cyclicality; (iii)

leveragable balance sheet or cash flows; (iv) limited maintenance capital expenditure requirements; and (v) strong and visible exit alternatives. Fire and safety companies with the aforementioned traits will experience significant interest from private equity investors, which will provide their owners with a broad array of liquidity alternatives in a sale process.

## V. 2014 Expectations

With an industry growth rate that is expected to outpace growth in the overall economy, the fire and safety distribution industry is expected to continue its strong performance and perform favorably in 2014, with the generally non-discretionary nature of end user spending serving as a buffer for fire and safety industry participants and investors alike. Further, given the high degree of fragmentation in the industry, continuing consolidation is expected, and League Park expects the industry to at least maintain the same level of M&A activity observed in recent years with the potential for an uptick.

Given its favorable growth profile, strong financial performance, and fragmented nature, the fire and safety industry has become an intriguing play for both strategic acquirers looking to broaden their footprint or vertically integrate and financial buyers alike. League Park believes these dynamics will create an active market that offers owners and operators of fire and safety companies a host of alternatives to consider in 2014 and beyond.



# League Park Overview

## LEAGUE PARK OVERVIEW

League Park Advisors, LLC ("League Park") is a boutique investment banking firm committed to advising clients on strategies to maximize shareholder value. League Park counsels its clients on monetizing business value through sales and recapitalizations, enhancing corporate value through strategic acquisitions, and raising capital to fuel growth.

League Park's senior bankers have decades of investment banking and M&A experience, completing over 300 transactions in the past 25 years. The League Park team pledges to provide sophisticated, specialized attention at every stage of the transaction process with a unique blend of financial, strategic, and operational expertise.

### Advisory Capabilities:

Sell-Side and Buy-Side Mergers and Acquisitions  
Recapitalizations and Refinancings  
Capital Raising  
Valuations and Fairness Opinions  
Strategic Alternatives  
Other Financial, Strategic, and Operational Guidance

### Industry Expertise:

Business Services  
Consumer and Retail  
Healthcare  
Technology

### Industrials

- Automotive
- **Building Products and Construction**
- **Distribution**
- **Industrial and Specialty Gases**
- **Industrial Services**
- Metals
- Paper, Print, and Packaging
- Specialty Chemicals

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National Fire Protection Association  
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