PEAKSTONE

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Industrials & Manufacturing Industry Insight

February 2019

Industrials & Manufacturing Industry Update

Industrials & Manufacturing categories continue to see strong M&A activity

In 2018, strategic buyers accounted for 88% of the Industrials and Manufacturing M&A transactions with financial buyers making up the difference; during 2017, strategic buyers accounted for approximately 90% of the transactions.

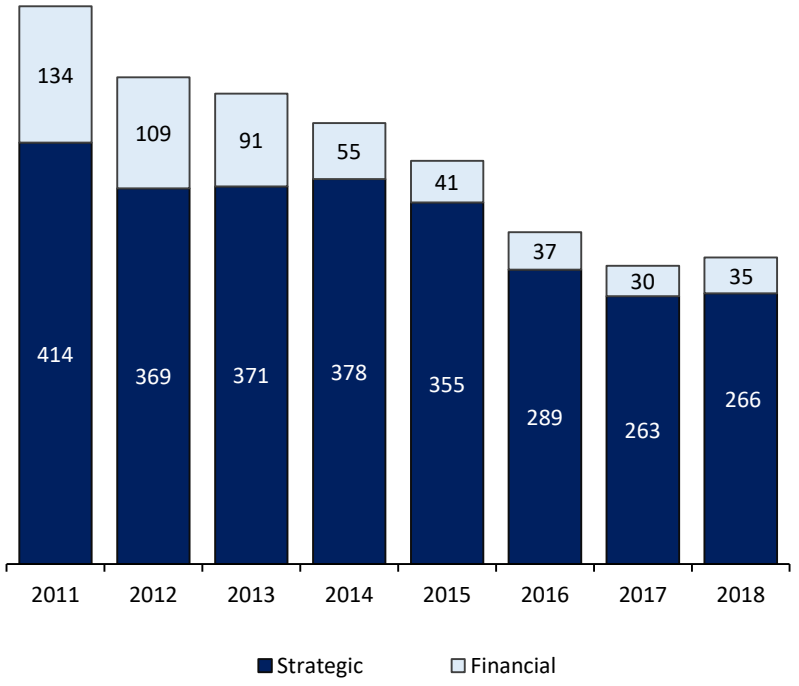
Select Recent Notable Publicly Announced M&A Transactions

Date	Status	Target	Transaction Size	Buyer
Dec-2018	Announced	Caraustar	$1.8 billion	GREIF
Oct-2018	Announced	L3 Technologies	$19.7 billion	HARRIS
Oct-2018	Announced	Esterline	$4.4 billion	TRANSDIGM GROUP INC.
Aug-2018	Announced	dun & bradstreet	$6.8 billion	THL Thomas H. Lee Partners
Aug-2018	Announced	Bemis	$6.8 billion	amcor

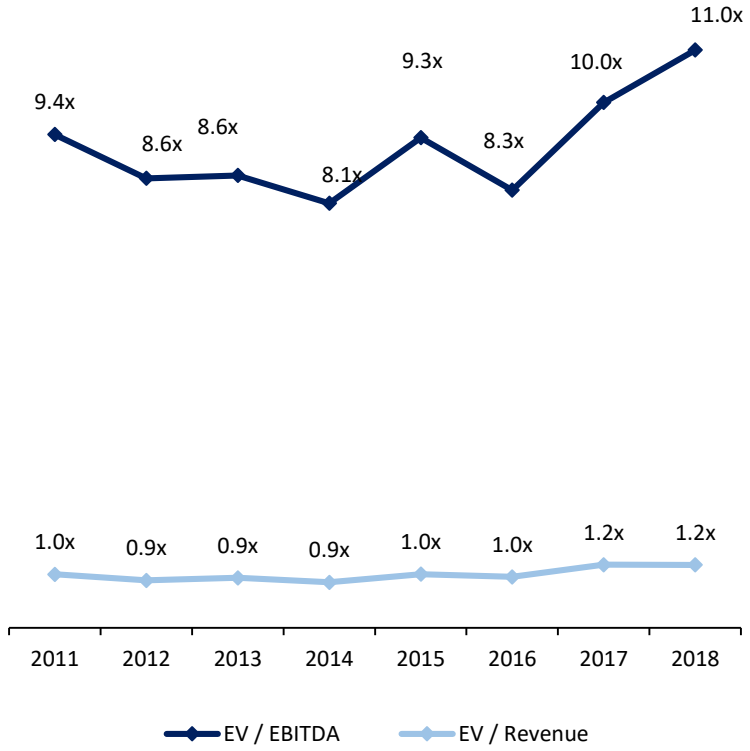
U.S. Industrials & Manufacturing Industry - M&A Market Overview

Industrials & Manufacturing M&A market has seen moderate activity

Industrials & Manufacturing Transactions by Buyer Type



Industrials & Manufacturing Transaction Multiples

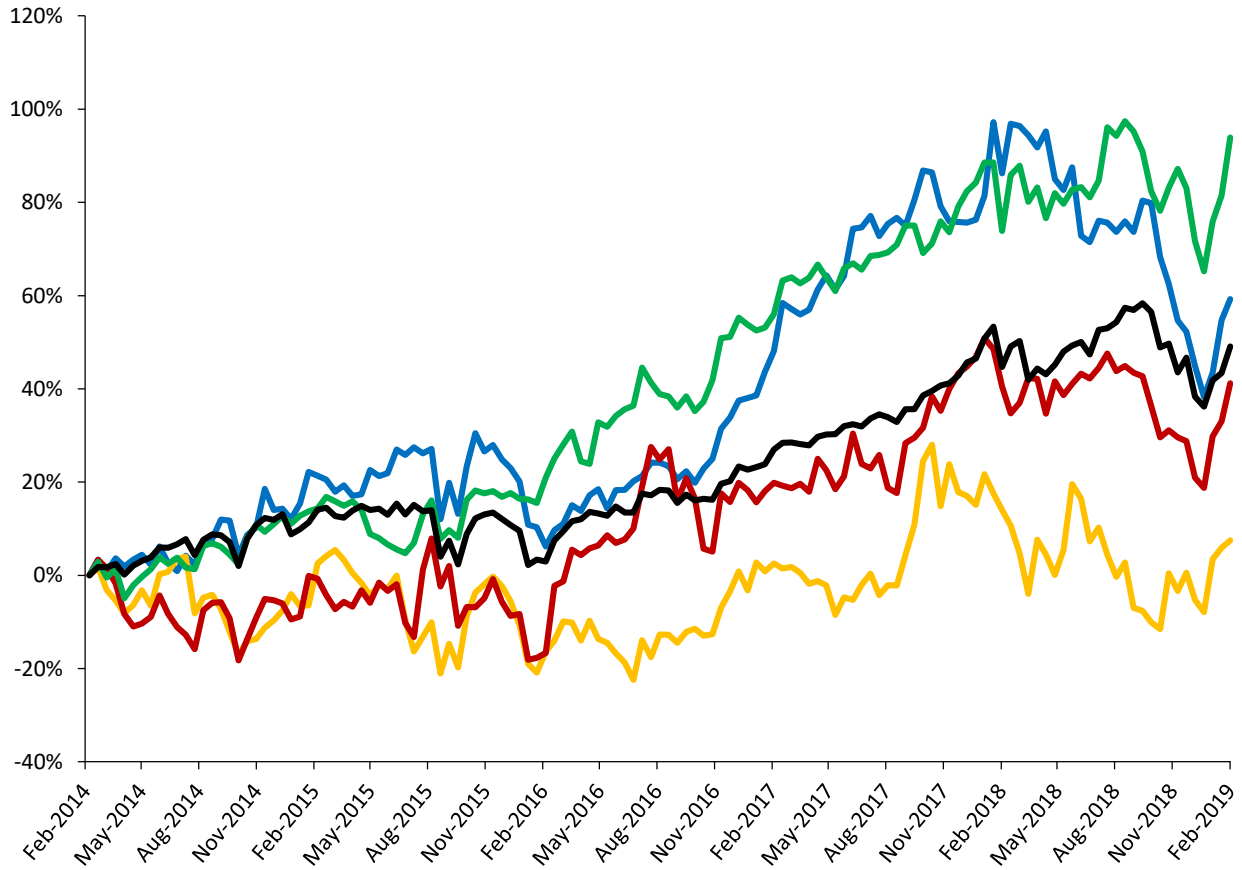


Source: Capital IQ, as of February, 2019.
Note: Only includes transactions with total transaction value greater than $1.0 M

Peakstone Industrials & Manufacturing Index – Trading Statistics

Industrials & Manufacturing indexes have performed in line with the S&P 500

Relative Stock Performance – Group 1



Professional & Commercial Services: 94%

Aerospace & Defense: 59%

S&P 500: 49%

Building Products: 41%

Automotive & Components: 7%

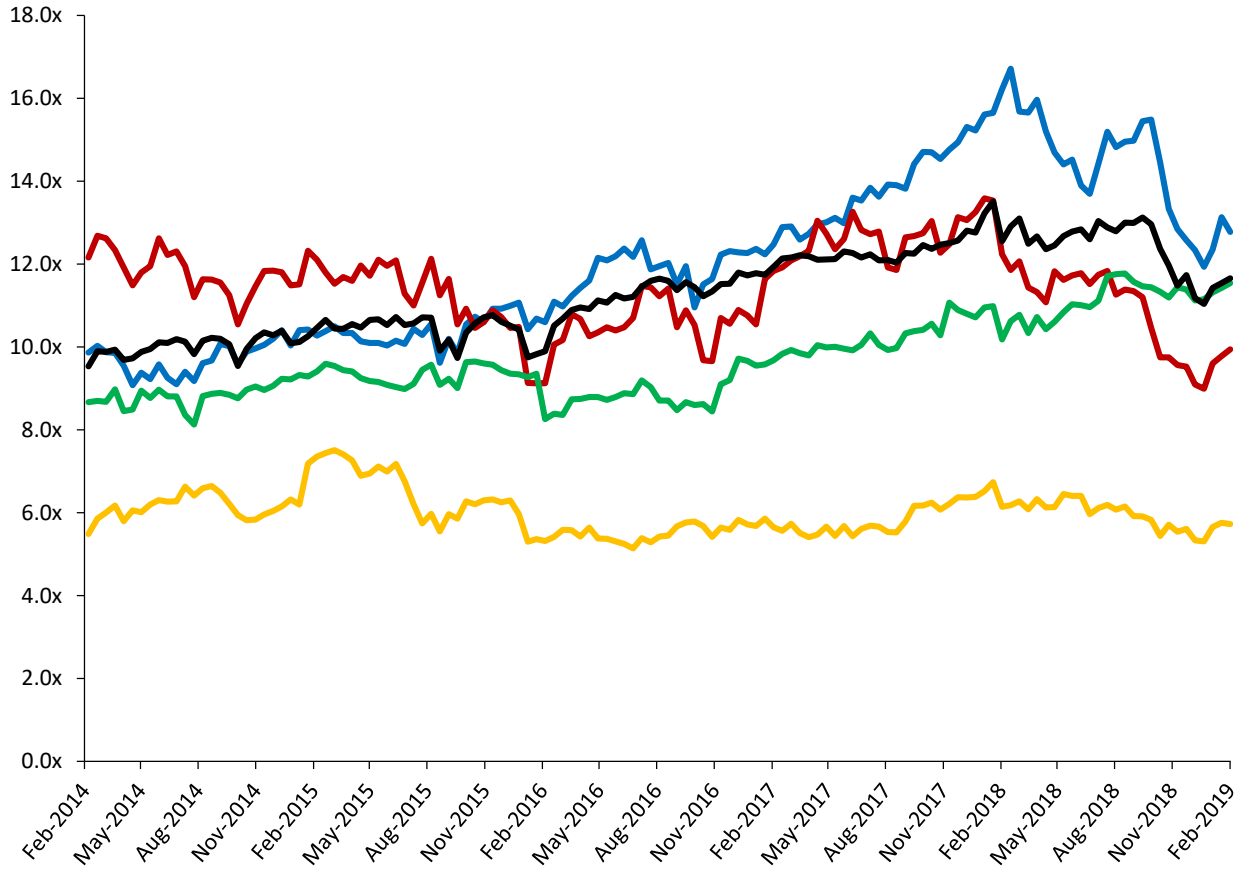
Peakstone Index Company details on pages 7-9

Source: Capital IQ, as of February, 2019.

Peakstone Industrials & Manufacturing Index – Trading Statistics (cont.)

Industrials & Manufacturing indexes have performed in line with the S&P 500

Comparable Valuation Trends – Enterprise Value/EBITDA – Group 1



Aerospace & Defense: 12.8x

S&P 500: 11.7x

Professional & Commercial Services: 11.5x

Building Products: 9.9x

Automotive & Components: 5.7x

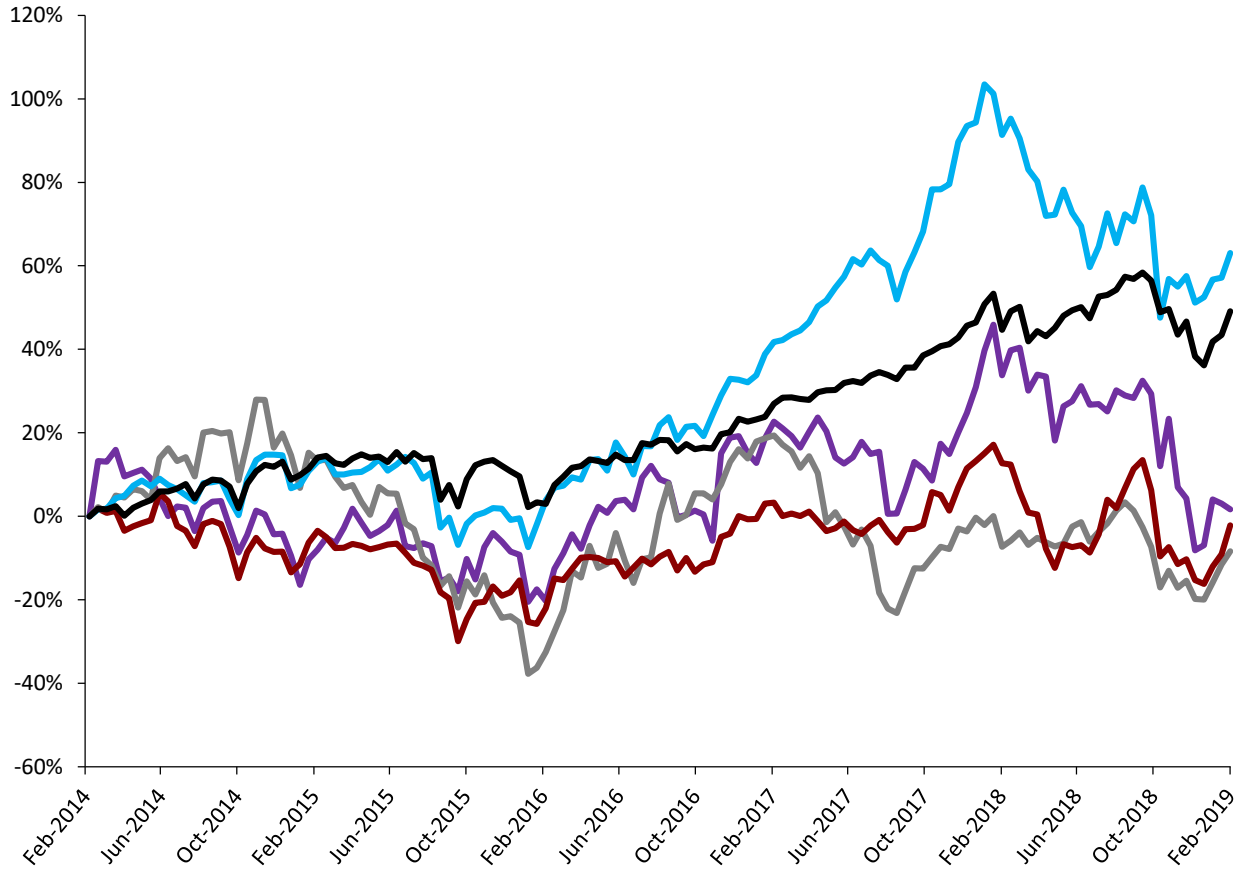
Peakstone Index Company details on pages 7-9

Source: Capital IQ, as of February, 2019.

Peakstone Industrials & Manufacturing Index – Trading Statistics (cont.)

Industrials & Manufacturing indexes have performed in line with the S&P 500

Relative Stock Performance – Group 2



Machinery: 63%

S&P 500: 49%

Construction & Engineering: 2%

Electrical Equipment: -2%

Trading & Distribution: -8%

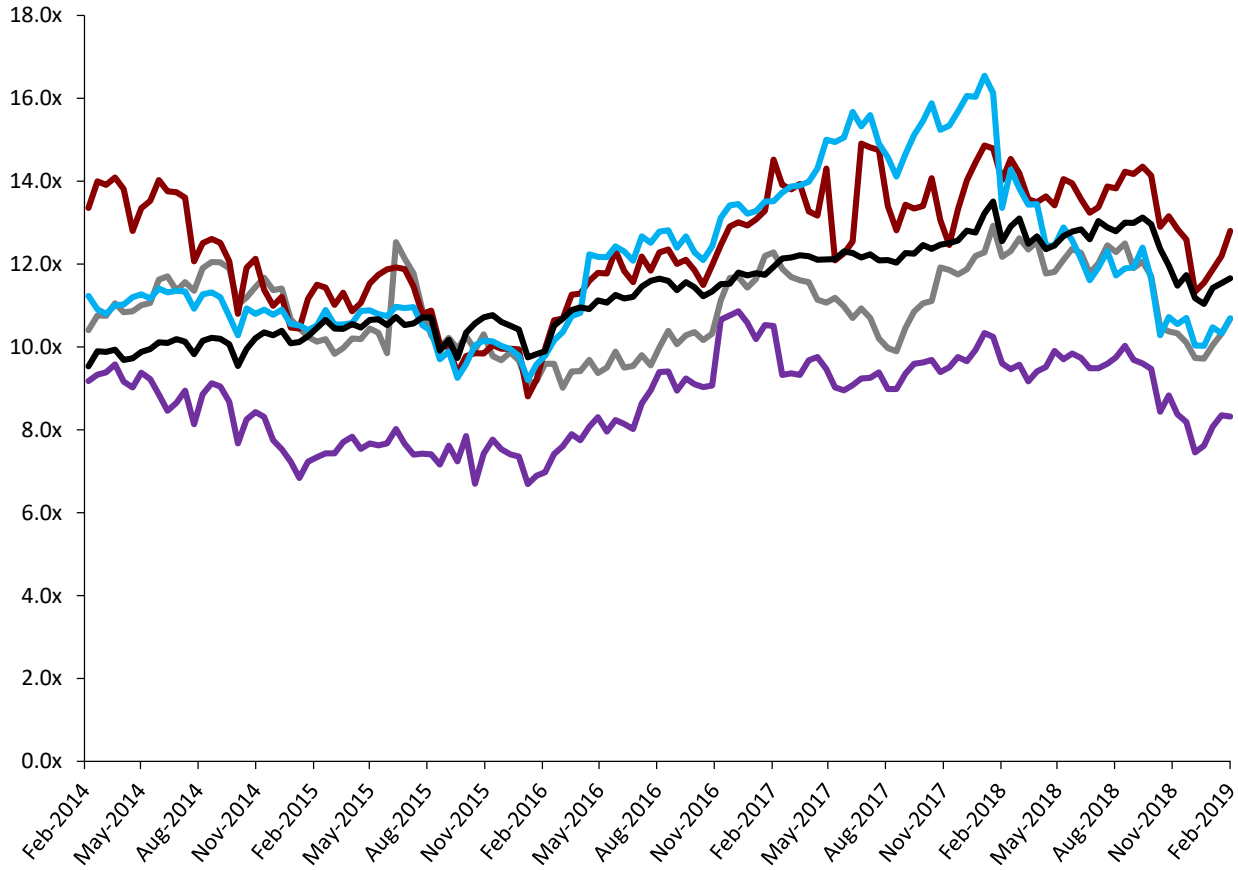
Peakstone Index Company details on pages 7-9

Source: Capital IQ, as of February, 2019.

Peakstone Industrials & Manufacturing Index – Trading Statistics (cont.)

Industrials & Manufacturing indexes have performed in line with the S&P 500

Comparable Valuation Trends – Enterprise Value/EBITDA – Group 2



Electrical Equipment: 12.8x

S&P 500: 11.7x

Machinery: 10.7x

Trading & Distribution: 10.7x

Construction & Engineering: 8.3x

Peakstone Index Company details on pages 7-9

Source: Capital IQ, as of February, 2019.

Public Trading Comparables by Sector

Select Industrials & Manufacturing Public Trading Comparables

($ in millions) **Company Name**	**Market Cap**	**Enterprise Value**	**Enterprise Value / Revenue**	**EBITDA**	**EBIT**	**Forward P/E Ratio**	**Gross Margin %**	**EBITDA Margin %**
Aerospace & Defense								
The Boeing Company	$232,051	$237,405	2.3x	16.9x	19.9x	19.9x	19%	14%
United Technologies Corporation	$106,840	$148,498	2.2x	13.2x	16.8x	15.5x	25%	17%
Honeywell International Inc.	$109,625	$115,114	2.8x	12.8x	14.6x	18.6x	31%	21%
Lockheed Martin Corporation	$85,455	$98,842	1.8x	11.7x	13.4x	15.3x	14%	15%
General Dynamics Corporation	$49,875	$61,329	1.7x	11.6x	13.6x	14.6x	12%	15%
Northrop Grumman Corporation	$48,219	$61,238	2.0x	12.2x	14.6x	14.9x	23%	17%
Raytheon Company	$51,543	$53,401	2.0x	13.8x	16.1x	15.3x	28%	14%
Aerospace & Defense Median	**$85,455**	**$98,842**	**2.0x**	**12.8x**	**14.6x**	**15.3x**	**23%**	**15%**
Automotive & Components								
Ford Motor Company	$33,653	$164,964	1.0x	14.1x	49.0x	6.9x	9%	7%
General Motors Company	$55,012	$141,970	1.0x	10.2x	16.3x	6.0x	10%	8%
Lear Corporation	$9,647	$10,431	0.5x	4.7x	6.0x	8.3x	11%	10%
BorgWarner Inc.	$8,360	$10,238	1.0x	5.7x	7.5x	8.7x	21%	16%
The Goodyear Tire & Rubber Company	$4,300	$9,468	0.6x	5.2x	8.9x	8.4x	22%	12%
Automotive & Components Median	**$9,647**	**$10,431**	**1.0x**	**5.7x**	**8.9x**	**8.3x**	**11%**	**10%**
Building Products								
Masco Corporation	$10,831	$13,431	1.6x	9.6x	10.8x	13.4x	33%	17%
Lennox International Inc.	$9,825	$10,820	2.8x	18.8x	21.2x	19.3x	29%	15%
Fortune Brands Home & Security, Inc.	$6,656	$8,729	1.6x	10.3x	12.3x	12.4x	36%	16%
USG Corporation	$6,032	$6,721	2.0x	13.0x	18.1x	21.2x	19%	14%
JELD-WEN Holding, Inc.	$1,881	$3,261	0.8x	8.9x	12.7x	9.9x	21%	9%
Universal Forest Products, Inc.	$1,942	$2,133	0.5x	8.4x	10.9x	11.5x	13%	6%
Building Products Median	**$6,344**	**$7,725**	**1.6x**	**9.9x**	**12.5x**	**12.9x**	**25%**	**14%**

Source: Capital IQ, as of February, 2019.

Public Trading Comparables by Sector (cont.)

Select Industrials & Manufacturing Public Trading Comparables

($ in millions) Company Name	Market Cap	Enterprise Value	Enterprise Value / Revenue	Enterprise Value / EBITDA	Enterprise Value / EBIT	Forward P/E Ratio	Gross Margin %	EBITDA Margin %
Professional & Commercial Services								
Waste Management, Inc.	$42,059	$51,994	3.5x	12.7x	19.7x	22.3x	38%	28%
Republic Services, Inc.	$24,948	$33,217	3.3x	12.1x	20.2x	23.6x	38%	28%
Cintas Corporation	$20,970	$23,592	3.5x	17.3x	21.8x	25.5x	45%	20%
ManpowerGroup Inc.	$5,138	$5,695	0.3x	6.5x	7.1x	10.5x	16%	4%
Kelly Services, Inc.	$918	$905	0.2x	8.0x	10.3x	10.5x	18%	2%
Essendant Inc.	$0	$0	0.2x	11.0x	21.2x	0.0x	14%	2%
Professional & Commercial Services Median	**$13,054**	**$14,643**	**1.8x**	**11.5x**	**19.9x**	**16.4x**	**28%**	**12%**
Construction & Engineering								
Jacobs Engineering Group Inc.	$9,436	$11,309	0.7x	11.8x	14.9x	13.3x	19%	6%
AECOM	$4,664	$7,919	0.4x	9.4x	13.5x	10.0x	3%	4%
Quanta Services, Inc.	$5,190	$6,053	0.6x	8.7x	13.2x	10.7x	13%	7%
Fluor Corporation	$5,154	$5,112	0.3x	6.8x	9.6x	12.6x	4%	4%
MasTec, Inc.	$3,307	$5,013	0.8x	8.0x	11.9x	10.3x	13%	9%
EMCOR Group, Inc.	$3,825	$3,771	0.5x	7.8x	9.4x	12.7x	15%	6%
Construction & Engineering Median	**$4,909**	**$5,583**	**0.5x**	**8.3x**	**12.5x**	**11.7x**	**13%**	**6%**
Trading & Distribution								
United Rentals, Inc.	$10,459	$22,163	2.8x	9.3x	10.6x	6.6x	43%	30%
W.W. Grainger, Inc.	$17,458	$19,140	1.7x	12.1x	14.4x	17.0x	39%	14%
HD Supply Holdings, Inc.	$7,714	$9,653	1.7x	12.3x	13.7x	11.6x	39%	14%
Univar Inc.	$3,269	$5,528	0.6x	8.8x	12.3x	14.4x	22%	7%
WESCO International, Inc.	$2,548	$3,675	0.4x	8.8x	10.4x	9.9x	19%	5%
Veritiv Corporation	$568	$1,527	0.2x	13.0x	19.6x	8.4x	18%	1%
Trading & Distribution Median	**$5,491**	**$7,590**	**1.2x**	**10.7x**	**13.0x**	**10.7x**	**30%**	**10%**

Source: Capital IQ, as of February, 2019.

Public Trading Comparables by Sector (cont.)

Select Industrials & Manufacturing Public Trading Comparables

($ in millions) **Company Name**	Market Cap	Enterprise Value	Enterprise Value / Revenue	Enterprise Value / EBITDA	Enterprise Value / EBIT	Forward P/E Ratio	Gross Margin %	EBITDA Margin %
Electrical Equipment								
Emerson Electric Co.	$41,837	$46,590	2.6x	12.8x	15.7x	18.0x	43%	21%
Rockwell Automation, Inc.	$20,645	$21,758	3.2x	14.7x	16.4x	18.6x	43%	22%
AMETEK, Inc.	$17,952	$20,231	4.2x	15.9x	18.8x	18.8x	34%	26%
Hubbell Incorporated	$6,344	$7,957	1.8x	11.3x	14.3x	14.3x	29%	16%
Acuity Brands, Inc.	$5,283	$5,425	1.4x	9.9x	11.6x	13.1x	40%	15%
Electrical Equipment Median	**$7,029**	**$8,805**	**1.7x**	**11.7x**	**14.0x**	**13.7x**	**36%**	**14%**
Machinery								
General Electric Company	$86,807	$196,707	1.6x	15.1x	42.9x	13.8x	18%	11%
Caterpillar Inc.	$78,289	$107,026	2.0x	9.7x	12.9x	10.5x	27%	20%
Deere & Company	$52,841	$92,177	2.5x	15.4x	22.0x	14.1x	24%	16%
Illinois Tool Works Inc.	$46,001	$51,881	3.5x	12.8x	14.5x	17.1x	42%	27%
PACCAR Inc	$23,139	$30,018	1.3x	8.0x	11.2x	10.2x	15%	16%
Parker-Hannifin Corporation	$22,004	$26,379	1.8x	10.2x	12.3x	13.6x	25%	17%
Cummins Inc.	$23,882	$25,744	1.1x	7.4x	9.0x	9.5x	24%	13%
Stanley Black & Decker, Inc.	$19,987	$23,877	1.7x	11.2x	14.7x	15.0x	35%	15%
Electrical Equipment Median	**$17,952**	**$21,758**	**1.7x**	**11.3x**	**14.0x**	**13.7x**	**30%**	**15%**
Total Industrials and Manufacturing Median	**$10,831**	**$19,140**	**1.6x**	**11.2x**	**13.7x**	**13.3x**	**22%**	**14%**

Source: Capital IQ, as of February, 2019.

Selected Industrials & Manufacturing Industry Transactions

Selected Industrials & Manufacturing Transactions

Date	Target / Issuer	Transaction Size ($mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
12/20/2018	Caraustar Industries, Inc.	$1,800	Greif Packaging LLC	10.3x	Greif Packaging LLC entered into a definitive agreement and plan of merger to acquire Caraustar Industries, Inc. from Paperboard Parent, Inc. for $1.8 billion on December 20, 2018..
12/18/2018	Formica Corporation	$840	Broadview Holding B.V.	-	Broadview Holding B.V. entered into an agreement to acquire Formica Corporation from Fletcher Building Limited (NZSE:FBU) for $840 million on December 18, 2018.
12/13/2018	Ranpak Corp.	$950	One Madison Corporation (NYSE:OMAD)	-	One Madison Corporation (NYSE:OMAD) entered into a definitive agreement to acquire Ranpak Corp. from Rhone Partners IV L.P. managed by Rhone Capital, L.L.C. for $950 million on December 12, 2018.
11/26/2018	Oasis Outsourcing Holdings Inc.	$1,200	Paychex North America Inc.	-	Paychex North America Inc. entered into a stock purchase agreement to acquire Oasis Outsourcing Holdings Inc. ('Oasis') from Stone Point Capital LLC, Kelso & Company, the Oasis management and other shareholders for approximately $1.2 billion on November 23, 2018.
11/15/2018	Global Auto Care Business of Spectrum Brands Holdings, Inc.	$1,234	Energizer Holdings, Inc. (NYSE:ENR)	10.6x	Energizer Holdings, Inc. (NYSE:ENR) entered into a definitive acquisition agreement to acquire global auto care business from Spectrum Brands Holdings, Inc. (NYSE:SPB) for $1.2 billion on November 15, 2018.
11/12/2018	Flexographic Packaging Division	$375	Montagu Private Equity LLP	11.4x	Montagu Private Equity LLP entered into a definitive agreement to acquire Flexographic Packaging Division from Eastman Kodak Company (NYSE:KODK) for approximately $380 million on November 11, 2018.
10/31/2018	LSC Communications, Inc. (NYSE:LKSD)	$1,425	Quad/Graphics, Inc. (NYSE:QUAD)	4.8x	Quad/Graphics, Inc. (NYSE:QUAD) entered into a definitive agreement to acquire LSC Communications, Inc. (NYSE:LKSD) for approximately $480 million on October 30, 2018.

Source: Capital IQ, as of February, 2019.

Selected Industrials & Manufacturing Industry Transactions (cont.)

Selected Industrials & Manufacturing Transactions

Date	Target / Issuer	Transaction Size ($mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
10/29/2018	Alpha Technologies Services, Inc./Alpha Technologies Ltd.	$750	EnerSys (NYSE:ENS)	11.2x	EnerSys (NYSE:ENS) entered into a share purchase agreement to acquire Alpha Technologies Services, Inc. and Alpha Technologies Ltd. from AlphaTec Ltd., Radiant Energy Systems Limited and Alpha Innovations Ltd. for $750 million on October 29, 2018.
10/22/2018	American Railcar Industries, Inc.	$1,873	ITE Management LP	13.4x	ITE Management LP, through its fund ITE Rail Fund LP entered into a definitive agreement to acquire American Railcar Industries Inc. (NASDAQ:ARII) ('ARI') from Icahn Enterprises LP (NasdaqGS:IEP), Dimensional Fund Advisors L.P. and other shareholders for $1.3 billion on October 22, 2018.
10/19/2018	Strike Capital LLC	$426	Sentinel Energy Services Inc. (NasdaqCM:STNL)	-	Sentinel Energy Services Inc. (NASDAQ:STNL) ("Sentinel") entered into a definitive agreement to acquire a majority stake in Strike Capital LLC from OEP Capital Advisors LP ('OEP') and other shareholders for approximately $430 million on October 18, 2018.
10/14/2018	L3 Technologies, Inc. (NYSE:LLL)	$19,723	Harris Corporation (NYSE:HRS)	13.8x	Harris Corporation (NYSE:HRS) entered into a merger agreement to acquire L3 Technologies, Inc. (NYSE:LLL)('L3') for $16.1 billion in a merger of equals transaction on October 12, 2018.
10/10/2018	Esterline Technologies Corporation (NYSE:ESL)	$4,367	TransDigm Group Incorporated (NYSE:TDG)	13.0x	TransDigm Group Incorporated (NYSE:TDG) entered into definitive agreement to acquire Esterline Technologies Corporation (NYSE:ESL) for $3.6 billion on October 9, 2018.
10/09/2018	Citizen Engagement Centers of General Dynamics Information Technology, Inc.	$400	MAXIMUS Federal Services, Inc.	-	MAXIMUS Federal Services, Inc. entered into a definitive asset purchase agreement to acquire Citizen Engagement Centers of General Dynamics Information Technology, Inc. for $400 million on October 5, 2018.
09/17/2018	Roof Systems Business of Inteva Products Inc.	$760	CIE Automotive, S.A. (BME:CIE)	-	CIE Automotive, S.A. (BME:CIE) entered into a definitive agreement to acquire roof systems business from Inteva Products, LLC for €650 million on September 17, 2018.

Source: Capital IQ, as of February, 2019.

Selected Industrials & Manufacturing Industry Transactions (cont.)

Selected Industrials & Manufacturing Transactions

Date	Target / Issuer	Transaction Size ($mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
09/17/2018	Nexeo Solutions, Inc. (NasdaqCM:NXEO)	$1,907	Univar Inc. (NYSE:UNVR)	9.5x	Univar Inc. (NYSE:UNVR) entered into an agreement to acquire Nexeo Solutions, Inc. (NasdaqCM:NXEO) from a consortium of sellers for $1 billion on September 17, 2018.
09/13/2018	MRA Systems, LLC	$630	Vision Technologies Aerospace Incorporated	10.0x	Vision Technologies Aerospace Incorporated entered into a conditional membership interest purchase agreement to acquire MRA Systems, LLC from General Electric Company (NYSE:GE) for $630 million on September 13, 2018.
09/10/2018	Engility Holdings, Inc.	$2,490	Science Applications International Corporation (NYSE:SAIC)	13.7x	Science Applications International Corporation (NYSE:SAIC) entered into a definitive agreement to acquire Engility Holdings, Inc. (NYSE:EGL) from Birch Partners, LP and others for $1.6 billion on September 9, 2018.
09/07/2018	Concrete Pumping Holdings, Inc.	$610	Concrete Pumping Holdings, Inc. (NasdaqCM:BBCP)	8.0x	Industrea Acquisition Corp. (NasdaqCM:INDU) ("Industrea") entered into a definitive agreement to acquire Concrete Pumping Holdings Inc.
08/21/2018	Specialty Papers Business Unit of P. H. Glatfelter Company	$360	Pixelle Specialty Solutions LLC	11.9x	Spartan Paper LLC entered into a definitive agreement to acquire Specialty Papers business unit from P. H. Glatfelter Company (NYSE:GLT) for $360 million on August 21, 2018.
08/20/2018	Grakon Parent, Inc.	$502	Methode Electronics, Inc. (NYSE:MEI)	13.1x	Methode Electronics, Inc. (NYSE:MEI) entered into an agreement to acquire Grakon Parent, Inc. from Industrial Growth Partners and others for $420 million on August 20, 2018.
08/08/2018	The Dun & Bradstreet Corporation	$6,875	Thomas H. Lee Partners, L.P.; Qatar Investment Authority; Cannae Holdings, Inc.	12.5x	Cannae Holdings Inc. (NYSE:CNNE), CC Capital Management, LLC, funds affiliated with Thomas H. Lee Partners, LP, Qatar Investment Authority and certain other investors ("The Consortium") entered into a definitive agreement to acquire The Dun & Bradstreet Corporation (NYSE:DNB) for $5.5 billion on August 8, 2018.

Source: Capital IQ, as of February, 2019.

Selected Industrials & Manufacturing Industry Transactions (cont.)

Selected Industrials & Manufacturing Transactions

Date	Target / Issuer	Transaction Size ($mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
08/07/2018	Paladin Brands, LLC/Genesis Attachments, LLC/Pengo Corporation	$690	Stanley Black & Decker, Inc. (NYSE:SWK)	-	Stanley Black & Decker, Inc. (NYSE:SWK) entered into a definitive agreement to acquire Paladin Brands, LLC, Genesis Attachments, LLC and Pengo Corporation from International Equipment Solutions, LLC for $690 million in cash on August 7, 2018.
08/06/2018	Bemis Company, Inc. (NYSE:BMS)	$6,875	Amcor Limited (ASX:AMC)	11.9x	Amcor Limited (ASX:AMC) ('Amcor') entered into a definitive agreement to acquire Bemis Company, Inc. (NYSE:BMS) ('Bemis') for $5.3 billion on August 6, 2018.
08/03/2018	Alchemy Systems, LP	$480	Intertek Group plc (LSE:ITRK)	-	Intertek Group plc (LSE:ITRK) agreed to acquire Alchemy Investment Holdings, Inc. from The Riverside Company and others for $480 million on August 3, 2018.
07/30/2018	Berger Group Holdings, Inc.	$400	WSP Global Inc. (TSX:WSP)	8.9x	WSP Global Inc. (TSX:WSP) entered into an agreement to acquire Berger Group Holdings, Inc. for $400 million on July 28, 2018.
07/24/2018	WWS Acquisition, LLC	$360	PGT Innovations, Inc. (NYSE:PGTI)	19.2x	PGT Innovations, Inc. (NYSE:PGTI) entered into a definitive merger agreement to acquire WWS Acquisition, LLC from a consortium of sellers for $360 million on July 24, 2018.
07/23/2018	Expera Specialty Solutions, LLC	$615	Ahlstrom Munksjo Oyj	9.3x	Ahlstrom Munksjo Oyj signed a definitive agreement to acquire Expera Specialty Solutions, LLC from KPS Capital Partners, LP for approximately $620 million on July 23, 2018.
07/19/2018	Sage Automotive Interiors, Inc.	$1,060	Asahi Kasei Corporation (TSE:3407)	-	Asahi Kasei Corporation (TSE:3407) entered into a definitive agreement to acquire Sage Automotive Interiors, Inc. from Clearlake Capital Group, L.P. for $1.1 billion on July 19, 2018.

Source: Capital IQ, as of February, 2019.

Peakstone Momentum

Contact Us

About Peakstone

Peakstone is an investment bank that specializes in mergers and acquisitions advisory and capital raising for middle market clients. Our team is comprised of senior investment banking professionals who have decades of experience and have executed hundreds of transactions totaling billions of dollars. For additional information, visit www.peakstone.com.

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