bridgepoint | INVESTMENT BANKING

Manufacturing & Machining Report

Fourth Quarter 2020

Valuations Prove Resilient as All-Time Highs are Reached in the 2nd Half of 2020

EXECUTIVE SUMMARY

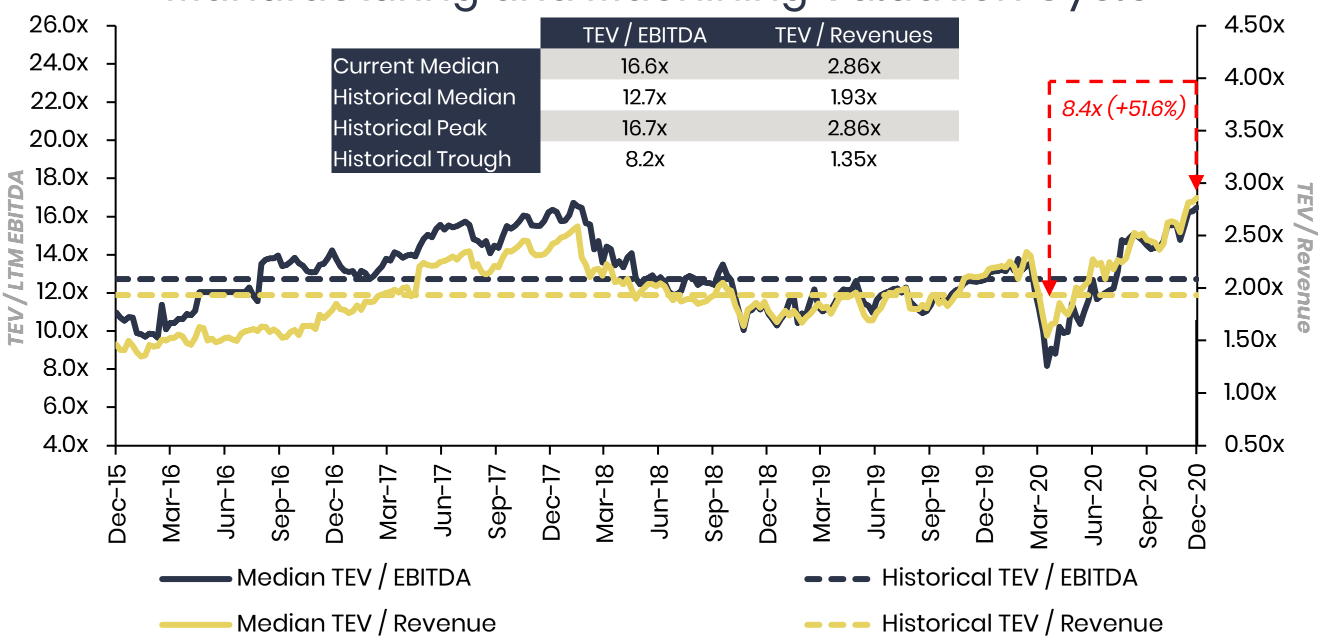
- The manufacturing and machining sector has **more than fully recovered through Q3 and Q4 2020** despite instability with an increase of 8.4x (50.6%) in median TEV / EBITDA multiples since the March 2020 trough
- **M&A Activity has increased Year-Over-Year** through August 2020 by 26.5% compared to the same period in 2019 showing strong capital deployment interest despite the pandemic and all-time high valuations
- The events of the year have **accelerated the industry's focus on technology, automation, and waste reduction**; companies involved in MaaS (Mfg. as a Service) and using the Internet of Things will demand the highest premiums
- Companies which adopt a regional / national focus will continue to demand higher valuations as **focus is expected to shift from global outsourcing** as a result of supply chain crunches

BIG PICTURE

- Machinery valuations and earnings are **highly sensitive** to globalization and economic well-being. Through the 2nd half of 2020, valuations have increased as a result of shifting towards regional focus, automation, and lean techniques
- A strong economy is important when it comes to manufacturing as the **industry is very dependent on expansionary periods** when companies invest in new equipment; long-term expansion expected to take hold in Q1 & Q2 2021
- Bridgepoint Investment Banking advises manufacturing and machining owners seeking near-term liquidity or stress financing **to consider financing options that improve liquidity and free cash flow cushion**

Manufacturing and Machining Valuation Cycle

	TEV / EBITDA	TEV / Revenues
Current Median	16.6x	2.86x
Historical Median	12.7x	1.93x
Historical Peak	16.7x	2.86x
Historical Trough	8.2x	1.35x



Note: Composite composed of selected public comparables as listed on page 3.
Source: Bridgepoint Investment Banking, Capital IQ, CNC Masters, The Science Times

COVID-19 Impact on Manufacturing and Machining

Plastics

- Many plastics companies have focused on **automation and integrating systems** during 2020 to cut costs of production
- **Companies have adopted vertical integration** to reduce the effective cost and time impact on changes that many manufacturers overlooked pre-Covid
- Environmental regulations are expected to change over the next 5-10 years creating an **increased demand for sustainable plastic products**
- An increase in at-home consumption has provided **significant tailwinds** for plastic container manufacturers

Agriculture

- **Smart farming** is on the rise, causing many agriculture machinery companies to modify their equipment to help clients increase yields of crops and livestock
- The growth trend of **hydroponic and indoor farms** will present an opportunity for many equipment manufacturers to develop new products which benefit the practice
- **Soybean and Corn prices** have increased 38.9% and 29.9%, respectively, since April 2020 troughs signaling greater consumer demand which will ultimately drive new equipment sales through early 2021

Construction & Heavy Equipment

- Despite slowdowns in the industry due to construction demand and economic conditions**, heavy equipment is expected to grow 4.3% YoY on average through 2027**
- U.S. construction spending increased slightly in 2020 (0.1%) over 2019; **this number is expected to increase in 2021 and 2022**
- Heavy equipment manufacturers in the U.S. are **experiencing increasing demand due to international trade delays and tariffs**; increased focus on "Made in the USA" is expected to provide major tailwinds to American equipment manufacturers as a result of the trade war

> "As the whole world shifts to "same day shipping", drive through pick up and expectations of drones providing immediate delivery, the immediate response time can't necessarily be said of manufacturing. Import issues from other countries, COVID-19's impact on factory employees working too closely and lead times from parts suppliers has made manufacturing a challenge. For the firms that are able to adapt quickly, who have the capital or access to capital, the opportunity still exists to come out winners. Automation, robotics and plant reconfigurations don't come without a price tag. But the investment may be worth it, or necessary to survive and grow."

Mike Anderson, Managing Director
Bridgepoint Investment Banking

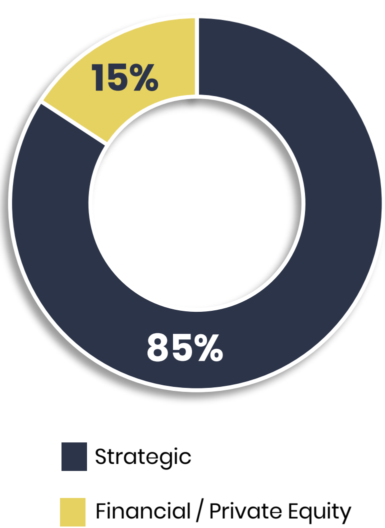
Selected Public Comparables

($ in millions, except per share data) Company Name	Country	11/30/2020 Share Price	Equity Value	Enterprise Value	P / E LTM	TEV / Revenue LTM	TEV / EBITDA LTM	TEV / EBIT LTM
Caterpillar Inc.	United States	$173.59	$94,304.2	$123,975.2	28.8x	2.84x	16.4x	23.9x
Deere & Company	United States	$261.62	$81,985.1	$121,838.1	30.1x	3.43x	19.0x	28.5x
Illinois Tool Works Inc.	United States	$211.09	$66,814.3	$72,591.3	32.0x	5.78x	22.2x	25.6x
Parker-Hannifin Corporation	United States	$267.26	$34,423.2	$41,604.8	29.2x	3.06x	15.7x	20.1x
PACCAR Inc	United States	$87.06	$30,161.0	$36,202.3	21.2x	1.88x	16.5x	20.5x
Stanley Black & Decker, Inc.	United States	$184.31	$29,530.8	$35,657.5	29.8x	2.58x	14.8x	21.5x
Cummins Inc.	United States	$231.17	$34,214.7	$36,491.7	21.8x	1.87x	11.7x	16.5x
Fortive Corporation	United States	$70.13	$23,647.5	$28,094.5	47.1x	3.91x	16.5x	24.3x
Techtronic Industries Company Limited	Hong Kong	$12.82	$23,485.4	$23,793.4	35.5x	2.92x	25.0x	33.5x
Valmont Industries, Inc.	United States	$162.98	$3,463.8	$3,921.6	24.2x	1.41x	10.6x	15.1x

Total

	P / E	TEV / Revenue	TEV / EBITDA	TEV / EBIT
High	47.9x	5.80x	25.0x	33.5x
Mean	30.4x	2.95x	16.8x	23.1x
Median	30.1x	2.86x	16.6x	22.9x
Low	21.4x	1.43x	10.8x	15.2x

Transactions by Acquiror Type 9/29/2020 – 11/23/20



Selected Manufacturing Transactions

Date Announced	Target	Acquiror
11/23/2020	7AC Technologies, Inc.	Emerson Electric, Co.
11/19/2020	Advanced Technology Machining	ESCO Technologies, Inc.
11/13/2020	Integrated Solutions, Inc.	Adaptec Solutions LLC
11/05/2020	Sattler Inc.	Monroe Engineering, LLC
11/04/2020	RELCO, LLC	Koch Separation Solutions
10/30/2020	Sager Metal Strip Company	Roeslein & Associates, Inc.
10/22/2020	Isimac Machine Company, Inc.	VFD Technologies, Inc.
10/20/2020	STF Precision Technologies & Tools	GWS Tool Group
10/12/2020	Applied Resources, Inc.	ARCH Global Precision LLC
10/06/2020	California Screw Products Corp.	Avantus Aerospace Group Ltd.
10/05/2020	Deal Manufacturing	MINDA Industrieanlagen GmbH
10/01/2020	Fata Aluminum LLC	Lpm Spa
09/30/2020	Hart & Cooley, LLC	H.I.G. Capital
09/29/2020	Smetco Inc	Alliance Automation, LLC

Manufacturing and Machining Transaction Highlights

Advanced Technology Machining

ESCO Technologies, Inc. announced on November 20th, 2020 the acquisition of Advanced Technology Machining and its affiliate, manufacturers of precision parts near Los Angeles.

"ATM is a great addition to the Crissair portfolio of products, and I welcome the ATM team to ESCO, and look forward to growing their sales of high-quality products which serve the same end users in A&D that we serve today." – *Vic Richey, ESCO Technologies, CEO*

GWS Tool Group issued a press release announcing the acquisition of STF Precision Technologies & Tools on October 20th, 2020.

"STF is an ideal fit for our organization. The experience and know-how of the team that we are bolting on, combined with their proprietary manufacturing processes that they have developed over time, will create immense value for GWS customers." – *Rick McIntyre, GWS Tool Group, CEO*

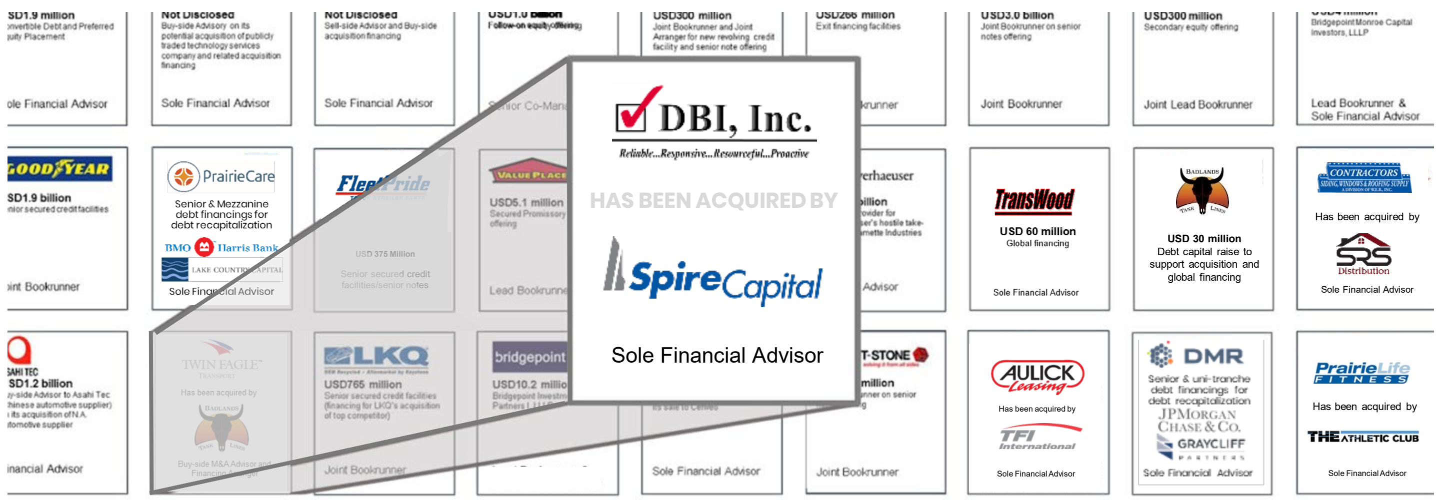
H.I.G. Capital announced on October 7th, 2020 the acquisition of Hart & Cooley, LLC, a leading manufacturer of HVAC products.

""We are impressed with Hart & Cooley's industry reputation and comprehensive portfolio of strong, market leading brands. We look forward to working with management to ensure the company is well positioned to be the most innovative, engaging and successful competitor in the industry." – Todd Ofenloch, *H.I.G. Capital, Managing Director*

BRIDGEPOINT EXECUTIVE SUMMARY

- **Market-leading boutique investment bank providing M&A and capital raising advisory solutions focused in the middle-market manufacturing industry**
- 259+ years cumulative investment banking experience spanning 214 transactions
- $121+ billion of M&A, capital raising, corporate finance and M&A transaction advisory service experience
- 96 completed M&A assignments spanning more than $36 billion in transactions
- 118 completed corporate finance transactions, raising more than $85 billion in capital

SELECTED BRIDGEPOINT TRANSACTION EXPERIENCE



SECTORS OF FOCUS

- Industrials & Transportation
- Business Services & Staffing
- Healthcare
- Consumer & Retail
- Technology

MORE THAN

259	$121B	214
YEARS OF EXPERIENCE	IN TRANSACTIONS	TOTAL TRANSACTIONS

SENIOR LEADERSHIP


Matt Plooster
President & CEO


Wm. Lee Merritt
Managing Director

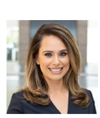

Gary Grote
Managing Director


Mike Anderson
Managing Director

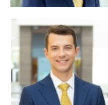

Nick Orr
Managing Director


Bryan Wallace
Managing Director


Chad Gardiner
Director


Natasha Plooster
COO


Subhash Marineni
Vice President


Alex Spanel
Associate

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