

INDUSTRY UPDATE

Diversified Industrials Market Monitor



MERIDIAN CAPITAL
INVESTMENT BANKERS





DIVERSIFIED INDUSTRIALS MARKET INSIGHTS

Return of Manufacturing Activity

- U.S. manufacturing activity reached a three year high in February 2021, with the Institute for Supply Management manufacturing index reading 60.8%; this level ties that last reached in February 2018 and is the highest since May 2004 when the reading was 61.4%
- U.S. consumers are turning to hard-goods produced by the U.S. manufacturing industry as industrial activity begins to recover from COVID troughs and consumers continue to receive direct stimulus payments
- The sentiment of those in the U.S manufacturing sector has continued to improve as well; the ISM manufacturing survey found a 5:1 positive to cautious comments ratio among its survey participants

Raw Materials Shortages Lead to Increased Costs

- Increased manufacturing activity coupled with challenged supply chains has led to shortages and price increases among raw materials and other necessary components
- Manufacturers have seen mounting pressure on raw materials including steel, lumber, semiconductors, and plastic resin; polypropylene plastic resin prices have increased 22% in just one month
- With growing pressure on margins, manufacturers are attempting to pass along price increases to customers – the Producer Price Index, a measurement of prices received for outputs, has soared in recent months, reaching all-time highs
- Supply chains, specifically ones involved in ‘just-in-time’ inventory management, are further complicated as global ports are experiencing as much as 31% YoY increases in the volume of ships resulting in lengthy delays

Capital Markets Activity – By the Numbers

\$5.5T

In total market cap
as of 3/15/21

\$400B

In capital raised
during FY2020

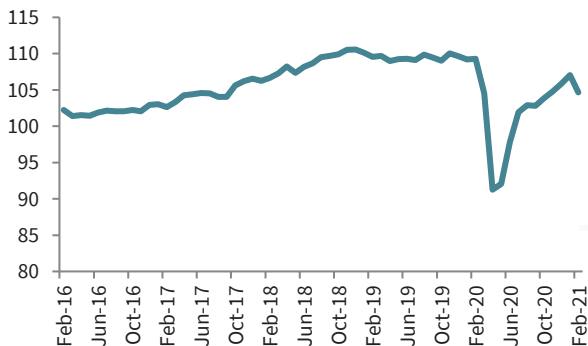
\$106M

Median deal size
during FY2020

1,600

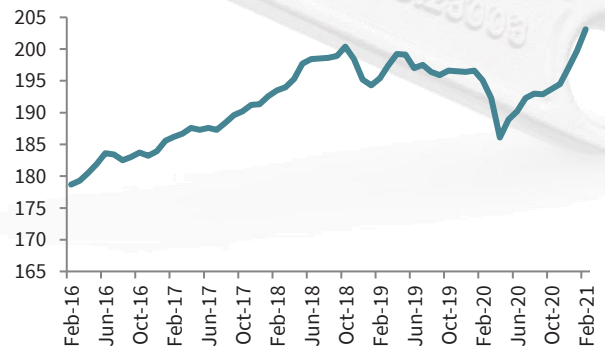
Private equity and
corporate M&A
transactions for FY2020

Industrial Production Index



Industrial Production index measures real output of all U.S.-based manufacturing, mining, electric, and gas utilities NAICS codes.

Producer Price Index: All Manufacturing

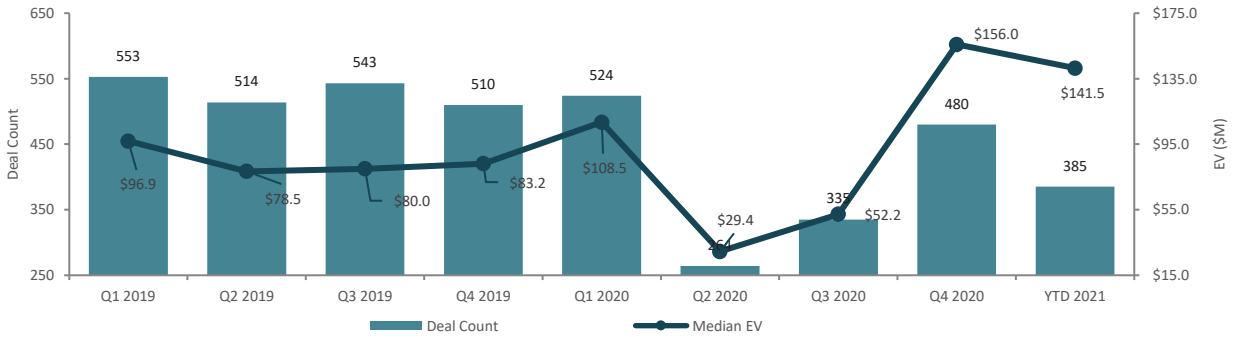


The Producers Price Index: All Manufacturing measures the prices received for manufacturing outputs by U.S. producers; a higher index indicates higher prices of the output

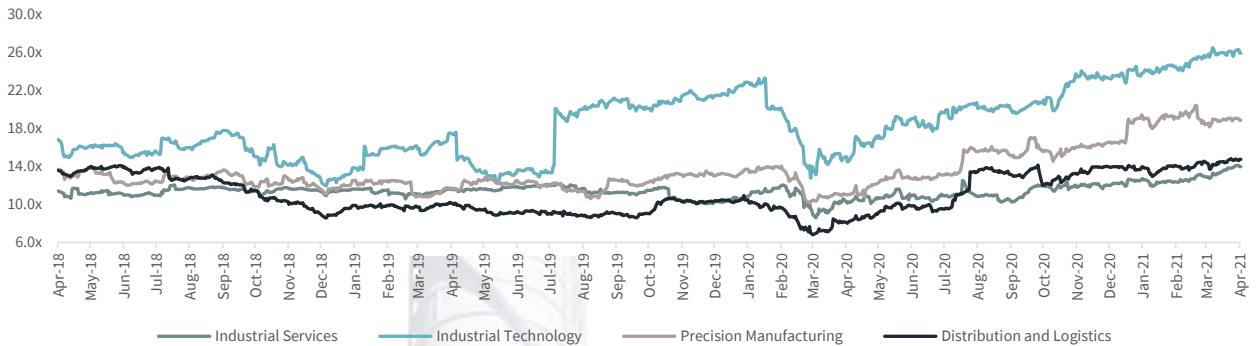


DIVERSIFIED INDUSTRIALS MIDDLE MARKET M&A ACTIVITY

M&A Activity and Market Trends



Public Market Valuations (EV/EBITDA)



Recent Transaction Spotlights



January 2021

Description: FLIR is a leading provider of intelligent sensing solutions for defense and industrial applications. The Company is focused on design and production of thermal imaging cameras, sensors, and systems.

Rationale: The acquisition brings together FLIR and Teledyne's suite of sensing technologies. The combined entities now cover the full-range of domains and applications.



March 2021

Description: Louisville, KY-based ORR Safety is an industrial safety product distributor, specializing in personal protective equipment and related safety services.

Rationale: The acquisition represents a strategic opportunity for Wurth Industry to expand its market share in safety solutions across new markets such as rail, auto, and government in North America.



February 2021

Description: SPM is a precision manufacturer of components, assemblies, and accessories utilized in the robotic surgery and other industries requiring complex metal components with tight tolerances.

Rationale: The acquisition represents Vander-Bend's continued efforts to become a leading platform for manufacturing med-tech and datacenter infrastructure components.

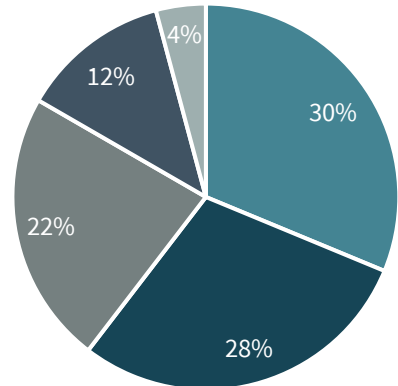


Industry Spotlight – Additive Manufacturing

Additive Manufacturing Themes and Applications

- Additive manufacturing (“AM”), the industrial production name for 3D printing layers of materials, has been widely adopted by many manufacturers and is radically changing the way new product development is done
- As new additive manufacturing methods and technologies are created, organizations across virtually every industry have sought use of the technology
- The market has grown from \$2B in 2012 to an estimated \$18B in 2021, and is expected to continue to grow to \$118B by 2029, driven by the maturation of technologies and supply chain consolidation
- 2021 is on-track for a record year of capital raised by additive manufacturing companies, with nearly ~\$1.5B raised in Q1 2021 alone

Current Top Applications for AM



- Functional Prototyping
- Concept Modeling
- Manufacturing Aids
- Production Parts
- Bridge Production

Source: 3D Hubs

Additive Manufacturing Demand Continues to Grow Across the U.S.

Early Adopters of Additive Manufacturing



Aerospace and Defense



Maritime



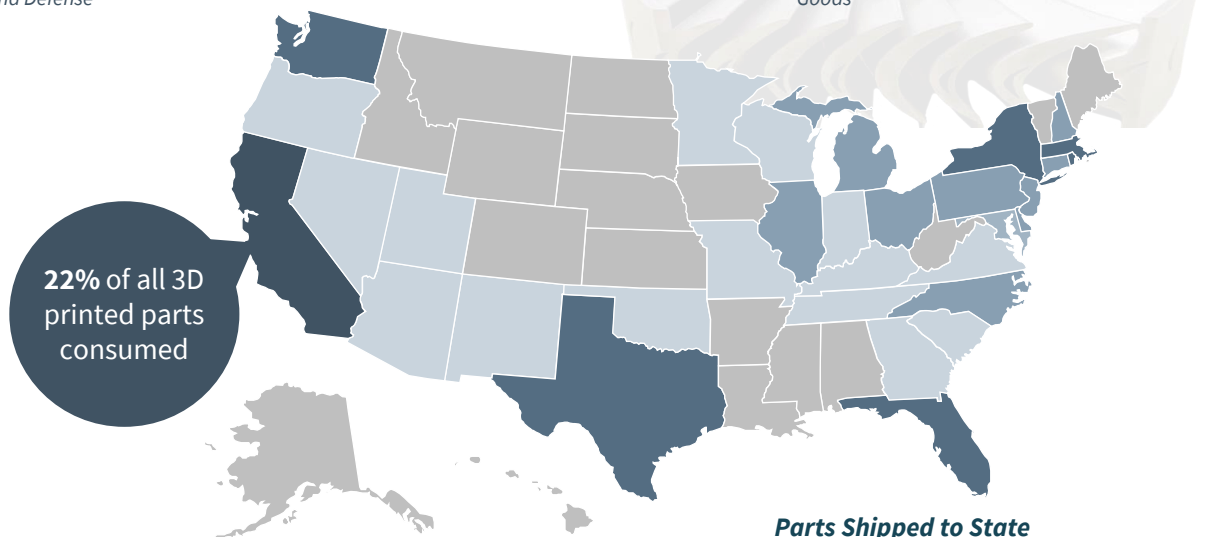
Healthcare



Sporting Goods



Energy



Source: 3D Hubs

Source: PitchBook, Company Press Releases, Meridian Research, 3D Hubs, Stratesys, GrandviewResearch



MERIDIAN CAPITAL RECENT DEAL SPOTLIGHT

SHIELDS MANUFACTURING ACQUIRED BY PRECINMAC PRECISION MACHINING

Meridian Capital LLC (“Meridian”), a Seattle-based middle market corporate finance and M&A advisory firm is pleased to announce the successful acquisition of one of its clients, Shields Manufacturing, Inc. (“Shields” or the “Company”) by Precinmac Precision Machining (“Precinmac”), a portfolio company of Pine Island Capital Partners, LLC, Bain Capital Credit, LP, and Compass Partners Capital.

Shields Manufacturing



- Acquired by -



Founded in 1991 and located in Tualatin, Oregon, Shields serves the semiconductor, life sciences and aerospace markets providing precision CNC machined components and complex assemblies. The Company specializes in complex mechanical and optical assemblies with extensive metal and plastic machining capabilities.

Bill and Ruthie Shields, co-owners of Shields, shared, “Meridian acted as a committed and thoughtful advisor throughout the entire transaction, helping Shields and its shareholders reach an outstanding outcome in a challenging environment. We’re excited for Shields to join the Precinmac family with a strong alignment on culture and capabilities that the combination brings to Shields’ customers.”

PACIFIC CONSOLIDATED INDUSTRIES RECAPITALIZED BY TJM CAPITAL PARTNERS

Meridian Capital LLC’s diversified industrials team is excited to announce the successful recapitalization of one of its clients, Pacific Consolidated Industries, LLC (“PCI” or the “Company”), a portfolio Company of Main Street Capital Corporation (NYSE: MAIN), by TJM Capital Partners (“TJM”).

Founded in 1984 and based in Riverside, California, PCI is a leading provider of deployable, onsite, liquid and gaseous oxygen and nitrogen generating systems. PCI’s products serve applications where it is inefficient to utilize distributed industrial gases including aerospace and defense, medical, water and wastewater treatment, oil & gas, and general industrial end-markets.

Bob Eng, CEO of PCI shared “On behalf of PCI Gases, we’re very excited to partner with TJM’s partners and investors to drive further growth on a broader scale by expanding our market reach and value-added offerings and solutions to new and existing customers, particularly in the medical and industrial oxygen markets.”

Pacific Consolidated Industries



- Recapitalized by -





PUBLIC DIVERSIFIED INDUSTRIALS METRICS

(\$US in millions) Company Name	Market		LTM		EV/LTM		LTM Margin	52-Week
	Cap	EV	Rev	EBITDA	Rev	EBITDA	EBITDA	Change
Industrial Services								
WM Intellectual Property Holdings, L.L.C.	\$56,921	\$70,180	\$15,218	\$3,989	4.6x	17.6x	26.2%	37 %
Cintas Corporation, Inc.	\$35,897	\$38,047	\$6,934	\$1,610	5.5x	23.6x	23.2%	73 %
Republic Services, Inc.	\$33,498	\$42,639	\$10,154	\$2,652	4.2x	16.1x	26.1%	35 %
Quanta Services, Inc.	\$13,077	\$14,351	\$11,203	\$916	1.3x	15.7x	8.2%	72 %
ADT Inc.	\$7,267	\$16,555	\$5,315	\$1,843	3.1x	9.0x	34.7%	158 %
ABM Industries, Inc.	\$3,449	\$3,921	\$5,867	\$256	0.7x	15.3x	4.4%	67 %
Comfort Systems USA, Inc.	\$2,908	\$3,186	\$2,857	\$259	1.1x	12.3x	9.1%	166 %
NV5, Inc.	\$1,358	\$1,614	\$659	\$90	2.4x	18.0x	13.6%	131 %
	Median	\$15,453	\$6,400	\$1,263	2.8x	15.9x	18.4%	72.4%
	Mean	\$23,811	\$7,276	\$1,452	2.9x	15.9x	18.2%	92.2%
Industrial Technology								
Danaher Corp.	\$172,455	\$191,877	\$22,284	\$6,474	8.6x	29.6x	29.1%	53 %
Siemens AG	\$135,002	\$165,011	\$65,585	\$9,793	2.5x	16.8x	14.9%	97 %
ABB Ltd.	\$65,751	\$67,801	\$26,134	\$1,945	2.6x	34.9x	7.4%	92 %
Eaton Corporation PLC	\$55,157	\$62,482	\$17,858	\$2,706	3.5x	23.1x	15.2%	82 %
Roper Technologies, Inc.	\$44,762	\$54,085	\$5,527	\$1,949	9.8x	27.8x	35.3%	37 %
Rockwell Automation, Incorporated	\$30,574	\$32,653	\$6,211	\$1,771	5.3x	18.4x	28.5%	61 %
AMETEK, Inc.	\$30,209	\$31,455	\$4,540	\$1,424	6.9x	22.1x	31.4%	75 %
Teledyne Technologies Incorporated	\$15,776	\$15,881	\$3,086	\$601	5.1x	26.4x	19.5%	40 %
	Median	\$58,284	\$12,034	\$1,947	5.2x	24.8x	24.0%	68.3%
	Mean	\$77,656	\$18,903	\$3,333	5.5x	24.9x	22.6%	67.2%
Precision Manufacturing								
Stryker Corporation	\$97,254	\$108,221	\$14,351	\$2,766	7.5x	39.1x	19.3%	42 %
Illinois Tool Works Inc	\$70,531	\$76,278	\$12,574	\$3,320	6.1x	23.0x	26.4%	43 %
Emerson Electric Co.	\$54,501	\$60,507	\$16,795	\$2,845	3.6x	21.3x	16.9%	74 %
Parker-Hannifin Corporation	\$40,294	\$46,915	\$13,505	\$2,652	3.5x	17.7x	19.6%	135 %
Ingersoll Rand Inc.	\$21,081	\$23,356	\$4,910	\$593	4.8x	39.4x	12.1%	88 %
AptarGroup Inc	\$9,930	\$10,855	\$2,929	\$554	3.7x	19.6x	18.9%	42 %
Berry Global Inc.	\$8,394	\$18,099	\$12,029	\$1,450	1.5x	12.5x	12.1%	72 %
Gibraltar Industries, Inc.	\$2,906	\$2,986	\$1,033	\$129	2.9x	23.1x	12.5%	106 %
EnPro Industries, Inc.	\$1,699	\$2,019	\$1,074	\$59	1.9x	34.3x	5.5%	109 %
NN, Inc.	\$335	\$536	\$428	(\$63)	1.3x	nm	-14.8%	234 %
	Median	\$20,728	\$8,470	\$1,021	3.5x	23.0x	14.7%	81.0%
	Mean	\$34,977	\$7,963	\$1,430	3.7x	25.6x	12.8%	94.6%
Industrial Distribution and Logistics								
Fastenal Company	\$29,372	\$29,695	\$5,697	\$1,317	5.2x	22.6x	23.1%	47 %
W.W. Grainger, Inc.	\$21,653	\$23,730	\$11,797	\$1,222	2.0x	19.4x	10.4%	50 %
J.B. Hunt Transport Services, Inc.	\$17,792	\$18,540	\$9,637	\$1,240	1.9x	14.9x	12.9%	68 %
XPO Logistics, Inc.	\$15,057	\$22,129	\$16,252	\$1,233	1.4x	17.9x	7.6%	123 %
Bunzl plc	\$11,806	\$14,209	\$12,961	\$1,142	1.1x	12.4x	8.8%	68 %
MSC Industrial Direct Co., Inc.	\$4,998	\$5,726	\$3,141	\$384	1.8x	14.9x	12.2%	56 %
WESCO International, Inc.	\$4,226	\$9,083	\$12,326	\$471	0.7x	19.3x	3.8%	284 %
MRC Global, Inc.	\$920	\$1,763	\$2,560	(\$209)	0.7x	nm	-8.2%	141 %
DXP Enterprises, Inc.	\$546	\$804	\$1,005	(\$4)	0.8x	nm	-0.4%	122 %
	Median	\$14,209	\$9,637	\$1,142	1.4x	17.9x	8.8%	68.4%
	Mean	\$13,965	\$8,375	\$755	1.7x	17.4x	7.8%	106.5%



SELECT DIVERSIFIED INDUSTRIALS M&A TRANSACTIONS

Industrial Services

<u>Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Mar-21	R&D Mechanical Services, Inc.	Rogers Mechanical Contractors, Inc.	Provider of commercial HVAC preventive maintenance, repair, and retrofit/replacement services
Mar-21	AI Fire	Snow Phipps Group	Provider of fire and life safety services
Feb-21	SKM Service Oy	Bravida	Provider of industrial pipelines and project services
Feb-21	Valcourt Building Services	Littlejohn & Co.	Provider of building maintenance and ancillary repair services
Feb-21	Pitchard Industries	Individual FoodService (Kelso Private Equity)	Provider of building and facility maintenance services
Feb-21	Carter's Fire Sprinkler Maintenance & Piping, Inc.	PSI (The Riverside Company)	Provider of fire fighting and mitigation services
Jan-21	Summit Field Services	HEPACO, LLC	Provider of emergency response, industrial services, and waste management
Jan-21	Environmental Products and Services of Vermont	Miller Environmental Group (GenNX360)	Provider of environmental and industrial services
Jan-21	Travis Industries, LLC.	AXIS Industrial Services (Carr's Hill Partners)	Provider of specialty services to industrial customers
Dec-20	Area Wide Protective	Kohlberg & Company, LLC	Provider of traffic control and safety services to electric and gas utilities
Dec-20	Aegis Fire Protection, LLC	Century Fire Protection	Operator of an open shop fire safety contractor
Nov-20	Incorp, Inc.	Construction Safety Group	Provider of specialty, multi-craft plant maintenance, and capital services
Oct-20	Silver (UK) Ltd.	Kings Security Systems	Provider of fire safety systems, smoke ventilation, and security technology

Industrial Technology

<u>Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Mar-21	Pacific Consolidated Industries	TJM Capital Partners	Manufacturer of ruggedized onsite liquid, gaseous oxygen, and nitrogen generators
Feb-21	MarkForged, Inc.	one (SPAC)	Provider of industrial 3D printing services
Jan-21	Autotech Robotics Limited	Belgrave	Manufacturer and integrator of robotic systems and processes
Jan-21	FLIR Systems, Inc.	Teledyne Technologies	Manufacturer of thermal imaging systems
Dec-20	Origin	Stratasys Ltd.	Producer of a manufacturing-grade 3D printer for additive manufacturing
Dec-20	Boston Dynamics, Inc.	Hyundai Motor	Developer and manufacturer of robots specializing in building dynamic robots and software
Dec-20	Desktop Metal, Inc.	Trine Acquisition	Manufacturer of three-dimensional metal and carbon fiber 3D printers
Dec-20	Artesyn Biosolutions Ireland LTD	Repligen	Manufacturer and provider of single-use solutions designed for the biotech industry
Oct-20	Alluxa, Inc	EnPro Industries	Manufacturer of optical filters and thin-film coatings
Oct-20	Codian Robotics B.V.	ABB	Manufacturer of delta robots, which are used primarily for high-precision pick and place applications

 Meridian Capital completed transaction

Source: PitchBook, Company Press Releases, Meridian Research



SELECT DIVERSIFIED INDUSTRIALS M&A TRANSACTIONS

Precision Machining

<u>Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Mar-21	Douglas Machining Services, LLC	Compass Precision, LLC (Main Street Capital)	Leading manufacturer of precision metal components
Feb-21	Aurotek TSB, Inc.	Auburn Bearing & Manufacturing Inc	Manufacturer of thin section bearings for a broad array of industries
Dec-20	Majestic Metals	Core Industrial Partners	Manufacturer of precision sheet metals serving numerous end markets
Dec-20	Shields Manufacturing, Inc.	Precinmac	Provider of computer numerical control (CNC) machining, tuning, and complex optical assemblies
Dec-20	Viper Northwest, Inc.	Precinmac	Manufacturer of precision fabricated, machined parts, and assemblies
Dec-20	Swiss Precision Machining, Inc.	Vander-Bend Manufacturing (Aterian Investment Partners)	Manufacturer of consumable instrument components utilized in robotic surgery and other high technology end-markets
Nov-20	Elkhart Plastics, Inc.	Myers Industries, Inc.	Manufacturer of engineered products for the recreational vehicle, marine, agriculture and construction industry
Oct-20	Larkin Precision Machining, Inc.	IMG Companies, LLC	Manufacturer for complex, close-tolerance components for defense, aerospace, and medical sectors
Oct-20	Non-Metallic Solutions, Inc.	Repligen	Manufacturer of plastic fabrication, assembly, standard thermoplastic tanks, and rotational molding

Industrial Distribution and Logistics

<u>Date</u>	<u>Target</u>	<u>Acquirer/Investor</u>	<u>Target Description</u>
Apr-21	AFC Industries, Inc.	Bertram Capital	Fastener distributor and provider of supply chain management services to OEMs
Mar-21	Flow Control Group	KKR	Distributor of flow control and industrial automation products
Mar-21	ORR Safety	Wurth Industries	Distributor of industrial safety products
Mar-21	Jon-Don	Incline Equity	Supplier of disaster restoration equipment
Jan-21	Wilco Supply	Fluid Power Holdings, Inc. (JMH Capital Partners)	Independent distributor of hydraulic hoses, industrial hoses, fittings, and fabrication
Jan-21	Jackson Newell	Imperial Dade (Bain Capital)	Distributor of janitorial and paper sanitation supplies
Jan-21	Kimco Distributing	Hisco / Specialty Tools	Distributor of products, services and equipment to the manufacturing, testing and repair environments
Jan-21	SafetyNetwork	Affiliated Distributors	Buying group comprised of safety distributors
Jan-21	Bison Transport Inc.	James Richardson & Sons	Provider of cartage services
Jan-21	SEKO Worldwide	Ridgemont Equity Partners	Provider of non-asset based third-party logistics services
Jan-21	Diversified Air Systems	Motion & Control Enterprises (Frontenac Co.)	Distributor of air compressors and related products
Dec-20	Black Horse Carriers	Penske Logistics	Trucking and fleet services for the food, consumer, and manufacturing industries
Dec-20	Atlas Welding Supply	AEA Investors	Distributor of gases and welding supplies.
Nov-20	Vesso Holdings	Gryphon Investors	Distributor of process, flow control, pumps and automation equipment and services
Nov-20	Care Supply Co.	Colony Hardware (Audax Group)	Distributor of construction and industrial supplies

Meridian Capital completed transaction

Source: PitchBook, Company Press Releases, Meridian Research

DIVERSIFIED INDUSTRIALS SECTOR COVERAGE

MERIDIAN CAPITAL SECTOR COVERAGE

- Automation & Robotics
- Industrial Services
- Industrial Technology and Engineering Products
- Paper and Packaging
- Precision Manufacturing and Assembly
- Safety Products and Services
- Transportation & Logistics
- Value-Add Distribution

MERIDIAN CAPITAL TRANSACTION EXPERIENCE

<p>Pacific Consolidated Industries</p>  <p>- Recapitalization by -</p> <p>TJM Capital Partners</p>	<p>Shields Manufacturing</p>  <p>- Acquired by -</p> 	<p>Manor Hardware</p>  <p>- Acquired by -</p> 	<p>MTM Robotics</p>  <p>- Acquired by -</p> 
<p>Harbor Wholesale</p>  <p>- Acquisition of assets -</p> 	<p>BERG Companies</p>  <p>- Acquired by -</p> 	<p>Burton Saw and Supply</p>  <p>- Acquired by -</p> <p>PFINGSTEN</p>	<p>Fasteners, Inc.</p>  <p>- Acquired by -</p> 
<p>All-Pak</p>  <p>- Acquired by -</p> 	<p>Smith & Greene Company</p>  <p>- Acquired by -</p> 	<p>Apollo Video Technology</p>  <p>- Acquired by -</p> 	<p>AD Systems</p>  <p>- Acquired by -</p> 
<p>MetalFx</p>  <p>- Acquired by -</p> 	<p>Blast Deflectors</p>  <p>- Acquired by -</p> 	<p>HR Givon</p>  <p>- Acquired by -</p> 	<p>Thortex</p>  <p>- Acquired by -</p> 





MERIDIAN CAPITAL

INVESTMENT BANKERS

Meridian Capital has been helping middle market business owners achieve their M&A and corporate finance goals since 1995.

INDUSTRY EXPERIENCE

Meridian's diversified industrials practice provides comprehensive access to top industry-wide strategic and financial sponsor relationships, deep sector expertise, and proven transaction experience to help maximize shareholder value.

TRANSACTION EXPERTISE

- Mergers & Acquisitions
- Growth Capital
- Strategic Advisory

TAILORED PROCESSES

- High-Touch Approach
- Multidisciplinary Deal Team
- End-to-End Services

MERIDIAN CAPITAL DIVERSIFIED INDUSTRIALS TEAM



Brian Murphy

President & Managing Director
bmurphy@meridianllc.com



Kristin Brandtner

Director
kbrandtner@meridianllc.com



Bruce Pym

Managing Director
bpym@meridianllc.com



James Rothenberger

Managing Director
jrothenberger@meridianllc.com



Aaron Franzheim

Vice President
afranzheim@meridianllc.com

About Meridian Capital

Meridian Capital (www.meridianllc.com), a Seattle-based M&A advisory firm, has served as a trusted advisor to business owners on complex corporate finance, M&A, and strategic challenges for over 20 years. The firm differentiates itself through its deep industry insights, highly customized service approach, and end-to-end commitment to execution.

Contact Us

1809 Seventh Avenue
Suite 1330
Seattle, WA 98101
t: (206) 623-4000
e: info@meridianllc.com
meridianllc.com