

GENERAL INDUSTRIALS INDUSTRY UPDATE

& INDUSTRY LEADER BENCHMARKING – H1 2023



Intrepid
INVESTMENT BANKERS

INDUSTRIALS AND BUSINESS SERVICES

INDUSTRY UPDATE

H1 2023 Update and H2 2023 Outlook

In the first half of 2023, global economic uncertainty continued from Q4 2022, as highlighted by the collapse of Silicon Valley Bank, Signature Bank, and First Republic in the U.S. and the government-sponsored takeover of Credit Suisse in Europe. Despite these historic events, public markets proved resilient, with the Dow Jones Industrial Average increasing 3.8% in H1 2023 and the S&P 500 rising 17.1%. Comparatively, the Intrepid General Industrials Index¹ increased 5.5% in H1 2023.

While public markets have largely held up in the first half of 2023, an expected short, shallow recession is still causing investors in both the public and private markets to act with caution. H1 2023 saw a contraction globally in both the volume of transactions and the total value of invested capital, (24%) and (33%) respectively, compared to H1 2022. We expect M&A activity for Industrial companies in 2023 to be restrained but steady, largely driven by middle-market corporations and private equity portfolio companies seeking strategic expansion of healthy platforms and tuck-in acquisitions. Increased M&A activity is expected in H2 2023, with portfolio review and the related divestitures of non-core assets likely to fuel stable deal activity throughout the latter half of the year, but 2023 overall should still see a slight decline year-over year compared to 2022.

INDUSTRY TRENDS

TAILWINDS

- U.S. onshoring and nearshoring of manufacturing to minimize supply chain disruption and freight challenges
- Supply chain issues have improved, but backlogs remain elevated in many sectors
- Overall resilience of economy, despite recession concerns
- Trends toward industrial automation fueling investment

HEADWINDS

- Price increases from suppliers driving ongoing inflationary environment; moderation expected to continue in 2023
- Reduction in consumer spending and overall commerce given economic uncertainty
- Overhang of global supply chain disruptions
- Increasing scarcity of skilled labor

M&A TRENDS

TAILWINDS

- Theme of portfolio optimization across the industrial complex
- Outsized demand for quality businesses in sale processes given scarcity value
- Ample capital on the sidelines that needs to be deployed (corporates and private equity)
- Rise of sponsor-backed strategic buyers aggressively seeking bolt-on opportunities
- Targets with exposure to long-term secular growth trends in attractive end markets command premium multiples

HEADWINDS

- Certain private equity-backed portfolio companies on the sidelines awaiting more optimal market timing
- Elevated buyer / seller bid /ask spreads
- Higher financing costs impacting private equity return models
- Atmosphere of caution surrounding price-driven growth

INTREPID GENERAL INDUSTRIALS COMPANIES



Sources: Pitchbook, CapitalIQ, and Proprietary Industry Research

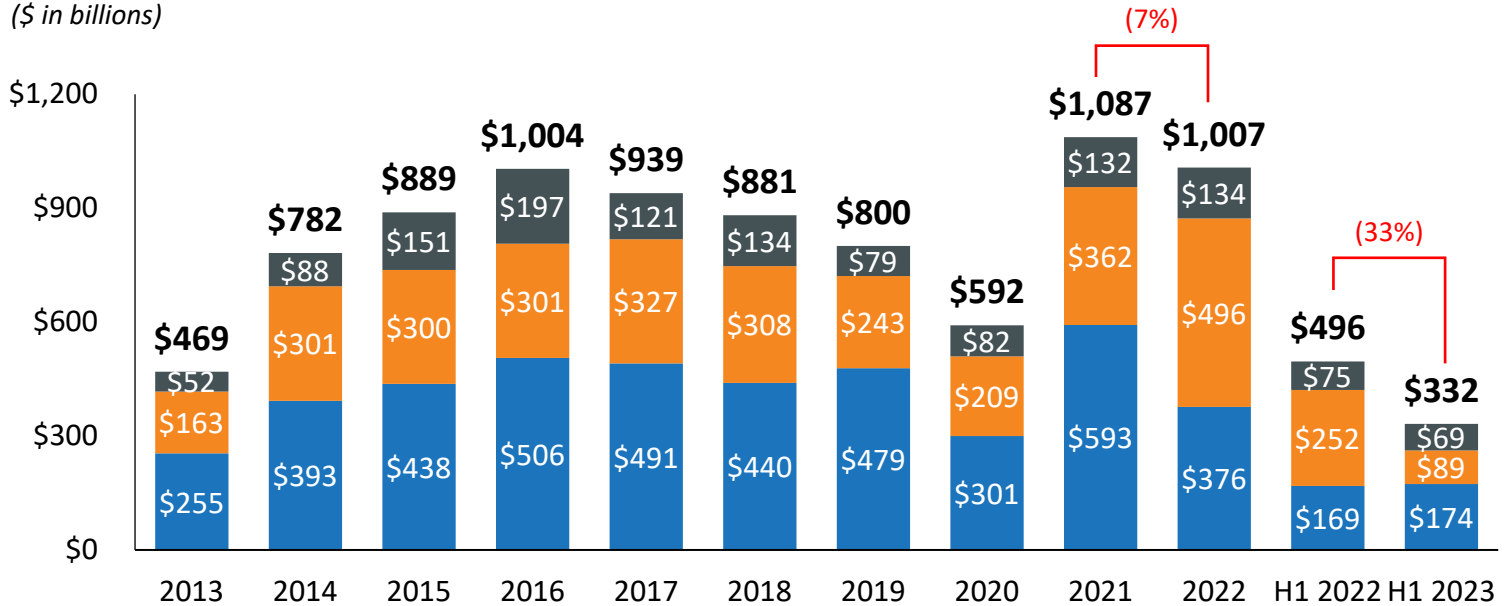
(1) Intrepid General Industrials Index is comprised of the following industry leaders as a representative sample of general industrials companies: Illinois Tool Works, Parker-Hannifin, Stanley Black & Decker, Dover, Emerson Electric, Fortive, Honeywell, 3M Company, IDEX, and Eaton

DIVERSIFIED INDUSTRIALS M&A TRENDS

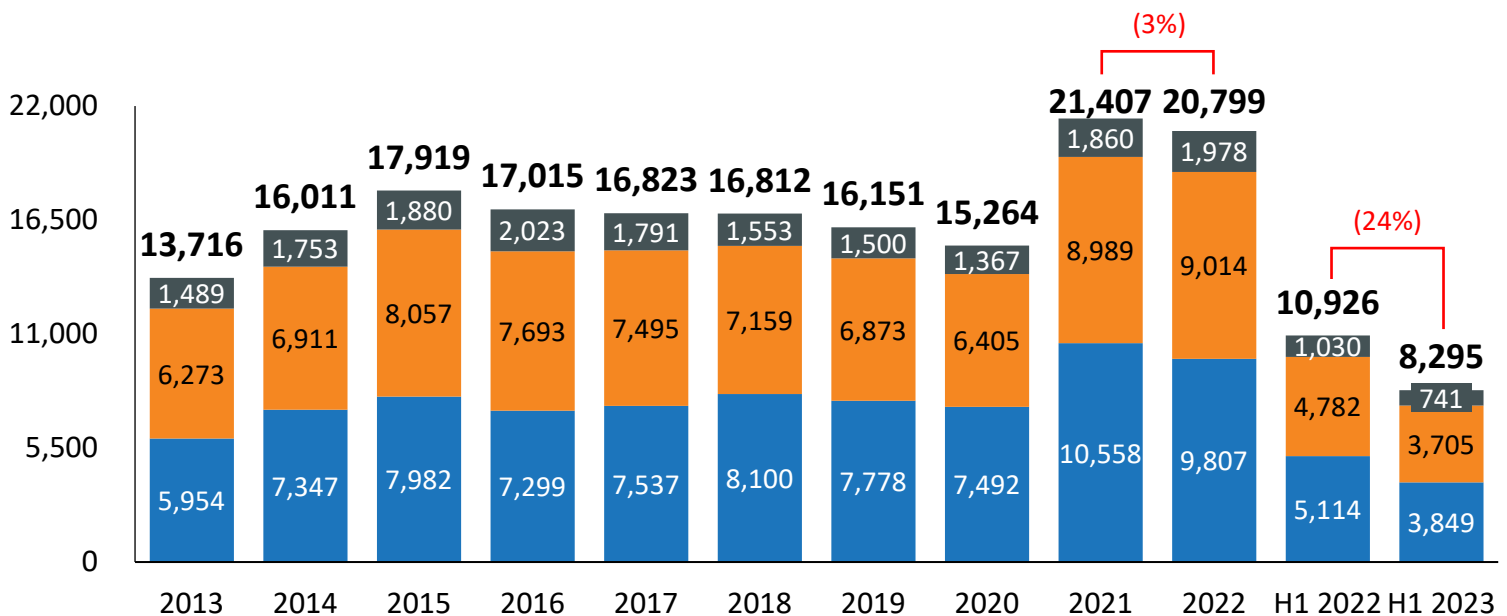
Deal volume has declined globally year-over-year in H1 2023, with the EMEA region experiencing largest declines in both deal volume and total value of capital invested. Despite this, activity in the global Industrials and Business Services M&A market is expected to maintain a steady pace, with increased activity anticipated in H2 2023.

DIVERSIFIED INDUSTRIALS M&A ACTIVITY (\$ VALUE OF DEALS)

(\$ in billions)



DIVERSIFIED INDUSTRIALS M&A ACTIVITY (# OF DEALS)

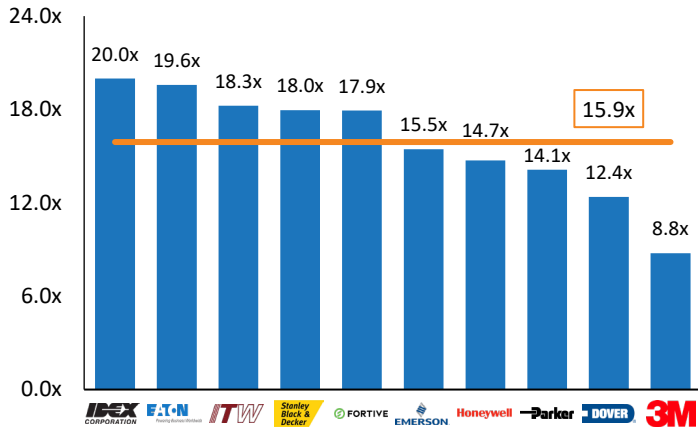


Sources: Pitchbook.

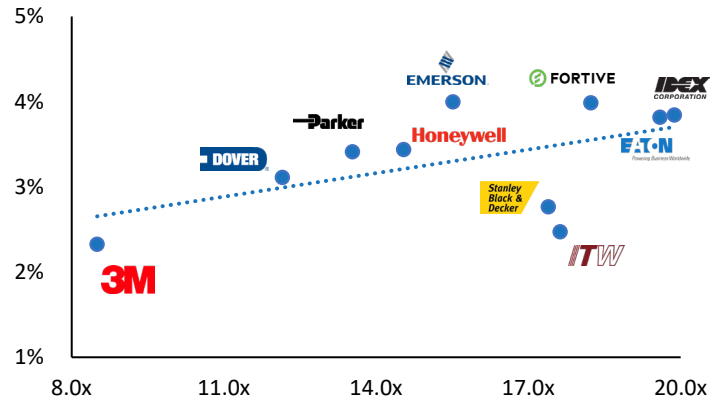
Note: "M&A Activity" includes buyout transactions, growth and expansion equity investments, and all corporate mergers and acquisitions.

VALUATION BENCHMARKING

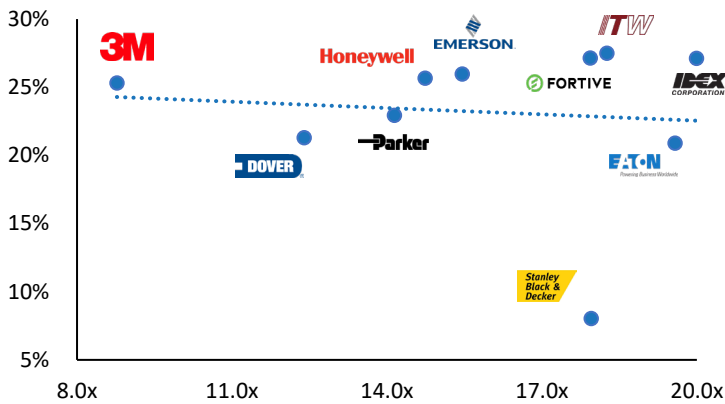
EV / 2023E EBITDA MULTIPLE



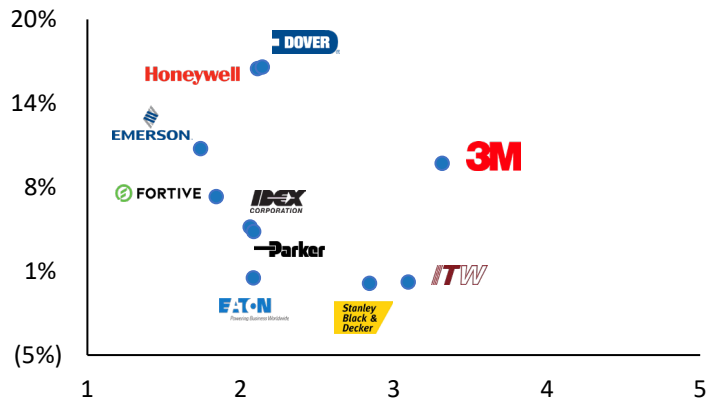
FORWARD GROWTH VS 2023E EV / EBITDA



2023E EBITDA MARGIN VS 2023E EV / EBITDA



PRICE TARGET PREMIUM VS BUY RATING⁽¹⁾



HISTORICAL EPS MAKE / MISS

Ticker	Q3 '22	Q4 '22	Q1 '23	Q2 '23
3M	✓	✗	✓	✓
DOVER	✓	✓	✓	✗
FAT-N	✓	✓	✓	✓
EMERSON	✓	✗	✓	✓
FORTIVE	✓	✓	✓	✓
Honeywell	✓	✓	✓	✓
IPEX CORPORATION	✓	✓	✓	✓
ITW	✓	✗	✓	✓
Parker	✓	✓	✓	✓
Stanley Black & Decker	✓	✓	✓	✓

ANALYST BUY / HOLD RECOMMENDATION

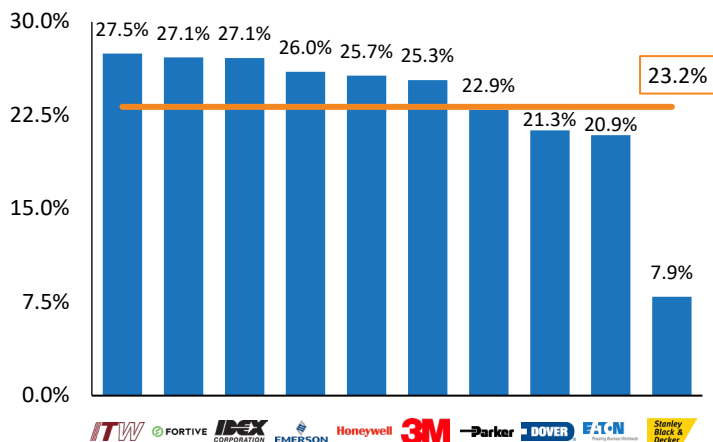
Ticker	Mean Consensus	# of Analysts
3M	Hold	19
DOVER	Buy	18
FAT-N	Buy	22
EMERSON	Buy	22
FORTIVE	Buy	21
Honeywell	Buy	24
IPEX CORPORATION	Buy	12
ITW	Hold	20
Parker	Buy	21
Stanley Black & Decker	Hold	19

Sources: Pitchbook, CapitalIQ and Proprietary Industry Research. Data updated as of 8/09/23.

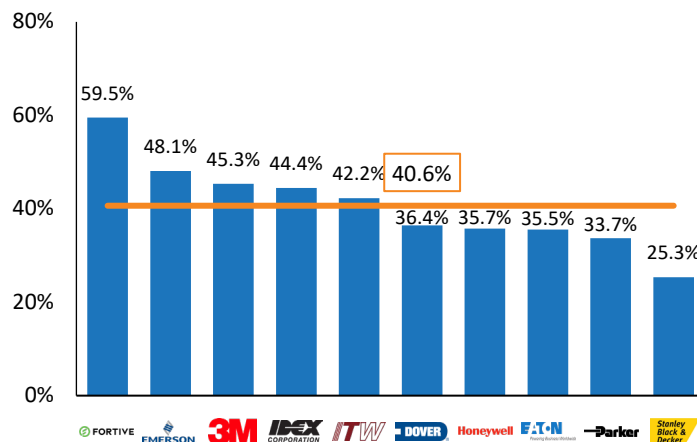
(1) Buy rating is on a scale of 1 (Strong Buy) to 5 (Strong Sell).

FINANCIAL PERFORMANCE BENCHMARKING

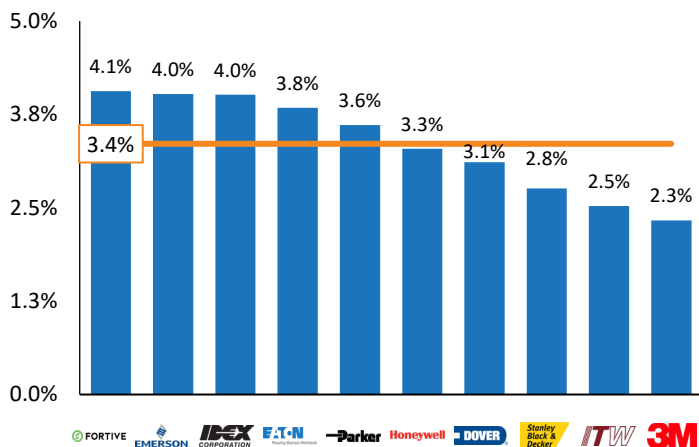
2023E EBITDA MARGIN



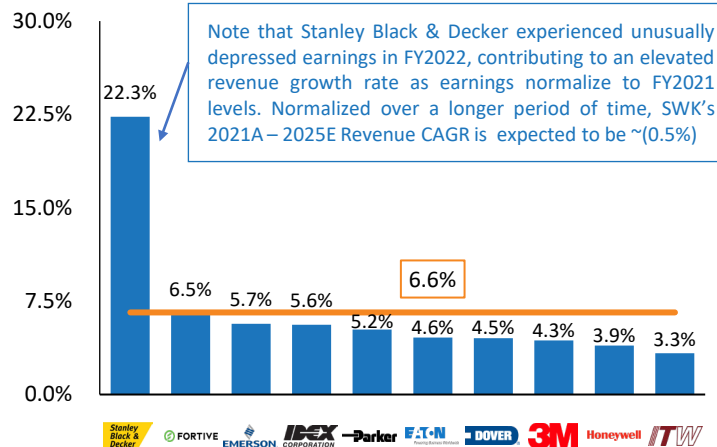
2023E GROSS MARGIN %



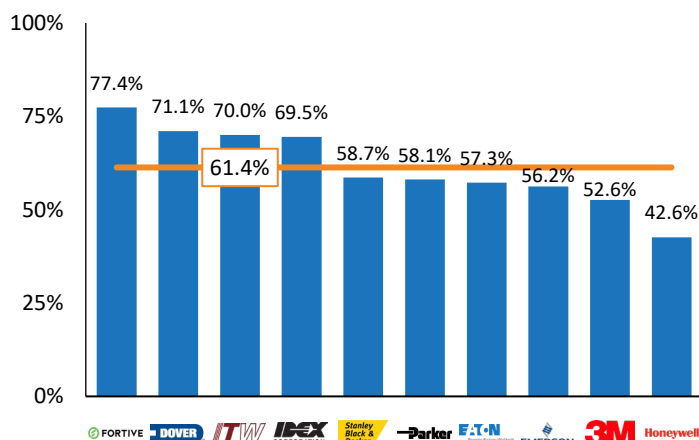
2023E - 2025E REVENUE CAGR



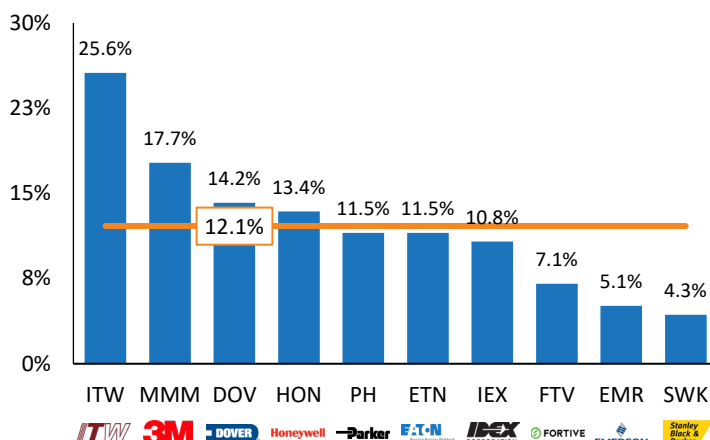
2023E - 2025E EBITDA CAGR



FCF CONVERSION RATE⁽¹⁾



RETURN ON INVESTED CAPITAL⁽²⁾





























Sources: Pitchbook, CapitalIQ and Proprietary Industry Research. Data updated as of 8/09/23.

(1) FCF Conversion Rate is defined as FCF / EBITDA, where FCF = Cash From Operations - CapEx

(2) ROIC is defined as NOPAT / Invested Capital, where Invested Capital = Debt + Equity - Cash & Cash Equivalents



























RECENT INTREPID GENERAL INDUSTRIALS INDEX M&A

(\$ in Millions)

Date	Acquiror	Target	Deal Size	Description
May-23			\$111	On May 19, 2023, IDEX acquired Iridian Spectral Technologies, a developer of thin film design deposition and manufacturing technology intended to deliver filter optics used in telecommunications and data centers.
Apr-23			\$670	On April 26, 2023, Honeywell acquired Compressor Controls Corporation, a provider of turbomachinery train optimization intended to serve oil and gas industry.
Apr-23			\$8,200	On April 12, 2023, Emerson Electric acquired National Instruments (Nasdaq: NATI) a provider of testing and measurement equipment and integrated, software-led solutions to serve high-complexity automated testing in late product development.
Nov-22			\$714	On November 18, 2022, IDEX acquired Muon Group, a manufacturer of micro-precision industrial components intended for the digital printing, medical, semi-conductor, and other end markets.
Sep-22			\$7,200	On September 12, 2022, Parker Hannifin acquired Meggitt, a designer and manufacturer of high performance components and sub-systems for the aerospace, defense, and energy markets.
Jul-22			\$271	On July 1, 2022, Dover acquired Malema Engineering, a designer and manufacturer of measurement and control instruments intended to improve process control.
May-22			\$11,188	On May 16, 2022, Emerson Electric acquired Aspen Technology, a provider of asset optimization software, enabling customers within capital-intensive industries to design, operate, and maintain their functions to optimize their businesses.
May-22			\$120	On May 2, 2022, IDEZ acquired KZValve, a manufacturer of motorized valves and controls designed for water supplies.
Feb-22			\$120	On February 28, 2022, IDEX acquired Nexsight, a manufacturer and designer of sewer crawlers, inspection and monitoring systems, and software applications that allow teams to identify, anticipate and correct wastewater system issues remotely.
Jan-22			\$185	On January 18, 2022, Honeywell acquired US Digital Designs, a developer of mission-critical systems designed to help reduce dispatch call-processing times.
Jan-22			\$600	On January 5, 2022, Eaton acquired Royal Power Systems, a designer and manufacturer of critical electrical connectivity components intended for the automotive, electrical, life safety, and telecommunications sector.
Dec-21			\$1,406	On December 27, 2021, Fortive acquired ProVation Medical, a developer of a healthcare workflow software intended for health systems, hospitals, and ambulatory surgical centers (ASCs).
Dec-21			\$294	On December 16, 2021, Dover acquired Acme Cryogenics, a manufacturer of industrial gas systems, equipment, and related components intended for the medical, food and beverage, aerospace, hydrogen fuel cell tech, and liquefied natural gas industries.

RECENT INTREPID GENERAL INDUSTRIALS INDEX M&A (CONTINUED)

(\$ in Millions)

Date	Acquiror	Target	Deal Size	Description
Dec-21			\$750	On December 1, 2021, Illinois Tool Works acquired MTS Systems' Test and Simulation Business, a provider of hybrid simulation solutions including civil engineering systems, calibrations and metrology services, equipment monitoring services, and more.
Nov-21			\$374	On November 12, 2021, Stanley Black & Decker acquired Excel Industries, a manufacturer of turf care equipment intended to serve the domestic and international market.
Aug-21			\$1,159	On August 24, 2021, Fortive acquired ServiceChannel, a developer of a cloud-based platform for the procurement and management of commercial facilities repair and maintenance services.
Aug-21			\$1,600	On August 16, 2021, Stanley Black & Decker acquired MTD Products, a manufacturer of outdoor power equipment including lawnmowers, snowblowers, utility vehicles, trimmers, log splitters, and more for residential and commercial markets.
Jun-21			\$471	On June 14, 2021, IDEX acquired Airtech Group, a manufacturer of engineered pressure technology products intended for the alternative energy, food processing, medical, packaging, and transportation industries.
Jun-21			\$2,830	On June 1, 2021, Eaton acquired Cobham Mission Systems, a manufacturer and supplier of aircraft equipment and parts including aerial refueling systems, external fuel tanks, and special purpose pods.
Mar-21			\$105	On March 22, 2021, Eaton acquired Green Motion, a developer of charging systems designed to charge electric vehicles.
Mar-21			\$1,650	On March 17, 2021, Eaton acquired Tripp Lite, a manufacturer of power supply systems and connectivity products including UPS systems, charging equipment, surge protectors, copper and fiber cables, switches, mounts, and related accessories.
Mar-21			\$106	On March 10, 2021, IDEX acquired ABEL Pumps, a manufacturer of diaphragm pumps based in Büchen, Germany.
Feb-21			\$1,303	On February 12, 2021, Honeywell acquired Sparta Systems, a developer of enterprise quality management software (EQMS) intended to create a culture of quality and compliance within companies.
Oct-20			\$1,600	On October 1, 2020, Emerson Electric Acquired Open Systems International, a developer of open automation, network control and optimization platforms intended to offer open, high-performance, secure, and reliable systems.
Feb-20			\$125	On February 28, 2020, IDEX acquired Flow MD, a manufacturer of prover accessories and provider of liquid measurement technology.
Feb-20			\$1,400	On February 1, 2020, Stanley Black & Decker acquired Consolidated Aerospace Manufacturing, a manufacturer and designer of fitting systems and supplying components.

REPRESENTATIVE RECENT INTREPID TRANSACTIONS

 <p>has completed a recapitalization and growth financing with</p>  <p>\$125,000,000 Senior Secured Credit Facility</p> <p>Advisor to Aptive</p>	 <p>have been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Mercury and Maytag</p>	 <p>Better building ideas™ TSX:PFB</p> <p>has been acquired by</p>  <p>In a take private transaction</p> <p>Advisor to PFB</p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Morris Jenkins</p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to CleanStreet</p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Service Champions</p>
 <p>The Strongest Link</p> <p>has been acquired by</p>  <p>Advisor to Weber Logistics</p>	 <p>has been acquired by</p>  <p>NASDAQ: AMWD \$1,075,000,000</p> <p>Advisor to RSI</p>	 <p>WGP Western Group Packaging</p> <p>have completed a growth recapitalization with</p>  <p>Advisor to Unix Packaging</p>	 <p>has been acquired by</p>  <p>Advisor to 3M*</p>	 <p>has been acquired by</p>  <p>Advisor to Tencarva*</p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Cicoil</p>
 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to HHS Construction</p>	 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>Advisor to Power Line Systems*</p>	 <p>has been acquired by</p>  <p>Advisor to Artisan Vehicles</p>	 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>Advisor to ML Kishigo</p>	 <p>has completed a management buyout with financing from</p>  <p>Advisor to PCMC</p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to PIP</p>
 <p>has completed a minority recapitalization with</p>  <p>Advisor to TAMKO*</p>	 <p>has been acquired by</p>  <p>Advisor to Sonneman*</p>	 <p>has completed the sale of specific assets to</p>  <p>Advisor to Pacific Supply Co.*</p>	 <p>has been acquired by</p>  <p>Advisor to Infinite RF*</p>	 <p>has completed a recapitalization with</p>  <p>Advisor to Stinson</p>	 <p>has been acquired by</p>  <p>Advisor to Sharpe*</p>
 <p>has been acquired by</p> <p>Protective Industries, Inc. dba</p>  <p>a portfolio company of</p>  <p>Advisor to Shercon</p>	 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>Advisor to Pasternack*</p>	 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>Advisor to Tharco*</p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Blue Sea Systems*</p>	 <p>has been acquired by</p>  <p>Advisor to Bender Machine*</p>	 <p>has been acquired by</p>  <p>Advisor to Adams Rite*</p>

*Includes transactions completed by Intrepid senior bankers while at prior firms.

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About Intrepid's Industrials & Business Services Practice

Intrepid's [Industrials and Business Services](#) practice is a hands-on, creative advisory team with deep industry expertise and a heritage of patiently guiding entrepreneurs and family business owners to achieve their transaction goals. We work with closely-held and investor-backed companies across key subsectors. Within industrials, we focus on residential services, industrial automation and material handling, safety products and PPE, flow control, electronic connectors, assemblies and components, process equipment and industrial machinery, engineering services and specialty contracting, building products, mechanical power transmission, contract textiles and furniture, specialty distribution, and niche manufacturing. Within business services, we focus on financial services, IT and tech-enabled services, marketing services and advertising agencies, specialty consulting, business process outsourcing, human capital management, and staffing and recruiting. Our senior bankers have developed a keen understanding of value drivers and valuation trends in these subsectors, and maintain ongoing dialogue with investors and strategic acquirers targeting these verticals.

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