



# PCE Industry Report

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Diversified Industrials



## Diversified Industrials

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### Key Highlights

- The average value of the top transactions was \$92.8 million.
  - The largest transaction was the acquisition of Steel Technology LLC by Helen of Troy Limited for \$210 million.
  - The smallest transaction was the acquisition of Deluxe Packages by Amcor Limited for \$45 million.
- The public company industry median TEV/EBIT multiple is 15.3x.
- The public company industry median TEV/EBITDA multiple is 11.0x.

### Key Trends

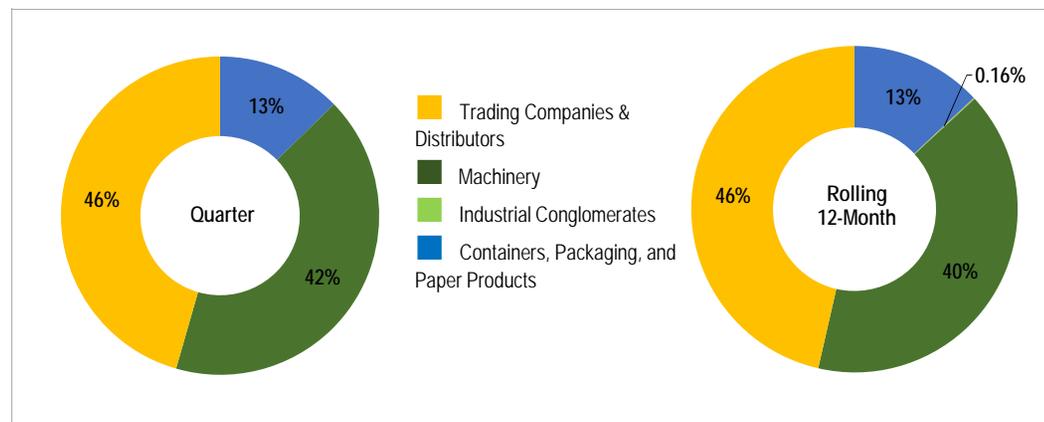
- Factory output in the United States rose only slightly in February, up 0.2% according to the Federal Reserve. However the overall rate of expansion continues to be underwhelming with producers being affected by waning global demand and a strong dollar, despite recent weakness.
- Industrial production was mixed, with industrials servicing energy being hard hit offsetting the gains made in other areas of the sector. Utilities output decreased 4% in February after a gain of 4.2% in January. Overall, the sector remained flat, but with a high degree of variability between sub-sectors dependent on exposure to various industries.
- Industrials in the S&P500 were up in aggregate 5.4% in Q1 2016, one of the better performing sectors in market.
- 2016 could be a year for consolidation from an M&A standpoint as lackluster earnings bring restructuring to the table, particularly for industrial companies with high exposure to the oil and gas sector.
- The industry is undergoing significant technological transformation, with the “Internet of Things”, Robotics, Augmented Reality and 3D printing as the most influential trends. These developments should see the largest shift in industrial manufacturing and services since the industrial revolution, with lower labor costs, increased efficiency, an intensified focus on data and highly interconnected mechatronic environments.

## Industry Trends During Quarter

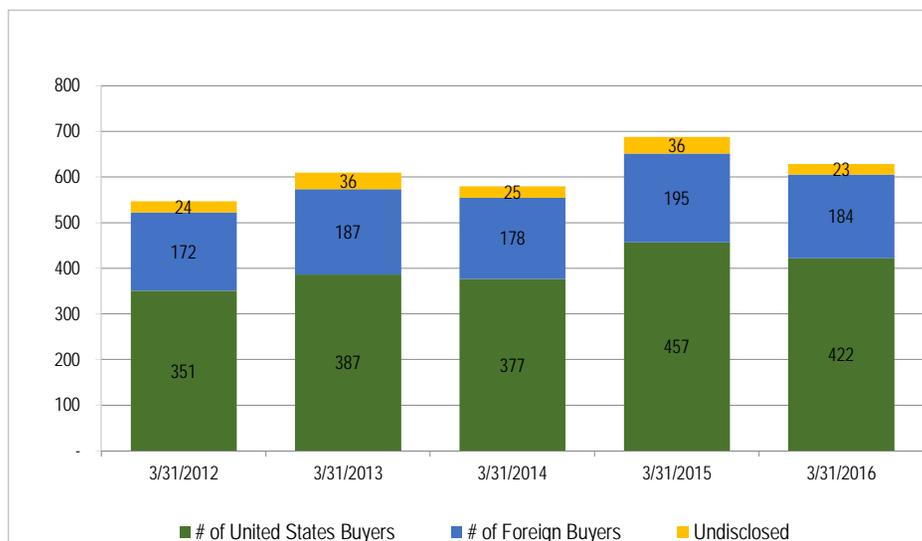
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Containers, Packaging & Paper Products	↓	↓	↑
Industrial Conglomerates	→	↓	↓
Machinery	↓	↓	↓
Trading Companies & Distributors	↓	↓	↑

\* 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)

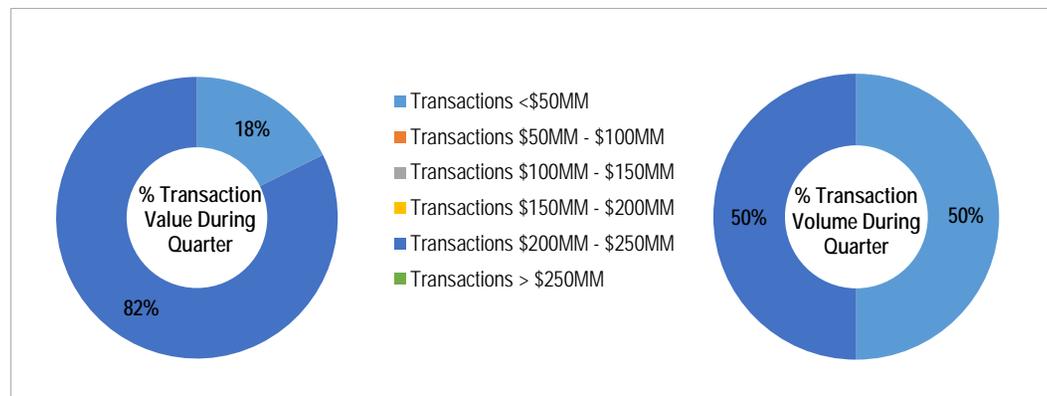
Sector	Target	Buyer	Transaction Value
Containers, Packaging & Paper	Steel Technology LLC	Helen of Troy Limited	\$210.0
Machinery	Red Valve Company, Inc.	Process Equipment Group, Inc.	\$128.4
Machinery	Aqua-Aerobic Systems, Inc.	Metawater USA, INC.	\$87.0
Machinery	Underground Solutions, Inc.	Aegion Corporation	\$85.0
Machinery	HTP Meds, LLC and Hi-Tech Machine and Fabrication, LLC	Hitachi Metals America, LLC	\$84.0
Trading Companies & Distributors	Total Plastics, Inc.	Prophet Equity LLC	\$55.0
Trading Companies & Distributors	MRC Global Inc., U.S. OCTG Business	Sooner, Inc.	\$48.0
Containers, Packaging & Paper	Deluxe Packages	Arcor Limited	\$45.0

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

Transaction Volume		17
Number of Transactions with Disclosed Values		2
Transaction Value*	\$	255.00
Average Transaction Value*	\$	127.50
Median Transaction Value*	\$	127.50

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

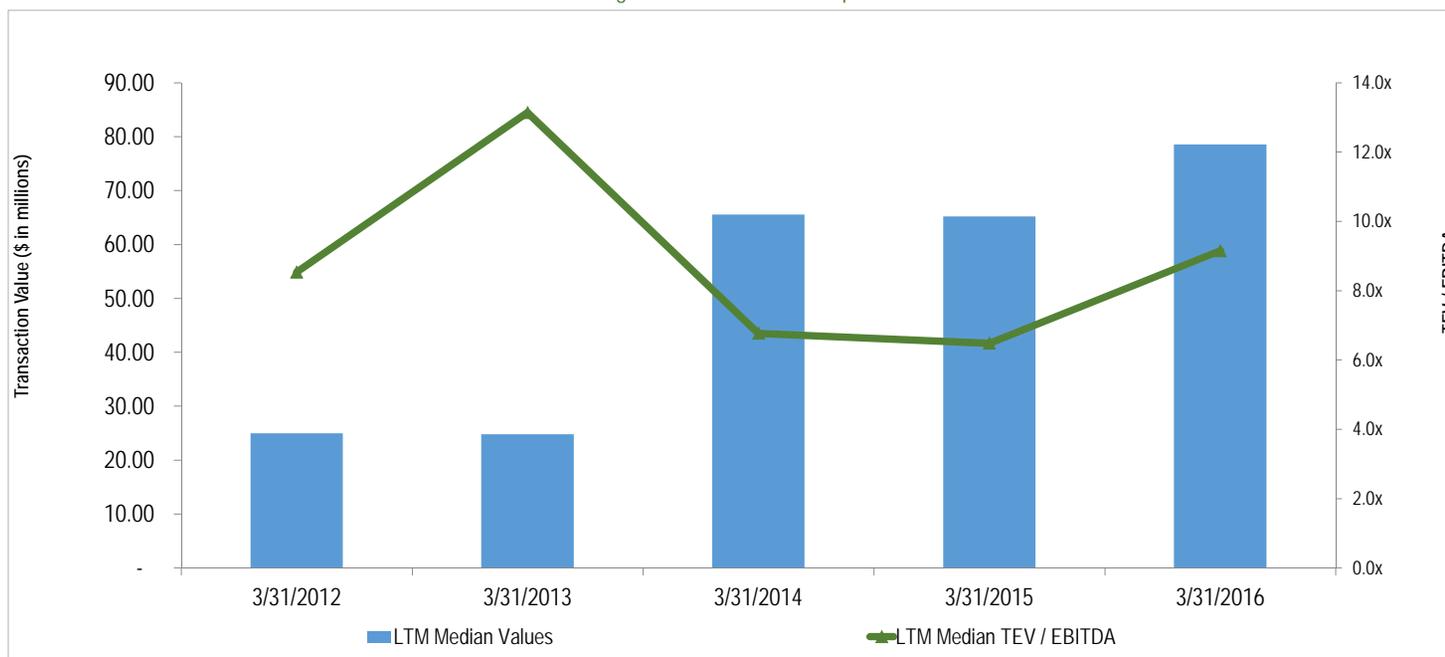
## Transaction by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



\* 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.

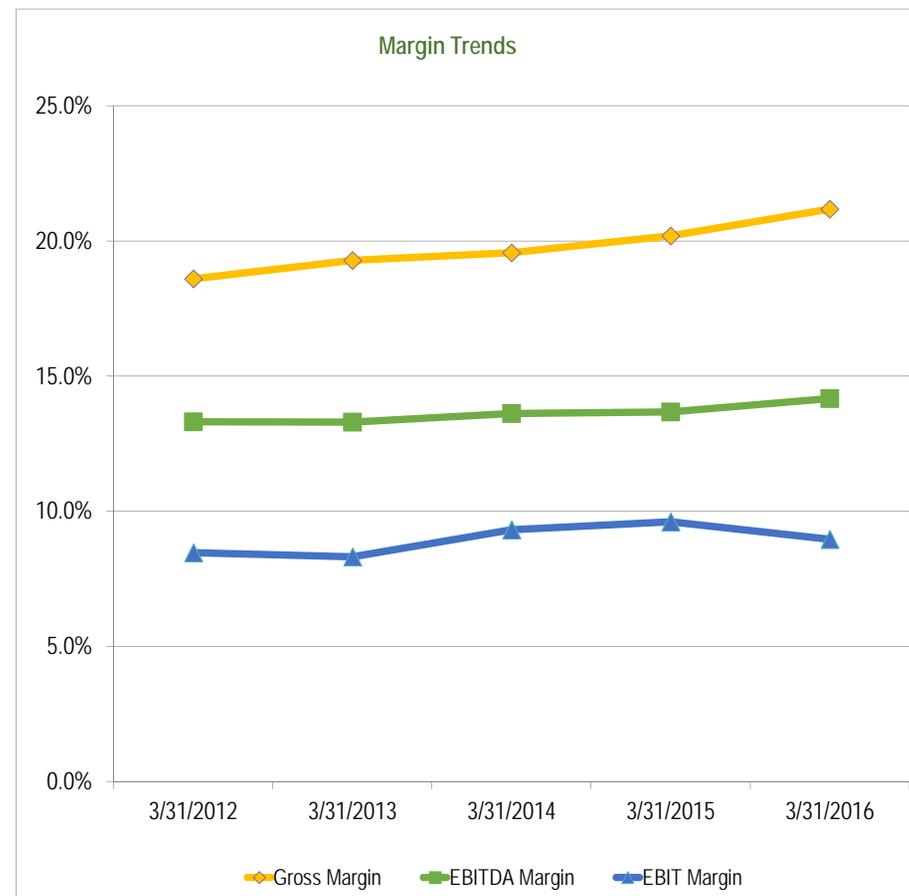
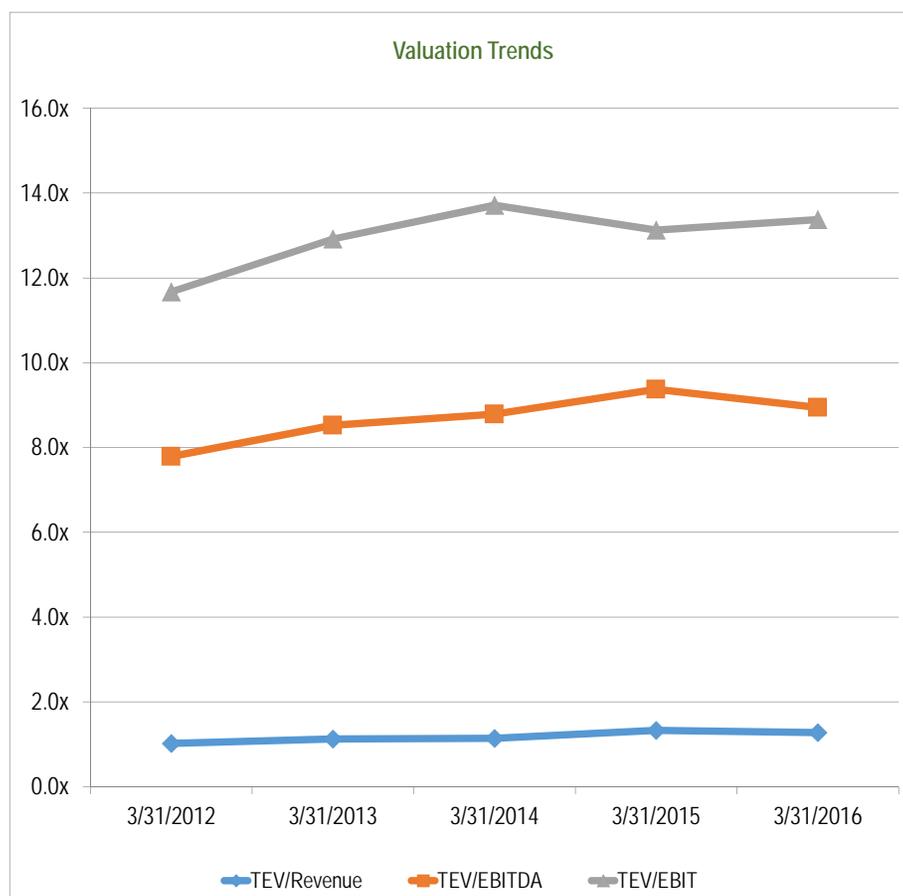
# Containers, Packaging & Paper Products

1st Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,718	1.6x	11.4x	17.8x	TEV/Revenue	↓
Median	\$2,503	1.3x	8.9x	13.4x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	22.5%	14.1%	8.8%	Gross Margin	↑
Median	21.2%	14.2%	9.0%	EBITDA Margin	↑
				EBIT Margin	↓



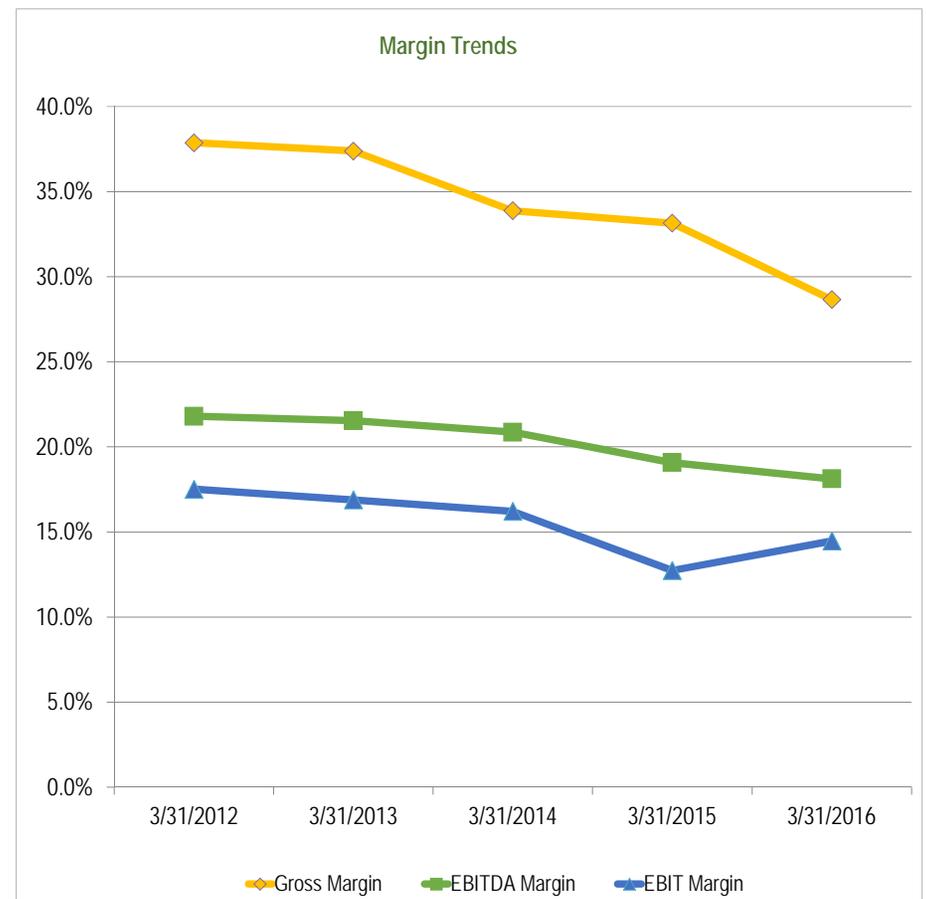
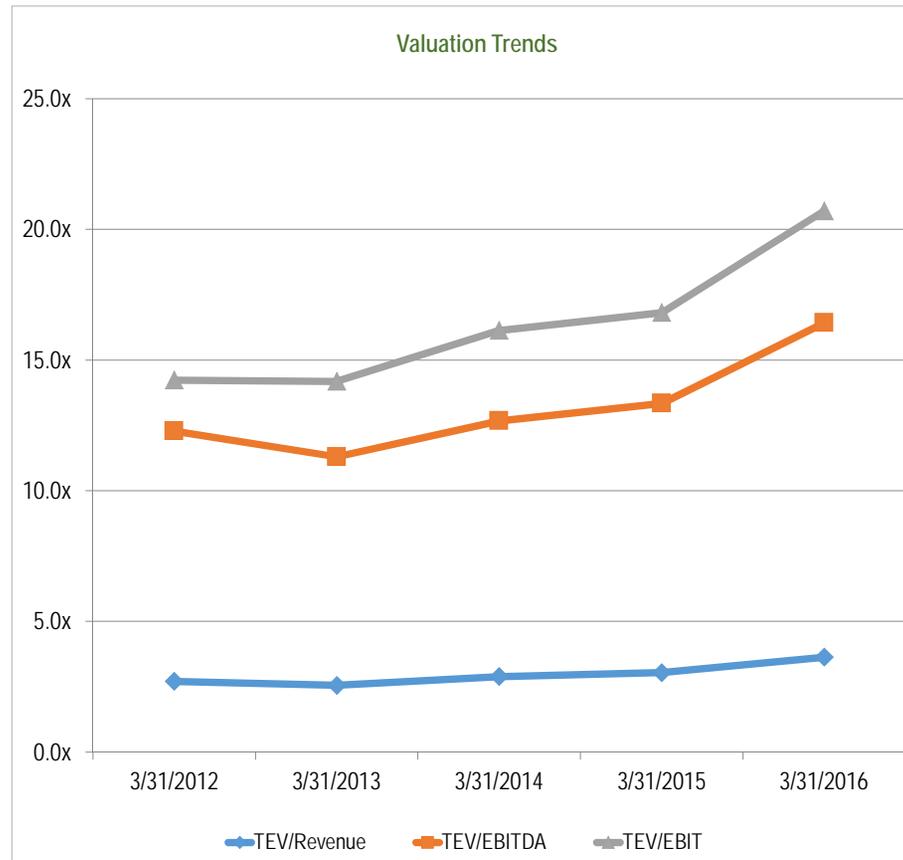
# Industrial Conglomerates

1st Quarter 2016

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	3/31/2016 Trends	
Average	\$69,315	3.3x	19.1x	24.9x	TEV/Revenue	↑
Median	\$18,062	3.6x	16.4x	20.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	3/31/2016 Trends	
Average	35.7%	19.5%	14.2%	Gross Margin	↓
Median	28.7%	18.1%	14.5%	EBITDA Margin	↓
				EBIT Margin	↑

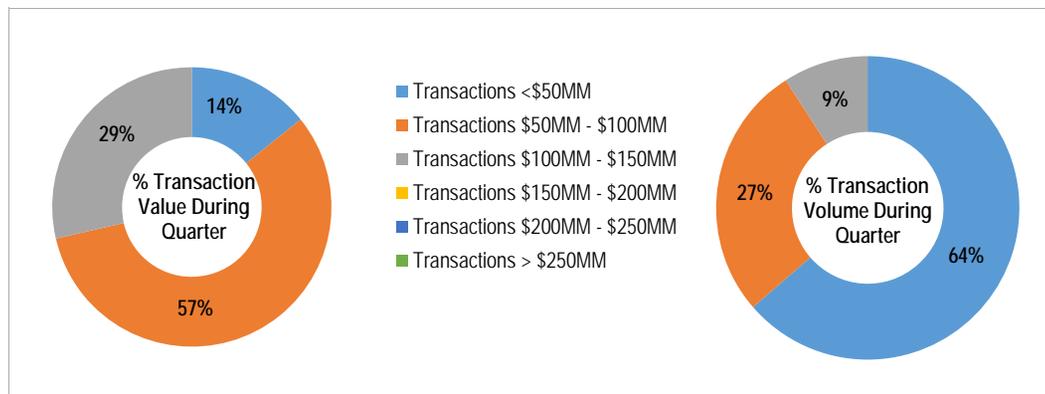


### Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	56
Number of Transactions with Disclosed Values	11
Transaction Value*	\$448.08
Average Transaction Value*	\$40.73
Median Transaction Value*	\$11.17

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

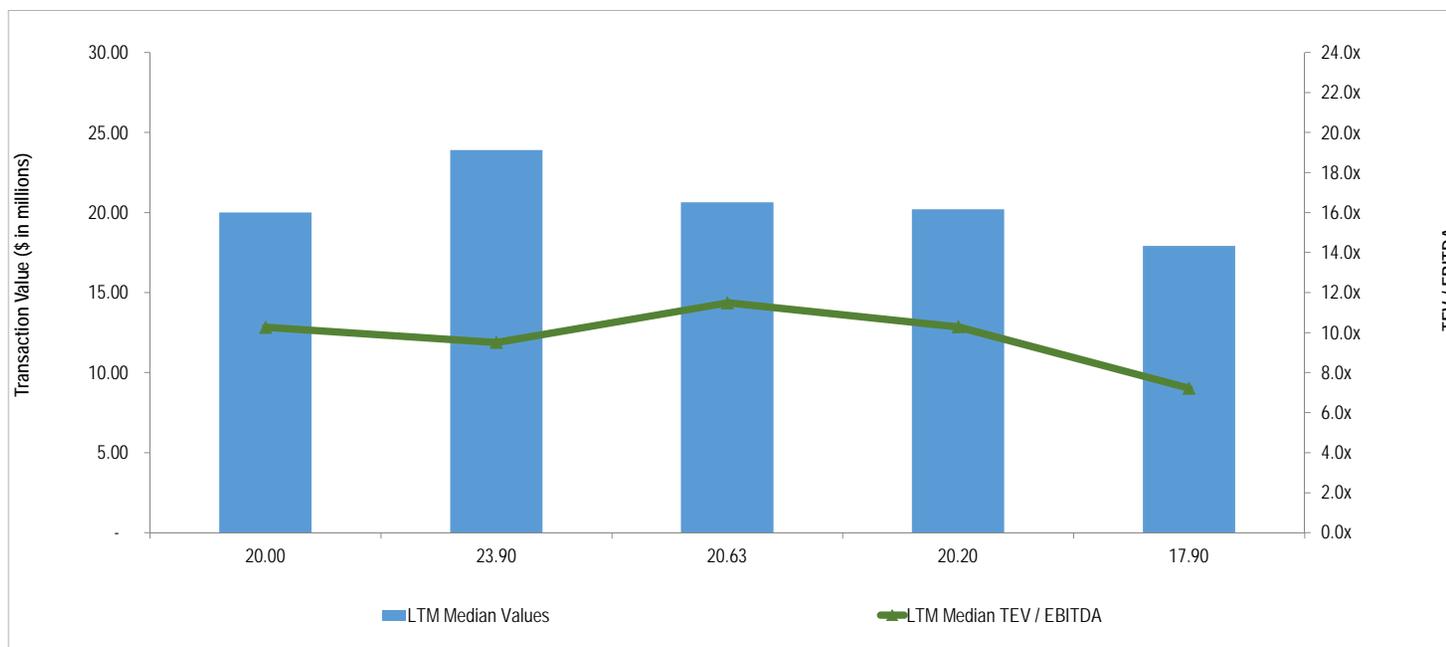
### Transactions by Value & Volume



Based on transactions with disclosed financial data only

### Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

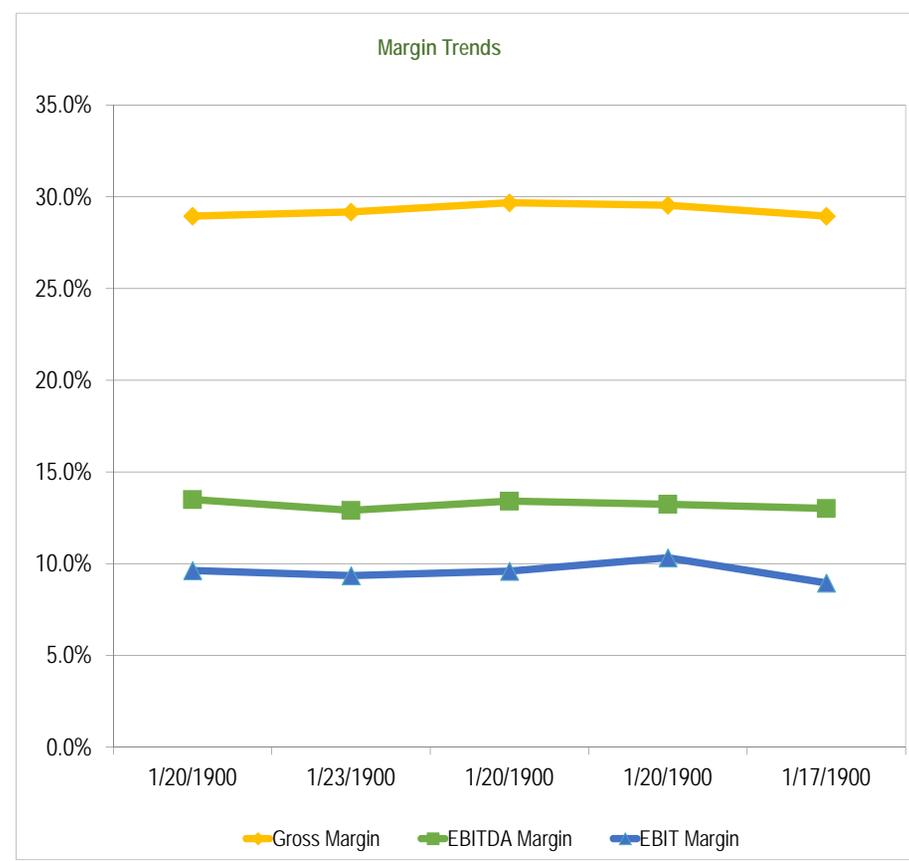
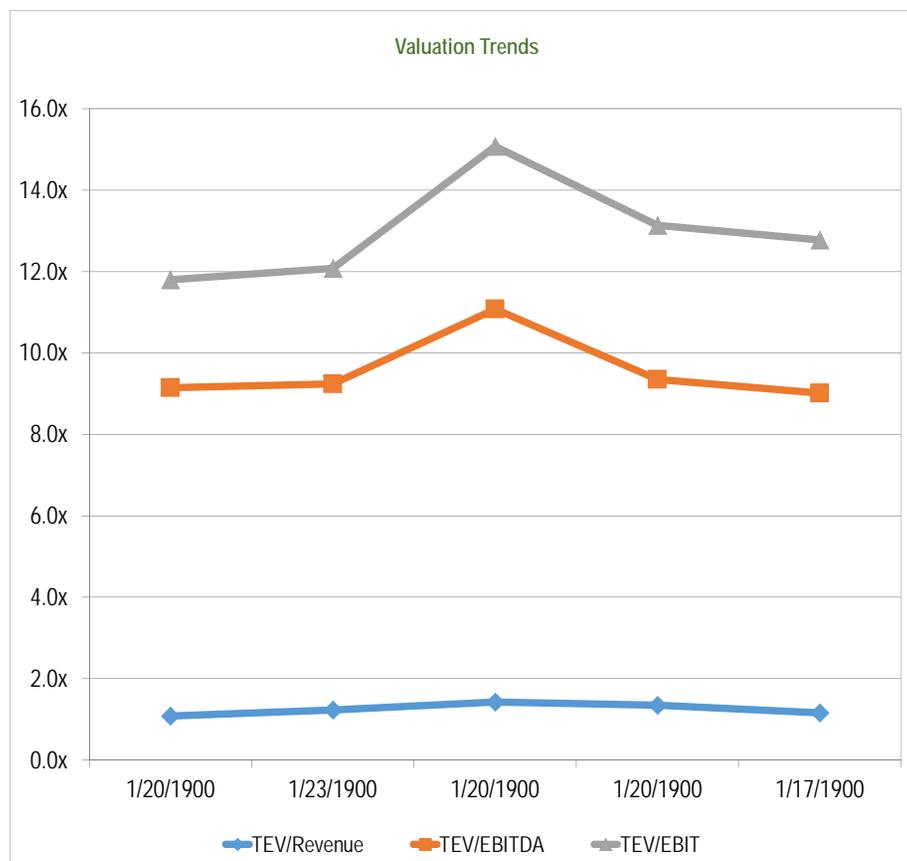


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### Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	3/31/2016 Trends	
Average	\$2,953	1.5x	9.6x	13.4x	TEV/Revenue	↓
Median	\$906	1.2x	9.0x	12.8x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	3/31/2016 Trends	
Average	29.3%	12.2%	8.4%	Gross Margin	↓
Median	29.0%	13.0%	8.9%	EBITDA Margin	↓
				EBIT Margin	↓

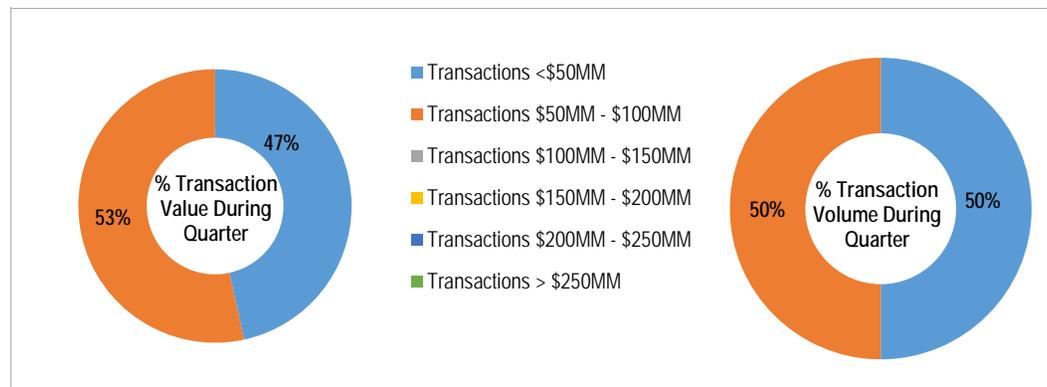


## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	61
Number of Transactions with Disclosed Values	2
Transaction Value*	\$103.00
Average Transaction Value*	\$51.50
Median Transaction Value*	\$51.50

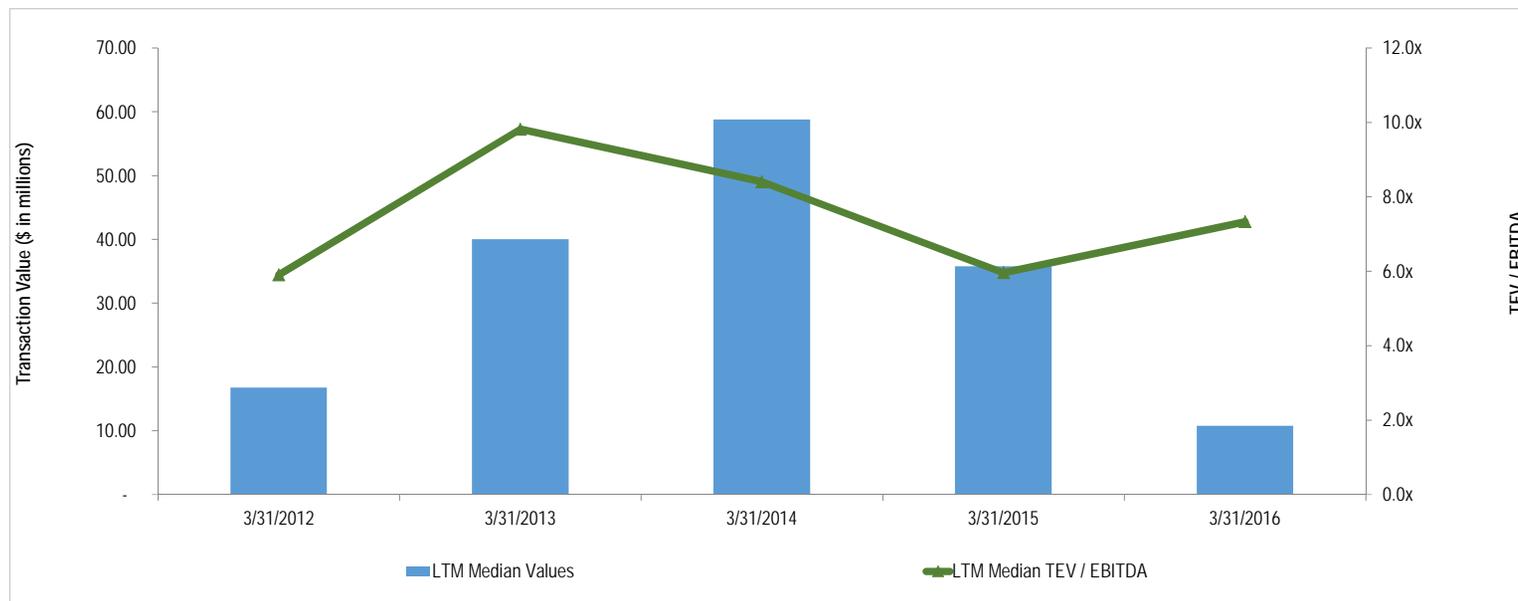
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## Transaction by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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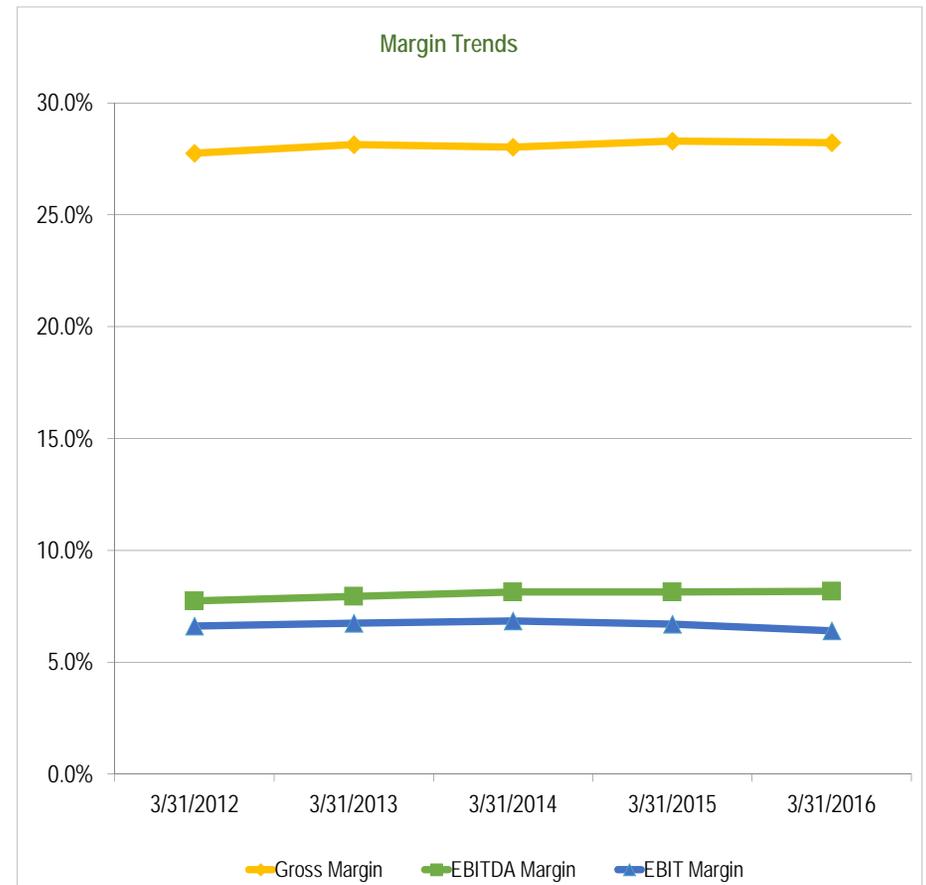
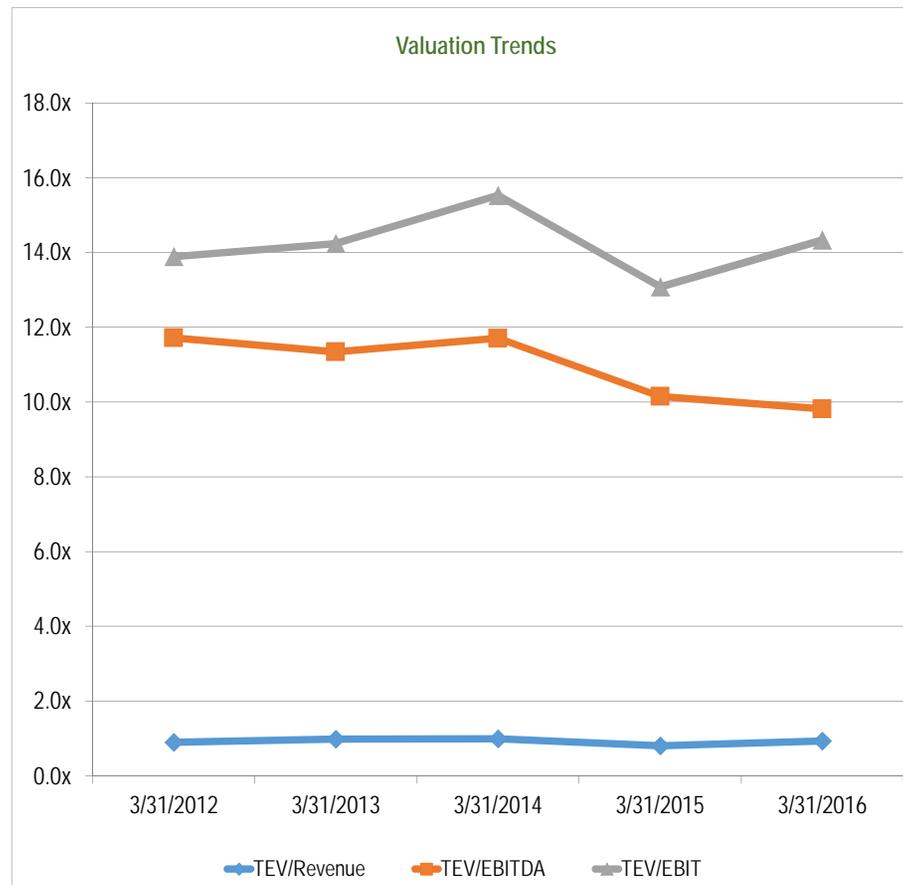
# Trading Companies & Distributors

1st Quarter 2016

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	3/31/2016 Trends	
Average	\$2,012	2.0x	11.7x	17.1x	TEV/Revenue	↑
Median	\$715	0.9x	9.8x	14.3x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	3/31/2016 Trends	
Average	35.9%	16.2%	12.3%	Gross Margin	↓
Median	28.2%	8.2%	6.4%	EBITDA Margin	↑
				EBIT Margin	↓



# 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

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

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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/disclosed dates only.

## Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value