



# PCE Industry Report

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Diversified Industrials



## Diversified Industrials

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### Key Highlights

- The average value of the top ten transactions was \$403.6 million.
  - The largest transaction was the acquisition of Hussmann Corporation by Panasonic Corporation of North America, Inc. for \$1.5 billion.
  - The smallest transaction was the acquisition of Blue Bird Corporation by American Securities for \$70 million.
- The public company industry median TEV/EBIT multiple is 14.4x.
- The public company industry median TEV/EBITDA multiple is 9.9x.

### Key Trends

- The Machinery subsector's transaction volume is trending positively, while Industrial Conglomerates and Containers, Packaging & Paper are trending neutrally, and Trading Companies & Distributors is trending negatively.
- The Machinery subsector's transaction volume was the largest at 46% of the industry over the past quarter.
- Factory production fell for the second straight month, according to the Federal Reserve, as American manufacturers still struggle with weak overseas growth and the strong dollar.<sup>1</sup>
- Coming off an all-time record year with 17.47 million new cars sold, the automakers are on track to top 17.8 million vehicles sold this year thanks to positive economic factors (strong housing market, job growth, income, and consumer confidence) as well as low interest rates.<sup>2</sup>
- Following Britain's vote to leave the European Union, shares of big US Industrials, led by companies like General Electric, Boeing, and General Motors, fell considerably but have rebounded to pre-Brexit levels. Since US manufacturers are already grappling with the effects of a strong dollar, the idea that interest rates might rise, which would result in an even stronger dollar, has made investors skittish.<sup>3</sup>

Source:

IBIS World, S&P Capital IQ, and PCE Proprietary Data

<sup>1</sup>Blackburn News, April 2016.

<sup>2</sup>Detroit Free Press, June 2016

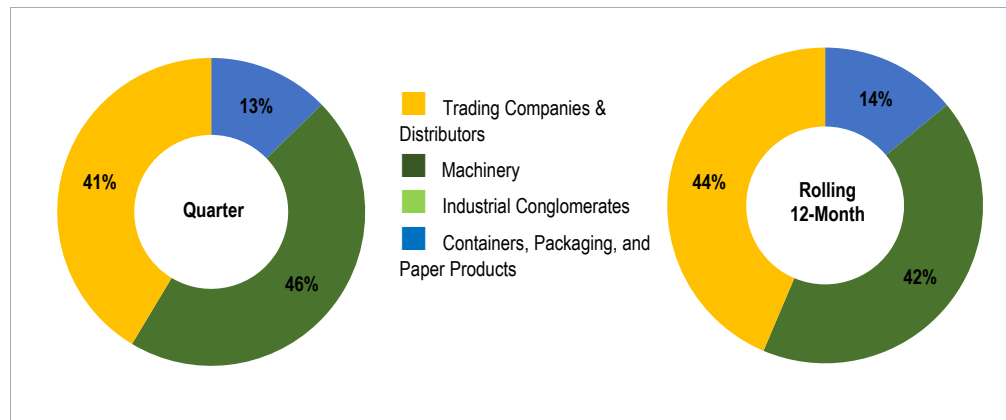
<sup>3</sup>Investors.com, June 2016

### Industry Trends During Quarter

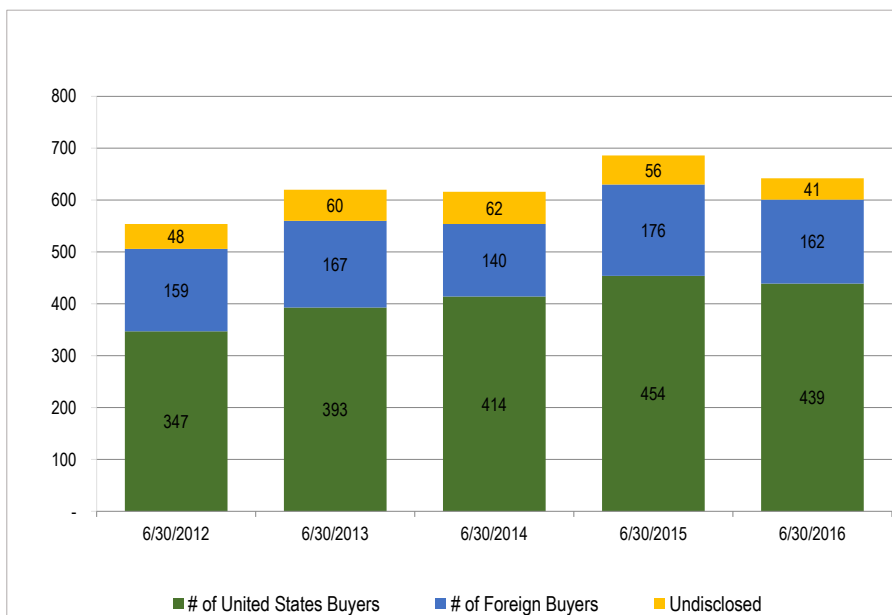
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Containers, Packaging & Paper Products	↑	↓	↓
Industrial Conglomerates	→	↓	↓
Machinery	↑	↓	↓
Trading Companies & Distributors	↓	↑	↑

\* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

### Transaction Volume as % of Industry



### Rolling 12-Month Transaction Volume Trends by Buyer Origin



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

### Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Machinery	Husmann Corporation	Panasonic Corporation of North America, Inc.	\$1,545.0
Machinery	Blount International Inc.	American Securities; P2 Capital Partners, LLC; P2 Capital Master	\$882.0
Machinery	Flanders Holdings LLC	American Air Filter Company, Inc.	\$430.0
Machinery	Kurion, Inc.	Veolia Environnement S.A.	\$350.0
Containers, Packaging & Paper	Georgia-Pacific LLC, Engineered Lumber Production Facilities At Thorsby, Alabama, and Roxboro, NC	Boise Cascade Wood Products, L.L.C.	\$215.0
Machinery	Cambridge International, Inc.	Rexnord Corporation	\$210.0
Machinery	Metem Corporation, Inc.	General Electric Company	\$140.0
Machinery	Downhole Technology LLC	Schoeller-Bleckmann Oilfield Equipment AG	\$103.0
Machinery	Power Service, Inc.	NOW Inc.	\$90.0
Machinery	Blue Bird Corporation	American Securities	\$70.7

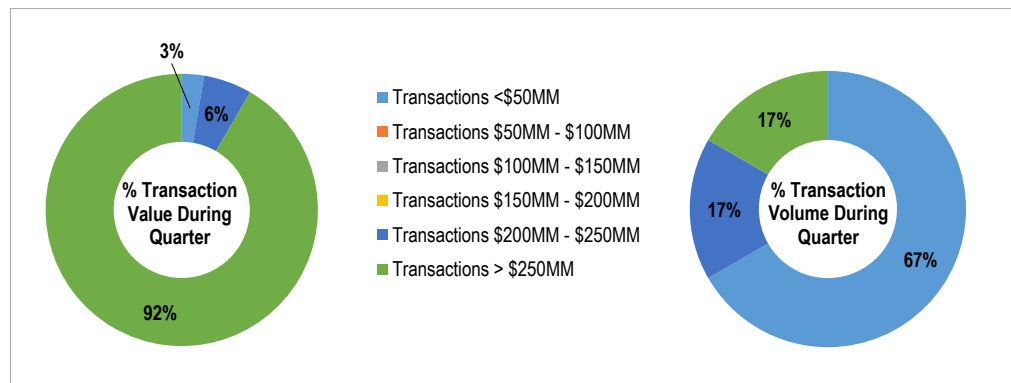


## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume		20
Number of Transactions with Disclosed Values		6
Transaction Value*	\$	3,733.20
Average Transaction Value*	\$	62.64
Median Transaction Value*	\$	37.50

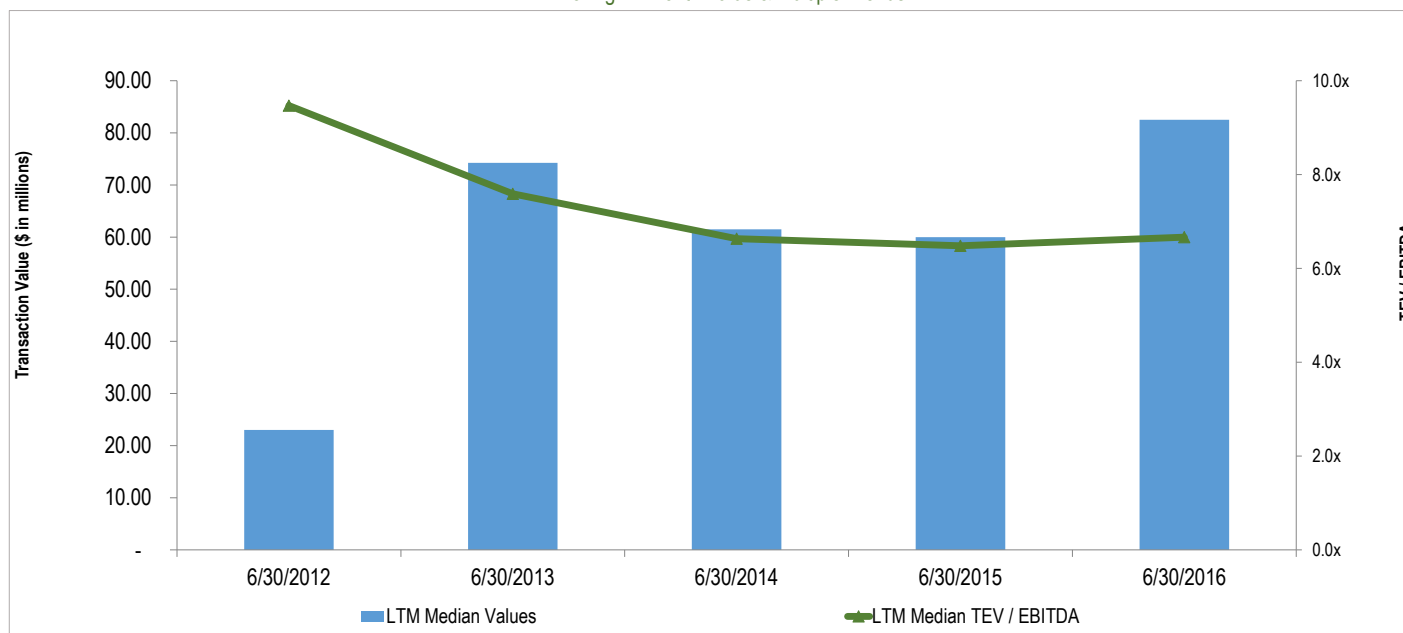
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## Transaction by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

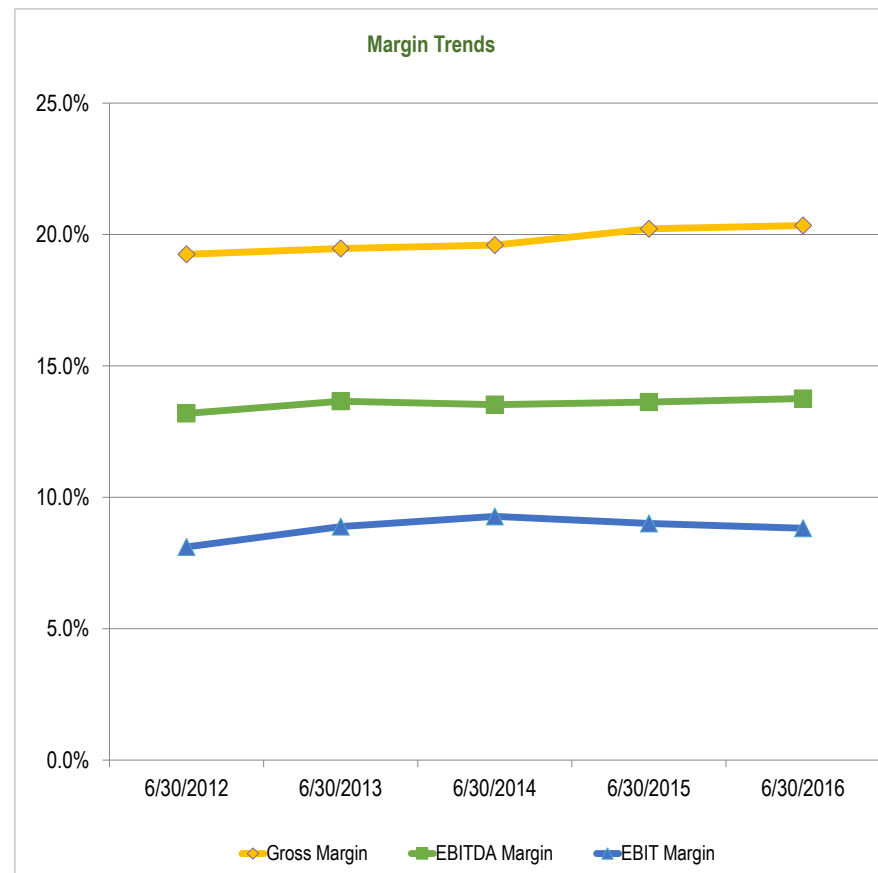
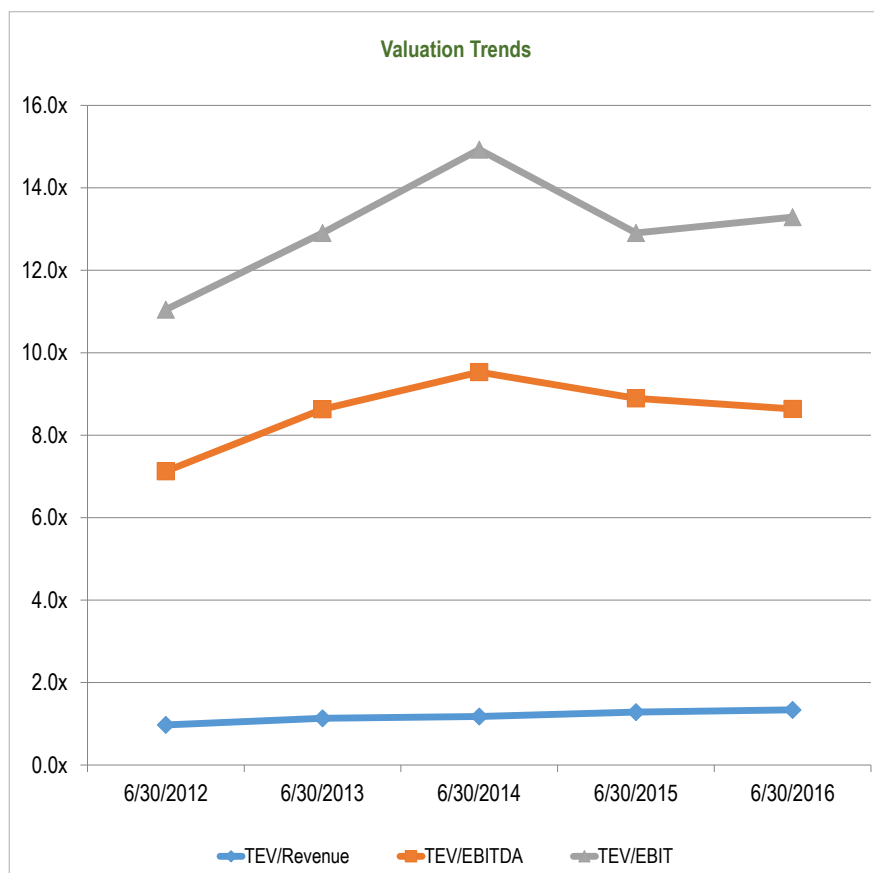


\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.  
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$3,853	1.7x	11.8x	24.9x	TEV/Revenue	↑
Median	\$2,459	1.3x	8.6x	13.3x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	22.1%	13.4%	7.9%	Gross Margin	↑
Median	20.3%	13.8%	8.8%	EBITDA Margin	↑
				EBIT Margin	↓

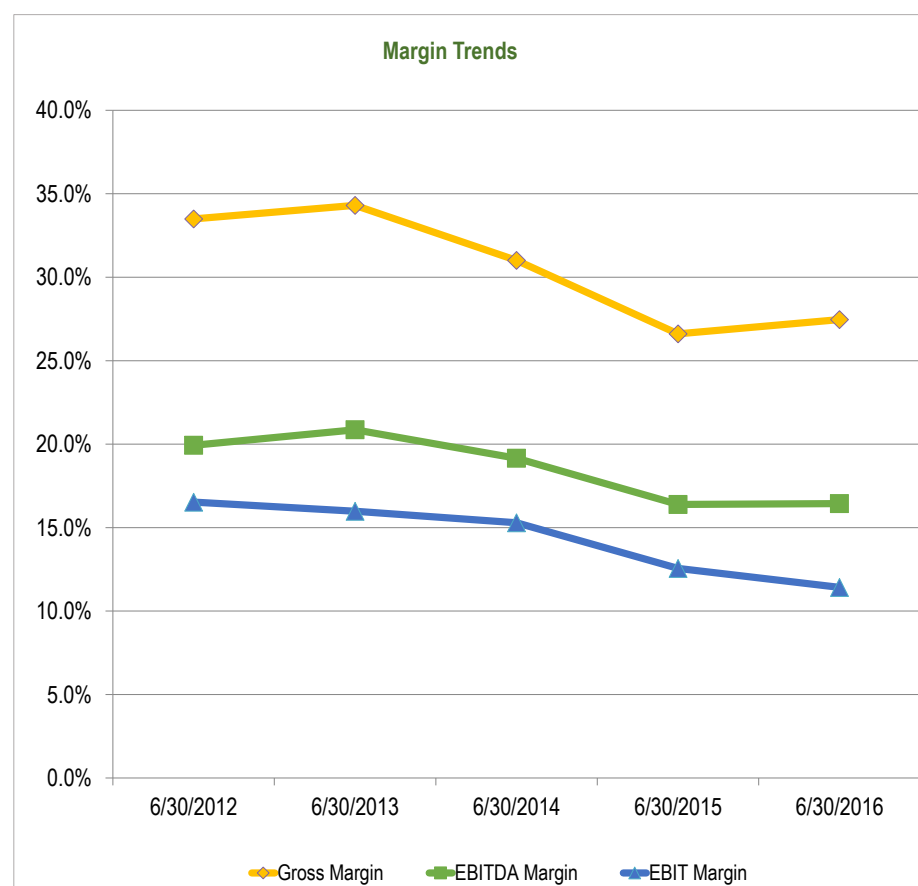
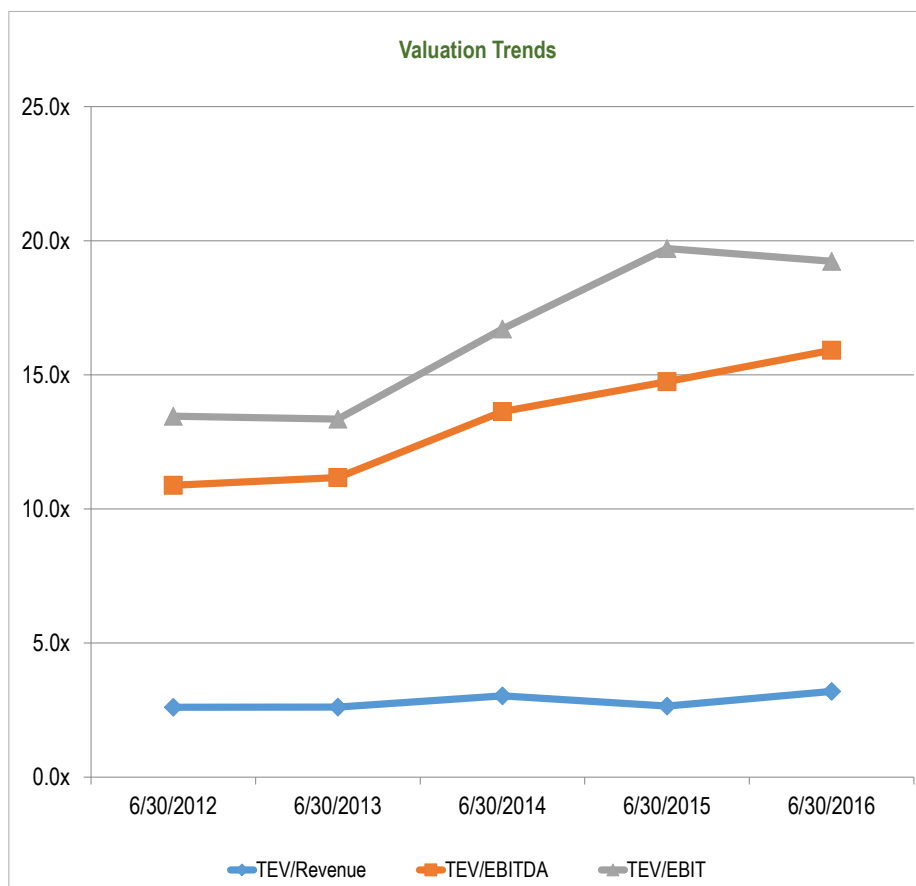


Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$72,931	3.3x	17.7x	27.5x	TEV/Revenue	↑
Median	\$12,317	3.2x	15.9x	19.2x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	31.4%	17.3%	11.8%	Gross Margin	↑
Median	27.5%	16.4%	11.4%	EBITDA Margin	↑
				EBIT Margin	↓



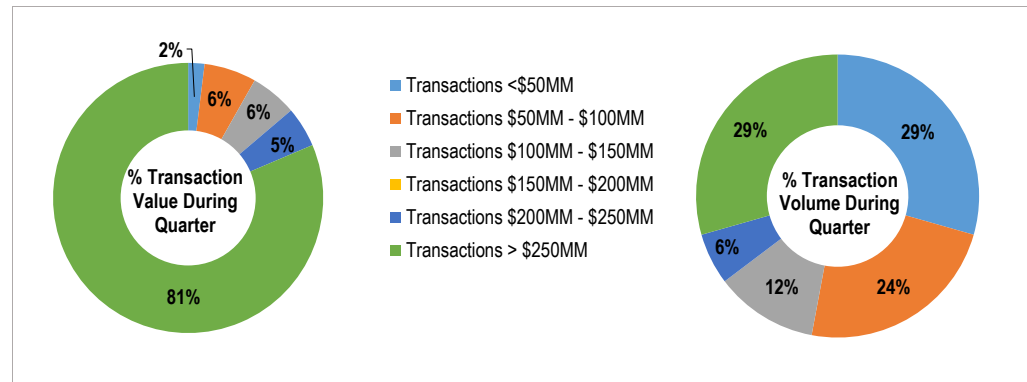
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	72
Number of Transactions with Disclosed Values	17
Transaction Value*	\$4,356.48
Average Transaction Value*	\$251.09
Median Transaction Value*	\$80.35

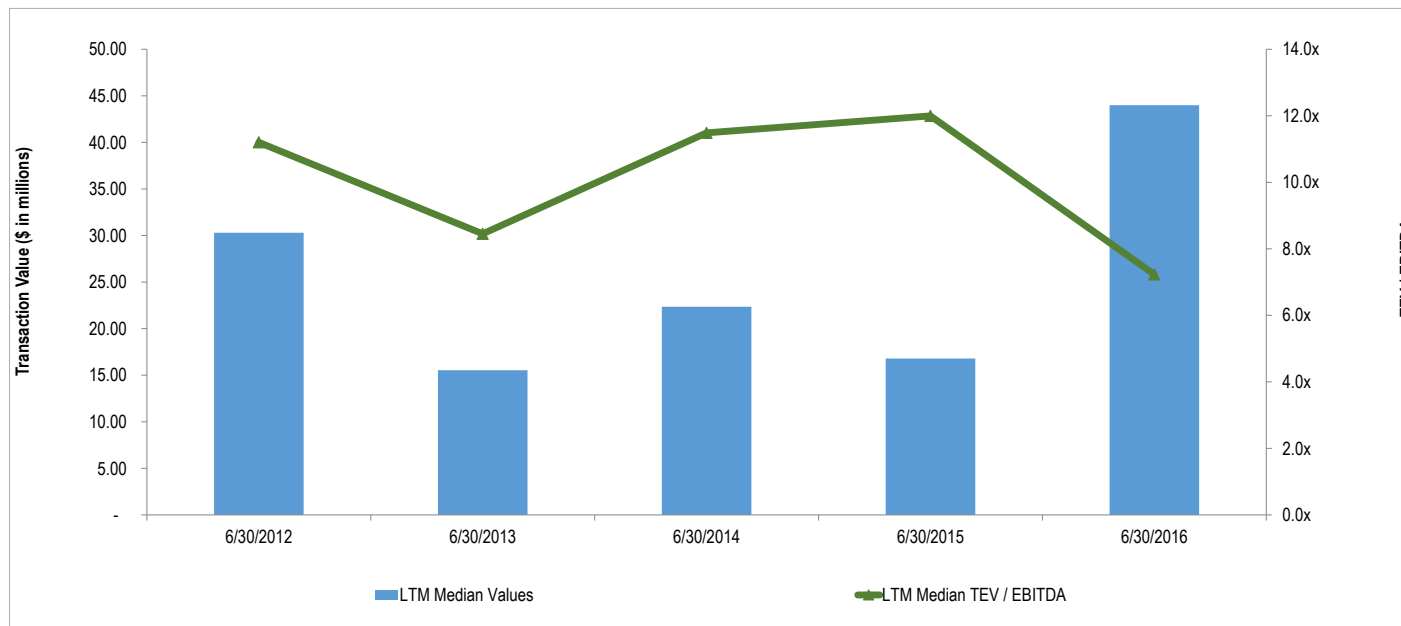
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## Transactions by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



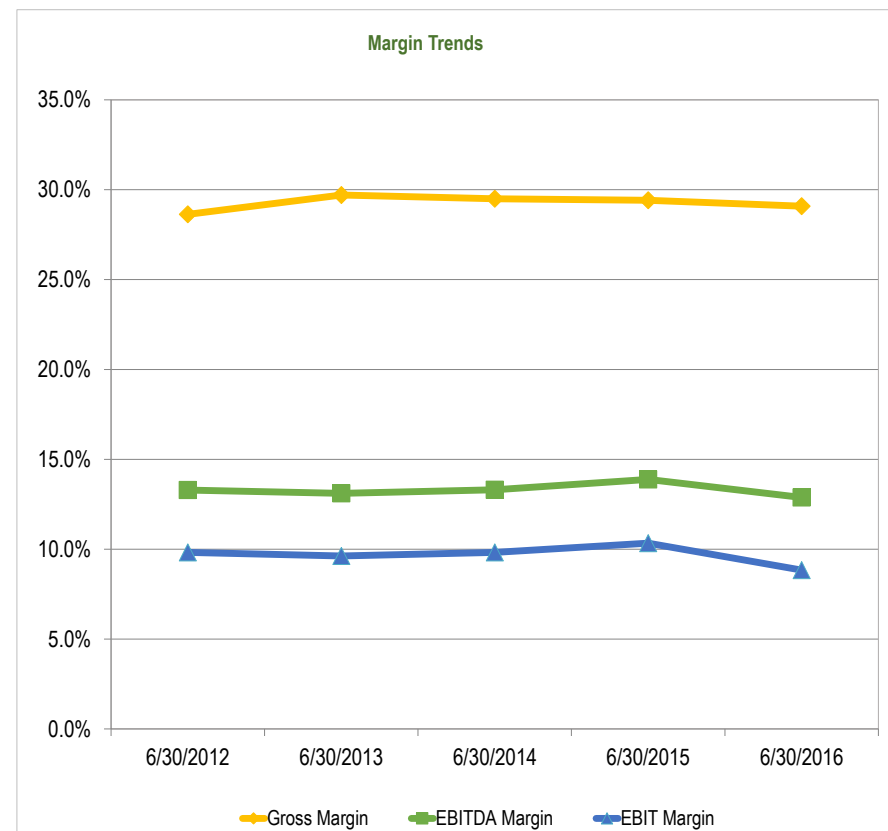
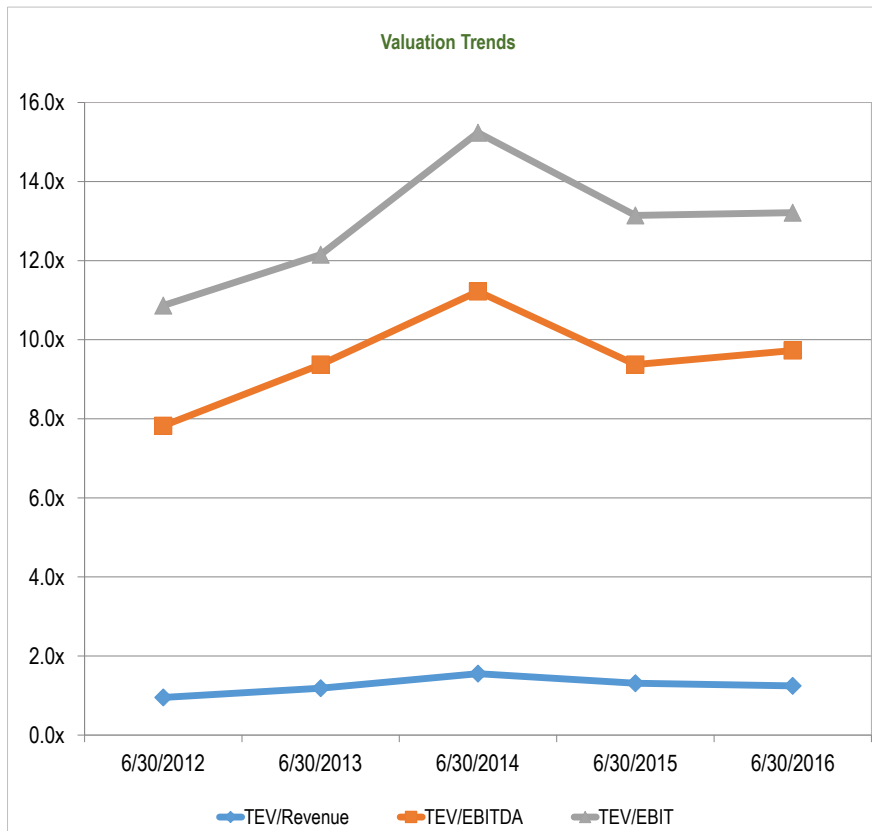
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## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$3,373	1.5x	10.2x	14.4x	TEV/Revenue	↓
Median	\$1,026	1.2x	9.7x	13.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	29.2%	13.1%	9.2%	Gross Margin	↓
Median	29.1%	12.9%	8.8%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

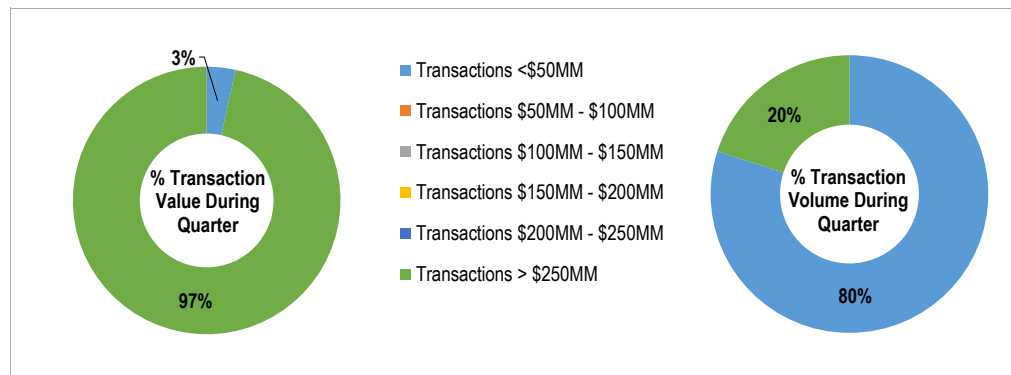


## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	65
Number of Transactions with Disclosed Values	5
Transaction Value*	\$1,691.80
Average Transaction Value*	\$338.36
Median Transaction Value*	\$14.00

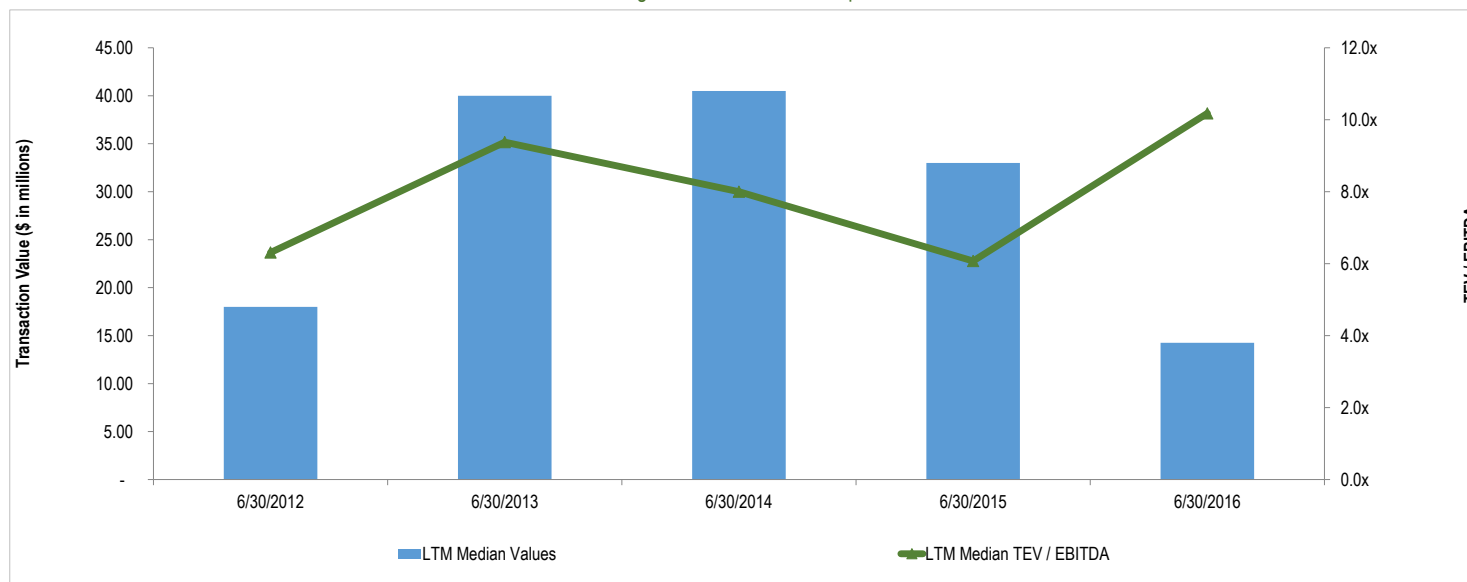
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## Transaction by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



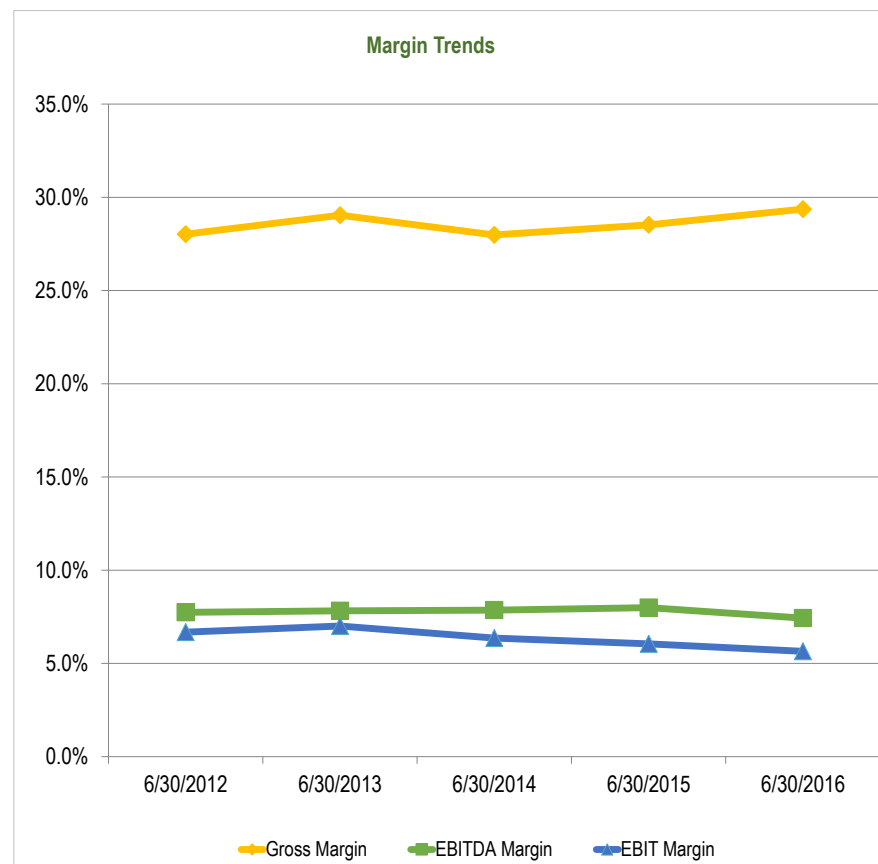
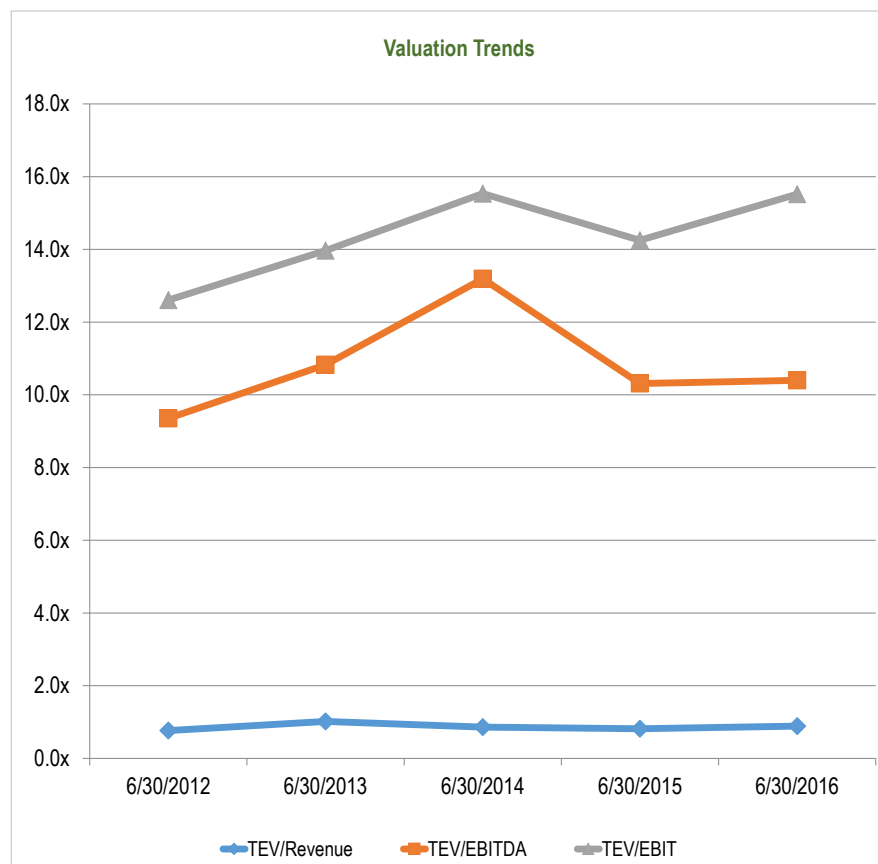
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## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	6/30/2016 Trends	
Average	\$2,042	1.9x	12.4x	19.6x	TEV/Revenue	↑
Median	\$857	0.9x	10.4x	15.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	34.5%	14.3%	11.1%	Gross Margin	↑
Median	29.4%	7.4%	5.6%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

# About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

- Aerospace & Defense
- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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## Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

## Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value