



PCE Industry Report

Diversified Industrials



Middle Market M&A Summary

Diversified Industrials

3rd Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$566.2 million.
 - The largest transaction was the acquisition of BWAY Parent Company, Inc. by Stone Canyon Industries, LLC for \$2.4 billion.
 - The smallest transaction was the acquisition of Lovejoy, Inc. by The Timken Company for \$66 million.
- The public company industry median TEV/EBIT multiple is 14.8x.
- The public company industry median TEV/EBITDA multiple is 10.5x.

Key Trends

- The Industrial Conglomerates subsector's transaction volume is trending neutrally while Machinery, Containers, Packaging & Paper, and Trading Companies & Distributors are trending negatively.
- The Machinery subsector's transaction volume was the largest at 52% of the industry over the past quarter.

According to the U.S. Bureau of Economic Analysis, America's fixed assets are aging as companies and governments remain reluctant to update U.S. factories, hospitals, roadways, and housing. With a current average age of 22.8 years, America's infrastructure and equipment ranks as the oldest in records dating to 1925.¹
- In lieu of purchasing expensive equipment, a rising number of construction companies are choosing to rent and lease machinery to replace aging equipment in secondhand markets, decreasing revenue for manufacturers including Caterpillar, Volvo, and Deere.²
- Despite an increase in online sales, retailers (including Macy's and Target) reported declining profits attributed to shipping costs. Therefore, companies offering free shipping are reexamining packaging to develop cost-effective and sustainable mailing solutions.³
- The Cardboard Box and Container Manufacturing industry serves all sectors of the United States' economy and the sales of cardboard boxes and containers generally indicate the nation's overall economic health. The industry's production is expected to improve over the next five years to meet increased consumer spending, and its revenue is expected to reach \$59.5 billion in 2021. However, the industry faces competition as sustainable, durable, and protective packaging substitutes continue to advance.

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

¹Bloomberg, "America is Aging in More Ways Than One", October 2016

²WSJ, "Heavy-Equipment Glut Weighs on Machine Makers", September 2016

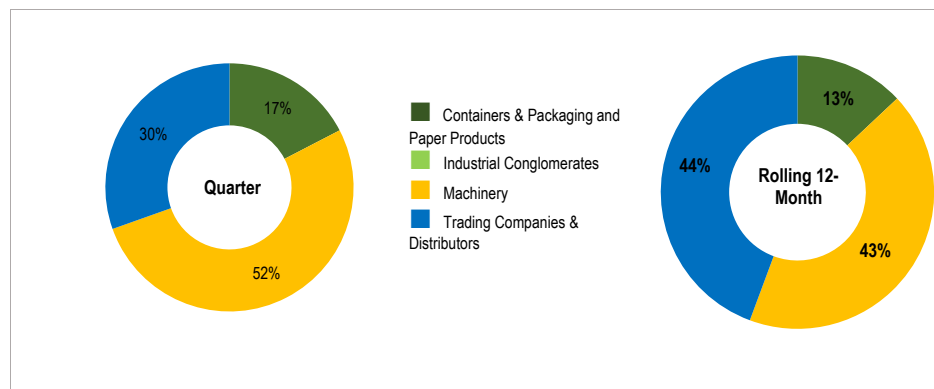
³WSJ, "Online Shopping Mystery: Why Tiny Items Arrive in Giant Boxes", August 2016

Industry Trends During Quarter

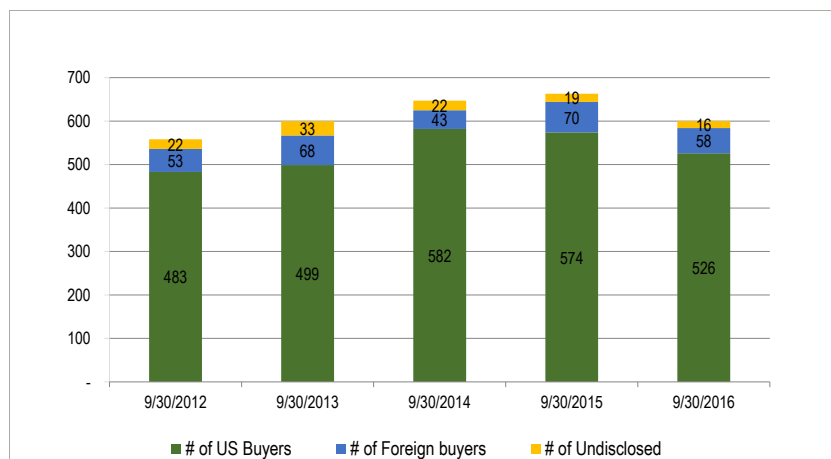
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Containers & Packaging and Paper Products	↓	↑	↓
Industrial Conglomerates	→	↑	↑
Machinery	↓	↑	↑
Trading Companies & Distributors	↓	↓	↓

* 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 and Paper Products	BWAY Parent Company, Inc.	Stone Canyon Industries, LLC	\$2,400.0
Machinery	Intelligrated Inc.	Honeywell Sensing and Productivity Solutions	\$1,500.0
Containers & Packaging and Paper Products	Tim-Bar Corporation	Packaging Corporation of America	\$386.0
Machinery	The Climate Control Group, Inc.	NIBE Energy Systems Inc.	\$364.0
Containers & Packaging and Paper Products	Weyerhaeuser NR Company, Liquid Packaging Board Business	Nippon Paper Industries Co., Ltd.	\$285.0
Machinery	Young & Franklin Inc.	TransDigm Group Incorporated	\$260.0
Machinery	Dejana Truck & Utility Equipment Co., Inc.	Douglas Dynamics, Inc.	\$206.0
Trading Companies & Distributors	Rugby IPD Corp.	Hardwoods Specialty Products US LP	\$119.8
Trading Companies & Distributors	Essex Crane Rental Corp. and Three Trading Locations	Maxim Crane Works, L.P.	\$75.0
Machinery	Lovejoy, Inc.	The Timken Company	\$66.0

Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

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

Transaction Volume	18
Number of Transactions with Disclosed Values	4
Transaction Value*	\$3,102.90
Average Transaction Value*	\$775.73
Median Transaction Value*	\$335.50

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

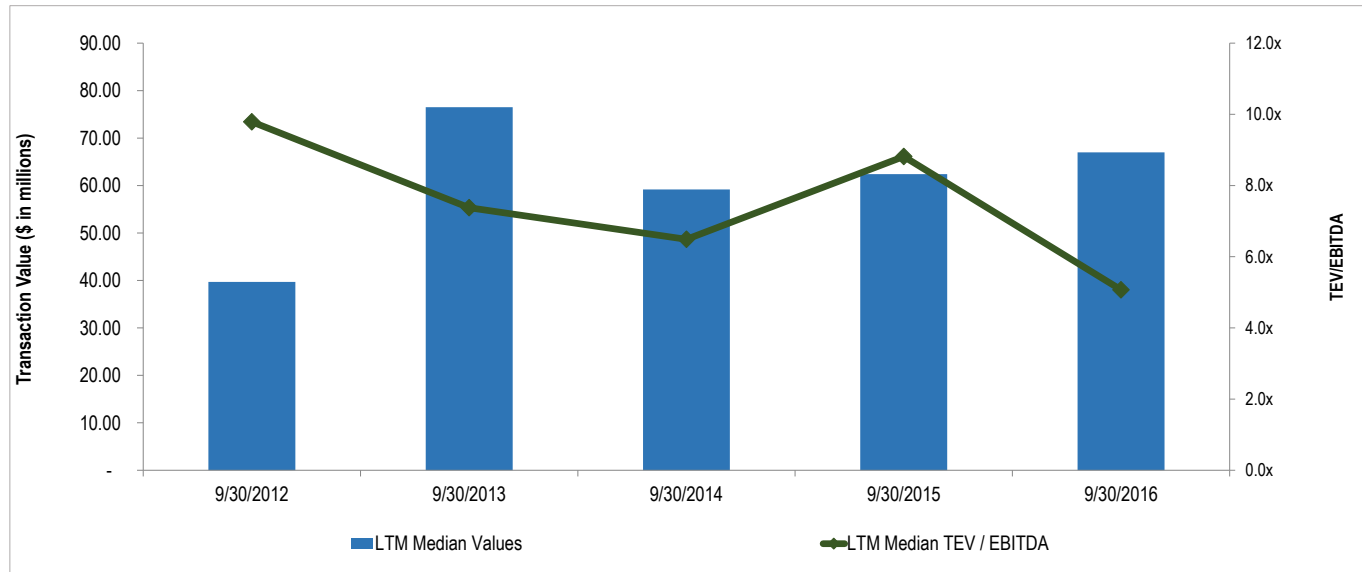
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

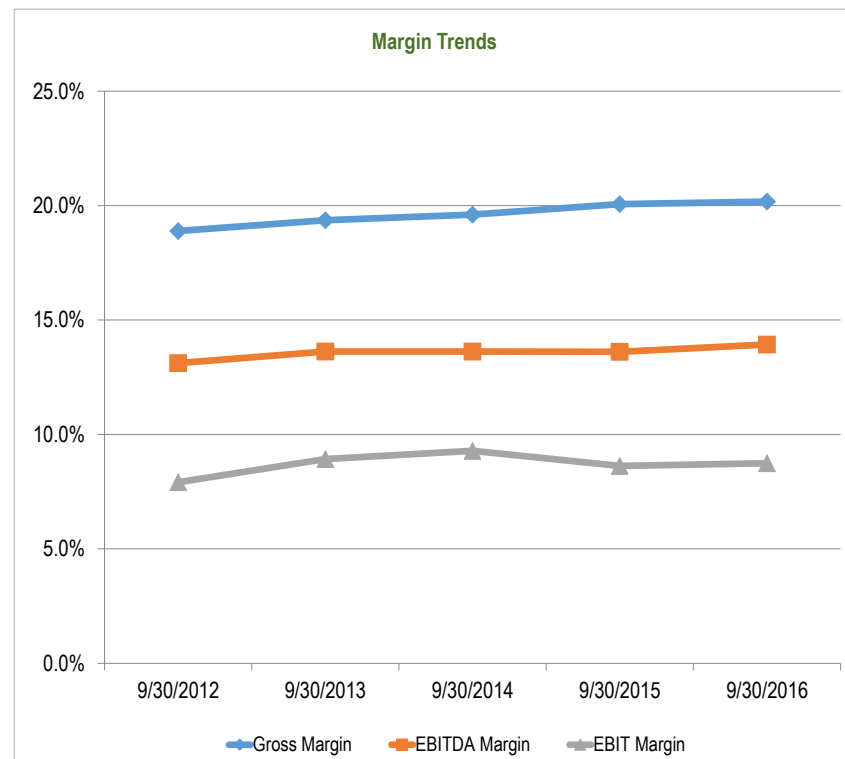
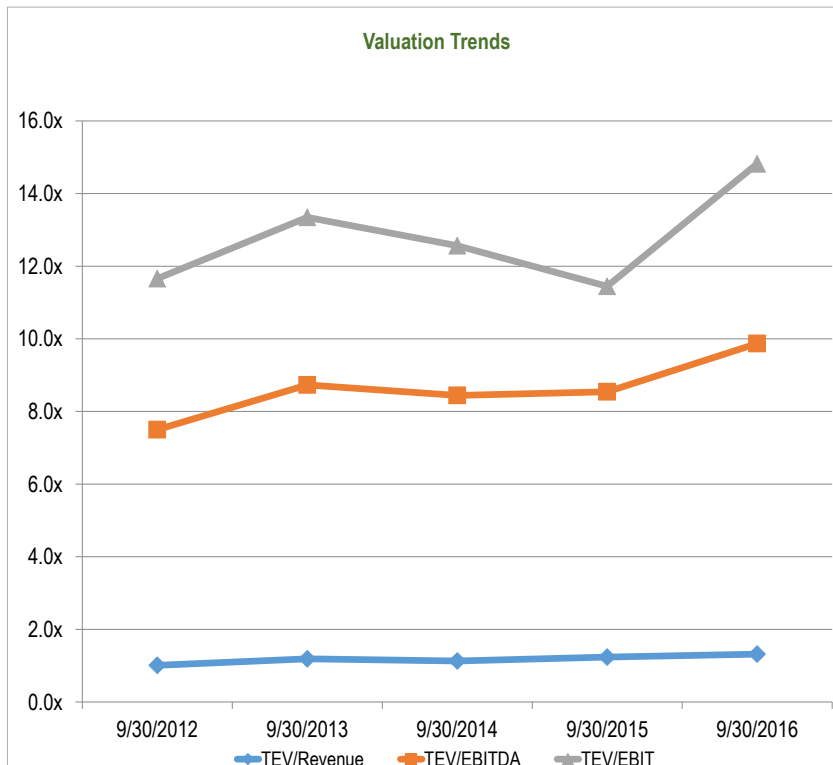
Containers & Packaging and Paper Products

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,011	1.7x	11.8x	24.8x	TEV/Revenue	↑
Median	\$2,527	1.3x	9.9x	14.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	22.0%	13.4%	7.7%	Gross Margin	↑
Median	20.2%	13.9%	8.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

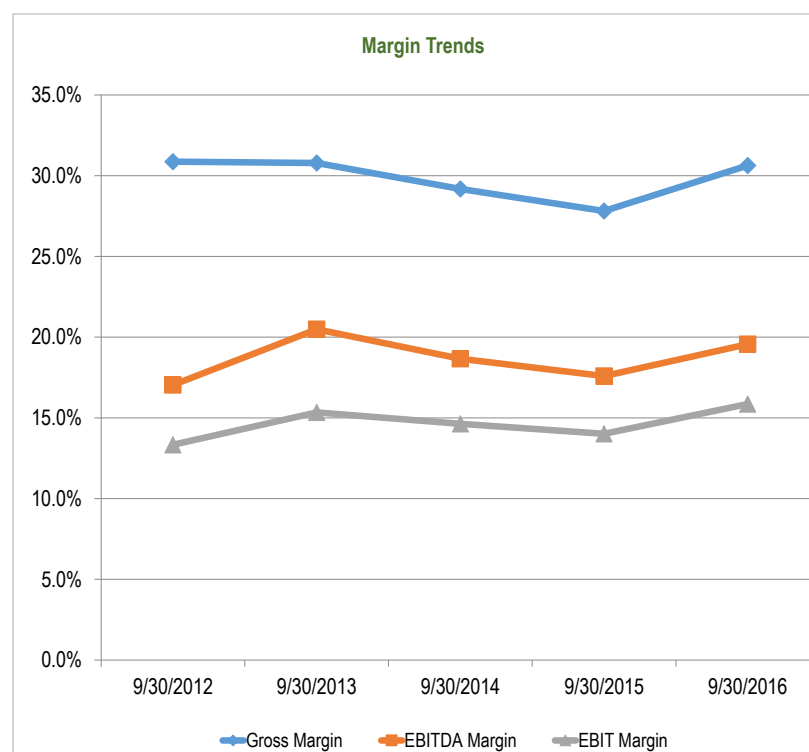
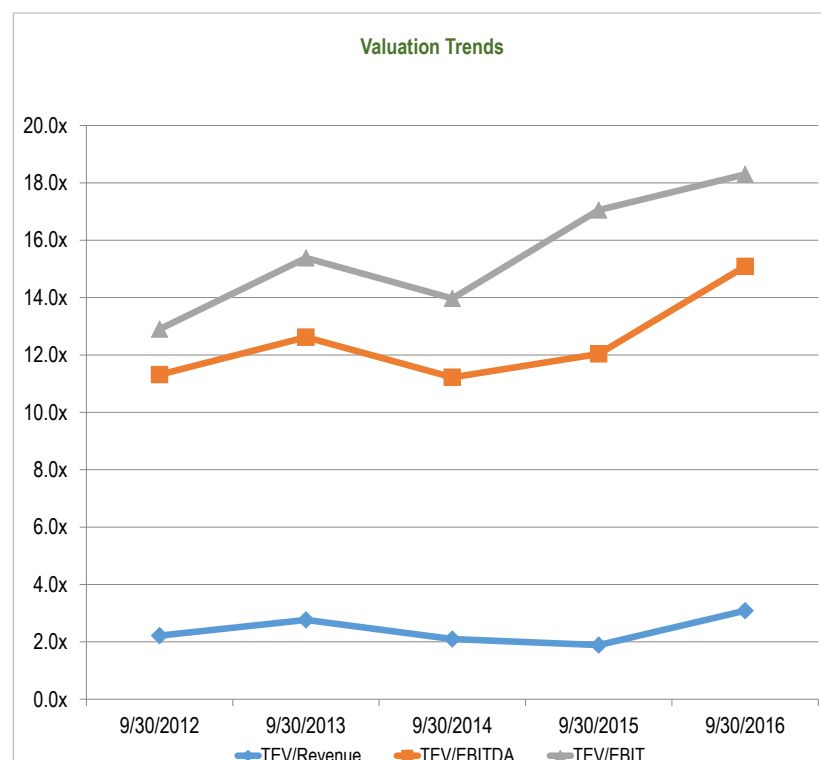
Industrial Conglomerates

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$67,891	3.2x	16.3x	23.9x	TEV/Revenue	↑
Median	\$17,873	3.1x	15.1x	18.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	30.9%	17.2%	12.0%	Gross Margin	↑
Median	30.6%	19.6%	15.9%	EBITDA Margin	↑
				EBIT Margin	↑



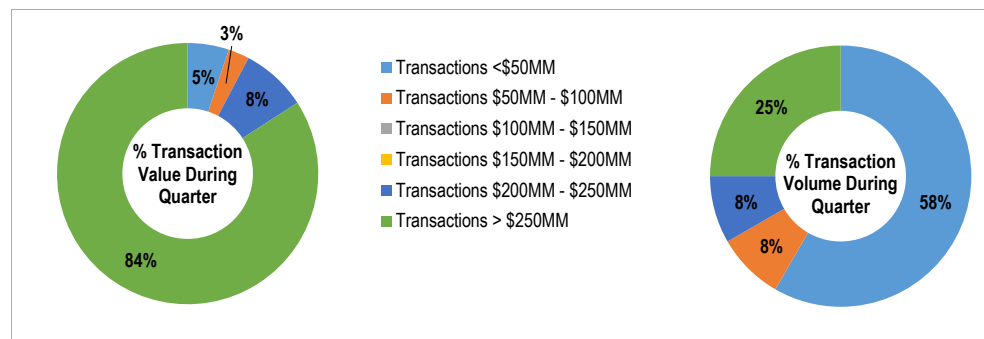
Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

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

Transaction Volume	46
Number of Transactions with Disclosed Values	12
Transaction Value*	\$2,524.78
Average Transaction Value*	\$210.40
Median Transaction Value*	\$43.70

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

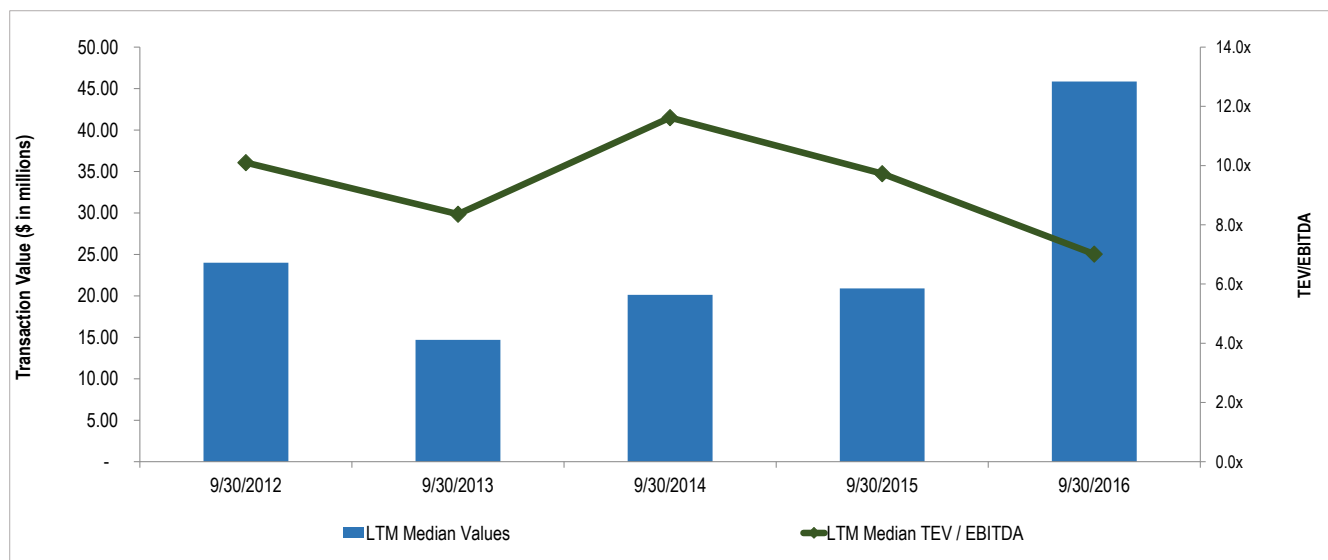
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

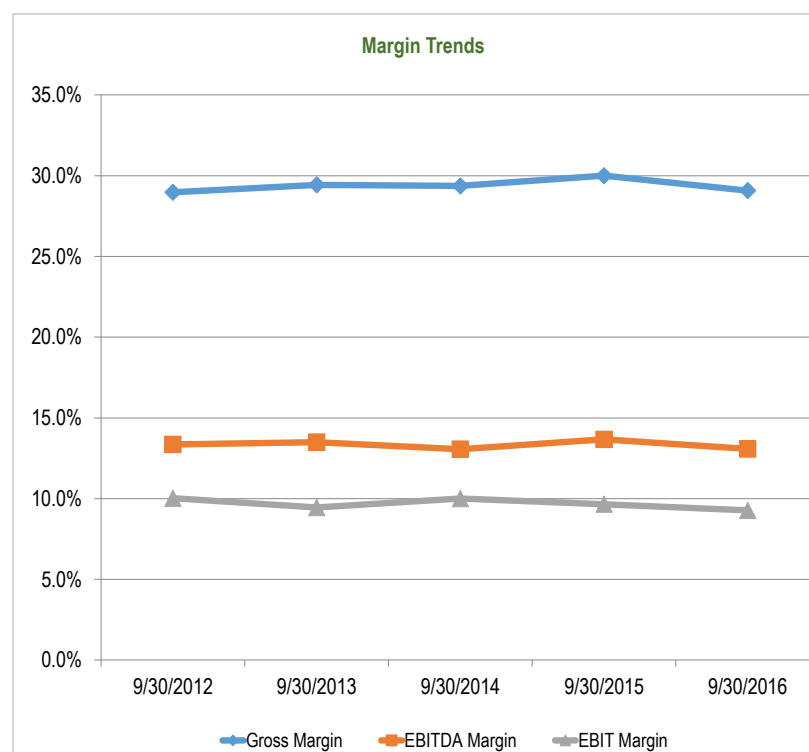
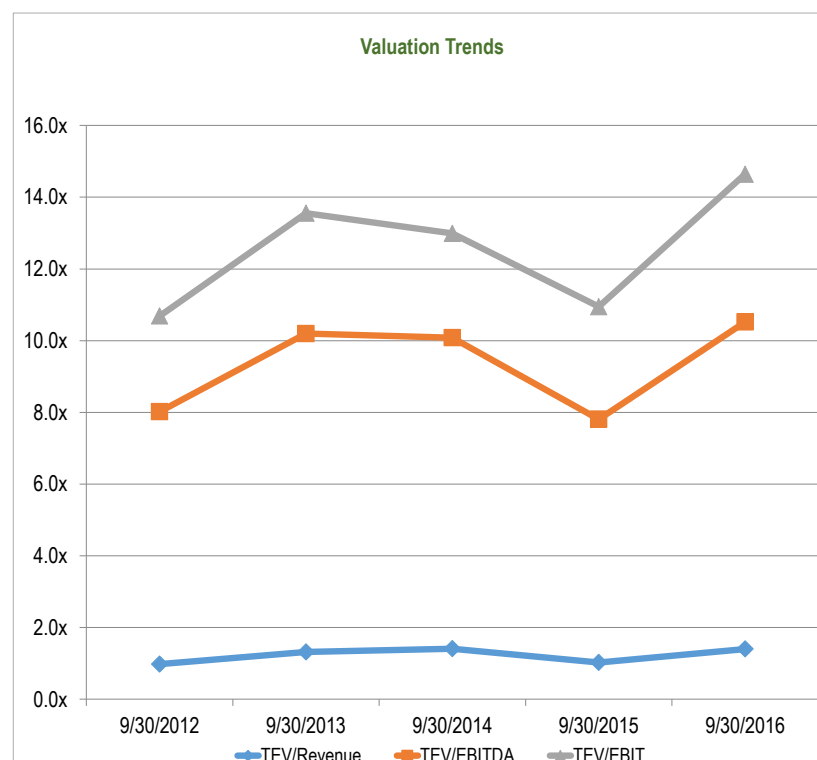


Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$3,579	1.7x	11.0x	16.2x	TEV/Revenue	↑
Median	\$1,082	1.4x	10.5x	14.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	29.5%	13.3%	9.4%	Gross Margin	↓
Median	29.1%	13.1%	9.3%	EBITDA Margin	↓
				EBIT Margin	↓



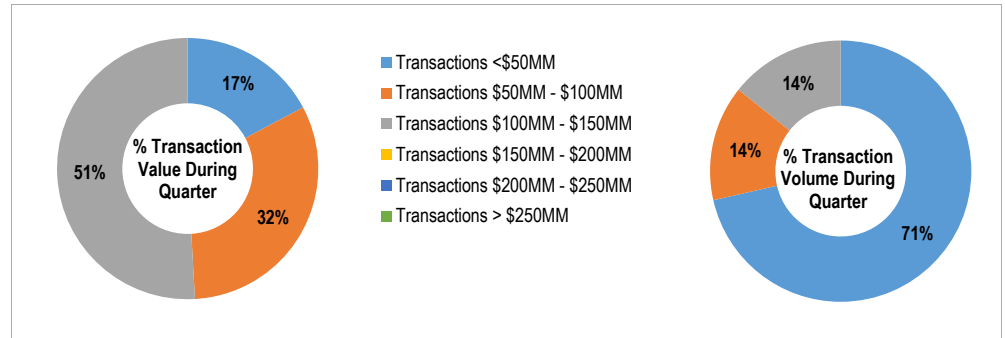
Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

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

Transaction Volume	49
Number of Transactions with Disclosed Values	7
Transaction Value*	\$235.40
Average Transaction Value*	\$33.63
Median Transaction Value*	\$3.50

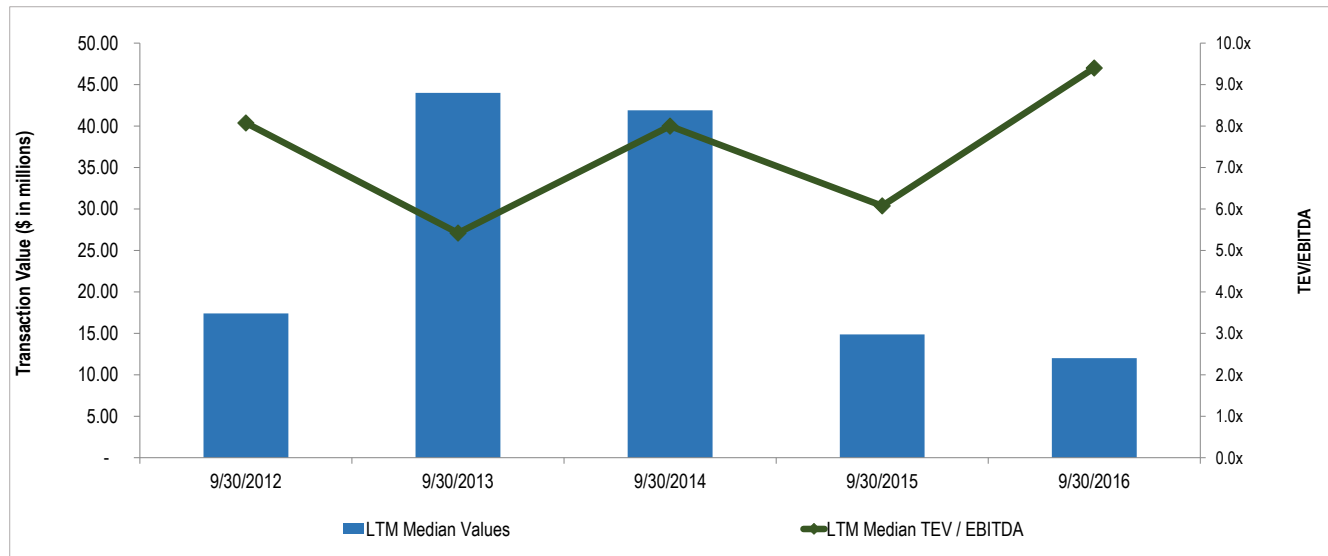
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

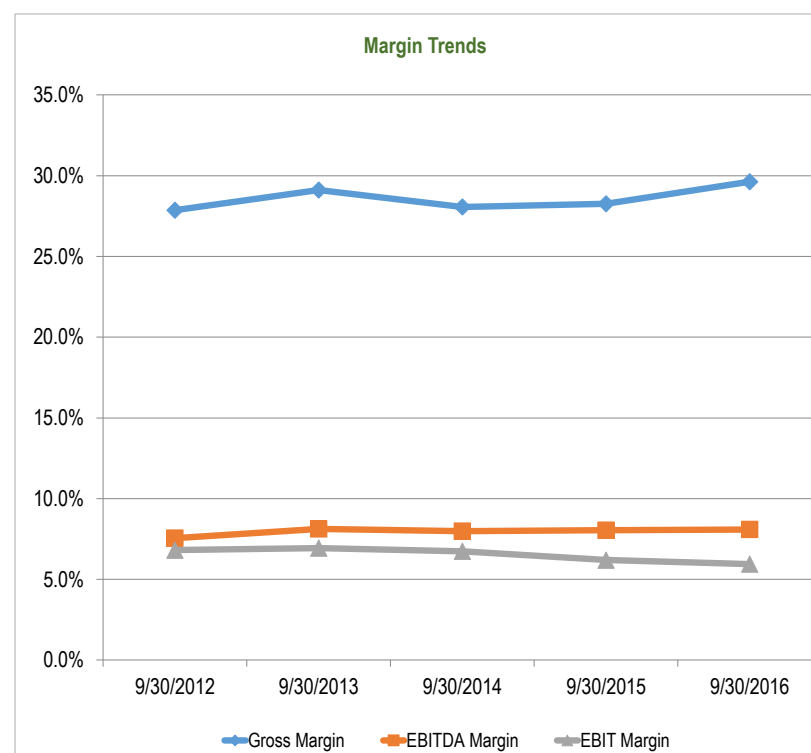
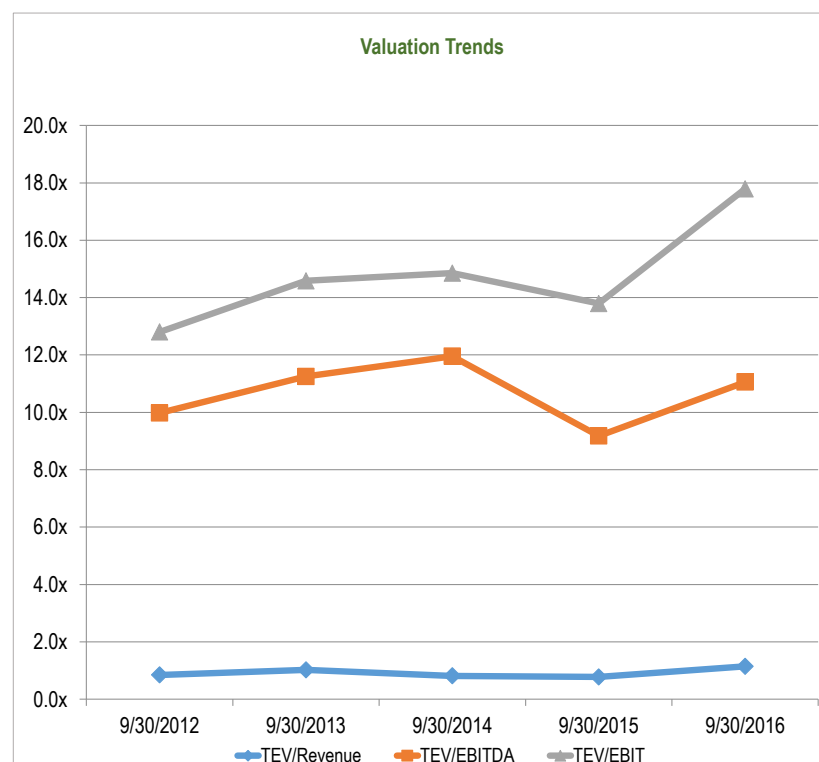
Trading Companies & Distributors

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$2,015	2.1x	13.5x	25.7x	TEV/Revenue	↑
Median	\$975	1.1x	11.1x	17.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	36.4%	15.7%	11.4%	Gross Margin	↑
Median	29.6%	8.1%	5.9%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/13/2016 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:

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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 dates only.

Glossary

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