VERTICAL RESEARCH PARTNERS®

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EE/MI

Q1 Distributor Survey - Momentum Building

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Ticker	Rating	TP	Price
ABB	HOLD	$31	$31.67
AYI	HOLD	$160	$169.78
ETN	BUY	$156	$139.96
HUBB	BUY	$200	$184.21
NVT	HOLD	$30	$28.25
ROK	HOLD	$233	$261.62
SIE-DE	BUY	€167	€139.40

Recovery Stepping Up – Q1 distributor revenue grew 5% Y/Y including volume growth of 3.3% and pricing gains of 1.7%. Results likely embed some level of conservatism as several respondents indicated sales up "more than 10%" which we included as ~12.5% in our calculations in the absence of further detail. Power T&D led the way again with 5.6% growth as utility spending continues. Automation equipment showed a solid return to growth, up 4%+ after six quarters of reported declines. Electrical equipment grew 4.5% including the most robust pricing result among categories, +1.8%.

Supplying the Demand the Biggest Challenge – Underlying activity remains solid and the main impediment to achieving budgets is clearly the supply chain issues the entire industry is working through. Employee availability and remote work are also having an effect. Several distributors said backlogs remain at record levels but supply chain and other availability issues (labor, etc.) are limiting the ability to complete projects. A few distributors reported being in decent shape as a result of having made large prebuys anywhere from 2-5x normal purchasing levels. ABB indicated that their stronger than expected Q1 may have reflected some restocking strength. In aggregate, we think things are too tight for distributors to be able to overstock, with full replenishment of inventories possibly taking most of this year. Some distributors indicated good visibility for continued activity through this year as projects that were already underway move to completion but see a cloudier outlook after that. Stimulus optimism seemed concentrated in denser urban settings where infrastructure spend on roads, airports, etc. is likely to accrue. We heard continued rumblings of extended terms and late payments from customers though bankruptcies have been rare to date.

Passing Along Price – Reported pricing results were among the highest seen since the 2015/16 period. Some distributors indicated it is becoming increasingly difficult to pass along price but the inflationary environment is generally supportive of price increases. There could also be some conservatism in the reported results with many distributors indicating pricing up "more than 2%". We picked up on some increased aggressiveness from suppliers, with former OEM price increases of 3-7% now consistently in the 7%+ range.

Survey Results Suggest Potential Q1 Upside – The +5% reading from all distributors suggests potential upside to our ETN Electrical estimate of -1.3% which includes 1% growth in the Americas and a 5% decline in the Global business. Note on the company comparisons that ETN's Electrical figures include T&D, which we measure separately at HUBB, plus it has data center exposure. We have HUBB organic sales modeled down 4% versus a 3.3% increase implied by the historical regression analysis. The divergence mainly reflects HUBB's metering business (Aclara) which is not reflected in much of the historical data underpinning the correlation. Installation delays at Aclara have been a recent weight on results, and metering demand is not perfectly captured in the survey results. Our survey points to 4.1% organic growth for ROK's US business, while we are modeling core sales up 1.7% for the entire company. Our NVT estimates for Enclosures and EFS down 3.5% and 2.5%, respectively, could also have potential upside.

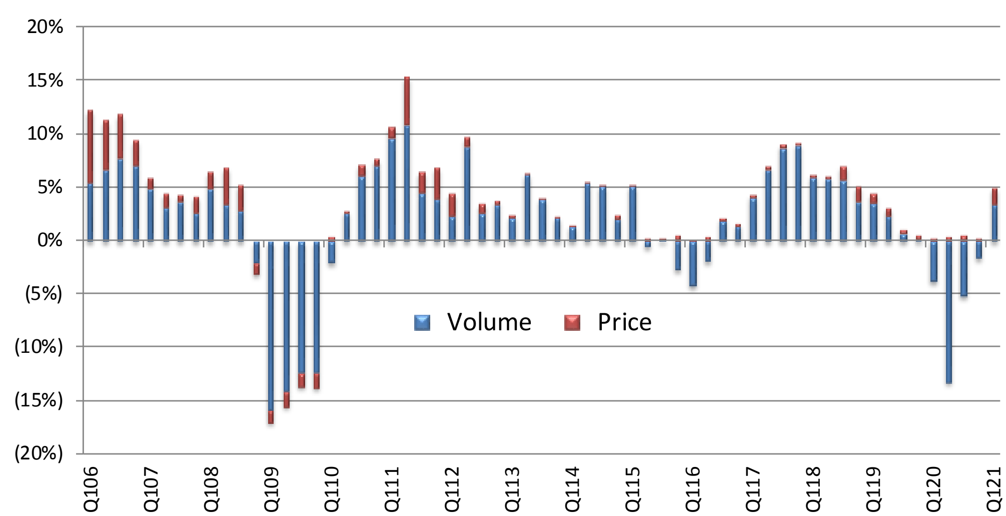
Key Highlights from Survey

- Q1 distributor sales returned to growth, up 5% overall (volumes up 3.3%, pricing up 1.7%)
- The two-year growth stack again improved sequentially in Q1, also turning positive at 1.3%, up from -1.0% in Q4 and the low of -10% in Q220
- Distributors are on average expecting sales to be up ~7% in Q221; this dovetails relatively well with our current estimate for 9.4% organic growth in Q2
- Among distributor categories, Power remains a relative leader, reporting the strongest results for the tenth straight quarter, up 5.6% on 3.9% volume growth and 1.7% of price
- Electrical Equipment returned to growth after four quarters of declines, with volumes up 2.7% and pricing up 1.8%
- Automation also turned positive after six quarters of declines, on 2.9% volume growth and 1.2% of price

Q121 North America Distributor Survey

In this report, we present the results of our Q1 2021 proprietary North American Distributor Survey. We surveyed 52 distributor branch managers in total throughout North America capturing ~$1 billion in revenues. Approximately 25% of annualized sample revenue originated from firms within our coverage universe. Although the sample revenue represented by our coverage universe is a relatively small proportion of our group's total revenue, the true power of the survey revolves around the directional growth and anecdotal commentary about end market conditions, which are salient indicators for our entire group. Companies such as Eaton, Hubbell, Rockwell, nVent, Schneider (Square D) and ABB are well represented in the survey because they sell primarily through distribution. Of the 52 distributors, 25 sold electrical equipment, 19 focused on T&D utility customers and 8 sold automation equipment. Based on this sample composition, it is not surprising to see Eaton, Hubbell, nVent, Schneider and ABB the most widely represented firms in our survey.

Figure 1: Distributors Report Volume Up 3.3%, Price up 1.7%



Source: Company Reports and Vertical Research Partners

Figure 2: VRP Distributor Survey Results

Industry	Q117	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121
All Distributors	**4.3%**	**6.9%**	**9.0%**	**9.0%**	**6.2%**	**6.0%**	**6.9%**	**5.0%**	**4.3%**	**3.0%**	**1.0%**	**0.5%**	**(3.7%)**	**(13.0%)**	**(4.7%)**	**(1.5%)**	**5.0%**
Volume	4.0%	6.5%	8.6%	8.8%	5.9%	5.7%	5.6%	3.6%	3.4%	2.3%	0.6%	0.1%	(3.9%)	(13.3%)	(5.2%)	(1.7%)	3.3%
Price	0.3%	0.4%	0.4%	0.2%	0.3%	0.3%	1.3%	1.5%	0.9%	0.7%	0.4%	0.4%	0.2%	0.3%	0.5%	0.2%	1.7%
Total Power	**2.1%**	**3.6%**	**4.2%**	**5.9%**	**6.7%**	**5.7%**	**6.3%**	**5.4%**	**5.2%**	**3.7%**	**4.8%**	**3.7%**	**5.2%**	**(11.2%)**	**3.7%**	**2.3%**	**5.6%**
Volume	1.9%	3.4%	3.9%	5.8%	6.5%	5.4%	5.0%	3.8%	4.2%	3.0%	4.4%	3.4%	5.0%	(11.5%)	3.3%	2.1%	3.9%
Price	0.2%	0.3%	0.3%	0.1%	0.3%	0.3%	1.3%	1.6%	1.0%	0.7%	0.4%	0.3%	0.2%	0.3%	0.3%	0.2%	1.7%
Total Automation	**8.1%**	**10.0%**	**10.6%**	**8.8%**	**6.0%**	**5.5%**	**7.2%**	**5.0%**	**4.1%**	**2.8%**	**(2.1%)**	**(2.9%)**	**(4.9%)**	**(18.2%)**	**(9.6%)**	**(4.5%)**	**4.1%**
Volume	7.9%	9.6%	10.2%	8.5%	5.7%	5.2%	6.1%	3.7%	3.3%	2.0%	(2.6%)	(3.3%)	(5.3%)	(18.5%)	(10.0%)	(4.8%)	2.9%
Price	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	1.1%	1.3%	0.8%	0.8%	0.5%	0.4%	0.3%	0.3%	0.4%	0.3%	1.2%
Total Electrical Equipment	**3.2%**	**6.8%**	**10.5%**	**11.5%**	**5.9%**	**6.8%**	**7.0%**	**4.8%**	**3.9%**	**2.7%**	**1.6%**	**1.3%**	**(5.0%)**	**(13.2%)**	**(4.1%)**	**(1.9%)**	**4.5%**
Volume	2.8%	6.4%	10.1%	11.2%	5.6%	6.4%	5.6%	3.3%	2.9%	2.0%	1.3%	0.9%	(5.1%)	(13.4%)	(4.6%)	(2.1%)	2.7%
Price	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	1.4%	1.5%	1.0%	0.7%	0.3%	0.4%	0.1%	0.2%	0.5%	0.2%	1.8%

Source: Company Reports and Vertical Research Partners

Q121 Distributor Anecdotes

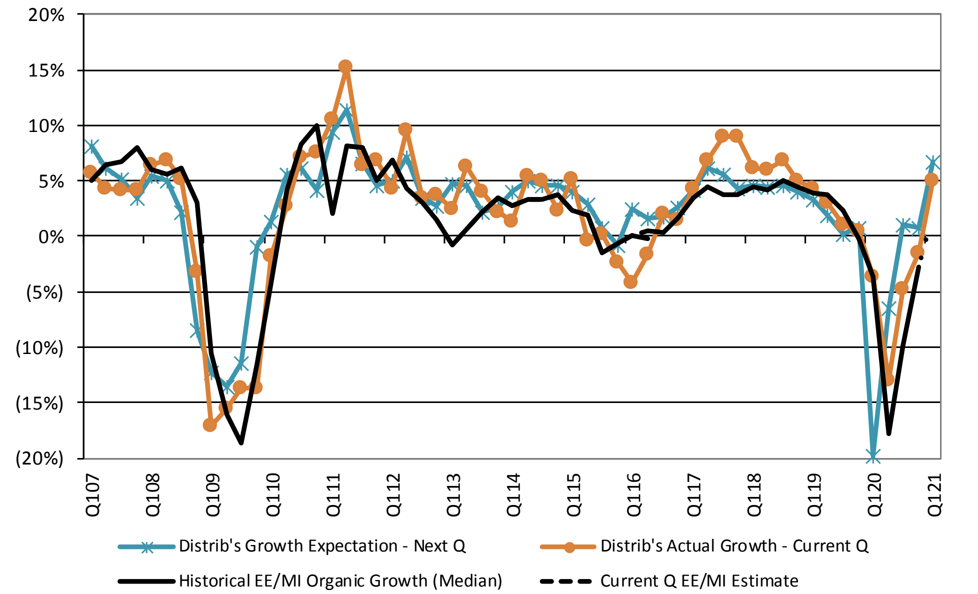
We continue to hear mixed messages from different areas of the country. West Coast distributor contacts called out several weeks worth of delays at major ports and remain considerably behind East Coast counterparts in most instances. Transit and other infrastructure activity continues in the NY metropolitan region while the Boston market seems strong driven by commercial construction. The Texas area saw predictable disruptions from the widespread blackouts that impacted the state for several weeks; that aside, upstream O&G remains pressured but midstream appears solid and refining has seen some pickup. In the Midwest we picked up on some large orders from major tire and steel manufacturers. Projects that were already underway are generally moving to completion but some distributors see a cloudier outlook after that.

Utility activity continues to appear robust. Several distributors pointed to strength here driven not only by grid hardening/modernization but increasingly from state targets for renewable deployment, with several distributors highlighting battery storage or other renewable based projects around solar, etc. We picked up on strong factory infrastructure activity particularly around warehouses/conveyors, etc. Specific brands mentioned as being strong included Allen Bradley (ROK) and Hoffman (NVT Enclosures). Several contacts indicated some delays in sourcing Allen Bradley products due mainly to supply chain and other logistical issues largely outside of company control.

On that note, while underlying activity overall remains solid even in areas most impacted in the near-term by COVID dynamics, the main impediment to achieving budgets is clearly the supply chain issues the entire industry is working through. Our lead time index for Q1 was perhaps not surprisingly at a record high as widespread supply chain disruptions have led to shortages across a number of products and components. We heard several comments about the scarcity of Romex wire, steel products, PVC, and other plastics/resins among others. Some called out the impact of the Renesas fire in Japan on availability of products with electronic components and the blockage of the Suez Canal was mentioned as well. Trucker shortages were also highlighted out as a source of logistical challenges.

Most distributors sounded optimistic about a pickup in activity as more people get vaccinated. Overall distributors are expecting ~6.8% growth for Q2. Again, these results likely are somewhat conservative given several responses of "up more than 10%" (with some in the 30%+ range when asked to put a finer point on the outlook). Momentum generally appeared to have picked up exiting the quarter. To that point, ABB positively pre-announced Q1 results yesterday (April 15th), indicating an acceleration in short-cycle demand at the end of the quarter and offering some support for growth expectations.

Figure 3: Distributors Expecting Q221 Up ~7%



Source: Company Reports and Vertical Research Partners

Q1 End-Market Review

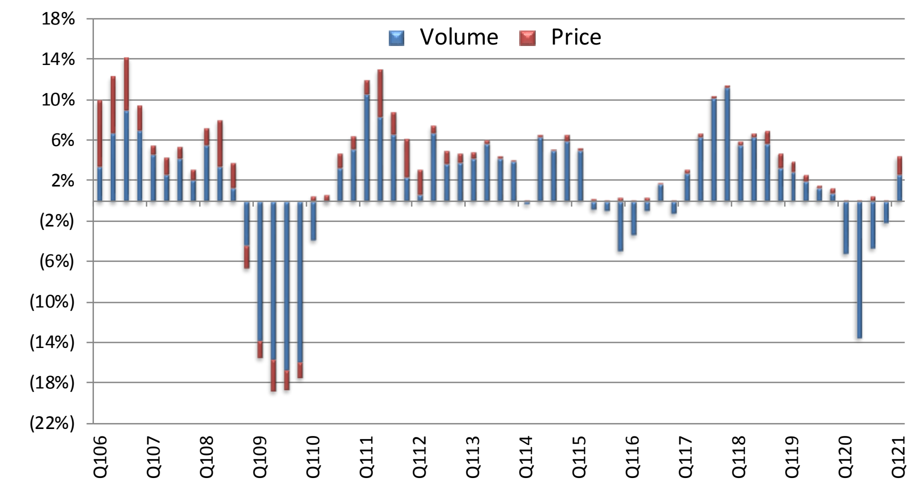
Most markets continue to improve from the COVID lows. Medical/pharma continues to see solid demand trends. Residential construction largely remains strong driven by multi-use. Commercial construction activity continues to improve but was mixed by region, and industrial construction appeared to step up as well. Pulp and paper markets are also showing relative strength. Aero remains a notable laggard. Auto markets appear to be improving despite headlines around delayed production, with tire called out specifically. Food & Beverage continues to show defensive properties and we picked up on some retrofit activity from large wholesalers. Infrastructure projects have generally continued driving strength in aggregates (cement/glass). Utility activity is ongoing with several distributors highlighting battery storage or other renewable based projects around solar, etc. When examining results we believe there are a few considerations to be mindful of. First, the small sample size in non-construction related end markets tends to modestly skew results from quarter to quarter and therefore, the total index average. For example distributors selling into markets such as Aero, Brewing, Cement, Defense, Pharma, etc. represent a small portion of our sample population. While the reads are not directionally incorrect, we would caution against reading too much into sequential changes for these markets. We would also note that our polling methodologies of end-markets can result in realtime sentiment (i.e. current month's pulse), versus what actually occurred in the quarter.

Electrical Equipment Returns to Growth

Electrical Equipment sales grew 4.5% in Q1, with volumes up 2.7% and pricing up 1.8%. Demand largely improved across product categories. Within Enclosures we picked up on specific strength in the Hoffman brand (NVT). We also heard of some major urban infrastructure projects presenting Lighting opportunities. In Lighting, we note that there continues to be a disconnect between market growth and the survey sentiment (we measure relative strength versus reported product line sales).

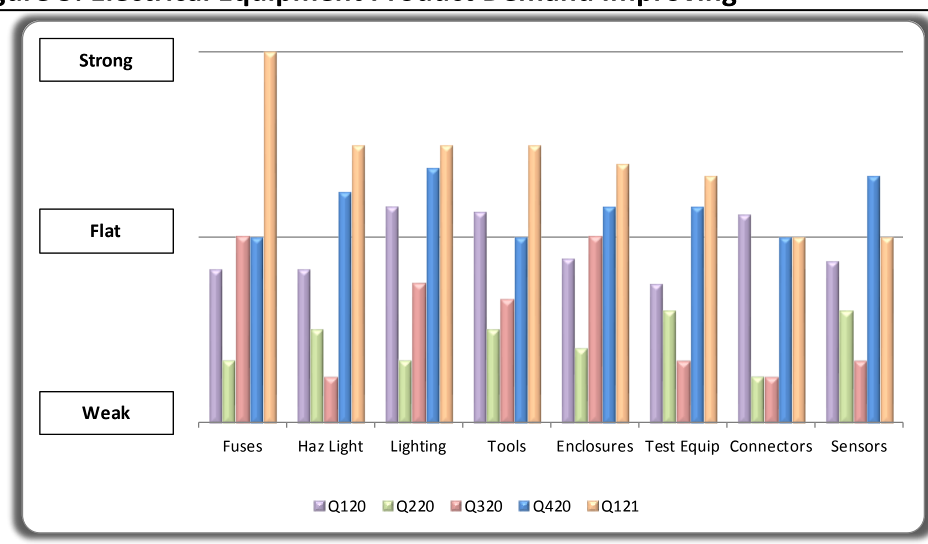
On March 31st AYI reported adjusted FQ2 (Feb) EPS of $2.12 versus VRP at $1.66 and the street at $1.73. Gross margins were the main story in the quarter hitting 43.4% versus our 41.7% estimate and the Street at 39.7%. Gross margin exceeded last year's result of 41.7% despite a 5.8% year over year sales decline. Sales beat our forecast and were basically in line with the street. The company cited productivity and product line improvements as the driver of gross margins. Revenues in the independent sales network channel (~75% of total AYI sales) were down 0.7% y/y. Revenues in the direct sales network (~10% of total) grew 0.8%. Retail sales (big box retail, ~6% of AYI) have not seen the momentum we have observed in other product categories in our group such as power tools (SWK), and declined ~24% y/y. AYI attributed the retail decline to customer inventory rebalancing as well as the pre-pandemic comp. Corporate accounts remain pressured, down ~50% y/y as larger retailers continue to defer non-essential renovations. AYI sees improvements in the end markets it serves and remains cautiously optimistic on the outlook for the remainder of FY21.

Figure 4: Electrical Equipment Volumes up 2.7%, Price up 1.8%



Source: Company Reports and Vertical Research Partners

Figure 5: Electrical Equipment Product Demand Improving



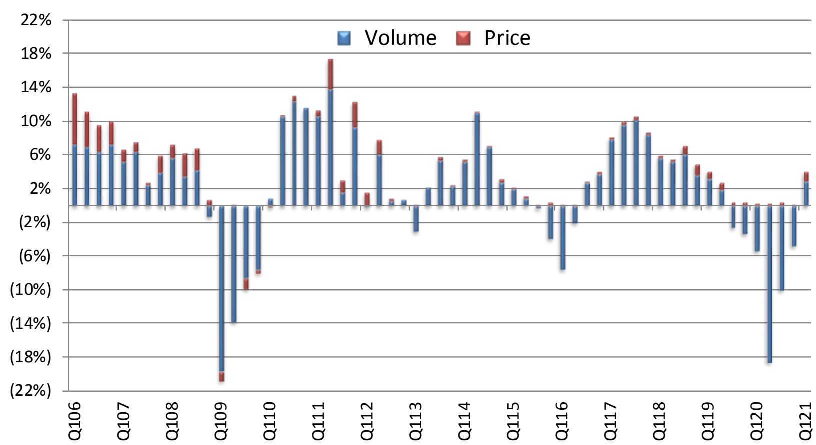
Source: Company Reports and Vertical Research Partners

Automation Snaps Back

Automation sales flipped positive in Q1 after six quarters of declines, up 4.1% on 2.9% volume growth and 1.2% of pricing. Automation was the first category to turn negative in H219 and there appears to be significant pent-up demand. We picked up on strong factory infrastructure activity particularly around warehouses/conveyors, etc. Individual product demand improved across categories and was nearly universally described as strong.

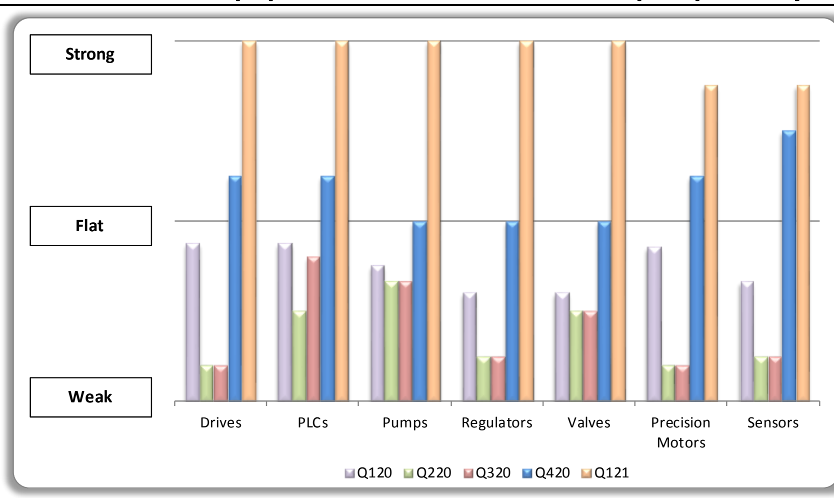
The correlation between our survey and ROK's North American sales is high (the US & Canada represent ~60% of total ROK sales) and implies ROK NA should grow ~4% in its FQ2, suggesting the potential for some conservatism in our current estimates. We are modeling total ROK organic sales up ~2% for FQ2 including Intelligent Devices and Software & Control each up 3% and Services down 2%. In ABB's Q1 preannouncement yesterday (April 15th) the company indicated an acceleration in short-cycle demand at the end of the quarter, which also reads positively for ROK.

Figure 6: Automation Volume up 2.9%, Price up 1.2%



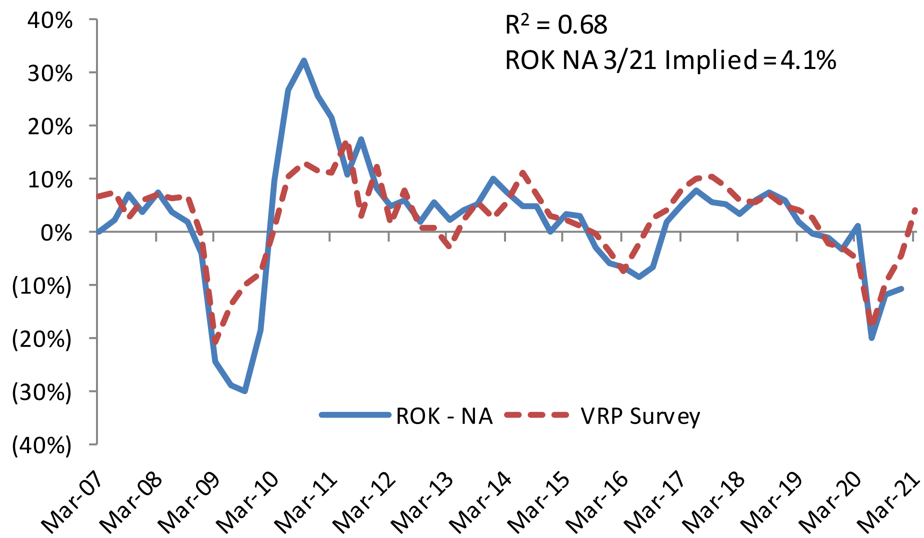
Source: Company Reports and Vertical Research Partners

Figure 7: Automation Equipment Product Demand Steps Up Solidly



Source: Company Reports and Vertical Research Partners

Figure 8: Automation Regression - Survey Predicts ROK NA Sales up ~4%

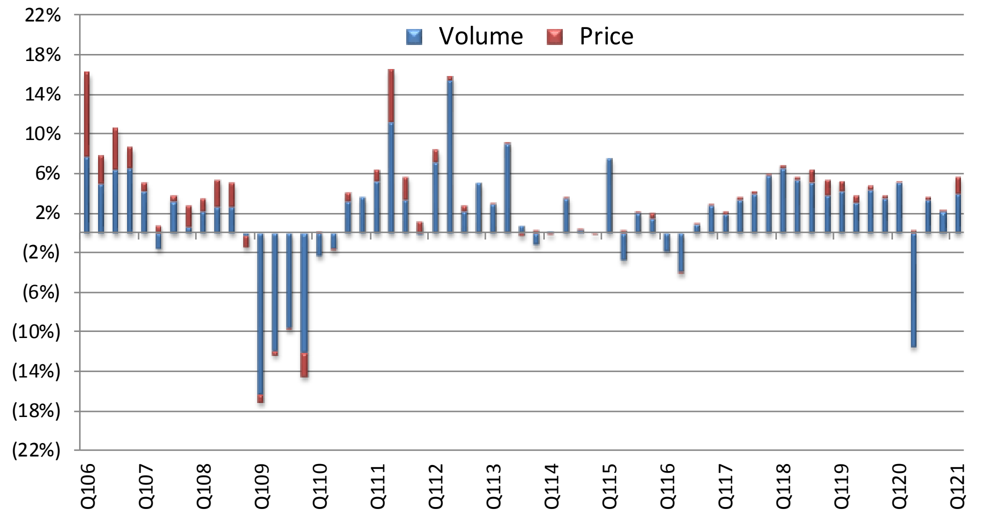


Source: Company Reports and Vertical Research Partners

Utility T&D Chugging Along

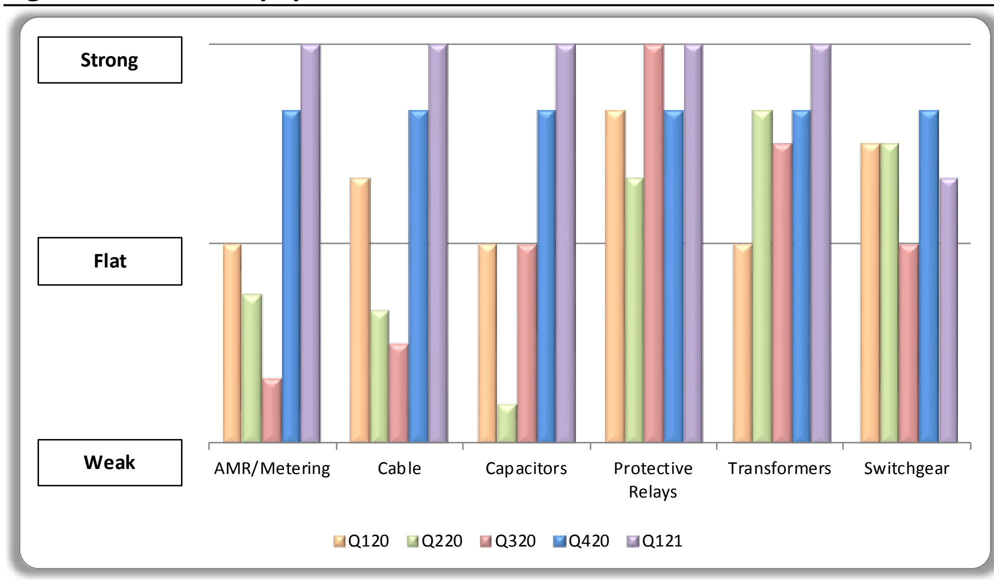
Power markets remain resilient, showing the strongest growth among product categories for the 10th consecutive quarter. Volumes grew 3.9% in Q1 and pricing added 1.7%. Absolute growth rates may slow as we lap strong comps but we still maintain an overall positive bias on the US T&D outlook as we think there is a real, multiyear investment cycle underway. Natural disasters (i.e. hurricanes and wild fires) have kicked off investment in grid modernization and hardening, a key priority of several major US utilities. Increased deployment of renewable energy capacity spurred by state policies is also driving demand for grid hardening. The commentary we got from our contacts continued to reinforce this, including indications of battery storage and solar activity. See our recent note title: Vertical View – Renewables: Picks and Shovels. We are modeling HUBB's Utility Solutions segment down 3% organically in Q1 on volume declines and flat pricing. The decline is mainly driven by the Aclara (metering) business which is not expected to return to growth until Q2. The Aclara outlook is dependent on the resumption of projects/deployments which were impacted by site access restrictions and the abatement of other COVID-related pressures.

Figure 9: Power Volume up 3.9%, Price up 1.7%



Source: Company Reports and Vertical Research Partners

Figure 10: Power Equipment Product Demand Remains Robust

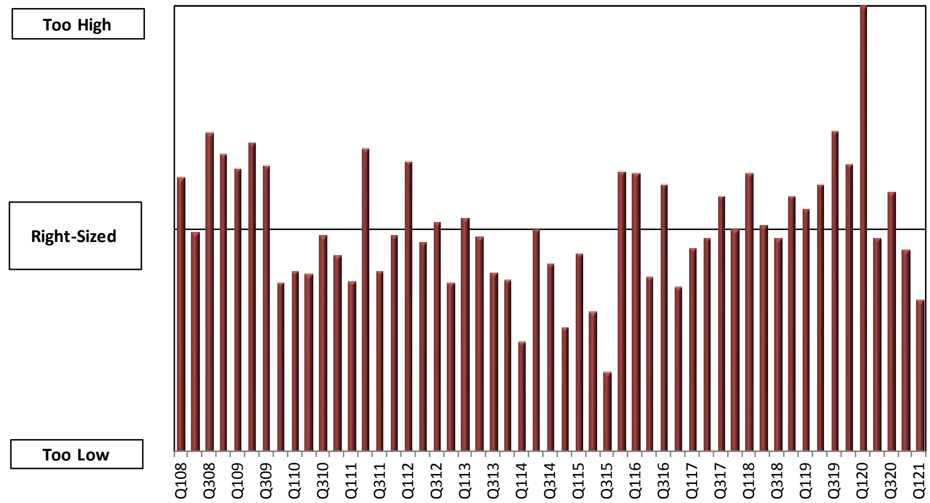


Source: Company Reports and Vertical Research Partners

Inventories Trending Lower…

Our inventory index reading for Q1 showed the lowest inventory levels since the 2015/6 period. This appears to be the result of a confluence of a strong snap back in demand and supply chain constraints (more below). A few distributors reported being in decent shape as a result of having made large prebuys anywhere from 2-5x normal purchasing levels. ABB indicated that their stronger than expected Q1 may have reflected some restocking strength. In aggregate, we think things are too tight for distributors to be able to overstock, with full replenishment of inventories possibly taking most of this year. Inventories have seen some significant swings after a record level spike in Q120 as things came to a quick halt with the COVID outbreak. Inventories previously were trending higher for about a year, which may have been partially tied to tariff prebuys.

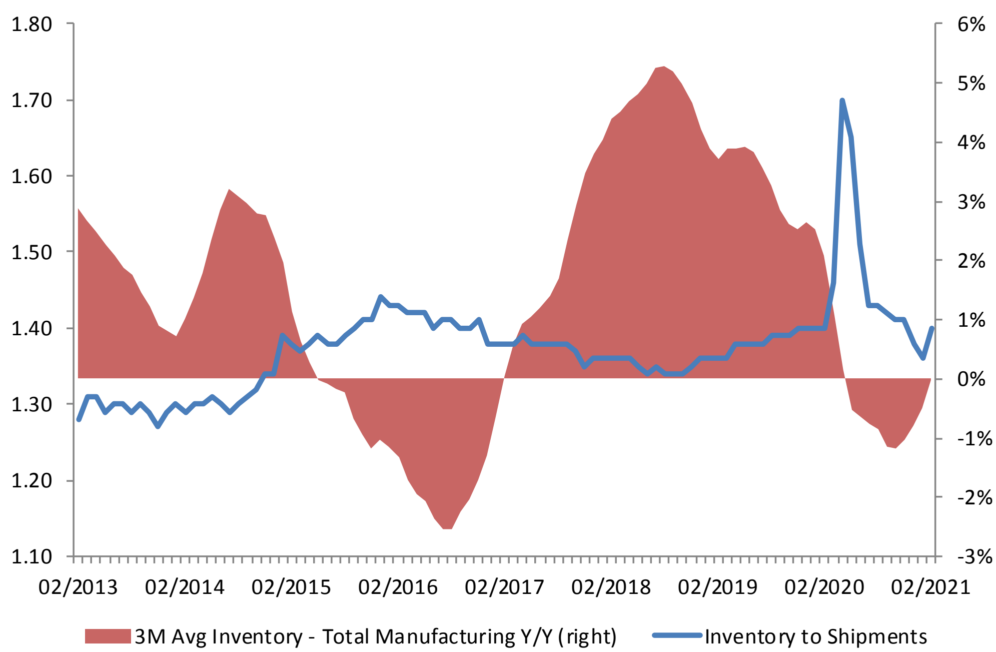
Figure 11: Inventories Trending Lower



Source: Company Reports and Vertical Research Partners

The robust March US PMI data included an all-time low reading on customers' inventory and an all-time high reading on backlog of orders that set the stage for a period of self-reinforcing momentum. Transportation bottlenecks and COVID headwinds are continuing to impact supply chains (more below). Manufacturing inventory/sales data through February showed some draw down in inventories but do not fully reflect the impacts of recent events (Suez, etc.).

Figure 12: Manufacturing Inventory/Sales Through February 2021

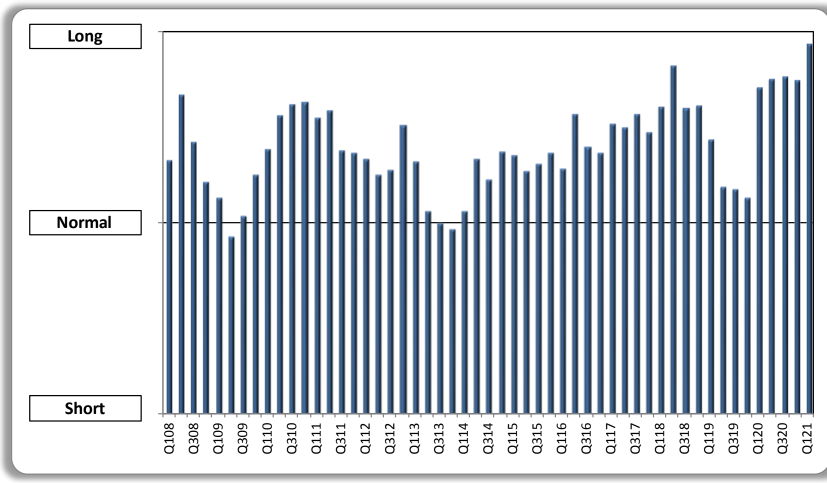


Source: Company Reports and Vertical Research Partners

…Driven by Record Lead Times

Our lead time index for Q1 was perhaps not surprisingly at a record high as widespread supply chain disruptions have led to shortages across a number of products and components. We heard several comments about the scarcity of Romex wire, PVC, and other plastics/resins among others. Some called out the impact of the fire in Japan on availability of products with electronic components and the blockage of the Suez Canal was mentioned as well. West Coast distributor contacts called out several weeks worth of delays at major ports. Trucker shortages were called out as well. Most reported delays worse than even the height of the tariff disruptions in 2018. The index remains above normal for the 26th consecutive quarter, having not registered a below normal reading since Q413.

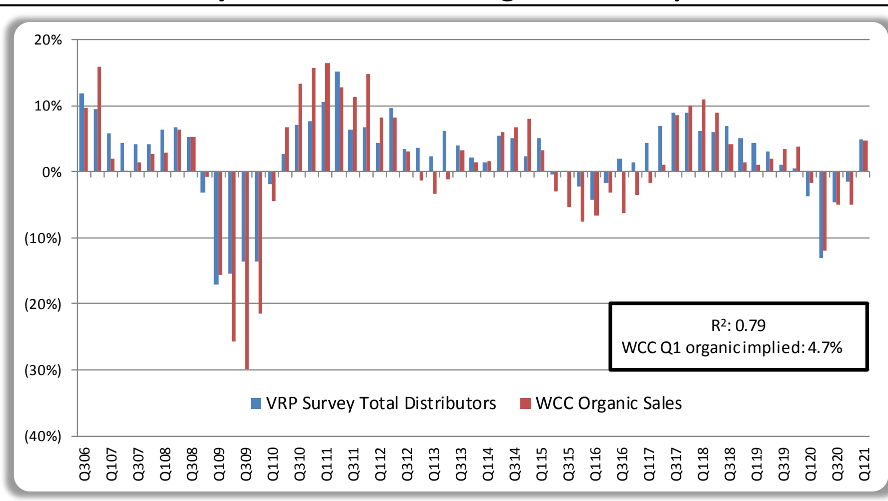
Figure 13: Lead Times at Record Highs



Source: Company Reports and Vertical Research Partners

Our survey results have an R^2 of ~0.79 with WESCO's organic growth. WCC reports Q1 results on May 6th. Our survey suggests total WCC organic sales up 4.7% based on historical correlations.

Figure 14: VRP Survey Predicts WCC Q1 Organic Sales Up 4.7%

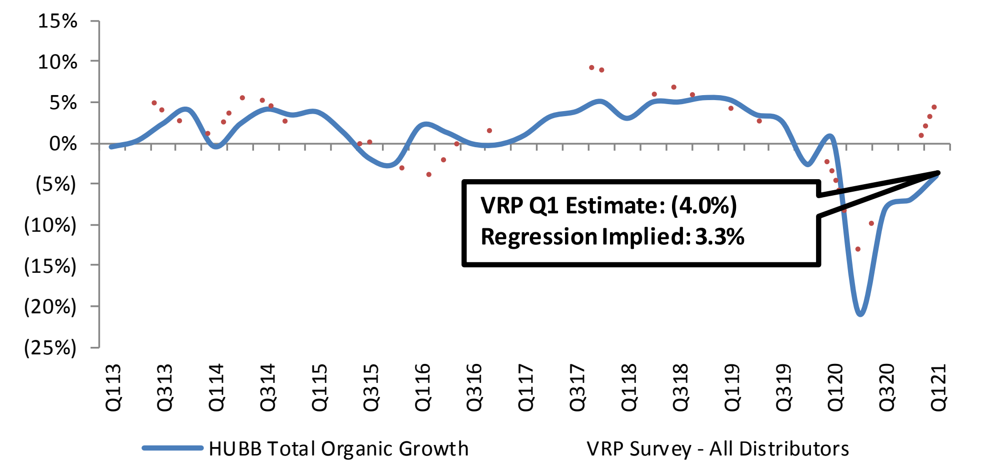


Source: Company Reports and Vertical Research Partners

HUBB, ETN, NVT versus VRP Survey Results

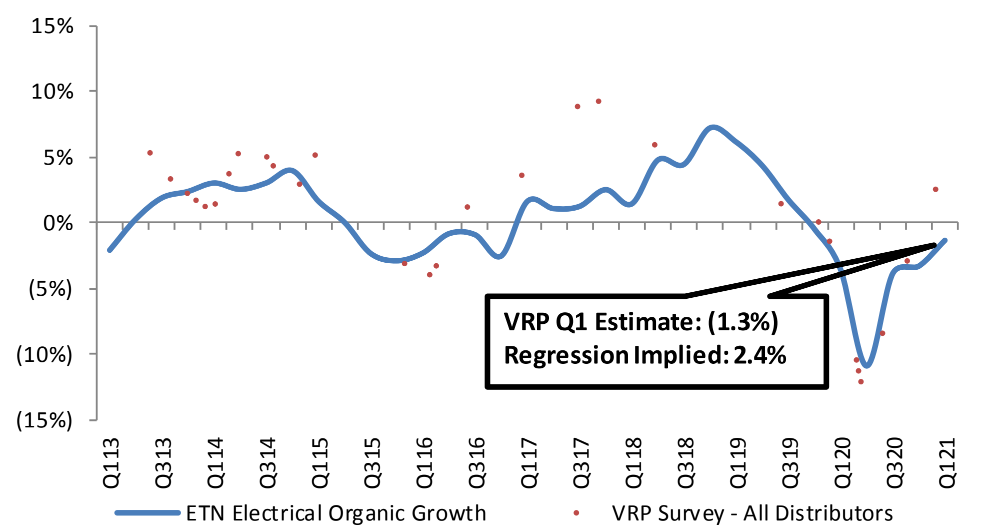
Our survey does not typically yield the very high mathematical correlations (R^2) on ETN, NVT and HUBB, like we see on ROK and WCC. However, the relationship between our survey results and company performance is visually clear. In addition, we see evidence that the survey often leads some elements of business for these companies. For example, there have been several quarters where our Power survey results actually lead directional turns in HUBB Power by a quarter or two. Mathematically, this reduces the R^2 because the data series are moving in different directions, but the signal from the survey is valuable. For HUBB, note the Aclara (metering) business has been a recent weight on results relative to HUBB's historical correlation to our survey results. For ETN, our Q1 estimate reflects 1% growth in the Americas and a 5% decline in the Global business.

Figure 15: Survey Regression Implies HUBB Organic Sales Up 3.3%



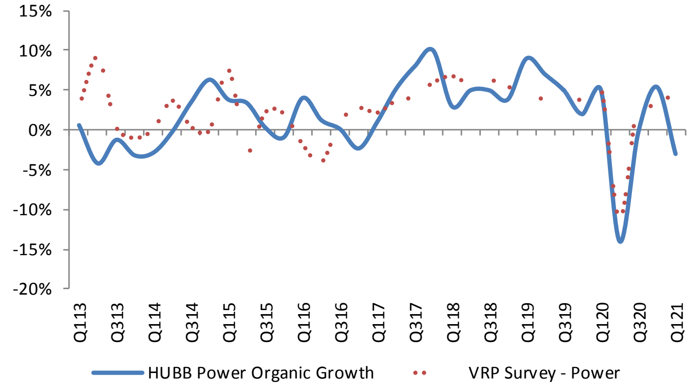
Source: Company Reports and Vertical Research Partners

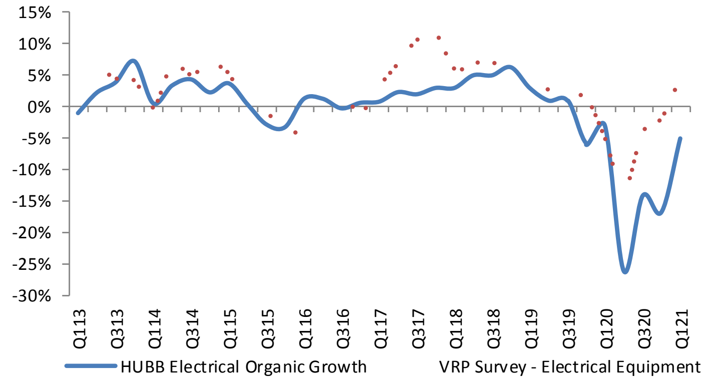
Figure 16: Survey Regression Implies ETN Electrical Organic Sales Up 2.4%



Source: Company Reports and Vertical Research Partners

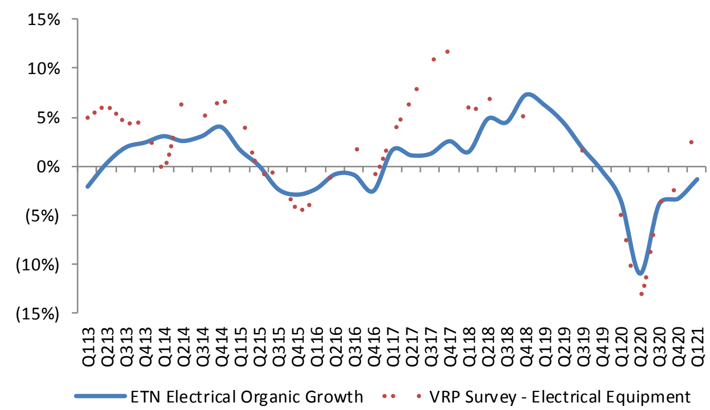
Figure 17: HUBB Power/Electrical Organic Growth vs. VRP Distributor Survey (HUBB Q1 VRP Estimate)

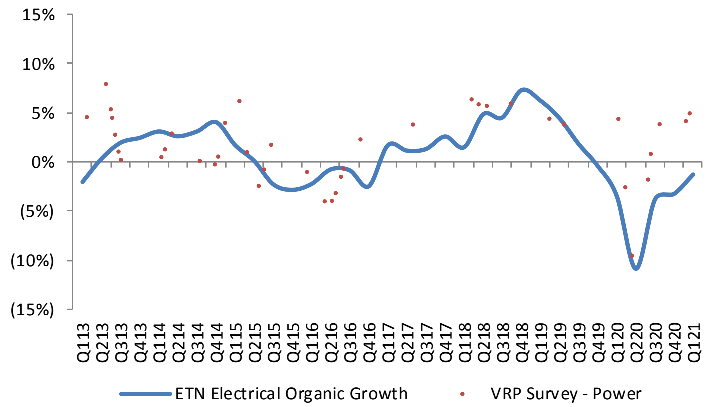




Source: Company Reports and Vertical Research Partners

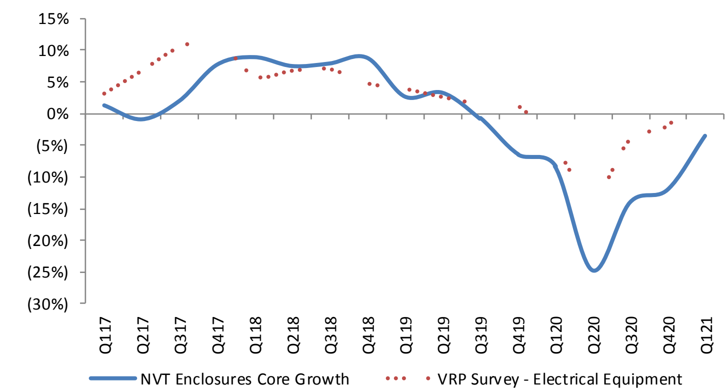
Figure 18: : ETN Electrical Organic Growth vs. VRP Distributor Survey (ETN Q1 VRP Estimate)

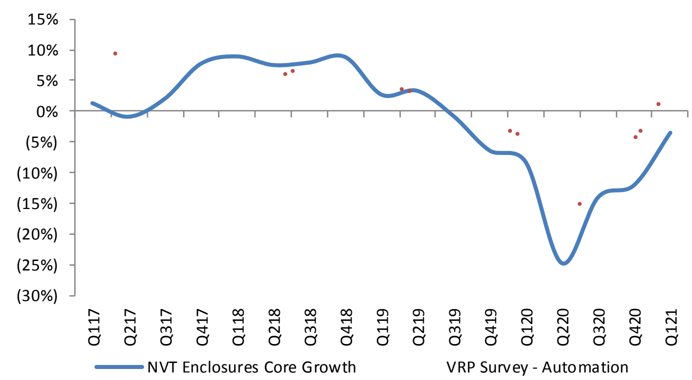




Source: Company Reports and Vertical Research Partners

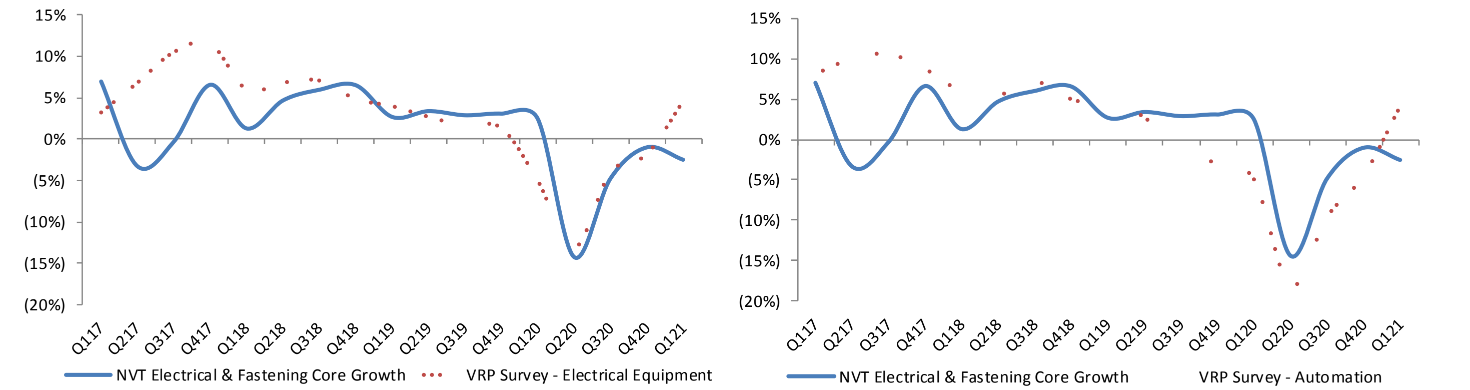
Figure 19: NVT Enclosures Core Growth vs. VRP Distributor Survey (NVT Q1 VRP Estimate)





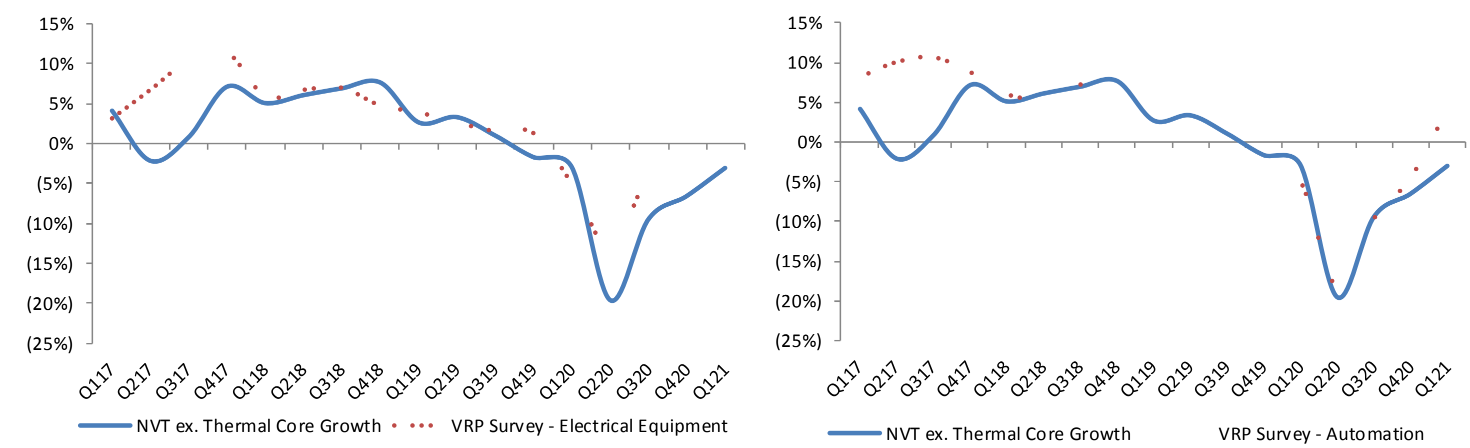
Source: Company Reports and Vertical Research Partners

Figure 20: NVT Electrical & Fastening Core Growth vs. VRP Distributor Survey (NVT Q1 VRP Estimate)



Source: Company Reports and Vertical Research Partners

Figure 21: NVT ex. Thermal Core Growth vs. VRP Distributor Survey (NVT Q1 VRP Estimate)



Source: Company Reports and Vertical Research Partners

Public Distributor Growth Rates and Commentary

Our efforts to forecast sales growth of our coverage list have focused on the distribution channel, and our primary analytical technique has been our quarterly survey of individual branch and regional sales managers. In an attempt to better frame the surveyed growth estimates, we calculated the consensus growth rates for selected publicly traded distributors. The selected public distributors account for 2020 sales of approximately $28.9 billion. We exclude WCC for comparability reasons. As a reasonability check, the implied growth rates for these companies should generally fall in line with our survey estimates. We would note that we would expect the benefit of price to reasonably be in-line with what our distributor contacts would report. However, we expect there to be divergences in volume – many of the public distributors listed below are much larger and continue to aggressively seek share gains from smaller private distributors thereby leading to volumes above what our survey would indicate. New store openings can also skew public company growth rates higher than our survey results might indicate.

Figure 22: Public Distributors Q121 Consensus Growth Rates

		Q120 Rev Reported	Q121 Rev Consensus Est	Q121 Rev Growth Est (y/y)
Watsco	WSO	$1,008	$1,063	5.5%
W.W. Grainger	GWW	$3,001	$3,046	1.5%
MSC Industrial Direct	MSM-US	$786	$774	(1.5%)
Fastenal	FAST	$1,367	$1,417	3.7%
Applied Industrial	AIT	$831	$813	(2.2%)
Equally Weighted Average		**$1,399**	**$1,423**	**1.4%**
Equally Weighted Median		**$1,008**	**$1,063**	**1.5%**

Note: Consensus estimates are calendarized

Source: Company Reports and Vertical Research Partners

The estimated equally-weighted median calendar Q121 revenue growth rate for the public distributor group is 1.4% versus the same period last year with a median implied rate of 1.5%. Our survey shows volumes up 3.3% and price up 1.7% for total revenue up 5.0%. USD denominated coverage will see F/X tailwinds in the near term. Note, distributor consensus growth estimates include the benefit of any small scale branch acquisitions/closings during the year, but we are excluding significant transactions.

Figure 23: Public Distributors Q221 Consensus Growth Rates

		Q220 Rev Reported	Q221 Rev Consensus Est	Q221 Rev Growth Est (y/y)
Watsco	WSO	$1,355	$1,516	11.9%
W.W. Grainger	GWW	$2,837	$3,077	8.5%
MSC Industrial Direct	MSM-US	$835	$845	1.1%
Fastenal	FAST	$1,509	$1,503	(0.4%)
Applied Industrial	AIT	$725	$813	12.1%
Equally Weighted Average		**$1,452**	**$1,551**	**6.6%**
Equally Weighted Median		**$1,355**	**$1,503**	**8.5%**

Note: Consensus estimates are calendarized

Source: Company Reports and Vertical Research Partners

The estimated equally-weighted average calendar Q221 growth rate for the public distributor group is 6.6% on average with a median growth rate of 8.5%. Our survey respondents anticipate overall organic revenue to be up ~7% next quarter. The distributor consensus growth estimates include the benefit of any small scale branch acquisitions/closures during the year.

Figure 24: Public Distributors 2021 Consensus Growth Rates

		2020 Rev Reported	2021 Rev Consensus Est	2021 Rev Growth Est (y/y)
Watsco	WSO	$5,055	$5,309	5.0%
W.W. Grainger	GWW	$11,797	$12,360	4.8%
MSC Industrial Direct	MSM	$3,200	$3,270	2.2%
Fastenal	FAST	$5,647	$5,863	3.8%
Applied Industrial	AIT	$3,189	$3,239	1.6%
Equally Weighted Average		**$5,778**	**$6,008**	**3.5%**
Equally Weighted Median		**$5,055**	**$5,309**	**3.8%**

Note: Consensus estimates are calendarized

Source: Company Reports and Vertical Research Partners

The estimated equally-weighted average 2021 growth rate for the public distributor group is 3.5% on average. The median implied 2021 growth rate is up 3.8%. The distributor consensus growth estimates include the benefit of any revenue related to small branch acquisitions/closures during the year.

Public Distributor Management Commentary

FAST – FAST reported Q121 EPS of 37c in line with the street. FAST daily sales were up 5.3%. Sales in safety products grew 14.7% y/y. Fastener daily sales were up 4% y/y in Q121 but grew 14% in March. National accounts daily sales were up ~6.9% in Q121. Non-national accounts daily sales were up ~3%. Manufacturing was cited as strengthening. Construction was down 7.5% y/y but improved to flat in March. Government growth eased to 37% in Q121 and 15% in March on the onset of tough pandemic-related comparisons. The company is experiencing significant material cost inflation particularly for steel, fuel and transportation.

MSM – MSM reported FQ221 EPS of $1.03 versus the street at $1.02. Average daily sales declined 1.5%. Safety and janitorial product sales were up 15% y/y. Sales for the rest of business declined y/y but improved sequentially each month during the quarter. Government sales continued to grow significantly y/y due to large safety and janitorial orders. National accounts improved sequentially and declined HSD while core customers improved sequentially but declined MSD. The company is capturing price earlier than it is realizing cost from inflation.

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