Industry Insights:

Distribution Digest

Equipment Dealerships

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Canadian Distribution Landscape

Distribution companies represent a core element of the North American economy, and the "distribution" description covers a wide range of companies and products. In recent years, transactions in the distribution sector have been gaining momentum in Canada as buyers look for strategic ways to expand into new markets, access new customers and acquire recurring revenue streams.

Sequeira's **Distribution Digest** provides an overview of transactions and trends in selected distribution subsectors, and in this edition, we provide a deeper dive into **Equipment Dealerships**.

Select Distribution Subsector Overview

1 **Equipment Dealerships**
These distributors specialize in heavy machinery, vehicles, and specialized equipment, often with strong OEM relationships and service-based revenue streams.

2 **Industrial**
Covering raw materials, components, and MRO (maintenance, repair, and operations) supplies, industrial distributors are attractive for their high-volume, repeat sales and integration opportunities within manufacturing supply chains.

3 **Food Service**
Distributors in this sector supply restaurants, institutions, and retailers with perishable and non-perishable goods. This subsector has attracted significant interest as buyers target recession resistant investments.

4 **Consumer Products**
These distributors bridge the gap between manufacturers and retailers, with acquirers benefiting from e-commerce growth, new product expansion and brand diversification.

5 **Building Products**
Supplying construction materials and home improvement goods, these distributors attract buyers due to demand from housing and infrastructure projects, as well as opportunities for geographic and product line expansion.

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Equipment Dealerships – The Good and Bad

The dealership model remains a compelling investment opportunity, attracting both strategic buyers and an increasing number of private equity investors. Key elements that make dealerships attractive to buyers include:

Brand / Territory Exclusivity

Exclusive distribution rights for leading brands within a defined territory provide a competitive moat, ensuring steady demand and strong manufacturer relationships.

Recurring Revenue

Strong dealerships go beyond one-time sales, leveraging recurring revenue streams such as service, rentals, and parts. This diversification not only enhances profitability with higher margins, but also creates steady cash flow.

Customer Loyalty

Customers prefer dealerships that offer a full suite of products and services, from equipment sales to after-market support, making them a trusted provider generating customer loyalty.

Diversified Supplier & Customer Base

A well-balanced mix of suppliers and customers reduces dependency risks, ensuring resilience against market fluctuations and supply chain disruptions.

Dealerships also have some unique elements that can narrow the list of potential purchasers, including:

OEMs Often Hold the Hammer

The brands a dealership represents often have the right to approve a deal or a specific buyer. Absent that approval, the distributor risks losing the right to sell the OEM's products.

Brand Conflicts

The inability for buyer and seller to represent competing OEM brands can eliminate industry players that might otherwise seem like logical purchasers.

Geographic Growth Restrictions

With territorial exclusivity comes the potential offset of growth restrictions into new geographies occupied by other dealers.

High Inventory and Narrower Margins

Significant capital requirements or the sale of commodity products at lower margins can eliminate a large portion of private equity buyers, who generally target higher margin, less capital-intensive businesses.

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Equipment Dealerships – Transaction Trends

Consolidation by Large Dealer Groups

Canada's equipment dealership industry remains fragmented, though consolidation is steadily increasing. Major regional and North American groups, such as Brandt and Titan Machinery, are actively acquiring smaller independents. The past decade has seen significant consolidation across brands, product lines, and regions. Scale enables stronger OEM relationships, improved inventory access, broader aftersales service coverage, and greater investment in technology.

Trend towards privatization

OEMs are intensifying efforts to streamline dealer networks—favoring fewer, larger, and more capable dealerships. This shift is accelerating industry consolidation, increasingly supported by private equity capital. Private ownership remains a strategic advantage in this environment—offering speed, flexibility and access to private equity capital, without the public market administrative and reporting requirements —valuable traits when executing roll-up strategies in a rapidly evolving, capital-intensive industry.

Parts, Service & Rentals Driving Value

The strength of a dealerships' parts, service and rental revenue is playing a growing role in dealership valuations. Unlike equipment sales, these segments offer steady, recurring revenue streams and stronger margins, making them especially valuable during market slowdowns. As a result, dealerships with robust aftermarket support and expanding rental fleets are attracting premium valuations. Investments in areas like mobile service, parts logistics, and rental inventory are increasingly seen as key differentiators in competitive sale processes.

Deep Dive: Treatment of Floor Plan Financing

In dealership M&A transactions, floor plan financing creates a unique complexity that can materially impact both the deal structure and proceeds to the sellers. This specialized form of inventory financing allows dealerships to purchase inventory while not repaying the debt until the inventory is sold. Given the need to carry sufficient inventory balances, the amount of floor plan debt can be significant for a typical dealership.

During an M&A transaction, the treatment of this financing is often inconsistent or misunderstood by both buyers and sellers. There are two factors related to floor plans that must be considered:

Key Considerations:

1. Treatment of Floor Plan Debt for Determining Equity Value

A common basis for transaction valuations is to apply a multiple to the earnings before interest, taxes, depreciation and amortization (EBITDA) to determine enterprise value. This valuation assumes a cash-free, debt-free balance sheet is acquired at close. To the extent a seller has debt on their balance sheet (such as an operating line), this debt is deducted from enterprise value to determine the equity value (i.e. the amount paid to the seller for their shares).

However, with a floor plan facility, the traditional view of debt should not apply. For dealerships, the use of floor plan debt is not an optional capital decision (as debt is with non-dealership businesses), but rather a requirement to operate effectively. As such, it is more appropriate to treat the amount owing as part of working capital, just like any other accounts payable liability. Assuming the dealership is a going concern, the inventory and floor plan balances will increase / decrease just like any other working capital account. When floor plan debt is treated as working capital, it would not be deducted from enterprise value as you would other forms of debt.

Floor Plan Treatment – Example ($MM)

Traditional Equity Value Calculation		
EBITDA *(including floor plan interest)*	$	11.00
Multiple		6.0x
Enterprise Value	$	66.00
Less: Floor Plan Debt	$	(20.00)
Equity Value	**$**	**46.00**

Dealership Equity Value Calculation		
EBITDA *(excluding floor plan interest)*	$	10.00
Multiple		6.0x
Enterprise Value	$	60.00
Less: Floor Plan Debt		N/A
Equity Value	**$**	**60.00**
Difference	*$*	*14.00*

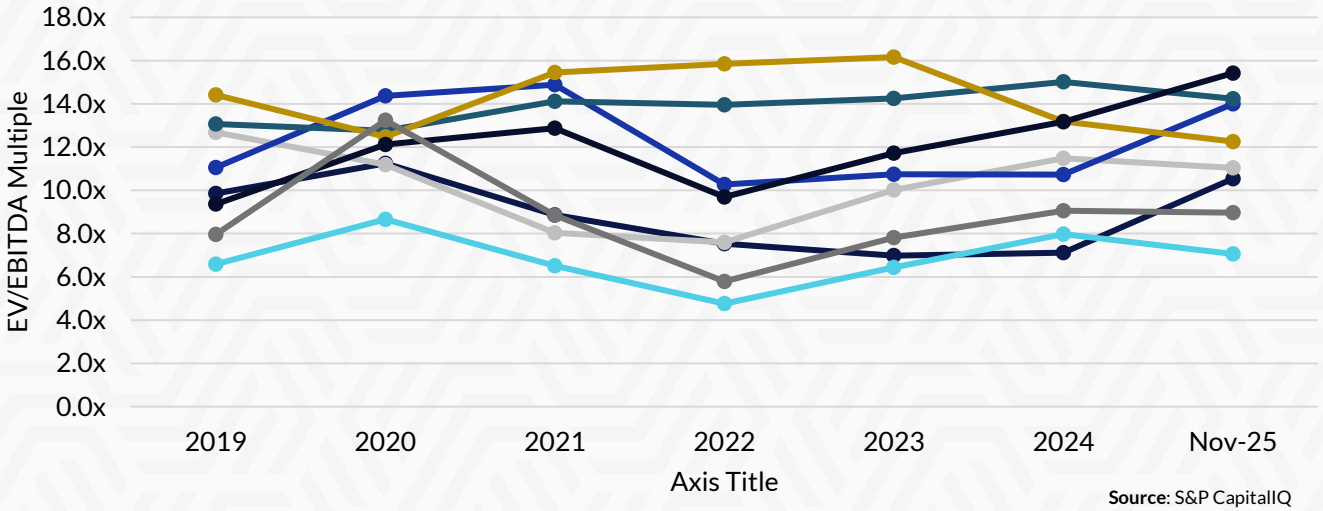
2. Calculation of EBITDA for Determining Enterprise Value

Because floor plan debt is included as a payable in working capital and not deducted as debt, the associated floor plan interest is not added back when determining EBITDA. Floor plan interest is treated like any other operating expense, and enterprise value is calculated by applying a multiple to this revised (lower) EBITDA that excludes floor plan interest.

The example at right illustrates the net impact of these two elements on the equity value calculated, with ***the net impact increasing value to the seller by $14 million.***

In structuring a transaction, both the buyer and seller need to be aligned on the treatment of floor plan debt and the associated interest early in any negotiation. Failing to do so can result in materially different perspectives on equity value at close.

Public Market Valuation Trends



Source: S&P CapitalIQ

- Finning International Inc.
- Penske Automotive Group, Inc.
- Rush Enterprises, Inc.
- Toromont Industries Ltd.
- GATX Corporation
- McGrath RentCorp
- United Rentals, Inc.
- Wajax Corporation

- While most public dealerships experienced a decline in transaction multiples post-COVID, the market has demonstrated remarkable resilience. EV/EBITDA multiples have risen significantly since 2022, supported by stable earnings, active consolidation, and the normalization of supply chains.

- Rental companies in particular saw the strongest growth—averaging a 14% increase in EBITDA multiples between 2019 and 2025. This underscores how the strong and recurring cash flows generated by these businesses are highly valued by investors.

- Multiples have remained strong in 2025, underscoring the durability of the equipment sector. As interest rates decline, we expect further momentum in an industry that relies heavily on financing to sustain inventory levels. For U.S. dealerships, this strength may be partially offset by the impact of U.S. tariffs on non-U.S. manufactured brands, which could materially impact dealership costs for imported finished machinery and parts.

Defining Deals

June 2, 2025

HercRentals®

Acquires

H&E Equipment Services

- Total Transaction Value: $5.3B USD
- EV / EBITDA Multiple: 7.4x
- In a landmark deal valued at $5.3 billion, Herc Rentals acquired H&E Equipment Services, dramatically increasing its North American rental footprint and adding $1.5 billion in annual revenue to its business.

October 22, 2021

Brandt

Acquires

Cervus Equipment

- Total Transaction Value: ~$302.0M CAD
- EBITDA Multiple: 6.8x
- The acquisition expanded Brandt's capabilities and geographic reach, creating one of the largest privately-held dealership groups in the world.

April 1, 2021

NESCO Specialty Rentals

Acquires

Custom Truck One Source

- Total Transaction Value: ~$1.5B USD
- EBITDA Multiple: 4.4x
- This merger aimed to enhance customer offerings, improve operational efficiency, and leverage powerful growth trends in North American infrastructure development.

December 22, 2020

Westcap

Acquires

RME

- Total Transaction Value: ~$195.0M CAD
- EBITDA Multiple: 7.3x
- In a transaction that took Rocky Mountain Equipment private, Westcap became a financial and strategic partner for Canada's largest agriculture equipment dealer, supporting its continued growth and stability.

March 18, 2020

NORS

Acquires

STRONGCO

- Transaction Value: ~$193.0M CAD
- EBITDA Multiple: 6.0x
- The acquisition of Strongco strengthened Nors' presence in the Canadian marketplace and reinforced its position as a leading dealer in construction and heavy equipment.

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Other Notable Transactions

Select North American Equipment Dealership Transactions			
Date	**Target**	**Target State/ Province**	**Buyer**
Oct 6, 2025	Tornado Infrastructure Equipment Ltd.	AB	The Toro Company
Jul 31, 2025	Farm-Fleet Inc.	ON	SMA, Inc.
Jun 9, 2025	Core Machinery	CA	Komatsu
May 15, 2025	Farmers Implement & Irrigation	SD	Titan Machinery
May 7, 2025	BCI Rentals	PA	Cleveland Brothers Equipment Company
Feb 5, 2025	Rent All Centre SkyHigh Platforms and Big Stick Rentals Inc.	ON AB	Cooper Equipment Rentals
Jan 1, 2025	Westcon Equipment	MB	Nors Group
Dec 17, 2024	Falcon Equipment	BC	RELAM Inc.
Sep 9, 2024	Tri-City Equipment Rentals	ON	Toromont Industries Ltd.
Aug 22, 2024	Heartland Equipment	AR	Progressive Tractor & Implement Co. LLC
Jul 31, 2024	Agland Martin Deerline	AB	Horizon Ag & Turf
May 30, 2024	Hammer Equipment	TX	WCTractor
May 20, 2024	Thomason Tractor	CA	Belkorp Ag
Mar 1, 2024	Great West Equipment	BC	Nors Group

Sequeira Advised Transaction

Sequeira Dealership Transactions

Advisor to FALCON on the sale to RELAM (Railway Equipment Leasing and Maintenance), a portfolio company of PACELINE

Advisor to Redhead Equipment On its partnership with SILVER PEAK CAPITAL

Advisor to CAMEX Equipment Sales & Rentals Inc. on the sale to Brandt

Advisor to CERVUS EQUIPMENT on the sale of its Construction Dealership Group Bobcat to CALMONT

Advisor to Redhead Equipment On its acquisition of Norsask Farm Equipment Ltd.

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Sequeira Partners is Western Canada's largest boutique advisory firm, specializing in sell-side deal advisory and corporate valuations. Having completed more than 175 national and cross-border transactions, and over 500 valuation mandates, we are proud of our diverse industry experience and credentials. At Sequeira Partners, we combine decades of experience and top-tier credentials to deliver client-centric service with a personalized, boutique approach.

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