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## **Industrials M&A Update**

**Q3 2024**

# Industrials M&A Update

## Q3 2024

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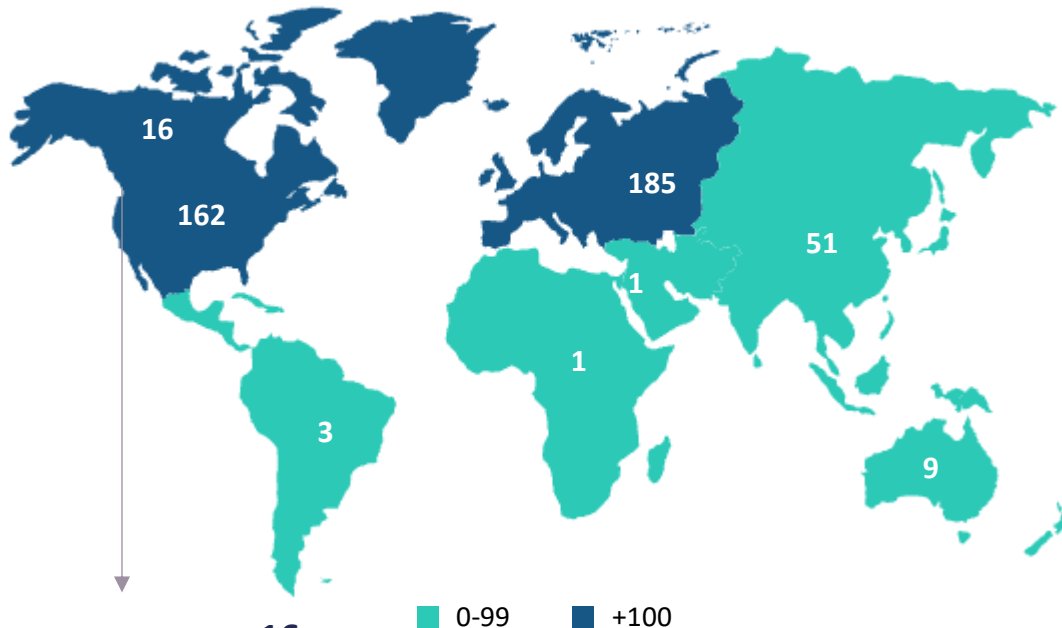
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### REPORT HIGHLIGHTS

- In Q3, the S&P 500 Industrials Index increased by 12.4% and outperformed the S&P 500, which increased by 5.3% over the same period.
- The median EV/EBITDA multiple for reported private equity deals decreased to 11.01x in YTD Q3 from 11.89x in 2023, but increased for strategic deals to 7.21x from 6.75x in the prior year.
- M&A deal volume in the Industrials sector increased 4.6% in Q3 to 428 deals from 409 deals in Q2, and increased 1.2% from 423 deals in Q3 of the prior year.
- As a % of total capital invested in M&A transactions, PE participation decreased YTD through Q3 to 19.6% from 39.3% in 2023.
- Europe was the most active region in Q3 with 185 deals. Most notably in Europe was Apollo Global Management and Rettig's \$425.7 million leveraged buyout of Purmo Group, a Finnish manufacturer of indoor climate solutions, in August 2024.



Of the 428 deals in the Industrials sector in Q3, Europe was the most active with 185. A notable European deal (in addition to the Purmo Group deal mentioned on the previous page) was John Cockerill’s \$322.7 million acquisition of Arquus, a subsidiary of Volvo Group and manufacturer of armed defense range vehicles, in July 2024. North America was the second most active with 178 transactions and all other regions combined for a total of 65 deals.



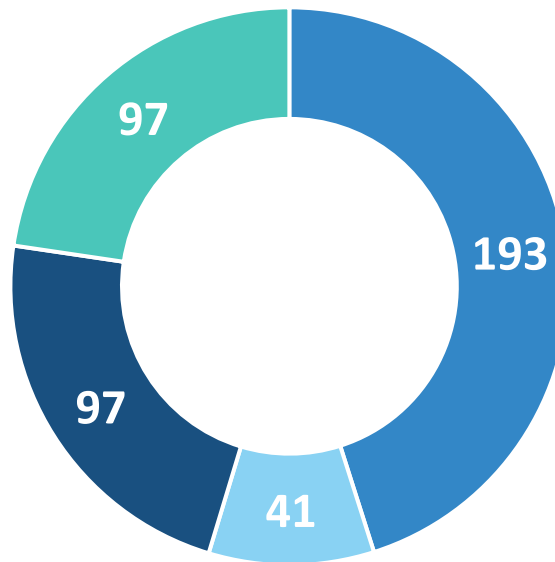
<b>Canada:</b>	<b>16</b>
<b>United States:</b>	<b>162</b>
Great Lakes:	40
Mid Atlantic:	27
Southeast:	25
South:	20
Others:	50

In the U.S. market, the Great Lakes region was the most active area with 40 deals, followed by the Mid Atlantic and Southeast with 27 and 25 closed transactions, respectively. Most notably in North America was Bosch’s \$8.1 billion acquisition of the Milwaukee-based HVAC Division of Johnson Controls International, in August 2024. The South region reported 20 deals and all other U.S. regions combined for a total of 50 completed transactions.

Outside of the U.S. in the North American market, 16 transactions closed in the Canadian market in Q3 2024.

Of the 428 Industrials deals in Q3, 193 deals were in the Industrial Supplies & Parts subsector, making it the most active from an M&A volume standpoint. The Machinery and Electrical Equipment subsectors each had 97 deals close, followed by Aerospace & Defense with 41 completed transactions.

## Deal by Subsector



■ Industrial Supplies & Parts

■ Aerospace & Defense

■ Machinery

■ Electrical Equipment















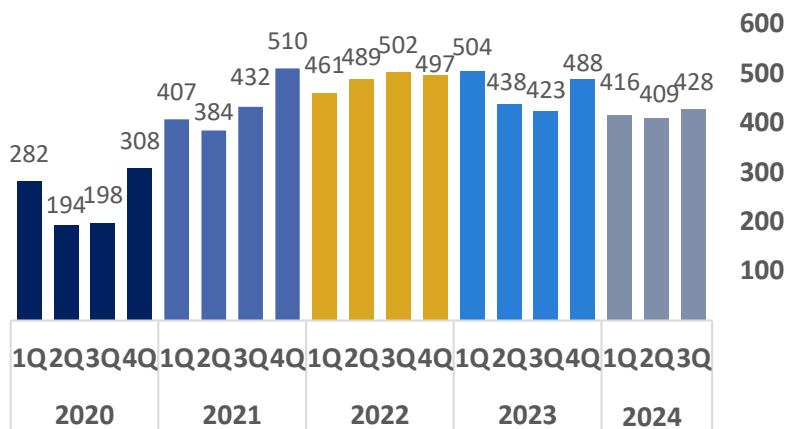



Deal volume in the Industrials sector increased 4.6% in Q3 to 428 deals from 409 deals in Q2, and increased 1.2% from 423 deals in Q3 of the prior year. Q3 represents a continuation of the trend of mostly steady deal volume seen since Q2 2023.

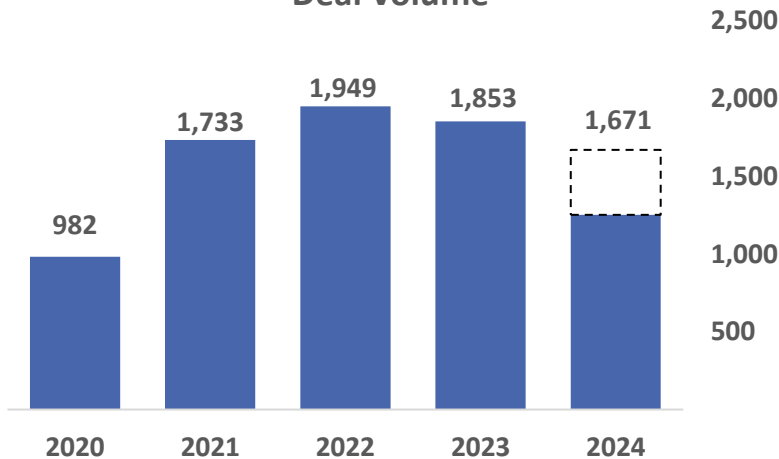
Based on activity through Q3, M&A deal volume is anticipated to decrease 9.8% to 1,671 deals in 2024 from 1,853 in 2023. We attribute this decline in deal volume to continuing challenges in market conditions including high interest rates and cost of capital along with tightened liquidity markets. However, we anticipate market conditions loosening in the coming quarters, with the Fed cuts in interest rates and the election moving to the rearview mirror.

Total capital invested in M&A deals in the Industrials sector increased 33.3% in Q3 to \$20.0B from \$15.0B in Q2, but decreased 58.2% from \$47.9B in Q3 of the prior year. The decrease from the prior year is primarily due to Japan Industrial Partners' \$13.6 billion acquisition of Toshiba in September 2023 and Carrier Global's \$12.0 billion acquisition of Viessmann Climate Solutions in July 2023. In comparison, the two largest transactions in Q3 2024 were Bosch's \$8.1 billion acquisition of the HVAC division of Johnson Controls International and Honeywell's \$1.9 billion acquisition of CAES.

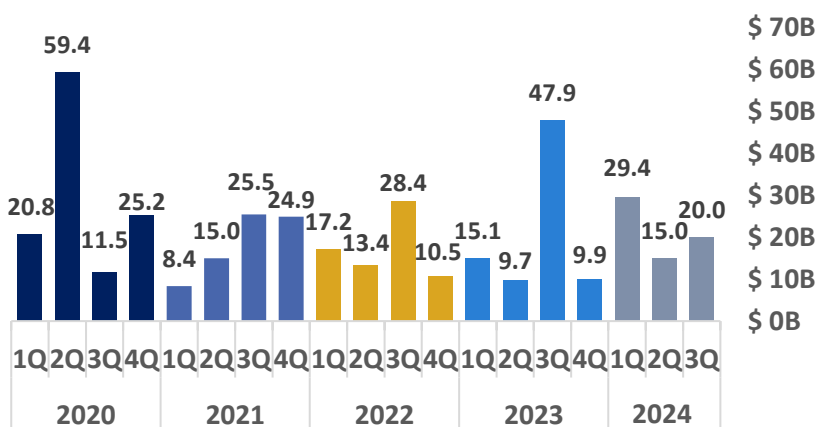
### Deal Volume



### Deal Volume

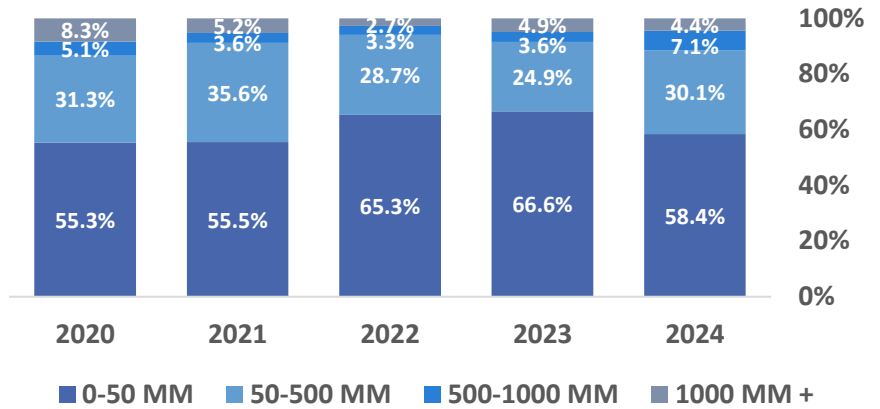


### Total Capital Invested



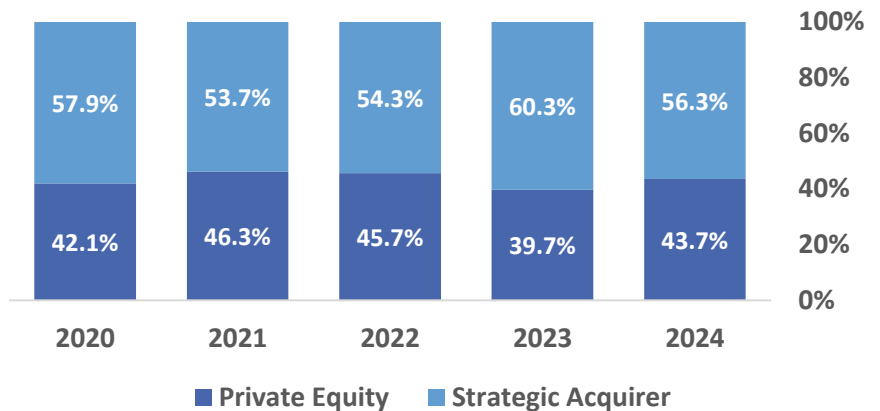
YTD through Q3, we generally saw a shift towards mid-sized deals, specifically in the middle market (\$50 - \$500 MM), which increased to 30.1% from 24.9% in the prior year, while the upper middle market (\$500 - \$1000 MM) increased from 3.6% to 7.1%. The lower middle (\$0-50MM) and large cap (\$1000 MM+) tranches of the market decreased to 58.4% and 4.4% in 2024 from 66.6% and 4.9% in 2023, respectively.

### Deal Volume by Deal Size



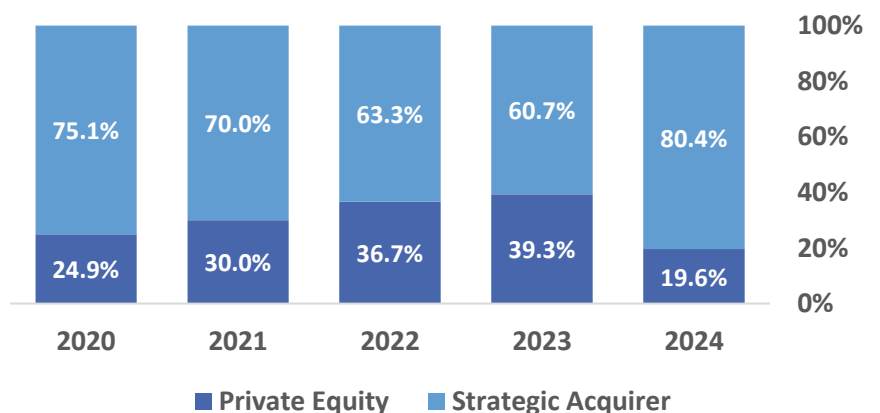
As a % of total deal volume, PE buyers have trended slightly higher so far in 2024 relative to strategic buyers, representing 43.7% of deal volume in the sector and up from 39.7% in 2023.

### Deal Volume by Acquirer



Despite the trend in deal volume, total capital invested by PE investors (as a % of overall capital invested) decreased in YTD 2024 to 19.6% from 39.3% in 2023. The five largest deals this quarter were all completed by strategic acquirers, largely increasing their share of total capital invested. The increase in PE deal volume coupled with the % decrease in capital invested reflects PE's increased appetite for smaller deals relative to strategic acquirers.

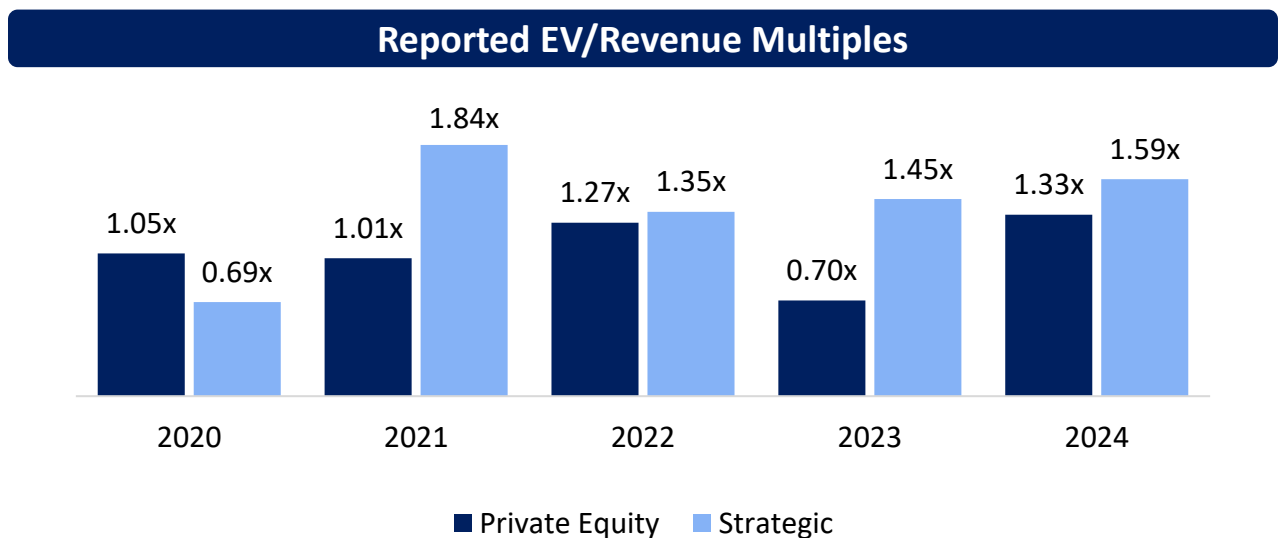
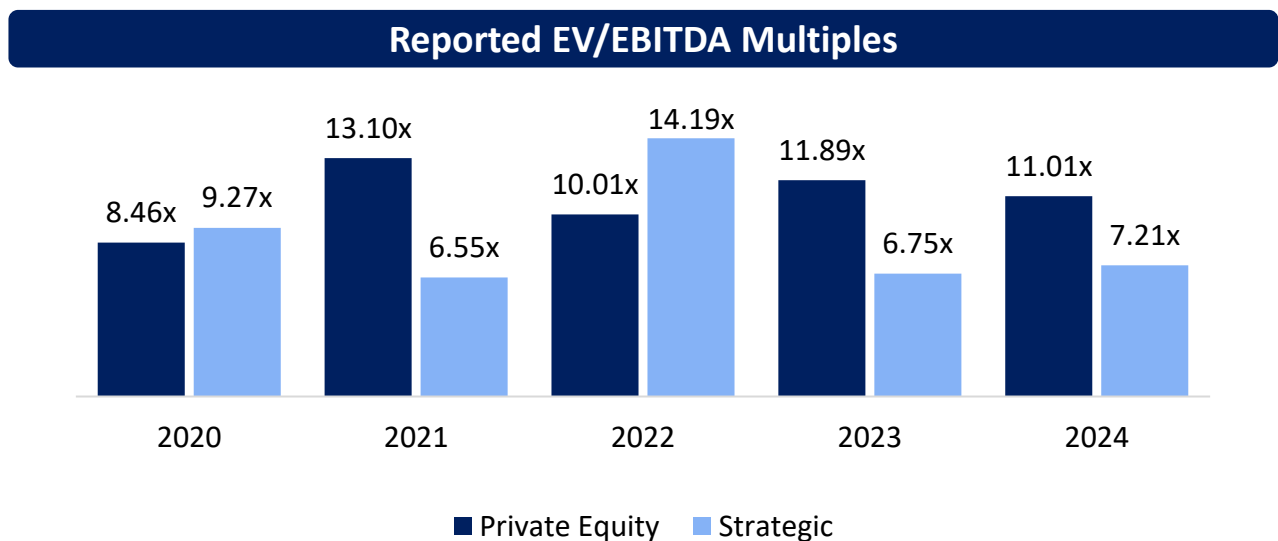
### Total Capital Invested by Acquirer














The median EV/EBITDA multiple for reported private equity deals decreased to 11.01x in 2024 from 11.89x in 2023, but increased for strategic deals to 7.21x from 6.75x in the prior year.

The median EV/Revenue multiple for reported private equity deals increased significantly to 1.33x in 2024 from 0.7x in 2023, and increased for strategic deals to 1.59x from 1.45x in the prior year.
















2024 marks the highest median EV/Revenue multiples for private equity buyers and the second highest for strategic buyers in the past five years.



## Active Strategic Investors

Investor	YTD Sector Investments	Select Targets
	3	  
	3	  
	2	 

## Active Private Equity Investors

Investor	YTD Sector Investments	Select Targets
	5	   
	5	   
	4	   

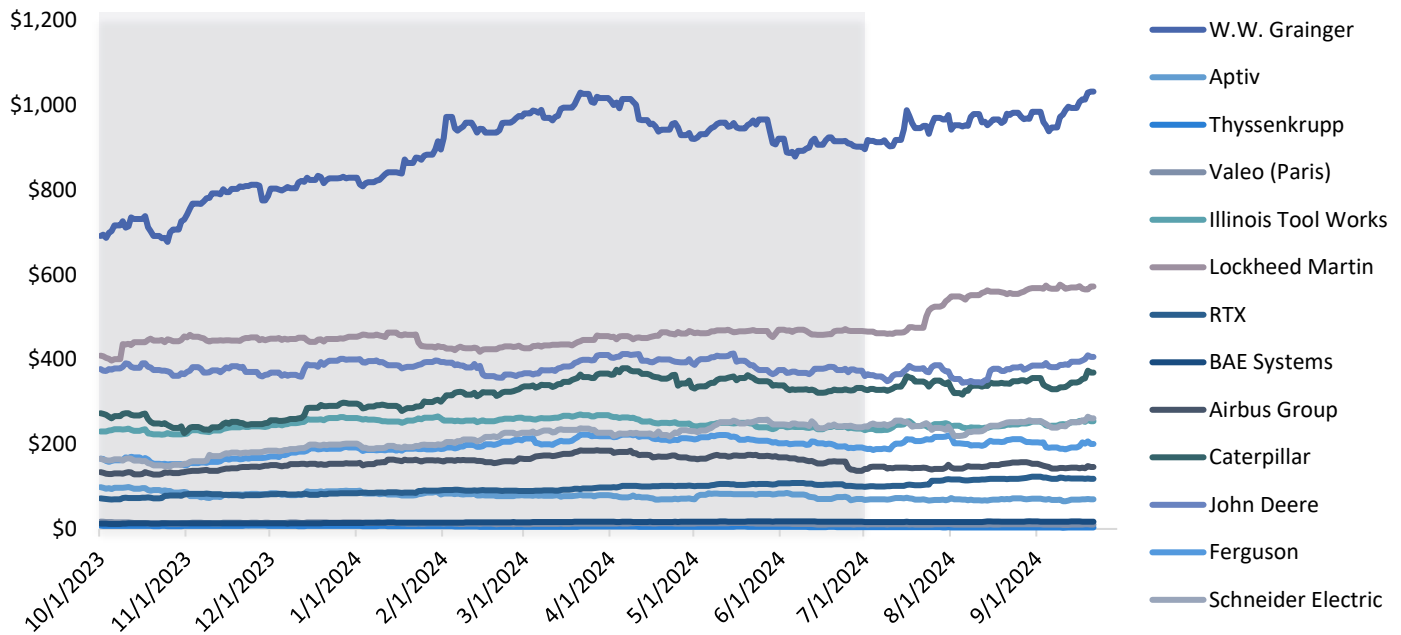


# Largest Deals (Disclosed)

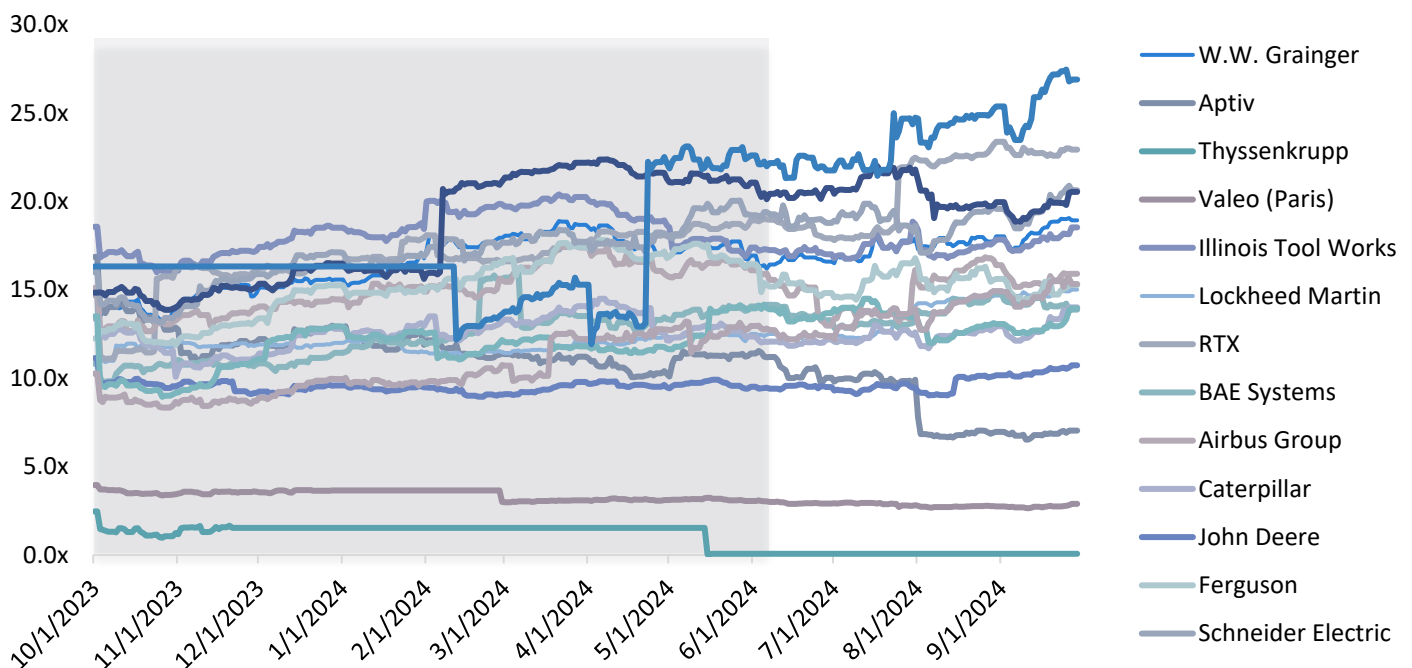
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
16-Sep-2024	Bollegraaf Recycling Solutions	Summa Equity	Buyout/LBO	\$ 255.1			Manufacturer of turnkey recycling systems.
12-Sep-2024	kSARIA	ITT	Merger/Acquisition	475.0			Manufacturer and supplier of mission-critical aerospace and defense connectivity products.
05-Sep-2024	Mott	IDEX	Merger/Acquisition	1,000.0	5.00x		Manufacturer of filtration and flow control products.
04-Sep-2024	CAES	Honeywell	Merger/Acquisition	1,925.0			Manufacturer of advanced electronics to support critical missions in the aerospace and defense industry.
26-Aug-2024	Applied Avionics	Loar Group	Merger/Acquisition	385.0	9.63x	18.33x	Manufacturer of highly engineered avionics interface solutions.
16-Aug-2024	BlackSignal	Parsons	Merger/Acquisition	200.0			Developer and operator of a commercial satellite constellation intended to identify and geolocate a broad set of RF signals.
08-Aug-2024	Johnson Controls International (HVAC Division)	Bosch	Merger/Acquisition	8,100.0			Distributor of heating, ventilating and air conditioning products.
02-Aug-2024	Purmo Group	Apollo Global Management	Buyout/LBO	425.7	0.43x	7.96x	Provider of sustainable indoor climate comfort solutions in Europe.
31-Jul-2024	Raptor Scientific	TransDigm Group	Merger/Acquisition	700.0	7.78x		Manufacturer of engineering, testing, and measurement products intended for aerospace, defense, space markets.
31-Jul-2024	Lumileds	First Brands Group	Merger/Acquisition	238.0			Developer and manufacturer of a range of LED products, primarily for the automotive end-market.
25-Jul-2024	AGCO	American Industrial Partners	Buyout/LBO	700.0			Manufacturer of poultry processing equipment and machinery.
22-Jul-2024	Panasonic	ORIX Corporation	Merger/Acquisition	626.6			Manufacturer of projectors based in Osaka, Japan.
22-Jul-2024	Marshall Excelsior Company	OPW	Merger/Acquisition	395.0			Manufacturer of liquefied petroleum gas and liquefied anhydrous ammonia equipment.
19-Jul-2024	Chongqing Seres	Chongqing Sokon Industry Group	Merger/Acquisition	172.7			Developer of electric vehicle parts, testing technology, and EV charging technology.
16-Jul-2024	LinQuest	KBR	Merger/Acquisition	737.0			Manufacturer of surveillance and reconnaissance technology products intended to serve defense and intelligence.
09-Jul-2024	Elsewedy Electric	Electra Investment Holding	PIPE	449.1			Manufacturer of cables, construction equipment, and electrical products and accessories.
02-Jul-2024	Arqus	John Cockerill	Merger/Acquisition	322.7	1.07x	35.63x	Manufacturer of armed defense range vehicles primarily serving the French army.
01-Jul-2024	Suzhou Precision Machining Technology Company	Sandvik	Merger/Acquisition	203.4	2.95x		Manufacturer of precision metalworking tools.
Mean				961.7	4.48x	20.64x	
Median				437.4	3.98x	18.33x	
High				8,100.0	9.63x	35.63x	
Low				172.7	0.43x	7.96x	

Target	Investor	Driver	Deal Synopsis
		Buyout/LBO	<p>The HVAC business division of Johnson Controls International was acquired by Bosch for \$8.1 billion in August 2024. The acquisition will expand Bosch’s end-market exposure to residential and small commercial applications, bolstering its Bosch Home Comfort division. Additionally, it will enhance Bosch’s presence in both the United States and Asia.</p>
		Merger/ Acquisition	<p>CAES, a Virginia-based manufacturer of advanced electronics supporting the aerospace and defense industry, was acquired by Honeywell for \$1.9 billion in September 2024. The acquisition enhances Honeywell's defense technology solutions across land, sea, air and space, including electromagnetic defense solutions for end-to-end radio frequency signal management.</p>
		Merger/ Acquisition	<p>Mott, a Connecticut-based manufacturer of filtration and flow control products, was acquired by IDEX for \$1.0 billion in September 2024. The acquisition helps IDEX scale its suite of material science technology capabilities and enhances its ability to deliver customized, and highly technical micro-precision solutions.</p>
		Merger/ Acquisition	<p>LinQuest, a Washington, D.C.-based manufacturer of surveillance and reconnaissance technology for the defense and intelligence communities, was acquired by KBR for \$737.0 million in July 2024. This acquisitions expands KBR’s position in high-end, technical surveillance products across space, air dominance, and battlespace missions.</p>

## Stock Price

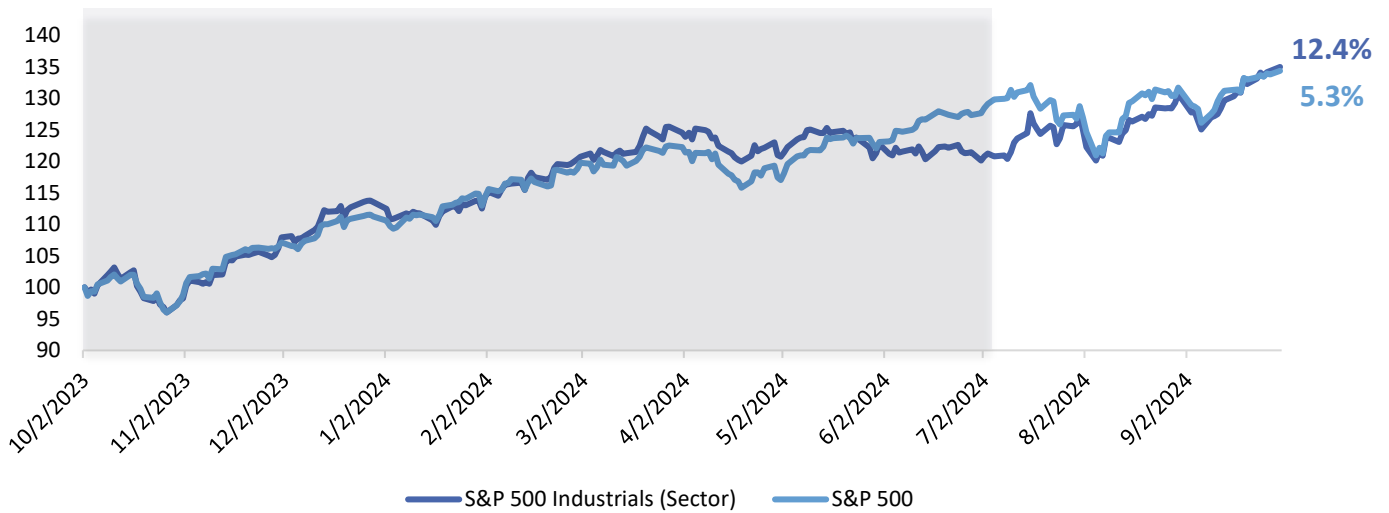


## EV/EBITDA



## Index Performance

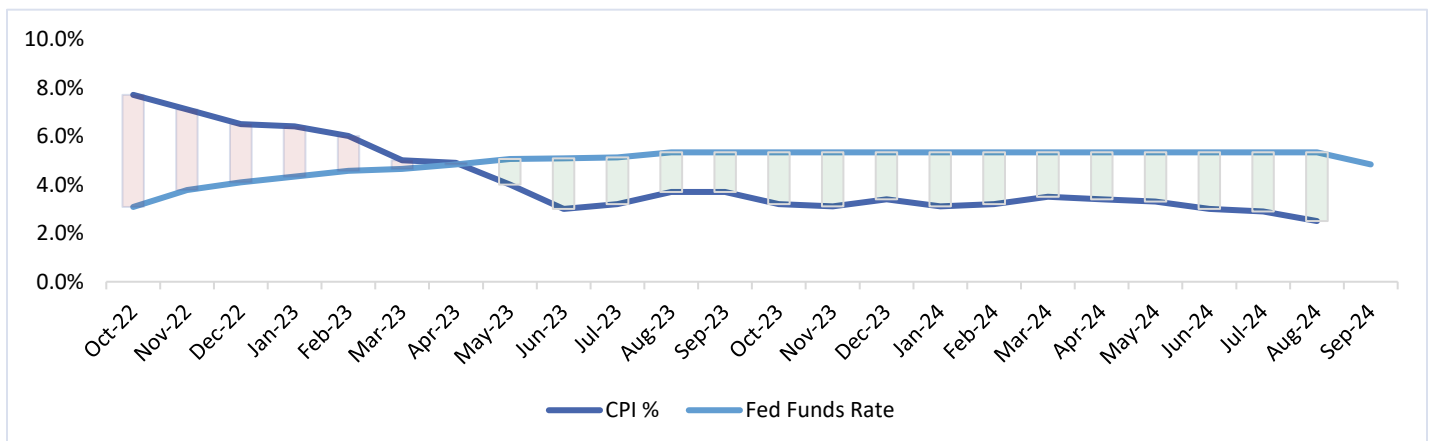
In Q3, the S&P 500 Industrials Index increased by 12.4% and outperformed the S&P 500, which increased by 5.3% over the same period.



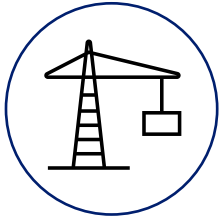
## Key External Drivers

Overall, the Industrials industry tends to be less volatile in the broader economy than other industries. This stability is due to essential services consistently being in demand and long-term contracts providing steady revenue. Additionally, high capital requirements create barriers to entry, reducing competition and market fluctuations.

The Federal Reserve implemented its first interest rate cut in more than four years following a mid-September meeting, lowering the federal funds rate by 0.50%. This marks the start of what many economists predict will be a series of cuts over the next 1-2 years. The decision comes after a year of holding rates steady in the 5.25% to 5.50% range, following 11 rate hikes between March 2022 and July 2023 aimed at combating record inflation. With inflation now closer to the Fed’s 2% target, many experts anticipate further rate cuts through 2025. This move could ease borrowing costs, potentially narrowing the gap between seller expectations and buyer offers in M&A transactions, which may lead to increased deal volume.



## *Emerging trends in the Industrials sector:*



### **Supply Chain Resilience**

#### *Building Resilient Supply Chains*

Industrial companies are increasingly focusing on enhancing the resilience of their supply chains in response to recent global disruptions. This includes diversifying their supplier base, increasing local sourcing, and investing in supply chain technologies to mitigate risks and ensure continuity. By strengthening their supply chains, companies aim to better manage uncertainties and maintain operational stability.



### **Energy Transition**

#### *Transition to Cleaner Energy and Decarbonization Efforts*

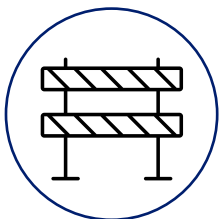
Industrial companies are increasingly investing in low-carbon technologies and green energy to align with global decarbonization goals. This includes adopting hydrogen-based fuels, carbon capture technologies, and integrating renewable energy sources into manufacturing processes to reduce their environmental footprint.



### **Labor Shortages**

#### *Worker Shortages Continue*

Like many other industries, the Industrials sector has dealt with difficulty in finding qualified and willing workers to fill positions. In 2023, there was a shortage of over half a million workers in the industrial services industry, and the trend has continued into 2024. The importance in retaining current employees has increased, possibly implying pay raises, bonuses, time off, and more benefits to incentivize people to stay.



### **Infrastructure**

#### *Focus on Infrastructure Modernization*

Significant public and private investments are being directed toward infrastructure modernization, particularly in areas like transportation, energy grids, and water systems. Industrial companies that specialize in heavy machinery, construction materials, and engineering services are poised to benefit from these large-scale projects.



## Proven, Professional, Principled.

Investment Bankers for the Middle Market

### About

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 280 transactions in a variety of industries including Industrials, Industrials, Packaging, Business Services, Transportation & Logistics, Healthcare and Software/Tech-Enabled Services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

### Our Clients

**\$10 - 250MM**  
Revenue

**\$2 - 20MM**  
EBITDA

**Middle Market**  
Privately Owned

### Industries Served



**Food &  
Consumer**



**Healthcare**



**Plastics &  
Packaging**



**Industrials**



**T&L**



**Tech-Enabled  
Services**





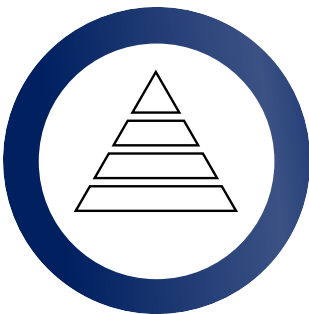
## **Sell-Side Advisory: Sell your business**

Sell your business for the highest price and for the best terms. At R.L Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



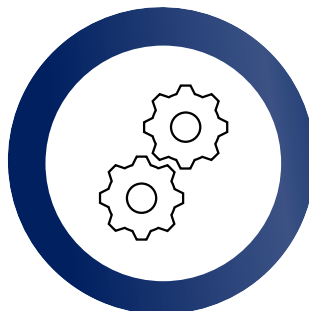
## **Buy-Side Advisory: Buy a business**

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



## **Capital Raise: Gain financial support**

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



## **Restructuring: reorganization of your business**

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Below are two recent transactions facilitated by R.L. Hulett, showcasing our expertise in the Industrials Industry. Each transaction exemplifies our commitment to delivering exceptional value and strategic growth for our clients.



have been acquired by




a portfolio company of



**The Seller:** Based in St. Louis, Missouri and Hong Kong with additional warehouse locations in California and Virginia, Team Three is a leading global distributor of paper, packaging and disposable plastic products to the foodservice industry. Co-founded by Bob Hubbard and Roy Van in 2009 to create a global platform for companies seeking to expand their sourcing options, Team Three has organically grown revenue and income every year since inception and was awarded a global sourcing role with one of the largest foodservice distributors in the U.S.


**The Buyer:** Headquartered in Exton, PA, AmerCareRoyal (“ACR”) is a single stream resource for over 6,000 disposable products used in the foodservice, janitorial, sanitation, industrial, hospitality and medical industries. With multiple shipping points across North America, ACR’s family of companies service national level customers with outstanding customer service and an ever-growing product line.

**Transaction Rationale:** With the acquisition of Team Three, ACR’s revenue now exceeds the billion-dollar mark, and positions them as a leader in their market while also creating a better value proposition for customers.



has been acquired by

**Environmental  
Restoration Employee  
Stock Ownership Plan**



**The Seller:** Founded in St. Louis, Missouri in 1997, ER has grown to be the leading national provider of environmental emergency response and remediation services to the USEPA with coverage spanning over 43 states. Additionally, ER provides emergency remediation and rapid response services to the U.S. Army Corps of Engineers as well as a number of commercial and industrial customers. Several members of the ER ownership group were seeking liquidity and retirement and this ESOP transaction enabled these owners to monetize their investment but also afford the employees with a way to become owners themselves and help secure the long-term continuity of the business.

**Transaction Rationale:** In this transaction, RLH advised the Seller and facilitated the transaction process by helping ownership evaluate strategic alternatives from a sale/control buyout standpoint. This enabled ER ownership to compare transaction dynamics and economics of a sale/control buyout with an ESOP alternative. RLH assisted ButcherJoseph in the ESOP transaction process by sharing marketing materials, financial models and insights gained in the sale process.



Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Below are several relevant transactions in the Industrials sector. Please note that this list is not comprehensive.



**FEDERAL STEEL SUPPLY, INC.**

has sold substantially all of its assets to



**VSA CAPITAL**



**U.S. MINERALS**

has sold substantially all of its assets to

**MERIT**  
CAPITAL  
PARTNERS



**TRILOGY WAREHOUSE PARTNERS**

has partnered with




**REFRIG WAREHOUSE**

a portfolio company of




**tilia**




**CLASSIC-EQUINE  
EQUIPMENT**

has been acquired by



**MORTON BUILDINGS®**



**EPIC**

has sold substantially all of its assets to



**COMPASS GROUP**  
Equity Partners



**RENARD PAPER COMPANY INC.**  
A Solutions Company

has been acquired by



**HP Products**  
excellence in distribution





**R. Trevor Hulett, CPA**  
Managing Director  
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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



**Robert L. Hulett**  
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.



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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.



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Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree in Finance from The Freeman School of Business, Tulane University. Prior to joining the firm, Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



**Charlie Meier**  
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Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



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Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.



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***Trusted Advisors. Tenacious Advocates.***

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