



PCE Industry Report

Diversified Industrials



Middle Market M&A Summary

Diversified Industrials

3rd Quarter 2015

Key Highlights

- The average value of the top ten transactions was \$3,683.5 mm
- The largest transaction was the acquisition of Pall Corporation by Danaher Corp. for \$14,793.5 mm.
- The smallest transaction was the acquisition of Hartford City Paper, LLC and Ivex Specialty Paper, LLC. by New-Indy Containerboard, LLC. for \$125.0 mm.
- The public company industry median TEV/EBIT multiple is 13.5x.
- The public company industry median TEV/EBITDA multiple is 9.75x.

Key Trends

- The Containers, Packaging & Paper Products subsector's transaction volume is trending positively. While the Trading Companies & Distributors subsector is trending negatively.
- The Trading Companies & Distributors subsector's transaction volume was the largest at 41% of the industry over the past quarter.
- Daily advancements in technology are forcing industrial companies to change their manufacturing value chain, such as the introduction of 3D printing and connected devices. ¹
- A stronger U.S. economy and dollar will continue to spur M&A activity moving into the end of the calendar year. Additionally, with lower oil prices we will see both positive and negative effects on various segments within diversified industrials. ¹

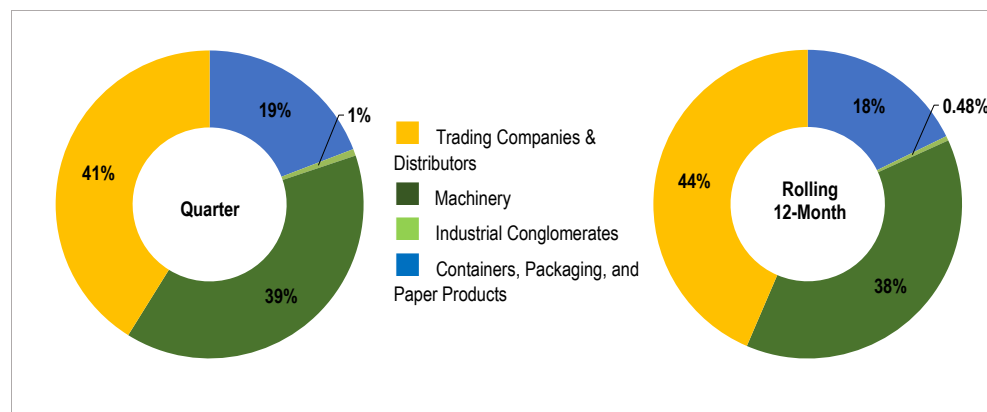
Source: ¹ *Top Industry Trends to watch in 2015. (October, 2015), GE Capital, Retrieved October 14, 2015 from: <http://www.americas.gecapital.com/insight-and-ideas/capital-perspectives/top-industry-trends-to-watch-in-2015>*

Industry Trends During Quarter

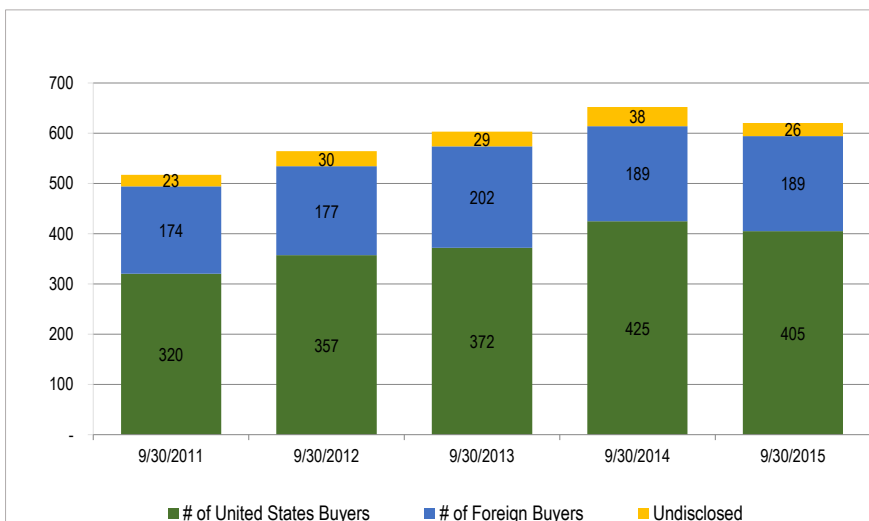
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Containers, Packaging & Paper Products	↑	↓	↓
Industrial Conglomerates	→	↓	↓
Machinery	→	↓	↓
Trading Companies & Distributors	↓	↓	↓

* 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
Machinery	Pall Corporation	Danaher Corp.	\$14,739.5
Containers, Packaging & Paper	MeadWestvaco Corporation	Rock-Tenn Company (nka:WestRock Company)	\$11,638.2
Trading Companies & Distributors	ProBuild Holdings, Inc.	Builders FirstSource, Inc.	\$3,448.1
Trading Companies & Distributors	Interline Brands Inc.	The Home Depot, Inc.	\$2,429.9
Containers, Packaging & Paper	Food And Beverage Container Business	Owens-Brockway Glass Container, Inc.	\$2,150.0
Machinery	ERICO Global Company	Pentair plc	\$1,800.0
Trading Companies & Distributors	Industrial Air & Gas Technologies	Colfax Corporation	\$185.0
Machinery	PMFG, Inc.	CECO Environmental Corp.	\$176.7
Machinery	Tecumseh Products Company	Atlas Holdings LLC; DENO Investment Company II, Inc.	\$142.6
Containers, Packaging & Paper	Hartford City Paper, LLC and Ivex Specialty Paper LLC	New-Indy Containerboard LLC	\$125.0

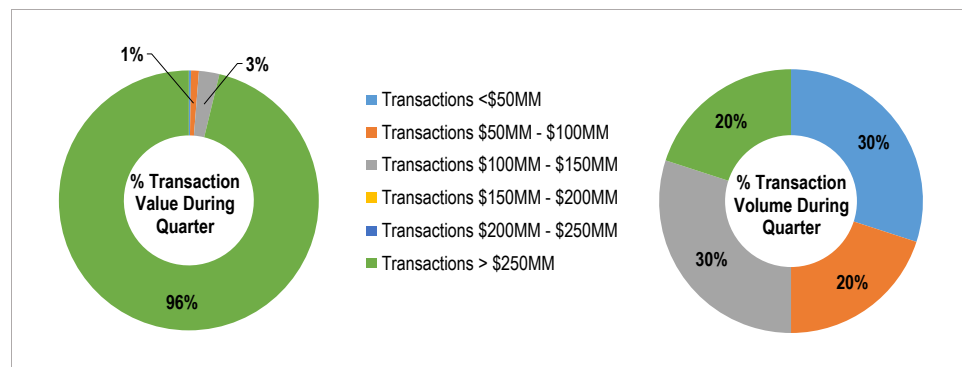
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	27
Number of Transactions with Disclosed Values	10
Transaction Value*	\$ 14,331.20
Average Transaction Value*	\$ 1,590.94
Median Transaction Value*	\$ 120.00

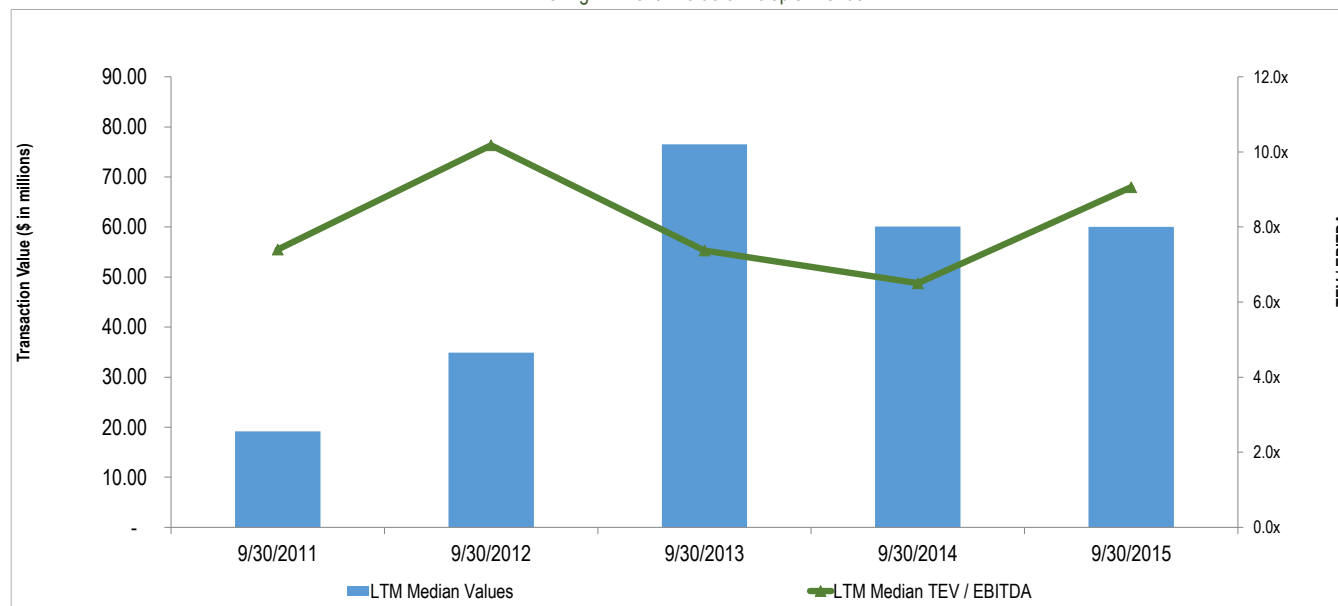
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Transaction by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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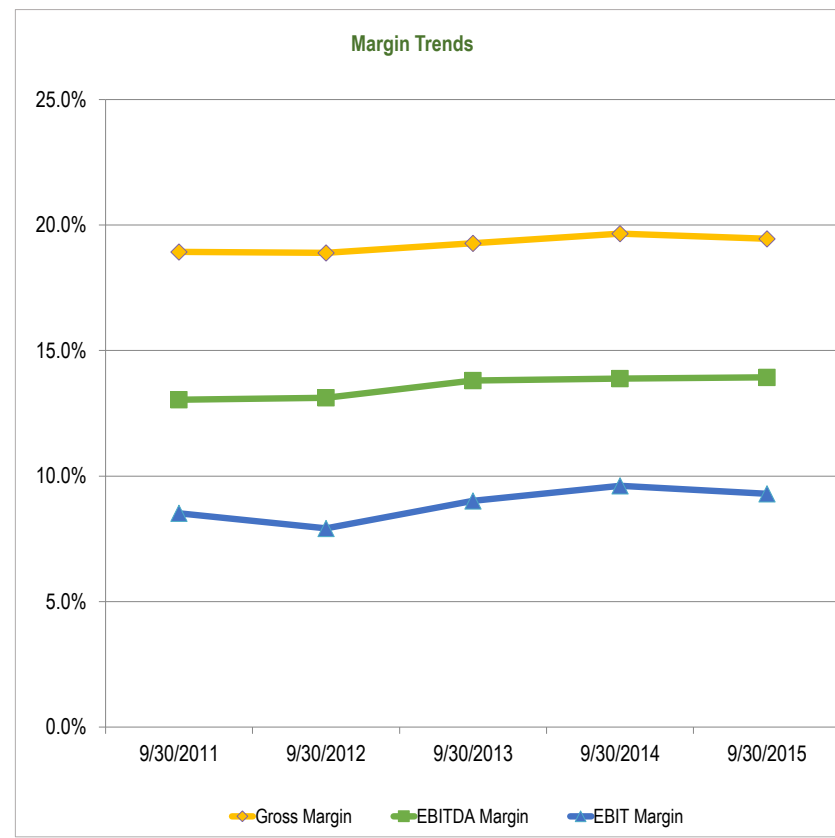
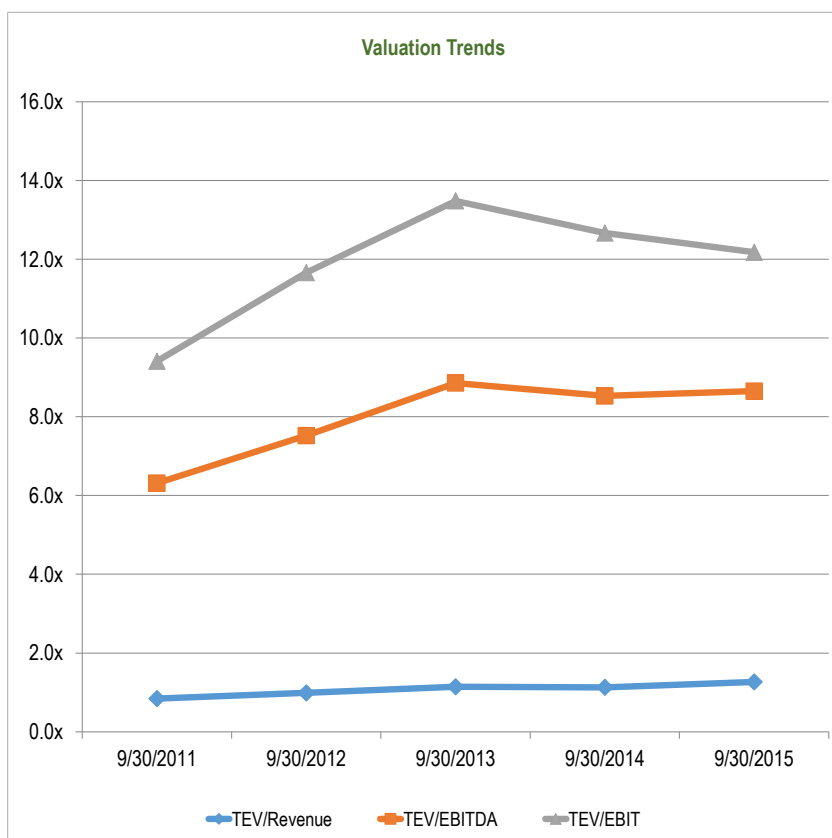
Containers, Packaging & Paper Products

3rd Quarter 2015

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$3,863	1.5x	10.0x	21.9x	TEV/Revenue	↑
Median	\$2,741	1.3x	8.7x	12.2x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	22.1%	13.6%	8.3%	Gross Margin	↓
Median	19.4%	13.9%	9.3%	EBITDA Margin	↑
				EBIT Margin	↓



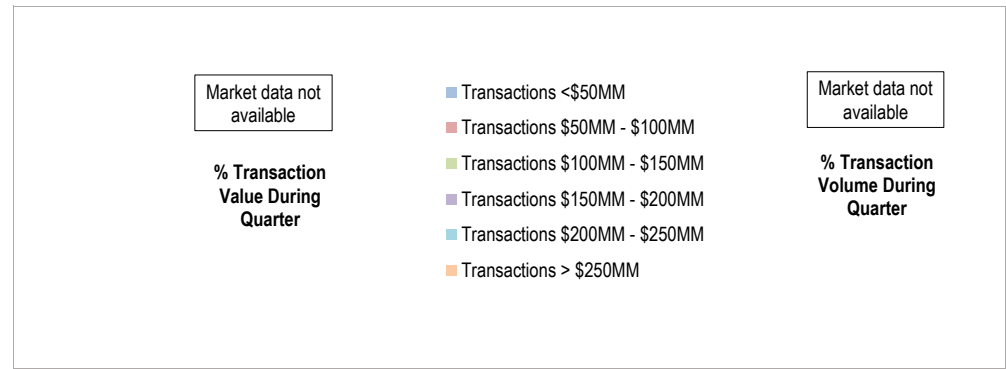
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	1
Number of Transactions with Disclosed Values	0
Transaction Value*	Not Available
Average Transaction Value*	Not Available
Median Transaction Value*	Not Available

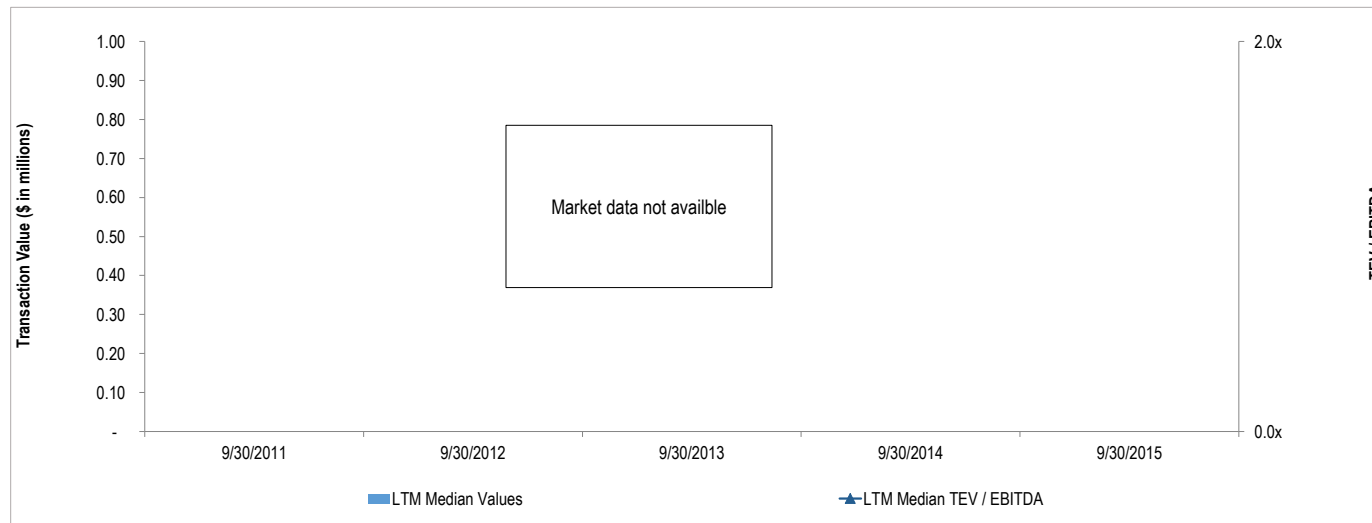
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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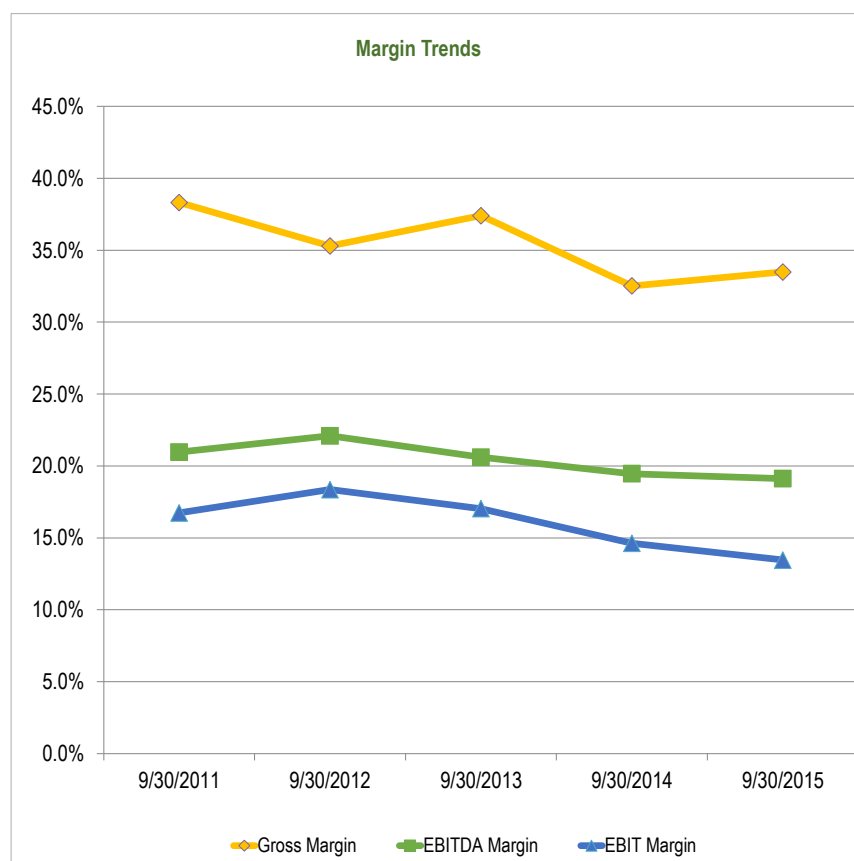
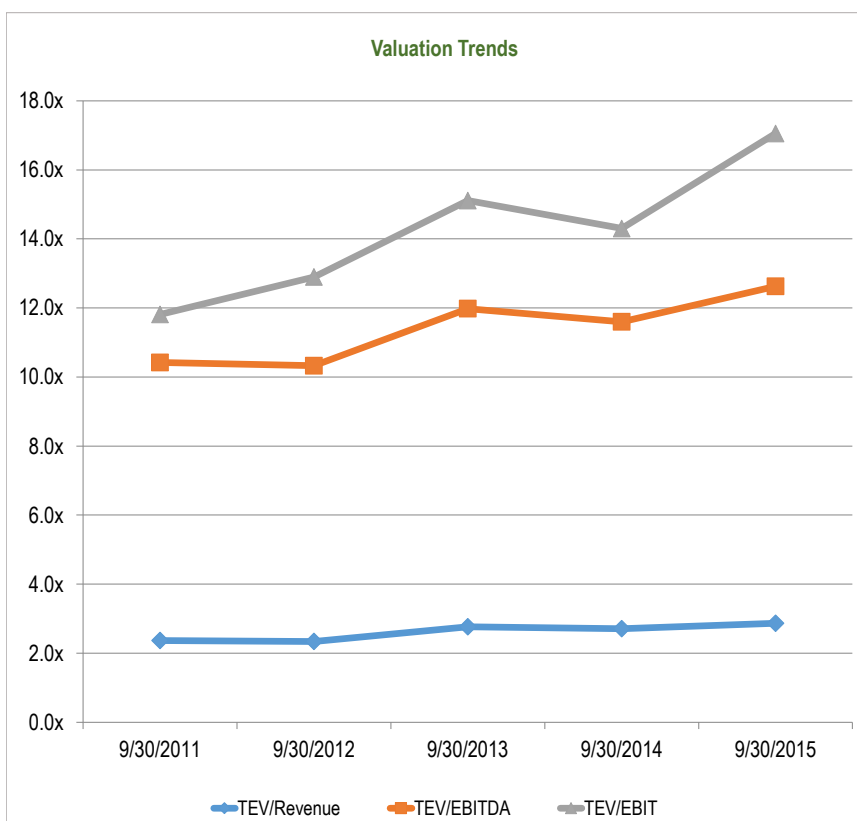
Industrial Conglomerates

3rd Quarter 2015

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$65,011	2.8x	15.3x	41.1x	TEV/Revenue	↑
Median	\$16,541	2.9x	12.6x	17.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	37.1%	20.2%	15.0%	Gross Margin	↑
Median	33.5%	19.1%	13.5%	EBITDA Margin	↓
				EBIT Margin	↓



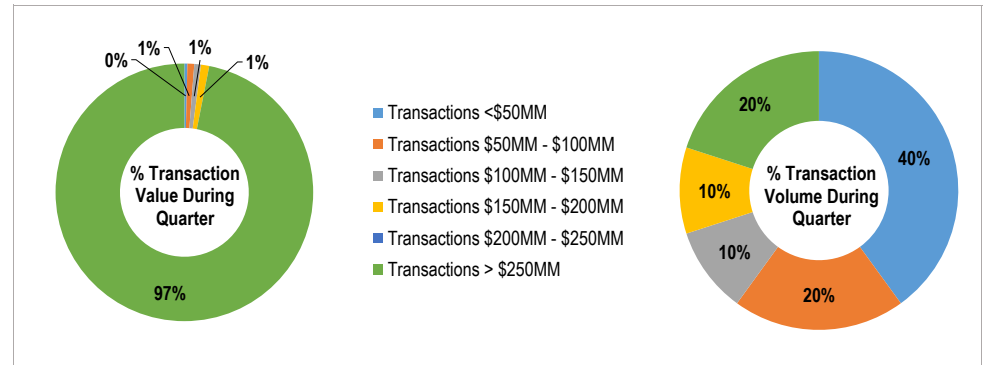
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	55
Number of Transactions with Disclosed Values	10
Transaction Value*	\$17,068.91
Average Transaction Value*	\$1,885.99
Median Transaction Value*	\$50.80

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

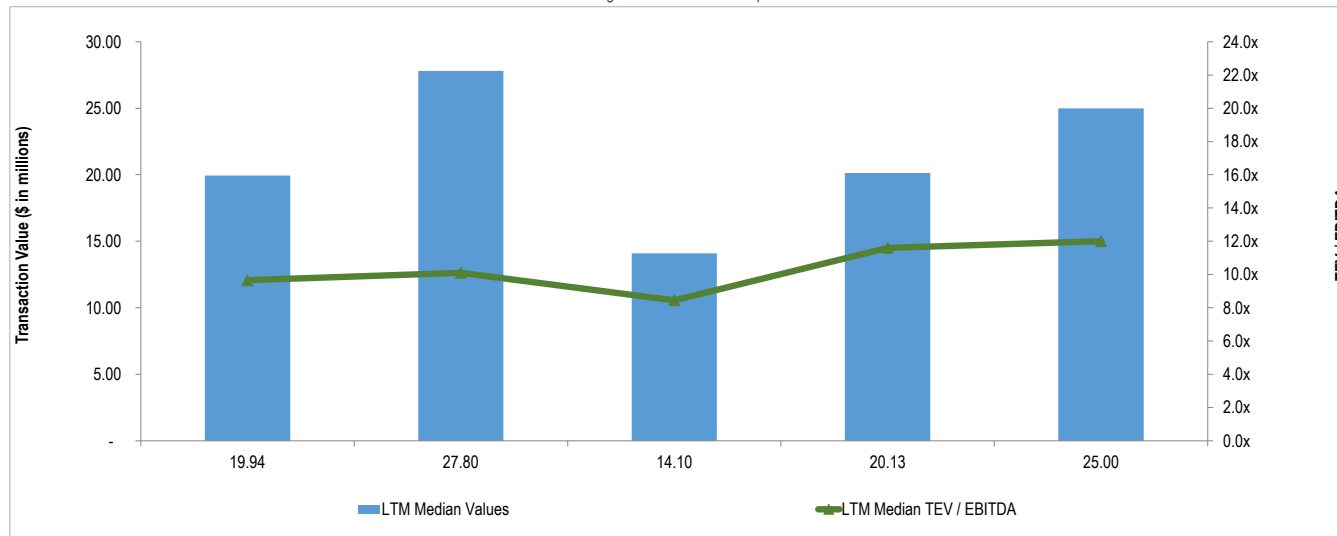
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



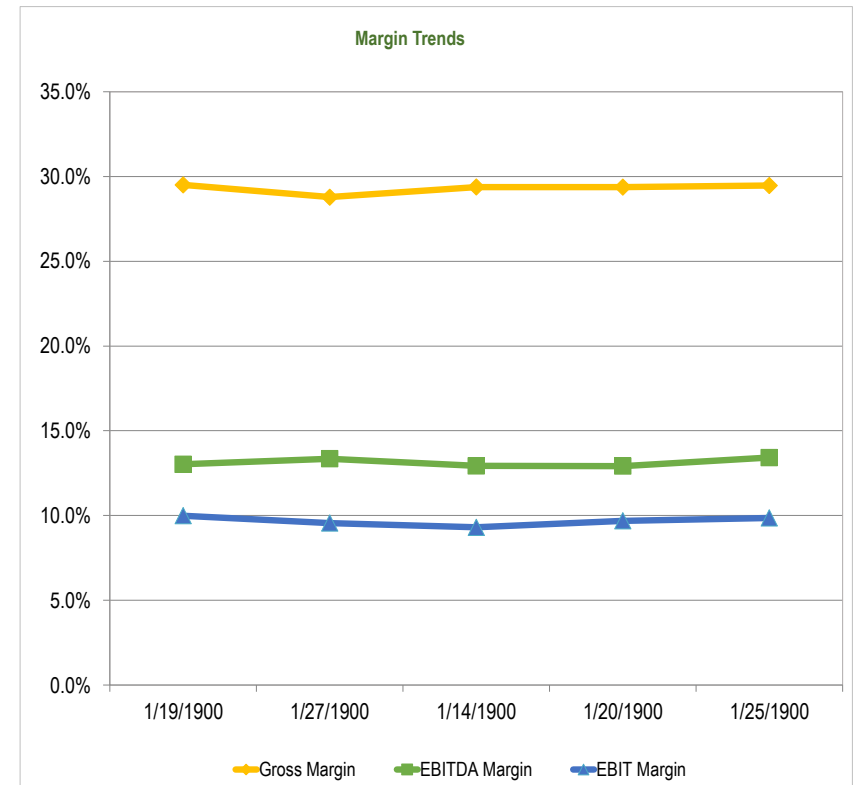
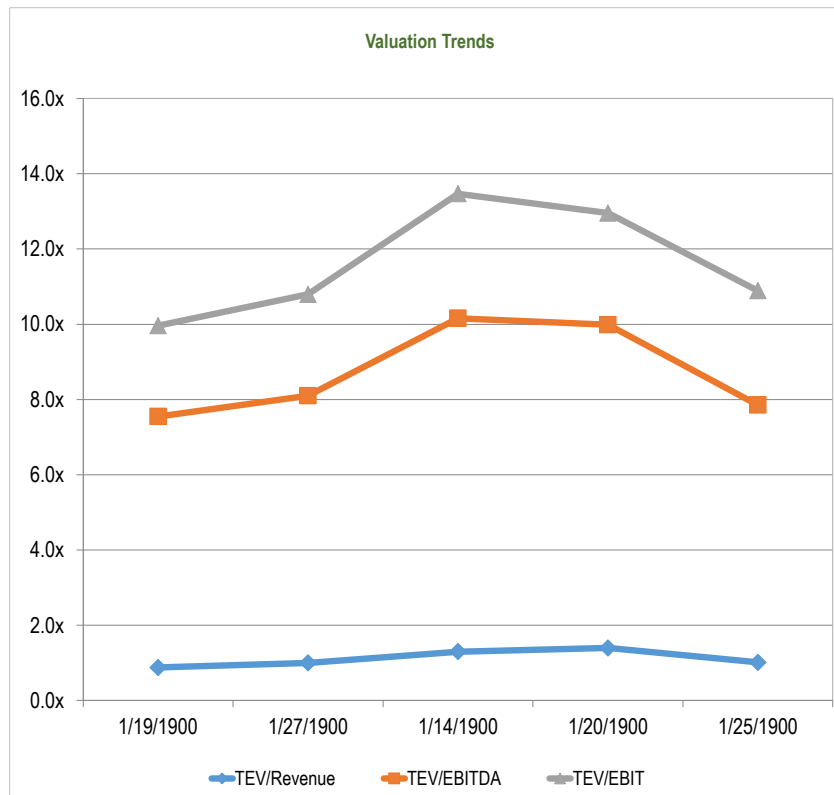
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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	9/30/2015 Trends	
Average	\$2,878	1.3x	11.0x	12.2x	TEV/Revenue	↓
Median	\$956	1.0x	7.9x	10.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	9/30/2015 Trends	
Average	29.5%	12.4%	8.9%	Gross Margin	↑
Median	29.5%	13.4%	9.9%	EBITDA Margin	↑
				EBIT Margin	↑



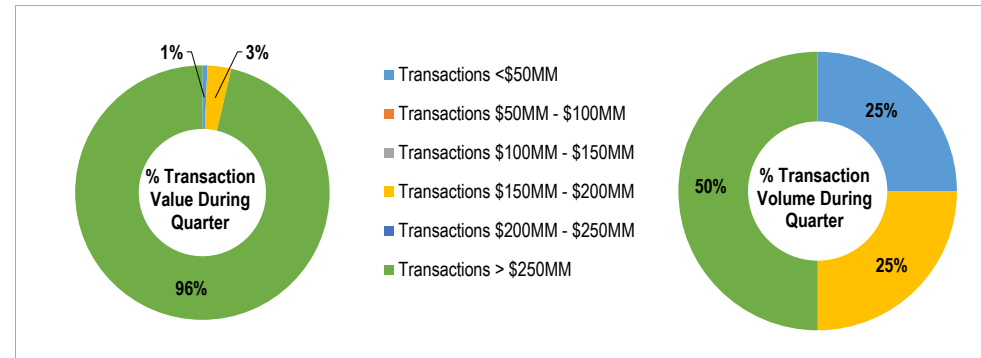
Source: S&P Capital IQ as of 11/4/2015 and PCE Proprietary Data

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

Transaction Volume	58
Number of Transactions with Disclosed Values	4
Transaction Value*	\$6,101.47
Average Transaction Value*	\$1,525.37
Median Transaction Value*	\$1,307.46

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

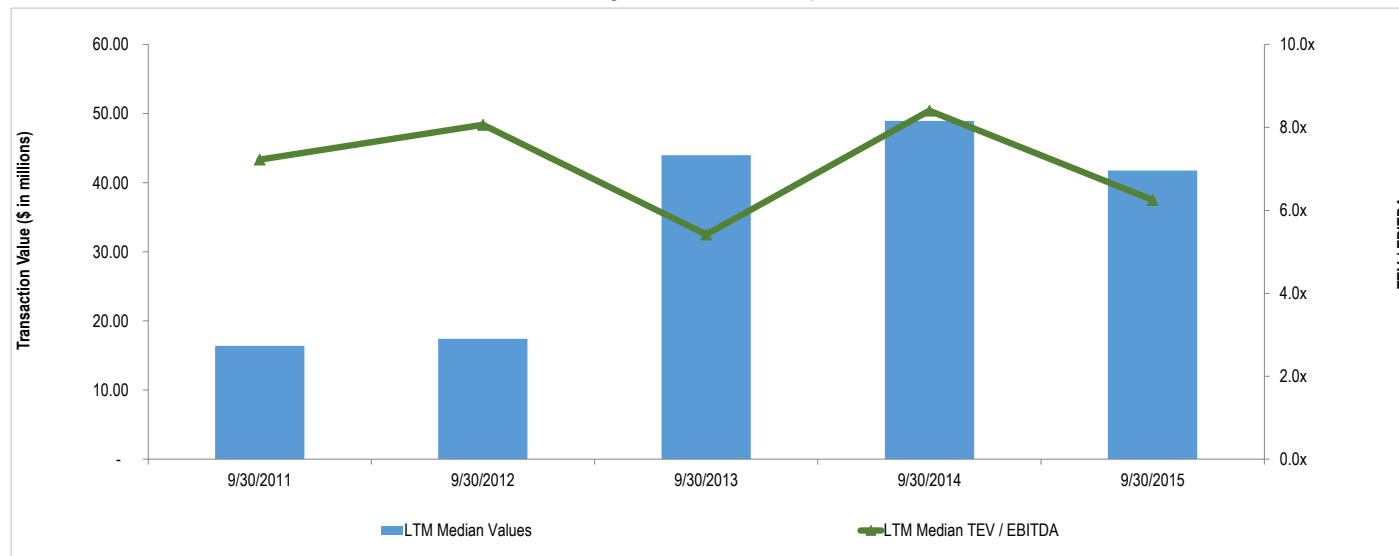
Transaction by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

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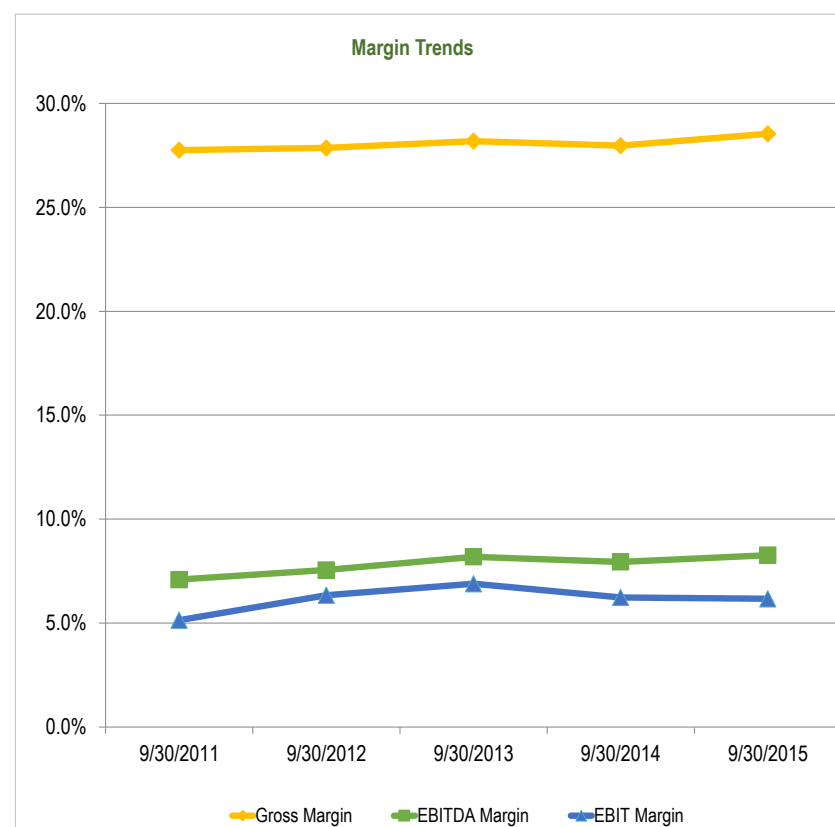
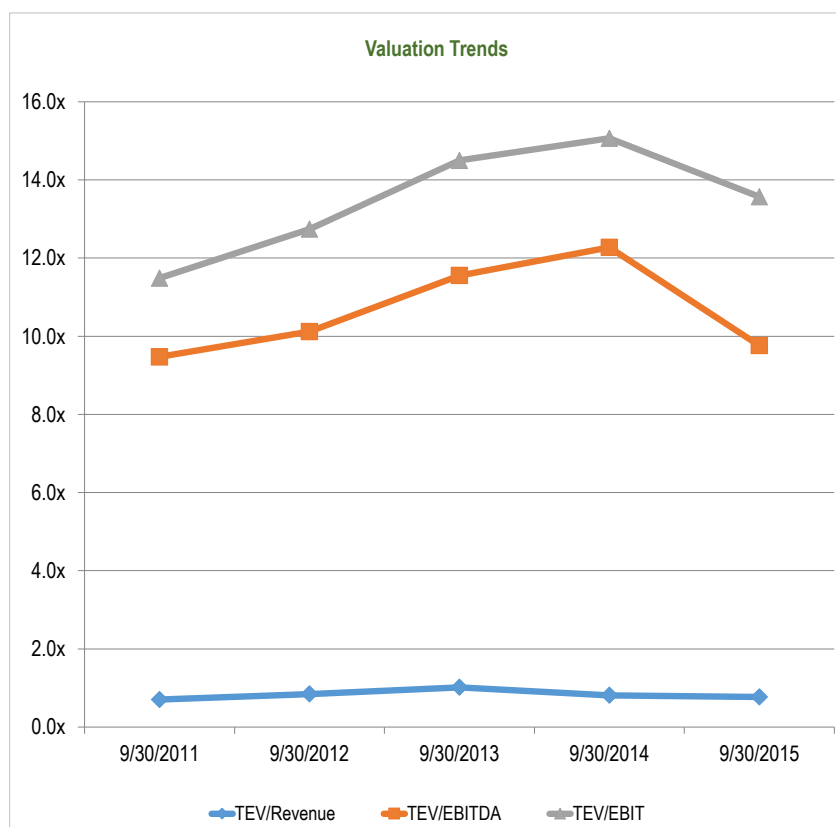
Trading Companies & Distributors

3rd Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,916	2.0x	11.7x	20.5x	TEV/Revenue	↓
Median	\$654	0.8x	9.8x	13.6x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	34.5%	14.1%	11.1%	Gross Margin	↑
Median	28.5%	8.3%	6.2%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 11/4/2015 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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- 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

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- 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/dounded dates only.

Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value