



# PCE Industry Report

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Diversified Industrials





# Middle Market M&A Summary

2nd Quarter 2015

## Diversified Industrials

### Key Highlights

- The average value of the top ten transactions was \$247.1mm.
  - The largest transaction was KapStone Kraft Paper Corporation; KapStone Charleston Kraft, LLC's acquisition of Victor Packaging, LP for \$640.0mm.
  - The smallest transaction was Interfor Corporation's acquisition of The Price Companies, Inc., Sawmill in Monticello for \$29.3mm.
- The public company industry median TEV/EBIT multiple is 13.7x.
- The public company industry median TEV/EBITDA multiple is 9.9x.

### Key Trends

- The Trading Companies & Distributors subsector's transaction volume is trending positively. The Industrial Conglomerates subsector is trending neutrally while the Containers, Packaging, and Paper Products and Machinery subsectors are trending negatively.
- The Trading Companies & Distributors subsector's transaction volume was the largest at 55% of the industry over the past quarter.
- The transaction volume of the industry should increase with a focus on national and international expansion for the largest companies in the industry. Mergers and acquisitions also allow for longer-term contracts from suppliers and specialization in niche markets currently occupied by smaller companies. Employment should also increase an annualized 2.4%.
- As technological innovations replace lower-paying jobs, new roles will lead to more specialized labor and higher wages, thus dampening profit margins. Margins are expected to grow only marginally in the five years to 2020.

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

## Diversified Industrials - For the Quarter Ended 06/30/15

### Industry Trends During Quarter

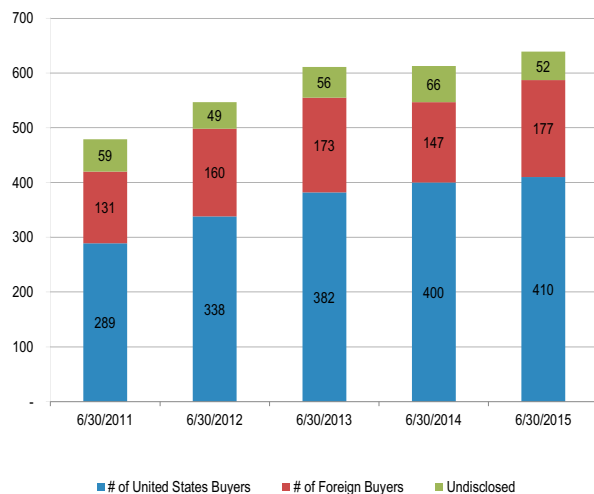
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Containers, Packaging, and Paper Products	↓	↑	↑
Machinery	↓	↑	↓
Trading Companies & Distributors	↑	↑	↑

\* 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
Containers, Packaging & Paper	Victory Packaging, LP	KapStone Kraft Paper Corporation; KapStone Charleston Kraft, LLC	\$640.0
Machinery	Graco Inc., Liquid Finishing Brands	Carlisle Companies Incorporated	\$590.0
Machinery	Infiltrator Systems, Inc.	Ontario Teachers' Pension Plan	\$530.0
Trading Companies & Distributors	Anixter Inc., Fasteners Segment (nka:Optimas OE Solutions Holding LLC)	American Industrial Partners	\$380.0
Machinery	Purafil, Inc. and Kaydon Corporation	Filtration Group Corporation	\$95.0
Containers, Packaging & Paper	Robert Mann Packaging, Inc.	Pratt Industries, Inc.	\$60.0
Trading Companies & Distributors	GPA, Specialty Substrate Solutions Inc.	Fedrigoni S.p.A.	\$50.0
Containers, Packaging & Paper	Southern Lumber Company Inc.	Canfor Corp.	\$48.7
Containers, Packaging & Paper	J.L. Clark, Inc.	CC Industries, Inc.	\$48.0
Containers, Packaging & Paper	The Price Companies, Inc., Sawmill in Monticello	Interfor Corporation	\$29.3

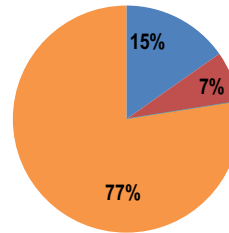
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Containers, Packaging, and Paper Products - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	14
Number of Transactions with Disclosed Values	5
Transaction Value*	\$825.96
Average Transaction Value*	\$165.19
Median Transaction Value*	\$48.70

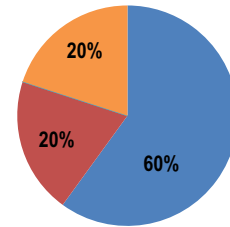
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% Transaction Value During Quarter

## Transactions by Value & Volume

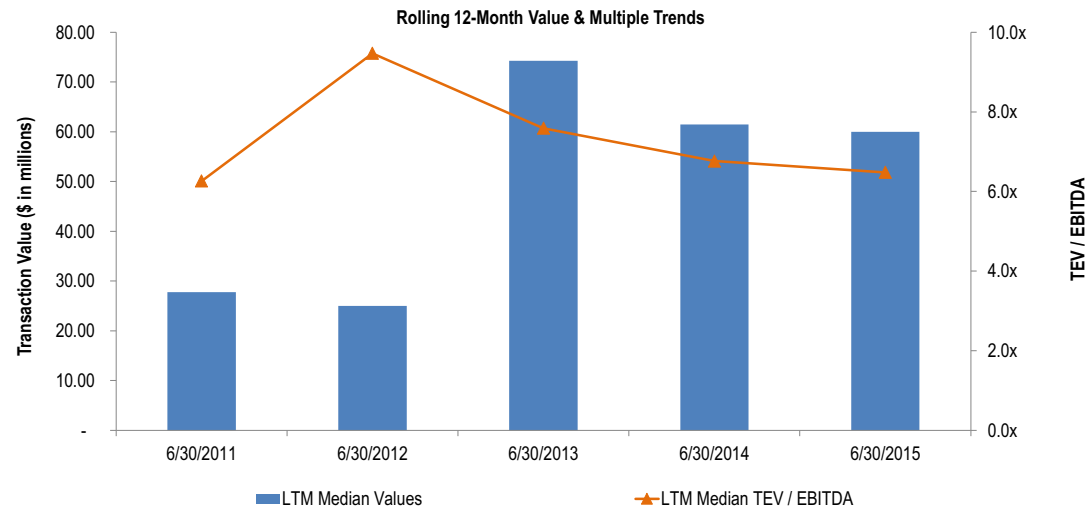
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM



% Transaction Volume During Quarter

\*Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA 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 7/17/2015 and PCE Proprietary Data



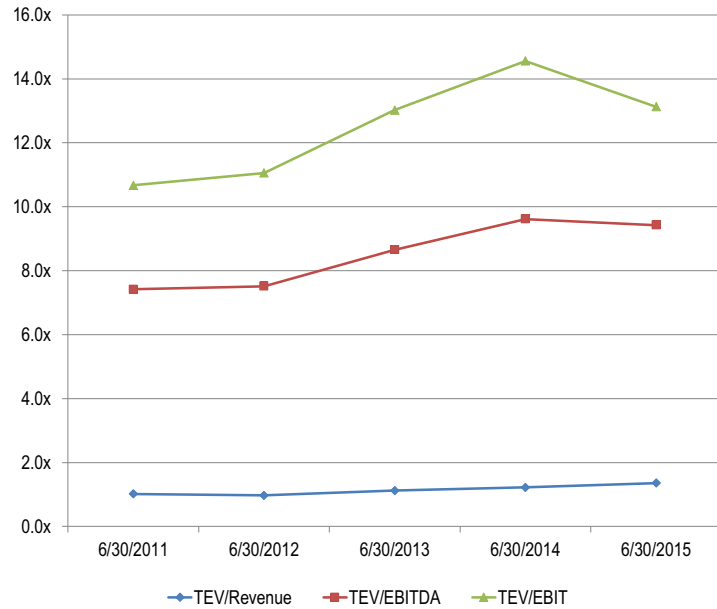
# Containers, Packaging, and Paper Products - For the Quarter Ended 06/30/15

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

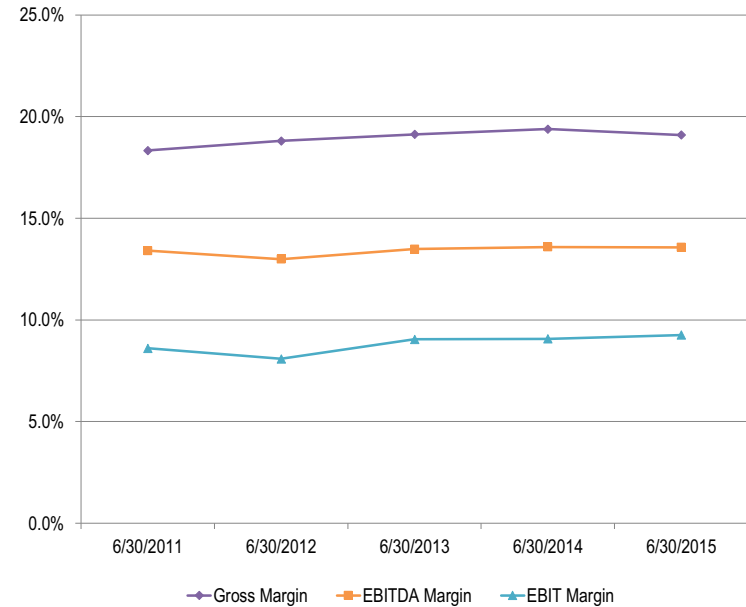
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,699	1.6x	19.9x	19.7x	TEV/Revenue	↑
Median	\$2,327	1.4x	9.4x	13.1x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	21.6%	13.4%	8.2%	Gross Margin	↓
Median	19.1%	13.6%	9.3%	EBITDA Margin	↓
				EBIT Margin	↑

Valuation Trends



Margin Trends



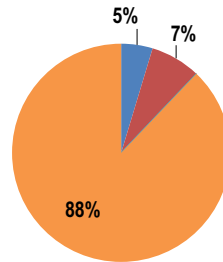
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Machinery - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	65
Number of Transactions with Disclosed Values	9
Transaction Value*	\$1,274.35
Average Transaction Value*	\$141.59
Median Transaction Value*	\$14.30

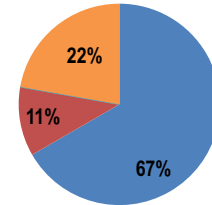
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% Transaction Value During Quarter

## Transactions by Value & Volume

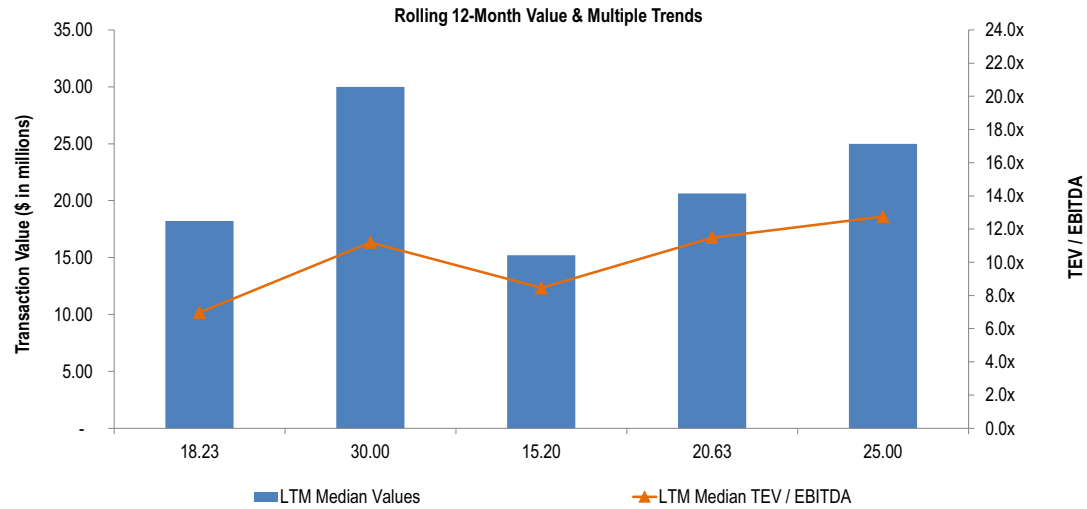
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% Transaction Volume During Quarter

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## Private Sector Value and EBITDA Multiple Trends



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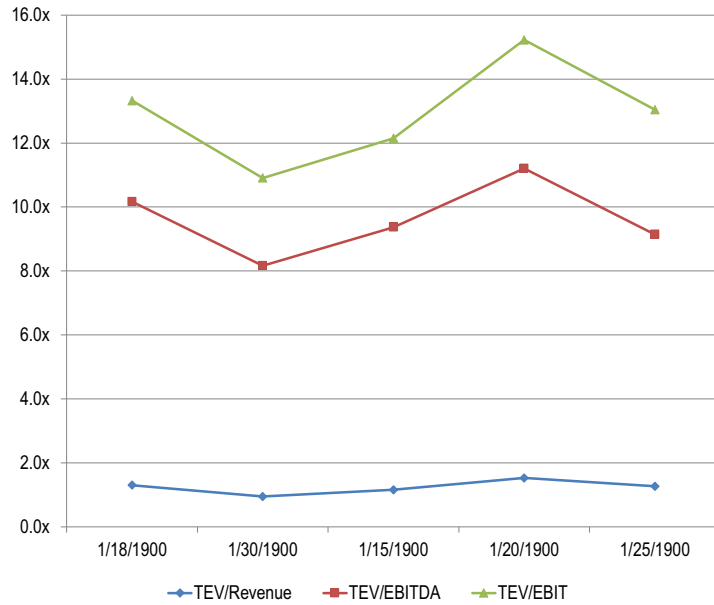
# Machinery - For the Quarter Ended 06/30/15

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

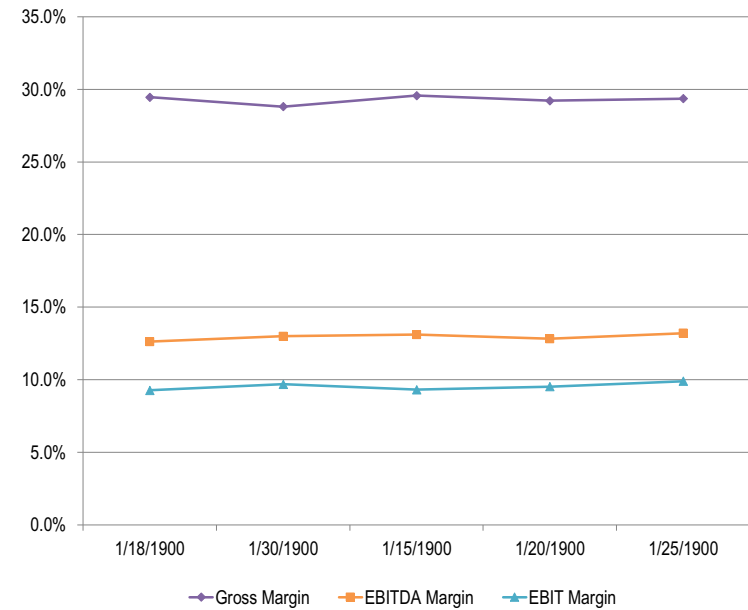
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,417	1.5x	10.0x	14.1x	TEV/Revenue	↓
Median	\$1,121	1.3x	9.1x	13.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	29.5%	12.4%	8.9%	Gross Margin	↑
Median	29.4%	13.2%	9.9%	EBITDA Margin	↑
				EBIT Margin	↑

Valuation Trends



Margin Trends



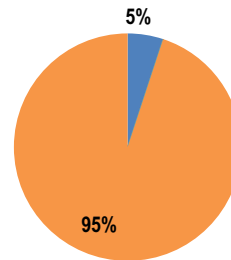
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Trading Companies & Distributors - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	96
Number of Transactions with Disclosed Values	4
Transaction Value*	\$400.27
Average Transaction Value*	\$100.07
Median Transaction Value*	\$18.00

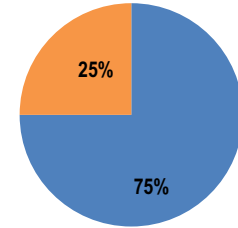
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% Transaction Value During Quarter

## Transactions by Value & Volume

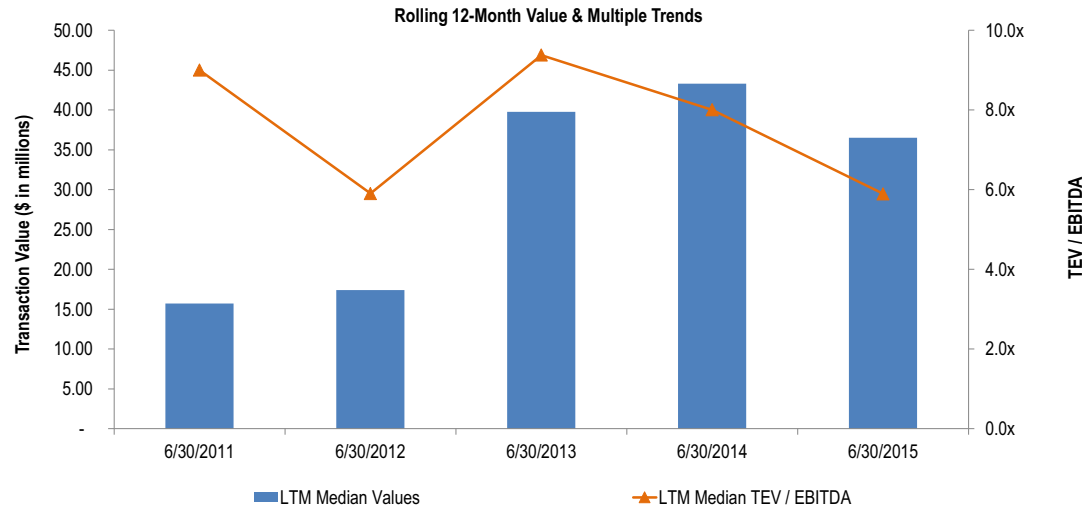
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# Trading Companies & Distributors - For the Quarter Ended 06/30/15

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

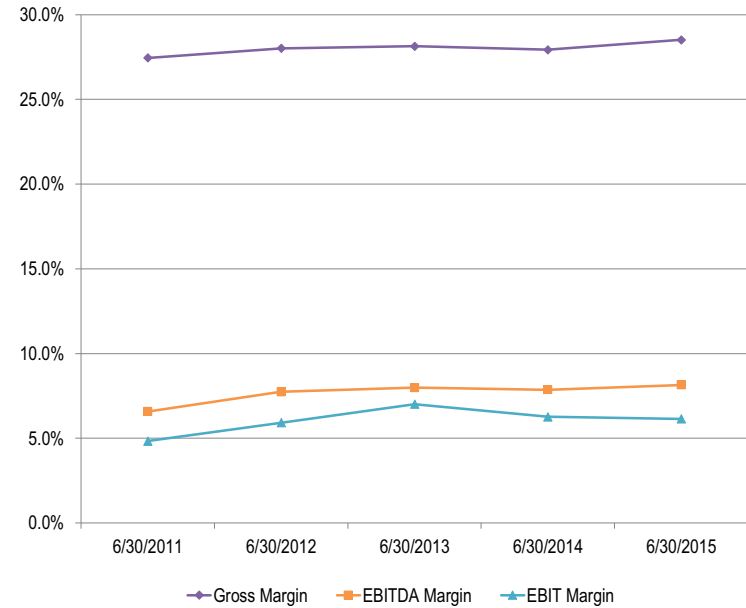
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,197	2.5x	12.7x	16.5x	TEV/Revenue	↓
Median	\$1,032	0.8x	10.4x	14.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	34.8%	14.0%	11.2%	Gross Margin	↑
Median	28.5%	8.1%	6.1%	EBITDA Margin	↑
				EBIT Margin	↓

Valuation Trends



Margin Trends



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

## Data Assumptions

At PCE, we consider 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 announced dates.



**Michael Poole**

PCE  
200 East New England Ave., Suite 400  
Winter Park, FL 32789  
Direct: 407-621-2112  
Main: 407-621-2100  
Fax: 407-621-2199  
mpoole@pcecompanies.com



**Michael Rosendahl**

PCE  
215 E. Ridgewood Ave, Suite 206  
Ridgewood, NJ 07450  
Direct: 201-44-6280  
Main: 407-621-2100  
Fax: 407-621-2199  
mrosendahl@pcecompanies.com

[www.pcecompanies.com](http://www.pcecompanies.com)

## Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value

## About PCE

Eighteen years ago, PCE was formed to provide professional investment banking, business valuation and advisory services to middle market companies. We determined from our experience as business owners that there was a need that was not being professionally fulfilled.

We understand the importance of creating a relationship and the value of trust when providing our services. PCE's professionals are successful business owner, entrepreneurs, lenders, former Federal Reserve board members, CPA's, CFA's, national & international valuation experts, international analysts and investors. PCE offers senior level attention, sound advice, skilled execution and personalized attention you can trust.

Our mission is to be the premier investment bank serving middle market companies. PCE is committed to providing individualized strategies throughout your business life-cycle, focused on maximizing shareholder value.

PCE Investment Bankers, Inc. – member FINRA and SIPC; PCE Valuations, LLC; PCE Advisory, LLC