



MANUFACTURING SECTOR

SUMMARY REPORT

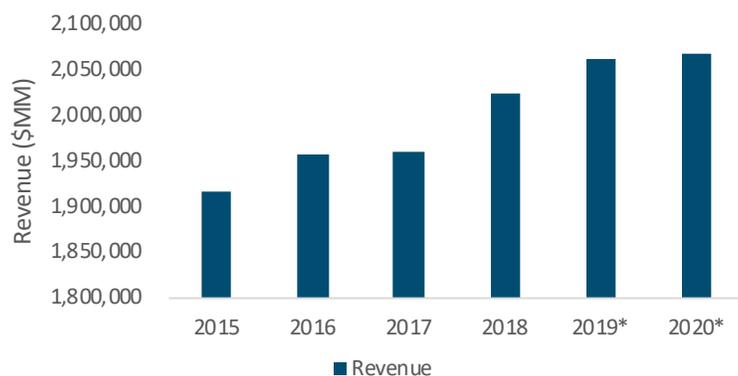
2019 - 2nd QUARTER

MANUFACTURING MARKET OVERVIEW

- Demand for manufacturing services is tied to several factors, including commodity prices, policy decisions, the value of the dollar and output capacity, therefore negative performance led by one factor is often set by upward performance in another.
- Over the last year, while economic growth advances, manufactures have been met with diminished sector performance, particularly led by a slump in export demand, the largest indicator of output needs for US manufacturers. The appreciated dollar, making US products costlier to foreign buyers, has weakened US exports while highlighting the downfalls of outsourcing deemed labor-efficient production abroad.
- Lower commodity prices, in both steel and oil, have caused commodity-driven economies to decrease their amount of US imports, and consequentially reduced US demand throughout the supply chain as the value of products sold is limited through reduced prices.
- Recent trade tensions and tariffs in countries such as China have caused manufacturers to adjust output projections as they work to combat current looming trade conditions.
- Despite expectations of decreased performance in the near term, the industry is forecasted to return to growth over the next five years, reaching \$6.6 trillion in projected revenue by 2023, as demand growth increases both domestically and internationally, trade tensions ease, and commodity prices strengthen.
- Robust deal results in 2019 have indicated that these disruptive factors have not hindered buyer's confidence in the industry's growth trends, with North America taking the highest share in deal value.
- As the US reaches its 10th year of economic expansion, corporations have continued to strength their balance sheets, investment fund sizes and dry powder have reached record levels, and debt remains relatively inexpensive, providing favorable conditions for investors to capitalize on the opportunities available in the current marketplace.

RCO Research, IBISWorld, PwC.

Industry Revenue



**Indicates forecasted industry revenue. IBISWorld.*

Avg. Industry Financial Performance

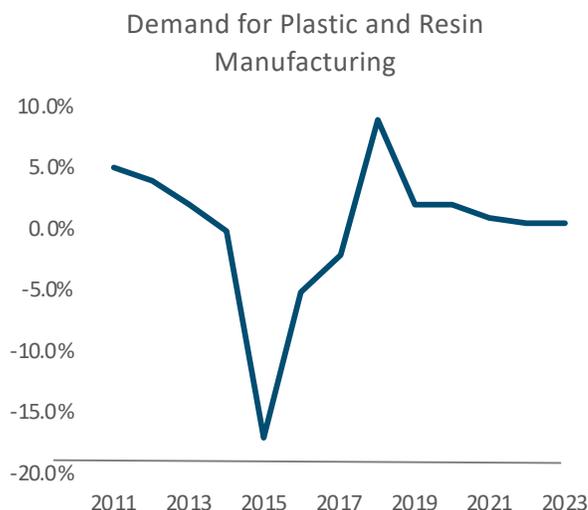
TEV (\$MM)	Revenues (\$MM)	EBITDA %
10-25	19.4	18.8%
25-50	36.8	20.2%
50-100	57.5	20.8%
100-250	123.9	19.6%
Average	59.4	19.9%

GF Data® 2012 through May 2019.

FEATURED SEGMENT: PLASTIC & RESIN MANUFACTURING



- Benefiting from increases in manufacturing and construction activity, an indicator of downstream market demand, the plastics and resin manufacturing industry has experienced significant growth.
- As demand for homes and consumer goods has increased and feedstock costs have been reduced, the need for plastics and rubbers, produced by petrochemicals such as styrene, has been on the rise over the past five years.
- Petrochemical manufacturers supply styrene, a product later manufactured into polystyrene foam, used to produce products such as insulation, cups, plates, as well as other housing products.
- Polystyrene foam manufacturers have seen a rise in sales from the housing industry, thereby driving demand for petrochemicals.



IBISWorld, May 2019.

North America Deal Count & Average Valuations –Middle Market (up to \$250MM)



PitchBook data through June 30, 2019.

- Companies in the North American middle market manufacturing industry have experienced a total capital investment of \$15.66 billion through YTD June 2019, with the majority of deals occurring in California Texas and east coast.
- Through YTD 2Q 2019, the industry has announced 216 transactions, slightly down when compared over the same period in 2018. While economic trade tensions have caused disruptions or slowdowns to deal activity through Q2, total deal values have reached peak values compared to the last three quarters.
- As disputable economic conditions subside throughout the later half of the year and despite the already witnessed robust M&A activity throughout the second quarter, growth trends in M&A activity should advance. Manufacturers continuing to invest in greater efficiencies and technologies, coupled with rising dry powder and cash availability from investors, has caused manufacturing to remain a highly anticipated market for strategic and financial buyers.

TEV/EBITDA Multiples

TEV (\$MM)	Waste Management & Remediation Services
10-25	5.8x
25-50	6.1x
50-100	7.3x
100-250	7.7x
Average	6.7x

PitchBook data through June 30, 2019.

GF Data® 2012 through May 2019.



FEATURED MANUFACTURING TRANSACTIONS



On June 24, 2019, Alleghany Capital Corporation, a subsidiary of Alleghany Corporation, announced the acquisition of Coastal Industrial Distributors, dba, CID Performance Tooling, to create holding company, Precision Cutting Tools.

Acquired by

Alleghany Capital

CID is a manufacturer of solid carbide mills and coating services, offering tools to manufacturers in the defense, medical, aerospace and power generation industries. The Company will join two other operating businesses under the Precision Cutting Tools holding company in addressing growing tooling service needs.

Financial terms of the agreement were not disclosed.¹

On June 24, 2019, Watermill Group, a private investment firm, announced the add-on acquisition of Pierce industries by one of its portfolio companies, Enbi Group.



Acquired by



Through

Watermill Group

Pierce Industries, a manufacturer of industrial rollers designed to reduce production time and material costs, also provides welding, CNC machining, and coating services to companies in various industries, including aerospace, transportation, packaging and printing. The company will join Enbi, a manufacturer of rollers and insulation, a strategic acquisition that will aid in the expansion of Enbi's services and customer base.

Financial terms of the agreement were not disclosed.²



Acquired by



Through



On June 21, 2019, Wind Point Partners, a Chicago-based private equity group, announced the add-on acquisition of Milliken Infrastructure Solutions by its portfolio company, ClockSpring | NRI.

Milliken Infrastructure is an industrial manufacturer, providing repair products for the construction and maintenance of infrastructure, and holds additional interests in chemicals, textile materials and healthcare. The Company will join manufacturing firm ClockSpring | NRI, specializing in the maintenance, rehab and construction of pipelines, distribution lines and other civil structures.

Financial terms of the agreement were not disclosed.³

1. Transaction Press Release, dated June 24, 2019. <https://www.prnewswire.com/news-releases/alleghany-capital-corporation-announces-formation-of-precision-cutting-technologies-and-acquisition-of-cid-performance-tooling-300873260.html>
2. Transaction Press Release, dated June 24, 2019. <https://www.businesswire.com/news/home/20190624005396/en/Watermill%E2%80%99s-Enbi-Group-Announces-Add-On-Acquisition-Pierce>
3. Transaction Press Release, dated June 21, 2019. <https://www.prnewswire.com/news-releases/clockspringnri-adds-milliken-infrastructure-solutions-to-its-portfolio-300871765.html>

ROMANCHUK & CO. FIRM CAPABILITIES



Romanchuk & Co. is a boutique investment banking firm providing mergers and acquisitions (M&A) advisory and financial consulting services to lower middle-market leaders within the diversified industrials sectors. We advise owners and investors of privately-held businesses on the preparation and sale of their company, assist them in identifying strategic

opportunities, and help them execute upon those strategies. We specialize in providing sell-side M&A advisory services to lower middle-market companies with revenues or enterprise values ranging from \$15 million to \$250 million. For more information, please visit www.romanchukco.com.

Recent Experience

Our most recently closed deals showcase our firm's unique ability to execute transactions across diversified sectors, while maximizing value for our clients in the middle market. Drawing on our collective experience and strengths, Romanchuk & Co. is focused on providing creative, impactful M&A strategies to our clients across the diversified industrials sector.



Industry Recognition



Romanchuk & Co. was selected as the Boutique Investment Banking Firm of the Year for 2018. Over 230 nominees, representing over 600 companies, became finalists for the awards. An independent judging committee of 29 top M&A industry experts determined the ultimate recipients of the awards.

In addition, Romanchuk & Co. was named a finalist in the following categories: Energy Deal of the Year, Industrials Deal of the Year (\$10MM-\$50MM), M&A Deal of the Year (\$10MM-\$25MM), and M&A Deal of the Year (\$50MM-\$75MM).

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