



PCE Industry Report

Diversified Industrials



Middle Market M&A Summary

4th Quarter 2015

Diversified Industrials

Key Highlights

- The average value of the top ten transactions was \$266 million.
- The largest transaction was the acquisition of Roofing Supply Group, LLC by Beacon Roofing Supply, Inc. for \$1.1 billion.
- The smallest transaction was the acquisition of Kennametal Extrude Hone and Kennametal Tricon Metals and Landis Threading Systems by Madison Industries for \$70 million.
- The public company industry median TEV/EBIT multiple is 15.0x.
- The public company industry median TEV/EBITDA multiple is 10.8x.

Key Trends

- The Trading Companies & Distributors and Machinery subsector are trending positively, while the Containers, Packaging & Paper Products and Industrial Conglomerates subsectors transaction volume are trending negatively.
- The Machinery subsector's transaction volume was the largest at 44% of the industry over the past quarter.
- Near-record numbers of big-rig trucks are being left unsold in a sharp slowdown of demand for hauling freight triggering a number of job cuts among equipment manufacturers.¹
- According to a report by Business Wire, most diversified industrials companies should brace for the effect of cyclical reflecting the weak conditions in oil & gas, mining, and agriculture.²

Source:

¹ Big-Rig Buyers Slam On The Brakes (Jan, 2016), Dow Jones Business News

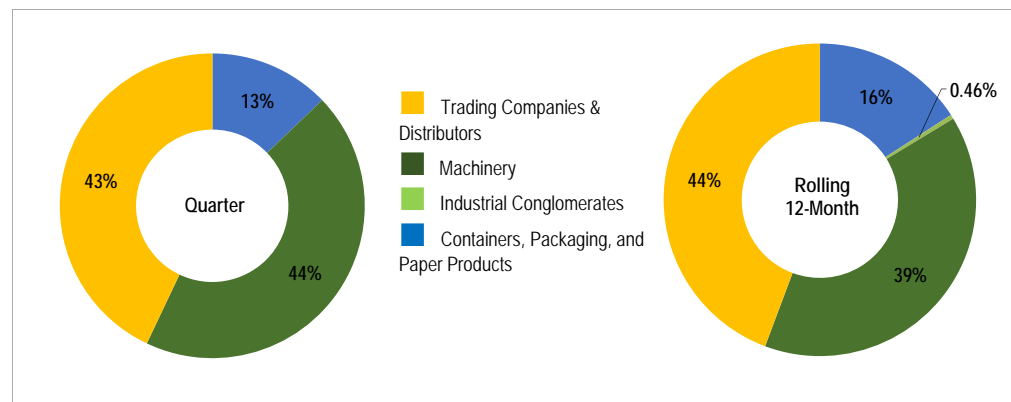
² U.S. Diversified Industrials & Cap Goods Outlook Stable in 2016; Sector Outlook Negative (Dec 2015), Business Wire

Industry Trends During Quarter

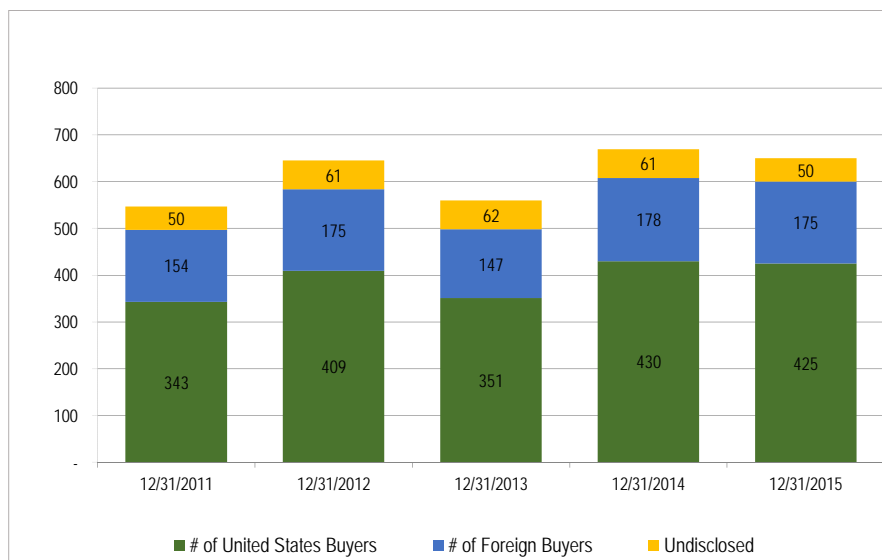
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Containers, Packaging & Paper Products	↓	↓	↓
Industrial Conglomerates	↓	↓	↑
Machinery	↑	↓	↓
Trading Companies & Distributors	↑	↓	↓

* 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



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

Sector	Target	Buyer	Transaction Value
Trading Companies & Distributors	Roofing Supply Group, LLC	Beacon Roofing Supply, Inc.	\$1,142.0
Machinery	Motor Coach Industries International, Inc.	New Flyer Industries Inc.	\$455.0
Containers, Packaging & Paper	SP Fiber Holdings, Inc.	WestRock Company	\$288.5
Machinery	Adept Technology Inc.	Omron Management Center of America, Inc.	\$168.5
Trading Companies & Distributors	Stauber Performance Ingredients, Inc.	Hawkins Inc.	\$157.0
Machinery	Gala Industries, Inc.	Maag Pump Systems AG	\$136.0
Machinery	Kysor Panel Systems, inc.	D Cubed Group, LLC	\$85.0
Containers, Packaging & Paper	Ultra Flex Packaging Corp.	Transcontinental Inc.	\$80.0
Containers, Packaging & Paper	Anthony Forest Products Company	Canfor Corp.	\$78.5
Machinery	Kennametal Extrude Hone and Kennametal Tricon Metals and Landis Threading Systems	Madison Industries	\$70.0

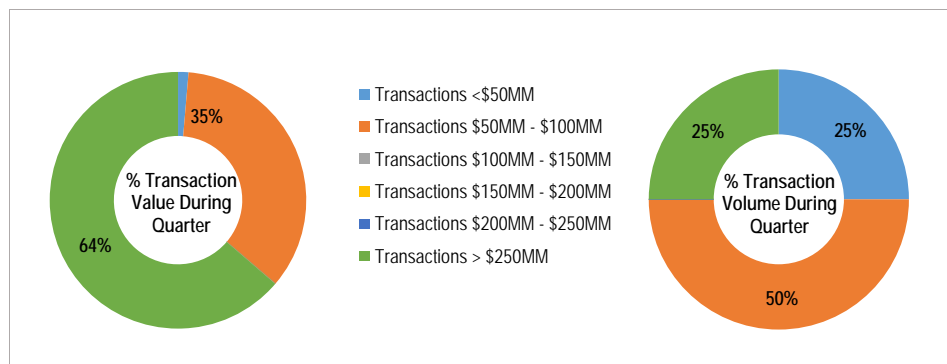
Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

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

Transaction Volume		20
Number of Transactions with Disclosed Values		4
Transaction Value*	\$	452.95
Average Transaction Value*	\$	113.24
Median Transaction Value*	\$	79.25

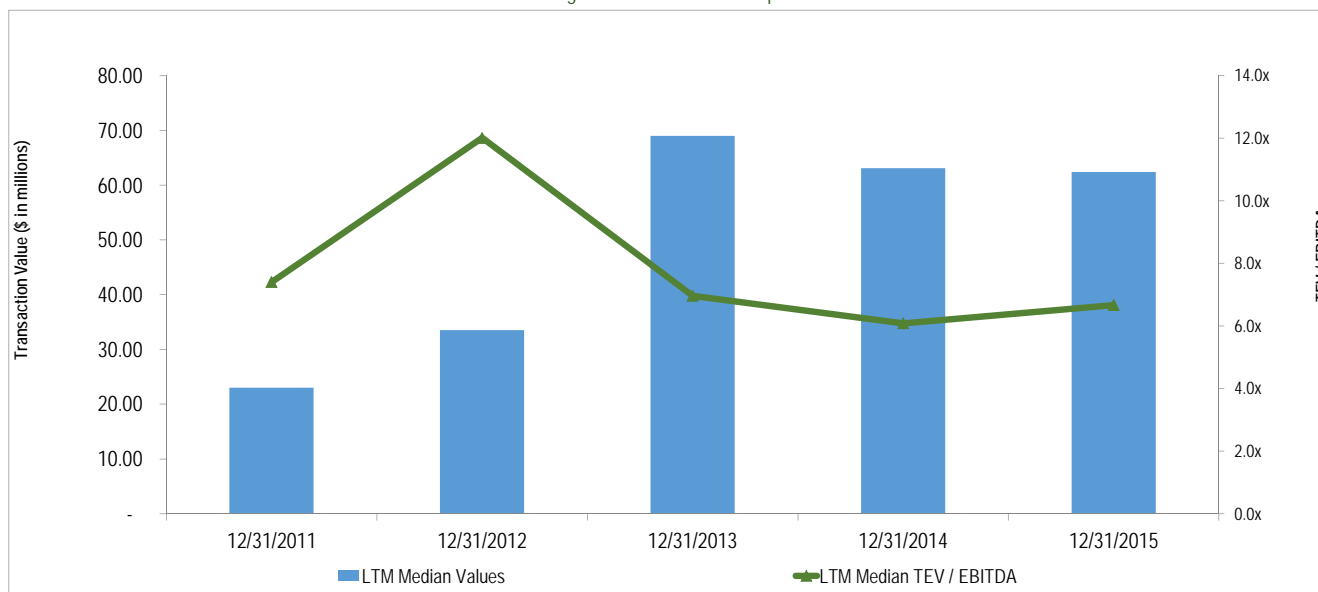
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Transaction by Value & Volume



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 1/26/2016 and PCE Proprietary Data



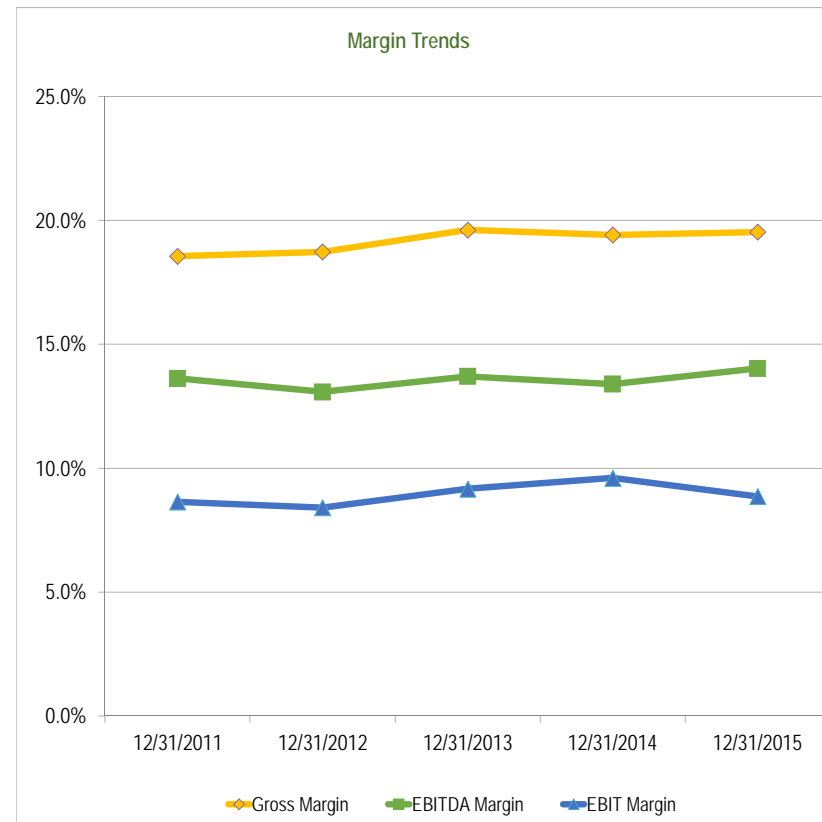
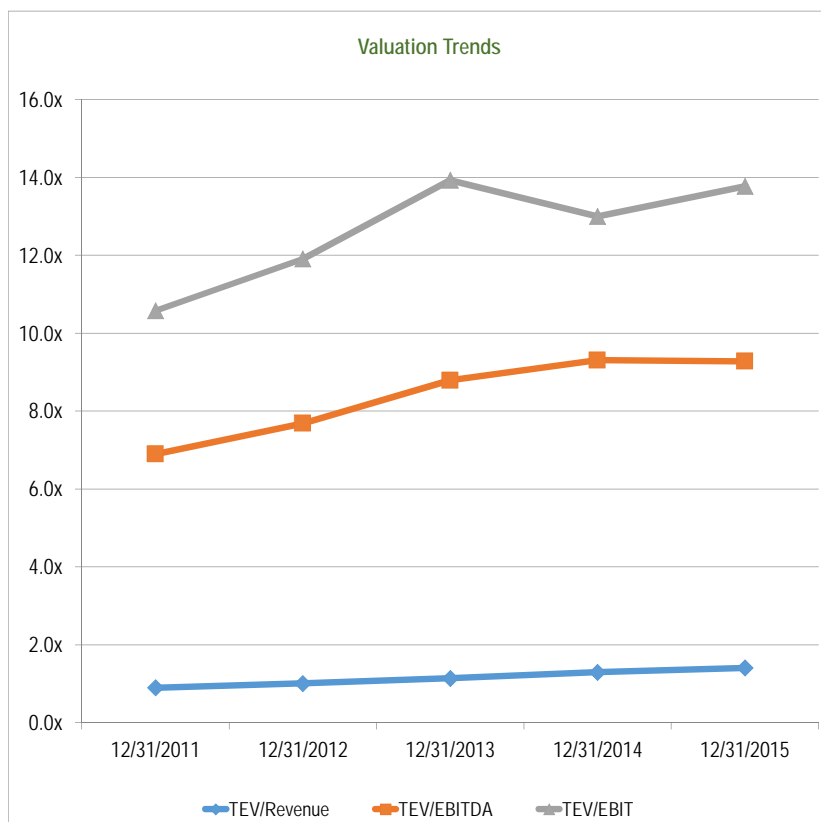
Containers, Packaging & Paper Products

4th Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,609	1.6x	10.8x	23.0x	TEV/Revenue	↑
Median	\$2,430	1.4x	9.3x	13.8x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	22.1%	13.5%	8.3%	Gross Margin	↑
Median	19.5%	14.0%	8.9%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data



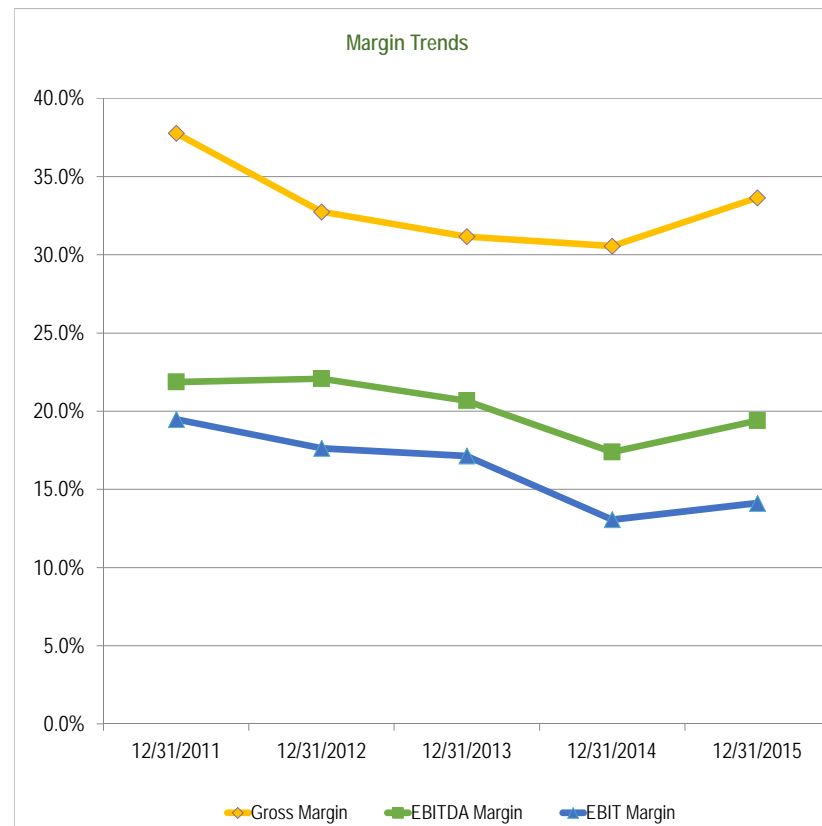
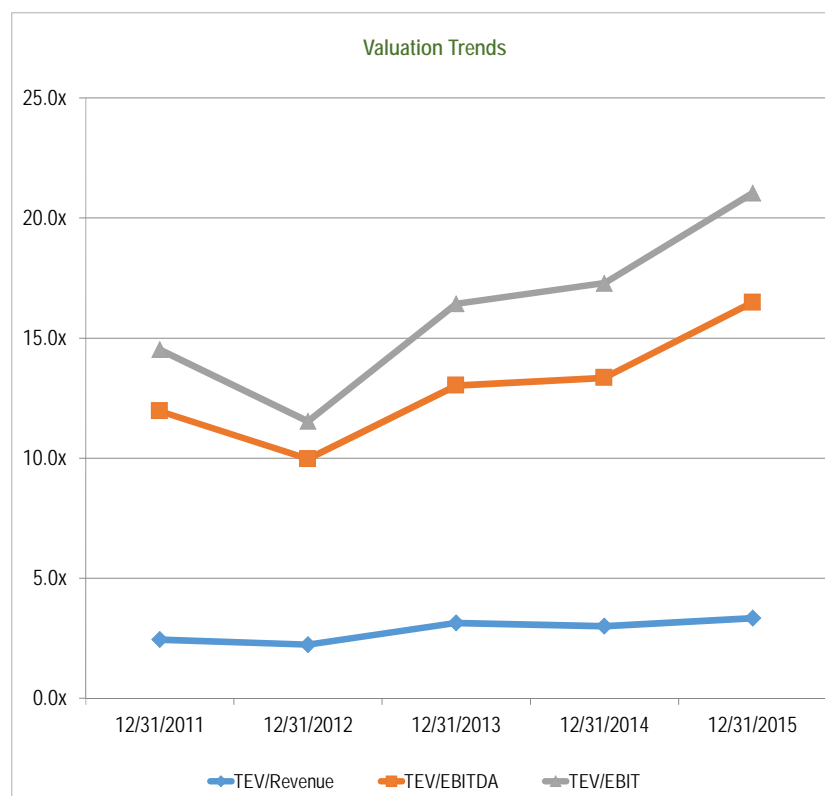
Industrial Conglomerates

4th Quarter 2015

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	12/31/2015 Trends	
Average	\$64,609	3.2x	15.8x	30.0x	TEV/Revenue	↑
Median	\$17,932	3.3x	16.5x	21.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	12/31/2015 Trends	
Average	37.5%	20.4%	15.1%	Gross Margin	↑
Median	33.6%	19.4%	14.1%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

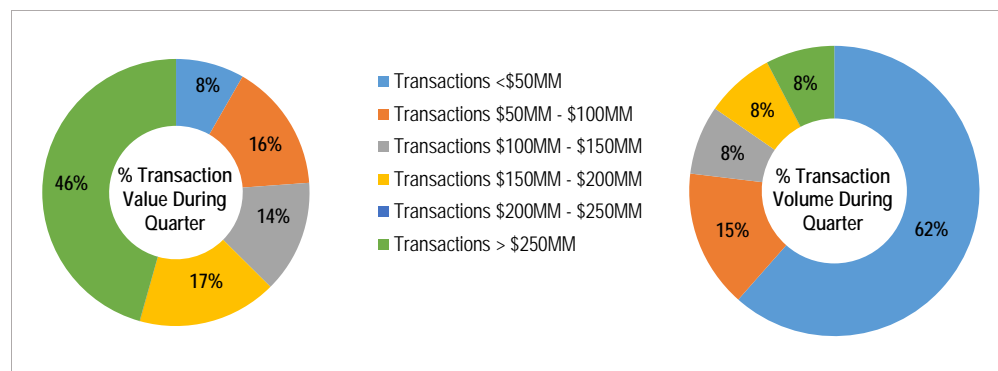


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	69
Number of Transactions with Disclosed Values	13
Transaction Value*	\$997.35
Average Transaction Value*	\$76.72
Median Transaction Value*	\$22.50

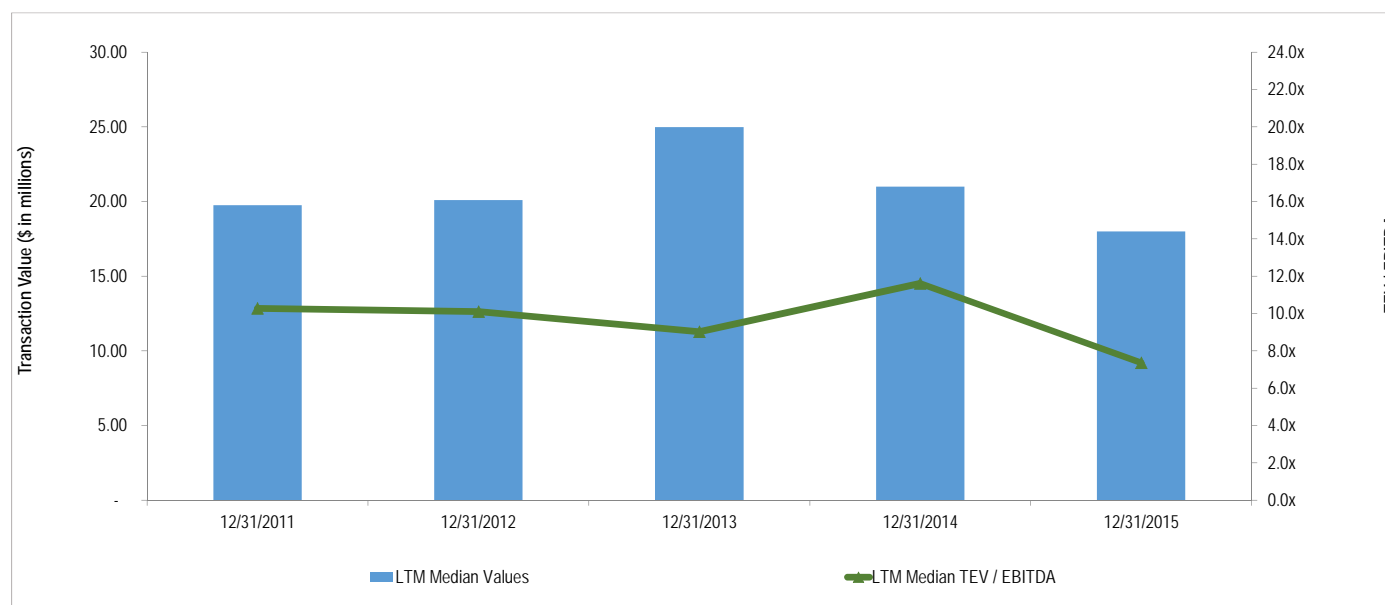
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



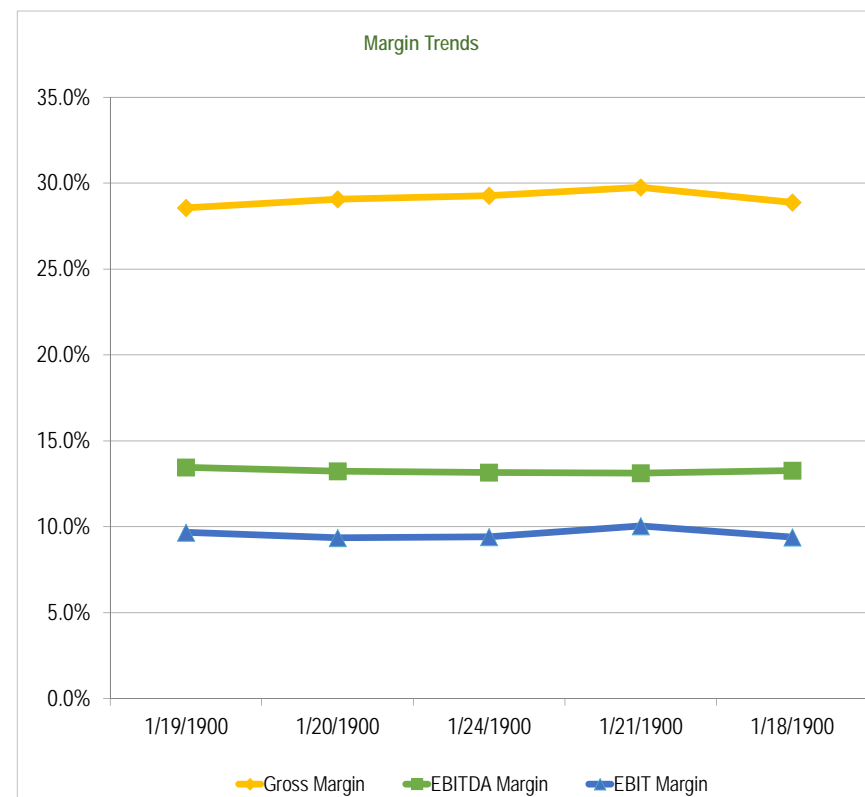
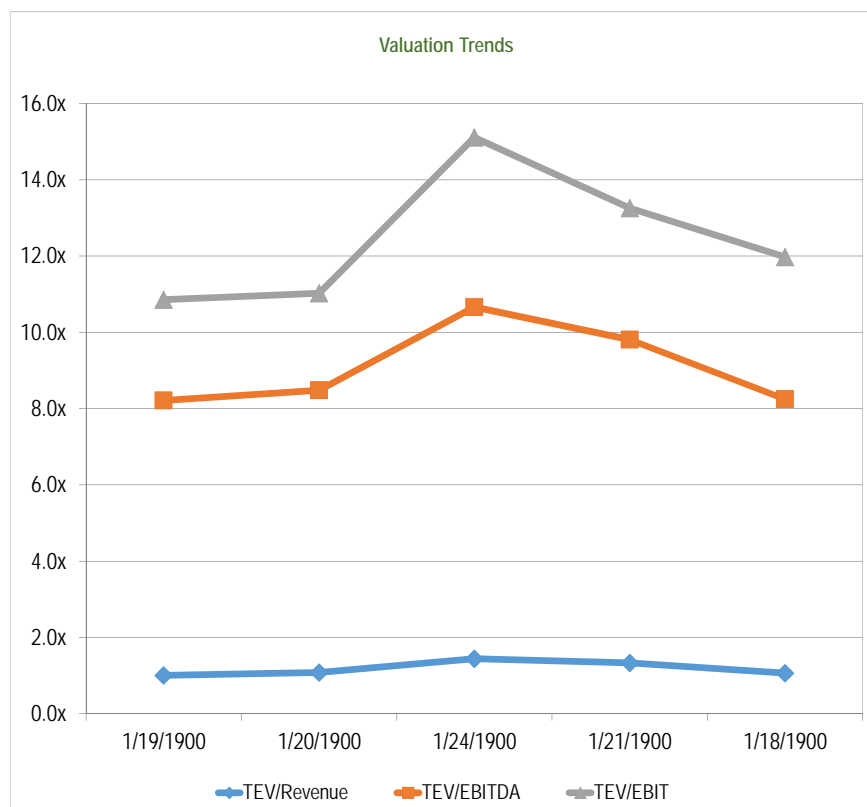
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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	12/31/2015 Trends	
Average	\$2,614	1.4x	8.8x	12.2x	TEV/Revenue	↓
Median	\$816	1.1x	8.3x	12.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	12/31/2015 Trends	
Average	29.4%	12.7%	9.0%	Gross Margin	↓
Median	28.9%	13.3%	9.4%	EBITDA Margin	↑
				EBIT Margin	↓



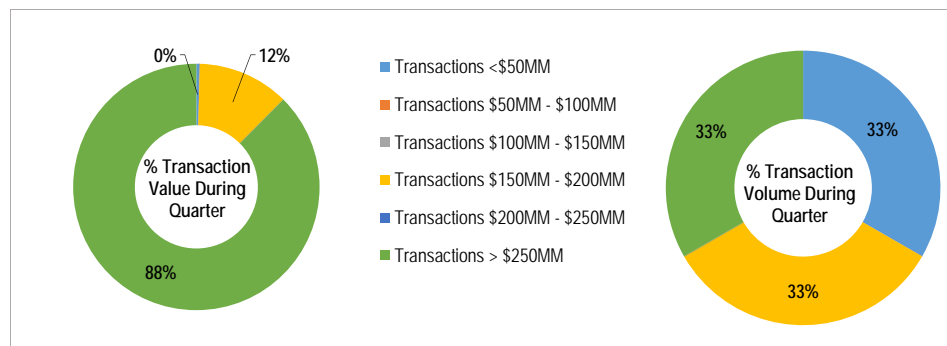
Source: S&P Capital IQ as of 1/26/2016 and PCE Proprietary Data

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

Transaction Volume	67
Number of Transactions with Disclosed Values	3
Transaction Value*	\$1,304.99
Average Transaction Value*	\$435.00
Median Transaction Value*	\$157.00

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

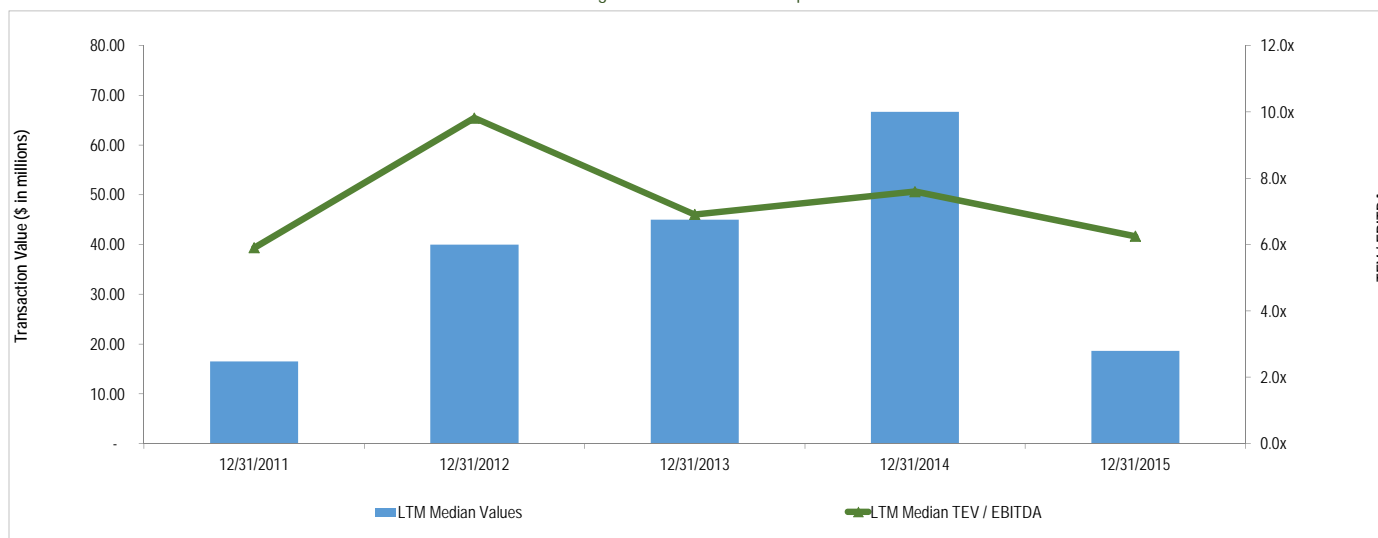
Transaction by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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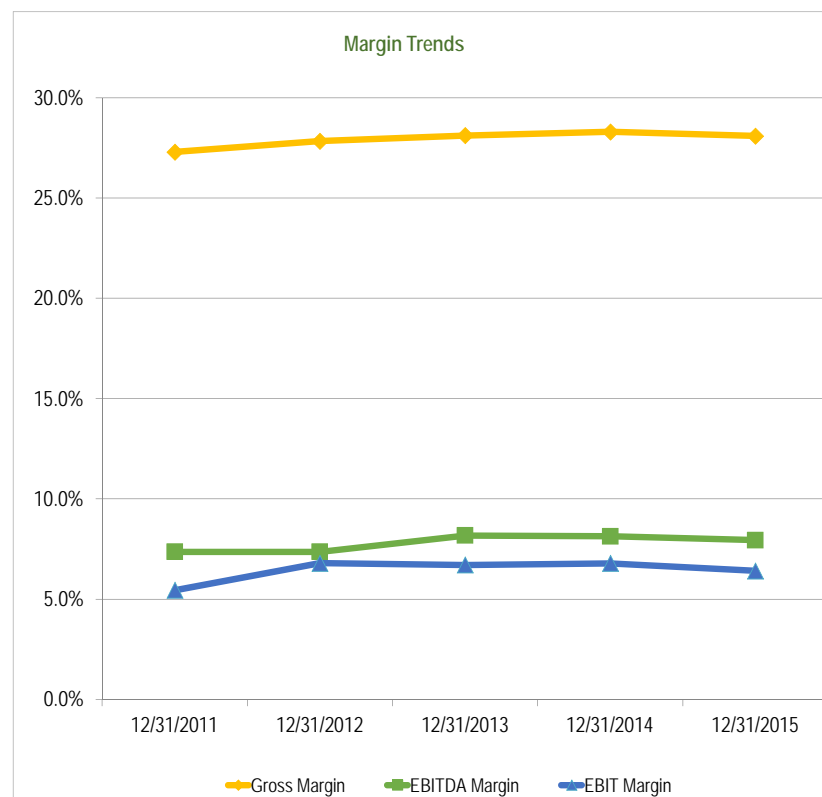
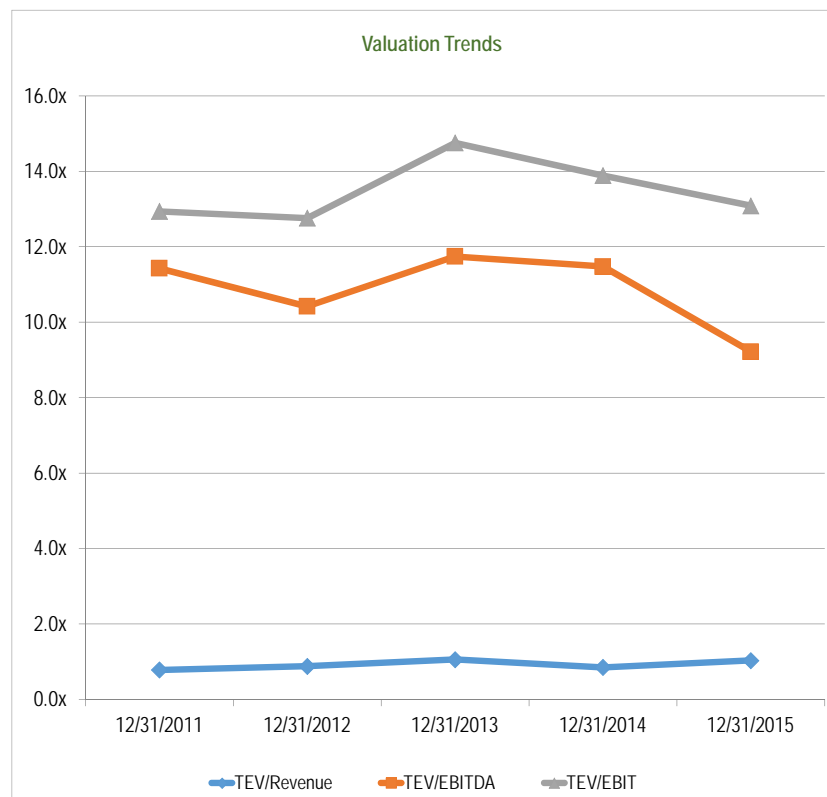
Trading Companies & Distributors

4th Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,779	4.6x	13.9x	15.6x	TEV/Revenue	↑
Median	\$804	1.0x	9.2x	13.1x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	33.7%	14.1%	14.0%	Gross Margin	↓
Median	28.1%	7.9%	6.4%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 1/26/2016 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:

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- 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

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- 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/announced dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value